



**California Board of Accountancy**  
2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833

*phone:* (916) 263-3680    *fax:* (916) 263-3675    *web:* [www.cba.ca.gov](http://www.cba.ca.gov)



**CALIFORNIA BOARD OF ACCOUNTANCY  
PUBLIC MEETING NOTICE FOR THE CHAIR/VICE CHAIR TRAINING, CONSIDERATION  
OF THE CPA EXPERIENCE REQUIREMENTS TASKFORCE, LEGISLATIVE COMMITTEE,  
COMMITTEE ON PROFESSIONAL CONDUCT, ENFORCEMENT PROGRAM OVERSIGHT  
COMMITTEE, AND CALIFORNIA BOARD OF ACCOUNTANCY MEETINGS**

**California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680**

**Chair/Vice Chair Training  
Thursday, January 26, 2023, 9:00 a.m.**

**Consideration of the CPA Experience Requirements Taskforce  
Thursday, January 26, 2023, 10:00 a.m.  
Or upon adjournment of the Chair/Vice Chair Training**

**Legislative Committee Meeting  
Thursday, January 26, 2023, 11:30 a.m.  
Or Upon Adjournment of the Consideration of the CPA Experience Requirements  
Taskforce Meeting**

**Committee on Professional Conduct Meeting  
Thursday, January 26, 2023, 12:00 p.m.  
Or Upon Adjournment of the Legislative Committee Meeting**

**California Board of Accountancy Meeting  
Thursday, January 26, 2023, 1:30 p.m.  
Or Upon Adjournment of the Committee on Professional Conduct Meeting**

**Enforcement Program Oversight Committee Meeting  
Friday, January 27, 2023, 9:00 a.m.**

**California Board of Accountancy Meeting  
Friday, January 27, 2023, 9:30 a.m. until adjournment**

The California Board of Accountancy will hold a public meeting via in-person and WebEx pursuant to the provisions of Government Code section 11133.

Enclosed for your information is a copy of the agendas for the Chair/Vice Chair Training, Consideration of the CPA Experience Requirements Taskforce, Legislative Committee, Committee on Professional Conduct, Enforcement Program Oversight Committee, and California Board of Accountancy meetings on January 26-27, 2023.

## **CBA Meeting January 26-27, 2023**

Page 2 of 3

The Chair/Vice Chair training, committee, and California Board of Accountancy meetings will commence at 9:00 a.m. or later. The order, start times, or both, of the Chair/Vice Chair Training, committee meetings, and the California Board of Accountancy meeting are subject to change without notice. Agenda items may be discussed and action taken out of order at the discretion of the California Board of Accountancy President or Committee Chair for convenience, to accommodate speakers, or to maintain a quorum. Identified presenters are subject to change.

### **INSTRUCTIONS FOR PARTICIPATING VIRTUALLY:**

If joining the Thursday, January 26, 2023 meetings and training by computer:

Event address for attendees: <https://dca-meetings.webex.com/dca-meetings/j.php?MTID=mcc35941c13358f5873487bd0523d6f6a>

#### *If joining using the link above*

Webinar number: 2487 800 0011

Webinar password: CBA01262023

#### *If joining by phone*

+1-415-655-0001 US Toll

Access code: 248 780 00011

Passcode: 22201262

If joining the Friday, January 27, 2023 meetings by computer:

Event address for attendees: <https://dca-meetings.webex.com/dca-meetings/j.php?MTID=m007555f95451f9fb7e0f26a768acc364>

#### *If joining using the link above*

Webinar number: 2480 226 0896

Webinar password: CBA01272023

#### *If joining by phone*

+1-415-655-0001 US Toll

Access code: 248 022 60896

Passcode: 22201272

Instructions on how to observe and participate in the meeting using the WebEx platform can be found on the California Board of Accountancy's [website](#).

Members of the public may, but are not obligated to, provide their names or personal information as a condition of observing or participating in the meeting. When signing into the WebEx platform, participants may be asked for their name and email address. Participants who choose not to provide their names will be required to provide a unique identifier, such as their initials or another alternative, so that the meeting moderator can identify individuals who wish to make a public comment. Participants who choose not to provide their email address may utilize a fictitious email address in the following sample format: [XXXXX@mailinator.com](mailto:XXXXX@mailinator.com).

## CBA Meeting January 26-27, 2023

Page 3 of 3

Public comments will be limited to five minutes per person unless, in the discretion of the California Board of Accountancy President or Committee Chair, circumstances require a shorter period. Members of the public will not be permitted to "yield" their allotted time to other members of the public to make comments.

Click [here](#) for information on how to interact and participate during a public meeting.

The meetings are accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Rebecca Reed at (916) 561-1716, or email [rebecca.reed@cba.ca.gov](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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**DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY**

**CHAIR/VICE CHAIR TRAINING AGENDA**

**California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680**

**Thursday, January 26, 2023  
9:00 a.m. until adjournment**

**Important Notice to the Public**

All times indicated, other than those identified as “time certain,” are approximate and subject to change. **Action may be taken on any item on the agenda.** Agenda items may be discussed and action taken out of order at the discretion of the California Board of Accountancy President for convenience, to accommodate speakers, or to maintain a quorum. For example, agenda items scheduled for a particular day may be moved to another day. Identified presenters are subject to change. The meeting may be canceled without notice. For verification of the meeting, call (916) 263-3680 or access the California Board of Accountancy’s [website](#).

- I. Welcome and Introduction (**Katrina L. Salazar, CPA, President**).
- II. Overview of Role and Expectations for Committee Members, Chairs, and Vice Chairs of a CBA Committee (**Katrina L. Salazar, CPA**).
- III. Presentation Regarding Conducting a Meeting in Accordance with the Bagley-Keene Open Meeting Act (**Helen Geoffroy, Department of Consumer Affairs, Attorney III**).
  - A. Need to Establish and Maintain a Quorum.
  - B. Adequate Notice of Meetings and Agenda Items.

- C. General Rules for Conducting Meetings in Open and Closed Session.
  - D. Facilitating Discussion on Agenda Items and Avoiding a Discussion on Items Not on the Agenda.
  - E. How to Call for a Motion or the Vote and How to Address a Tie Vote.
  - F. Requirement for Reporting Action Taken and the Vote or Abstention of Each Member.
  - G. Requirement to Take Public Comment Before a Vote and Include Public Comment on Agenda.
  - H. How to Deal with Disruptive Persons at a Meeting.
- IV. CBA Staff Roles and Responsibilities Which Support CBA and Committee Members and Meetings (**Dominic Franzella, Acting Executive Officer**).
- V. Comments/Questions.



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**CALIFORNIA BOARD OF ACCOUNTANCY  
 CONSIDERATION OF THE CPA EXPERIENCE REQUIREMENTS TASKFORCE**

**MEETING AGENDA**

**Thursday, January 26, 2023, 10:00 a.m.  
 Or upon adjournment of the Chair/Vice Chair Training**

**California Board of Accountancy  
 2450 Venture Oaks Way, Suite 420  
 Sacramento, CA 95833  
 Telephone: (916) 263-3680**

**Important Notice to the Public**

All times indicated, other than those identified as “time certain,” are approximate and subject to change. **Action may be taken on any item on the agenda.** Agenda items may be discussed and action taken out of order at the discretion of the Chair of the Consideration of the CPA Experience Requirements Taskforce for convenience, to accommodate speakers, or to maintain a quorum. Identified presenters are subject to change. The meeting may be canceled without notice. For verification of the meeting, call (916) 263-3680 or access the California Board of Accountancy’s [website](#).

**Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Nancy J. Corrigan, CPA, Chair).**

<b><u>Agenda Item</u></b>	<b><u>CBA Item #</u></b>
I. Public Comments for Items not on the Agenda.*	
II. Approve Minutes of the September 15, 2022 Consideration of the CPA Experience Requirements Taskforce Meeting.	XIII.B
III. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Whether the Present Attest Experience Requirement is Sufficient to Support the California Board of Accountancy Mission to Protect Consumers by Ensuring Only Qualified Licensees Practice Public Accountancy in Accordance With Professional Standards (Michelle Center, Licensing Chief).	XV.A.2.

<u>Agenda Item</u>	<u>CBA Item #</u>
IV. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Accounting Firms Ability to Provide Attest Services When the Firm Owners Do Not Have the Authority to Sign Reports on Attest Engagements ( <b>Dominic Franzella, Acting Executive Officer</b> ).	XV.A.3.
V. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding How Licensees Who are Accounting Firm Owners Obtain Experience to Convert to a License with the Authority to Sign Reports on Attest Engagements ( <b>Michelle Center, Licensing Chief</b> ).	XV.A.4.
VI. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Reciprocity Issued Under Business and Professions Code Section 5087 ( <b>Michelle Center, Licensing Chief</b> ).	XV.A.5.
VII. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Options for Addressing Possible Consumer Confusion Between CPA Licensees Who Maintain Licensees With or Without the Authority to Sign Reports on Attest Engagements ( <b>Kari O'Connor, Deputy Enforcement Chief</b> ).	XV.A.6.
VIII. Agenda Items for Future Consideration of the CPA Experience Requirements Taskforce Meetings.	

Adjournment.

In accordance with the Bagley-Keene Open Meeting Act, all meetings of the California Board of Accountancy are open to the public. While the California Board of Accountancy intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources or technical difficulties.

\*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the Consideration of the CPA Experience Requirements Taskforce prior to the Consideration of the CPA Experience Requirements Taskforce taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Consideration of the CPA Experience Requirements Taskforce, but the Consideration of the CPA Experience Requirements Taskforce Chair may, at their discretion, apportion available time among those who wish to speak. Individuals may appear before the Consideration of the CPA Experience Requirements Taskforce to discuss items not on the agenda; however, the Consideration of the Certified Public Accountant Experience Requirements Taskforce can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).

California Board of Accountancy members who are not members of Consideration of the CPA Experience Requirements Taskforce may be attending the meeting. However, if a majority of members of the full board are present at the Consideration of the CPA Experience Requirements Taskforce meeting, members who are not Consideration of the Certified Public Accountant Experience Requirements Taskforce members may attend the meeting only as observers.

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Rebecca Reed at (916) 561-1716, or email [rebecca.reed@cba.ca.gov](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Suite. 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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**CALIFORNIA BOARD OF ACCOUNTANCY  
 LEGISLATIVE COMMITTEE**

**MEETING AGENDA**

**Thursday, January 26, 2023, 11:30 a.m.  
 Or Upon the Adjournment of the  
 Consideration of the CPA Experience Requirements Taskforce**

**California Board of Accountancy  
 2450 Venture Oaks Way, Suite 420  
 Sacramento, CA 95833  
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**Important Notice to the Public**

All times indicated, other than those identified as “time certain,” are approximate and subject to change. **Action may be taken on any item on the agenda.** Agenda items may be discussed and action taken out of order at the discretion of the Legislative Committee Chair for convenience, to accommodate speakers, or to maintain a quorum. Identified presenters are subject to change. The meeting may be canceled without notice. For verification of the meeting, call (916) 263-3680 or access the California Board of Accountancy’s [website](#).

**Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks  
 (Joseph Rosenbaum, CPA).**

<b><u>Agenda Item</u></b>	<b><u>CBA Item #</u></b>
I. Public Comments for Items not on the Agenda.*	
II. Approve Minutes of the July 21, 2022 Legislative Committee Meeting.	XIII.C.
III. Overview of the California Legislative Process and the Legislative Committee’s Role ( <b>Deanne Pearce, Assistant Executive Officer</b> ).	XV.B.2.



**Agenda Item**

**CBA Item #**

IV. Discussion and Possible Action on Legislative Proposals for Inclusion in the 2023 Senate Committee on Business, Professions and Economic Development Committee Bill **(Deanne Pearce, Assistant Executive Officer)**.

XV.B.3.

V. Agenda Items for Next Meeting.

Adjournment.

In accordance with the Bagley-Keene Open Meeting Act, all meetings of the California Board of Accountancy are open to the public. While the California Board of Accountancy intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources or technical difficulties.

\*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the Legislative Committee prior to the Legislative Committee taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Legislative Committee, but the Legislative Committee Chair may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the Legislative Committee to discuss items not on the agenda; however, the Legislative Committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).

California Board of Accountancy members who are not members of Legislative Committee may be attending the meeting. However, if a majority of members of the full board are present at the Legislative Committee meeting, members who are not Legislative Committee members may attend the meeting only as observers.

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Rebecca Reed at (916) 561-1716, or email [rebecca.reed@cba.ca.gov](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Ste. 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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**CALIFORNIA BOARD OF ACCOUNTANCY  
 COMMITTEE ON PROFESSIONAL CONDUCT**

**MEETING AGENDA**

**Thursday, January 26, 2023, 12:00 p.m.  
 Or upon adjournment of the Legislative Committee Meeting**

**California Board of Accountancy  
 2450 Venture Oaks Way, Suite 420  
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**Important Notice to the Public**

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**Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks  
 (Kristian Latta, CPA, Chair).**

<b><u>Agenda Item</u></b>	<b><u>CBA Item #</u></b>
I. Public Comments for Items Not on the Agenda.*	
II. Approve Minutes of the September 22, 2022 Committee on Professional Conduct Meeting.	XIII.D.

**Agenda Item**

**CBA Item #**

III. Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document (**Sarah Benedict, Manager, Renewal and Continuing Competency Unit**).

XV.C.2.

V. Agenda Items for Next Meeting.

Adjournment.

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\*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the Committee on Professional Conduct prior to the Committee on Professional Conduct taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Committee on Professional Conduct, but the Committee on Professional Conduct Chair may, at their discretion, apportion available time among those who wish to speak. Individuals may appear before the Committee on Professional Conduct to discuss items not on the agenda; however, the Committee on Professional Conduct can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).

California Board of Accountancy members who are not members of the Committee on Professional Conduct may be attending the meeting. However, if a majority of members of the full board are present at the Committee on Professional Conduct meeting, members who are not Committee on Professional Conduct members may attend the meeting only as observers.

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Rebecca Reed at (916) 561-1716, or email [rebecca.reed@cba.ca.gov](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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**CALIFORNIA BOARD OF ACCOUNTANCY  
 ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE**

**MEETING AGENDA**

**Friday, January 27, 2023  
 9:30 a.m. until adjournment**

**California Board of Accountancy  
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**Important Notice to the Public**

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**Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks  
 (Yen C. Tu, Chair).**

<b><u>Agenda Item</u></b>	<b><u>CBA Item #</u></b>
I. Public Comments for Items not on the Agenda.*	
II. Approve Minutes of the November 17, 2022 Enforcement Program Oversight Committee Meeting.	XIII.E.
III. Revision Schedule for Regulatory Changes Associated with the Disciplinary Guidelines and Model Orders, California Code of Regulations, Title 16, Division 1, Section 98 (Kari O’Connor, Deputy Enforcement Chief).	XV.D.2.

**Agenda Item**

**CBA Item #**

- IV. Discussion and Feedback on Language Regarding the National Association of State Boards of Accountancy's The Center for the Public's Trust Ethics Leadership Training Being Incorporated into the Disciplinary Guidelines and Model Orders (**Kari O'Connor, Deputy Enforcement Chief**).
- V. Agenda Items for Next Meeting.
- VI. Adjournment.

XV.D.3.

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\*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the Enforcement Program Oversight Committee prior to the Enforcement Program Oversight Committee taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Enforcement Program Oversight Committee, but the Enforcement Program Oversight Committee Chair may, at their discretion, apportion available time among those who wish to speak. Individuals may appear before the Enforcement Program Oversight Committee to discuss items not on the agenda; however, the Enforcement Program Oversight Committee can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).

California Board of Accountancy members who are not members of the Enforcement Program Oversight Committee may be attending the meeting. However, if a majority of members of the full board are present at the Enforcement Program Oversight Committee meeting, members who are not Enforcement Program Oversight Committee members may attend the meeting only as observers.

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Rebecca Reed at (916) 561-1716, or email [rebecca.reed@cba.ca.gov](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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**DEPARTMENT OF CONSUMER AFFAIRS  
 CALIFORNIA BOARD OF ACCOUNTANCY**

**MEETING AGENDA**

**Thursday, January 26, 2023, 1:30 p.m.**

**Or upon adjournment of the Committee on Professional Conduct Meeting**

**Friday, January 27, 2023, 9:30 a.m.**

**Or upon adjournment of the Enforcement Program Oversight Committee Meeting**

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Thursday,  
 January 26, 2023

**Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Katrina L. Salazar, CPA, President).**

**Agenda Item**

**1:30 p.m.  
 Time Certain**

- I. Petition Hearings.
  - A. Michael Deutchman, CPA 99008 – Petition for Reinstatement of Revoked Certificate.
  - B. Steven Pybrum, CPA 31088 – Petition for Reinstatement of Revoked Certificate.

## **Agenda Item**

C. Drake Whitlock, CPA 63202 – Petition for Reduction of Penalty.

II. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy will Convene into Closed Session to Deliberate on the Petitions.

III. Closed Session: Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Convene into Closed Session to Receive Advice From Legal Counsel on Litigation.

A. *Lanfeng Zhao and ELZ Accountancy Corporation v. California Board of Accountancy*, Los Angeles Superior Court, Case No. 18STCP02951.

B. *Michael D. Robinson v. California Board of Accountancy*, San Francisco County Superior Court, Case No. CPF-19-516602.

IV. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene into Closed Session to Deliberate on Enforcement Matters.

Friday,  
January 27, 2023

### **Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Katrina L. Salazar, CPA, President).**

9:30 a.m. –  
9:35 a.m.

V. Public Comments for Items Not on the Agenda.\*

9:35 a.m. –  
10:15 a.m.

VI. Report of the President.

A. Report of the Leadership Roundtable Meeting Regarding California Board of Accountancy Activities for 2023.

B. Resolution for Retired California Board of Accountancy Member, Xochitl A. León.

C. Resolution for Retired California Board of Accountancy Member, Luz Molina Lopez.

D. Resolution for Retired California Board of Accountancy Member, Deidre Robinson.

E. Announcement of the New Committee and Liaison Assignments (**Written Report Only**).

F. An Educational Overview of the California Peer Review Program (**Michelle Center, Chief, Licensing Division**).

## Agenda Item

- G. Discussion and Possible Action Regarding the Peer Review Oversight Committee's Ability to Complete the Required Annual Administrative Site Visit (**Michelle Center, Chief, Licensing Division**).
  - H. Overview of the Sunset Review Process and Timeline for Presenting the Sunset Review Report to the California Board of Accountancy (**Deanne Pearce, Assistant Executive Officer**).
  - I. Department of Consumer Affairs Director's Report on Departmental Activities (**Representative, Department of Consumer Affairs**).
- 10:15 a.m. – 10:25 a.m.**
- VII. Report of the Vice President (**Yen C. Tu, Vice President**).
    - A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.
    - B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.
    - C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.
- 10:25 a.m. – 10:40 a.m.**
- Morning Break.
- 10:40 a.m. – 11:30 a.m.**
- VIII. Report of the Secretary/Treasurer (**Joseph Rosenbaum, CPA, Secretary/Treasurer**).
    - A. Discussion of the Fiscal Year 2022-23 First Quarter Financial Report.
    - B. California Board of Accountancy Fee Analysis.
      - 1. Overview of the Need and Activities Completed for the California Board of Accountancy Fee Analysis (**Deanne Pearce, Assistant Executive Officer**).
      - 2. Presentation of the California Board of Accountancy's Fee Analysis Conducted by the Department of Consumer Affairs Budget Office (**Matt Nishimine, Budget Manager**).



## Agenda Item

3. Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees (**Deanne Pearce, Assistant Executive Officer**).

11:30 a.m. –  
12:00 p.m.

- IX. Report of the Executive Officer (**Dominic Franzella, Acting Executive Officer**).
  - A. Review and Approval of Proposed Changes to the California Board of Accountancy Member Guidelines and Procedures Manual (**Deanne Pearce, Assistant Executive Officer**).
  - B. Report of the Administration Division (**Deanne Pearce, Assistant Executive Officer**).
  - C. Update on the California Board of Accountancy’s Communications and Outreach (**David Hemphill, Information and Planning Analyst**).
  - D. Discussion and Possible Action Regarding the California Board of Accountancy 2023 Communications and Outreach Plan (**Deanne Pearce, Assistant Executive Officer**).

12:00 p.m. –  
1:00 p.m.

Lunch Break.

1:00 p.m. –  
1:10 p.m.

- X. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.
  - A. Enforcement Advisory Committee (**Doug Aguilera, CPA, Chair**).

There is no report on this agenda item.
  - B. Qualifications Committee (**Michael L. Williams, CPA, Chair**).

There is no report on this agenda item.
  - C. Peer Review Oversight Committee (**Laura L. Ross, CPA, Chair**).
    1. Report of the December 9, 2022 Peer Review Oversight Committee Meeting.

1:10 p.m. –  
1:25 p.m.

- XI. Report of the Enforcement Chief (**Kari O’Connor, Deputy Chief, Enforcement Division**).

## Agenda Item

A. Enforcement Activity Report.

1:25 p.m. –  
2:00 p.m.

XII. Report of the Licensing Chief (**Michelle Center, Chief, Licensing Division**).

A. Licensing Activity Report (**Sarah Benedict, Manager, Renewal and Continuing Competency Unit**).

2:00 p.m. -  
2:10 p.m.

XIII. Meeting Minutes (**Katrina L. Salazar, CPA, President**).

A. Adoption of the Minutes of the November 17, 2022 California Board of Accountancy Meeting.

B. Acceptance of the Minutes of the September 15, 2022 Consideration of the CPA Experience Requirements Taskforce Meeting.

C. Acceptance of the Minutes of the July 21, 2022 Legislative Committee Meeting.

D. Acceptance of the September 22, 2022 Committee on Professional Conduct Meeting.

E. Acceptance of the November 17, 2022 Enforcement Program Oversight Committee Meeting.

F. Acceptance of the Minutes of the May 13, 2022 Peer Review Oversight Committee Meeting.

G. Acceptance of the Minutes of the August 12, 2022 Peer Review Oversight Committee Meeting.

2:10 p.m. –  
2:20 p.m.

XIV. Other Business.

A. American Institute of Certified Public Accountants.

1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

a. Board of Examiners (**Katrina L. Salazar, CPA**).

b. State Board Committee (**Katrina L. Salazar, CPA**).

## **Agenda Item**

### B. National Association of State Boards of Accountancy.

1. Report of the National Association of State Boards of Accountancy Director-at-Large (**Katrina L. Salazar, CPA**).
2. Report of the National Association of State Boards of Accountancy Pacific Regional Director (**Nancy J. Corrigan, CPA**).
3. Report on Activities of Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member.
  - a. Education Committee (**Nancy J. Corrigan, CPA, Chair**).
  - b. Relations With Member Boards Committee (**Nancy J. Corrigan, CPA**).
  - c. Communications Committee (**Yen C. Tu**).
  - d. Diversity Committee (**Katrina L. Salazar, CPA, Chair**).
  - e. Nominating Committee (**Michael M. Savoy, CPA**).

2:20 p.m. –  
2:55 p.m.

### XV. Report on the Consideration of the CPA Experience Requirements Taskforce, Legislative Committee, Committee on Professional Conduct, and Enforcement Program Oversight Committee.

#### A. Consideration of the CPA Experience Requirements Taskforce (**Nancy J. Corrigan, CPA, Chair**).

1. Report of the January 26, 2023 Consideration of the CPA Experience Requirements Taskforce Meeting.
2. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Whether the Present Attest Experience Requirement is Sufficient to Support the California Board of Accountancy Mission to Protect Consumers by Ensuring Only Qualified Licensees Practice Public Accountancy in Accordance With Professional Standards.
3. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Accounting Firms Ability to Provide Attest Services When the Firm Owners Do Not Have the Authority to Sign Reports on Attest Engagements.

## **Agenda Item**

4. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding How Licensees Who are Accounting Firm Owners Obtain Experience to Convert to a License with the Authority to Sign Reports on Attest Engagements.
  5. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Reciprocity Issued Under Business and Professions Code Section 5087.
  6. Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Options for Addressing Possible Consumer Confusion Between CPA Licensees Who Maintain Licensees With or Without the Authority to Sign Reports on Attest Engagements.
- B. Legislative Committee (**Joseph Rosenbaum, CPA, Chair**).
1. Report of the January 26, 2023 Legislative Committee Meeting.
  2. Overview of the California Legislative Process and the Legislative Committee's Role.
  3. Discussion and Possible Action on Legislative Proposals for Inclusion in the 2023 Senate Committee on Business, Professions and Economic Development Committee Bill.
- C. Committee on Professional Conduct (**Kristian Latta, CPA, Chair**).
1. Report of the January 26, 2023 Committee on Professional Conduct Meeting.
  2. Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document.
- D. Enforcement Program Oversight Committee (**Yen C. Tu, Chair**).
1. Report of the January 27, 2023 Enforcement Program Oversight Committee Meeting.
  2. Revision Schedule for Regulatory Changes Associated with the Disciplinary Guidelines and Model Orders, California Code of Regulations, Title 16, Division 1, Section 98.

## Agenda Item

3. Discussion and Feedback on Language Regarding the National Association of State Boards of Accountancy's The Center for the Public's Trust Ethics Leadership Training Being Incorporated into the Disciplinary Guidelines and Model Orders.

**2:55 p.m. –** XVI. Closing Business (**Katrina L. Salazar, CPA, President**).  
**3:00 p.m.**

- A. Agenda Items for Future California Board of Accountancy Meetings.

Adjournment.

In accordance with the Bagley-Keene Open Meeting Act, all meetings of the California Board of Accountancy are open to the public. While the California Board of Accountancy intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources or technical difficulties.

\*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the California Board of Accountancy prior to the California Board of Accountancy taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the California Board of Accountancy, but the California Board of Accountancy President may, at their discretion, apportion available time among those who wish to speak. Individuals may appear before the California Board of Accountancy to discuss items not on the agenda; however, the California Board of Accountancy can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Rebecca Reed at (916) 561-1716, or email [rebecca.reed@cba.ca.gov](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.

# California Board of Accountancy



**CBA Item VI.B.**  
January 26-27, 2023

## RESOLUTION

*WHEREAS, Xochitl A. León was appointed by the Senate Rules Committee and she has faithfully served as a member of the California Board of Accountancy from January 7, 2015 through September 7, 2022; and*

*WHEREAS, she served as Chair, Vice Chair, and member of the Enforcement Program Oversight Committee, Chair and member of the Legislative Committee, member of the Committee on Professional Conduct, member of the Strategic Planning Committee, and California Board of Accountancy member liaison to the Qualifications Committee and Peer Review Oversight Committee; and*

*WHEREAS, she was founder and Co-Chair of Latinas in STEM to Achieve Success, member of Hispanas Organized for Political Equality, and Wellesley College Alumna Treasurer. She was also Co-Founder and Chair of the first and second Latino Studies Research Symposium, Logistics Chair of Global Micro-entrepreneurship Awards in Mexico, Logistics Chair of Harvard International Development Conference, and Organizing member of Harvard Latino Law and Public Policy Conference at Harvard University; and*

*WHEREAS, Xochitl A. León has held several positions at the Wells Fargo Bank including Vice President of Enterprise Marketing, Hispanic Segment Marketing Manager, Vice President of Global Remittance Services, Head of Marketing & Analytics, Global Remittance Services Customer Retention Marketing Manager and Global Remittance Services Project Manager. She has also held positions as a Field Researcher for Harvard University John F. Kennedy School of Government and a Consultant for No Borders, Inc.; and*

*WHEREAS, throughout her term of service, at all times Xochitl A. León gave fully of herself and her ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

*WHEREAS, her colleagues wish to express to her their high esteem and regard;*

*NOW, THEREFORE, BE IT RESOLVED, that the members of the California Board of Accountancy express heartfelt appreciation to Xochitl A. León for the outstanding contribution she made during her term of service on the California Board of Accountancy and to the consumers of California.*

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*Katrina L. Salazar, CPA, President*

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*Yen C. Tu, Vice President*

*Dated: January 27, 2023*

# California Board of Accountancy



**CBA Item VI.C.**  
January 26-27, 2023

## RESOLUTION

*WHEREAS, Luz Molina Lopez was appointed by Governor Edmund G. Brown Jr. and she has faithfully served as a member of the California Board of Accountancy from October 11, 2017 through December 16, 2022; and*

*WHEREAS, she served as Chair and member of the Legislative Committee, Chair and member of the Committee on Professional Conduct, Vice Chair and member of the Enforcement Program Oversight Committee, member of the Consideration of the CPA Experience Requirements Taskforce, and California Board of Accountancy member liaison to the Qualifications Committee and Enforcement Advisory Committee; and*

*WHEREAS, she was a member of Hispanas Organized for Political Equality, 2017 Hispanas Organized for Political Equality Leadership Institute Fellow and was elected City Clerk of National City in 2020; and*

*WHEREAS, Luz Molina Lopez has over 20 years of service in regulation, compliance contract administration, and quality analysis with a career in academic research administration. She managed federal grants for scientific research projects at University of California, San Diego and held delegated authority, ensured compliance with federal, state, and University of California policies, and was a liaison between the institution and its funding agencies. She previously worked in biotech at Ajinomoto Althea Inc., as a technical proposal writer and in the manufacture of novel medicines for FDA clinical studies; and*

*WHEREAS, throughout her term of service, at all times Luz Molina Lopez gave fully of herself and her ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

*WHEREAS, her colleagues wish to express to her their high esteem and regard;*

*NOW, THEREFORE, BE IT RESOLVED, that the members of the California Board of Accountancy express heartfelt appreciation to Luz Molina Lopez for the outstanding contribution she made during her term of service on the California Board of Accountancy and to the consumers of California.*

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*Katrina L. Salazar, CPA, President*

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*Yen C. Tu, Vice President*

*Dated: January 27, 2023*

# California Board of Accountancy



**CBA Item VI.D.**  
January 26-27, 2023

## RESOLUTION

*WHEREAS, Deidre Robinson was appointed by Governor Edmond G. Brown, Jr. and she has faithfully served as a member of the California Board of Accountancy from June 26, 2015 through September 8, 2022; and*

*WHEREAS, she served as Chair and member of the Legislative Committee, Chair and member of the Committee on Professional Conduct, member of the Enforcement Program Oversight Committee, and California Board of Accountancy member liaison to the Enforcement Advisory Committee and Qualifications Committee; and*

*WHEREAS, she was a member of the Society for Human Resource Management; Alpha Kappa Alpha Sorority, Incorporated; member of the Golden Gate University Human Resource Management Advisory Committee; and member of the CoachArt San Francisco Board; and*

*WHEREAS, Deidre Robinson developed and implemented activities to increase both efficiency and effectiveness in the delivery of academic degree programs and certifications with a focus on student and community engagement at Golden Gate University, University of Phoenix, John F. Kennedy University and Pacifica Graduate Institute. She has expanded economic development opportunities within the private, non-profit, government and corporate sectors targeting local, regional, and international firms, community colleges and school districts that strive to address education and training needs in administrative leadership, strategic planning, development, implementation and evaluation for Entrepreneurship, Philanthropy, Business Innovation Curricula, and related programming; and*

*WHEREAS, throughout her term of service, at all times Deidre Robinson gave fully of herself and her ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

*WHEREAS, her colleagues wish to express to her their high esteem and regard;*

*NOW, THEREFORE, BE IT RESOLVED, that the members of the California Board of Accountancy express heartfelt appreciation to Deidre Robinson for the outstanding contribution she made during her term of service on the California Board of Accountancy and to the consumers of California.*

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*Katrina L. Salazar, CPA, President*

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*Yen C. Tu, Vice President*

*Dated: January 27, 2023*





**CBA AND COMMITTEE MEMBER ROSTER**

2023 Committee Assignments

**CBA MEMBERS**

Katrina L. Salazar, CPA, President  
Yen C. Tu, Vice President  
Joseph Rosenbaum, CPA, Secretary/Treasurer  
Nancy J. Corrigan, CPA  
Karriann Farrell Hinds, Esq.  
Dan Jacobson, Esq.  
Kristian Latta, CPA  
Zuhdia “Dee Dee” Owens, CPA  
Ariel Pe  
Michael M. Savoy, CPA  
Evangeline Ward  
Vacant, CPA  
Vacant  
Vacant  
Vacant

**Staff: Rebecca Reed**  
(916) 561-1716

**CBA Committees**

*CPC – Committee on Professional Conduct*  
*EPOC – Enforcement Program Oversight Committee*  
*LC – Legislative Committee*

**Advisory Committees and Taskforce**

*EAC – Enforcement Advisory Committee*  
*PROC – Peer Review Oversight Committee*  
*QC – Qualifications Committee*  
*CERT – Consideration of the CPA Experience Requirements Taskforce*

**CBA COMMITTEES**

**CPC**

Kristian Latta, CPA, Chair  
Vacant, Vice Chair  
Nancy J. Corrigan, CPA  
Karriann Farrell Hinds, Esq.  
Dan Jacobson, Esq.  
Zuhdia “Dee Dee” Owens, CPA  
Ariel Pe

**Staff: Peter Renevitz**  
(916) 561-1742

**EPOC**

Yen C. Tu, Chair  
Zuhdia “Dee Dee” Owens, Vice Chair  
Karriann Farrell Hinds, Esq.  
Ariel Pe  
Joseph Rosenbaum, CPA  
Michael M. Savoy, CPA  
Evangeline Ward

**Staff: Kari O’Connor**  
(916) 561-1723

**LC**

Joseph Rosenbaum, CPA, Chair  
Evangeline Ward, Vice Chair  
Nancy J. Corrigan, CPA  
Dan Jacobson, Esq.  
Kristian Latta, CPA  
Yen C. Tu  
Vacant

**Staff: Peter Renevitz**  
(916) 561-1742

**ADVISORY COMMITTEES**

**EAC**

Doug Aguilera, CPA, Chair  
Kathy A. Johnson, CPA, Vice Chair  
Nathan Cowley, CPA  
Alan M. Gittelson, CPA  
Jackson G. Johnson, CPA  
Mike Johnson, CPA  
David L. Kral, CPA  
Nasi Raissian, CPA  
Jason Russell, CPA  
Jim Songey, CPA  
Chris V. Tegtmeyer, CPA  
Jennifer E. Ziegler, CPA  
Vacant

CBA Member Liaisons:  
Joseph Rosenbaum, CPA  
Evangeline Ward

**Staff: Angelita Acosta**  
(916) 561-1730

**PROC**

Laura L. Ross, CPA, Chair  
Fausto Hinojosa, CPA, Vice Chair  
Jeffrey De Lyser, CPA  
Nick Petersen, CPA  
Sharon Selleck, CPA  
Fiona Tam, CPA  
Vacant

CBA Member Liaisons:  
Yen C. Tu  
Vacant, CPA

**Staff: Matthew Parsons**  
(916) 561-1741

**QC**

Michael L. Williams, CPA, Chair  
Timothy T. Jones, CPA, Vice Chair  
Jeffrey T. Baginski, CPA  
Renard “Renny” Chao, CPA  
Brad Holsworth, CPA  
Angela Honzik, CPA  
Hanzhao Meng, CPA  
José Palma, CPA  
Vacant  
Vacant  
Vacant  
Vacant  
Vacant

CBA Member Liaisons:  
Kristian Latta, CPA  
Nancy J. Corrigan, CPA

**Staff: Melanie Murphy**  
(916) 561-1745

**CERT**

Nancy J. Corrigan, CPA, Chair  
Karriann Farrell Hinds, Esq., Vice Chair  
Daniel J. Dustin, CPA  
Kathy A. Johnson, CPA  
Katrina L. Salazar, CPA  
David Senteney, CPA, Ph.D.  
Rich Simitian, CPA  
Michael L. Williams, CPA  
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**CBA Item VI.F.**  
January 26-27, 2023

## **An Educational Overview of the California Peer Review Program**

**Presented by: Michelle Center, Chief, Licensing Division**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an educational overview of the California Peer Review Program to assist members in their discussions on **CBA Item VI.G**.

### **Consumer Protection Objectives**

The California Peer Review Program is a component of the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

In 2009, the CBA sponsored Assembly Bill (AB) 138 (Hayashi, Chapter 312, Statute of 2009) implementing mandatory peer review. AB 138 was signed into law on January 1, 2010. AB 138 represented a multiple year effort by the CBA to examine policies and issues associated with implementing mandatory peer review, requiring all California accounting firms, including sole proprietorships, providing accounting and auditing services to undergo a peer review once every three years as a condition of license renewal. Prior to this California legislative action, peer review was voluntary in California. Across the nation, states have taken similar actions to mandate peer review in their states.

### **Comments**

Peer review is a systematic review of an accounting firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. The goal of peer review is to promote quality in the accounting and auditing services provided by accounting firms and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers. Consumer protection is increased in two crucial areas through peer review.

## An Educational Overview of the California Peer Review Program

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First, the peer review requirement helps to monitor and educate accounting firms to promote quality in the accounting and auditing services they provide. This goal serves the public interest and protects the consumer through an increase in the quality of the product provided to clients.

Second, the CBA requires accounting firms receiving a substandard peer review rating to notify the CBA. The CBA reviews the information to assess whether to pursue enforcement action against accounting firms. This consumer protection mechanism provides a level of assurance that only qualified licensees are practicing public accounting and providing services to consumers in California.

Business and Professions Code (BPC) sections 5076 and 5076.1 (**Attachment 1**) and California Code of Regulations (CCR) sections 38-48.6 (**Attachment 2**) govern the Peer Review Program. The CBA only approves peer review providers that meet the stringent requirements of CCR section 48. These include, but are not limited to, the following:

- a rating system that will indicate substandard peer reviews
- qualifications for those who perform peer reviews
- specific guidelines for planning and performing peer reviews
- guidelines for the acceptance of peer review reports
- requiring that a peer review provider cooperate and provide certain documents to the CBA and the Peer Review Oversight Committee (PROC) upon request

At this time, the CBA only recognizes the American Institute of Certified Public Accountants (AICPA) as an approved peer review program provider.<sup>1</sup> The AICPA oversees its program and the reviews are administered by an entity, typically a state CPA society, approved by the AICPA to perform that role. The California Society of CPAs (CalCPA), following AICPA Peer Review Standards, administers the program in California, Arizona, and Alaska.

The AICPA also administers peer reviews through the National Peer Review Committee for accounting firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) to perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB. However, the peer review only covers non-public work. The PCAOB reviews the work of public companies under the standards issued by the PCAOB.

As a condition of active status license renewal with the CBA, accounting firms must undergo a peer review if they have provided an accounting or auditing service during the preceding three years. In order to undergo a peer review, accounting firms must be enrolled with a CBA-recognized peer review program provider.

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<sup>1</sup> In its regulations, the CBA allows for other peer review program providers that meet certain criteria.

## An Educational Overview of the California Peer Review Program

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### Peer Review Integrated Management Application

In May 2017, AICPA launched the Peer Review Integrated Management Application (PRIMA) in an effort to streamline the peer review process to meet the technological and operational needs of the program. PRIMA is the primary tool used by accounting firms, peer reviewers, state boards of accountancy, and administering entities to complete the peer review process. PRIMA allows users to perform self-service activities including initiating and tracking their peer review schedule, the ability to upload and sign documents, and to respond to discrepancies or matters in real-time.

PRIMA allows for the uploading of peer review information, scheduling of peer review, acceptance of peer reviews, final decisions on peer review ratings, and corrective actions and implementation plans, as appropriate. State boards of accountancy have limited access to information in PRIMA.

### Types of Peer Reviews and Ratings

There are two types of peer reviews: System Reviews and Engagement Reviews. Accounting firms that perform audits as their highest level of service undergo a System Review. The scope of a System Review is to test firms' system of quality control and provide the peer reviewer with a reasonable assurance that accounting firms' system of quality control were designed in accordance with professional standards and complied with by accounting firm's personnel.

Accounting firms that perform compilations or reviews as their highest level of service undergo an Engagement Review. During Engagement Reviews, peer reviewers look at cross-sections of an accounting firm's engagements to assess whether engagements were performed in conformity with professional standards.

Peer review reports are given a rating of either pass, pass with deficiencies, or substandard.<sup>2</sup> The ratings mean different things depending on whether they are given in a System Review or an Engagement Review.

In a System Review, the ratings have the following meanings:

- *Pass* – A peer review report indicating that a peer reviewer or peer review team concluded that an accounting firm's system of quality control was suitably designed and complied with by the accounting firm's personnel, which provides accounting firms with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.
- *Pass with Deficiencies* – A peer review report indicating that a peer reviewer or peer review team concluded that an accounting firm's system of quality control was suitably designed and complied with by the firm's personnel with

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<sup>2</sup> The term "fail" is used by the AICPA Peer Review Program. CBA Regulations use the term "substandard."

## An Educational Overview of the California Peer Review Program

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the exception of a certain deficiency or deficiencies that are described in the report. The deficiencies are such that accounting firm's design of or compliance with its system could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting on engagements in conformity with applicable professional standards.

- *Substandard* – A peer review report indicating that a peer reviewer or peer review team concluded that an accounting firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the accounting firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

In an Engagement Review, the ratings have the following meanings:

- *Pass* – A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by accounting firms were not performed in conformity with applicable professional standards.
- *Pass with Deficiencies* – A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by accounting firms and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.
- *Substandard* – A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.

Once the peer review is complete, the peer reviewer prepares a report and submits it to the administering entity for technical review and acceptance by a Report Acceptance Body (RAB). First, the report is reviewed by a CPA with the administering entity who notes any technical issues to determine if revisions to the report are needed. When the revisions are received, the CPA reviews the report one more time, and then the report is assigned to the RAB. The RAB reviews the report and all supporting documentation, including the firm's response if the report identified deficiencies or was substandard. The RAB then decides whether to accept the review as presented or if further changes need to be made.

## An Educational Overview of the California Peer Review Program

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Once the RAB accepts the peer review report, accounting firms are required to report its peer review results to the CBA. Accounting firms report peer review information at the time of license renewal using the Peer Review Reporting Form (or PR-1) (**Attachment 3**).

Accounting firms that receive a substandard rating on their peer review are required to submit to the CBA within 45 days of the acceptance of the report the peer review report along with any materials, if available, documenting completion of any or all prescribed remedial or corrective actions. The administering entity is required to submit all substandard peer review reports to the CBA within 60 days.

On occasion, accounting firms are terminated from a CBA approved peer review program provider's program. This can occur for various reasons, including, failure to submit or produce requested documents, and failure to accurately represent information relating to its accounting and auditing practice. Accounting firms that are terminated are required to report terminations to the CBA within 30 days and provide the reason for termination.

### Peer Review Oversight Committee

The CBA maintains an active oversight process to ensure that CBA-approved peer review program providers meet the minimum standards outlined by the CBA in regulation. In the enabling statutes (BPC section 5076.1), the Legislature mandated the CBA establish an advisory committee to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The PROC has the following roles and responsibilities, as defined by the CBA:

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that CBA-recognized peer review program providers administer peer reviews in accordance with the standards set forth in CCR section 48:
  - Conduct an annual administrative site visit. (**Attachment 4**)
  - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Conduct reviews of peer review reports on a sample basis. Peer review report samples should include, but are not limited to, firms with corrective actions, and firms that have been dropped or terminated.
  - Attend, on a regular basis, peer reviewer training courses.
  - Conduct sample reviews of documents (e.g., emails and letters,) and information (e.g., web pages and flyers) demonstrating that communication to firms is clear.

## **An Educational Overview of the California Peer Review Program**

Page 6 of 6

- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any CBA-recognized peer review program providers that fail to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each CBA-recognized peer review program provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.
- Evaluate the peer reviewer population.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachments**

1. Business and Professions Code Section 5076 and 5076.1
2. California Code of Regulations Sections 38 – 48.6
3. Peer Review Reporting Form – PR-1
4. Administrative Site Visit Summary Checklist



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## Attachment 1

### Business and Professions Code

#### Section 5076

- (a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.
- (b) For purposes of this article, the following definitions apply:
- (1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.
- (2) "Accounting and auditing practice" includes any services that were performed in the prior three years using professional standards defined by the board in regulations.
- (c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.
- (d) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.
- (e) A firm issued a substandard peer review report, as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.
- (f) (1) A board-recognized peer review program provider shall file a copy with the board of all substandard peer review reports issued to California-licensed firms. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program



provider to the date the report is filed with the board. These reports may be filed with the board electronically.

(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(g) The board shall, by January 1, 2010, define a substandard peer review report in regulation.

(h) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.

(i) Any report of a substandard peer review submitted to the board in conjunction with this section shall be collected for investigatory purposes.

(j) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.

(k) Nothing in this section requires any firm to become a member of any professional organization.

(l) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.

(m) (1) By January 1, 2015, the board shall provide the Legislature and Governor with a report regarding the peer review requirements of this section that includes, without limitation:

(A) The number of peer review reports completed to date and the number of reports which were submitted to the board as required in subdivision (e).

(B) The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i).

(C) The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.

(D) The extent to which mandatory peer review of accounting firms enhances consumer protection.

(E) The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.

(F) A recommendation as to whether the mandatory peer review program should continue.

(G) The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.

(H) The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.

(I) The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.

(J) A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

(2) A report to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

*(Amended by Stats. 2012, Ch. 661, Sec. 5. (SB 1576) Effective January 1, 2013.)*

### **Section 5076.1**

(a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any information obtained by the board, its representatives, or the peer review oversight committee in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

(1) In connection with disciplinary proceedings of the board.

(2) In connection with legal proceedings in which the board is a party.

(3) In response to an official inquiry by a federal or state governmental regulatory agency.

(4) In compliance with a subpoena or summons enforceable by court order.

(5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

(d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.

*(Amended by Stats. 2011, Ch. 448, Sec. 9. (SB 543) Effective January 1, 2012.)*



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## Attachment 2

### California Code of Regulations, Article 6

#### Section 38: Purpose of this Article.

This Article implements Sections 5076 and 5076.1 of the Accountancy Act related to Peer Review.

**NOTE:** Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code. Reference: Sections 5076 and 5076.1, Business and Professions Code.

#### Section 39: Definitions

The following definitions shall apply to Article 6-Peer Review:

- (a) Accounting and Auditing Practice: Any services that are performed using the following professional standards: Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARS), Statements on Standards on Attestation Engagements (SSAEs), Government Auditing Standards, and audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB).
- (b) Peer Review Report: A report issued to the peer reviewed firm which documents the findings and conclusions reached by a qualified peer reviewer and issued in accordance with Section 48(b) of this Article.
- (c) Pass Peer Review Report: A report issued to the peer reviewed firm in accordance with either Section 48(b)(1)(A) or 48(b)(2)(A) of this Article.
- (d) Pass With Deficiencies Peer Review Report: A report issued to the peer reviewed firm in accordance with either Section 48(b)(1)(B) or 48(b)(2)(B) of this Article.
- (e) Substandard Peer Review Report: A report issued to the peer reviewed firm under either Section 48(b)(1)(C) or 48(b)(2)(C) of this Article.
- (f) Peer Reviewer: A certified public accountant holding a valid and active license to practice public accounting in good standing issued by this state or some other state who (1) maintains a currency of knowledge in professional standards governing accounting and auditing engagements, (2) meets the qualifications of Section 48(c) of this Article, and (3) is unaffiliated with the firm being reviewed.
- (g) Peer Review Team: One or more individuals who collectively conduct a peer review, at least one of whom is a qualified peer reviewer.

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

## **Section 40: Enrollment and Participation**

(a) A firm performing services as defined in Section 39(a) shall have a peer review report accepted by a Board-recognized peer review program once every three years in order to renew its license.

(b) A firm performing services as defined in Section 39(a) for the first time shall have a peer review report accepted by a Board-recognized peer review program within 18 months of the date it completes those services.

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Section 5076, Business and Professions Code.

## **Section 41: Firm Responsibilities**

A firm shall enroll with a Board-recognized peer review program provider, and shall cooperate with the Board-recognized peer review program provider with which the firm is enrolled to arrange, schedule, and complete a peer review, in addition to taking and completing any remedial or corrective actions prescribed by the Board-recognized peer review program provider.

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Section 5076, Business and Professions Code

## **Section 42: Exclusions**

(a) The following shall be excluded from the peer review requirement:

(1) Any of a firm's engagements subject to inspection by the Public Company Accounting Oversight Board as part of its inspection program.

(2) Firms, which as their highest level of work, perform only preparation engagements (with or without disclaimer reports) in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Section 5076, Business and Professions Code.

## **Section 43: Extensions**

(a) Should an extension of time be needed to have a peer review report accepted by a Board-recognized peer review program such request shall be submitted to the Board-recognized peer review program with which the firm is enrolled for consideration and approval or denial.

(b) If the extension granted extends past the firm's reporting date, the firm shall notify the Board of the extension and provide proof of the extension. The firm shall report the results of the peer review to the Board on Form PR-1 (Rev. 7/22), as referenced in Section 45, within 45 days of the peer review report being accepted by a Board-recognized peer review program.

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Section 5076, Business and Professions Code.

#### **Section 44: Notification of Expulsion**

A firm that is expelled by a Board-recognized peer review program shall notify the Board in writing within 30 days and provide the name of the Board-recognized peer review program and reason(s) given to the firm by the peer review program for the expulsion.

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Section 5076, Business and Professions Code.

#### **Section 45: Reporting to the Board**

(a) At the time of renewal, a firm, as defined in Section 5035.1 of the Accountancy Act, shall report to the Board specific peer review information as required on Form PR-1 (Rev. 7/22), which is hereby incorporated by reference.

(b) A licensee's or firm's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, the firm's peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act. Failure to submit a completed Form PR-1 (Rev. 7/22) shall be grounds for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Sections 5035.1, 5076 and 5100, Business and Professions Code.

#### **Section 46: Document Submission Requirements**

(a) A firm receiving a peer review report issued under Section 48(b)(1)(C) or (b)(2)(C) shall submit a copy of the peer review report to the Board including any materials documenting the prescription of remedial or corrective actions imposed by a Board-recognized peer review program provider within 45 days of the peer review report being accepted by a Board-recognized peer review program provider. A firm shall also submit to the Board, within the same 45-day reporting period, any materials, if available, documenting completion of any or all of the prescribed remedial or corrective actions.

(b) Upon request by the Board, a firm shall submit to the Board all requested documents related to the peer review including:

(1) If the firm received a peer review report issued under Section 48(b)(1)(A) or (b)(2)(A) it shall submit the copy of the peer review report including materials documenting the acceptance of the report.

(2) If the firm received a peer review report issued under Section 48(b)(1)(B) or (b)(2)(B) it shall submit the copy of peer review report including any materials documenting the prescription of remedial or corrective actions imposed by a Board-recognized peer review program provider. In addition, a firm shall also submit any materials, if available, documenting completion of any or all of the prescribed remedial or corrective actions.

(c) Any documents required for submission as part of this section may be submitted electronically.

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.  
Reference: Section 5076, Business and Professions Code.

#### **Section 47: Peer Review Oversight Committee**

- (a) The Peer Review Oversight Committee shall be comprised of not more than seven licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the Board.
- (b) No member of the committee shall be a current member or employee of the Board.
- (c) The committee shall hold meetings as necessary in order to conduct business and shall report to the Board regarding the effectiveness of mandatory peer review. This shall include an annual report to the Board regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.
- (d) The committee is authorized to request from a Board-recognized peer review program provider those materials necessary to perform its review.
- (e) Should a Board-recognized peer review program provider fail to respond to any request, the committee shall refer the matter to the Board.
- (f) The committee shall review and recommend to the Board for approval peer review program provider applications for recognition by the Board.

**NOTE:** Authority cited: Sections 5010 and 5076.1, Business and Professions Code.  
Reference: Section 5076.1, Business and Professions Code.

#### **Section 48: Minimum Requirements for a Peer Review Program**

For a peer review program provider to receive Board recognition and be authorized to administer peer reviews in California, the peer review program provider shall submit evidence to the satisfaction of the Board that the peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews. A peer review program shall include the following components:

##### **(a) Peer Review Types**

A peer review program shall have a minimum of two types of peer reviews that include the following:

- (1) For firms performing engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards, examinations of prospective financial statements under the Statements on Standards on Attestation Engagements (SSAEs), or audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), the firm shall undergo a peer review designed to test the firm's system of quality control. The scope of the peer review shall be such that it provides a peer reviewer with a reasonable assurance that a firm's system of quality control was designed in accordance with professional standards and was complied with by a firm's personnel.
- (2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-section

of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.

(b) Peer Review Report Issuance

(1) For firms undergoing peer reviews pursuant to subsection (a)(1), one of the following three types of peer review reports shall be issued:

(A) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel, which provides the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

(B) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel with the exception of a certain deficiency or deficiencies that are described in the report. The deficiencies are such that the firm's design of or compliance with its system could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting on engagements in conformity with applicable professional standards.

(C) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

(2) For firms undergoing peer reviews pursuant to subsection (a)(2), one of the following three types of peer review reports shall be issued:

(A) A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by the firm were not performed in conformity with applicable professional standards.

(B) A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by the firm and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.

(C) A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.

(c) Peer Reviewer Qualifications A peer review program shall include minimum qualifications for an individual to qualify as a peer reviewer. The qualifications shall, at a minimum, include the following:

(1) Have a valid and active license in good standing to practice public accounting issued by this state or other state.

(2) Be actively involved and practicing at a supervisory level in a firm's accounting and auditing practice.

(3) Maintain a currency of knowledge of the professional standards related to

accounting and auditing, including those expressly related to the type or kind of practice to be reviewed.

(4) Provide the Board-recognized peer review program provider with his/her qualifications to be a reviewer, including recent industry experience.

(5) Be associated with a firm that has received a peer review report issued in accordance with subsection (b)(1)(A) or (b)(2)(A) of this section or has received a peer review rating of pass or unmodified as part of the American Institute of Certified Public Accountants Peer Review Program as part of the firm's last peer review.

(d) Planning and Performing Peer Reviews

A peer review program shall include minimum guidelines and/or standards for planning and performing peer reviews commensurate with the type of peer review being performed to include, but not limited to, the following:

(1) For peer reviews performed in accordance with subsection (a)(1) of this section, a peer review program's guidelines and/or standards shall include the following:

(A) Ensuring that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include the following: (i) obtain the results of a firm's prior peer review (if applicable), (ii) obtain sufficient understanding of the nature and extent of a firm's accounting and auditing practice, (iii) obtain a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm, and (iv) select a representative cross-section of a firm's engagements.

(B) In performing a peer review, the peer reviewer or peer review team shall test the reviewed engagements while assessing the adequacy of and compliance with a firm's system of quality control. The peer review is intended to provide the peer reviewer or peer review team with reasonable basis for expressing an opinion as to whether a firm's system of quality control is suitably designed and complied with by a firm's personnel such that the firm has reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

(2) For peer reviews performed in accordance with subsection (a)(2) of this section, a peer review program's guidelines and/or standards shall include the following:

(A) Ensuring that prior to performing a peer review, a peer reviewer or peer review team select a representative cross-section of a firm's accounting and auditing engagements to include at a minimum one engagement for each partner, shareholder, owner, principal, or licensee authorized to issue reports.

(B) In performing a peer review, the peer reviewer or peer review team shall review the selected engagements to determine if the engagements were performed in conformity with the applicable professional standards.

(3) Nothing in a peer review program provider's guidelines and/or standards shall prohibit a peer reviewer or peer review team from disclosing pertinent peer review-related information regarding a firm to a subsequent peer reviewer.

(e) Peer Review Program Plan of Administration and Accepting Peer Review Reports

(1) The administration plan shall clearly outline the manner in which the peer review program provider intends on administering peer reviews and shall, at a minimum, include the following:

(A) Identify a peer review committee, and if necessary subcommittees, and employ knowledgeable staff for the operation of the review program as needed.

(B) Establish and perform procedures for ensuring that reviews are performed and



reported on in accordance with the program's established standards for performing and reporting on peer reviews.

(C) Establish a program to communicate to firms participating in the peer review program the latest developments in peer review standards and the most common findings in peer reviews conducted by the Board-recognized peer review program provider.

(D) Establish and document procedures for an adjudication process designed to resolve any disagreement(s) which may arise out of the performance of a peer review, and resolve matters which may lead to the dismissal of a firm from the provider's peer review program.

(E) Establish guidelines for prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in a firm's peer review report.

(F) Establish guidelines for monitoring the prescribed remedial and corrective actions to determine compliance by the reviewed firm.

(G) Establish and document procedures for ensuring adequate peer reviewers to perform peer reviews. This shall include ensuring a breadth of knowledge related to industry experience.

(H) Establish and document procedures to ensure the qualifications of peer reviewers and to evaluate a peer reviewer's performance on peer reviews.

(I) Establish a training program or training programs designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

(J) Establish and document procedures to ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge.

(K) Require the maintenance of records of peer reviews conducted under the program. Such records shall include, at a minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review.

(L) Provide to the Board's Peer Review Oversight Committee access to all materials and documents required for the administration of peer reviews.

(2) As required by subsection (e)(1)(A) of this section, the peer review program provider shall establish a peer review committee to assist in the review and acceptance of peer review reports. The peer review program provider's committee shall:

(A) Meet regularly to consider and accept peer review reports.

(B) Assist the peer review program provider in resolving instances in which there is a lack of cooperation and agreement between a peer reviewer and/or reviewed firm in accordance with the peer review program's adjudication process.

(C) Make a final determination on a peer review report pursuant to subdivision (b).

(f) The peer review committee established by the peer review program provider shall comply with the following in relation to the composition of the committee:

(1) All committee members shall meet the peer reviewer qualification requirements established in Section 48(c).

(2) In determining the size of the committee, consideration shall be given to the requirement for broad industry experience, and the likelihood that some members will need to recuse themselves from some reviews as a result of the member's close

association to the firm or having performed the review.

(3) No committee member may concurrently serve as a member of the Board.

(4) A committee member may not participate in any discussion or have any vote with respect to a reviewed firm when the member lacks independence as defined by California Code of Regulations Section 65 or has a conflict of interest. Examples of conflicts of interest include, but are not limited to:

(A) the member's firm has performed the most recent peer review of the reviewed firm's accounting and auditing practice.

(B) the member served on the review team which performed the current or the immediately preceding review of the firm.

(C) the member believes he/she cannot be impartial or objective.

(5) Each member of the committee shall comply with all confidentiality requirements.

The peer review program provider shall annually require its committee members to sign a statement acknowledging their appointments and the responsibilities and obligations of their appointments.

**NOTE:** Authority Cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

#### **Section 48.1: Board-Recognition of the American Institute of Public Accountants, Inc. Peer Review Program**

The American Institute of Certified Public Accountants, Inc. Peer Review Program is hereby recognized as meeting the minimum peer review program requirements as outlined in Section 48 of this Article and is authorized to administer peer reviews in California. If in the future the Board deems the American Institute of Certified Public Accountants, Inc. Peer Review Program to no longer meet the minimum qualifications specified in Section 48 of this Article, the Board shall rescind its recognition pursuant to Section 48.5 of this Article.

**NOTE:** Authority cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

#### **Section 48.2: Apply to Become a Board-Recognized Peer Review Program**

Prior to receiving Board recognition to perform peer reviews in California, a peer review program provider shall submit the following application: Application to Become a Board-Recognized Peer Review Program (1/10), which is hereby incorporated by reference. With the application, the firm shall submit materials evidencing the program meets the requirements outlined in Section 48.

**NOTE:** Authority Cited: Sections 5010 and 5076, Business and Professions Code.

Reference: Section 5076, Business and Professions Code.

#### **Section 48.3: Board-Recognized Peer Review Program Provider Reporting Responsibilities**

(a) Upon request of the Board or Peer Review Oversight Committee, a Board-recognized peer review program provider shall make available, at a minimum, the following:

- (1) Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms.
- (2) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the quality of reviewers' working papers in connection with the acceptance of reviews.
- (3) Statistical data maintained by the Board-recognized peer review program provider related to its role in the administration of peer reviews.
- (4) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the qualifications of its reviewers.
- (5) Sufficient documents to conduct sample reviews of peer reviews accepted by the Board-recognized peer review program provider. These may include, but are not limited to, the report; reviewer working papers prepared or reviewed by the Board-recognized peer review program's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, including, but not limited to, the imposition of required remedial or corrective actions; the monitoring procedures applied; and the results.

(b) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provide the reason(s) for expulsion. The Board-recognized peer review program provider shall submit this information to the Board within 30 days of notifying the firm of its expulsion.

(1) Nothing in this subsection shall require a Board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(c) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, a copy of all substandard peer review reports issued to California-licensed firms within 60 days from the time the report is accepted by the Board-recognized peer review program provider.

**NOTE:** Authority cited: Sections 5010, 5076, and 5076.1, Business and Professions Code. Reference: Section 5076 and 5076.1, Business and Professions Code.

#### **Section 48.4: Reconsideration of Denied Applicant**

(a) An applicant pursuant to Section 48.2 whose peer review program has been denied by the Board may request an informal hearing of such action to the Board. The request for an informal hearing shall be filed within six months of the denial or the mailing of written notification, whichever is later. The appeal shall contain the following information:

- (1) The name and business address of the provider making the appeal.
- (2) The action being appealed and the date of any written notification by the Board.
- (3) A summary of the basis for the request for an informal hearing, including any information which the provider believes was not given adequate consideration by the Board.

(b) The Board will consider only requests based on information previously submitted. If the provider submits for reconsideration additional evidence or information not previously submitted to the Board, such additional information should be submitted directly to the Peer Review Oversight Committee with the request that its previous recommendation be reconsidered. A request based on evidence or information not previously submitted to the Board will be referred by the Board to the Peer Review Oversight Committee for further consideration.

**NOTE:** Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code. Reference: Sections 5076 and 5076.1, Business and Professions Code.

### **Section 48.5: Withdrawal of Board Recognition**

(a) The Board may rescind and withdraw its recognition of a peer review program if it is determined that the peer review program is not in compliance with the requirements of this Article, the provider failed to respond to an informational request by the Board or the Peer Review Oversight Committee, or the provider made any material misrepresentation of fact related to any information required to be submitted to the Board or the Peer Review Oversight Committee.

(b) The order of withdrawal of Board recognition shall be issued by the Board or its executive officer, without prior notice or hearing, and is effective immediately when mailed to the peer review program provider's address of record.

(c) The order of withdrawal of Board recognition shall contain the following:

(1) The reason for the withdrawal, including the specific statutes and regulations with which the program showed non-compliance.

(2) A statement that the peer review program provider has the right, within 30 days, to request an informal hearing to appeal the withdrawal of Board recognition.

(3) A statement that any informal hearing shall be scheduled before the Board or its designee, at which time a peer review program provider shall be afforded the opportunity to be heard.

(d) To maintain recognition, the burden of proof shall be placed on the peer review program provider to demonstrate both qualifications and fitness to perform peer reviews in California by producing proof at a hearing before the Board.

(e) If the peer review program provider fails to notify the Board's executive officer in writing and in a timely manner that it desires to contest the written withdrawal of Board recognition, the decision to withdraw approval shall become final.

**NOTE:** Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

### **Section 48.6: Records of Proceedings**

For any informal hearings conducted by the Board pursuant to Sections 48.4 and 48.5 of this Article, the Board shall maintain a record of its proceedings, such as the minutes of the meeting or an audio recording of the meeting.

**NOTE:** Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code. Reference: Section 5076, Business and Professions Code.



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Attachment 3

PEER REVIEW REPORTING FORM
FIRM INFORMATION

1. Accounting Firm Name: (If operating as a sole proprietorship (and not registered with the CBA as a corporation) complete using your individual license information.)

2. Business Telephone #:

3. Business E-mail Address:

4. License Number:

5. License Expiration Date:

6. Select the type of accounting firm below: (If you are working independently as a sole proprietor, check sole proprietorship.)

- checkbox Sole Proprietorship
checkbox General Partnership
checkbox Limited Liability Partnership
checkbox Corporation

7a. Has the firm performed accounting and auditing services, as defined in Section 39(a) of Title 16 of the California Code of Regulations, that require a peer review since the last license renewal?

- checkbox Yes (Go to number 7b.)
checkbox No (Sign and date the form.)

7b. If the firm completed its first accounting and auditing service within 18 months prior to the expiration date of the license, indicate the date the service was completed:

(NOTE: The firm must have a peer review report accepted by a Board-recognized peer review program provider within 18 months of this date and report the results at the time of the next renewal.)

(If applicable, sign and date the form. If not applicable, go to number 8.)

PEER REVIEW INFORMATION

8. Date Last Peer Review Report Accepted:

- 9a. Peer Review Report Rating:
checkbox Pass (sign and date the form)
checkbox Pass w/deficiencies (sign and date the form)
checkbox Substandard (Fail) (Go to question 9b.)

- 9b. Did your firm submit the peer review report to the Board within the required 45-day reporting period?
checkbox Yes
checkbox No (Please attach a written explanation as to why the report was not submitted timely.)

I hereby certify, under penalty of perjury under the laws of the State of California, that all statements, answers, and representations on this form, including supplementary information attached hereto, are true, complete and accurate.

Signature
PR-1 (Rev. 7/22)

Date

## **PERSONAL INFORMATION COLLECTION AND ACCESS**

The information provided in this form will be used by the California Board of Accountancy (CBA) to determine qualifications for a Certified Public Accountant License. Section 5076 of the Business and Professions Code and Title 16 of the California Code of Regulations section 45 authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24.

Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act.

The Executive Officer of the CBA is responsible for maintaining the information in this application, and may be contacted at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833, telephone number (916) 263-3680 regarding questions about this notice or access to records.

## **PEER REVIEW REPORTING FORM INSTRUCTIONS**

In accordance with Title 16 California Code of Regulations Section 45, this form must be submitted to the California Board of Accountancy no later than the expiration of the license.

### **FIRM INFORMATION**

- 1-5. Enter the information for the accounting firm for which the report is being submitted.
6. Select the type of accounting firm. Business and Professions Code Section 5035.1 defines a firm as a sole proprietorship, a corporation, or a partnership.
- Sole Proprietorship: A business entity which is owned by one individual and where there is no legal distinction between the owner and the business. A single shareholder corporation is not a sole proprietorship.
  - General Partnership: A partnership comprised of two or more licensees which has not filed articles of incorporation with the Secretary of State's office.
  - Limited Liability Partnership: A partnership comprised of two or more licensees which has filed articles of incorporation with the Secretary of State's office.
  - Corporation: A business entity which has filed articles of incorporation with the Secretary of State's office.
7. (a) Indicate if the firm has been performing accounting and auditing services that require the firm to undergo a peer review since January 1, 2010 or since the last license renewal.

**Accounting and Auditing Services** that require you to undergo a peer review are any services performed using the following professional standards:

- Statements on Auditing Standards (SASs),
- Statements on Standards for Accounting and Review Services (SSARS),
- Statements on Standards on Attestation Engagements (SSAEs),
- Government Auditing Standards,
- Audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB).

**Exclusions** from peer review are provided for the following two circumstances:

- Any of a firm's engagements subject to inspection by the Public Company Accounting Oversight Board as part of its inspection program.
  - Firms, which as their highest level of work, perform only compilations where no report is issued in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).
- (b) If the firm has not been performing accounting and auditing services since January 1, 2010, indicate the date the firm completed its first accounting and auditing engagement that requires a peer review.



## PEER REVIEW INFORMATION

8. Enter the date the peer review report was accepted by a Board-recognized peer review program provider, not the date the peer review was performed.
9. (a) Check the box that corresponds to the rating received on your firm's peer review report. If your firm's peer review report was accepted under the American Institute of Certified Public Accountants' *Standards for Performing and Reporting on Peer Reviews, 2005*, for unmodified select pass, for modified select pass w/deficiency, and for adverse select fail.
  - Pass – Sign and date the form
  - Pass with deficiencies – Sign and date the form
  - Substandard (fail) – Go to 9(b)

(b) If your firm received a rating of substandard on its peer review report, you are required to submit a copy of the peer review report, including any materials documenting the prescription of remedial or corrective actions imposed by the Board-recognized peer review program provider, within 45 days of the peer review report being accepted.

If you complied with this requirement, please answer "yes". If you did not comply with this requirement, please answer "no" and attach a written explanation as to why the report was not submitted timely.

Sign and date the document.



California Board of Accountancy  
2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833

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**Attachment 4**

Peer Review Oversight Committee

**Administrative Site Visit Summary Checklist**

**Purpose:** As part of its oversight activities, the Peer Review Oversight Committee (PROC) is charged with conducting, at a minimum, an annual administrative site visit of all Board-recognized peer review program providers. The visit will be to determine if the administering entity (AE) is administering peer reviews in accordance with the standards adopted by the California Board of Accountancy (CBA). The visit is then summarized and reported to the CBA as part of the PROC reporting.

Date of Visit: \_\_\_\_\_

Name of AE: \_\_\_\_\_

PROC Member(s) Performing Visit: \_\_\_\_\_

\_\_\_\_\_

Description of the Scope and Purpose of the Administrative Site Visit:

Name of AE Staff Interviewed	Title

Peer Review Types	Yes	No*	N/A
1. Does the AE have a program designed to test a firm's system of quality control for firms performing engagements under Statement on Auditing Standards (SASs), Statement on Standards on Attestation Engagements (SSAEs), or audits of non-Securities and Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB)?			
2. Does the AE have a program designed to test a cross-section of a firm's engagements to assess whether they were performed in conformity with applicable professional standards for firms performing engagements under Statement on Standards for Accounting and Review Services (SSARS) or SSAEs not encompassed in #1 above?			

Comments:

Peer Reviewers	Yes	No*	N/A
1. Has the AE established minimum qualifications for an individual to qualify as a peer reviewer, to include:			
a. Having a valid and active license in good standing to practice public accounting by this state or another state?			
b. Actively involved in practicing at a supervisory level in a firm's accounting and auditing practice?			
c. Having spent the last five years in the practice of public accounting in the accounting and auditing function?			
d. Maintaining a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed?			
e. Furnishing his/her qualifications to be a reviewer, including recent industry experience?			
f. Association with a firm that has received a peer review report with a rating of pass as part of the firm's last peer review?			
g. Completion of introductory and yearly update training.			
2. Has the AE ensured that there are adequate peer reviewers to perform peer reviews?			
3. Has the AE ensured the pool of peer reviewers has a breadth of industry knowledge, including subject matter experts in Single Audits, ERISA audits, and Service Organization Control?			
4. Does the AE evaluate a peer reviewer's performance and remove those who continually do poor work?			
5. Has the AE established a training program(s) designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews?			

Peer Reviewers	Yes	No*	N/A
6. Does the AE have a system in place to preclude peer reviewers and Technical Reviewers from accepting engagements with accounting firms that they may have association with?			

Comments:

Planning and Performing Peer Review	Yes	No*	N/A
1. For system reviews, does the AE have minimum guidelines and/or standards to ensure that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include:			
a. Obtaining the results of a firm's prior peer review (if applicable)?			
b. Obtaining a sufficient understanding of the nature and extent of a firm's accounting and auditing practice?			
c. Obtaining a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm?			
d. Selecting a representative cross-section of a firm's engagement?			

Planning and Performing Peer Review	Yes	No*	N/A
2. For engagement reviews, does the AE have minimum guidelines and/or standards to ensure that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in selecting a representative cross-section of a firm’s engagements to include at a minimum one engagement for each partner, shareholder, owner, principal, or licensee authorized to issue reports?			
3. Does the AE ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and the peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge?			
4. Does the AE verify that peer reviewers are selected and approved before the review due date?			
5. For each type of review, does the Report Acceptance Body approve and accept the following types of peer review reports:			
a. Pass - System of quality control was suitably designed, or engagements were performed in conformity with applicable professional standards?			
b. Pass with Deficiencies – System of quality control was suitably designed with the exception of a certain deficiency, or engagements were performed in conformity with applicable professional standards with the exception of a certain deficiency?			
c. Substandard <sup>1</sup> – System of control is not suitably designed, or engagements were not performed in conformity with applicable professional standards?			

Comments:

<sup>1</sup> The term “fail” is used by the AICPA Peer Review Program. CBA regulations use the term “substandard.” This checklist will use the term “substandard” in lieu of “fail.”

Plan of Administration and Accepting Peer Reviews	Yes	No*	N/A
1. Does the AE have a Peer Review Committee (PRC)?			
a. If yes, do PRC members meet the peer reviewer qualifications requirements as outlined above?			
b. If yes, in determining the size of the PRC, did the Provider consider the requirement for a broad industry experience and the likelihood that some members will need to recuse themselves from some reviews as a result of the member or member's firm close association to the firm or having performed the review?			
c. If yes, is any PRC member currently serving as a member of the CBA?			
d. If yes, do PRC members comply with all confidentiality requirements by annually signing a statement acknowledging their appointments and the responsibility and obligations of their appointments?			
2. Does the AE have a Peer Review Subcommittee (RAB)?			
3. Does the AE have knowledgeable staff for the operation of the program?			
4. Does the AE have a system to ensure that PRC and RAB members are not assigned to the review of a firm in which they may have association with?			
5. Does the RAB have subject matter experts in Single Audits, ERISA audits, and Service Organization Control audits?			
6. Has the AE established procedures/guidelines for:			
a. Ensuring that reviews are performed and reported in accordance with the program's established standards for performing and report on peer reviews?			
b. Communicating to firms participating in the peer review program the latest developments in peer review standards and the most common findings in peer reviews conducted by the provider?			

Plan of Administration and Accepting Peer Reviews	Yes	No*	N/A
7. Does the AE have an adjudication process designed to resolve any disagreements which may arise out of the performance of a peer review, and resolve matters which may lead to the dismissal of a firm from the program?			
8. Does the AE prescribe remedial or corrective actions designed to ensure correction of the deficiencies identified in the firm's peer review report, and has the AE established guidelines for monitoring compliance with such actions by the reviewed firm?			
9. Does the AE require the maintenance of records of peer reviews conducted under the Program, including at a minimum, written records of all firms enrolled in the peer review program and documents required for submission under California Code of Regulations, Title 16, section 48, with these documents to be retained until the completion of a firm's subsequent peer review?			

Comments:



Reporting Responsibilities	Yes	No*	N/A
1. Has the AE made available, at a minimum, the following:			
a. Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms?			
b. Information concerning the extent to which the Program has reviewed the quality of the reviewers' working papers in connection with the acceptance of reviews?			
c. Statistical data maintained by the Program related to its role in the administration of peer reviews?			
d. Information concerning the extent to which the Program has reviewed the qualification of its reviewers?			
e. Sufficient documents to conduct sample reviews of peer reviews accepted by the Program? These may include, at minimum, the report; reviewer working papers prepared or reviewed by the Program's PRC in association with the acceptance of the review; and materials concerning the acceptance of the review, the imposition of required remedial or corrective actions, the monitoring procedures applied, and the results.			
2. Has the AE made available, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provided the reason for expulsion?			
a. If so, was the CBA notified within 30 days of notification of the firm's expulsion?			
3. Does the AE Annual Report contain the following statistics?			
a. Number of enrolled firms?			
b. Results by type of peer review performed and report issued?			
c. Number of engagements not performed in accordance with professional standards?			

Reporting Responsibilities	Yes	No*	N/A
d. Summary of required follow-up actions?			
e. AICPA oversight results?			
f. Verification of reviewer's resumes?			

Comments:

PROC Review	Yes	No*	N/A
1. During the Annual Site Visit, did the PROC review the following?			
a. Peer review reports that have received a rating of Pass?			
b. Peer review reports that have received a rating of Pass with Deficiencies?			
c. Peer review reports that have receive a rating of Substandard?			
d. Firms that were dropped or terminated from the peer review program?			
e. Documents supporting an extended timeline to complete the review?			
f. Documents supporting report acceptance?			
g. Quarterly prepared schedule status reports to monitor timeliness of reviews?			
h. Documents illustrating firms were provided with information related to the latest developments in peer review standards and the most common findings in peer review?			
i. Documents (e.g., emails and letters) and information (e.g., web pages and flyers) demonstrating communication to firms regarding their peer review is clear?			
j. Does the AE implement improvements based on biennial reviews by the AICPA?			

Comments:

The AE Administrative staff's knowledge of the program:

- Meets Expectations     Does not Meet Expectations\*

Were any specific issues identified and discussed?

Has the AE demonstrated improvement from any prior oversight visit?

Description of Testing Results:

Does the AE administer peer review in accordance with the standards adopted by the CBA?

Meets Expectations     Does not Meet Expectations\*

**\* A rating of “No” or “Does not Meet Expectations” requires a comment**

Comments:

The above checklist was prepared by:

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature



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**CBA Item VI.G.**  
January 26-27, 2023

## **Discussion and Possible Action Regarding the Peer Review Oversight Committee's Ability to Complete the Required Annual Administrative Site Visit**

**Presented by: Michelle Center, Chief, Licensing Division**

### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding the Peer Review Oversight Committee's (PROC) inability to conduct the 2022 Administrative Site Visit (ASV) of California's peer review administering entity (AE), the California Society of Certified Public Accountants (CalCPA).<sup>1</sup>

### **Consumer Protection Objectives**

The CBA Peer Review Program is an important component of its mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards.

### **Action(s) Needed**

The CBA is asked to consider the American Institute of Certified Public Accountants' (AICPA) denial of staff access to the ASV and take action on next steps, as appropriate.

### **Background**

The history and purpose of the California Peer Review Program and the Peer Review Oversight Committee, including information specific to the annual ASV, is detailed in **CBA Item VI.F.**

The following provides information regarding confidentiality and conflict of interest as identified by the American Institute of CPAs (AICPA) in relation to peer review oversight activities.

### American Institute of CPAs Peer Review Oversight Handbook

In January 2019, the AICPA proposed changes to Chapter 3 of their Peer Review Program Oversight Handbook (Handbook) (**Attachment 1**). Chapter 3 of the Handbook addresses confidentiality of peer review information in the regulatory environment.

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<sup>1</sup> An Administering Entity (AE) is a state CPA society, group of state CPA societies, and the AICPA Peer Review Board that administer AICPA's Peer Review Program under AICPA's directives.

## **Discussion and Possible Action Regarding the Peer Review Oversight Committee's Ability to Complete the Required Annual Administrative Site Visit**

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In response to the proposed changes, the National Association of State Boards of Accountancy (NASBA), the North Carolina State Board of Certified Public Accountant Examiners (**Attachment 2**), the State of Wyoming Board of Certified Public Accountants (**Attachment 3**) and the Nevada State Board of Accountancy (**Attachment 4**) submitted letters of concern to the AICPA, stating that state boards of accountancy have a statutory obligation to enforce and oversee the peer review process and that state boards of accountancy should independently determine if a conflict of interest exists.

On May 3, 2019, the AICPA Peer Review Board had an open meeting and released a new iteration of the Handbook (**Attachment 5**). The new iteration contained language in section H(1)(a) that stated individuals who work for a regulatory, governmental bodies, including State Boards of Accountancy and entities with enforcement authority, have a conflict of interest and may not view or obtain confidential information. Additionally, the new iteration proposed a new guideline, section H(2), that would allow individuals who are not involved in enforcement activities but are employees of entities with enforcement authority to view confidential information; however, the individual must first declare their conflict of interest and obtain written permission from the individual or firm to view their confidential peer review records.

At its May 16, 2019 meeting, the CBA approved a letter to the AICPA (**Attachment 6**) stating agreement with the feedback previously submitted to AICPA by NASBA and select state boards of accountancy. Additionally, the CBA letter provided the following feedback:

- AICPA should place consumer protection ahead of confidentiality, which is consistent with the CBA mission.
- AICPA's interpretation of peer review functions within a regulatory environment is general and do not apply to the CBA.
- State Boards of Accountancy are charged by legal statutes with enforcing and overseeing their Peer Review Program requirements to ensure consumer protection and engender public trust.
- AICPA may want to reconsider its definition of conflict of interest and take into account state regulations that govern peer review in its revisions to Chapter 3 of the Oversight Handbook.

AICPA did not make further changes to the Handbook, despite the comments from NASBA and the state boards of accountancy.

### **Comments**

From program implementation through 2019, the ASV was conducted solely by members of the PROC. While the oversight activities were effective, relying solely on the PROC to advise the CBA has inherent risk, including lack of consistency for conducting the ASV, key person dependence (if members leave the PROC, their knowledge of the process goes away), and most importantly, staff are unable to observe

## Discussion and Possible Action Regarding the Peer Review Oversight Committee's Ability to Complete the Required Annual Administrative Site Visit

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and validate that this critical part of the peer review program is being conducted as directed by the CBA and in accordance with relevant statutes and regulations.

Upon the direction of CBA leadership, CBA has been working to include staff in peer review oversight, such as the PROC ASV. In 2021, staff coordinated and attended the ASV<sup>2</sup> with the PROC.

In October 2022, the staff and CalCPA began preparing for the 2022 ASV. The CBA was informed that the AICPA Peer Review Program standards prevented CalCPA from sharing confidential information with regulatory agency staff. As a result, the CBA canceled the ASV but continued discussions with CalCPA and AICPA regarding staff access to confidential peer review information.

Due to the limitations on staff participating, the CBA has become almost entirely reliant on the PROC to advise and alert the CBA of issues relevant to the CBA's oversight of California's Peer Review Program, including any issues that may be identified during the ASV.

The Legislature has made peer review a condition of license renewal and the CBA has a statutory obligation to ensure the Peer Review Program complies with California laws and regulations. To accomplish such oversight, the California Code of Regulations (CCR) section 48.3 (**Attachment 7**) authorizes the CBA to access peer review information (including confidential information).

Attendance at the ASV is necessary to conduct oversight of a state mandated program and state law and regulations take precedence over the AICPA Peer Review Program Standards. Section .19 of the AICPA Standards for Performing and Reporting on Peer Review (Standards), effective May 1, 2022 (**Attachment 8**) states:

*Confidential information should be disclosed only as required by law, or in accordance with sections 200 and 400, (a) to anyone not involved in performing the review, (b) to anyone not administering or carrying out the program, or (c) for use in any way not related to meeting the objectives of the standards. (emphasis added)*

This language would suggest that any law that provided a State Board of Accountancy the right to view confidential peer review information would supersede the AICPA's confidentiality requirements.

Sampling peer reviews is an integral part of the ASV. During the ASV, PROC members review the following documentation that may include confidential information:

- Peer review reports that received a rating of Pass.
- Peer review reports that received a rating of Pass with Deficiencies.
- Peer Review reports that received a rating of Substandard.

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<sup>2</sup> An ASV was not conducted in 2020 due to the COVID-19 Pandemic.



## **Discussion and Possible Action Regarding the Peer Review Oversight Committee's Ability to Complete the Required Annual Administrative Site Visit**

Page 4 of 4

- Firms that were dropped or terminated from the peer review program.
- Documents supporting report acceptance.

Without access to confidential information, the CBA cannot adequately perform oversight of the peer review program. Therefore, the CBA may wish to take action on one or more of the following:

1. Requesting AICPA presence at a future CBA meeting.
2. Sending a letter from the CBA President to the AICPA directing them to allow staff to attend future ASVs consistent with the CBA's role in peer review oversight.
3. Add a future agenda presentation regarding the process of withdrawing recognition of a peer review program provider.
4. Add a future agenda presentation regarding the addition of peer review program oversight concerns to the upcoming CBA Sunset Report.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic considerations.

### **Recommendation**

Staff do not have a recommendation on this item.

### **Attachments**

1. January 2019 proposed changes to Chapter 3 of the AICPA Peer Review Oversight Handbook
2. The North Carolina State Board of Certified Public Accountant Examiners letter to AICPA regarding the revisions to Chapter 3 of the AICPA Peer Review Program Oversight Handbook, dated February 18, 2019
3. The State of Wyoming Board of Certified Public Accountants letter to AICPA regarding the revisions to Chapter 3 of the AICPA Peer Review Program Oversight Handbook, dated February 27, 2019
4. The Nevada State Board of Accountancy letter to AICPA regarding the revisions to Chapter 3 of the AICPA Peer Review Program Oversight Handbook, dated March 4, 2019
5. Pages 1-17 of the May 3, 2019 Peer Review Board Open Session Materials – a clean copy of the new iteration of the proposed changes to Chapter 3 of the AICPA Peer Review Program Oversight Handbook
6. CBA letter to AICPA regarding the revisions to Chapter 3 of the AICPA Peer Review Program Oversight Handbook, dated May 24, 2019
7. California Code of Regulations, Article 6, section 48.3
8. AICPA Standards for Performing and Reporting on Peer Reviews, Effective for Peer Reviews Commencing on or After May 1, 2022 (263 pages). This attachment is available on the AICPA web site at <https://us.aicpa.org/content/dam/aicpa/research/standards/peerreview/downloadable/documents/56175896-clarifiedpeerreviewstandards.pdf>

## CHAPTER 3

## Confidentiality of Peer Review Information in the Regulatory Environment

*This guidance should be followed by all administering entities (AEs).*

**A. Introduction and Background**

1. When AICPA members passed a peer review bylaw requirement in 1988, it was done so with the understanding that, with few exceptions, information and results obtained from the peer review process would remain confidential. An implementing bylaw resolution allowed the AICPA Board of Directors to establish the “peer review board” to carry out peer review activities which do not conflict with the policies and standards of the AICPA.
2. Over time, recognizing the remedial value of the peer review process, ~~states~~ ~~boards of accountancy (SBOAs)~~ began incorporating peer review requirements into their ~~state~~ laws, regulations and administrative policies.
3. SBOAs also began recognizing that one way a firm may meet those requirements was by undergoing an AICPA peer review program (PRP) review administered by entities approved and oversighted by the AICPA.
4. Since SBOAs were relying on the effectiveness of the PRP and were requiring firm participation for licensure, some SBOAs communicated to the AICPA that they would like to perform due diligence over the PRP and its AEs.
5. Although the AICPA Peer Review Board (PRB) was bound by confidentiality provisions imbedded into the peer review process, it fully supported SBOAs need and ability to monitor the PRP.
6. With the confidentiality provisions in mind, and SBOAs communicating their objectives, the PRB was able to be transparent with peer review information to an individual or group monitoring the PRP for an SBOA with the mutual understanding and agreement that the PRB only has the authority to do this within the confidentiality parameters imbedded in the PRP.
7. Working collaboratively, AEs and SBOAs that requested to do so, entered into an oversight relationship with the AE that allowed the SBOAs to monitor the AEs’ performance and determine if peer reviews were being administered, performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews (*Standards*). The result of this collaboration was the establishment of SBOA peer review oversight committees (PROCs).
8. The fundamental confidentiality provisions have not changed and neither the PRB, nor the AEs, may violate these provisions. This Chapter serves to better articulate the AEs responsibilities in such matters.
9. SBOAs have information available through the PRP, such as the information provided in the AICPA Public File, through Facilitated State Board Access (FSBA) and permitted by *Standards* and related Interpretation 146-3. This Chapter’s focus is primarily on the types of confidential information that can be made available to PROCs solely for the purpose of oversighting an AE (information that would not otherwise be available to the PROCs).
10. PROCs are established by SBOAs. It is solely up to the SBOA to determine who serves on its PROC.

11. Since PROC members have access to information not otherwise provided to those not involved in the PRP, AEs must avoid providing confidential information to PROC members who have a conflict of interest. In addition, those who are provided confidential information ordinarily must sign a confidentiality letter prior to receiving access to such information.
12. The PRB does not expect a PROC member to sign a confidentiality letter if the PROC member is or may be required to divulge confidential information to the SBOA, administrative liaison or others. In such circumstances, the AE should not provide confidential information to a PROC member.
13. Note that the signing of a confidentiality letter and/or recusal from meetings where confidential information is discussed is not a sufficient safeguard against a conflict of interest. PROC members or others with a conflict of interest should notify the AE when it becomes aware of such conflicts, and not be provided confidential information or allowed to attend such meetings.
14. It is the policy and the goal of the PRB to assist SBOAs and PROC members in any way it can, provided the confidentiality requirements of the PRP are not violated.

#### **B. Peer Review Information – Publicly Available vs. Confidential**

1. Paragraph 146 of the *Standards* , indicates the AE and the AICPA may disclose the following information:
  - a) The firm's name and address,
  - b) The firm's enrollment in the program,
  - c) The date of acceptance and period covered by the firm's most recently accepted peer review; and
  - d) If applicable, whether the firm's enrollment in the program has been dropped or terminated.
2. Any information not contained in Section B. 1 of this Chapter is confidential and should not be provided to anyone except as permitted in this Chapter.
3. AEs must adhere to the paragraph 146 of the *Standards* and related interpretations. Communication, either verbal or written, of confidential information will result in non-compliance with the applicable benchmark and may result in the PRB Oversight Task Force (OTF) administering fair procedures.
4. Interpretation 146-3 allows firms to authorize the AE or AICPA to provide certain peer review information to third parties. The authorization must be in writing and information that may be provided to third parties must be objective. A toolkit has been developed to assist firms, (SBOAs and AEs with complying with the *Standards* and guidance.
5. State law or regulations may require, or allow SBOAs to request or require firms to submit or provide access to the following specific firm peer review documents to SBOAs:
  - a) Peer review report which has been accepted by the AE,
  - b) The firm's letter of response accepted by the AE (if applicable),
  - c) The acceptance letter from the AE,
  - d) Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and

- e) Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.
6. To facilitate firms complying with SBOA laws or regulations or requests to provide the information listed in B. 5, firms may authorize the AE to submit the above documents to the SBOAs through Facilitated State Board Access (FSBA). When laws/regulations mandate the submission of documents through FSBA, firms still must authorize the AE to do so or their peer reviews will not be scheduled. The authorization is ordinarily made during the peer review scheduling process, but may also occur at other times.

### C. Statutory/Regulatory Oversight Requirements

1. As most SBOAs require firms to enroll in the AICPA PRP (or other SBOA approved peer review programs), certain SBOAs also have a statutory/regulatory requirement or Board Policy to oversight the sponsoring organizations/AEs peer review programs that are intended to meet the SBOA's peer review licensure requirements.
2. AEs should have an understanding of the statutory/regulatory peer review requirements for all states where it administers reviews. When there may be statutory/regulatory differences with the guidance contained in this Chapter, the AE should immediately contact the AICPA. Contact should occur prior to the AE providing confidential information to individuals or allowing attendance at meetings where confidential information is discussed.
3. SBOAs are encouraged to determine and communicate their oversight objectives to the AE along with the SBOA's process for achieving those objectives. This will assist AEs in providing sufficient support to SBOAs in meeting those stated objectives.
4. Ordinarily, SBOAs perform oversight through a peer review oversight committee (PROC). SBOAs determine the qualifications, selection and terms of PROC members.
  - a) The PRB fully supports the SBOAs' ability to establish an AE oversight process with the objective to report or make recommendations to SBOAs regarding AEs' ability to administer the PRP in accordance with *Standards* and guidance.
  - b) SBOA's may choose to designate PROCs or PROC members from other state boards or national/regional PROCs to achieve the oversight objectives. In such situations, AEs are not required to change the presentation of firms' peer reviews to RABs for acceptance, discussion, etc. even though the PROC member(s) may be representing SBOA(s) from states other than the state where the AE is located.
  - c) Ordinarily, employees of SBOAs may not have access to confidential information<sup>1</sup>. However, SBOAs may choose to designate an individual (hereinafter referred to as an administrative liaison) or liaisons to facilitate the SBOAs ability to perform its oversight functions. The role of the administrative

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<sup>1</sup> SBOAs generally are responsible for enforcement actions against CPAs and CPA firms. Accordingly, certain individuals associated with employees of such SBOAs may have a conflict of interest and may not be permitted access to confidential information. However, if an SBOA lacks such enforcement authority, and the individual employee otherwise has no conflict of interest, the AE may provide such individual employee the same access to confidential information as a member of a PROC (who has no conflict of interest). Such an individual employee would also be required to sign a confidentiality letter.

liaison is determined by the SBOA and may be an employee or designee of the state board. However, an AE may not provide confidential information to them or allow them to attend meetings where confidential information is discussed. When the administrative liaison is not a PROC member, they may only have access to peer review information in accordance with paragraph 146 of the *Standards* and certain documents and reports that do not contain confidential information.

- d) The guidance presented throughout this Chapter is not intended to prohibit a PROC member delegated the duty by SBOAs to read the documents in Section B.5. of this Chapter or use FSBA and report to the SBOA on the information contained in these documents. However, it would be considered a breach of confidentiality if a PROC member included information or made a recommendation to the SBOA regarding a specific licensee, firm or peer reviewer that was only available as a result of overlooking the AE.

#### **D. Independence and Conflicts of Interest (for Peer Review Purposes)**

1. AEs need to consider whether PROC members or potential PROC members have a conflict of interest or an impairment to independence. SBOAs may also want to consider what they believe may constitute a conflict of interest or impairments to independence from a regulatory perspective. AEs, SBOAs and, where appropriate, the AICPA should discuss these matters collaboratively when questions arise.
2. Independence
  - a) *Independence of mind (fact)* - The state of mind that permits those involved in the peer review process to not be affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
  - b) *Independence in appearance* – The avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity or professional skepticism of those involved in the peer review process had been compromised.
  - c) *Safeguards* – Controls that eliminate or reduce threats to independence and may include a range of partial to complete prohibitions.
3. Conflict of Interest
  - a) A conflict of interest is a set of circumstances or a situation that creates a risk that the professional judgment or actions by an individual may be influenced by a secondary party or interest. The individual may have a competing interest or loyalty to a secondary party that may influence their professional judgement or decision, or
  - b) A situation in which a person has a duty to more than one person or organization but cannot do justice to the actual or potentially adverse interests of both parties.

- c) If no safeguards are available to eliminate the risk of an unacceptable threat or reduce it to an acceptable level, this would be considered a conflict of interest.
  - i. In situations where the SBOA, AE or PRB determines that there is an unacceptable threat, then neither recusals, nor signing confidentiality letters are appropriate safeguards.

## E. Confidentiality Letters

1. PROC members ~~(and administrative liaisons that ordinarily are not given access to confidential information)~~ are required to annually sign a confidentiality letter (Exhibit 3-1 ~~and Exhibit 3-2~~) indicating they will not divulge any information to the SBOA or others that would identify any licensee, firm or peer reviewer or other information obtained from the oversight of the AE.
2. AEs should maintain a current roster of PROC members ~~and administrative liaisons~~ as their signed confidentiality letters are subject to review during AE oversight visits, Report Acceptance Body (RAB) observations and other times deemed appropriate.
  - a) Except as provided in E.2.be), the AE may only provide a PROC member access to information allowed in paragraph 146 of the *Standards* and some statistical data/reports that do not contain confidential information when a PROC member fails to sign the confidentiality letter.
  - ~~b) Although administrative liaisons are not permitted to obtain confidential information, signing the confidentiality letter is an additional safeguard in case they inadvertently receive such information.~~
  - e)b) In rare circumstances where state law or regulation specifically prevents individuals from signing confidentiality letters, the matter should be discussed with the SBOA and, where appropriate, the AICPA as to what other safeguards can be put in place, if possible, such that the PROC members may still be able view certain confidential information and possibly attend meetings.

## F. Information Available to PROC Members and Administrative Liaisons

1. The PRB determines what information may be made available to PROC members and administrative liaisons.
2. PROC members that have signed a confidentiality letter should have access to the same peer review information as those serving on AE peer review committees/RABs except in the following circumstances:
  - a) PROC members who are deemed by the SBOAs, AEs or PRB to have a conflict of interest (see Sections D and G of this Chapter).
    - i. Signing confidentiality letters or recusals are not deemed as appropriate safeguards when there is a conflict of interest.
  - b) PROC members who do not sign confidentiality letters (when state law or regulation doesn't specifically prohibit signing such letters).

- c) When situations occur such that conflicts of interest are encountered with PROC members who otherwise do not have a conflict of interest (such as when the peer review of a firm of which the PROC member is associated is being considered for acceptance by a RAB).
    - i. AEs should work collaboratively with SBOAs in identifying such situations.
    - ii. AEs should request that PROC members recuse themselves from these situations and not participate in those portions of the meetings (should not be present, on the phone, etc.).
3. PROC members and administrative liaisons may make reasonable requests for information that facilitates the PROC's ability to perform its oversight functions, including, but not limited to:
- a) *Standards*, procedures, guidelines, training materials and similar documents prepared for use by reviewers, reviewed firms and AEs.
  - b) AE peer review committee/RAB meeting schedules.
  - c) Statistical data available.
  - d) Benchmark, monitoring, RAB observation and various oversight reports and information (administrative liaisons may only obtain reports that do not contain specific identifying information).
  - e) Other Peer Review Integrated Management Application (PRIMA) generated reports (administrative liaisons may only obtain reports that do not contain specific identifying information).

#### G. PROC Members ~~and Administrative Liaisons~~ – Violations of Confidentiality Letters

- 1. AEs must immediately report to the SBOA and, where appropriate, the AICPA, any known or potential violations of signed confidentiality letters by PROC members ~~or administrative liaisons~~. For example, litigation against a firm or reviewer coming to the attention of the SBOA based solely on information the PROC member obtained as a result of AE oversight and reported to the SBOA would be a violation of the confidentiality letter. If the AE is aware of a potential situation and uncertain if there is a violation, it should discuss with the SBOA and, where appropriate, the AICPA.
  - a) Until a potential situation is resolved by the AE with the SBOA, and, where appropriate with AICPA Staff and/or the AICPA PRB OTF, individuals identified that may have potentially violated the confidentiality letter shall be considered to have a conflict of interest on all matters related to oversight and should not be given access to confidential information or be allowed to attend meetings where such information is discussed.

#### H. Examples of Conflict of Interest

- 1. The following is a list of examples where the PRB has determined the PROC member has a conflict of interest or independence is impaired and should not be given access to confidential information or be allowed to attend portions of the meetings where such

information is discussed.

- a) Active SBOA members have a conflict of interest. ~~Generally, a~~Due to practice mobility, a active SBOA member from one state is ~~likely deemed~~ to have a conflict of interest in all states, not just the state where serving on the SBOA.
- b) Individuals (employees, consultants, volunteers or others) who perform enforcement related work for regulatory or governmental bodies, professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board or state professional ethics committee) or similar groups or subgroups unless the individual can first demonstrate to the satisfaction of the PRB that:
  - i. They are not performing enforcement work or otherwise significantly involved in such work; and
  - ii. They are not involved in making recommendations to the SBOA, or have influence with the SBOA on any individual or firm licensure, enforcement, ethics or other similar matters or have access to such information; or
  - iii. They only assist SBOAs with administrative matters such as assisting with writing their laws and regulations.
- c) Ordinarily when a PROC member is from the same firm as the technical reviewer, committee or RAB members of the AE being oversighted, unless appropriate safeguards are in place such as the PROC member not attending portions of AE meetings where information is prepared by or discussed by those individuals. However, there may be situations when the PROC member's firm is from a different state and with appropriate safeguards the conflict of interest could be eliminated. AEs should discuss such situations with the SBOA or the PROC member's firm, as the resolution of some conflicts could be achieved by either changing the PROC member or AEs not having a technical reviewer, committee or RAB member from the PROC member's firm.
- d) A PROC member is deemed to have a conflict of interest when his or her firm's peer review or reviews performed by his or her firm are being discussed. When this or similar situations occur, the AE should ensure the PROC members recuse themselves completely and not be present for (or on the phone) or participate in any discussions. This would also be true when the PROC member has a conflict of interest with the reviewing firm, reviewer or the reviewed firm, etc. for other reasons. In these situations, PROC members should also not be given confidential materials, correspondences, etc. prepared by the AE for the RAB related to the specific conflict.
- e) If there is any question as to whether a PROC member may have a conflict of interest, the matter should be brought to the attention of the SBOA and, as appropriate, the AICPA who may discuss the question with the OTF. This must be done prior to making confidential information available or allowing someone to attend a meeting. All relevant information should be provided including what appropriate safeguards are in place as applicable.





## North Carolina State Board of Certified Public Accountant Examiners

February 18, 2019

AICPA Peer Review Board  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, North Carolina 27707-811

Members of the AICPA Peer Review Board:

The AICPA Peer Review Board recently deferred its approval of revisions to Chapter 3 of the AICPA Oversight Handbook to provide additional time for state boards of accountancy to provide feedback. Chapter 3, entitled Confidentiality of Peer Review Information in the Regulatory Environment, provides guidance to be followed by the peer review program Administering Entities (AEs). The North Carolina State Board of CPA Examiners (Board) has reviewed the proposed changes and offers the following comments.

While the Board appreciates the fact that it is being given an opportunity to provide feedback for the proposed changes, it is concerning that state boards, as the entities charged with public protection and most impacted by these changes, were not engaged during the initial stages of the process.

The proposed language updates to Chapter 3 appear to be minimal and have no substantive changes to the content. Therefore, the Board does not object to the proposed changes. However, the more important matter discussed in Chapter 3 involves the transparency of the AICPA Peer Review Program (PR Program) and what type of information should be shared with state boards of accountancy. The stated purpose of the PR Program is the enhancement of the quality of accounting and auditing services by the CPA profession. The North Carolina Accountancy Act requires peer review for all registered firms performing attestation services and relies on information obtained through the peer review process to identify potential service quality issues with its registered firms.

The PR Program was originally designed to assist professionals in performing quality services and provide educational opportunities to address identified deficiencies. However, the perceptions and expectations of the R Program have evolved over time. Governmental oversight agencies and other users of audited financial statements have come to rely on the results of the PR Program as an indicator of the quality of accounting and auditing services

performed by CPA firms. For example, the Government Auditing Standards speak to the PR Program in addressing CPA firms' systems of quality control and assurance. The Board itself also utilizes the PR Program to help identify firms that may need an independent review to make sure that those firms are in compliance with the standards and rules adopted by the Board. Chapter 3 affirms that the AEs and the PR Program can disclose to state boards of accountancy only the following information:

1. The firm's name and address,
2. The firm's enrollment in the program,
3. The date of acceptance and period covered by the firm's most recently accepted peer review; and
4. If applicable, whether the firm's enrollment in the program has been dropped or terminated.

Any other information than what is identified above is considered confidential and "should not be provided to anyone except as permitted in this Chapter". The above information is process oriented and provides limited information as to the quality outcomes of firms' PR Program results. In Chapter 3, B. 5, specific firm peer review documents are identified that may be shared with state boards of accountancy, but only after firms authorize the AE to allow access to that information, that include:

1. Peer review report which has been accepted by the AE,
2. The firm's letter of response accepted by the AE (if applicable),
3. The acceptance letter from the AE,
4. Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and
5. Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.

The above information speaks more to the firms' PR Program results and should readily be made available to all state boards of accountancy. This Board recommends that the AICPA Peer Review Board consider including this information as publicly available and disclosable to all state boards of accountancy upon request. This would be in addition to the processes already available through Facilitated State Board Access.

We are also aware of a concern of a potential conflict of interest and how state boards of accountancy perform oversight responsibilities to both the AEs and the PR Program activities from a regulatory perspective. The concern is whether state board of accountancy representative(s), who might also be involved in enforcement actions against CPAs and CPA

firms, should be allowed access to additional PR program information. While the role of the state board representative(s) is different when overseeing the PR Program activities versus determining whether a CPA firm requires some disciplinary action, the information necessary to make an informed decision is the same. Rather than restricting the flow of information due to a conflict of interest, the process should be transparent such that state boards of accountancy representative(s) have access to all information available to make informed, professional decisions. It should also be noted that information gathered from the PR Program related to CPA firm activities are just part of any evidence that state boards of accountancy would gather in reviewing a particular CPA firm's services.

The Board appreciates the AICPA Peer Review Board's efforts to improve the effectiveness of the peer review process by reviewing all aspects of the PR Program. The goal to improve the quality of CPA firms' accounting and auditing practices is one that is supported by this Board in its efforts to serve the public interest.

Sincerely,

A handwritten signature in cursive script, appearing to read "L. Samuel Williams, Jr.", written in black ink.

L. Samuel Williams, Jr., CPA  
President

DRN



## State of Wyoming Board of Certified Public Accountants

MARK GORDON, GOVERNOR

VIKKI G. NUNN, CPA  
ROBERT B. DICKERSON, CPA  
STEVEN R. LAIRD, PUBLIC MEMBER

ELIZABETH M. OTT CPA  
ROXANNE P. OSTLUND, CPA  
PAMELA IVEY, EXECUTIVE DIRECTOR

February 27, 2019

AICPA Peer Review Board  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, NC 27707-8110

Members of the AICPA Peer Review Board,

The AICPA Peer Review Board recently deferred its approval of revisions to Chapter 3 of the AICPA Oversight Handbook to provide additional time for state boards of accountancy to provide feedback. Chapter 3, entitled *Confidentiality of Peer Review Information in the Regulatory Environment*, provides guidance to be followed by the peer review program Administering Entities (AEs). The Wyoming Board of Certified Public Accountants (Board) has reviewed the proposed modifications and offers the following comments.

While the Board appreciates the fact that it is being given an opportunity to provide feedback regarding the proposed modifications, it is concerning that state boards, as the entities charged with public protection and most impacted by these changes, were not engaged during the initial stages of the project to craft modifications to the program.

The proposed language modifications appear to be minimal in nature and; therefore, do not appear to result in substantive content changes. The Board does not object to those proposed modifications.

The more critical topic discussed in Chapter 3 of the Handbook pertains to the transparency of the AICPA Peer Review Program (Program) and the kinds of information that should be shared with state boards of accountancy. The purpose of the Program is to enhance the quality of accounting and auditing services offered by the CPA profession. The Board's practice act and rules require all registered firms performing attestation services to submit to peer review. The Board is reliant upon the Program to identify areas of potential concern relative to service quality issues with respect to attestation services offered by CPA firms. The Board is interested in supporting an education process when appropriate; however, there will be times that stronger action may need to be taken in the interest of public protection.

It is widely misunderstood by CPA firms enrolled in the Program that the Board receives cooperation and information from the Program. CPA firms do not appear to understand that the information available to the Board is limited in nature and that the Program AEs are not required to cooperate with state boards.

Therefore, as an example, if a CPA firm has not completed its enrollment in the Program in a timely manner, is terminated from the Program and then subsequently meets the requirements for reenrollment, the CPA firm is often under the impression that the Program is forthcoming with information to evidence that the CPA firm is in the process of reenrollment. The Board office spends unnecessary time and resources chasing down information regarding reenrollment. This evidence could have and should have been made available to the Board through the AICPA Facilitated State Board Access (FSBA) platform. Obviously, if the CPA firm failed to maintain enrollment in the Program, the Board is charged with the responsibility to verify the word of the CPA firm that the enrollment process has been started.

All the Board asks is for cooperation with respect to things of this nature. The offer that CPA firms could authorize release of specific information is not always helpful since the CPA firm doesn't always know exactly what the Board office needs to evidence enrollment and compliance with the program. A modification of the program to open up additional information to the Board would help this agency that has limited staff and time to chase down evidence and it would help the CPA firms served by the Program by making the process easier for them.

With respect to the Board's Peer Review Oversight Committee (PROC) and constraints placed upon it by the Program, the Board asks the members of the AICPA Peer Review Board to consider the following comments:

Small states such as Wyoming do not have a large pool of qualified CPAs to serve as PROCs to the Board. A member of the Board serves as the sole member of the PROC based upon a two-year appointment. We have heard countless times how important it is for PROCs to attend Review Acceptance Board (RAB) meetings to ensure that the acceptance process is sufficient in order for the Board to rely on the Program's effectiveness and outcomes. We have also been told that a PROC member who serves also as a seated member of the Board is not welcome at RAB meetings owing to some sort of potential conflict of interest. The concern shared with the Board's Executive Director is that information potentially obtained during a RAB meeting that reflects poor service quality rendered by a CPA firm registered in Wyoming could be unfairly used against the firm in a disciplinary action. That response is insulting and demeaning and assumes that the Board is eager to discipline its licensees and seeks opportunities to do so.

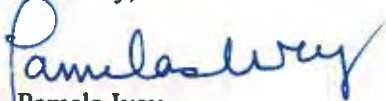
There are a couple of areas of concern regarding that argument. First, the Board is bound by Wyoming statutes that require every licensee to be afforded due process and an impartial hearing of any matter that may come before the Board. The Office of Attorney General, State of Wyoming has strict procedures in place that require the attorneys assigned to support the Board, Board staff and seated members of the Board to maintain impartiality. If a PROC/Board member becomes aware of information that might lead to a complaint filed with the Board office, an investigation would ensue and the Board member appointed to investigate would be the PROC/Board member. In that way, the investigation could proceed without involvement from (or taint to) any other Board members. The information that a PROC/Board member may become aware of is the same sort of evidentiary information that would be gathered from the CPA firm during the course of any such investigation.

Secondly, if a PROC/Board member became aware of information that was of grave concern related to a CPA firm's attestation service quality, the PROC would be privy to the judgments made by the peer review team and the RAB which would provide a more complete context and information that would allow the PROC to understand the stances taken by the other professionals in the Program.. The purpose of the Program is to enhance the quality of accounting and auditing services offered by the CPA profession. This allows the Program to do just that while enhancing transparency with the PROC members in each jurisdiction, not just larger ones. No one would want the Program to be used as a shield to prevent critically important service quality or CPA firm personnel cooperation issues from being available to the regulating Board. However, that risk and the risk of bias on behalf of a Board member who also serves as a PROC, while small, are eroding trust between the Program and state boards when the risks are used to refute transparency. No one is served by a Peer review process if CPA firms are promised certain confidentiality protections that may prevent the state Board from being aware of issues that may require action. In fact, the Program is pushing for more transparency in such matters.

The Board does appreciate the opportunity to offer this feedback and thanks the AICPA Peer Review Board's efforts to improve the effectiveness of the peer review process by reviewing all aspects of the Program. The goal of improving the quality of CPA firms' accounting and auditing practices is one that this Board supports as an important element in its being able to meet its responsibility of public protection.

If the AICPA Peer Review Board wishes to explore the recommendations from this Board further, please do contact the Board office so that an appointment with pertinent Board members, Board staff and attorneys could be arranged.

Sincerely,



Pamela Ivey

Executive Director

Copy: Board Members  
Office of Attorney General, State of Wyoming



## NEVADA STATE BOARD OF ACCOUNTANCY

1325 AIRMOTIVE WAY, SUITE 220, RENO, NEVADA, 89502 • 775-786-0231 FAX 775-786-0234  
WEBSITE: WWW.NVACCOUNTANCY.COM • E-MAIL: CPA@NVACCOUNTANCY.COM

### Attachment 4

March 4, 2019

American Institute of Certified Public Accountants  
AICPA Peer Review Board  
220 Leigh Farm Road  
Durham, NC 27707-8110

Dear Members of the AICPA Peer Review Board:

The Nevada State Board of Accountancy appreciates the opportunity to provide feedback to the AICPA Peer Review Board (PRB) in connection with the proposed changes to Chapter 3 of the AICPA Oversight Handbook, titled *Confidentiality of Peer Review Information in the Regulatory Environment*.

The proposed revisions to the chapter do not appear to be substantive or cause any outstanding issues based on the intent of the changes. The Board does not have any comments or concern with regard to the proposed revisions. However, the Board believes there are a number of outstanding issues that are not addressed with the proposed revisions. Specifically, those that involve the "transparency" of the Peer Review Program (PRP) and the type of information that should be available to the state boards of accountancy (SBOA).

The Board believes that the Peer Review Program is still educational when the firms are compliant with the peer review process, however there are firms that are continually non-compliant throughout the process which eventually ends in some type of enforcement intervention in order to gain compliance. There is also a misconception that firms believe all information is provided to the Board from the Administering Entity (AE).

The Board understands that the information provided by a firm to an SBOA needs to be objective and measurable and not subjective, however requesting a firm to provide the AE with specific information for release versus a blanket approval of communication is often difficult. Nevada requires any information relating to the peer review process to be sent to the Board that would indicate they are in compliance with peer review if the peer review report and letter of completion have not been finalized. The Board has numerous firms that we are waiting for that information and do not know where they are in the process other than they are extremely delayed and far past their due dates for a variety of reasons that might not be the firm's fault. When the Board contacts these firms we often hear comments such as: I thought it was finished, my peer reviewer has everything, what is a letter of completion, the Society is supposed to send that to you, etc. We indicate that the AE is unable to provide information to the Board without the specified consent of the firm. It is difficult to tell the firm what specific information they should authorize the AE to release when they do not know where in the process the peer review is themselves. Yet the examples of what a firm can submit authorizing the AE to release information is far more involved and detailed than the majority of firms will have knowledge of.

While the information provided in Chapter 3 is somewhat helpful, it does not alleviate the communication loop holes that continue to occur. The Board sending non-compliance letters causing the firm to place pressure on the AE doesn't seem to be an efficient way of handling the process. The Board has utilized warning letters however without substantive information that would indicate compliance it often ends with formal disciplinary complaints. This ends up costing everyone a lot of time and possible legal expenses when the issue could have been avoided by the receipt of better information and communication between the firm, AE and Board.

The Board believes that additional information that could be provided to the SBOA may help resolve the communication issues. Information that would be helpful should include items such as a copy of the enrollment letter, the due date of the next required peer review, if the peer review has been scheduled, if any extensions have been authorized by the AE in connection with follow up or scheduling, any information that would indicate that the firm is in process or in compliance with the program.

The Board would be interested in seeing revisions to Chapter 3 that would add the sharing of additional information to assist the Boards in their charge and requirements for peer review. We appreciate the AICPA Peer Review Board's continued efforts in improving the peer review process and its further review of the peer review program.

If further clarification regarding the above is warranted, please do not hesitate to contact the Board through its President and/or Executive Director.

Sincerely,

A handwritten signature in blue ink, appearing to read "Viki A. Windfeldt".

Viki A. Windfeldt  
Executive Director

cc: Nevada Board of Accountancy Members





Peer Review  
Program

# Peer Review Board Open Session Materials

**May 3, 2019**

**Durham, NC**

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**AICPA Peer Review Board  
Open Session Agenda  
Friday May 3, 2019  
Durham, NC**

**Date:** Friday, May 3, 2019

**Time:** 10:00AM – 12:00PM Eastern Time

- 1.1 Welcome Attendees and Roll Call of Board\*\* – Mr. Kindem/Mr. Parry
- 1.2 Discussion of Revisions to Chapter 3 of the Oversight Handbook\* - Mr. Bluhm
- 1.3 Approval of Guidance Changes Related to Hearing Panel Referrals\* - Mr. Pope
- 1.4 Approval of Guidance Changes Related to Document Retention\* - Mr. Pope
- 1.5 Task Force Updates\*
  - Education and Communication Task Force Report – Ms. Kerber
    - A – Reviewer Pool Discussion\*
  - Standards Task Force Report – Mr. Pope
    - B – Update on Clarified Peer Review Standards\*
  - Oversight Task Force Report – Mr. Bluhm
- 1.6 Brief Update on IAASB Quality Management Exposure Draft\*\* - Mr. Freundlich
- 1.7 Operations Director's Report\*\* – Ms. Thoresen
- 1.8 Report from State CPA Society CEOs\*\* – Ms. Birmingham
- 1.9 Update on National Peer Review Committee\*\* – Mr. Fawley
- 1.10 Other Business\*\* - Mr. Parry
- 1.11 For Informational Purposes\*:
  - A. Report on Firms Whose Enrollment was Dropped or Terminated\*
- 1.12 Future Open Session Meetings\*\*
  - A. August 2019 Open session [Date TBD] – Teleconference
  - B. October 24, 2019 Open session - Teleconference

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\* Included on SharePoint

\*\* Verbal Discussion

## Revisions to Oversight Handbook – Rewrite of Chapter 3

### Presented for Discussion and Feedback

#### Why is this on the Agenda?

In August 2018, the Peer Review Board (PRB) approved revisions to Chapter 3 of the Oversight Handbook. The revisions were intended to remove outdated guidance and provide clarifying and revised guidance for use by Administering Entities (AEs) related to the confidentiality of peer review information in the regulatory environment, which includes peer review oversight committees (PROCs). After PRB approval, we received feedback from the National Association of State Boards of Accountancy (NASBA), State Boards of Accountancy (SBOAs) and AEs. AICPA staff worked with NASBA staff, some SBOA Executive Directors and AEs to better understand the issues and develop new guidance that attempted to address the concerns communicated to us.

In preparation for the January PRB meeting, we requested input to draft revisions of Chapter 3 from the SBOA Executive Director Advisory Group and NASBA. NASBA responded and communicated its concerns about the short time frame it had to respond. Staff evaluated those comment, discussed them with the Oversight Task Force (OTF) and incorporated the comments, where appropriate, into the January PRB meeting - Chapter 3 agenda item. At that time, the OTF concluded that some of the requested changes would not be allowable due to confidentiality restrictions required as a result of the AICPA bylaw vote.

A revised version of Chapter 3 was presented at the January 2019 Oversight Task Force (OTF) meeting. The revisions included:

- Directing the guidance towards AEs.
- An introduction and background section, including confidentiality requirements imbedded in the AICPA peer review program (PRP).
- Acknowledging that many states have an oversight requirement and the SBOAs determine who can serve on a PROC or as an administrative liaison.
- Clarifying that the AICPA determines what information is deemed confidential.
- Specifying the information an AE can provide to PROC members and SBOA administrative liaisons.
- Reiterating to AEs the importance that certain peer review information must be kept confidential.
- Additional information related to conflicts of interest.
- Updated confidentiality letter

The OTF discussed the guidance at length and made additional revisions. A new document was created in track changes (included as Agenda Item 1.2B), approved by the OTF and distributed to the PRB and attendees shortly in advance of the PRB open session meeting. However, it was decided that the materials would be deferred to allow additional time for SBOAs to provide feedback prior to the PRB considering and approving the guidance.

#### Feedback on Chapter 3 and Survey of SBOAs

On February 6, 2019, an email was sent to all SBOA Executive Directors and Chairs/Presidents requesting feedback on Chapter 3 of the Oversight Handbook (Agenda Item 1.2B) and responses

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to a brief survey regarding information that SBOAs need related to reviews performed under the AICPA Peer Review Program. State CPA Society CEOs, Deputy CEOs, CPAs on Staff and Peer Review Administrators were also made aware of this outreach. As of April 9, ten written responses were received (nine SBOAs and one state CPA society) related to Chapter 3. Summary of results are:

- Three of the SBOAs indicated they had no comments.
- Five SBOAs and the one state CPA society provided letters that included feedback
- One SBOA indicated their PROC would review on May 3, 2019 and report to their board on May 16-17.

Overall, the feedback did not identify significant changes were needed to Chapter 3. In addition, none of the responses included specific recommended changes to the proposed guidance.

While the five comment letters from SBOAs did not indicate specific recommended changes, there were three common themes in the letters: (1) the desire for increased transparency in the peer review process, (2) the assertion that limiting access to confidential information, due to a conflict of interest, is not in the best interest of the general public, and (3) observations that firms have a lack of knowledge regarding what stage in the process its peer review stands and what information an AE provides to SBOAs. Agenda Item 1.2D provides a summary of the comments by topic. OTF noted responses to the survey (Agenda Item 1.2F) were similar to the transparency theme in Chapter 3 feedback.

Due to the number of revisions and difficulty following in track changes, Agenda item 1.2A-1 is a clean version of the revised guidance. Agenda 1.2A-2 reflects the track changes made since the version presented in January. It reflects “Accepted Track Changes” of the document in Agenda Item 1.2B presented at the January PRB open session meeting (and distributed February 6 requesting SBOA feedback). The proposed revisions were developed to provide additional clarity or emphasis based on feedback from the responses received.

In addition, at the NASBA 36<sup>th</sup> Annual Conference for Executive Directors and Board Staff, at which Beth Thoresen, Peer Review Operations Director spoke, one of the attendees questioned, “Why is the conflict of interest prohibition so black and white in all situations, including when there is segregation of duties, and the AICPA Code of Conduct (Code) allows for safeguards?” Although the OTF recognized that the Code (see excerpt included in Agenda Item 1.2E) was not specifically written for the relationships being addressed in Chapter 3, it believes the Code could provide a potential framework for a safeguard when a certain conflict of interest exists. Therefore, Agenda Item 1.2A includes new proposed revisions with the concept of a consent and disclosure safeguard to address a certain conflict of interest. The OTF believes this safeguard may be difficult to implement, but it may be useful and should be considered along with certain transparency changes (as identified in the Survey) which might facilitate the implementation.

The three themes from the comment letters (and survey received to date) are:

**Increased transparency in the peer review process** - SBOAs desire increased transparency of a firm’s progress through the peer review process. The request for transparency is to allow the SBOAs to effectively and efficiently monitor firms’ compliance. The five SBOAs that provided comment letters all indicated a desire for increased transparency.

The OTF agrees that it would make the process more effective and efficient for firms, AEs and SBOAs should be explored. The OTF considered that some solutions could possibly be made in PRIMA, the Peer Review Information Form, Scheduling Form and through FSBA. However, the

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OTF recognizes cost and other factors may dictate such changes are not feasible in the short term. The OTF also observed that any solutions would likely require some form of firm permission. Some possible considerations:

1. Extension requests (1 - would only be granted) (2 - could be granted) provided the AE is granted written permission from the firm to notify SBOAs of the extension. Existing 146-3 guidance already addresses this; however, our process could be revised requesting a firm signature on an extension approval letter. This could require additional AE resources and PRIMA changes.
2. Provide SBOAs information about the peer review process/timeline. In order to effectively do so, a determination as to what information is useful and necessary to a SBOA, as well as ensuring Board staff's understanding of certain peer review terms and elements of the process, such as –
  - a. The peer review due date
  - b. When a review is scheduled
  - c. Recognizing that a review may be *expected* to be presented to a RAB but it may not occur for various reasons
  - d. What is meant by 120 days
  - e. The time by which as SBOA should expect to see accepted reviews in FSBA
  - f. The drop/termination process
  - ge The procedures followed when a firm is sent to the AICPA for a hearing to determine whether the firm's enrollment should be terminated (or some other action taken), including the appeal process
  - h. How FSBA can be utilized to assist with obtaining information
3. Explore ways to provide additional information with firm permission through the Peer Review Information Form (PRI) or using FSBA reports. For example
  - a. By getting firm permission through the PRI, a screenshot might be able to be developed in PRIMA (short term) so an AE has quick access to the info (only for firms granting permission) making it easier to provide information to the SBOA when requested (FSBA is a longer-term possible solution). Possible information:
  - b. Changes in peer review due date
  - c. Firm reenrollments vs. no reenrollment
  - d. Due dates of the various corrective actions by firm
  - e. Changes in due dates of corrective actions by firm
  - f. Changes in PRIMA are provided in one report (i.e. info in a-d above)
  - g. No A&A firms or if firm is late with scheduling review
  - h. Highlight when changes or updates are made in FSBA
  - i. Have firms opt in to allow boards to have access to objective information (i.e. peer review is scheduled, peer review commencement date, exit conference date, in technical review, RAB meeting date) via the PRI.
    - i. Provide objective subsets of the process through FSBA (i.e. issuance of warning letters, etc.) Consider asking SBOAs and/or NASBA to fund PRIMA changes needed to provide this information.
    - ii. Any terms used would need to be defined to ensure consistency such as what does it mean that review is scheduled, what is considered the start of fieldwork on a system or engagement review.

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4. Add a notification in FSBA to alert an SBOA when information related to a firm/its peer review has changed.
  5. Recommend a member vote to revise Bylaws to provide transparency.

**Limiting access to confidential information due to conflict of interest** – Four of the five SBOAs responding expressed concern that conflicts of interest could hinder the protection of the public interest. They expressed the need to obtain information, regardless of who or how it is obtained, if it relates to information that indicates a firm’s work is a threat to the public interest. They believe SBOAs should have access to all information to make informed, professional decisions. The comments were coupled with the need for transparency particularly when a firm is not complying with peer review requirements, including the timely completion of the peer review.

A possible action for consideration:

The OTF has been advised by AICPA Counsel that the referendum to pass the Bylaws requirement for peer review, including related communications, does not allow for such unrestricted access to information to those involved in enforcement activities and therefore is beyond the purview of the PRB. However, with a firm’s permission, transparency may be addressed through recommendations articulated in the first theme.

As indicated in Agenda Item 1.2A, Section H.1.a, the OTF believes active SBOA members have a conflict of interest. However, the OTF is proposing new guidance for the PRB to consider related to a Disclosure and Consent Safeguard for “Individuals **Not** Involved in Enforcement who **Are** Employees or Consultants (or similar) for Entities with Enforcement Authority.”

The OTF believes that any safeguard for such individuals should be very robust. The OTF does not believe individuals signing a confidentiality letter or requiring firms to sign a generic letter giving the SBOA unrestricted access to any and all information is an appropriate solution.

**Firms have a lack of knowledge regarding what stage in the process its peer review stands and what information an AE provides to SBOAs** – Four SBOAs indicated that firms don’t always understand where their peer review stands and thought the AICPA/AE should provide the SBOA the necessary peer review information.

Some possible actions for consideration:

1. Remind firms in the “Are you ready?” course about the information that is provided to the board. Include 146-3 information and remind them of the requirements of Statements on Quality Control Standards No. 10 Section .12a which indicates “*The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that the firm and its personnel comply with professional stands and applicable legal and regulatory requirements.*”
2. Develop a communication strategy that explains what is provided to an SBOA. Include postings to our website and in presentations where firms are the audience.

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3. Consider assisting SBOAs in developing communications about their state specific requirements and explain the limited information they have access to during the peer review process. Such information could be posted to the SBOA's website.

Staff will continue to obtain and analyze results of the surveys and develop a suggested course of action to address information provided in the surveys.

### **Confidentiality Letter (Exhibit 3-1)**

The confidentiality letter included as Agenda Item 1.2C is primarily for PROC members. It can also be modified for those individuals that meet the requirements outlined in Chapter 3 (i.e. individuals not deemed to have a conflict of interest that are **NOT** involved in enforcement and are **NOT** an employee or consultant (or similar) for an entity with enforcement authority).

### **Index of Agenda Items:**

- Agenda Item 1.2A-1: Clean version of Agenda Item 1.2B with OTF revisions based on feedback
- Agenda Item 1.2A-2: Track changes (with accepted changes from Agenda Item 1.2B) with OTF revisions based on feedback
- Agenda Item 1.2B: Chapter 3 guidance with approved OTF changes from January meeting
- Agenda Item 1.2C: Proposed Confidentiality Letter for PROCs and Individuals Approved through Chapter 3 guidance
- Agenda Item 1.2D: Summary of common comments included in feedback from five SBOAs and one state CPA society
- Agenda Item 1.2E Excerpt AICPA Code of Conduct: Conflict of Interest
- Agenda Item 1.2F Summary of Survey Results Received as of April 5, 2019

### **Board Consideration:**

The goal is to have comprehensive, accurate, and concise guidance presented for PRB approval at a future meeting. The objective of this agenda item is to have an open discussion on the changes in Agenda Item 1.2A.

OTF would like the PRB members and the general public to provide feedback and ask questions during the meeting.

OTF recommends outreach to SBOA's (similar to February 6 communication) to get additional feedback.

Note: Agenda Item 1.2A has not been through the editorial process because it is a working draft. Once the guidance has been approved, it will be subject to the editorial process prior to publishing in the Oversight Handbook.

## CHAPTER 3

### Confidentiality of Peer Review Information in the Regulatory Environment

***The objective of this chapter is to assist administering entities determine what information can be shared with third parties, the use of confidentiality letters, and identifying and addressing a conflict of interest.***

#### A. Introduction and Background

1. When AICPA members passed a peer review bylaw requirement in 1988, it was done so with the understanding that, with few exceptions, information and results obtained from the peer review process would remain confidential. An implementing bylaw resolution allowed the AICPA Board of Directors to establish the “peer review board” to carry out peer review activities which do not conflict with the policies and standards of the AICPA.
2. The educational approach of the AICPA Peer Review Program (PRP) is one of its major assets. Over time, recognizing the educational and remedial value of the peer review process, states began incorporating practice monitoring requirements into their laws, regulations and administrative policies.
3. State boards of accountancy (SBOAs) also began recognizing that one way a firm may meet those requirements was by undergoing a PRP review administered by entities approved and oversighted by the AICPA.
4. Since SBOAs were relying on the effectiveness of the PRP and were requiring firm participation for licensure, some SBOAs communicated to the AICPA that they would like to perform due diligence over the PRP and its AEs.
5. Although the AICPA Peer Review Board (PRB) has been bound by confidentiality provisions imbedded into the peer review process, it has always fully supported SBOAs need and ability to monitor the PRP.
6. Working collaboratively, administering entities (AEs) and SBOAs that requested to do so, entered into an oversight relationship that allowed the SBOAs to monitor the AEs’ performance and determine if peer reviews were being administered, performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews (*Standards*). The result of this collaboration was the establishment of SBOA peer review oversight committees (PROCs).
7. SBOAs have information available through the PRP, such as the information provided in the AICPA Public File, through Facilitated State Board Access (FSBA) and permitted by *Standards* and related Interpretation 146-3. This Chapter’s focus is to assist AEs determine what information can be provided to third parties, such as PROCs.
8. The PRB has been able to be transparent with certain peer review information to third parties with the mutual understanding and agreement that the PRB only has the authority to do this within the confidentiality provisions imbedded in the PRP. The PRB continues to consider other requests for transparency within the confidentiality parameters in which it operates. The fundamental confidentiality provisions have not changed and neither the PRB, nor the AEs, may violate these provisions. This Chapter serves to better articulate the AEs responsibilities in such matters.



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## B. Peer Review Information – Publicly Available vs. Confidential

1. Paragraph 146 of the *Standards* indicates the AE and the AICPA may disclose to third parties the following information:
  - a) The firm's name and address,
  - b) The firm's enrollment in the program,
  - c) The date of acceptance and period covered by the firm's most recently accepted peer review; and
  - d) If applicable, whether the firm's enrollment in the program has been dropped or terminated.
2. Any information not contained in Section B. 1 of this Chapter is confidential and should not be provided to anyone except as permitted in this Chapter.
3. AEs must adhere to paragraph 146 of the *Standards* and related interpretations. Communication, either verbal or written, of confidential information will result in non-compliance with the applicable guidance and may result in the PRB Oversight Task Force (OTF) administering fair procedures.
4. Interpretation 146-3 allows firms to authorize the AE or AICPA to provide certain peer review information to third parties. The authorization must be in writing and information that may be provided to third parties must be objective. A toolkit has been developed to assist firms and AEs to comply with the *Standards* and guidance as they work with SBOA requests for objective peer review information. For example, to assist with implementing Section H. of this Chapter, an AE may wish to discuss with an SBOA how Interpretation 146-3 may be used to obtain information regarding when a firm's peer review might be expected to be presented to a RAB for acceptance or if a firm has performed peer reviews. The PRB is also exploring other methods to facilitate the implementation of this process.
5. State law or regulations may require, or allow SBOAs to request or require firms to submit or provide access to the following specific firm peer review documents to SBOAs:
  - a) Peer review report which has been accepted by the AE,
  - b) The firm's letter of response accepted by the AE (if applicable),
  - c) The acceptance letter from the AE,
  - d) Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and
  - e) Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.
6. To facilitate firms complying with state laws or regulations or requests to provide the information listed in B. 5, firms may authorize the AE to submit the above documents to the SBOAs through Facilitated State Board Access (FSBA). When laws/regulations mandate the submission of documents through FSBA, firms still must authorize the AE to do so or their peer reviews will not be scheduled. The authorization is ordinarily made during the peer review scheduling process but may also occur at other times.

### C. Statutory/Regulatory Oversight Requirements

1. As most state laws/regulations require firms to enroll in the AICPA PRP (or other SBOA approved peer review programs), certain states also have a statutory/regulatory requirement or SBOA Policy to oversight the sponsoring organizations/AEs peer review programs that are intended to meet the state's peer review licensure requirements.
2. AEs should have an understanding of the statutory/regulatory peer review requirements for all states where it administers reviews. When there may be statutory/regulatory differences with the guidance contained in this Chapter, the AE should immediately contact the AICPA. Contact should occur prior to the AE providing confidential information to individuals or allowing attendance at meetings where confidential information is discussed.
3. AEs should understand the SBOA's oversight objectives and the process for achieving those objectives. This will assist AEs in providing sufficient support to SBOAs in meeting those stated objectives within the confines of this guidance.
4. Ordinarily, SBOAs perform oversight through a peer review oversight committee (PROC). SBOAs determine the qualifications, selection and terms of PROC members.
  - a) The PRB fully supports the SBOAs' ability to establish an AE oversight process with the objective to report or make recommendations to SBOAs regarding AEs' ability to administer the PRP in accordance with *Standards* and guidance.
  - b) SBOA's may choose to designate PROCs or PROC members from other state's PROCs boards or national/regional PROCs to achieve the oversight objectives. In such situations, AEs are not required to change the presentation of firms' peer reviews to RABs for acceptance, discussion, etc even though the PROC member(s) may be representing SBOA(s) from states other than the state where the AE is located.
  - c) Ordinarily, employees of SBOAs may not have access to confidential information<sup>1</sup>. However, SBOAs may choose to designate an individual (hereinafter referred to as an administrative liaison) to facilitate the SBOAs ability to perform its oversight functions. The role of the administrative liaison(s) is determined by the SBOA and may be an employee or designee of the state board. However, except as discussed in Section H of this Chapter, an AE may not provide confidential information to them or allow them to attend meetings where confidential information is discussed. When the administrative liaison is not a PROC member, they may only have access to peer review information in accordance with paragraph .146 of the *Standards* and certain documents and reports that do not contain confidential information.
  - d) The guidance presented throughout this Chapter is not intended to prohibit a PROC member delegated the duty by SBOAs to read the documents in Section

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<sup>1</sup> SBOAs generally are responsible for enforcement actions against CPAs and CPA firms. Accordingly, certain individuals associated with SBOAs may have a conflict of interest and may not be permitted access to confidential information. However, if an SBOA lacks such enforcement authority, and the individual otherwise has no conflict of interest, the AE may provide such individual the same access to confidential information as a member of a PROC (who has no conflict of interest). Such an individual would also be required to sign a confidentiality letter. See Section H of this Chapter provides for potential safeguards for certain individuals with no enforcement responsibilities and are not serving as a PROC member and who are associated with SBOAs or other entities with enforcement authority.

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B.5. of this Chapter or use FSBA and report to the SBOA on the information contained in these documents. However, it would be considered a breach of confidentiality if a PROC member included information or made a recommendation to the SBOA regarding a specific licensee, firm or peer reviewer that was only available as a result of overlooking the AE. For example, it would be a breach of confidentiality if a PROC member, or any individual, used information only available through discussions at a peer review meeting to file a complaint against the firm or initiate an investigation or disciplinary action against a firm, its partners, employees or peer reviewers.

5. Since PROC members have access to information not otherwise provided to those not involved in the PRP, AEs must not provide confidential information to PROC members who have a conflict of interest. In addition, those who are provided confidential information ordinarily must sign a confidentiality letter prior to receiving access to such information.
6. The PRB does not expect a PROC member to sign a confidentiality letter if the PROC member is or may be required to divulge confidential information to the SBOA, administrative liaison or others. In such circumstances, the AE must not provide confidential information to a PROC member.
7. Note that the signing of a confidentiality letter and/or recusal from meetings where confidential information is discussed is not a sufficient safeguard against a conflict of interest. PROC members or others with a conflict of interest should notify the AE when it becomes aware of such conflicts and should not be provided confidential information or be allowed to attend those portions of such meetings.
8. It is the policy and the goal of the PRB to assist SBOAs and PROC members in any way it can, provided the confidentiality requirements of the PRP are not violated.

#### **D. Independence and Conflicts of Interest (for Peer Review Purposes)**

1. AEs need to consider whether PROC members or potential PROC members have a conflict of interest or an impairment to independence. AEs should be aware that SBOAs may also want to consider what they believe may constitute a conflict of interest or impairments to independence from a regulatory perspective. AEs, SBOAs and, where appropriate, the AICPA should discuss these matters collaboratively when questions arise.
2. Independence
  - a) *Independence of mind (fact)* - The state of mind that permits those involved in the peer review process to not be affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
  - b) *Independence in appearance* – The avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity or professional skepticism of those involved in the peer review process had been compromised.
  - c) *Safeguards* – Controls that eliminate or reduce threats to independence and may include a range of partial to complete prohibitions.

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### 3. Conflict of Interest

- a) A conflict of interest is a set of circumstances or a situation that creates a risk that the professional judgment or actions by an individual may be influenced by a secondary party or interest. The individual may have a competing interest or loyalty to a secondary party that may influence their professional judgement or decision, or
- b) A situation in which a person has a duty to more than one person or organization but cannot do justice to the actual or potentially adverse interests of both parties.
- c) If no safeguards are available to eliminate the risk of an unacceptable threat or reduce it to an acceptable level, this would be considered a conflict of interest.
  - i. In situations where the SBOA, AE or PRB determines that there is an unacceptable threat, then neither recusals, nor signing confidentiality letters are appropriate safeguards.

### E. Confidentiality Letters

1. PROC members are required to annually sign a confidentiality letter (Exhibit 3-1) indicating they will not divulge any information to the SBOA or others that would identify any licensee, firm or peer reviewer or other information obtained from the oversight of the AE.
2. AEs should maintain a current roster of PROC members as their signed confidentiality letters are subject to review during AE oversight visits, Report Acceptance Body (RAB) observations and other times deemed appropriate.
  - a) Except as provided in E.2.b), the AE may only provide a PROC member access to information allowed in paragraph 146 of the *Standards* and some statistical data/reports that do not contain confidential information when a PROC member fails to sign the confidentiality letter.
  - b) In rare circumstances where state law or regulation specifically prevents individuals from signing confidentiality letters, the matter should be discussed with the SBOA and, where appropriate, the AICPA as to what other safeguards can be put in place, if possible, such that the PROC members may still be able view certain confidential information and possibly attend meetings.

### F. Information Available to PROC Members and Administrative Liaisons

1. The PRB determines what information may be made available to PROC members and administrative liaisons.
2. PROC members, who otherwise have no conflict of interest, that have signed a confidentiality letter should have access to the same peer review information as those serving on AE peer review committees/RABs except in the following circumstances:

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- a) PROC members who are deemed by the SBOAs, AEs or the PRB to have a conflict of interest because, for example (see Sections D and G of this Chapter)
    - i. A PROC member's firm's peer review or a peer review performed by the PROC member is being presented to a peer review committee for acceptance.
      - Signing confidentiality letters is not deemed an appropriate safeguard when there is a conflict of interest in these or other similar situations but does not necessarily mean the PROC member has an overall conflict of interest serving as a PROC member.
      - AEs should work collaboratively with SBOAs in identifying such situations in advance, when possible
      - AEs should request that PROC members recuse themselves from these situations and not participate in those portions of the meetings (should not be present, on the phone, etc.).
    - b) PROC members who do not sign confidentiality letters (when state law or regulation doesn't specifically prohibit signing such letters).
  3. PROC members and administrative liaisons may make reasonable requests for information that facilitates the PROC's ability to perform its oversight functions, including, but not limited to:
    - a) *Standards*, procedures, guidelines, training materials and similar documents prepared for use by reviewers, reviewed firms and AEs.
    - b) AE peer review committee/RAB meeting schedules.
    - c) Statistical data available.
    - d) Benchmark, monitoring, RAB observation and various oversight reports and information (administrative liaisons may only obtain reports that do not contain specific identifying information).
    - e) Other Peer Review Integrated Management Application (PRIMA) generated reports (administrative liaisons may only obtain reports that do not contain specific identifying information).

#### **G. PROC Members - Violations of Confidentiality Letters**

1. AEs must immediately report to the SBOA and, where appropriate, the AICPA, any known or potential violations of signed confidentiality letters by PROC members. For example, litigation against a firm or reviewer coming to the attention of the SBOA based solely on information the PROC member obtained as a result of AE oversight and reported to the SBOA would be a violation of the confidentiality letter. If the AE is aware of a potential situation and uncertain if there is a violation, it should discuss with the SBOA and, where appropriate, the AICPA.

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- a) Until a potential situation is resolved by the AE with the SBOA, and, where appropriate with AICPA Staff and/or the AICPA PRB OTF, individuals identified that may have potentially violated the confidentiality letter shall be considered to have a conflict of interest on all matters related to oversight and should not be provided access to confidential information or be allowed to attend meetings where such information is discussed.

## H. Providing Access to Confidential Information to Third Parties

1. Although the AICPA Code of Conduct (Code) was not written for the specific relationships here, it does provide a framework used in the development of the guidance that follows. A conflict of interest creates adverse interest and self-interest threats to compliance with the “Integrity and Objectivity Rule” from the Code. The following is a list of examples where the PRB has determined the PROC member and others have a conflict of interest or independence is impaired and, thus, should not be provided access to confidential information or be allowed to attend portions of the meetings where such information is discussed (except as noted).
  - a) Active SBOA members have a conflict of interest. Due to practice mobility, an active SBOA member from one state is likely to have a conflict of interest in all states, not just the state where serving on the SBOA. Therefore, a member of an SBOA serving on any PROC is deemed to have a conflict of interest due to having competing interests (for example, the individual may have taken an oath to its state regarding firm quality and the public interest, yet also agreed to keep peer review information confidential). The PRB believes the threats here are so significant, that no safeguards will eliminate the threat or reduce it to an acceptable level. Therefore, an SBOA member serving on any PROC must not be provided access to confidential information
  - b) Individuals (employees, consultants, volunteers or others) who work for regulatory, governmental bodies, (including SBOAs and entities with enforcement authority), or professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board or state professional ethics committee) or similar groups or subgroups have a conflict of interest unless the individual can first demonstrate to the satisfaction of the PRB that
    - a. The regulatory, governmental or professional organizations (including SBOAs) lack enforcement authority, AND:
      - i. They are not involved in or performing enforcement work (the person’s title is not necessarily relevant, as the focus is the individual’s responsibilities):AND
      - ii. They are not involved in making recommendations to entities with any enforcement authority named above. This includes having influence with the SBOA on any individual or firm licensure, enforcement, ethics or other similar matters; AND

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- iii. Duties for the entity that lacks enforcement authority are only administrative support to the organization including SBOAs or PROCs, etc., OR
  - iv. They only work with SBOAs regarding matters not considered enforcement such as assisting with writing their laws and regulations.
2. There may be situations when an individual meets ALL of the attributes in H.1.b. above with the one exception that they are an employee or consultant (or similar) for an entity with enforcement authority. There may be a proper safeguard if there are appropriate segregation of duties (the individual does not perform enforcement related work, make recommendations to entities with enforcement authority described above nor do they serve on the State Board nor serve on a PROC, etc.). Although those individuals would still be deemed to have a conflict of interest, implementing a disclosure and consent safeguard, in addition to the segregation of duties, may allow such individuals access to the same information as a PROC member.
- a) Disclosure and Consent For Individuals **Not** Involved in Enforcement but **Are** an Employee or Consultant (or similar) for Entities with Enforcement Authority  
For an AE to provide access to confidential firm/reviewer information to any such individuals, those individuals **MUST** properly disclose the nature of the conflict of interest as well as receive signed consent from ALL firms and peer reviewers whose information would be made available:
    - i. For All firms who performed peer reviews being presented and discussed. and
    - ii. For All firms having its own peer review presented and discussed. and
    - iii. For any other firms, peer reviewers or licensees where access to information is requested
  - b) Individual disclosure and firm/reviewer consent must be in writing.
    - i. Evidence of written disclosure and written consent must be provided to the AE prior to any access provided.
  - c) Although the disclosure and consent may take different forms, the AE is encouraged to discuss the nature and timing of these disclosures and consent as the AE has the ultimate authority to determine if proper disclosure and consent has been obtained prior to providing access to information.
    - i. The expectation is that the disclosure will include, at a minimum, the name and title of the individual requesting access, the relationship of all entities the individual is associated with, including those with and without enforcement authority, the purpose of such access, a statement that under no circumstances will confidential information be shared with ANY entities or individuals that do not already have access to the information.
    - ii. The disclosure shall also include a statement that violation of such confidentiality could result in referral to the AICPA and/or SBOA Ethics Committee and possibly result in legal action.
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- iii. An AE should not provide access to information to such individuals where all that was obtained was a confidentiality letter, or a general waiver letter sent giving the SBOA unrestricted access to any and all information. SBOAs may be sent objective information by the AE with the firm's written permission.

Unlike PROC members and individuals discussed in H.1.b. above that are not deemed to have a conflict of interest where a confidentiality letter or recusal may be an appropriate safeguard, these individuals are deemed to have a conflict of interest, and the required safeguards are different.

3. AEs may wish to remind individuals addressing these conflicts of interest, including making disclosures and seeking guidance of third parties, a *member* should remain alert to the requirements of the "[Confidential Client Information Rule](#)" [1.700.001] and the "[Confidential Information Obtained From Employment or Volunteer Activities](#)" interpretation [1.400.070] of the "Acts Discreditable Rule" [1.400.001]. In addition, federal, state, or local statutes, or regulations concerning confidentiality of *client* information may be more restrictive than the requirements contained in the Code.

#### **I. Other Conflicts of Interest Examples for PROC Members**

1. When a PROC member is from the same firm as the technical reviewer, committee or RAB members of the AE being oversights appropriate safeguards must be in place such as the PROC member not attending portions of AE meetings where information is prepared by or discussed by those individuals. However, there may be situations when the PROC member's firm is from a different state and with appropriate safeguards the conflict of interest could be eliminated. AEs should discuss such situations with the SBOA or the PROC member's firm, as the resolution of some conflicts could be achieved by either changing the PROC member or AEs not having a technical reviewer, committee or RAB member from the PROC member's firm. This should not be confused with active SBOA members from another state as they are deemed to always have a conflict of interest with no appropriate safeguards (as discussed in H.1.a.).
2. A PROC member is deemed to have a conflict of interest when his or her firm's peer review or reviews performed by his or her firm are being discussed. When this or similar situations occur, the AE should ensure the PROC members recuse themselves completely and not be present for (or on the phone) or participate in any discussions. This would also be true when the PROC member has a conflict of interest with the reviewing firm, reviewer or the reviewed firm, etc. for other reasons. In these situations, PROC members should also not be provided confidential materials, correspondences, etc. prepared by the AE for the RAB related to the specific conflict.
3. If there is any question as to whether a PROC member may have a conflict of interest, the matter should be brought to the attention of the SBOA and, as appropriate, the AICPA who may discuss the question with the OTF. This must be done prior to making confidential information available or allowing someone to attend a meeting. All relevant



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information should be provided including what appropriate safeguards are in place as applicable.

DRAFT



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May 24, 2019

**Attachment 6**

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Vice-President of State Board Relations  
National Association of State Boards of Accountancy  
150 4th Avenue North  
Nashville, TN 37219

Dear Mr. Parry and Mr. Dustin:

The California Board of Accountancy (CBA) would like to thank the American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA) for the opportunity to review and provide feedback on the AICPA proposed revisions to Chapter 3 of the Peer Review Program Oversight Handbook (Oversight Handbook).

On April 3, 2019, the CBA sent a letter to inform NASBA and the AICPA that the CBA will provide a formal response letter regarding the proposed revisions to the Oversight Handbook after its review during the May 2019 PROC and CBA meetings.

During its May 2019 meeting, the CBA discussed feedback from the May 2019 PROC meeting regarding the January and May 2019 AICPA iterations of proposed revisions to Chapter 3 of the Oversight Handbook, comments from NASBA and State Boards of Accountancy, and considered CBA Statutes and Regulations that govern the California Peer Review Program.

The PROC recognize that peer review began as an educational and remedial tool developed within the framework of a private membership organization. Furthermore, the CBA understands AICPA, the Peer Review Board, and administering entities are constrained by internal by-laws regarding confidentiality and conflict of interest.

However, legislation made peer review part of a regulatory framework and the CBA implemented a mandatory peer review requirement as part of its license renewal process.

After a thorough review and analysis of materials relating to the AICPA proposed revisions to Chapter 3 of the Oversight Handbook, the PROC and staff find that the existing California Peer Review Program and the CBA Statutes and Regulations do not present a conflict of interest for staff, and the PROC has adequate procedures in-place to safeguard confidentiality. The existing CBA regulatory framework ensures consumer protection and raises public trust.

Additionally, the California Peer Review Program provides the recognized peer review program provider substantial jurisdiction over the peer review program administration process, educational framework, and confidentiality standards.

The CBA concurs with the top three common observations AICPA received from NASBA and State Boards of Accountancy and have additional feedback for the AICPA considerations:

- AICPA should place consumer protection ahead of confidentiality, which is consistent with the CBA mission
- AICPA's interpretation of peer review functions within a regulatory environment is general and do not apply to the CBA
- State Boards of Accountancy are charged by legal statutes with enforcing and overseeing their Peer Review Program requirements to ensure consumer protection and engender public trust
- AICPA may want to reconsider its definition of conflict of interest and take into account state regulations that govern peer review in its revisions to Chapter 3 of the Oversight Handbook

The CBA appreciates the opportunity to provide feedback and comments regarding this matter. Should you have any questions regarding this matter, please direct them to Dominic Franzella, Chief, Enforcement Division by telephone at (916) 561-4310 or by email at [dominic.franzella@cba.ca.gov](mailto:dominic.franzella@cba.ca.gov).

Sincerely,

George Famalett, CPA, President  
California Board of Accountancy

c: Members, California Board of Accountancy  
Linda McCrone, California Society of Certified Public Accountants,  
Director of Technical Services  
Members, Peer Review Oversight Committee  
Patti Bowers, Executive Officer



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## Attachment 7

### California Code of Regulations Article 6 – Peer Review

#### **Section 48.3: Board-Recognized Peer Review Program Provider Reporting Responsibilities**

(a) Upon request of the Board or Peer Review Oversight Committee, a Board-recognized peer review program provider shall make available, at a minimum, the following:

- (1) Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms.
- (2) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the quality of reviewers' working papers in connection with the acceptance of reviews.
- (3) Statistical data maintained by the Board-recognized peer review program provider related to its role in the administration of peer reviews.
- (4) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the qualifications of its reviewers.
- (5) Sufficient documents to conduct sample reviews of peer reviews accepted by the Board-recognized peer review program provider. These may include, but are not limited to, the report; reviewer working papers prepared or reviewed by the Board-recognized peer review program's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, including, but not limited to, the imposition of required remedial or corrective actions; the monitoring procedures applied; and the results.

(b) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provide the reason(s) for expulsion. The Board-recognized peer review program provider shall submit this information to the Board within 30 days of notifying the firm of its expulsion.

(1) Nothing in this subsection shall require a Board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(c) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, a copy of all substandard peer review reports issued to California-

licensed firms within 60 days from the time the report is accepted by the Board-recognized peer review program provider.

NOTE: Authority cited: Sections 5010, 5076 and 5076.1, Business and Professions Code. Reference: Sections 5076 and 5076.1, Business and Professions Code.



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**CBA Item VI.H.**  
January 26-27, 2023

## **Overview of the Sunset Review Process and Timeline for Presenting the Sunset Review Report to the California Board of Accountancy**

**Presented by: Deanne Pearce, Assistant Executive Officer**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an overview of the process for the CBA's upcoming sunset review and identify the timeline to present the Sunset Review Report to the CBA for approval.

### **Consumer Protection Objectives**

This agenda item helps ensure that the CBA continues to fulfill its mission of consumer protection and adheres to the Legislature's sunset review process.

### **Action(s) Needed**

None.

### **Background**

The Legislature created the sunset review process in 1994 to further its oversight responsibilities. Each year, the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development meet as the Joint Legislative Committee on Sunset Review (Joint Committee) and review the boards and bureaus under the Department of Consumer Affairs (DCA).

The term "sunset" is used because the statutory authority of those DCA boards and bureaus, including the CBA, contain a deadline for the Legislature to reauthorize the authority of that board or bureau. Should the Legislature and Governor fail to enact a bill that would reauthorize that board or bureau, the statutory authority for that entity would lapse, or "sunset."

DCA boards and bureaus are responsible for protecting consumers and regulating the professionals they license. The sunset review process provides an opportunity for the Legislature, DCA, the boards and bureaus under review, and interested parties and stakeholders to discuss performance and make recommendations for improvements. Generally, the DCA boards and bureaus undergo sunset review every four years. In the year prior to their sunset reviews, the DCA boards and bureaus must submit a comprehensive report to the Legislature.

# Overview of the Sunset Review Process and Timeline for Presenting the Sunset Review Report to the California Board of Accountancy

Page 2 of 3

The CBA was scheduled for its next sunset review in 2023, with its background report due in late 2022; however, with the passage of Senate Bill 1443 (Roth, Chapter 625, Statutes of 2022) many boards and bureau's sunset date was moved to 2024, including the CBA's. The one-year extension was created to assist the Legislature with its pending workload of sunset reviews due to delays that occurred as a result of COVID-19.

## Comments

Business and Professions Code (BPC) section 5000, which establishes the CBA and its membership, contains the sunset provision that states: "This section shall remain in effect only until January 1, 2025, and as of that date is repealed." Therefore, if the Legislature does not change that date by the end of 2024, the membership of the CBA and its authority would be dissolved.

A similar provision is in BPC section 5015.6, which establishes the CBA's authority to appoint an Executive Officer.

The Joint Committee will provide the CBA with a series of questions and requests for data and other information related to its licensing, enforcement, and related functions. This document leads to the creation of the CBA's Sunset Review Report (Report), which is typically due to the Legislature a little more than a year before a board's sunset date. The Report also discusses the previous sunset reviews and affords an opportunity to bring forward issues that should be addressed by the Legislature.

## Report Development

The CBA has not yet received the final series of questions and data requests necessary to draft its Report to the Joint Committee, but staff had previously initiated work on the questions and requests for data in anticipation that a report would be due in 2022. Using the 2022 format (**Attachment**), staff will continue preparing and updating information and anticipate providing it to the CBA as follows:

- March/May 2022 CBA meetings: receive CBA member input on the questions provided by the Joint Committee.
- July 2022 CBA meeting: bring a draft report for CBA member comment.
- September/November 2022 CBA meetings: bring the final draft report for CBA member review and possible approval.

## Legislative Hearings

Once the CBA submits its Report to the Joint Committee, legislative staff review the Report and prepare a Background Paper used by Joint Committee members at the hearing. This document discusses the issues that the committee will address at the hearing and is provided in advance to board or bureau staff.

## **Overview of the Sunset Review Process and Timeline for Presenting the Sunset Review Report to the California Board of Accountancy**

Page 3 of 3

Typically, the Joint Committee schedules its public hearings in the first part of the year so that legislation may be finalized and approved before the end of the legislative calendar in August or September. The hearings are intended to obtain input from the board, DCA, public, and regulated profession.

At the hearing, the President of the CBA and Executive Officer will typically make opening remarks and provide testimony on behalf of the CBA and answer questions posed by the committee members. Prior to the hearing, DCA Executive Staff conducts mock hearings with the CBA President and Executive Officer, or other individuals who may testify. The mock hearings assist in preparing for the wide range of questions that will be posed during the legislative hearing.

Following the Joint Committee hearing, legislative staff typically issue some form of report that includes final recommendations, whether the CBA's sunset should be extended, and whether any of the CBA's functions should be revised. A bill to enact the recommendations of the Joint Committee may be considered by the Legislature.

Staff will provide any updates on this process during future CBA meetings.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

Staff do not have a recommendation for this item.

### **Attachment**

2022 Sample Sunset Review Questions



**[BOARD NAME]**  
**BACKGROUND INFORMATION AND OVERVIEW OF THE CURRENT  
 REGULATORY PROGRAM**  
**As of [date]**

**Section 1 –**

**Background and Description of the Board and Regulated Profession**

Provide a short explanation of the history and function of the board.<sup>1</sup> Describe the occupations/profession that are licensed and/or regulated by the board (Practice Acts vs. Title Acts).

1. Describe the make-up and functions of each of the board's committees (cf., Section 12, Attachment B).

<b>Table 1a. Attendance</b>			
[Enter board member name]			
Date Appointed:	[Enter date appointed]		
<b>Meeting Type</b>	<b>Meeting Date</b>	<b>Meeting Location</b>	<b>Attended?</b>
Meeting 1	[Enter Date]	[Enter Location]	[Y/N]
Meeting 2	[Enter Date]	[Enter Location]	[Y/N]
Meeting 3	[Enter Date]	[Enter Location]	[Y/N]
Meeting 4	[Enter Date]	[Enter Location]	[Y/N]

<b>Table 1b. Board/Committee Member Roster</b>					
<b>Member Name</b> (Include Vacancies)	<b>Date First Appointed</b>	<b>Date Re-appointed</b>	<b>Date Term Expires</b>	<b>Appointing Authority</b>	<b>Type</b> (public or professional)

2. In the past four years, was the board unable to hold any meetings due to lack of quorum? If so, please describe. Why? When? How did it impact operations?
3. Describe any major changes to the board since the last Sunset Review, including, but not limited to:
  - Internal changes (i.e., reorganization, relocation, change in leadership, strategic planning)
  - All legislation sponsored by the board and affecting the board since the last sunset review.

<sup>1</sup> The term "board" in this document refers to a board, bureau, commission, committee, council, department, division, program, or agency, as applicable. Please change the term "board" throughout this document to appropriately refer to the entity being reviewed.

- All regulation changes approved by the board since the last sunset review. Include the status of each regulatory change approved by the board.
4. Describe any major studies conducted by the board (cf. Section 12, Attachment C).
  5. List the status of all national associations to which the board belongs.
    - Does the board’s membership include voting privileges?
    - List committees, workshops, working groups, task forces, etc., on which the board participates.
    - How many meetings did board representative(s) attend? When and where?
    - If the board is using a national exam, how is the board involved in its development, scoring, analysis, and administration?

**Section 2 – Performance Measures and Customer Satisfaction Surveys**

6. Provide each quarterly and annual performance measure report for the board as published on the DCA website
7. Provide results for each question in the board’s customer satisfaction survey broken down by fiscal year. Discuss the results of the customer satisfaction surveys.

**Section 3 – Fiscal and Staff**

**Fiscal Issues**

8. Is the board’s fund continuously appropriated? If yes, please cite the statute outlining this continuous appropriation.
9. Describe the board’s current reserve level, spending, and if a statutory reserve level exists.
10. Describe if/when a deficit is projected to occur and if/when a fee increase or reduction is anticipated. Describe the fee changes (increases or decreases) anticipated by the board.

<b>Table 2. Fund Condition</b>						
(Dollars in Thousands)	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
Beginning Balance						
Revenues and Transfers						
<b>Total Revenue</b>	\$	\$	\$	\$	\$	\$
Budget Authority						
Expenditures						
Loans to General Fund						
Accrued Interest, Loans to General Fund						
Loans Repaid From General Fund						
<b>Fund Balance</b>	\$	\$	\$	\$	\$	\$
<b>Months in Reserve</b>						

11. Describe the history of general fund loans. When were the loans made? When have payments been made to the board? Has interest been paid? What is the remaining balance?
12. Describe the amounts and percentages of expenditures by program component. Use *Table 3. Expenditures by Program Component* to provide a breakdown of the expenditures by the board in each program area. Expenditures by each component (except for pro rata) should be broken out by personnel expenditures and other expenditures.

<b>Table 3. Expenditures by Program Component</b> (list dollars in thousands)								
	FY 2018/19		FY 2019/20		FY 2020/21		FY 2021/22	
	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E	Personnel Services	OE&E
Enforcement								
Examination								
Licensing								
Administration *								
DCA Pro Rata								
Diversion (if applicable)								
<b>TOTALS</b>	\$	\$	\$	\$	\$	\$	\$	\$

\*Administration includes costs for executive staff, board, administrative support, and fiscal services.

13. Describe the amount the board has contributed to the BreEZe program. What are the anticipated BreEZe costs the board has received from DCA?
14. Describe license renewal cycles and history of fee changes in the last 10 years. Give the fee authority (Business and Professions Code and California Code of Regulations citation) for each fee charged by the board.

<b>Table 4. Fee Schedule and Revenue</b> (list revenue dollars in thousands)							
Fee	Current Fee Amount	Statutory Limit	FY 2018/19 Revenue	FY 2019/20 Revenue	FY 2020/21 Revenue	FY 2021/22 Revenue	% of Total Revenue

15. Describe Budget Change Proposals (BCPs) submitted by the board in the past four fiscal years.

**Table 5. Budget Change Proposals (BCPs)**

BCP ID #	Fiscal Year	Description of Purpose of BCP	Personnel Services				OE&E	
			# Staff Requested (include classification)	# Staff Approved (include classification)	\$ Requested	\$ Approved	\$ Requested	\$ Approved

**Staffing Issues**

- 16. Describe any board staffing issues/challenges, i.e., vacancy rates, efforts to reclassify positions, staff turnover, recruitment and retention efforts, succession planning.
- 17. Describe the board's staff development efforts and total spent annually on staff development (cf., Section 12, Attachment D).

**Section 4 – Licensing Program**

- 18. What are the board's performance targets/expectations for its licensing<sup>2</sup> program? Is the board meeting those expectations? If not, what is the board doing to improve performance?
- 19. Describe any increase or decrease in the board's average time to process applications, administer exams and/or issue licenses. Have pending applications grown at a rate that exceeds completed applications? If so, what has been done by the board to address them? What are the performance barriers and what improvement plans are in place? What has the board done and what is the board going to do to address any performance issues, i.e., process efficiencies, regulations, BCP, legislation?
- 20. How many licenses or registrations has the board denied over the past four years based on criminal history that is determined to be substantially related to the qualifications, functions, or duties of the profession, pursuant to BPC § 480? Please provide a breakdown of each instance of denial and the acts the board determined were substantially related.

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<sup>2</sup> The term "license" in this document includes a license certificate or registration.

**Table 6. Licensee Population**

		FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
[Enter License Type]	Active <sup>3</sup>				
	Out of State				
	Out of Country				
	Delinquent/Expired				
	Retired Status <i>if applicable</i>				
	Inactive				
	Other <sup>4</sup>				
[Enter License Type]	Active				
	Out of State				
	Out of Country				
	Delinquent/Expired				
	Retired Status <i>if applicable</i>				
	Inactive				
	Other				
[Enter License Type]	Active				
	Out of State				
	Out of Country				
	Delinquent/Expired				
	Retired Status <i>if applicable</i>				
	Inactive				
	Other				
[Enter License Type]	Active				
	Out of State				
	Out of Country				
	Delinquent/Expired				
	Retired Status <i>if applicable</i>				
	Inactive				
	Other				

Note: 'Out of State' and 'Out of Country' are two mutually exclusive categories. A licensee should not be counted in both.

<sup>3</sup> Active status is defined as able to practice. This includes licensees that are renewed, current, and active.

<sup>4</sup> Other is defined as a status type that does not allow practice in California, other than retired or inactive.

**Table 7a. Licensing Data by Type**

Application Type		Received	Approved /Issued	Closed	Pending Applications			Cycle Times		
					Total (Close of FY)	Complete (within Board control)*	Incomplete (outside Board control)*	Complete Apps	Incomplete Apps	combined, IF unable to separate out
FY 2019/20	(Exam)				-	-	-	-	-	-
	(License)				-	-	-	-	-	-
	(Renewal)			n/a	-	-	-	-	-	-
FY 2020/21	(Exam)									
	(License)									
	(Renewal)			n/a						
FY 2021/22	(Exam)									
	(License)									
	(Renewal)			n/a						

\* Optional. List if tracked by the board.

**Table 7b. License Denial**

	FY 2019/20	FY 2020/21	FY 2021/22
License Applications Denied (no hearing requested)			
SOIs Filed			
Average Days to File SOI (from request for hearing to SOI filed)			
SOIs Declined			
SOIs Withdrawn			
SOIs Dismissed (license granted)			
License Issued with Probation / Probationary License Issued			
Average Days to Complete (from SOI filing to outcome)			

21. How does the board verify information provided by the applicant?

- a. What process does the board use to check prior criminal history information, prior disciplinary actions, or other unlawful acts of the applicant? Has the board denied any licenses over the last four years based on the applicant's failure to disclose information on the application, including failure to self-disclose criminal history? If so, how many times and for what types of crimes (please be specific)?
- b. Does the board fingerprint all applicants?
- c. Have all current licensees been fingerprinted? If not, explain.
- d. Is there a national databank relating to disciplinary actions? Does the board check the national databank prior to issuing a license? Renewing a license?
- e. Does the board require primary source documentation?

22. Describe the board's legal requirement and process for out-of-state and out-of-country applicants to obtain licensure.

23. Describe the board's process, if any, for considering military education, training, and experience for purposes of licensing or credentialing requirements, including college credit equivalency.

- a. Does the board identify or track applicants who are veterans? If not, when does the board expect to be compliant with BPC § 114.5?
  - b. How many applicants offered military education, training or experience towards meeting licensing or credentialing requirements, and how many applicants had such education, training or experience accepted by the board?
  - c. What regulatory changes has the board made to bring it into conformance with BPC § 35?
  - d. How many licensees has the board waived fees or requirements for pursuant to BPC § 114.3, and what has the impact been on board revenues?
  - e. How many applications has the board expedited pursuant to BPC § 115.5?
24. Does the board send No Longer Interested notifications to DOJ on a regular and ongoing basis? Is this done electronically? Is there a backlog? If so, describe the extent and efforts to address the backlog.

**Examinations**

<b>Table 8. Examination Data<sup>5</sup></b>			
<b>California Examination (include multiple language) if any:</b>			
	License Type		
	Exam Title		
FY 2018/19	Number of Candidates		
	Overall Pass %		
	Overall Fail %		
FY 2019/20	Number of Candidates		
	Overall Pass %		
	Overall Fail %		
FY 2020/21	Number of Candidates		
	Overall Pass %		
	Overall Fail %		
FY 2021/22	Number of Candidates		
	Overall Pass %		
	Overall Fail %		
	Date of Last OA		
	Name of OA Developer		
	Target OA Date		

<sup>5</sup> This table includes all exams for all license types as well as the pass/fail rate. Include as many examination types as necessary to cover all exams for all license types.

<b>National Examination (include multiple language) if any:</b>			
License Type			
Exam Title			
FY 2018/19	Number of Candidates		
	Overall Pass %		
	Overall Fail %		
FY 2019/20	Number of Candidates		
	Overall Pass %		
	Overall Fail %		
FY 2020/21	Number of Candidates		
	Overall Pass %		
	Overall Fail %		
FY 2021/22	Number of Candidates		
	Overall Pass %		
	Overall Fail %		
Date of Last OA			
Name of OA Developer			
Target OA Date			

25. Describe the examinations required for licensure. Is a national examination used? Is a California specific examination required? Are examinations offered in a language other than English?
26. What are pass rates for first time vs. retakes in the past 4 fiscal years? (*Refer to Table 8: Examination Data*) Are pass rates collected for examinations offered in a language other than English?
27. Is the board using computer based testing? If so, for which tests? Describe how it works. Where is it available? How often are tests administered?
28. Are there existing statutes that hinder the efficient and effective processing of applications and/or examinations? If so, please describe.

### **School approvals**

29. Describe legal requirements regarding school approval. Who approves your schools? What role does BPPE have in approving schools? How does the board work with BPPE in the school approval process?
30. How many schools are approved by the board? How often are approved schools reviewed? Can the board remove its approval of a school?
31. What are the board's legal requirements regarding approval of international schools?

### **Continuing Education/Competency Requirements**

32. Describe the board's continuing education/competency requirements, if any. Describe any changes made by the board since the last review.



- a. How does the board verify CE or other competency requirements? Has the Board worked with the Department to receive primary source verification of CE completion through the Department's cloud?
- b. Does the board conduct CE audits of licensees? Describe the board's policy on CE audits.
- c. What are consequences for failing a CE audit?
- d. How many CE audits were conducted in the past four fiscal years? How many fails? What is the percentage of CE failure?
- e. What is the board's CE course approval policy?
- f. Who approves CE providers? Who approves CE courses? If the board approves them, what is the board application review process?
- g. How many applications for CE providers and CE courses were received? How many were approved?
- h. Does the board audit CE providers? If so, describe the board's policy and process.
- i. Describe the board's effort, if any, to review its CE policy for purpose of moving toward performance based assessments of the licensee's continuing competence.

<b>Table 8a. Continuing Education</b>			
Type	Frequency of Renewal	Number of CE Hours Required Each Cycle	Percentage of Licensees Audited

**Section 5 – Enforcement Program**

- 33. What are the board's performance targets/expectations for its enforcement program? Is the board meeting those expectations? If not, what is the board doing to improve performance?
- 34. Explain trends in enforcement data and the board's efforts to address any increase in volume, timeframes, ratio of closure to pending cases, or other challenges. What are the performance barriers? What improvement plans are in place? What has the board done and what is the board going to do to address these issues, i.e., process efficiencies, regulations, BCP, legislation?

<b>Table 9a. Enforcement Statistics</b>			
	FY 2019/20	FY 2020/21	FY 2021/22
<b>COMPLAINTS</b>			
Intake			
Received			
Closed without Referral for Investigation			
Referred to INV			
Pending (close of FY)			
Conviction / Arrest			
CONV Received			
CONV Closed Without Referral for Investigation			
CONV Referred to INV			
CONV Pending (close of FY)			
Source of Complaint <sup>6</sup>			
Public			
Licensee/Professional Groups			
Governmental Agencies			
Internal			
Other			
Anonymous			
Average Time to Refer for Investigation (from receipt of complaint / conviction to referral for investigation)			
Average Time to Closure (from receipt of complaint / conviction to closure at intake)			
Average Time at Intake (from receipt of complaint / conviction to closure or referral for investigation)			
<b>INVESTIGATION</b>			
Desk Investigations			
Opened			
Closed			
Average days to close (from assignment to investigation closure)			
Pending (close of FY)			
Non-Sworn Investigation			
Opened			
Closed			
Average days to close (from assignment to investigation closure)			
Pending (close of FY)			
Sworn Investigation			
Opened			
Closed			
Average days to close (from assignment to investigation closure)			
Pending (close of FY)			

<sup>6</sup> Source of complaint refers to complaints and convictions received. The summation of intake and convictions should match the total of source of complaint.

All investigations <sup>7</sup>			
Opened			
Closed			
Average days for all investigation outcomes (from start investigation to investigation closure or referral for prosecution)			
Average days for investigation closures (from start investigation to investigation closure)			
Average days for investigation when referring for prosecution (from start investigation to referral for prosecution)			
Average days from receipt of complaint to investigation closure			
Pending (close of FY)			
<b>CITATION AND FINE</b>			
Citations Issued			
Average Days to Complete (from complaint receipt / inspection conducted to citation issued)			
Amount of Fines Assessed			
Amount of Fines Reduced, Withdrawn, Dismissed			
Amount Collected			
<b>CRIMINAL ACTION</b>			
Referred for Criminal Prosecution			
<b>ACCUSATION</b>			
Accusations Filed			
Accusations Declined			
Accusations Withdrawn			
Accusations Dismissed			
Average Days from Referral to Accusations Filed (from AG referral to Accusation filed)			
<b>INTERIM ACTION</b>			
ISO & TRO Issued			
PC 23 Orders Issued			
Other Suspension/Restriction Orders Issued			
Referred for Diversion			
Petition to Compel Examination Ordered			
<b>DISCIPLINE</b>			
AG Cases Initiated (cases referred to the AG in that year)			
AG Cases Pending Pre-Accusation (close of FY)			
AG Cases Pending Post-Accusation (close of FY)			
<b>DISCIPLINARY OUTCOMES</b>			
Revocation			
Surrender			
Suspension only			
Probation with Suspension			
Probation only			
Public Reprimand / Public Reproval / Public Letter of Reprimand			
Other			

<sup>7</sup> The summation of desk, non-sworn, and sworn investigations should match the total of all investigations.

<b>DISCIPLINARY ACTIONS</b>			
Proposed Decision			
Default Decision			
Stipulations			
Average Days to Complete After Accusation (from Accusation filed to imposing formal discipline)			
Average Days from Closure of Investigation to Imposing Formal Discipline			
Average Days to Impose Discipline (from complaint receipt to imposing formal discipline)			
<b>PROBATION</b>			
Probations Completed			
Probationers Pending (close of FY)			
Probationers Tolerated			
Petitions to Revoke Probation / Accusation and Petition to Revoke Probation Filed			
<b>SUBSEQUENT DISCIPLINE<sup>8</sup></b>			
Probations Revoked			
Probationers License Surrendered			
Additional Probation Only			
Suspension Only Added			
Other Conditions Added Only			
Other Probation Outcome			
<b>SUBSTANCE ABUSING LICENSEES</b>			
Probationers Subject to Drug Testing			
Drug Tests Ordered			
Positive Drug Tests			
<b>PETITIONS</b>			
Petition for Termination or Modification Granted			
Petition for Termination or Modification Denied			
Petition for Reinstatement Granted			
Petition for Reinstatement Denied			
<b>DIVERSION</b>			
New Participants			
Successful Completions			
Participants (close of FY)			
Terminations			
Terminations for Public Threat			
Drug Tests Ordered			
Positive Drug Tests			

<sup>8</sup> Do not include these numbers in the Disciplinary Outcomes section above.

<b>Table 10. Enforcement Aging</b>						
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	Cases Closed	Average %
<b>Investigations (Average %)</b>						
Closed Within:						
90 Days						
91 - 180 Days						
181 - 1 Year						
1 - 2 Years						
2 - 3 Years						
Over 3 Years						
Total Investigation Cases Closed						
<b>Attorney General Cases (Average %)</b>						
Closed Within:						
0 - 1 Year						
1 - 2 Years						
2 - 3 Years						
3 - 4 Years						
Over 4 Years						
Total Attorney General Cases Closed						

35. What do overall statistics show as to increases or decreases in disciplinary action since last review?
36. How are cases prioritized? What is the board's compliant prioritization policy? Is it different from DCA's *Complaint Prioritization Guidelines for Health Care Agencies* (August 31, 2009)? If so, explain why.
37. Are there mandatory reporting requirements? For example, requiring local officials or organizations, or other professionals to report violations, or for civil courts to report to the board actions taken against a licensee. Are there problems with the board receiving the required reports? If so, what could be done to correct the problems?
- What is the dollar threshold for settlement reports received by the board?
  - What is the average dollar amount of settlements reported to the board?
38. Describe settlements the board, and Office of the Attorney General on behalf of the board, enter into with licensees.
- What is the number of cases, pre-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?
  - What is the number of cases, post-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?
  - What is the overall percentage of cases for the past four years that have been settled rather than resulted in a hearing?
39. Does the board operate with a statute of limitations? If so, please describe and provide citation. If so, how many cases have been lost due to statute of limitations? If not, what is the board's policy on statute of limitations?
40. Describe the board's efforts to address unlicensed activity and the underground economy.

## Cite and Fine

41. Discuss the extent to which the board has used its cite and fine authority. Discuss any changes from last review and describe the last time regulations were updated and any changes that were made. Has the board increased its maximum fines to the \$5,000 statutory limit?
42. How is cite and fine used? What types of violations are the basis for citation and fine?
43. How many informal office conferences, Disciplinary Review Committees reviews and/or Administrative Procedure Act appeals of a citation or fine in the last 4 fiscal years?
44. What are the five most common violations for which citations are issued?
45. What is average fine pre- and post- appeal?
46. Describe the board's use of Franchise Tax Board intercepts to collect outstanding fines.

## Cost Recovery and Restitution

47. Describe the board's efforts to obtain cost recovery. Discuss any changes from the last review.
48. How many and how much is ordered by the board for revocations, surrenders and probationers? How much do you believe is uncollectable? Explain.
49. Are there cases for which the board does not seek cost recovery? Why?
50. Describe the board's use of Franchise Tax Board intercepts to collect cost recovery.
51. Describe the board's efforts to obtain restitution for individual consumers, any formal or informal board restitution policy, and the types of restitution that the board attempts to collect, i.e., monetary, services, etc. Describe the situation in which the board may seek restitution from the licensee to a harmed consumer.

<b>Table 11. Cost Recovery<sup>9</sup></b>				
(list dollars in thousands)				
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Total Enforcement Expenditures				
Potential Cases for Recovery *				
Cases Recovery Ordered				
Amount of Cost Recovery Ordered				
Amount Collected				
* "Potential Cases for Recovery" are those cases in which disciplinary action has been taken based on violation of the license practice act.				

<b>Table 12. Restitution</b>				
(list dollars in thousands)				
	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22
Amount Ordered				
Amount Collected				

<sup>9</sup> Cost recovery may include information from prior fiscal years.

## Section 6 – Public Information Policies

52. How does the board use the internet to keep the public informed of board activities? Does the board post board-meeting materials online? When are they posted? How long do they remain on the board's website? When are draft meeting minutes posted online? When does the board post final meeting minutes? How long do meeting minutes remain available online?
53. Does the board webcast its meetings? What is the board's plan to webcast future board and committee meetings? How long do webcast meetings remain available online?
54. Does the board establish an annual meeting calendar, and post it on the board's web site?
55. Is the board's complaint disclosure policy consistent with DCA's *Recommended Minimum Standards for Consumer Complaint Disclosure*? Does the board post accusations and disciplinary actions consistent with DCA's *Web Site Posting of Accusations and Disciplinary Actions* (May 21, 2010)?
56. What information does the board provide to the public regarding its licensees (i.e., education completed, awards, certificates, certification, specialty areas, disciplinary action, etc.)?
57. What methods are used by the board to provide consumer outreach and education?

## Section 7 – Online Practice Issues

58. Discuss the prevalence of online practice and whether there are issues with unlicensed activity. How does the board regulate online practice? Does the board have any plans to regulate internet business practices or believe there is a need to do so?

## Section 8 – Workforce Development and Job Creation

59. What actions has the board taken in terms of workforce development?
60. Describe any assessment the board has conducted on the impact of licensing delays.
61. Describe the board's efforts to work with schools to inform potential licensees of the licensing requirements and licensing process.
62. Describe any barriers to licensure and/or employment the board believes exist.
63. Provide any workforce development data collected by the board, such as:
  - a. Workforce shortages
  - b. Successful training programs.

## Section 9 – Current Issues

64. What is the status of the board's implementation of the Uniform Standards for Substance Abusing Licensees?
65. What is the status of the board's implementation of the Consumer Protection Enforcement Initiative (CPEI) regulations?
66. Describe how the board is participating in development of BreEZe and any other secondary IT issues affecting the board.
  - a. Is the board utilizing BreEZe? What Release was the board included in? What is the status of the board's change requests?
  - b. If the board is not utilizing BreEZe, what is the board's plan for future IT needs? What discussions has the board had with DCA about IT needs and options? What is the board's understanding of Release 3 boards? Is the board currently using a bridge or workaround system?

## Section 10 – Board Actions and Responses to COVID-19.

67. In response to COVID-19, has the board implemented teleworking policies for employees and staff?
  - a. How have those measures affected board operations? If so, how?
68. In response to COVID-19, has the board utilized any existing state of emergency statutes?
  - a. If so, which ones, and why?
69. Pursuant to the Governor's Executive Orders N-40-20 and N-75-20, has the board worked on any waiver requests with the Department?
  - a. Of the above requests, how many were approved?
  - b. How many are pending?
  - c. How many were denied?
  - d. What was the reason for the outcome of each request?
70. In response to COVID-19, has the board taken any other steps or implemented any other policies regarding licensees or consumers?
71. Has the board recognized any necessary statutory revisions, updates or changes to address COVID-19 or any future State of Emergency Declarations?

## Section 11 – Board Action and Response to Prior Sunset Issues

Include the following:

1. Background information concerning the issue as it pertains to the board.



2. Short discussion of recommendations made by the Committees during prior sunset review.
3. What action the board took in response to the recommendation or findings made under prior sunset review.
4. Any recommendations the board has for dealing with the issue, if appropriate.

## Section 12 – New Issues

This is the opportunity for the board to inform the Committees of solutions to issues identified by the board and by the Committees. Provide a short discussion of each of the outstanding issues, and the board's recommendation for action that could be taken by the board, by DCA or by the Legislature to resolve these issues (i.e., policy direction, budget changes, legislative changes) for each of the following:

1. Issues raised under prior Sunset Review that have not been addressed.
2. New issues identified by the board in this report.
3. New issues not previously discussed in this report.
4. New issues raised by the Committees.

## Section 13– Attachments

Please provide the following attachments:

- A. Board's administrative manual.
- B. Current organizational chart showing relationship of committees to the board and membership of each committee (cf., Section 1, Question 1).
- C. Major studies, if any (cf., Section 1, Question 4).
- D. Year-end organization charts for last four fiscal years. Each chart should include number of staff by classifications assigned to each major program area (licensing, enforcement, administration, etc.) (cf., Section 3, Question 15).



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**CBA Item VII.B.1.**  
January 26-27, 2023

## **Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee**

**Presented by: Yen C. Tu, Vice President**

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### **Purpose of the Item**

The purpose of this agenda item is to recommend that Jeffrey Moline, CPA (**Attachment 1**) be appointed as a member to the California Board of Accountancy (CBA) Qualifications Committee (QC).

### **Consumer Protection Objectives**

This agenda item ensures that the CBA continues its mission of consumer protection by appointing members that have the skills and knowledge to serve on the QC.

### **Action(s) Needed**

It is requested that the CBA adopt the recommendation.

### **Background**

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 the applicant or employer present, to verify that the responses provided are reflective of the requisite experience for licensure.

### **Comments**

For all appointments to a committee, I work with the current chair to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members' areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

## **Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee**

Page 2 of 2

Prior to making a decision to recommend Jeffrey Moline, CPA for appointment to the QC, I performed all the steps previously mentioned. I believe Jeffrey Moline, CPA has demonstrated the skills and knowledge to serve on the QC, which will allow the QC to assist the CBA with its Licensing Program.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Based on the information above, and in consultation with Michael L. Williams, CPA, Chairperson of the QC, I recommend that Jeffrey Moline, CPA, be appointed for two years to the QC, effective January 27, 2023 until January 31, 2025.

### **Attachments**

1. Curriculum Vitae of Jeffrey Moline, CPA
2. California Board of Accountancy Qualifications Committee Skill Matrix

# REPORT OF THE SECRETARY/TREASURER

*Joseph Rosenbaum, CPA*

## FIRST QUARTER FINANCIAL REPORT

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### BUDGET AUTHORITY

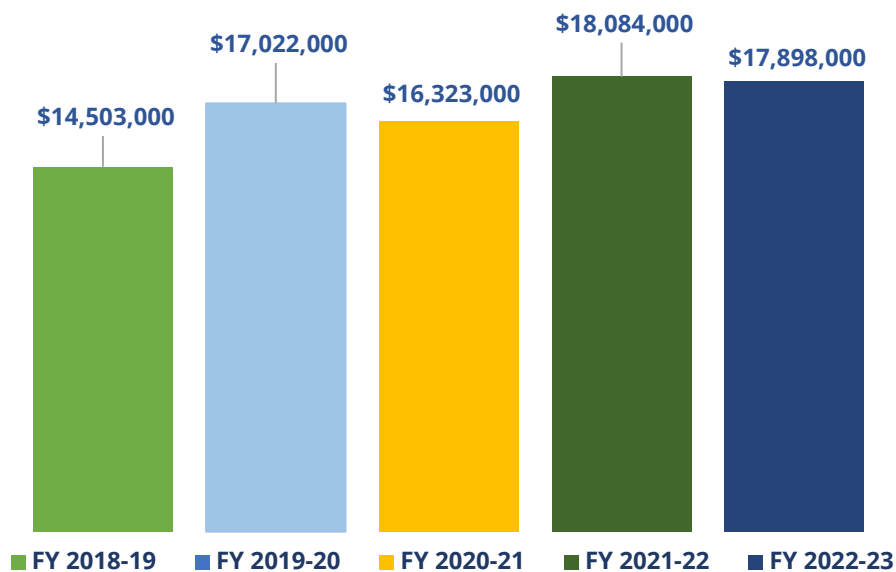
#### Fiscal Year 2022-23

The California Board of Accountancy's (CBA) budget for fiscal year (FY) 2022-23 is currently set at \$17,898,000.

#### Fiscal Year 2023-24

The Governor's proposed budget for FY 2023-24 was released on January 10, 2023 in the amount of \$18,763,000; however, this may adjust as the Legislature reviews the budget before the Governor's statutory deadline to approve the budget on June 15. Information on the final approved budget for FY 2023-24 will be presented at the July 2023 CBA Meeting.

#### Budget History



# REVENUE

CBA Revenues for FY 2022-23 through fiscal month (FM) 3 total \$4,212,364.

Revenue Description	Revenue Collected
License Renewal Fees	\$3,026,246
Initial License and Permit Fees	\$1,089,795
Delinquent Renewal Fees	\$73,075
Other Regulatory Fees ( <i>name change, certifications etc.</i> )	\$15,418
Miscellaneous Revenue	\$7,829
<b>Total Revenue</b>	<b>\$4,212,364</b>

## Scheduled and Unscheduled Reimbursements

The revenue amount shown above does not take into account reimbursements. Scheduled reimbursements consist of fingerprint reports and unscheduled reimbursements consist of enforcement cost recovery. Reimbursements are considered revenue and are deposited into the CBA Accountancy Fund.

As of FM 3, reimbursements totaled \$41,093.

- Fingerprint Reports - \$3,773
- Enforcement Cost Recovery - \$37,320

# Fiscal Month 3 Financial Statement

Department of Consumer Affairs						
California Board of Accountancy						
Fiscal Year 2022 - 2023: Fiscal Month 3						
#	Object Description	FY 2021-22 FM 3	Governor's Budget	FY 2022-23 FM 3	Percent Spent	Projections to Year End
	<b>PERSONNEL SERVICES</b>					
1	PERMANENT POSITIONS	\$1,716,795	\$7,206,000	\$1,755,334	24%	\$7,183,318
2	TEMPORARY POSITIONS	\$31,612	\$0	\$21,749	N/A	\$111,999
3	PER DIEM, OVERTIME, & LUMP SUM	\$18,161	\$63,000	\$39,557	63%	\$273,728
4	STAFF BENEFITS	\$981,557	\$4,100,000	\$1,059,386	26%	\$4,349,014
5	<b>TOTAL PERSONNEL SERVICES</b>	<b>\$2,748,125</b>	<b>\$11,369,000</b>	<b>\$2,876,025</b>	<b>25%</b>	<b>\$11,918,059</b>
6	<b>OPERATING EXPENSES &amp; EQUIPMENT</b>					
7	GENERAL EXPENSE	\$35,149	\$58,000	\$35,280	61%	\$105,968
8	PRINTING	\$0	\$96,000	\$100	0%	\$94,516
9	COMMUNICATIONS	\$8,378	\$61,000	\$9,783	16%	\$62,712
10	POSTAGE	\$424	\$26,000	\$18,460	71%	\$103,100
11	INSURANCE	\$0	\$0	\$0	0%	\$182
12	IN STATE TRAVEL	\$148	\$136,000	\$2,853	2%	\$136,000
13	OUT OF STATE TRAVEL	\$0	\$0	\$0	N/A	\$3,371
14	TRAINING	\$445	\$29,000	\$460	2%	\$6,460
15	FACILITIES	\$147,041	\$628,000	\$151,151	24%	\$646,953
16	C/P SERVICES (INTERNAL)	\$100,456	\$1,899,000	\$130,765	7%	\$746,750
17	C/P SERVICES (EXTERNAL)	\$37,941	\$641,000	\$50,799	8%	\$755,005
18	DEPARTMENT PRORATA	\$1,380,500	\$2,799,000	\$1,385,000	49%	\$2,799,000
19	Division of Investigation DOI	\$68,500	\$50,000	\$25,000	50%	\$50,000
20	Consumer Client Servs Div CCSD	\$1,312,000	\$2,749,000	\$1,360,000	49%	\$2,749,000
21	DEPARTMENTAL SERVICES	\$0	\$1,000	\$137	14%	\$95,506
22	CONSOLIDATED DATA CENTERS	\$10,544	\$41,000	\$13,126	32%	\$123,723
23	INFORMATION TECHNOLOGY	\$200	\$50,000	\$12,030	24%	\$188,591
24	EQUIPMENT	\$1,866	\$64,000	\$0	0%	\$41,544
25	OTHER ITEMS OF EXPENSE	\$0	\$0	\$0	N/A	\$0
26	SPECIAL ITEMS OF EXPENSE	\$0	\$0	\$3,336	N/A	\$3,336
27	<b>OPERATING EXPENSES &amp; EQUIPMENT</b>	<b>\$1,723,091</b>	<b>\$6,529,000</b>	<b>\$1,813,280</b>	<b>28%</b>	<b>\$5,912,717</b>
	<b>OVERALL TOTALS</b>	<b>\$4,471,216</b>	<b>\$17,898,000</b>	<b>\$4,689,305</b>	<b>26%</b>	<b>\$17,830,776</b>
					<b>SURPLUS/(DEFICIT):</b>	<b>0.36%</b>

# Expenditures

The FY 2022-23 First Quarter Financial Statement reflects actual expenditures through September 30, 2022. Expenditures were \$4,689,305 or nearly 26% of the FY 2022-23 budget. As of FM 3, the CBA is projected to end the fiscal year with a budget surplus of \$63,977 or .36%; however, this will change as the year progresses and actual amounts are expended and captured. The following provides information on key budget items.

## **Personnel Services (Lines 1-5)**

Overall expenditures for personnel services increased by \$127,900 when compared with the same period in FY 2021-22. Attributing factors to the increase were the 2.5% salary increase effective July 1, 2022, reflected under Permanent Positions (Line 1) and associated increase in Staff Benefits (Line 4), as well as an increase in Overtime (Line 3) to address various workloads and ensure processing timeframes remain under 30 days.

## **General Expense (Line 7)**

Expenditures in the category of general expense include items such as office supplies, furniture, courier services, and various annual subscriptions to online databases for accounting and tax research information, standards, Investigative CPA continuing education, and software maintenance. Spending in this area is consistent with spending for the same period in FY 2021-22.

## **Printing (Line 8)**

The year-end projection for printing costs is anticipated to be \$94,516. This includes the estimated cost to print the renewal notices and anticipated costs for other printing services such as the recent regulatory change notice that was mailed to all CBA licensees.

## **Postage (Line 10)**

Expenditures for postage reflect an \$18,036 increase over the same reporting period in FY 2021-22. The major attributing factor was the reloading of the CBA in-house postal meter machine in the amount of \$15,000, the renewal of post office boxes and the use of the Department of Consumer Affairs (DCA) mail room services for mailing wall certificates and other outgoing mail. The projection to year-end includes the postage cost for the mailing of all renewal notices and licenses.

### **In-State Travel (Line 12)**

Travel expenses increased by 62% from the same reporting period in FY 2021-22, and correspond with the return of in-person attendance at CBA and committee meetings, outreach events and conferences.

### **C/P Services Internal (Line 16)**

This line item includes contracts with other state agencies, such as services provided by the Office of the Attorney General (AG's Office) and the Office of Administrative Hearings (OAH).

### **C/P Services External (Line 17)**

This line item includes contracts and services with non-state agencies, and includes expenses for court reporters, witness and evidence fees, credit card transaction fees and other external contracts. Expenditures for this line item increased due to an increase in online credit card payments for license renewals.

### **Department Pro Rata (Line 18)**

Expenses for the Division of Investigation are now grouped under this line item and consist of both internal and external investigative services.

### **Departmental Services (Line 21)**

This line item reflects this fiscal year's cost for CBA's Intra Agency contract with the Office of Professional Examination Services for the CBA's Occupational Analysis project. Additional costs will be incurred for subject matter experts.

### **Consolidated Data Centers (Line 22)**

This line item contains the CBA's costs for Microsoft 365. There may be additional expenditures for services provided by the California Department of Technology by the end of the fiscal year related to its Business Modernization Project and finalizing its network consolidation with DCA.

### **Information Technology (IT) (Line 23)**

This line item includes purchases of IT supplies such as toner and paper, software and hardware maintenance, IT security, and costs related to the Business Modernization Project.

### **Special Items of Expense (Line 26)**

This line consists of DCA Digital Print Services (DPS) and includes printing services for items such as envelopes, business cards, name plates, signs and other miscellaneous printing requests that can be accommodated in-house. Printing requests that cannot be fulfilled by DPS are contracted out to external vendors and will appear under Printing (Line 8).



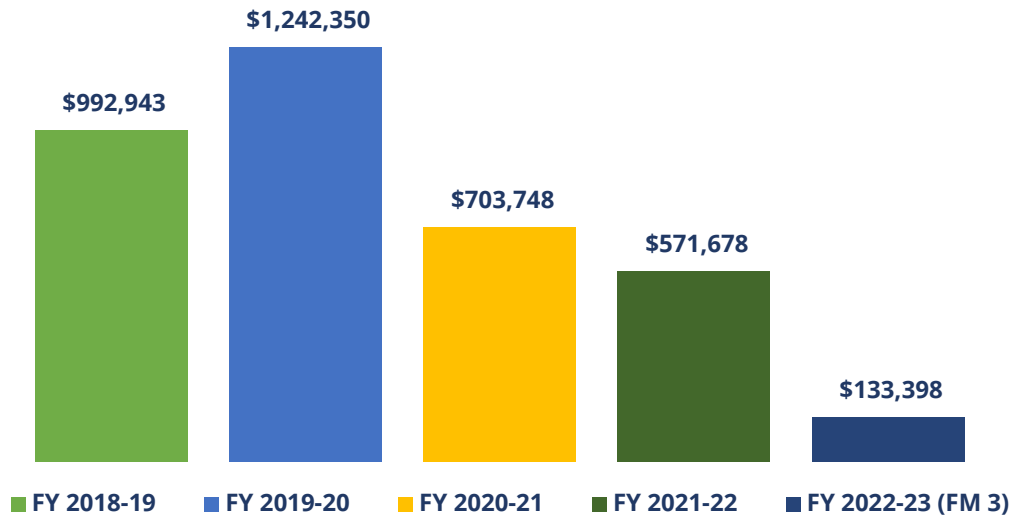
# Enforcement Expenditures

The CBA's enforcement expenditures total \$133,398 through FM 3.

- AG's Office - \$130,765
- OAH - \$0
- Evidence and Witness Fees - \$0
- Court Reporters - \$2,633

The following provides an overview of the CBA's Enforcement Expenditures for the current fiscal year to date and prior four fiscal years.

## History of Enforcement Expenditures Fiscal Year 2018-19 to Fiscal Year 2022-23



# Fund Condition Statement

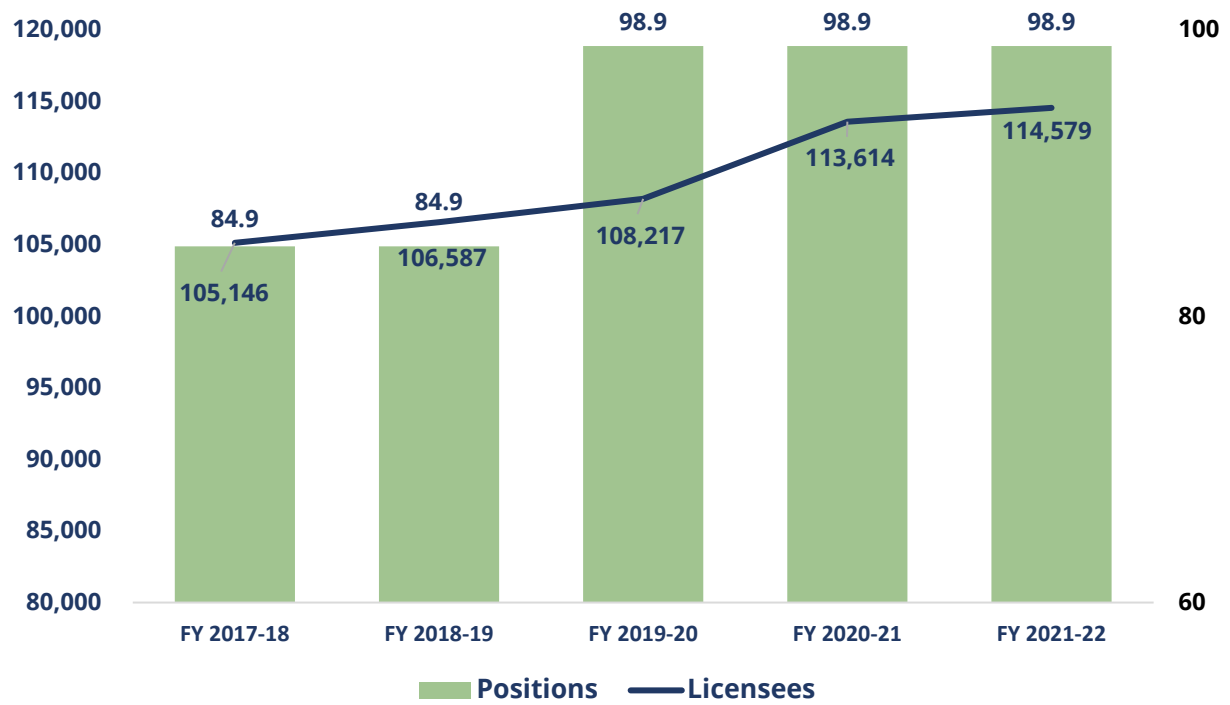
The CBA's Fund Condition statement shows that the CBA is projected to end FY 2022-23 with 5.3 months in reserve. The projected figures for FY 2023-24 and beyond reflect increased revenue due to the license renewal and initial licensure fee increase to \$280 that began on October 1, 2022.

The General Fund loan for \$10 million is shown under General Fund Transfers and Other Adjustments and its impact is reflected in the months in reserve at the end of FY 2022-23 and beyond. The General Fund loan is scheduled to be repaid in FY 2023-24.

## Fund 0704 - California Board of Accountancy Fund Analysis of Fund Condition (Dollars in Thousands)

	Actual 2021-22	CY 2022-23	BY 2023-24	BY +1 2024-25	BY +2 2025-26
<b>BEGINNING BALANCE</b>	\$ 12,880	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047
Prior Year Adjustment	\$ 403	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 13,283	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047
<b>REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>					
<b>Revenues:</b>					
4121200 - Delinquent fees	\$ 292	\$ 354	\$ 364	\$ 364	\$ 364
4127400 - Renewal fees	\$ 11,203	\$ 12,840	\$ 13,226	\$ 13,226	\$ 13,226
4129200 - Other regulatory fees	\$ 174	\$ 141	\$ 145	\$ 145	\$ 145
4129400 - Other regulatory licenses and permits	\$ 4,354	\$ 4,491	\$ 4,625	\$ 4,625	\$ 4,625
4163000 - Income from surplus money investments	\$ 52	\$ 141	\$ 125	\$ 222	\$ 187
4171400 - Escheat of unclaimed checks and warrants	\$ 7	\$ -	\$ -	\$ -	\$ -
4172500 - Miscellaneous revenues	\$ 2	\$ -	\$ -	\$ -	\$ -
<b>Totals, Revenues</b>	\$ 16,084	\$ 17,967	\$ 18,485	\$ 18,582	\$ 18,547
Loan/Repayment from/to Fund (0704) to/from the General Fund (0001)	\$ -	\$ -	\$ 10,000	\$ -	\$ -
1111-011-0704, Budget Act of 2020					
Transfer to General Fund (0001) per Chapter 16, Statutes of 2020 (AI)	\$ -764	\$ -	\$ -	\$ -	\$ -
<b>Totals, Transfers and Other Adjustments</b>	\$ -764	\$ -	\$ 10,000	\$ -	\$ -
<b>TOTALS, REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>	\$ 15,320	\$ 17,967	\$ 28,485	\$ 18,582	\$ 18,547
<b>TOTAL RESOURCES</b>	\$ 28,603	\$ 28,717	\$ 37,374	\$ 35,783	\$ 33,594
<b>Expenditures:</b>					
1111 DCA Regulatory Boards & Bureaus (State Operations)	\$ 16,320	\$ 18,262	\$ 18,763	\$ 19,326	\$ 19,906
9892 Supplemental Pension Payments (State Operations)	\$ 390	\$ 390	\$ 390	\$ 390	\$ -
9900 Statewide General Admin (Pro Rata)	\$ 1,143	\$ 1,175	\$ 1,020	\$ 1,020	\$ 1,020
<b>TOTALS, EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>	\$ 17,853	\$ 19,827	\$ 20,173	\$ 20,736	\$ 20,926
<b>FUND BALANCE</b>					
Reserve for economic uncertainties	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047	\$ 12,668
<b>Months in Reserve</b>	<b>6.5</b>	<b>5.3</b>	<b>10.0</b>	<b>8.6</b>	<b>7.3</b>

# Licensee Population vs. CBA Positions





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**CBA Item VIII.B.1.**  
January 26-27, 2023

## **Overview of the Need and Activities Completed for the California Board of Accountancy Fee Analysis**

**Presented by: Deanne Pearce, Assistant Executive Officer**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with a historical overview of the CBA's fee levels, the need for a fee analysis, and the activities completed for the presentation of the fee analysis by the Department of Consumer Affairs (DCA) Budget Office.

### **Consumer Protection Objectives**

Ensuring the CBA has sufficient revenues is critical in order for the CBA to fulfill its mission of consumer protection.

### **Action(s) Needed**

None.

### **Background**

The CBA is a special funded agency, which relies on the fees collected for various services that are provided to examination and licensure applicants, licensees, and other stakeholders to provide the financial resources necessary to operate. The fees collected are deposited into the CBA's Accountancy Fund, which in turn is used to fund its annual budget and address authorized expenditures.

The CBA's fees are established through a combination of statutory provisions (found at Business and Professions Code section 5134) and regulations (found at California Code of Regulations, title 16, section 70).

### **Comments**

The following provides a detailed overview regarding fee levels and work associated with conducting the CBA Fee Analysis (**CBA Item VIII.B.1**).

### Overview of Fee Levels

In 2000, the license renewal and initial license fees were set at \$200. The fees remained at this level until July 2011, when the CBA reduced the fees to \$120. At the time, there was a statutory requirement to keep the CBA's Reserve level at nine months

## Overview of the Need and Activities Completed for the California Board of Accountancy Fee Analysis

Page 2 of 4

in reserve (MIR).<sup>1</sup> This requirement prompted the CBA to reduce those fees and operate at a negative cash flow to draw down its Reserve as it was approaching historically high levels of around 17 MIR.

In July 2012, following the first year of reduced fees, the CBA determined that the reduction did not have the anticipated impact to the Reserve level. Therefore, the CBA initiated another reduction that became effective in July 2014. For a two-year period, the CBA reduced the fees to \$50. The license renewal and initial license fee was set to automatically return to the \$120 fee level following the two-year period. Based on the regulatory language that existed at the time, the CBA was required to conduct an analysis of its actual and estimated costs to determine the appropriate fee levels for the initial license and license renewal fee.

In fiscal year 2014-15, the CBA conducted an analysis of its Reserve and fee structure and initiated a rulemaking to return the license renewal and initial license fees back to \$200. This was done to increase the Reserve, which at the time was projected to be at approximately six months. The Department of Finance (DOF) disapproved the regulatory proposal and, as a result, the license renewal fee of \$120 was reinstated beginning July 1, 2016. The disapproval was likely based on the CBA's upcoming receipt of General Fund loan repayments<sup>2</sup>, which would have a positive impact to the Reserve.

In January 2018, the CBA initiated a rulemaking to increase the license renewal and initial license fees to the statutory maximum (that existed at that time) of \$250. Based on the information available at that time, the increased fee would more closely align revenues and expenditures, provide sufficient resources in the Reserve for future CBA operations, and progress towards a 24 MIR, as recommended by the Legislature during its 2015 Sunset Review.<sup>3</sup> The CBA referenced the rulemaking for the increased fee in its 2018 Sunset Review Report.

In 2019, as the CBA was undergoing its Sunset Review, it began pursuing a change to increase the statutory maximum for license renewal and initial license fees. Working with stakeholders and the Chair of the Assembly Business and Professions Committee, the CBA was successful at creating a new fee structure. Specifically, Assembly Bill 1521 (Low, Chapter 359, Statutes of 2019) established a minimum fee level of \$250 in statute for license renewal and initial licensure and increased the statutory maximum from \$250 to \$280. These changes became effective January 1, 2020.

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<sup>1</sup> MIR is a calculation of the number of months of anticipated budgeted expenditures the CBA has in the Accountancy Fund Reserve

<sup>2</sup> The CBA had provided six loans to the General Fund between fiscal year 2002-03 to 2010-11 totaling approximately \$31,000,000. The loans were completely repaid by fiscal year 2016-17.

<sup>3</sup> During the CBA's 2015 Sunset Review, the Legislature recommended that the Reserve remain at, or near, 24 MIR, which would position the CBA to handle large enforcement matters.

## Overview of the Need and Activities Completed for the California Board of Accountancy Fee Analysis

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Although this created a significant increase in CBA revenue, the CBA's authorized expenditures continued to outpace its revenues. As a result, the CBA continued pursuing a regulatory fee increase to the new statutory maximum of \$280. This fee increase was approved and effective October 1, 2022.

During the Sunset Review hearings that occurred in 2019, it was agreed that the CBA would conduct a fee analysis to determine if the present fee levels were adequate to cover the cost of providing specified services. Based on the outcome of this analysis, the CBA could take steps, if necessary, to pursue changes to its fee structure in statute, regulation, or both.

Below is an overview of the various fees and effective date of change in fee amount.

FEE	EFFECTIVE DATE						
	2000 - 6/2011	7/1/2011	1/1/2014	7/1/2014	7/1/2016	1/1/2020	10/1/2022
License Renewal	\$200	\$120		\$50	\$120	\$250	\$280
Delinquent Renewal Fee	\$100	\$60		\$25	\$60	\$125	\$140
Initial License Fee	\$200	\$120		\$50	\$120	\$250	\$280
Prorated Initial License Fee	\$100	\$60		\$25	\$60	\$125	\$140
Initial Examination Application	\$100	\$100		\$50	\$100	\$100	\$100
Repeat Examination Application	\$50	\$50		\$25	\$50	\$50	\$50
Application for CPA Licensure	\$250	\$250		\$250	\$250	\$250	\$250
Application for Accountancy Corporation/Partnership	\$150	\$150		\$30	\$150	\$150	\$150
Certification of Documents	\$25	\$25		\$25	\$25	\$25	\$25
Application for Retired Status			\$75	No Change			
Reinstatement from Retired Status			\$50	No Change			

### Conducting the CBA Fee Analysis

Understanding the urgency to determine if its present fee structure and levels were sufficient for the recovery of the actual cost of conducting its programs, in late 2019, the CBA initiated work on finding a contractor to complete a fee analysis. The CBA entered into an agreement with a contractor in early 2020 with an anticipated completion date of mid-2020. Although preliminary work was done in 2020, many tasks were impacted by the COVID-19 pandemic as the CBA transitioned from an office-centric workforce to a remote-centric workforce.

To address the additional time needed to complete the work, the CBA entered into a second agreement with the contractor to complete the fee analysis. Staff engaged and

## **Overview of the Need and Activities Completed for the California Board of Accountancy Fee Analysis**

Page 4 of 4

worked closely with the contractor during 2021 and early 2022. The contractor compiled significant workload data and developed methodologies that formed a basic framework for the CBA.

Although the CBA had anticipated the contractor presenting the outcome of the fee analysis, it was instead decided to transition the project to the DCA Budget Office. The primary reason for the transition was to ensure that any outcomes for a fee analysis included future workload and revenue needs. Since DCA has extensive knowledge in this area, it agreed to take the preliminary work completed by the contractor and finalize the analysis.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

Staff do not have a recommendation for this item.

### **Attachment**

None.

# DEPARTMENT OF CONSUMER AFFAIRS

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## REPORT ON THE FEE ANALYSIS

*Completed for the*

## CALIFORNIA BOARD OF ACCOUNTANCY

### JANUARY 2023

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Prepared and Presented by:  
Department of Consumer Affairs  
Budget Office



# A. Executive Summary

The Department of Consumer Affairs' (DCA) Budget Office, in collaboration with the California Board of Accountancy (CBA), conducted an analysis on specified CBA fees. The primary objective of this analysis is to identify whether the CBA fee structure is adequate to recover the cost of performing services for which fees are assessed.

The CBA's main sources of revenues are derived from examination, initial licensure, and license renewal fees. By law the CBA is required to be self-supported from these revenue sources to fully-fund all operational costs and enable it to fulfill its consumer protection mission.

As identified in this analysis, the CBA is not collecting fees at the appropriate level to cover the cost of performing specified services. As a result, the CBA's revenues are not adequately covering its authorized expenditures and this is impacting the CBA's Reserve Fund. Fee increases would be necessary to recover the actual cost of performing services, eliminate the structural imbalance, and prevent possible future insolvency by fiscal year (FY) 2029-30.

This report analyzes the following fee types:

<b>Examination – Initial Application Review</b>	<b>\$100</b>
<i>This fee is paid by applicants who are applying for the Uniform CPA Examination for the first time.</i>	
<b>Examination – Repeat Application Review</b>	<b>\$50</b>
<i>This fee is paid by applicants who are retaking a failed section (or sections) of the Uniform CPA Examination.</i>	
<b>CPA Application Review</b>	<b>\$250</b>
<i>This fee is paid by individuals who are applying for an initial CPA License.</i>	
<b>Corporation/Partnership Application Review</b>	<b>\$150</b>
<i>This fee is paid to obtain a license as an Accountancy Firm (Partnership or Corporation) or for a name change for an Accountancy Firm.</i>	
<b>Certification Request</b>	<b>\$25</b>
<i>Individuals pay this fee to request a certification of their records (examination scores, licensure).</i>	
<b>Renewal License – CPA</b>	<b>\$280</b>
<i>Two-year license renewal fee for CPAs.</i>	
<b>Renewal License – Corporation/Partnership</b>	<b>\$280</b>
<i>Two-year license renewal fee for Accountancy Firms</i>	
<b>Retired License – Application Review</b>	<b>\$75</b>
<i>This fee is paid by California CPAs to convert their license to Retired status.</i>	
<b>Retired License – Reinstatement to Active Status</b>	<b>\$50</b>
<i>This fee is paid if a Retired status licensee wants to convert to an Active status license.</i>	

NOTE: There are additional fee types that were not included in the fee analysis that generate revenue for the CBA. Those fees, namely initial permit and delinquent fees, are set in statute and are based on the license renewal fee level.

## B. Background and Fee Analysis

### Purpose, Objectives and Scope

#### Background

The CBA regulates the accounting profession for the public interest by establishing and maintaining entry standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA currently regulates nearly 115,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals and firms.

The CBA's mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

The CBA's fees are authorized in Business and Professions Code section 5134 and administratively set in California Code of Regulations, title 16, section 70. Revenues derived from these fees are the primary source of funding to support CBA operations.

#### Fee Analysis Objectives and Scope

The primary objective of this analysis is to ensure the CBA is fully accounting for all its costs and recovering the actual costs of conducting the CBA's regulatory activities. The CBA's primary source of revenue is generated by license renewal fees, followed by examination and initial licensure fees. Current law requires the CBA to be self-supporting from its revenue sources to fully-fund all operational costs to ensure the CBA can fulfill its consumer protection mission.

This report summarizes the analytical methodology, observations, and findings of the CBA's fee analysis that resulted in calculations of actual costs.

The scope of this study includes:

- Examining historical, current, and projected expenditures, revenues, and staffing.
- Calculating the full direct cost and allocating indirect costs by application and license type.
- Determining total direct and indirect costs by application and license type.
- Developing expenditure and revenue projections from FY 2024-25 through FY 2029-30.

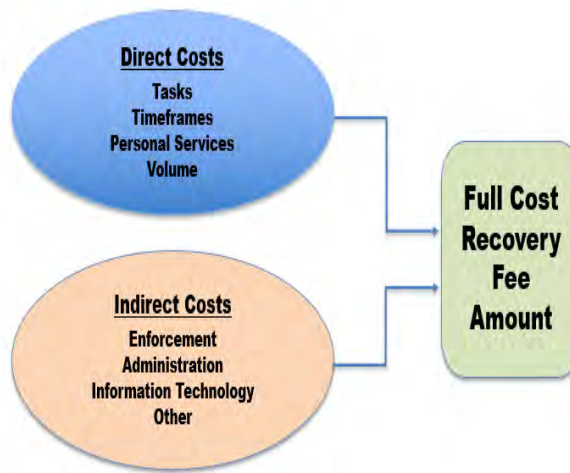
# C. Fee Analysis Methodology

## Driver-Based Methodology

This analysis employed a traditional driver-based cost model used to calculate the costs of the CBA's application and license fees. It is based on the principle of determining all direct and indirect cost inputs at an operational level.

CBA management and staff contributed to this project by participating in interviews and providing periodic assessments during the analytical process. Additionally, CBA business process workflow maps completed in cooperation with DCA were used to confirm and verify workload estimates.

### Driver-Based Cost Model (example) Diagram



## Direct and Indirect Allocated Costs

Direct costs include:

- Actual assigned staff, workload tasks, and timeframes required to process a specific application or license type or perform a specific service.
- Actual and projected personnel services costs.

Indirect costs include:

- Management, enforcement, administration
- Operating expenses and equipment
- Distributed administration
- Other state agency and contracts

## Expenditure Data – Historical, Current and Projected

This analysis is based on the FY 2023-24 Governor's Budget and examines actual expenditure and revenue data from prior years. These expenditure and revenue baselines are used to project the CBA's future baseline budgets beginning in FY 2024-25, which would be the earliest first full fiscal year upon implementation of any statutory fee level adjustments if they were included in the FY 2023-24 legislative session.

Additionally, the CBA is continuing to update its existing Information Technology (IT) legacy systems with a business modernization project (BMP). The BMP is currently funded through cost saving efforts, close monitoring of the budget and redirecting resources from under spent appropriations. However, in the event the CBA is unable to fund the BMP, additional resources may be requested through the annual budget process.

Future projected expenditures include typical and standard employee compensation and retirement rate benefit adjustments. However, the projected employee staffing compositions remain consistent with current levels.

## D. Observations

**Historical Reversions (savings)** – In recent years the CBA has not fully expended its Budget Authority (annual appropriation). Cost savings have primarily been due to reduced personal services costs and Attorney General (AG), Office of Administration (OAH) savings and Travel.

During this period personal services savings resulted (mainly) from vacant special investigator positions, which the CBA is actively working to fill. As a result, the CBA is projected to more fully expend its personal services budget in the future as vacant positions are reduced.

The CBA notes, AG and OAH costs savings cannot be redirected for other purposes. Additionally, as the special investigator positions are filled and enforcement activity increases, AG and OAH costs may increase in the future.

The CBA further notes, any costs savings which can be redirected to the BMP will be necessary for these purposes. As a result, the CBA is projected to more fully expend its annual appropriations in the future.

**COVID-19** – In FY 2020-21, the Administration implemented current year and FY 2021-22 costs savings measures in response to the COVID-19 pandemic, including reductions to Operating Expenses and Equipment (OE&E) expenditures and issuing staffing furloughs.

These imposed COVID-19 related costs reductions resulted in lowered expenditures during this period and may have obscured the CBA's full-cost pressures.

**Business Modernization Project** – The CBA is currently in year-two of the BMP IT implementation. After any system is fully integrated, BMP costs are anticipated to re-set at a lower baseline amount as the project transitions into a maintenance phase.

However, the CBA has only initiated BMP work on three CBA functions/systems (initial licensure, license renewal, and enforcement case management). It is likely that the CBA will initiate work to more fully automate the online examination application process and the various accountancy firm-related functions as its next BMP.

Due to these additional costs pressures and typical annual costs increases, the CBA is anticipated to more fully expend its appropriations and likely have lower savings (reversions) in the future.

# E. Fee Analysis Steps

## **Step #1: Collect Data**

Interviews were conducted with CBA management and staff to identify the various job classifications, tasks, and timeframes to complete each task within the CBA's various units providing direct support workload services.

Additionally, the CBA's fiscal data was collected and aggregated including: historical actual, current, and future projected expenditures and revenues, staffing allocations, salary and benefits, non-personnel expenditures, and all other direct and indirect costs. The data collection included:

- Identifying personnel – Program unit, job classification, titles, and names.
- Identifying direct processes and activities – Direct workload tasks to process an application or license type.
- Collecting application and license volume data – The number of times an application is submitted and processed per year.
- Identifying and allocating non-personnel costs – OE&E and other costs.
- Identifying any other expenses allocated in other program areas – Includes enforcement, administration, IT, and other costs.
- Identifying indirect processes and activities – Includes all other support functions and costs, which do not directly apply to the processing of a specific application or license type.

## **Step #2: Build Cost Structures**

This step continued interaction with the CBA management and staff to develop time estimates for both direct and indirect processes in each program area by application and license type. The sum of all workload tasks determines the total time required to process the application or license. The cost structures included:

- Calculating direct workload costs hours – Per application and license type.
- Determining and assigning indirect timeframes – An annual time estimate is determined to assign indirect cost allocations.
- Calculating full direct and indirect costs (per unit) – By application and license type (per unit).
- Calculating total costs by application and license type (per unit) – Total direct and indirect costs aggregated with application and license type volume data to assign total costs per application and license type (per unit).
- Calculating projected future costs and revenue models to align and ensure future fund solvency.
- Quality Assurance – Crosschecking and verifying assigned workload hours and costs with budgeted resource allocations.

# F. Fee Analysis

## Current Fee Structure and Reserve

Below is a list of the present fee levels:

Fee Type	Current Fee
Examination – Initial Application Review	\$100
Examination – Repeat Application Review	\$50
CPA Application Review	\$250
Corporation/Partnership Application Review	\$150
Certification Request	\$25
Renewal License – CPA	\$280
Renewal License – Corporation/Partnership	\$280
Retired License – Application Review	\$75
Retired License – Reinstatement to Active Status	\$50

*NOTE: There are additional fee types that were not included in the fee analysis that generate revenue for the CBA. Those fees, namely initial permit and delinquent fees, are set in statute and are based on the license renewal fee level.*

With the present fee levels, the CBA is projected to have a fund balance reserve of approximately 10 months ending in FY 2023-24, which includes the repayment of a loan to the General Fund. However, with the present fee levels there continues to be a structural imbalance (expenditures exceeding revenues) of approximately \$1.8 million per year. This structural imbalance is projected to increase to approximately \$5 million per year and could result in insolvency in FY 2029-30 without corrective action.

**[Refer to Fund Condition Chart on Following Page]**

To eliminate the structural imbalance, the CBA’s revenues would need to increase, requiring a realignment of fees – specifically assessing fees at a level that would recover the cost of performing said service.

Fund 0704 - California Board of Accountancy Fund  
 Analysis of Fund Condition (Dollars in Thousands)

Prepared 1/10/23

2023-24 Governor's Budget (Status Quo)	Actual	CY	BY	BY +1	BY +2	BY +3	BY +4	BY +5	BY +6	BY +7
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>BEGINNING BALANCE</b>	\$ 12,880	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047	\$ 12,668	\$ 9,648	\$ 5,957	\$ 1,569	\$ -3,496
Prior Year Adjustment	\$ 403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 13,283	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047	\$ 12,668	\$ 9,648	\$ 5,957	\$ 1,569	\$ -3,496
<b>REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>										
<b>Revenues:</b>										
4121200 - Delinquent fees	\$ 292	\$ 354	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
4127400 - Renewal fees	\$ 11,203	\$ 12,840	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226
4129200 - Other regulatory fees	\$ 174	\$ 141	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145
4129400 - Other regulatory licenses and permits	\$ 4,354	\$ 4,491	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625
4163000 - Income from surplus money investments	\$ 52	\$ 141	\$ 125	\$ 222	\$ 167	\$ 143	\$ 88	\$ 23	\$ -	\$ -
4171400 - Escheat of unclaimed checks and warrants	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4172500 - Miscellaneous revenues	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Revenues</b>	\$ 16,084	\$ 17,967	\$ 18,485	\$ 18,582	\$ 18,547	\$ 18,503	\$ 18,448	\$ 18,383	\$ 18,360	\$ 18,360
Loan/Repayment from/to Fund (0704) to/from the General Fund (0001)	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Fund (0001) per Chapter 16, Statutes of 2020 (AB 84)	\$ -764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Transfers and Other Adjustments</b>	\$ -764	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTALS, REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>	\$ 15,320	\$ 17,967	\$ 28,485	\$ 18,582	\$ 18,547	\$ 18,503	\$ 18,448	\$ 18,383	\$ 18,360	\$ 18,360
<b>TOTAL RESOURCES</b>	\$ 28,603	\$ 28,717	\$ 37,374	\$ 35,783	\$ 33,594	\$ 31,171	\$ 28,095	\$ 24,340	\$ 19,928	\$ 14,864
<b>Expenditures:</b>										
1111 DCA Regulatory Boards & Bureaus (State Operations)	\$ 16,320	\$ 18,262	\$ 18,763	\$ 19,326	\$ 19,906	\$ 20,503	\$ 21,118	\$ 21,751	\$ 22,404	\$ 23,076
9892 Supplemental Pension Payments (State Operations)	\$ 390	\$ 390	\$ 390	\$ 390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9900 Statewide General Admin (Pro Rata)	\$ 1,143	\$ 1,175	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020
<b>TOTALS, EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>	\$ 17,853	\$ 19,827	\$ 20,173	\$ 20,736	\$ 20,926	\$ 21,523	\$ 22,138	\$ 22,771	\$ 23,424	\$ 24,096
<b>FUND BALANCE</b>										
Reserve for economic uncertainties	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047	\$ 12,668	\$ 9,648	\$ 5,957	\$ 1,569	\$ -3,496	\$ -9,232
<b>Months in Reserve</b>	<b>6.5</b>	<b>5.3</b>	<b>10.0</b>	<b>8.6</b>	<b>7.3</b>	<b>5.4</b>	<b>3.2</b>	<b>0.8</b>	<b>-1.8</b>	<b>-4.6</b>

Notes:

- Assumes workload and revenue projections are realized in CY and ongoing.
- Expenditure growth projected at 3% beginning BY +1.
- The \$10 million General Fund loan repayment is scheduled for FY 2023-24. The interest income is anticipated to be \$102,000; however, it will not be reflected on the fund condition statement until the funds are received.



## Outcome of Fee Analysis

This analysis identifies fee levels that recover the costs of performing the associated service. The fee model identified below is only one option for fees, and the CBA can consider other options that may obtain a similar revenue outcome.

California Board of Accountancy Workload* Summary and Revenue Information						
Fee Type	Application Volume*	Actual Cost	Current Fee	Projected Revenues at Current Fee Levels	Fee Analysis Level**	Projected Revenues at Fee Analysis Levels
Examination – Initial Application Review	5,931	\$173	\$100	\$593,100	\$170	\$1,008,270
Examination – Repeat Application Review	14,817	\$50	\$50	\$740,850	\$50	\$740,850
CPA Application Review	3,483	\$639	\$250	\$870,750	\$640	\$2,229,120
Corporation/Partnership Application Review	295	\$1,718	\$150	\$44,250	\$1,700	\$501,500
Certification Request	1,309	\$33	\$25	\$32,725	\$35	\$45,815
Renewal License - CPA	44,387	\$343	\$280	\$12,428,360	\$350	\$15,535,450
Renewal License – Corporation/Partnership	2,673	\$517	\$280	\$748,440	\$520	\$1,389,960
Retired License – Application Review	631	\$68	\$75	\$47,325	\$75	\$47,325
Retired License – Reinstatement to Active Status	5	\$205	\$50	\$250	\$200	\$1,000
<b>Totals:</b>				<b>\$15,506,050</b>	<b>Totals:</b>	<b>\$21,499,290</b>

\*Based on Fiscal Year 2023-24 Workload and Revenue Information

\*\*Projected fee level was rounded.

With the proposed fee levels, the CBA is projected to have a fund balance reserve of approximately 13.6 months ending in FY 2024-25, which is at the conclusion of one full fiscal year of increased fees. This balance also includes the repayment of a \$10 million loan to the General Fund in FY 2023-24.

**[Refer to Fund Condition Chart on Following Page]**

The proposed fee levels correct the structural imbalance and generate sufficient revenues to address its expenditures and build its Reserve.

As noted previously, there are additional fee types that were not included in the fee analysis that generate revenue for the CBA. Those fees, namely initial permit and delinquent fees, are set in statute and are based on the license renewal fee level.

Fund 0704 - California Board of Accountancy Fund  
 Analysis of Fund Condition (Dollars in Thousands)

Prepared 1/10/23

2023-24 Governor's Budget V1	Actual	CY	BY	BY +1	BY +2	BY +3	BY +4	BY +5	BY +6	BY +7
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>BEGINNING BALANCE</b>	\$ 12,880	\$ 10,750	\$ 8,890	\$ 20,407	\$ 24,321	\$ 28,101	\$ 31,332	\$ 33,986	\$ 36,039	\$ 37,459
Prior Year Adjustment	\$ -403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 13,283	\$ 10,750	\$ 8,890	\$ 20,407	\$ 24,321	\$ 28,101	\$ 31,332	\$ 33,986	\$ 36,039	\$ 37,459
<b>REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>										
<b>Revenues:</b>										
4121200 - Delinquent fees	\$ 292	\$ 354	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
4121200 - Delinquent fees increase (effective 1/1/24)	\$ -	\$ -	\$ 52	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104
4127400 - Renewal fees	\$ 11,203	\$ 12,840	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226
4127400 - Renewal fees increase (effective 1/1/24)	\$ -	\$ -	\$ 1,875	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750
4129200 - Other regulatory fees	\$ 174	\$ 141	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145
4129200 - Other regulatory fees increase (effective 1/1/24)	\$ -	\$ -	\$ 16	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33
4129400 - Other regulatory licenses and permits	\$ 4,354	\$ 4,491	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625
4129400 - Other regulatory licenses and permits increase (effective 1/1/24)	\$ -	\$ -	\$ 1,262	\$ 2,524	\$ 2,524	\$ 2,524	\$ 2,524	\$ 2,524	\$ 2,524	\$ 2,524
4163000 - Income from surplus money investments	\$ 52	\$ 141	\$ 125	\$ 359	\$ 415	\$ 463	\$ 502	533	554	565
4171400 - Escheat of unclaimed checks and warrants	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4172500 - Miscellaneous revenues	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Revenues</b>	\$ 16,084	\$ 17,967	\$ 21,690	\$ 25,130	\$ 25,186	\$ 25,234	\$ 25,273	\$ 25,304	\$ 25,325	\$ 25,336
Loan/Repayment from/to Fund (0704) to/from the General Fund (0001)	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Fund (0001) per Chapter 16, Statutes of 2020 (AB 84)	\$ -764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Transfers and Other Adjustments</b>	\$ -764	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTALS, REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>	\$ 15,320	\$ 17,967	\$ 31,690	\$ 25,130	\$ 25,186	\$ 25,234	\$ 25,273	\$ 25,304	\$ 25,325	\$ 25,336
<b>TOTAL RESOURCES</b>	\$ 28,603	\$ 28,717	\$ 40,580	\$ 45,537	\$ 49,506	\$ 53,334	\$ 56,604	\$ 59,290	\$ 61,363	\$ 62,795
<b>Expenditures:</b>										
1111 DCA Regulatory Boards & Bureaus (State Operations)	\$ 16,320	\$ 18,262	\$ 18,763	\$ 19,326	\$ 19,906	\$ 20,503	\$ 21,118	\$ 21,751	\$ 22,404	\$ 23,076
9892 Supplemental Pension Payments (State Operations)	\$ 390	\$ 390	\$ 390	\$ 390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9900 Statewide General Admin (Pro Rata)	\$ 1,143	\$ 1,175	\$ 1,020	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
<b>TOTALS, EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>	\$ 17,853	\$ 19,827	\$ 20,173	\$ 21,216	\$ 21,406	\$ 22,003	\$ 22,618	\$ 23,251	\$ 23,904	\$ 24,576
<b>FUND BALANCE</b>										
Reserve for economic uncertainties	\$ 10,750	\$ 8,890	\$ 20,407	\$ 24,321	\$ 28,101	\$ 31,332	\$ 33,986	\$ 36,039	\$ 37,459	\$ 38,219
<b>Months in Reserve</b>	<b>6.5</b>	<b>5.3</b>	<b>11.5</b>	<b>13.6</b>	<b>15.8</b>	<b>17.1</b>	<b>18.0</b>	<b>18.6</b>	<b>18.8</b>	<b>18.7</b>

**Notes:**

1. Assumes workload and revenue projections are realized in CY and ongoing.
2. Expenditure growth projected at 3% beginning BY +1.
3. The \$10 million General Fund loan repayment is scheduled for FY 2023-24. The interest income is anticipated to be \$102,000; however, it will not be reflected on the fund condition statement until the funds are received.

## Next Steps

The CBA can determine what, if any, next steps it would like to take in regards to its fee levels. DCA Budget Office is not providing a recommendation, but is available to answer questions as it relates to the contents of this report and the integrity of the methodology that the outcomes are based on.

As identified on the fund condition statement on page 10, the fee model and subsequent MIR levels presume an effective date of January 1, 2024, which would require statutory and regulatory changes to be initiated timely.

The CBA is authorized to establish fee levels through regulation, consistent with the limits identified in statute. With the exception of the license renewal fee, the fee levels cannot exceed the actual costs to perform the services the fees are being assessed and/or to meet policy or other operational priorities. Fee levels may be set at lower amounts as a policy decision.

The CBA statutes do provide the CBA with the ability to subsidize application fees for entry into the profession through increasing the renewal fee beyond costs to perform services.

As previously stated in the report, the proposed fee levels coincide with the cost of providing the specified service and are not set at a level to achieve a specific target MIR level.

# G. Information Relied Upon

## Quality Assurance

Ensuring the accuracy, quality, and integrity of each step in the process, including data inputs, quantitative analysis, and results are fundamental priorities of this report.

This analysis builds-in automatic quantitative checks as follows:

- Total costs (budgeted expenditures) assigned to the model equals total revenues.
- Total number of staffing hours are fully accounted and distributed.
- Current and projected expenditures and revenues are reasonably consistent with actual or projected values reported by the state.

## Input Data & Information

The primary sources of input data and information include:

1. Actual and projected expenditure and revenue data (FY 2018-19 - FY 2030-31), including:
  - a. Personnel services
  - b. Operating expenses and equipment
  - c. Distributed administrative
  - d. Other state agency and contracts
2. Workload tasks and timeframe estimates to process each application type
3. Indirect costs include:
  - a. Program, policy, and administration
  - b. Enforcement-related support
  - c. Distributed administrative
  - d. Inter-Agency agreements and contracts
4. Total number of each application type received and processed
5. Revenues collected by application and license type

## Key Assumptions

This project includes various key assumptions.

# H. Appendices

**Appendix 1** – Historical Expenditures FY 2018-19 through FY 2021-22

**Appendix 2** – Licensing and Examination Application Costs

Appendix 1 – Historical Expenditures FY 2018-19 through FY 2021-22

CA Board of Accountancy Expenditures (Budgeted and Actuals Comparison)								
	2018-19		2019-20		2020-21		2021-22	
	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Pre-Actuals
<b>PERSONAL SERVICES</b>								
PERMANENT POSITIONS	\$5,708,000	\$5,403,401	\$6,603,000	\$5,787,029	\$6,260,000	\$6,226,328	\$7,212,000	\$6,926,558
TEMPORARY POSITIONS	\$137,000	\$341,462	\$0	\$81,388	\$0	\$80,383	\$0	\$136,625
PER DIEM, OVERTIME, & LUMP SUM	\$63,000	\$217,453	\$63,000	\$89,622	\$63,000	\$124,913	\$63,000	\$267,823
STAFF BENEFITS	\$3,282,000	\$3,131,783	\$4,080,000	\$3,396,204	\$3,888,000	\$3,527,668	\$4,069,000	\$3,826,084
<b>TOTAL PERSONAL SERVICES</b>	<b>\$9,188,000</b>	<b>\$9,094,099</b>	<b>\$10,746,000</b>	<b>\$9,354,243</b>	<b>\$10,011,000</b>	<b>\$9,959,292</b>	<b>\$11,344,000</b>	<b>\$11,157,090</b>
<b>OPERATING EXP &amp; EQUIPMENT</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget</b>	<b>Actuals</b>	<b>Budget</b>	<b>Actuals</b>
GENERAL EXPENSE	\$313,000	\$152,517	\$61,000	\$267,388	\$58,000	\$116,677	\$58,000	\$114,062
PRINTING	\$90,000	\$159,848	\$97,000	\$257,182	\$96,000	\$41,090	\$96,000	\$98,428
COMMUNICATIONS	\$48,000	\$52,869	\$64,000	\$49,411	\$61,000	\$57,023	\$61,000	\$52,756
POSTAGE	\$137,000	\$199,073	\$27,000	\$58,089	\$26,000	\$20,891	\$26,000	\$100,568
INSURANCE	\$0	\$31,280	\$0	\$226	\$0	\$1,409	\$0	\$182
IN STATE TRAVEL	\$134,000	\$70,248	\$136,000	\$101,546	\$136,000	\$1,822	\$136,000	\$3,001
OUT OF STATE TRAVEL	\$0	\$4,189	\$0	\$3,107	\$0	\$0	\$0	
TRAINING	\$23,000	\$24,020	\$30,000	\$24,745	\$29,000	\$20,960	\$29,000	\$13,689
FACILITIES	\$628,000	\$609,721	\$629,000	\$649,709	\$628,000	\$627,420	\$628,000	\$682,276
CONSULTING/PROF SRVS (INTERNAL)	\$1,312,000	\$1,019,067	\$1,848,000	\$1,233,203	\$1,899,000	\$719,988	\$1,899,000	\$567,157
CONSULTING/PROF SRVS (EXTERNAL)	\$424,000	\$214,486	\$502,000	\$433,537	\$719,000	\$299,812	\$634,000	\$740,545
DEPARTMENT PRORATA	\$2,015,000	\$2,015,000	\$2,677,000	\$2,524,999	\$2,510,000	\$2,452,828	\$2,900,000	\$2,718,142
DEPARTMENTAL SERVICES	\$51,000	\$17,782	\$1,000	\$19,928	\$1,000	\$14,993	\$1,000	\$49,432
CONSOLIDATED DATA CENTERS	\$36,000	\$75,526	\$42,000	\$177,471	\$41,000	\$166,372	\$41,000	\$123,723
INFORMATION TECHNOLOGY		\$50,324	\$50,000	\$42,218	\$50,000	\$75,723	\$50,000	\$35,532
EQUIPMENT	\$104,000	\$111,870	\$112,000	\$119,324	\$58,000	\$327,671	\$181,000	\$37,962
SPECIAL ITEMS OF EXPENSE		\$0		\$37,991	\$0	\$37,259	\$0	\$36,146
<b>OPERATING EXPENSES &amp; EQUIPMENT</b>	<b>\$5,315,000</b>	<b>\$4,807,820</b>	<b>\$6,276,000</b>	<b>\$6,000,074</b>	<b>\$6,312,000</b>	<b>\$4,981,938</b>	<b>\$6,740,000</b>	<b>\$5,373,601</b>
<b>OVERALL TOTALS</b>	<b>\$14,503,000</b>	<b>\$13,901,919</b>	<b>\$17,022,000</b>	<b>\$15,354,317</b>	<b>\$16,323,000</b>	<b>\$14,941,230</b>	<b>\$18,084,000</b>	<b>\$16,530,691</b>
REIMBURSEMENTS	(\$296,000)	-\$356,309	(\$296,000)	-\$650,179	(\$296,000)	-\$187,669	(\$296,000)	-\$211,051
<b>NET TOTALS:</b>	<b>\$14,207,000</b>	<b>\$13,545,610</b>	<b>\$16,726,000</b>	<b>\$14,704,138</b>	<b>\$16,027,000</b>	<b>\$14,753,561</b>	<b>\$17,788,000</b>	<b>\$16,319,640</b>

Appendix 2 – Licensing and Examination Application Costs

California Board of Accountancy Licensing & Examination Application Costs							
Type	Volume***	Costs	Licensing & Exams	Enforcement	Admin & Exec	Total Costs	Cost Per Unit
Examination – Initial Application Review	5,931	Direct	\$724,338	\$0	\$30,060	\$754,398	\$131
		Indirect	\$226,764	\$0	\$15,748	\$242,512	\$42
		Total	\$951,102	\$0	\$45,808	\$996,910	\$173
Examination – Repeat Application Review	14,817	Direct	\$536,790	\$0	\$30,060	\$566,850	\$38
		Indirect	\$136,058	\$0	\$15,748	\$151,806	\$10
		Total	\$672,848	\$0	\$45,808	\$718,655	\$49
CPA Application Review	3,483	Direct	\$1,214,372	\$255,566	\$150,300	\$1,620,238	\$465
		Indirect	\$340,146	\$123,031	\$78,738	\$541,914	\$156
		Total	\$1,554,518	\$378,597	\$229,038	\$2,162,152	\$621
Corporation/Partnership Application Review	295	Direct	\$67,753	\$255,566	\$30,060	\$353,379	\$1,198
		Indirect	\$1,134	\$123,031	\$15,748	\$139,912	\$474
		Total	\$68,887	\$378,597	\$45,808	\$493,291	\$1,672
Certification Request	1,309	Direct	\$41,021	\$0	\$0	\$41,021	\$31
		Indirect	\$1,134	\$0	\$0	\$1,134	\$1
		Total	\$42,154	\$0	\$0	\$42,154	\$32
Renewal License - CPA	44,387	Direct	\$1,199,743	\$4,344,622	\$2,615,220	\$8,159,585	\$184
		Indirect	\$1,401,826	\$4,022,199	\$1,416,783	\$6,840,807	\$154
		Total	\$2,534,249	\$8,366,821	\$10,901,070	\$15,000,392	\$338
Renewal License – Corporation/Partnership	2,673	Direct	\$91,064	\$255,566	\$150,300	\$496,930	\$186
		Indirect	\$226,764	\$220,281	\$78,738	\$525,782	\$197
		Total	\$317,828	\$475,847	\$229,038	\$1,022,712	\$383
Retired License – Application Review	631	Direct	\$30,576	\$0	\$0	\$30,576	\$48
		Indirect	\$1,134	\$0	\$0	\$1,134	\$2
		Total	\$31,709	\$0	\$0	\$31,709	\$50
Retired License – Reinstatement to Active Status	5	Direct	\$979	\$0	\$0	\$979	\$196
		Indirect	\$45	\$0	\$0	\$45	\$9
		Total	\$1,025	\$0	\$0	\$1,025	\$205
<b>Total Costs:</b>		Direct	\$3,906,635	\$5,111,320	\$3,006,000	\$12,023,955	
		Indirect	\$2,335,005	\$4,488,540	\$1,621,500	\$8,445,045	
		Total	\$6,241,640	\$9,599,860	\$4,627,500	\$20,469,000	

\*Prior 4-Year Average

\*\*\$0.00 - may include negligible costs (due to low application rates and/or actual costs)

\*\*\*Based on Fiscal Year 2023-24 Workload and Revenue Data



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**CBA Item VIII.B.3.**  
January 26-27, 2023

**Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees**

**Presented by: Deanne Pearce, Assistant Executive Officer**

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**Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to discuss the outcomes of the CBA Fee Analysis and take possible action to approve a legislative proposal to amend Business and Professions Code (BPC) section 5134 – Fees and initiate a rulemaking to amend California Code of Regulations (CCR), title 16, section 70 – Fees.

**Consumer Protection Objectives**

Ensuring the CBA has sufficient revenues is critical in order for the CBA to fulfill its mission of consumer protection.

**Action(s) Needed**

The CBA will be asked to select a fee change scenario and based on the scenario chosen, to sponsor legislation for 2023 and possibly initiate a rulemaking.

**Background**

The CBA is a special funded agency, which relies on the fees collected for various services that are provided to examination and licensure applicants, licensees, and other stakeholders to provide the financial resources necessary to operate. The fees collected are deposited into the CBA's Accountancy Fund, which in turn is used to fund its annual budget and address authorized expenditures.

The Department of Consumer Affairs (DCA), in conjunction with the CBA and preliminary work from an external contractor, completed an analysis on CBA fee levels (**CBA Item VIII.B.2**) to determine if the present fee levels assessed are sufficient to cover the actual cost to perform the corresponding service.

The CBA Fee Analysis analyzed the following fees. There are additional fees that were not included in the CBA Fee Analysis that generate revenue for the CBA. Those fees,



**Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees**

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namely initial permit and delinquent license renewal fees, are set in statute and are based on the license renewal fee level.

The following chart includes the current fee level and present statutory limit associated with each fee:

<b>Fee Type</b>	<b>Current Fee</b>	<b>Statutory Limit</b>
Examination – Initial Application Review	\$100	\$600
Examination – Repeat Application Review	\$50	\$75
CPA Application Review	\$250	\$250
Corporation/Partnership Application Review	\$150	\$250
Certification Request	\$25	\$25
Renewal License – CPA	\$280	\$280
Renewal License – Corporation/Partnership	\$280	\$280
Retired License – Application Review	\$75	\$250
Retired License – Reinstatement to Active Status	\$50	\$1,000

**Comments**

The CBA is authorized to establish fee levels through regulation, consistent with the limits identified in statute. Fee changes where the fee is presently at the statutory limit will require legislation to increase the limit. With the exception of the license renewal fee, the fee levels cannot exceed the actual costs to perform the services for which the fees are being assessed. Fee levels may be set at lower amounts as a policy decision.

As identified in the CBA Fee Analysis, the CBA is not collecting fees at the appropriate level to cover the cost of performing specified services. As a result, the CBA’s revenues are not adequately covering its authorized expenditures and this is impacting the CBA’s Reserve Fund balance and months in reserve<sup>1</sup> (MIR) as identified in the fund condition statement included as **Attachment 1**. Fee increases are necessary to eliminate the structural imbalance and build its MIR to ensure the CBA has the resources necessary to carry out its operations.

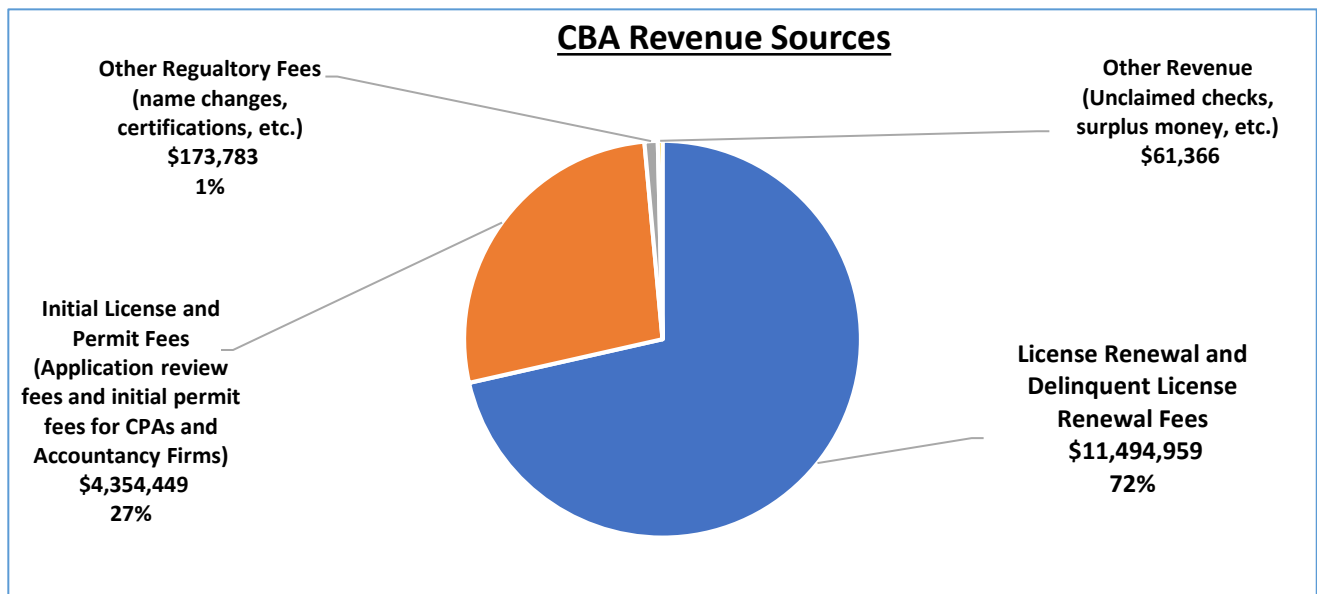
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<sup>1</sup> MIR is a calculation of the number of months of anticipated budgeted expenditures the CBA has in the Accountancy Fund Reserve

# Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees

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Although the CBA Fee Analysis looked at several CBA-assessed fees, the CBA's primary revenue source is funds collected from license renewal fees. Although there are several fee categories proposed for an increase, the impact they have to the CBA's overall revenue is negligible.



Staff have prepared two scenarios of statutory and regulatory changes for CBA consideration. Scenario 1 contains both statutory and regulatory fee change proposals and is based solely on the outcomes of the CBA Fee Analysis, whereas Scenario 2 includes only statutory changes and is based in part on the outcomes of the CBA Fee Analysis, but also considers current impacts facing the CPA candidate pipeline.

As identified, both Scenarios generate increased revenue to cover authorized expenditures and secure sufficient funds for future CBA operations.

## Scenario 1

The outcomes in the CBA Fee Analysis reflect necessary fee changes to align with the actual cost of performing the associated service. The overall impact of the reflected fee changes is a significant increase to the CBA's annual revenue.

The proposed fee changes and corresponding projected revenue of the increases are reflected in the following table (green highlighted columns):

**Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees**

SCENARIO 1 - CBA FEE ANALYSIS OUTCOMES						
California Board of Accountancy			Current Fee and Revenue		Scenario 1	
Fee Type	Application Volume*	Actual Cost	Current Fee	Projected Revenues at Current Fee Levels	Fee Analysis Level**	Projected Revenues at Fee Analysis Levels
Examination – Initial Application Review	5,931	\$173	\$100	\$593,100	\$170	\$1,008,270
Examination – Repeat Application Review	14,817	\$50	\$50	\$740,850	\$50	\$740,850
CPA Application Review	3,483	\$639	\$250	\$870,750	\$640	\$2,229,120
Corporation/Partnership Application Review	295	\$1,718	\$150	\$44,250	\$1,700	\$501,500
Certification Request	1,309	\$33	\$25	\$32,725	\$35	\$45,815
Renewal License - CPA	44,387	\$343	\$280	\$12,428,360	\$350	\$15,535,450
Renewal License – Corporation/Partnership	2,673	\$517	\$280	\$748,440	\$520	\$1,389,960
Retired License – Application Review	631	\$68	\$75	\$47,325	\$75	\$47,325
Retired License – Reinstatement to Active Status	5	\$205	\$50	\$250	\$200	\$1,000
			<b>Total:</b>	<b>\$15,506,050</b>	<b>Total:</b>	<b>\$21,499,290</b>
*Based on Fiscal Year 2023-24 Workload and Revenue Information						
**Projected fee level was rounded.						

Based on the outcomes of the CBA Fee Analysis, the CBA would collect approximately \$21.5 million annually. There would be no change to repeat examination fees and fees related to retired licensure as they are presently set at the appropriate level.

This scenario would create sufficient revenue that would both address the CBA’s authorized annual expenditures and support future growth in its Reserve as identified on the Fund Condition Statement in **Attachment 2**. After the first full fiscal year (fiscal year 2024-25) of increased fees, the CBA’s Reserve is projected to be at 13.6 MIR and grow steadily in future years.

**Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees**

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Proposed statutory language (**Attachment 3**) and regulatory language (**Attachment 4**) would facilitate the changes reflected in the CBA Fee Analysis. The proposed statutory language establishes a minimum fee at the level consistent with the CBA Fee Analysis and also establishes a new statutory limit to enable the CBA to pursue future changes as necessary. Creating the minimum fee level in statute enables implementation on January 1 of the year following the approval of the legislation.

Additionally, in determining possible ways to minimize the number of future fee changes and the workload involved, staff have included proposed statutory language in **Attachment 3** that, essentially, allows the CBA to increase fees based on the Consumer Price Index at a specified period without undergoing the rulemaking process. The proposed language is based on legislation introduced by former Assembly Member Evan Low in 2019. The legislation was not successful; however, it provided a reasonable concept that could be effective in enabling the CBA to implement fee increases in the future.

**Attachment 3** also includes the removal of outdated and unnecessary statutory provisions.

Scenario 2

Scenario 2 proposes a different fee level structure that provides a similar outcome of increased revenue, but takes into consideration the impact increased fees may have on entry into the CPA profession.

As identified previously, with the exception of the license renewal fee, the fee levels cannot exceed the actual costs to perform the services for which the fees are being assessed. Fee levels may; however, be set at lower amounts as a policy decision.

As the CBA considers future fee levels, it may wish to also take into consideration the following statutory provision included in BPC section 5134(n):

It is the intent of the Legislature that, to ease entry into the public accounting profession in California, any administrative cost to the board related to the certified public accountant examination or issuance of the certified public accountant certificate that exceeds the maximum fees authorized by this section shall be covered by the fees charged for the biennial renewal of the permit to practice.

As staff reviewed the fee levels associated with the outcomes of the CBA Fee Analysis, the statutory guidance related to easing entry into the public accounting profession, awareness of the current CPA pipeline concerns, and DCA guidance that as a policy

**Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees**

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decision, fees can be set at an amount lower than the cost to perform the service, staff developed an alternative option (Scenario 2) regarding fee levels.

Specifically, staff propose that fee levels related to examination and CPA application review remain at existing levels and the fee associated with reviewing an application for an accountancy partnership or corporation be increased above its current level, but less than what is identified in the CBA’s Fee Analysis. To offset any decrease in revenue, CPA license renewal fees would be increased as provided for in BPC section 5134(n).

The staff proposed fee changes and corresponding projected revenue of the increases are reflected in the following table (blue highlighted columns):

<b>SCENARIO 2 - STAFF PROPOSED FEE LEVELS</b>						
California Board of Accountancy			Current Fee and Revenue		Scenario 2	
Fee Type	Application Volume*	Actual Cost	Current Fee	Projected Revenues at Current Fee Levels	Staff Proposed Fee Level	Projected Revenues at Staff Proposed Fee Levels
Examination – Initial Application Review	5,931	\$173	\$100	\$593,100	\$100	\$593,100
Examination – Repeat Application Review	14,817	\$50	\$50	\$740,850	\$50	\$740,850
CPA Application Review	3,483	\$639	\$250	\$870,750	\$250	\$870,750
Corporation/Partnership Application Review	295	\$1,718	\$150	\$44,250	\$600	\$177,000
Certification Request	1,309	\$33	\$25	\$32,725	\$35	\$45,815
Renewal License - CPA	44,387	\$343	\$280	\$12,428,360	\$400	\$17,754,800
Renewal License – Corporation/Partnership	2,673	\$517	\$280	\$748,440	\$520	\$1,389,960
Retired License – Application Review	631	\$68	\$75	\$47,325	\$75	\$47,325
Retired License – Reinstatement to Active Status	5	\$205	\$50	\$250	\$200	\$1,000
			<b>Total:</b>	<b>\$15,506,050</b>	<b>Total:</b>	<b>\$21,620,600</b>
*Based on Fiscal Year 2023-24 Workload and Revenue Information						
**Projected fee level was rounded.						

## **Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees**

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Under Scenario 2, the staff-proposed fee levels generate \$21.6 million in annual revenue, which is consistent with the projected revenue contained in Scenario 1. The revenue generation would cover authorized expenditures and secure future Reserve growth as identified in the Fund Condition Statement (**Attachment 5**).

**Attachment 6** contains proposed statutory language that would facilitate the changes identified in Scenario 2. The proposed statutory language establishes some minimum fee levels and also establishes a new statutory limit, consistent with the fee level identified in the CBA Fee Analysis and provides some growth, to enable the CBA to pursue future changes as necessary. Creating the minimum fee level in statute enables implementation on January 1 of the year following the approval of the legislation.

Consistent with the proposed statutory changes under Scenario 1, staff have also included proposed language in **Attachment 6** that would allow the CBA to increase fees based on the Consumer Price Index at a specified period without undergoing the rulemaking process.

**Attachment 6** also includes the removal of outdated and unnecessary statutory provisions.

### Need for Legislation and Rulemaking and Possible Next Steps

#### *Need for Legislation and Rulemaking*

A statutory change, regulatory change, or both will be required based on CBA direction for any fee increase (**Attachment 7**). If the CBA approves statutory changes, the next step is finding a Legislator willing to carry the proposed legislation. Although this may be a challenge, staff will endeavor to find an author.

If the CBA is successful at finding an author to carry a fee increase bill in 2023, and the bill is successful through the legislative process and subsequently becomes law, the new statutory fees would be effective January 1, 2024.

If the CBA is unable to find an author, the CBA can discuss whether the Senate Business, Professions and Economic Development Committee and Assembly Business and Professions Committee would consider including the statutory fee changes as part of the CBA's Sunset Review legislation. If this were to occur, it would delay the effective date of the statutory fee increases until January 1, 2025.

For a regulatory change, the CBA will need to provide justification supporting the need for a fee increase. The justification would include, at a minimum, the outcomes of the CBA Fee Analysis and documentation regarding the CBA's negative annual cash flow. The rulemaking process can take up to 18 months or longer based on numerous factors

# Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees

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including, the complexity of the change, objections to the proposal, and lack of support or approval by control agencies, including DCA, Business, Consumer Services and Housing Agency, and the Department of Finance.

## *Next Steps*

The next step is for the CBA to provide direction to staff regarding the scenario it would like to pursue. Based on that scenario, one of the following motions is necessary:

### **Scenario 1**

If the CBA would like to pursue fee changes identified in Scenario 1, which are consistent with the outcomes of the CBA Fee Analysis, the following motion can be made:

#### Motion 1:

- Approve the proposed language in **Attachment 3** to BPC section 5134, including any additional changes the CBA deems necessary and direct staff to seek an author to carry a bill, or if necessary, request that it be included as part of its Sunset Review; and
- Approve the proposed regulatory text in **Attachment 4** for CCR section 70, direct staff to submit the text to the Director of DCA and the Business, Consumer Services, and Housing Agency for review, and if no adverse comments are received, authorize the Executive Officer to take all steps necessary to initiate the rulemaking process, make any non-substantive changes to the package, and set the matter for a hearing if requested. If no adverse comments are received during the 45-day comment period and no hearing is requested, authorize the Executive Officer to take all steps necessary to complete the rulemaking and adopt the proposed regulations at Section 70 as noticed.

### **Scenario 2**

If the CBA would like to pursue fee changes identified in Scenario 2, which take into consideration the outcomes of the CBA Fee Analysis while also easing the financial burden for those entering the practice of public accountancy, the following motion can be made:

#### Motion 2

Approve the proposed amendments in **Attachment 6** to BPC section 5134, including any additional changes the CBA deems necessary and direct staff to seek an author to carry a bill, or if necessary, request that it be included as part of its Sunset Review.

# **Discussion Regarding the Outcomes of the California Board of Accountancy Fee Analysis and Possible Action to Approve a Legislative Proposal to Amend Business and Professions Code Section 5134 – Fees and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Section 70 – Fees**

Page 9 of 9

Based on the outcome of the discussion and action taken by the CBA, staff will develop a comprehensive communications plan regarding fee changes and include this as a priority in its 2023 Communications and Outreach Plan.

## **Fiscal/Economic Impact Considerations**

A statutory change, regulatory change, or both will create a fiscal and economic impact that will need to be detailed in the legislative and rulemaking process.

## **Recommendation**

Staff recommend Scenario 2 and Motion 2 that approves the proposed amendments in **Attachment 6** to BPC section 5134.

Scenario 2 creates the additional revenue to ensure the CBA is covering its authorized expenditures, while also maintaining fees at a reduced rate for those who are entering the practice of public accountancy.

## **Attachments**

1. Fund Condition Statement as of January 10, 2023
2. Scenario 1 Fee Level Changes – Fund Condition Statement
3. Scenario 1 – Proposed Changes to Business and Professions Code section 5134
4. Scenario 1 – Proposed Changes to California Code of Regulations section 70
5. Scenario 2 Fee Level Changes – Fund Condition Statement
6. Scenario 2 – Proposed Changes to Business and Professions Code section 5134
7. Overview of Fee Changes and Need for a Statutory or Regulatory Change



Fund 0704 - California Board of Accountancy Fund  
 Analysis of Fund Condition (Dollars in Thousands)

Prepared 1/10/23

2023-24 Governor's Budget (Status Quo)	Actual	CY	BY	BY +1	BY +2	BY +3	BY +4	BY +5	BY +6	BY +7
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>BEGINNING BALANCE</b>	\$ 12,880	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047	\$ 12,668	\$ 9,648	\$ 5,957	\$ 1,569	\$ -3,496
Prior Year Adjustment	\$ 403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 13,283	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047	\$ 12,668	\$ 9,648	\$ 5,957	\$ 1,569	\$ -3,496
<b>REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>										
<b>Revenues:</b>										
4121200 - Delinquent fees	\$ 292	\$ 354	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
4127400 - Renewal fees	\$ 11,203	\$ 12,840	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226
4129200 - Other regulatory fees	\$ 174	\$ 141	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145
4129400 - Other regulatory licenses and permits	\$ 4,354	\$ 4,491	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625
4163000 - Income from surplus money investments	\$ 52	\$ 141	\$ 125	\$ 222	\$ 187	\$ 143	\$ 88	\$ 23	\$ -	\$ -
4171400 - Escheat of unclaimed checks and warrants	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4172500 - Miscellaneous revenues	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Revenues</b>	\$ 16,084	\$ 17,967	\$ 18,485	\$ 18,582	\$ 18,547	\$ 18,503	\$ 18,448	\$ 18,383	\$ 18,360	\$ 18,360
Loan/Repayment from/to Fund (0704) to/from the General Fund (0001)	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Fund (0001) per Chapter 16, Statutes of 2020 (AB 84)	\$ -764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Transfers and Other Adjustments</b>	\$ -764	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTALS, REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>	\$ 15,320	\$ 17,967	\$ 28,485	\$ 18,582	\$ 18,547	\$ 18,503	\$ 18,448	\$ 18,383	\$ 18,360	\$ 18,360
<b>TOTAL RESOURCES</b>	\$ 28,603	\$ 28,717	\$ 37,374	\$ 35,783	\$ 33,594	\$ 31,171	\$ 28,095	\$ 24,340	\$ 19,928	\$ 14,864
<b>Expenditures:</b>										
1111 DCA Regulatory Boards & Bureaus (State Operations)	\$ 16,320	\$ 18,262	\$ 18,763	\$ 19,326	\$ 19,906	\$ 20,503	\$ 21,118	\$ 21,751	\$ 22,404	\$ 23,076
9892 Supplemental Pension Payments (State Operations)	\$ 390	\$ 390	\$ 390	\$ 390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9900 Statewide General Admin (Pro Rata)	\$ 1,143	\$ 1,175	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020	\$ 1,020
<b>TOTALS, EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>	\$ 17,853	\$ 19,827	\$ 20,173	\$ 20,736	\$ 20,926	\$ 21,523	\$ 22,138	\$ 22,771	\$ 23,424	\$ 24,096
<b>FUND BALANCE</b>										
Reserve for economic uncertainties	\$ 10,750	\$ 8,890	\$ 17,201	\$ 15,047	\$ 12,668	\$ 9,648	\$ 5,957	\$ 1,569	\$ -3,496	\$ -9,232
<b>Months in Reserve</b>	<b>6.5</b>	<b>5.3</b>	<b>10.0</b>	<b>8.6</b>	<b>7.3</b>	<b>5.4</b>	<b>3.2</b>	<b>0.8</b>	<b>-1.8</b>	<b>-4.6</b>

- Notes:
1. Assumes workload and revenue projections are realized in CY and ongoing.
  2. Expenditure growth projected at 3% beginning BY +1.
  3. The \$10 million General Fund loan repayment is scheduled for FY 2023-24. The interest income is anticipated to be \$102,000; however, it will not be reflected on the fund condition statement until the funds are received.

Fund 0704 - California Board of Accountancy Fund  
 Analysis of Fund Condition (Dollars in Thousands)

Prepared 1/10/23

2023-24 Governor's Budget V1	Actual	CY	BY	BY +1	BY +2	BY +3	BY +4	BY +5	BY +6	BY +7
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>BEGINNING BALANCE</b>	\$ 12,880	\$ 10,750	\$ 8,890	\$ 20,407	\$ 24,321	\$ 28,101	\$ 31,332	\$ 33,986	\$ 36,039	\$ 37,459
Prior Year Adjustment	\$ 403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 13,283	\$ 10,750	\$ 8,890	\$ 20,407	\$ 24,321	\$ 28,101	\$ 31,332	\$ 33,986	\$ 36,039	\$ 37,459
<b>REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>										
<b>Revenues:</b>										
4121200 - Delinquent fees	\$ 292	\$ 354	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
4121200 - Delinquent fees increase (effective 1/1/24)	\$ -	\$ -	\$ 52	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104	\$ 104
4127400 - Renewal fees	\$ 11,203	\$ 12,840	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226
4127400 - Renewal fees increase (effective 1/1/24)	\$ -	\$ -	\$ 1,875	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750	\$ 3,750
4129200 - Other regulatory fees	\$ 174	\$ 141	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145
4129200 - Other regulatory fees increase (effective 1/1/24)	\$ -	\$ -	\$ 16	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33
4129400 - Other regulatory licenses and permits	\$ 4,354	\$ 4,491	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625
4129400 - Other regulatory licenses and permits increase (effective 1/1/24)	\$ -	\$ -	\$ 1,262	\$ 2,524	\$ 2,524	\$ 2,524	\$ 2,524	\$ 2,524	\$ 2,524	\$ 2,524
4163000 - Income from surplus money investments	\$ 52	\$ 141	\$ 125	\$ 359	\$ 415	\$ 463	\$ 502	533	554	565
4171400 - Escheat of unclaimed checks and warrants	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4172500 - Miscellaneous revenues	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Revenues</b>	\$ 16,084	\$ 17,967	\$ 21,690	\$ 25,130	\$ 25,186	\$ 25,234	\$ 25,273	\$ 25,304	\$ 25,325	\$ 25,336
Loan/Repayment from/to Fund (0704) to/from the General Fund (0001)	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Fund (0001) per Chapter 16, Statutes of 2020 (AB 84)	\$ -764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Transfers and Other Adjustments</b>	\$ -764	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTALS, REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>	\$ 15,320	\$ 17,967	\$ 31,690	\$ 25,130	\$ 25,186	\$ 25,234	\$ 25,273	\$ 25,304	\$ 25,325	\$ 25,336
<b>TOTAL RESOURCES</b>	\$ 28,603	\$ 28,717	\$ 40,580	\$ 45,537	\$ 49,506	\$ 53,334	\$ 56,604	\$ 59,290	\$ 61,363	\$ 62,795
<b>Expenditures:</b>										
1111 DCA Regulatory Boards & Bureaus (State Operations)	\$ 16,320	\$ 18,262	\$ 18,763	\$ 19,326	\$ 19,906	\$ 20,503	\$ 21,118	\$ 21,751	\$ 22,404	\$ 23,076
9892 Supplemental Pension Payments (State Operations)	\$ 390	\$ 390	\$ 390	\$ 390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9900 Statewide General Admin (Pro Rata)	\$ 1,143	\$ 1,175	\$ 1,020	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
<b>TOTALS, EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>	\$ 17,853	\$ 19,827	\$ 20,173	\$ 21,216	\$ 21,406	\$ 22,003	\$ 22,618	\$ 23,251	\$ 23,904	\$ 24,576
<b>FUND BALANCE</b>										
Reserve for economic uncertainties	\$ 10,750	\$ 8,890	\$ 20,407	\$ 24,321	\$ 28,101	\$ 31,332	\$ 33,986	\$ 36,039	\$ 37,459	\$ 38,219
<b>Months in Reserve</b>	<b>6.5</b>	<b>5.3</b>	<b>11.5</b>	<b>13.6</b>	<b>15.8</b>	<b>17.1</b>	<b>18.0</b>	<b>18.6</b>	<b>18.8</b>	<b>18.7</b>

Notes:  
 1. Assumes workload and revenue projections are realized in CY and ongoing.  
 2. Expenditure growth projected at 3% beginning BY +1.  
 3. The \$10 million General Fund loan repayment is scheduled for FY 2023-24. The interest income is anticipated to be \$102,000; however, it will not be reflected on the fund condition statement until the funds are received.



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## Attachment 3

### Business and Professions Code Section 5134 Proposed Statutory Changes Based on Fee Analysis

The amount of fees prescribed by this chapter is as follows:

(a) The fee to be charged to each applicant for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600). The board may charge a reexamination fee not to exceed seventy-five dollars (\$75) for each part that is subject to reexamination.

~~(b) The fee to be charged to out-of-state candidates for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600) per candidate.~~

~~(b) The application fee to be charged to each applicant for issuance of a certified public accountant certificate shall be fixed by the board at an amount not less than six hundred forty dollars (\$640) and shall not to exceed seven ~~two~~ hundred fifty dollars (\$~~250~~700).~~

~~(d) The application fee to be charged to each applicant for issuance of a certified public accountant certificate by waiver of examination shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).~~

~~(c) The fee to be charged to each applicant for registration as a partnership or professional corporation shall be fixed by the board at an amount not less than one thousand seven dollars (\$1,700) and shall not to exceed two thousand hundred fifty dollars (\$~~250~~2,000).~~

~~(d) The biennial fee for the renewal of each of the permits to engage in the practice of public accountancy specified in Section 5070 shall not be less than two three hundred fifty dollars (\$~~250~~350) and shall not exceed two five hundred eighty dollars (\$~~280~~500).~~

~~(e) The application fee to be charged to each applicant for a retired status license, as described in Section 5070.1, shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).~~

~~(f) The application fee to be charged to each applicant for restoration of a license in a retired status to an active status pursuant to subdivision (f) of Section 5070.1 shall be fixed by the board at an amount not to exceed one thousand dollars (\$1,000).~~

~~(g) The delinquency fee shall be 50 percent of the accrued renewal fee.~~

~~(h) The initial permit fee is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the permit is issued, except that, if the permit is issued one year or less before it will expire, then the initial permit fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date~~

before the date on which the permit is issued. The board may, by regulation, provide for the waiver or refund of the initial permit fee where the permit is issued less than 45 days before the date on which it will expire.

(ik) (1) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 with an authorization to sign attest reports shall be fixed by the board at an amount not to exceed one hundred twenty-five dollars (\$125).

(2) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 without an authorization to sign attest reports shall be fixed by the board at an amount not to exceed 80 percent of the fee authorized under paragraph (1).

(jt) The fee to be charged for the certification of documents evidencing passage of the certified public accountant examination, the certification of documents evidencing the grades received on the certified public accountant examination, or the certification of documents evidencing licensure shall be ~~twenty~~thirty-five dollars (~~\$25~~\$35).

(~~km~~) The board shall fix the fees in accordance with the limits of this section and any increase in a fee fixed by the board shall be pursuant to regulation duly adopted by the board in accordance with the limits of this section.

(~~ln~~) It is the intent of the Legislature that, to ease entry into the public accounting profession in California, any administrative cost to the board related to the certified public accountant examination or issuance of the certified public accountant certificate that exceeds the maximum fees authorized by this section shall be covered by the fees charged for the biennial renewal of the permit to practice.

(m) Notwithstanding any other law, no more than once every four years, the board may increase any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index, as determined pursuant to Section 2212 of the Revenue and Taxation Code, for the preceding four years, unless any of the following apply:

(1) The board has unencumbered funds in an amount that is equal to more than the board's operating budget for the next two fiscal years.

(2) The fee would exceed the reasonable regulatory costs to the board in administering the provisions for which the fee is authorized.

(n) A fee increase made pursuant to subdivision (m) is not subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2) of the Government Code.

(o) For purposes of subdivision (m), "fee" includes any fees authorized to be imposed by the board for regulatory costs. "Fee" does not include administrative fines, civil penalties, or criminal penalties.



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## Attachment 4

### California Code of Regulations Section 70 Proposed Regulatory Changes Based on Fee Analysis

- (a) The application fee for the computer-based Uniform Certified Public Accountant Examination shall be ~~\$400~~ \$170 for issuance of the Authorization to Test to first-time applicants and \$50 for issuance of the Authorization to Test to repeat applicants.
- (b) The application fee for issuance of a certified public accountant certificate shall be \$250.
- (c) The application fee for registration as a partnership or as a corporation, including registration under a new name as a partnership or as a corporation, shall be \$150.
- (d) The fee for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$280.
- (e) The fee for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$280.
- (f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.
- (g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.
- (h)(1) The fee for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 with an authorization to sign attest reports shall be \$100.
- (2) The fee for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 without an authorization to sign attest reports shall be \$50.
- (3) This subsection shall be inoperative until January 1, 2019.
- (i)(1) The fee to be charged a licensee for submission of an application for a license in a retired status pursuant to Section 15.1 shall be \$75.
- (2) The fee to restore a license from a retired status to an active status shall be \$50.

### Credits

NOTE: Authority cited: Sections 5010 and 5134, Business and Professions Code.  
Reference: Sections 122, 163, 5070.1, 5096, 5130, 5131 and 5134, Business and Professions Code.

Fund 0704 - California Board of Accountancy Fund  
 Analysis of Fund Condition (Dollars in Thousands)

Prepared 1/10/23

2023-24 Governor's Budget V2	Actual	CY	BY	BY +1	BY +2	BY +3	BY +4	BY +5	BY +6	BY +7
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
<b>BEGINNING BALANCE</b>	\$ 12,880	\$ 10,750	\$ 8,890	\$ 20,578	\$ 24,843	\$ 28,978	\$ 32,570	\$ 35,591	\$ 38,015	\$ 39,812
Prior Year Adjustment	\$ 403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 13,283	\$ 10,750	\$ 8,890	\$ 20,578	\$ 24,843	\$ 28,978	\$ 32,570	\$ 35,591	\$ 38,015	\$ 39,812
<b>REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>										
<b>Revenues:</b>										
4121200 - Delinquent fees	\$ 292	\$ 354	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364	\$ 364
4121200 - Delinquent fees increase (effective 1/1/24)	\$ -	\$ -	\$ 83	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165	\$ 165
4127400 - Renewal fees	\$ 11,203	\$ 12,840	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226	\$ 13,226
4127400 - Renewal fees increase (effective 1/1/24)	\$ -	\$ -	\$ 2,985	\$ 5,969	\$ 5,969	\$ 5,969	\$ 5,969	\$ 5,969	\$ 5,969	\$ 5,969
4129200 - Other regulatory fees	\$ 174	\$ 141	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145	\$ 145
4129200 - Other regulatory fees increase (effective 1/1/24)	\$ -	\$ -	\$ 16	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33	\$ 33
4129400 - Other regulatory licenses and permits	\$ 4,354	\$ 4,491	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625	\$ 4,625
4129400 - Other regulatory licenses and permits increase (effective 1/1/24)	\$ -	\$ -	\$ 293	\$ 586	\$ 586	\$ 586	\$ 586	\$ 586	\$ 586	\$ 586
4163000 - Income from surplus money investments	\$ 52	\$ 141	\$ 125	\$ 367	\$ 428	\$ 481	\$ 526	562	588	605
4171400 - Escheat of unclaimed checks and warrants	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4172500 - Miscellaneous revenues	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Revenues</b>	\$ 16,084	\$ 17,967	\$ 21,861	\$ 25,480	\$ 25,541	\$ 25,594	\$ 25,639	\$ 25,675	\$ 25,701	\$ 25,718
Loan/Repayment from/to Fund (0704) to/from the General Fund (0001)	\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to General Fund (0001) per Chapter 16, Statutes of 2020 (AB 84)	\$ -764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals, Transfers and Other Adjustments</b>	\$ -764	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTALS, REVENUES, TRANSFERS AND OTHER ADJUSTMENTS</b>	\$ 15,320	\$ 17,967	\$ 31,861	\$ 25,480	\$ 25,541	\$ 25,594	\$ 25,639	\$ 25,675	\$ 25,701	\$ 25,718
<b>TOTAL RESOURCES</b>	\$ 28,603	\$ 28,717	\$ 40,751	\$ 46,058	\$ 50,384	\$ 54,572	\$ 58,209	\$ 61,266	\$ 63,716	\$ 65,531
<b>Expenditures:</b>										
1111 DCA Regulatory Boards & Bureaus (State Operations)	\$ 16,320	\$ 18,262	\$ 18,763	\$ 19,326	\$ 19,906	\$ 20,503	\$ 21,118	\$ 21,751	\$ 22,404	\$ 23,076
9892 Supplemental Pension Payments (State Operations)	\$ 390	\$ 390	\$ 390	\$ 390	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9900 Statewide General Admin (Pro Rata)	\$ 1,143	\$ 1,175	\$ 1,020	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
<b>TOTALS, EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>	\$ 17,853	\$ 19,827	\$ 20,173	\$ 21,216	\$ 21,406	\$ 22,003	\$ 22,618	\$ 23,251	\$ 23,904	\$ 24,576
<b>FUND BALANCE</b>										
Reserve for economic uncertainties	\$ 10,750	\$ 8,890	\$ 20,578	\$ 24,843	\$ 28,978	\$ 32,570	\$ 35,591	\$ 38,015	\$ 39,812	\$ 40,954
<b>Months in Reserve</b>	<b>6.5</b>	<b>5.3</b>	<b>11.6</b>	<b>13.9</b>	<b>16.2</b>	<b>17.8</b>	<b>18.9</b>	<b>19.6</b>	<b>20.0</b>	<b>20.0</b>

## Notes:

1. Assumes workload and revenue projections are realized in CY and ongoing.
2. Expenditure growth projected at 3% beginning BY +1.
3. The \$10 million General Fund loan repayment is scheduled for FY 2023-24. The interest income is anticipated to be \$102,000; however, it will not be reflected on the fund condition statement until the funds are received.



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## Attachment 6

### **Business and Professions Code Section 5134 Proposed Statutory Changes Based on Fee Analysis**

The amount of fees prescribed by this chapter is as follows:

(a) The fee to be charged to each applicant for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600). The board may charge a reexamination fee not to exceed seventy-five dollars (\$75) for each part that is subject to reexamination.

~~(b) The fee to be charged to out of state candidates for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600) per candidate.~~

~~(be)~~ The application fee to be charged to each applicant for issuance of a certified public accountant certificate shall be fixed by the board at an amount not to exceed seven ~~two~~ hundred ~~fifty~~ dollars (\$250~~\$700~~).

~~(d) The application fee to be charged to each applicant for issuance of a certified public accountant certificate by waiver of examination shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).~~

~~(ce)~~ The fee to be charged to each applicant for registration as a partnership or professional corporation shall be fixed by the board at an amount not to exceed two thousand ~~hundred fifty~~ dollars (\$2,000~~\$250~~).

~~(df)~~ The biennial fee for the renewal of ~~each of the permits for a certified public accountant~~ to engage in the practice of public accountancy specified in Section 5070 shall not be less than two ~~four~~ hundred dollars (\$400~~\$250~~) and shall not exceed two ~~five~~ hundred ~~eighty~~ dollars (\$500~~\$280~~).

~~(ef)~~ The biennial fee for the renewal of each of the permits a partnership or professional corporation shall not be less than five hundred twenty dollars (\$520) and shall not exceed six hundred dollars (\$600).

~~(fg)~~ The application fee to be charged to each applicant for a retired status license, as described in Section 5070.1, shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).

~~(gh)~~ The application fee to be charged to each applicant for restoration of a license in a retired status to an active status pursuant to subdivision (f) of Section 5070.1 shall be fixed by the board at an amount not to exceed one thousand dollars (\$1,000).

(~~h~~i) The delinquency fee shall be 50 percent of the accrued renewal fee.

(~~j~~) The initial permit fee is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the permit is issued, except that, if the permit is issued one year or less before it will expire, then the initial permit fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the permit is issued. The board may, by regulation, provide for the waiver or refund of the initial permit fee where the permit is issued less than 45 days before the date on which it will expire.

(~~j~~k) (1) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 with an authorization to sign attest reports shall be fixed by the board at an amount not to exceed one hundred twenty-five dollars (\$125).

(2) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 without an authorization to sign attest reports shall be fixed by the board at an amount not to exceed 80 percent of the fee authorized under paragraph (1).

(~~k~~l) The fee to be charged for the certification of documents evidencing passage of the certified public accountant examination, the certification of documents evidencing the grades received on the certified public accountant examination, or the certification of documents evidencing licensure shall be ~~twenty~~thirty-five dollars (~~\$25~~\$35).

(~~l~~m) The board shall fix the fees in accordance with the limits of this section and any increase in a fee fixed by the board shall be pursuant to regulation duly adopted by the board in accordance with the limits of this section.

(~~m~~n) It is the intent of the Legislature that, to ease entry into the public accounting profession in California, any administrative cost to the board related to the certified public accountant examination or issuance of the certified public accountant certificate that exceeds the maximum fees authorized by this section shall be covered by the fees charged for the biennial renewal of the permit to practice.

(n) Notwithstanding any other law, no more than once every four years, the board may increase any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index, as determined pursuant to Section 2212 of the Revenue and Taxation Code, for the preceding four years, unless any of the following apply:

(1) The board has unencumbered funds in an amount that is equal to more than the board's operating budget for the next two fiscal years.

(2) The fee would exceed the reasonable regulatory costs to the board in administering the provisions for which the fee is authorized.

(o) A fee increase made pursuant to subdivision (n) is not subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2) of the Government Code.

(o) For purposes of subdivision (m), "fee" includes any fees authorized to be imposed by the board for regulatory costs. "Fee" does not include administrative fines, civil penalties, or criminal penalties.





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## Attachment 7

California Board of Accountancy Overview of Fee Levels for Consideration						
Fee Type	Actual Cost	Current Fee	Fee Analysis Level	Statutory or Regulatory Change	Staff Proposed Fee Level	Statutory or Regulatory Change
Examination – Initial Application Review	\$173	\$100	\$170	Regulatory	\$100	N/A
Examination – Repeat Application Review	\$50	\$50	\$50	N/A	\$50	N/A
CPA Application Review	\$639	\$250	\$640	Statutory	\$250	Statutory (to increase the cap for possible future changes)
Corporation/Partnership Application Review	\$1,718	\$150	\$1,700	Statutory	\$600	Statutory
Certification Request	\$33	\$25	\$35	Statutory	\$35	Statutory
Renewal License - CPA	\$343	\$280	\$350	Statutory	\$400	Statutory
Renewal License – Corporation/Partnership	\$517	\$280	\$520	Statutory	\$520	Statutory
Retired License – Application Review	\$68	\$75	\$75	N/A	\$75	N/A
Retired License – Reinstatement to Active Status	\$205	\$50	\$200	N/A	\$200	N/A



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**CBA Item IX.A.**  
January 26-27, 2023

## **Review and Approval of Proposed Changes to the California Board of Accountancy Member Guidelines and Procedures Manual**

**Presented by: Deanne Pearce, Assistant Executive Officer**

---

### **Purpose of the Item**

The purpose of this agenda item is to provide an overview of the proposed updates to the California Board of Accountancy (CBA) Member Guidelines and Procedures Manual (G&P Manual).

### **Consumer Protection Objectives**

The purpose of this agenda item is to have clear guidelines and procedures that assists the CBA in its primary role of consumer protection.

### **Action(s) Needed**

The CBA is asked to approve the January 2023 version of the G&P Manual.

### **Background**

The G&P Manual is designed to serve as a reference guide regarding the functions of the CBA and its committees, roles of CBA members, CBA leadership and committee members, and procedures for CBA and committee meetings.

The G&P Manual also includes information regarding CBA committees and task forces, representations on behalf of the CBA, training, expense reimbursement and other helpful resources to assist members in better understanding the responsibilities of their appointment.

### **Comments**

The substantive edits to the G&P Manual are identified by underline and strikethrough. The following highlights the edits made to the G&P:

- Updated the number of licensees (*page 1*)
- Updated language to the Executive Officer Evaluation section (*page 4*)
- Updated language to reference Senate Bill 189 regarding the ability to meet via teleconference through July 1, 2023 (*page 7*)

# **Review and Approval of Proposed Changes to the California Board of Accountancy Member Guidelines and Procedures Manual**

Page 2 of 2

- Updated the footnote regarding the disbandment of the Mobility Stakeholder Group through the Sunset Review (*page 20*)
- Added reference of the Conflict of Interest Tip Sheet (*page 27*)
- Added information regarding flight changes for the purpose of personal convenience (*page 32*)
- Various non-substantive edits throughout the manual

## **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

## **Recommendation**

Staff recommend that the CBA adopt the January 2023 version of the CBA G&P Manual and welcome any suggestions or edits.

## **Attachment**

CBA Member Guidelines and Procedures Manual

# California Board of Accountancy



## CBA Member Guidelines and Procedures Manual

Updated  
January ~~2022~~ 2023

AMENDMENTS TO THE GUIDELINES AND PROCEDURES MANUAL  
Formerly: BOARD OPERATIONS MANUAL

September 30, 1994  
March 15, 1995  
June 10, 1997  
November 21, 1997  
January 23, 1998  
March 21, 1998  
January 26, 2001  
January 1, 2003  
April 1, 2004

Revised and Restated  
January, 2010

Amendments to the Guidelines and Procedures Manual

July 2012  
January 2013  
January 2014  
January 2015  
June 2015  
January 2016  
December 2016  
February 2017  
August 2017  
January 2018  
January 2019  
January 2020  
January 2021  
January 2022  
January 2023

*The information provided in this document is for the purpose of providing a general overview of the California Board of Accountancy guidelines and procedures. It is not intended to cover all topics or issues. The document does not supersede any statutes, regulations, or case law; and if there is a conflict, the statute, regulation, or case law is controlling. Further, this does not override legal advice by Department of Consumer Affairs or Attorney General's Office.*

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## SECTION I.

### THE CALIFORNIA BOARD OF ACCOUNTANCY

---

For over 100 years, the California Legislature has entrusted the California Board of Accountancy (CBA) with protecting the public related to the practice of public accountancy in California. The CBA's mission evokes this charge: "To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards."

The breadth of the CBA's influence in the regulatory environment stretches beyond California's borders. The CBA regulates nearly 115,000~~over 114,000~~ licensees, including individuals (certified public accountants [CPA] and public accountants [PA]) and accounting firms (partnerships, corporations, and out-of-state registered firms). Many of the accounting firms that the CBA regulates have national footprints and some with footprints worldwide. CPAs work in a wide range of areas including, accounting firms, private industry, government, and academia, and provide services to clients of all sizes and needs.

The CBA recognizes the scope of its regulatory influence. With stakeholders ranging from consumers needing accounting services; lenders, shareholders, and investors that rely on services rendered by CPAs; and businesses – large and small – that use CPAs to establish internal accounting controls (to name a few), the protection of the public shapes the policies, regulations, and enforcement decisions reached by the CBA.

By authority of the California Accountancy Act, the CBA:

- Ensures that only candidates who meet certain qualifications are allowed to take the national Uniform CPA Examination
- Certifies, licenses and renews licenses of individual CPAs and PAs
- Registers accountancy partnerships, accountancy corporations, and out-of-state accountancy firms
- Takes disciplinary action against licensees for violation of CBA statutes and regulations
- Monitors compliance with continuing education and peer review requirements
- Reviews work products of CPAs, PAs and accountancy firms to ensure adherence to professional standards
- Oversees out-of-state licensees who exercise a practice privilege in California

The CBA establishes and maintains entry-level standards of qualification and conduct within the accounting profession, primarily through its licensing authority.

Through its Examination and Initial Licensure programs, the CBA qualifies California candidates for the national Uniform CPA Examination, certifies and licenses individual CPAs, and registers accountancy firms. The CBA's License Renewal and Continuing Competency Program focuses on license renewal, ensuring that licensees maintain a currency of professional knowledge to competently practice public accountancy.

Through its Practice Privilege program (commonly referred to as mobility), qualified out-of-state CPAs may practice public accountancy in California without providing notice or paying a fee. All CPAs practicing in California under the mobility program are subject to the disciplinary authority of the CBA. Further, CPAs must report certain disqualifying events prior to exercising a practice privilege or cease practicing in this state until authorized by the CBA.

To ensure that the consumers of California are protected, the CBA maintains a website with public information about individuals and firms exercising a practice privilege in California. In addition, it contains a search mechanism by which consumers can find current license status information on out-of-state licensees.

The objective of the CBA Enforcement Program is to protect consumers, minimize substandard practice, and rehabilitate and discipline licensees, as warranted. The CBA has the authority to discipline not only licenses held by individuals, but those of firms as well. Enforcement activities include investigating complaints against persons practicing public accountancy without a license and taking disciplinary action against licensees for violations of applicable statutes and regulations. The CBA's Enforcement Program receives complaints from consumers, licensees, professional societies, law enforcement agencies, other government agencies, and internal referrals.

#### A. MISSION AND VISION OF THE CBA

The Mission of the CBA is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

The Vision of the CBA is that all consumers are well informed and receive quality accounting services from licensees they can trust.

#### B. COMPOSITION (Ref. Business & Professions Code §§ 5000 & 5001.)

The CBA consists of 15 members, seven of whom must be certified public accountants, and eight of whom must be public members who are not licensees of the CBA.

The Governor appoints four of the public members and all of the licensee members with individuals representing a cross section of the accounting profession. The Senate Rules Committee and the Speaker of the Assembly each appoints two public members.

#### C. QUALIFICATIONS (Ref. Business & Professions Code §§ 5000.5 & 5001.)

Each public member of the CBA must not:

- Be a current or former licensee of the CBA
- Be an immediate family member of a licensee
- Be currently or formerly employed by a public accounting firm, bookkeeping firm, or firm engaged in providing tax preparation as its primary business
- Have any financial interest in the business of a licensee

Each licensee member of the CBA must:

- Currently be engaged in the practice of public accountancy for a period of not less than five years preceding the date of their appointment, except for the educator position authorized by section 5001(b)

All members of the CBA must:

- Currently be a citizen of the United States and a resident of California for at least five years preceding the date of their appointment
- Be of good character
- Take and subscribe to the Oath of Office and file the Oath with the Secretary of State

D. CBA MEMBER RESPONSIBILITIES AND DUTIES (Ref. Business & Professions Code § 5000.1)

1. Responsibilities.

CBA members are responsible for carrying out the mission of the CBA as delineated in Section I.A. of this manual. Business and Professions Code section 5000.1 states, “protection of the public shall be the highest priority for the CBA in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.” In addition, CBA members are to adhere to all statutory and regulatory requirements as well as all policies and procedures contained in this Guidelines and Procedures Manual.

2. Duties.

All members are to attend CBA meetings and consider volunteering to participate as CBA Liaison to at least one legislatively established advisory committee and participate as a member of at least one of the following committees comprised of only CBA members:

- Legislative Committee
- Committee on Professional Conduct
- Enforcement Program Oversight Committee
- Other Committees and Task Forces

3. Mentoring.

The purpose of CBA Mentor Guidelines is to assist new members in becoming familiar with the CBA structure, meetings, and present priorities.

When a new member is appointed to the CBA, a mentor shall be assigned by the CBA President and, when necessary, in consultation with the CBA Executive Officer. The mentor (which can be a former or current CBA member) will assist the new member in getting acclimated to their role on the CBA. This will include open discussion on any matter presently or previously discussed by the CBA (with the exception of closed session matters). This provides an opportunity for the new member to receive insight regarding the activities, history, and priorities of the CBA.

If the mentor is a current CBA member, they may, for in-person meetings, wish to sit adjacent to the new member during their first CBA meeting and assist in providing guidance on the meeting materials and answer any procedural questions that may arise.

4. Executive Officer Evaluation.

On behalf of CBA leadership, CBA staff will contact the Department of Consumer Affairs' (DCA) Office of Human Resources (OHR) Chief to initiate the Executive Officer (EO) annual performance evaluation. The EO performance evaluation form will be sent by OHR to all CBA members. Prior to the November CBA meeting, CBA members and the Director of DCA will complete an evaluation of the Executive Officer. The CBA President will use the surveys to complete a written summary of the evaluations. The CBA has the option of meeting in closed session with a representative from DCA's Office of Human Resources to discuss the Executive Officer's performance appraisal and answer any questions the members may have. The original evaluation is signed by the CBA President and Executive Officer and sent to the DCA Office of Human Resources for placement in the Executive Officer's Official Personnel File.

In accordance with Government Code section 11126, the CBA may hold a closed session to consider complaints or charges brought against the Executive Officer or to consider the dismissal of the Executive Officer, unless the Executive Officer requests a public hearing. The CBA may deliberate on any decision to be reached on any of the aforementioned issues in a closed session. Any action to appoint, employ, or dismiss the employee taken must be publicly reported at a subsequent meeting. The CBA President should contact DCA Legal Counsel regarding proper compliance with Open Meeting Act requirements prior to considering any action.

E. TENURE (Ref. Business & Professions Code § 5002).

Each member is appointed for a term of four years and holds office until they are reappointed, a successor is appointed, or until one year has elapsed since the expiration of the term for which they were appointed (grace period), whichever occurs first.

No person shall serve more than two, four-year terms consecutively.

Vacancies must be filled by a person in the same capacity (public or licensee member) as the person being replaced.

The Governor must remove any licensee member whose permit to practice becomes void, revoked or suspended.

Any member may, after an administrative hearing, be removed by the Governor for neglect of duty or other just cause.

If a member is appointed to fill a vacant seat in what would be the middle of the previous member's term, the rest of that term does not count against the two-term limit, as it is still defined as the previous member's term.

F. OFFICERS (Ref. Business & Professions Code §§ 5003, 5004 & 5007).

The officers of the CBA are President, Vice-President, and Secretary/Treasurer.

1. Election of Officers.

The process for the election of officers is as follows:

- At the September CBA meeting, the President shall inform members that the election of officers will be held at the November CBA meeting.
- Interested candidates are requested to prepare a one-page written summary outlining their qualifications for the position for which they are applying, which will serve as a self-nomination. Candidates are limited to being nominated for one officer position. The summary is to be sent to the Board Relations Analyst by a date determined by the Executive Officer and CBA President.
- The nominations shall be distributed as part of the agenda items for the November CBA meeting.
- At the November CBA meeting, the President shall ask if there are any additional nominations for the officer positions. Any member who is nominated may be given up to five minutes of floor time to describe why they are qualified for the position.
- After all nominations have been confirmed, the President will close nominations.
- The vote for officer positions shall be held in the following order: Secretary/Treasurer, Vice-President, and President.
- A roll call vote will be taken for each officer position nominee, starting in alphabetical order by the candidate's last name.
- Members can vote "Yes," "No," or abstain from the vote for each nominee.
- The first nominee to receive a majority vote will win the officer position.
- In the event none of the nominees receive a majority vote, the voting will continue until a majority vote is received. To assist in this process, the President may allow nominees to make a statement regarding their qualifications, within an established and reasonable time limit.
- The President, Vice-President, and Secretary/Treasurer serve one-year terms and may not serve more than two consecutive one-year terms. The newly elected President, Vice-President, and Secretary/Treasurer shall assume the duties of their respective offices at the conclusion of the meeting at which they were elected.

2. Vacancy.

In the event of a vacancy of the Vice-President or Secretary/Treasurer prior to the annual election of officers, the CBA President shall make an interim appointment to fill the vacancy effective until the next election cycle. In the event of a vacancy of the President, the Vice-President shall become the President.

### 3. Duties.

#### a. President.

The President shall perform general administrative duties, as well as the following:

- Preside over CBA meetings
- Approve the agenda and time schedule
- Appoint CBA members as Liaison to the Enforcement Advisory Committee, Peer Review Oversight Committee, and Qualifications Committee
- Appoint CBA members to CBA committees and task forces
- Establish other CBA committees as needed
- Make decisions regarding CBA matters between meetings
- Coordinate the annual evaluation of the Executive Officer
- When necessary, make interim appointments to the Enforcement Advisory Committee, Peer Review Oversight Committee, and Qualifications Committee, subject to ratification at the next CBA Meeting
- Monitor CBA member attendance at CBA Meetings and report issues to DCA
- Make interim appointments to the Vice-President and Secretary/Treasurer positions should they become vacant mid-term
- Assign travel expense claims to be reviewed internally by CBA staff for adherence to established travel guidelines and subsequently delegate approval to DCA's Director or Deputy Director of Board and Bureau Relations
- Interface with the CBA staff regarding internal audit matters affecting the CBA. These matters include such issues as internal audit findings, requests for special reviews, and other related concerns or topics.

#### b. Vice-President.

The Vice-President shall perform the following:

- Act in the absence of the President

- Review applications and recommend appointments for membership on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee. Recommend reappointments of existing members, including appointments and reappointments for leadership roles.
- Perform any other duties as assigned by the CBA President
- Review and act upon time sensitive appeals to the CBA by CPA Licensure candidates

c. Secretary/Treasurer.

The Secretary/Treasurer shall perform the following:

- Act as Liaison to CBA staff for fiscal/budgetary functions and routinely report to the CBA regarding relevant matters. This includes reviewing the quarterly and year-end financial statements, in concert with the President. After review, the Secretary/Treasurer presents the financial statement to the CBA
- Perform other duties as requested by the CBA President

G. MEETINGS (Ref. Business & Professions Code §§ 5016 & 5017).

All meetings of the CBA and its committees, subcommittees and task forces are subject to the Bagley-Keene Open Meeting Act. This Act is summarized in a document developed by DCA, and includes statutory requirements for conducting Teleconference, Emergency Meetings, or both. **(Appendix 1)** Pursuant to the provisions of Government Code section 11133 and Governor Gavin Newsom's directives in response to the COVID-19 pandemic, travel restrictions and social distancing requirements may necessitate CBA and committee meetings being conducted by way of video conference NOTE: Pursuant to the provisions of Senate Bill 189 (Senate Budget and Fiscal Review Committee, Chapter 48, Statutes of 2022), various provisions of the Bagley-Keene Open Meeting Act were suspended and enabled state bodies to meet via teleconference through July 1, 2023.

1. Frequency.

The CBA meets regularly during the year. The dates are normally established annually at the January or March meeting for the following calendar year.

2. Locations.

The CBA chooses locations that are American's with Disabilities Act compliant and easily accessible to the public, applicants, and licensees. Pursuant to Business and Professions Code section 101.7, the CBA must meet at least two times each calendar year, once in Northern California and once in Southern California to facilitate participation by the public and its licensees. The CBA also recognizes its responsibility regarding the public's concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations.



3. Attendance.

Members are expected to attend all scheduled CBA meetings. Regular attendance ensures current knowledge of procedures and policies as well as an equitable sharing of duties and responsibilities.

Should a member miss two consecutive meetings, the CBA President may notify the Director of the DCA.

Arrival and departure times of each member are recorded in the CBA minutes.

4. Agenda.

The CBA President, with the assistance of the Executive Officer, shall prepare the agenda and tentative time schedule.

The agenda mailing list shall include CBA members, committee, and task force chairs and vice-chairs, and those parties who have requested to be notified.

5. Notice Requirements.

The notice requirements defined by the Bagley-Keene Open Meeting Act are summarized in the guide provided by DCA. **(Appendix 1)**

6. Closed Session.

There are multiple types of closed session meetings conducted by the CBA and are further identified on pages 12 through 16.

Matters that can be considered in closed session are defined by the Bagley-Keene Open Meeting Act.

7. Minutes.

Draft minutes are prepared and distributed to the CBA President, DCA Legal Counsel, and CBA members and are available for public viewing via the CBA website prior to the subsequent meeting. During the CBA meeting, any necessary corrections are incorporated into the minutes and are then moved for adoption.

After adoption by the CBA, the minutes are signed by the CBA President and Secretary/Treasurer, bound by year, and retained in the CBA office as a public record of the CBA's activities. The minutes are also posted on the CBA website for at least three years in accordance with Business and Professions Code section 5017.1.

8. Voting.

A majority of the CBA, which is eight members, shall constitute a quorum for the transaction of any business.

a. Recording.

In accordance with Government Code section 11123, after each motion, a roll call will be taken by the Board Relations Analyst. Member's names will be called and each member will state their vote for the motion as yes, no, or abstain. Each member's vote for the action, or the abstention or recusal of each member attending the meeting, will be recorded in the minutes. Those absent are recorded after every motion unless the member is shown as absent for the entire meeting.

Excerpts from minutes must be accompanied by the first two pages of the same minutes that list those in attendance.

Subsequent modification to these procedures may be needed as deemed appropriate and in accordance with the provisions of the Bagley-Keene Open Meeting Act.

b. Abstentions.

A CBA member will abstain from voting on an issue if for any reason a conflict of interest is or may be perceived to be present.

Abstentions do not prevent a motion from carrying as a majority of the vote is determined by the votes actually cast. For example, if seven members vote in favor of a motion, six members vote against, and two abstain, the motion would carry.

c. Mail Votes.

Mail votes are not permitted except in disciplinary matters. The CBA has 100 days from the receipt by the CBA of a proposed decision by an Administrative Law Judge to act (Government Code section 11517 (c)(2)). A mail vote may be taken at the direction of the CBA President and can be conducted electronically via email or through the United States Postal Service.

9. Webcast. (Ref. Business and Professions Code § 5017.5).

All CBA meetings are recorded, webcast live, provide closed captioning, and are archived on the CBA website for three years.

10. Adjournment.

The CBA has delegated the adjournment of the meeting to the CBA President and the respective committee chairs. The CBA President and committee chairs will adjourn their respective meetings in accordance with the Bagley-Keene Open Meeting Act. If adjournment of the meeting is immediately after closed session, the meeting will be reconvened into open session prior to adjournment.

H. APPEALS TO THE CBA.

Applicants, who are aggrieved by any action taken by a committee or staff of the CBA as it relates to experience for CPA licensure, can submit an appeal, pursuant to CBA Regulation section 49. Appeals should be submitted a minimum of 20 working days prior to a CBA meeting to be considered.

The CBA will not consider new information unless previously reviewed by the appropriate committee, subcommittee, task force, or staff.

Formal denials of licensure (Statement of Issues) will be handled in accordance with the appeals processes set forth in the Administrative Procedure Act (Government Code sections 11500 and following).

I. PETITION FOR REINSTATEMENT OR REDUCTION OF PENALTY.

Petitions must be received in a sufficient amount of time prior to any CBA meeting to allow processing and compiling of the information for CBA consideration. The CBA generally will hold a formal hearing, with an Administrative Law Judge, to consider these matters. In some instances, the CBA may review only the written record and render a decision without a hearing. Only CBA members who are present for the entire hearing shall be permitted to vote.

J. PRESENTATIONS.

Individuals, groups, or both wishing to make a formal presentation to the CBA are requested to notify the CBA office 20 working days prior to the meeting. This is not intended to preclude public comment on specific agenda items or on other general matters. If the CBA President approves the request and places the item on the agenda, presenters should provide any written material to supplement their presentations 14 days in advance of the meeting.

K. COMMITTEES AND TASK FORCES.

Committees and task forces, other than those established by statute, are created by the CBA President on behalf of the CBA. A CBA and committee roster is included as **Appendix 2**.

L. APPOINTMENTS TO THE ENFORCEMENT ADVISORY COMMITTEE, PEER REVIEW OVERSIGHT COMMITTEE AND QUALIFICATIONS COMMITTEE.

New appointments and reappointments are made as needed, through the process outlined in the Committee Member Resource Guide. The Committee Member Resource Guide is located on the CBA's website. Opportunities to participate on a CBA committee is noticed in the CBA's newsletter, **UPDATE**, and on the CBA website.

M. RESPONSIBILITY OF CBA MEMBER LIAISONS TO COMMITTEES AND TASK FORCES.

CBA members acting as Liaisons to committees, task forces, or CBA programs are responsible for keeping the CBA informed regarding emerging issues and recommendations made at the committee or task force level. In addition, the Liaison is to keep the committee or task force informed of CBA policies and assignments, and to make recommendations to the CBA regarding chair and vice-chair appointments.

When there is a southern and northern Liaison appointed to a committee, the Liaisons should communicate between meetings to ensure they are kept abreast of any committee issues. This can be facilitated by the CBA staff liaison to the committee. Liaisons should also consider participating in one Investigative Hearing, Probation Orientation (Enforcement Advisory

Committee), or Applicant/Employer interview (Qualifications Committee) annually, to provide the members with a clear understanding of the committees' functions.

Finally, Liaisons assigned to the committees will evaluate committee chairs, vice-chairs, and members for whom they have specific knowledge of their performance, and report those evaluations to the President and Vice-President as required.

## N. EXAMINATION, LICENSURE, AND LICENSE RENEWAL PROGRAMS.

The following information is being provided for CBA members to reference as it contains a brief overview of the process to receive and maintain a license in California.

### 1. Uniform CPA Examination.

The Uniform CPA Examination is administered throughout 55 jurisdictions, including the 50 states and the U.S. territories of District of Columbia, Guam, Puerto Rico, the Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

The CBA has a contract with the National Association of State Boards of Accountancy, who maintains a national computerized CPA examination candidate database that stores information for the 55 jurisdictions on candidate's eligibility to test. The CBA qualifies candidates and provides oversight and policy/procedural direction.

The examination is written and graded by the American Institute of CPAs.

### 2. Initial Licensing.

After passage of the Uniform CPA Examination, and fulfillment of the requisite education and experience, an applicant may apply for licensure. Approximately 4,000-applications are received each year and the CBA licenses approximately 3,000-individuals and 400 firms annually.

Applications are reviewed by staff, and if warranted, an employer may be asked to appear with work papers to substantiate the verification of experience that was submitted on an applicant's behalf. This review is done by the Qualifications Committee. Individual applicants may also be required to appear before the Qualifications Committee to substantiate their experience if deemed necessary.

### 3. License Renewal and Continuing Competency.

Functions related to continuing education and the review of professional competence of licensees who practice public accountancy are included in the License Renewal and Continuing Competency Program. The primary function within the License Renewal and Continuing Competency Program is to ensure licensees have met California's renewal requirements.

At the time of license renewal, licensees are required to submit the license renewal application (documenting 80 hours of qualifying continuing education), a peer review reporting form, and remit the license renewal fee.

Additionally, licensees not previously fingerprinted for initial licensure or for whom the Department of Justice does not have an electronic record of the licensee's fingerprints must submit fingerprints for a state and federal level clearance if they are renewing in an active status and not actively serving in the military.

Two programs are used to monitor licensees' compliance with the continuing education requirements – the Continuing Education Worksheet Review program and the Continuing Education Verification program. With the Continuing Education Worksheet Review program, staff review all licensees self-reported continuing education at the time of license renewal to ensure all continuing education requirements are met, while for the Continuing Education Verification program, a licensee must submit substantiating documentation to demonstrate proof of completion for the reported continuing education.

The other continuing education-related program activities include approval of courses to qualify for the Regulatory Review requirement, and review of requests for extension of time or exemption from completion of continuing education.

## O. ENFORCEMENT PROGRAM.

The CBA receives and investigates approximately 2,700 complaints each year. CBA members will see three different types of enforcement action, including:

### 1. Default Decision.

A default decision is prepared by a Deputy Attorney General for consideration by CBA members when a licensee does not timely file a Notice of Defense or fails to appear at the scheduled administrative hearing. If adopted by the CBA members, it results in the CBA taking action against the license. If the licensee fails to appear at the administrative hearing, the CBA members or Administrative Law Judge, before the proposed decision is issued, have discretion to grant an administrative hearing on reasonable notice to the parties.

Default decisions occur in about 18% of the matters brought before the CBA members. Documents CBA members will receive include:

- Accusation
- Default Decision and Order
- Default Decision Investigatory Evidence Packet (the package will vary but generally include the Accusation, Statement to Respondent (including Declaration of Service), License History, Cost of Investigation and Prosecution, and Investigative Report)
- Memorandum from CBA Legal Counsel that summarizes the causes for discipline and recommended options

During closed session, CBA members must make their decision based on the record, which includes only the items specified above. CBA Legal Counsel will present the Default items, and is limited to providing CBA members with advice on procedural and legal issues. Staff and the Deputy Attorney General liaison are not present in closed session for the CBA's discussion on default decisions. This is to ensure compliance with requirements associated with ex parte communication.

If the CBA members adopt the default decision, the licensee may serve a written motion within seven days of the default decision being served on the licensee requesting that the CBA members vacate the decision. CBA members may vacate the default decision and grant a hearing on a showing of “good cause.”

## 2. Stipulated Settlement.

A stipulated settlement is a negotiated agreement between the Enforcement Program, with the assistance of the Attorney General’s Office, and the licensee where the parties agree on a resolution to the matter. The Enforcement Program uses the CBA’s Disciplinary Guidelines, which have been adopted by the CBA, when drafting and negotiating stipulated settlements.

The CBA members vote whether to approve the proposed stipulated settlement as its decision and order in the matter. CBA members may adopt the proposed stipulated settlement as the CBA decision in the matter, make a counteroffer with alternate terms, or reject the proposed stipulated settlement and allow the matter to proceed to hearing. If the proposed stipulated settlement is not adopted by the CBA members, the matter is referred to the Enforcement Program to be scheduled for a hearing, unless another stipulated settlement is negotiated and presented to the CBA members for consideration.

Stipulated settlements occur in about 68% of the matters brought before the CBA members. Documents CBA members will receive include:

- Accusation
- Stipulated Settlement
- Letter from the Deputy Attorney General advocating the adoption of the settlement
- Memorandum from the Enforcement Chief that summarizes the allegations in the Accusation, outlines the terms agreed to by the parties, and approximate costs incurred by the CBA in the investigation and prosecution of the matter

During closed session CBA members are free to discuss cases involving stipulated settlements with the Enforcement Chief prior to deciding on the cases. While ex parte communication is prohibited by the Administrative Procedure Act while cases are pending, it is specifically permitted by one of the standard conditions included in the proposed stipulated settlement, which the licensee has already agreed to prior to it being considered by the CBA.

All decisions rendered by CBA members must be based on the administrative record, which are the documents, described above, presented to the CBA members. CBA members are prohibited from unilaterally increasing the discipline terms of a proposed stipulated settlement, but they can make a counter-offer, or provide guidance to the Executive Officer and Enforcement Chief regarding future settlement negotiations. Staff and the Deputy Attorney General liaison are present in closed session for the CBA’s discussion of the stipulated settlement.

## 3. Proposed Decisions.

In cases where a licensee files a timely Notice of Defense and the case is not settled, it will proceed to a hearing before an Administrative Law Judge. A licensee's rights include, but are not limited to, the following: right to counsel at the licensee's own expense; notice and an opportunity to be heard, including the opportunity to present and rebut evidence; a hearing open to public observation; that the adjudicative function be separated from the investigative, prosecutorial, and advocacy functions within the CBA and a restriction on *ex parte* communication; and that the decision be in writing, based on the record, and include a statement of the factual and legal basis for the decision.<sup>1</sup>

The Administrative Law Judge will prepare a proposed decision, which will be provided to the CBA to make the final decision in the matter. The proposed decision will also include a recommended order that will (1) uphold the discipline advocated for by the agency, (2) modify the discipline or denial to include something less or more than the agency advocated, or (3) dismiss the case in its entirety.

CBA members must take one of the following five actions within 100 days of the date the CBA receives the proposed decision from the Office of Administrative Hearings:

1. Adopt the proposed decision in its entirety as its decision in the matter
2. Reduce the penalty proposed by the Administrative Law Judge and adopt the balance of the proposed decision
3. Make technical or other minor changes to the proposed decision and adopt the balance of it
4. Reject the proposed decision and refer the case back to the Administrative Law Judge for additional evidence
5. Reject (non-adopt) the proposed decision and decide the case on the record, including the transcript.

If CBA members do not take one of these five actions within the 100-day period, the proposed decision is deemed adopted by operation of law.

Rejection (non-adoption) of a proposed decision results in CBA members later reviewing the administrative record, hearing transcript, written or oral arguments by the parties, and then CBA members reaching their own decision based upon this information.

CBA Legal Counsel prepares a draft of the Decision After Rejection of Proposed Decision based on closed session discussion with CBA members, which they then review and approve. The CBA's final decision must be issued within 100 days after the date of the rejection of the proposed decision, or within 100 days after the CBA receives the hearing transcript, whichever is later. If required by "special circumstances," the CBA may extend the 100 days an additional 30 days.

Proposed decisions occur in about 14% of the matters brought before the CBA members. Documents CBA members will receive include:

- Accusation
- Proposed decision

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<sup>1</sup> The factual and legal basis for the decision. The factual basis for the decision must be based exclusively on the evidence in the hearing record (testimony and all exhibits received into evidence).

- Memorandum from CBA Legal Counsel that summarizes the findings and proposed discipline

In making the initial determination regarding whether to adopt or reject a proposed decision during closed session, CBA members may ask CBA Legal Counsel questions regarding the California Accountancy Act, CBA Regulations, CBA's Disciplinary Guidelines, and procedural questions regarding matters that involve the proposed decisions being discussed.

At this stage, CBA members do not have a copy of the hearing transcript or administrative record and must make the decision based on the Accusation and the proposed decision. Staff and the Deputy Attorney General liaison are not present in closed session for the CBA's discussion of proposed decisions. This is to ensure compliance with requirements associated with *ex parte* communication.

Factors CBA members may wish to consider when adopting an Administrative Law Judge's proposed decision include:

1. The summary of the evidence supports the findings of fact, and the findings support the conclusions of law.
2. The law and standards of practice are interpreted correctly.
3. The witness' credibility is crucial to the decision and the findings of fact include a determination based substantially on the witness' credibility. The determination identifies specific evidence of the observed demeanor, manner, or attitude of the witness that supports the credibility determination.
4. The penalty fits within the disciplinary guidelines or any deviation from those guidelines has been adequately explained.
5. The terms and conditions of probation, if granted, provide the necessary public protection.

Factors CBA members may wish to consider when non-adopting an Administrative Law Judge's proposed decision include:

1. The Administrative Law Judge made an error in applying the relevant standard of practice for the issues in controversy at the hearing.
2. The witness' credibility is crucial to the decision. The findings of fact include a determination based substantially on the witness' credibility, but the determination does not identify specific evidence that supports the credibility determination.
3. The Administrative Law Judge made an error in interpreting the licensing law and/or regulations.
4. The Administrative Law Judge made correct conclusions of law and properly applied the standards of practice, but the penalty is substantially less than is appropriate to protect the public.

#### P. CBA MEMBER CONFLICT OF INTEREST IN DISCIPLINARY MATTERS.

A CBA member should not vote and should not be present for discussions on any disciplinary matter in which they have a conflict of interest. CBA's Legal Counsel should be contacted if you have a question of whether you have a conflict of interest in a particular case.



1. Investigative Consultants.

An Investigative Consultant is prohibited from working on any case where it is determined that they have a conflict of interest. CBA committee members may not be used in paid positions; e.g., investigative consultant or expert witness (\$100 per day per diem excluded).

2. Conflict of Interest Disclosure Statement.

In disciplinary matters the conflict of interest disclosure statement used by the Enforcement Advisory Committee members should be used as a guide for determining whether a CBA member should participate or vote in CBA deliberations. *Conflict of Interest information can be found in Section IV, beginning on page 27.* In some instances the relationship or conflict is of such significance the member should not be present during the CBA's deliberations. In all other matters the same guidelines generally apply although the law and rules are less stringent.

If a CBA member believes there is a potential or perceived conflict, the CBA member is to disclose the facts to the full CBA and legal counsel to obtain a determination as to the level of participation permitted.

3. *Ex parte* Communications.

*Ex parte* communications in disciplinary matters are prohibited (Government Code section 11430.70), with limited exceptions. Should information come to a member's attention that is not part of the administrative record or if contact is made by any of the participants, the member should immediately contact CBA's Legal Counsel for advice. A case may not be discussed with any person, including CBA members, other than at the CBA meeting when the matter is scheduled for discussion. A limited exception to this policy is when a member is acting in a Liaison capacity on one or more specific cases. If acting as a Liaison, the member may not vote or be present during CBA deliberations. If there are two or more Liaison members, at least one should attend each meeting.

## SECTION II.

### CBA COMMITTEES AND TASK FORCES

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The purpose of all committees is to serve in an advisory capacity to the CBA. The Enforcement Advisory, Peer Review Oversight, Qualifications Committees, and Mobility Stakeholder Group are created by statute, meaning their existence and responsibilities are set forth in the Accountancy Act. All other committees are “standing committees,” and may be created or dissolved at the CBA’s discretion.

Each standing committee and task force shall have a Chairperson and a Vice-Chairperson at the President’s discretion. The Chairperson is designated by the CBA President, and is tasked with running the committee/task force meeting. The Chair opens and closes the meeting. The Chair is also responsible for coordinating with staff the creation of the minutes. CBA members who wish to attend standing committee meetings, but are not a part of the committee, may do so. However, pursuant to the Bagley-Keene Open Meeting Act, if the CBA member’s presence at the committee meeting would constitute a CBA quorum, they may make no comment, vote on any agenda item, or sit at the table with the committee.

Each year at the November CBA meeting, the President shall inform CBA members that if they wish to participate on a committee for the following year, they must submit written notice to the Board Relations Analyst. The Board Relations Analyst will then compile the list of interested parties, and supply it to the President in December. The President, at their discretion, will then make appointments to CBA committees effective the first of January, the following year.

Each statutory committee shall have a Chairperson and Vice-Chairperson. Recommendations for each are made by the CBA Vice-President and approved by the CBA. The Chairperson is tasked with running the committee meeting, open and closing the meeting. The Chair is also responsible for coordinating with staff the creation of the minutes for approval by the committee and CBA. The Vice-Chairperson assists the Chairperson, when necessary, and assumes the Chairperson’s functions in their absence. Appointments to the Mobility Stakeholder Group are made by the CBA President.

Statutory committees are advisory in nature and are not policy-setting committees. Prior to any statutory committee discussing or taking action on a policy-related issue, the Chairperson, Vice Chairperson, or other designee should present the issue to the CBA for input and direction.

A. STATUTORY COMMITTEES (Ref. Business & Professions Code §§ 5020, 5023, 5024, 5076.1, and 5096.21).

1. Enforcement Advisory Committee.

a. Purpose.

To assist the CBA in an advisory nature with its enforcement activities by:

- Serving in a technical advisory capacity to the Executive Officer and the Enforcement Program. The Enforcement Advisory Committee members may participate in investigative hearings along with staff investigators; counsel from the Attorney General’s Office and where appropriate, outside counsel.

- In an appropriate manner, consistent with the Administrative Procedure Act, reporting its findings from any investigation or hearing to the CBA, or upon direction of the CBA, to the Executive Officer.
- Reviewing open investigations upon request by Enforcement staff and providing technical assistance.
- Reviewing closed investigations and reporting its findings and recommendations to the CBA or upon direction of the CBA, to the Executive Officer.
- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized by the CBA to consider.

b. Membership.

The Enforcement Advisory Committee is comprised of up to 13 licensees with a license in an active status.

c. Meetings/Minutes.

The Enforcement Advisory Committee meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Peer Review Oversight Committee.

a. Purpose.

To act as an advisory committee and assist the CBA in its oversight of the Peer Review Program by:

- Holding meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensuring that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in CBA Regulations section 48:
  - Conduct an annual administrative site visit.
  - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Conduct reviews of peer review reports on a sample basis.
  - Attend, on a regular basis, peer reviewer training courses.

- Evaluating any *Application to Become A Board-recognized Peer Review Provider* and recommending approval or denial to the CBA.
- Referring to the CBA any Provider that fails to respond to any request.
- Collecting and analyzing statistical monitoring and reporting data from each Provider on an annual basis.
- Preparing an Annual Report to the CBA regarding the results of its oversight.
- Evaluating the Peer Reviewer Population.

b. Membership.

The Peer Review Oversight Committee is comprised of seven licensees with a license in an active status.

c. Meetings/Minutes.

The Peer Review Oversight Committee meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Qualifications Committee.

a. Purpose.

To act as an advisory committee and assist the CBA in its licensure activities by:

- Conducting work paper reviews of experience of applicants appearing before the committee.
- Interviewing employers that appear before the committee under the provision of CBA Regulations section 69 (Section 69 review).
- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act.

b. Membership.

The Qualifications Committee is comprised of 13 licensees with a license in an active status.

c. Meetings/Minutes.

The Qualifications Committee meets approximately four times annually, generally for one day each meeting. An additional Section 69 review may be conducted by Qualifications Committee members approximately one month prior to each committee meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

#### 4. Mobility Stakeholder Group.<sup>2</sup>

##### a. Purpose.

To consider whether the provisions of the practice privilege law are consistent with the CBA's duty to protect the public, and whether the provisions of the practice privilege law satisfy the objectives of stakeholders of the accounting profession in this state, including consumers.

##### b. Membership.

- Two members of the CBA.
- Two representatives of the accounting profession.
- Two consumer representatives.
- One CBA enforcement staff.

##### c. Meetings/Minutes.

The Mobility Stakeholder Group generally meets before scheduled CBA meetings. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

#### 5. Other Committees.

The CBA may create and appoint other committees consisting of certified public accountants in good standing of this State or other qualified interested parties, who may but need not be members of the CBA for the purpose of making recommendations on such matters as may be specified by the CBA.

### B. STANDING, AD HOC, and OTHER COMMITTEES/TASK FORCES.

#### 1. Committee on Professional Conduct.

##### a. Purpose.

To assist the CBA in consideration of issues relating to professional conduct by:

- Considering and developing recommendations on issues that apply to the practice of public accountancy and affect consumers.
- Considering, formulating, and proposing policies and procedures related to emerging and unresolved issues.
- Reviewing selected exposure drafts and developing recommendations to present to the CBA.

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<sup>2</sup> The CBA's Mobility Stakeholder Group concluded its work in 2019. Staff are working to eliminate the Mobility Stakeholder Group in conjunction with the CBA's ~~2023~~ 2024 Sunset Review.

b. Membership.

The Committee on Professional Conduct may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The Committee on Professional Conduct generally meets before scheduled CBA meetings. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Enforcement Program Oversight Committee.

a. Purpose.

To assist the CBA in the consideration of issues relating to the Enforcement Program by:

- Reviewing and proposing revisions to the CBA's *Disciplinary Guidelines and Model Orders*.
- Providing oversight on enforcement goals and objectives.
- Recommending proposed legislative and/or regulatory changes related to the Enforcement Program.
- Performing an internal audit of a closed and finalized enforcement case when specific concerns are raised by the CBA in a final decision, in accordance with established guidelines **(Appendix 3)**.
- Defining the responsibilities of the CBA member liaison to the Enforcement Advisory Committee.

b. Membership.

The Enforcement Program Oversight Committee may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The Enforcement Program Oversight Committee generally meets before scheduled CBA meetings as deemed necessary. Meetings to review the CBA's *Disciplinary Guidelines and Model Orders* shall be held on a tri-annual basis. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Legislative Committee.

a. Purpose.

To assist the CBA in its activities by:

- Reviewing, recommending, and advancing legislation relating to consumer protection and the practice of public accountancy.
- Coordinating the need for and use of CBA members to testify before the Legislature.

b. Membership.

The Legislative Committee may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The Legislative Committee generally meets before scheduled CBA meetings. The frequency of the meetings is determined by the urgency of the issue(s) at hand and as required by the Chair. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

5. Task Forces.

Under the CBA's General Authority, the CBA may create Task forces, which are temporary and terminate at a prescribed time. Task forces may be comprised of CBA members, licensees, staff, and the general public. For a list of all current task forces, refer to the latest CBA and Committee roster. **(Appendix 2)**

6. National Committees.

The CBA encourages its members to participate in national committees, including committees of the American Institute of CPAs and National Association of State Boards of Accountancy. Members are presented with information on committee participation and an interest form each year during the March and May CBA meetings. **Appendix 4** includes a link to the National Association of State Boards of Accountancy and American Institute of CPAs national committees and information on participation.

## SECTION III.

### REPRESENTATIONS ON BEHALF OF THE CBA

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#### A. USE OF CBA STATIONERY.

Only correspondence that is transmitted directly by the CBA office may be printed or written on CBA stationery. Any correspondence from a CBA, committee, or task force member requiring use of CBA stationery or CBA/DCA logo or emblem, should be transmitted to the CBA office for finalization and distribution. Any correspondence transmitted directly from a CBA, committee, or task force member must be printed or written on their personal, firm, or business stationery. The use of firm or business stationery for CBA business is subject to any limitations prescribed by the firm or business.

Members are issued a CBA email account upon appointment solely for the purpose of conducting CBA-related business, but may choose to utilize their personal email account for CBA-related business. Members obtaining a CBA email account are subject to the provisions identified in DCA Policy ISO 21-01, regarding Acceptable Use of Information Technology Systems. A copy of the policy will be provided upon request for a CBA email account. It should be noted that personal and business email accounts, if also used for CBA business, could be subject to subpoena or discovery in litigation.

#### B. TESTIMONY BEFORE THE LEGISLATURE.

Primary responsibility for testifying before the Legislature is the responsibility of the CBA President and Executive Officer, or their designee, as delegated by the CBA. Members are also asked to participate as deemed necessary by the President.

#### C. PUBLIC AND MEDIA RELATIONS.

It is important that the consumers of California have information regarding the activities, responsibilities, and mission of the CBA. This information must be disseminated properly and responsibly. Information is conveyed to consumers, licensees, examination applicants, constituents, and other stakeholders by two mechanisms: responding to inquiries, and initiating the release or communication of information. Nearly all information to consumers and the general public is communicated through the Internet, e-mail, social media, and the news media; other information is conveyed by professional organizations, such as consumer advocacy groups, other regulatory entities, and professional society publications.

It is the CBA's policy to provide the public with as much information as possible about its activities in a manner that is both objective and factual. For example, the CBA's tri-annual publication, **UPDATE**, and the CBA's website list disciplinary actions taken against licensees. This information provides the name and locality of the licensee, the license number, the cause for discipline, the effective date of discipline, and the code violation(s) that were cited in the findings.

The CBA's website also has a License Lookup feature. Consumers and licensees can check the status of California licensed individuals, partnerships, corporations, and out-of-state accounting firms registered in California. The License Lookup feature also provides a link to search out-of-state licensed CPAs.



**Statements to the News Media:** To establish a foundation for accurate news coverage regarding CBA activities, statements to the news media by the Executive Officer, the CBA President, or their designee, are to be confined to matters of procedure and matters of fact already on the record. All information conveyed must be fact, not opinion. Editorializing or interpreting the facts of a situation is inappropriate and can lead to misunderstandings and misinformation.

When queried about matters under investigation, in which an Accusation has not been filed, it is the policy of the CBA for the spokesperson to state: "It would be premature to discuss any matter that may or may not be under investigation by the CBA."

#### D. NEWS RELEASES.

The CBA issues three categories of news releases:

- Declarations of disciplinary actions when the CBA deems such an action necessary or desirable
- Information about CBA actions, findings, or other facts or details related to matters in which the consumers of California are clearly involved
- Information about the CBA's policies, actions, activities, or programs which may affect the consumers of California

The authority for issuing news releases relating to routine CBA business and notice of disciplinary actions resides with the Executive Officer and CBA President, who decide jointly whether a news release is appropriate.

News releases, information in **UPDATE** and on the website reporting actions by the CBA during closed session relating to disciplinary cases, may not be released for a period of 30 days, pending appeal by the respondent. If a writ of mandate is filed within the 30 days, the disciplinary action will still be published unless a stay order is issued by the court. In all instances, the composition of the vote of CBA members in closed session is not a matter of public record.

The content of each news release will determine the course of review the document must take. The Executive Officer, in consultation with the CBA President, will identify those parties to review each news release and identify the responsible party to draft the news release. While legal counsel will review the material prior to dissemination, final review, and authority to disseminate the news release is the charge of the CBA President, or their designee.

#### E. RESPONDING TO INQUIRIES.

All technical, license, or disciplinary inquiries to a CBA, committee, or task force member from applicants, licensees, or members of the public should be referred to the Executive Officer. Contact of a CBA, committee, or task force member by a member of the news media should be referred to the Executive Officer.

F. SPEAKING ENGAGEMENTS.

CBA, committee, and task force members sometimes are requested to make presentations before various organizations regarding CBA business or activities. Such requests must be approved by the CBA President or the Executive Officer. A written list of topics the speaker intends to present must be provided prior to the presentation.

G. UPDATE (Ref. Business and Professions Code § 5008).

The CBA issues a tri-annual periodical publication **UPDATE**. This publication serves as a communication link between the CBA, its licensee population, and other interested parties.

All articles and any information offered for submission to the **UPDATE** for publication should be submitted to the **UPDATE** staff managing editor. All material, including informational or instructive articles, notices, forms, proposed statutory or regulatory language, or any other information for publication should be presented in final form. Upon receipt, all material will be reviewed by the **UPDATE** staff, appropriate CBA division chiefs and the Executive Officer, and subsequently forwarded to DCA's Legal Office and Executive Office for review before publication. Issues of **UPDATE** are primarily posted on the CBA's website, however, individuals can request a hard copy.

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## SECTION IV.

### CBA MEMBER REQUIRED TRAINING AND FORMS

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California law requires various training and forms be completed by those who are appointed to positions within State of California Government. The training and forms are necessary to ensure members are aware of, and adhere to, the applicable laws surrounding conflict of interest, ethics, sexual harassment prevention, and defensive driving.

All CBA members are required to attend a training and orientation program offered by DCA within one year of assuming office (which also includes reappointments).

#### A. CONFLICT OF INTEREST - GENERAL GUIDELINES.

The Political Reform Act of 1974 (Proposition 9) governs conflicts of interest and is intended to prevent persons from financially benefiting by virtue of their official position. There are two major aspects of the Political Reform Act: one refers to disqualification, the other to financial disclosure. CBA members have responsibilities under each of these aspects which are separately discussed. **Appendix 5** is a tip sheet regarding conflict of interest reporting requirements.

This act requires each state agency to adopt a Conflict of Interest Code that identifies all officials and employees within the agency who make governmental decisions based on the positions they hold. The identified individuals are required to annually report their financial interests on a Statement of Economic Interests form (Form 700).

The Fair Political Practices Commission has primary responsibility for administration of the Political Reform Act. Questions about obligations under the Political Reform Act can be directed to the Fair Political Practice Commission at: <http://www.fppc.ca.gov/advice.html> 1-866-ASK-FPPC (1-866-275-3772)

#### 1. Disqualification.

Government Code section 87100 sets forth the general prohibition: "A public official at any level of state or local government shall not make, participate in making, or in any way attempt to use the public official's official position to influence a governmental decision in which the official knows or has reason to know the official has a financial interest."

Any CBA member who has a financial interest must disqualify themselves from making or attempting to use their official position to influence the decision. The question of whether a CBA member has a financial interest that would present a legal conflict of interest is a complex one and must be decided on a case-by-case review of the particular facts involved. For more information on disqualification due to a possible conflict of interest, please refer to the Fair Political Practice Commission's Conflicts of Interest Rules at: <http://www.fppc.ca.gov/learn/conflicts-of-interest-rules.html>

The Executive Officer may request assistance from DCA Legal in evaluating a possible conflict of interest.

## 2. Financial Disclosure.

The Conflict of Interest Code adopted by DCA requires all CBA members to file annual financial disclosure statements. This is accomplished by submitting a Form 700 – Statement of Economic Interests (**Appendix 6**). New CBA members are required to file a disclosure statement within 30 days after assuming office; or, if subject to Senate confirmation, 30 days after being appointed or nominated. Annual financial statements must be filed not later than April 1 of each year.

A "leaving office statement" must also be filed within 30 days after an affected CBA member or other official leaves office.

CBA members are not required to disclose all their financial interests. Government Code section 87302(b) indicates when an item is reportable:

An investment, interest in real property, or income shall be made reportable by the Conflict of Interest Code if the business entity in which the investment is held, the interest in real property, or the income or source of income may foresee ably be affected materially by any decision made or participated in by the designated employee by virtue of their position.

To determine what investments, interests in property or income must be reported by a CBA member, reference should be made to the DCA's Conflict of Interest Code. Questions concerning particular financial situations and related requirements should be directed to the DCA's Legal Office. More information is also available on the Fair Political Practice Commission's website, [www.fppc.ca.gov](http://www.fppc.ca.gov).

## 3. DCA's Policy: Incompatible Activities (Ref. Government Code § 19990).

The following is a summary of the employment, activities, or enterprises, which might result in, or create the appearance of being inconsistent, incompatible, or in conflict with the duties of state officers:

- Using the prestige or influence of the state or the appointing authority for the officer's or employee's private gain or advantage, or the private gain of another.
- Using state time, facilities, equipment, or supplies for the officer's or employee's private gain or advantage.
- Using, or having access to, confidential information available due to state employment for private gain or advantage, or providing confidential information to persons to whom issuance of such information has not been authorized.
- Receiving or accepting money, or any other consideration, from anyone other than the state for the performance of their duties as a state officer or employee.
- Performing an activity, in other than their capacity as a state officer or employee, which may be subject directly or indirectly to the control, inspection, review, audit, or enforcement by the officer or employee. [This, of course, would not preclude an

“industry” member of a CBA or commission from performing the normal functions of their occupation.]

- Receiving or accepting, directly or indirectly, any gift, including money, or any service, gratuity, favor, entertainment, hospitality, loan, or other thing of value from anyone who is doing or is seeking to do business of any kind with the officer or employee’s appointing authority under circumstances from which it could reasonably be substantiated that the gift was intended to influence the officer or employee in his or her official duties, or was intended as a reward for any official action performed by the officer or employee.
- Subject to any other laws, rules, or regulations as pertain thereto, an officer or employee is prohibited from not devoting his or her full time, attention, and efforts to his or her state office or employment during his or her hours of duty as a state officer or employee.
- The aforementioned limitations do not attempt to specify every possible limitation on employee activity that might be determined and prescribed under the authority of Section 19990 of the Government Code. DCA’s Incompatible Work Activities Policy LGL 21-01 is included in **Appendix 7**. This policy acknowledgement is required when a member is initially appointed.

#### B. ETHICS TRAINING REQUIREMENT.

With the passage of Assembly Bill 2179 (Chapter 364, Statutes of 1998), state appointees and employees in exempt positions are required to receive an ethics orientation within the first six months of their appointment and every two years thereafter. To comply with that directive you may complete the interactive training on the website of the Office of the Attorney General. Ethics training information may be found at:

[http://www.dcaboardmembers.ca.gov/training/ethics\\_orientation.shtml](http://www.dcaboardmembers.ca.gov/training/ethics_orientation.shtml)

#### C. SEXUAL HARASSMENT PREVENTION TRAINING.

In accordance with the DCA Sexual Harassment Prevention Policy (EEO 12-01), **(Appendix 8)** and to ensure compliance with Assembly Bill 1825 (Chapter 933, Statutes of 2004), all DCA employees are required to receive biennial Sexual Harassment Prevention training. The training is mandatory for Rank and File Employees, Temporary Employees (Retired Annuitants, Proctors, Seasonal Employees, and Student Assistants), Managers, Supervisors, Board, Committee Members, and Commission Members. The Sexual Harassment Prevention training titled *Preventing Harassment and Other EEO Issues at Work: It’s All About Respect (Assembly Bill 1825 Compliance)* offers real life scenarios and interactive question and answer segments. DCA requires that all employees complete Sexual Harassment Prevention Training within six months of appointment and in every odd calendar year. Training is offered via webinars and can be accessed through the Learning Management System.

#### D. DEFENSIVE DRIVERS TRAINING REQUIREMENT.

Pursuant to the State Administrative Manual, all State employees, which includes CBA and Committee Members, who drive a vehicle on official state business must complete the Department of General Services approved Defensive Driver Training within the first six

months of their appointment and every four years thereafter. Defensive Driver Training information may be found at: <https://ddt.dgs.ca.gov/>

E. BOARD MEMBER ORIENTATION TRAINING.

Newly appointed and reappointed members are required to attend a Board Member Orientation Training within one year of assuming office, including each reappointment. The orientation covers applicable laws surrounding conflict of interest, ethics, sexual harassment prevention, and defensive driving, in addition to covering other topics that will ensure a member's success, including an overview of DCA, the Bagley-Keene Open Meeting Act, the Discipline Process, and the Administrative Procedure Act. This training is in addition to a CBA-specific orientation provided by CBA staff.

DCA also maintains a website which serves as a resource center for board members. The website link is provided in **Appendix 9**.

## SECTION V.

### EXPENSE REIMBURSEMENT

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#### A. PER DIEM AND TRAVEL.

##### 1. CBA Member Travel.

CBA staff is always available to assist members with any CBA-related travel arrangements including air or train transportation, car rental, and any lodging. If a CBA member chooses to coordinate their own travel arrangements, they should use CalTravelStore's online portal [www.concur.com](http://www.concur.com) to book their travel. Member's Concur accounts will be setup by CBA staff using the member's personal email address and a temporary password, which will be sent to you via email by the CBA Board Relations Analyst. Prior to travel, members will need to update the temporary password and add any applicable information, including rewards/frequent flyer traveler information and TSA Pre ✓Known Traveler Number.

More information regarding CalTravelStore can be found at:  
<http://www.caltravelstore.com>.

CBA members are also encouraged to utilize the most economic source of transportation available. For example, if a shuttle from the airport to the hotel available, this is more economical than renting a car or taking a taxi. To ensure full reimbursement of travel costs, requests for using a less economical mode of transportation should be submitted prior to travel to the Board Relations Analyst.

##### 2. Lodging for CBA/Committee Meeting.

When a CBA or Committee meeting is being held at a physical location, the Board Relations Analyst will send out a memorandum approximately four weeks before CBA and Committee meetings, detailing the name and address of the chosen hotel where a room block has been setup for lodging. Each member must contact the hotel directly to secure a room reservation. CBA staff is available to assist CBA members in making travel reservations, or members are free to coordinate them on their own.

##### 3. Reimbursement for Travel and Per Diem Expenses.

All new CBA members are provided with an electronic copy of the Per Diem and Travel Expense Worksheet when they are appointed. A paper copy is also available at all in-person meetings. **(Appendix 10)**.

The form is actually two forms in one: the top section authorizes the payment of Per Diem of \$100 per day for any days or portion of a day spent on CBA-related activities; the bottom section is where CBA members claim expenses for travel reimbursement.

**NOTE: Please complete the worksheet, and return it to the CBA office within two weeks following the CBA meeting. Staff cannot process your Per Diem or travel expense claim without it.**



A few key notes regarding the completion of the form:

- Please make sure to complete the time section of the Travel Expense Claim. Breakfast, lunch, dinner, and incidental payments all correspond to the time the traveler left and arrived at travel headquarters.
- In order to complete your travel expense claim, you must submit the original copy of all receipts, with the exception of meals. This includes a copy of your airline itinerary and hotel receipt. Please make sure that the hotel receipt you submit has a zero balance. DCA will NOT pay any receipts that show a balance due.
- When requesting reimbursement for personal vehicle mileage, you must include where the trip originated from, where it ended, and the license plate number of the vehicle. For example, enter From: Home, 123 Green Street, Sacramento, CA 95815 To: CBA Office, 2450 Venture Oaks Way, Sacramento, CA 95833.
- CBA members shall have CBA President pre-approval for all travel and per diem reimbursement, except for regularly scheduled CBA and Committee meetings to which a CBA member is assigned. CBA members will be reimbursed for per diem and travel expenses incurred while performing approved board business in accordance with State-mandated requirements and reimbursement criteria.

Travel expenses are reimbursed in accordance with the policies found within the California Code of Regulations, Title 2 (Personnel Administration), Division 1 (Administrative Personnel), Chapter 3 (Department of Personnel Administration), Subchapter 1 (General Civil Service Rules), Article 2 (Travel Expenses), and employee Memoranda of Understanding (MOU).

In accordance with using the most economic mode of travel, flight changes for the purpose of personal convenience that incur a fee or difference in fare will be at the cost of the traveler and not paid by the state of California.

DCA has compiled a guide to assist in interpreting the various policies, which is what CBA staff use when processing travel expense claims. The DCA Travel Guide is provided as **Appendix 11**.

## SECTION VI.

### COMMONLY USED ACRONYMS

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AAA	American Accounting Association
AB	Assembly Bill
AEO	Assistant Executive Officer
AG	Attorney General
AICPA	American Institute of Certified Public Accountants
ALD	Accountancy Licensee Database
ALJ	Administrative Law Judge
APA	Administrative Procedure Act
ARPL	Alliance for Responsible Professional Licensing
BCSHA	Business, Consumer Services, and Housing Agency
BPC	Business and Professions Code
CA	Chartered Accountant
CalCPA	California Society of Certified Public Accountants
CalHR	California Department of Human Resources
CBA	California Board of Accountancy
CBT	Computer Based Testing
CCR	California Code of Regulations
CE	Continuing Education
CFE	Certified Fraud Examiner
CGMA	Chartered Global Management Accountant
CMA	Certified Management Accountant
COR	Corporation
CORI	Criminal Offender Record Information
CPA	Certified Public Accountant
CPAverify	Centralized database of licensing professionals from participating jurisdictions
CPC	Committee on Professional Conduct
CPE	Continuing Professional Education
CPIL	Center for Public Interest Law
CTEC	California Tax Education Council
DA	District Attorney
DAG	Deputy Attorney General
DCA	Department of Consumer Affairs
DGS	Department of General Services
DOF	Department of Finance
DOI	Division of Investigation
DOL	Department of Labor
EA	Enrolled Agent
EAC	Enforcement Advisory Committee
EO	Executive Officer
EPOC	Enforcement Program Oversight Committee
ERISA	The Employee Retirement Income Security Act of 1974
FAF	Financial Accounting Foundation
FASB	Financial Accounting Standards Board
FNP	Fictitious Name Permit
FPPC	Fair Political Practices Commission
FTB	Franchise Tax Board

GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Accounting Standards
GAGAS	Generally Accepted Government Accounting Standards
GAO	Government Accounting Office
GASB	Governmental Accounting Standards Board
IASB	International Accounting Standards Board
ICPA	Investigative Certified Public Accountant
iExam	International Delivery of the Uniform CPA Exam
IFRS	International Financial Reporting Standards
IH	Investigative Hearing
IRS	Internal Revenue Service
LC	Legislative Committee
MSG	Mobility Stakeholder Group
NASBA	National Association of State Boards of Accountancy
NPRC	National Peer Review Committee (American Institute of CPAs)
OAH	Office of Administrative Hearings
OAL	Office of Administrative Law
PA	Public Accountant
PAR	Partnership
PCAOB	Public Company Accounting Oversight Board
PRCC	Peer Review Compliance Committee (National Association of State Boards of Accountancy)
PRIMA	Peer Review Integrated Management Application
PROC	Peer Review Oversight Committee
QC	Qualifications Committee
RAB	Report Acceptance Body (California Society of CPAs)
SAS	Statement on Auditing Standards
SB	Senate Bill
SCO	State Controller's Office
SEC	Securities and Exchange Commission
SSAEs	Statements on Standards for Attestation Engagements
SSARS	Statement on Standards for Accounting and Review Services
TEC	Travel Expense Claim
UAA	Uniform Accountancy Act

## SECTION VII.

### RESOURCE LIST

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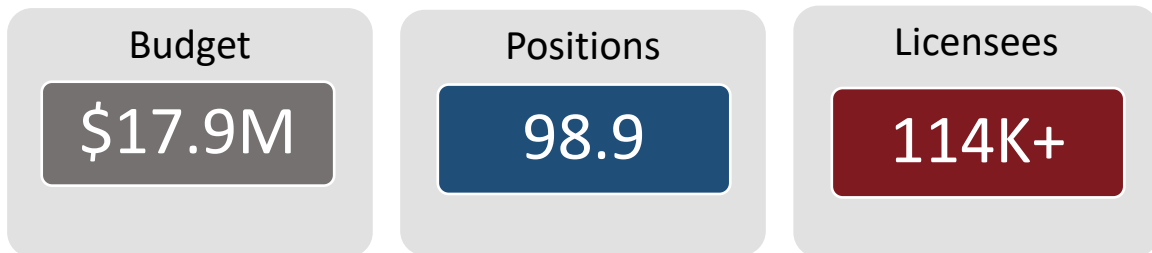
- APPENDIX 1 DCA Guide to the Bagley-Keene Open Meeting Act  
[http://www.dca.ca.gov/publications/bagleykeene\\_meetingact.pdf](http://www.dca.ca.gov/publications/bagleykeene_meetingact.pdf)
- APPENDIX 2 CBA and Committee Roster  
<http://www.dca.ca.gov/cba/about-cba/commitroster.pdf>
- APPENDIX 3 Guidelines for Performing an Internal Audit of a Closed and Finalized Enforcement Case (Attachment)
- APPENDIX 4 NASBA and AICPA National Committees:  
<http://www.nasba.org/mc/committees/>  
<https://volunteers.aicpa.org/>
- APPEDDIX 5 CBA Tip Sheet on Conflict of Interest Reporting Requirements (Attachment)
- APPENDIX 6 Form 700 – Statement of Economic Interests  
<http://www.fppc.ca.gov/Form700.html>
- APPENDIX 7 DCA’s Incompatible Work Activities Policy and Procedure\_LGL 21-01 (Attachment)
- APPENDIX 8 DCA’s Sexual Harassment Prevention Policy EEO 12-01 (Attachment)
- APPENDIX 9 DCA’s Board Member Resource Center  
<http://www.dcaboardmembers.ca.gov/index.shtml>
- APPENDIX 10 Per Diem and Travel Expense Worksheet with Travel Reimbursement Guidelines (Attachment)
- APPENDIX 11 DCA Travel Guide (Attachment)

#### APPENDICES AVAILABLE UPON REQUEST

## Report of the **ADMINISTRATION DIVISION**

*Units: Administration, Information and Planning, Information Technology*

### California Board of Accountancy by the Numbers



#### Business Modernization Project Update

A new phase of work has started on the Business Modernization Project. Staff, in collaboration with an IT contractor, are in the early planning stages of designing an Enforcement Project Management system. The goal is to build a system that will not only replace the various standalone databases and reporting tools, but will create an improved business flow and streamline the communications and transmittal of information between various agencies who are critical to the Enforcement process.

Suzanne Gracia, who is the Business Modernization Project Manager for the California Board of Accountancy, is playing a key role working with both Enforcement Program staff and management to assist the project in meeting its deliverables. Additional information will be provided as the project progresses.

#### Prometric Site Visits

A huge thank you to those members who volunteered to conduct a Prometric site visit. We have received several completed evaluations. If you volunteered to serve as a secret shopper, please make sure you have notified staff of the location you wish to attend. Staff are continuing to work with the National Association of State Boards of Accountancy on these arrangements. Lastly, due to a transition in staff, there is a new contact for this project. You can email Peter Renevitz at [Peter.Renevitz@cba.ca.gov](mailto:Peter.Renevitz@cba.ca.gov) or contact Deanne Pearce at [Deanne.Pearce@cba.ca.gov](mailto:Deanne.Pearce@cba.ca.gov).

Update on Regulations

Subject of Regulations	Status
<b>Continuing Education – Nano and Blended Learning/Blended Learning, Reduction of Fraud hours/CE Model Standards</b>	
<p>This proposal would allow licensees to receive credit toward their continuing education (CE) requirement by: 1) authorizing certain nano and blended learning formats, 2) include four additional technical subject areas; 3) increase the allowable CE credit for specified activities, 4) revising the non-technical courses, and 5) other non-substantive changes for overall clarity.</p>	<p>The final Rulemaking package was filed with the Office of Administrative Law on December 16, 2022.</p>
<b>Attest Experience Forms</b>	
<p>Elimination of Second Signature on Certificate of Experience forms and Consolidation of Experience forms.</p>	<p>The 45- day comment period concluded on December 5, 2022. The final Rulemaking package is under review by the Department of Consumer Affairs and the Business, Consumer Services, and Housing Agency.</p>
<b>Sale, Transfer, or Discontinuance of Practice</b>	
<p>Establish regulations regarding the sale, transfer, or discontinuance of a licensee’s practice.</p>	<p>The 45-day comment period concluded on January 3, 2023 and a public hearing was held on January 10, 2023.</p>
<b>Early Entry and CPA Evolution</b>	
<p>Establish regulations to implement CPA Evolution and Early Entry to the Uniform CPA Examination</p>	<p>Preliminary documents are under review by the Department of Consumer Affairs.</p>

## Staffing Update

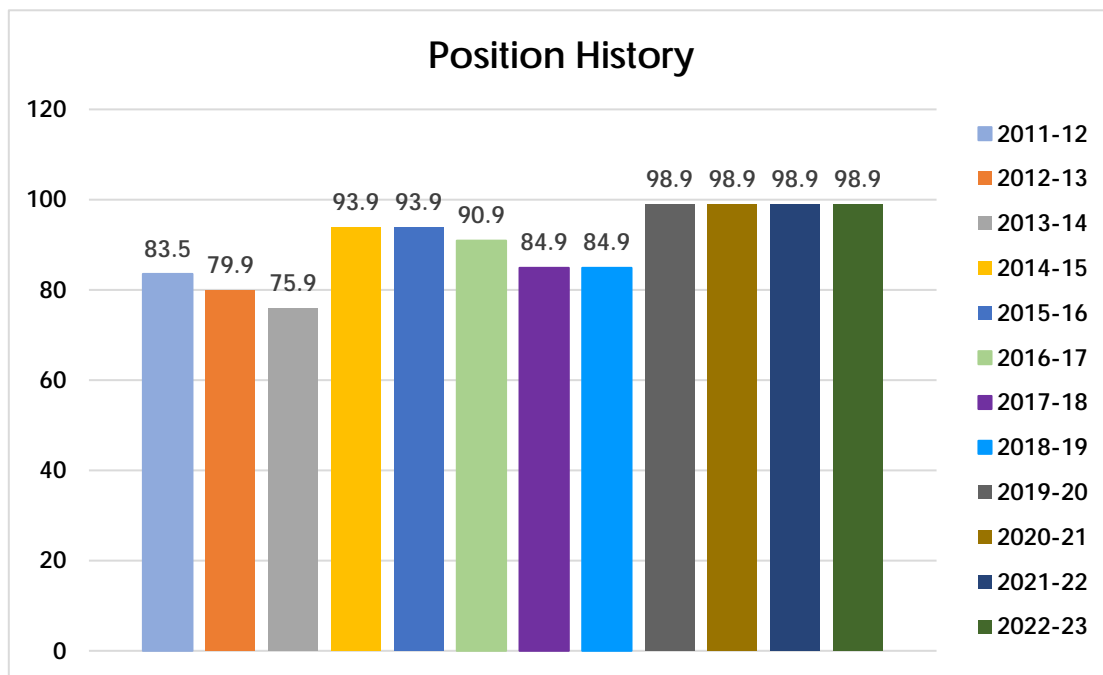
### **New Executive Assistant**

On December 5, the CBA welcomed a new member of the team. Katrina Pierce will serve as the new Executive Assistant to Acting Executive Officer Dominic Franzella.

### **Vacancy Information**

The CBA currently has 14 vacant positions. Five of these positions are classified as hard to fill (Supervising Investigative CPA and Investigative CPA). An updated organization chart is attached for review.

Total Number of Positions	98.9
Vacancies ( <b>Attachment</b> )	14.0
Vacancy Rate	14%







## CPA EVOLUTION

The California Board of Accountancy (CBA) is ramping up its efforts to raise awareness of CPA Evolution among Uniform CPA Examination (CPA Exam) candidates. CPA Evolution is the accounting profession's new licensure model designed to modernize the CPA license by placing a greater emphasis on emerging technologies. As part of this initiative, the CPA Exam will undergo changes beginning in January 2024 to include technology-related material in each of the exam sections.

The National Association of State Boards of Accountancy and the American Institute of CPAs have created a transition policy for candidates who pass sections of the current CPA Exam in 2023 but will still have remaining sections to pass in 2024, after the new version of the CPA Exam has been implemented. Making California candidates aware of this transition policy and how it will affect their CPA Exam experience is a high priority for the CBA in 2023.



Toward this goal, [a new webpage](#) was created on the CBA website dedicated to CPA Evolution, featuring a graphic representation of the transition policy and other resources for candidates to learn more about the process.



## UPDATE NEWSLETTER

The latest *UPDATE* newsletter, issue No. 97 dated Fall 2022, was published in December.

**Message from the President**

*Katrina L. Salazar, CPA*  
President

A New Year brings new beginnings, and I am excited to begin my second term as California Board of Accountancy President. I appreciate my fellow board members for their confidence in electing me and providing another opportunity to guide the CBA in its important mission of consumer protection. Congratulations to Yen C. Tsai and Joseph R. Rosenblyum, CPA, for their election to the roles of Vice President and Secretary/Treasurer, respectively. I look forward to partnering with them in the leadership of the CBA in 2023. Although the list of opportunities facing the CBA this year is long, I would like to highlight a few priorities as we move forward.

Holding Uniform CPA Examination (CPA Exam) candidates prepare for the CPA Evolution transition as a top priority for the coming year. The CPA Exam is set to modernize on January 1, 2024, to include technology-related questions in each section and provide candidates a choice in selecting an exam section based on one of three disciplines. There is a transition plan for these candidates who will be in the process of taking the CPA Exam in 2024 approaches. Ensuring candidates are aware of the transition plan is important to the CBA. We will work to engage CPA Exam candidates by creating and participating in outreach events with our college and university partners and using social media and other communication platforms to increase the overall awareness of CPA Evolution throughout the year.

For our current licensees, it is exciting to see the technology advancements the CBA has made with its Business Modernization Project in the last few years. You can expect more enhancements to the online license renewal application in 2023, and a new enforcement case management system that will help streamline the complaint submission and investigative review processes within CBA Connect. If you are licensed and haven't set up your CBA Connect account yet, now is a great time to take care of that.

*Continued on Page 2*

The issue includes a message from newly elected CBA President Katrina L. Salazar, CPA discussing priorities for 2023, a spotlight interview with one of the newest CBA members, Kristian Latta, CPA. Other articles include a detailed description of CPA Evolution and its transition policy; the enhancement made to CBA Connect allowing licensees to upload their continuing education all at once using a CBA-provided spreadsheet; what to do if an employee asks you to sign an experience form; an update about proposed regulations for the sale, transfer, or discontinuance of a licensee's practice; all of the recent CBA enforcement actions; and many other items relevant to CBA stakeholders.

IN THIS ISSUE	
Page 7	CPA Evolution: How Exam Credits Earned Prior to 2024 Transition to New CPA Exam
Page 12	CBA Outreach
Page 16	Regulatory Update for Sale, Transfer, or Discontinuance of Licensee's Practice
Page 19	Enforcement Actions

**MISSION & VISION**

To protect consumers by ensuring only qualified licensees practice public accountancy or accountancy with established professional standards.

All consumers are well-informed and receive quality accounting services from licensees they can trust.

Issue No. 97, along with previous newsletters, [can be viewed](#) on the CBA website underneath the "Communications and Outreach" tab.

## NEW DCA LOGO DEBUTS

The Department of Consumer Affairs (DCA) debuted a new logo on January 3 in conjunction with its new [2022-27 Strategic Plan](#). The logo features a shield, representing DCA's strong and longstanding consumer protection mandate; the state outline, representing all 40 million Californians DCA is honored to serve; and the star, representing consumer protection as DCA's true guiding principle, or North Star.



CURRENT



AS OF JANUARY 2023

The CBA shared the news on social media, and will send an E-News announcement of the change to its licensees. The CBA transitioned to the new DCA logo immediately in any electronic communications, but has until the fall to exhaust any printed materials which may contain the previous logo.

## PRESIDENT SALAZAR SPEAKS AT CaICPA LEGISLATIVE EVENT

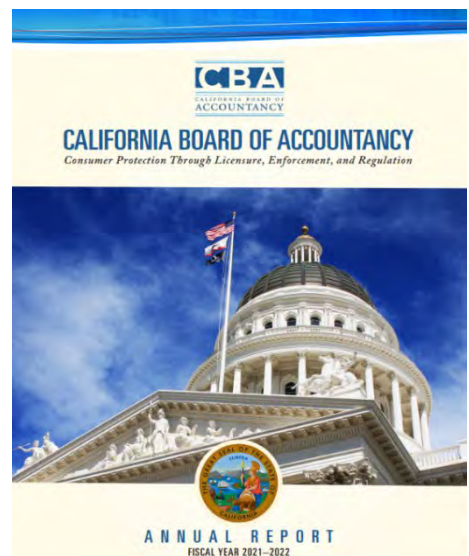
CBA President Katrina L. Salazar, CPA, will be speaking at the California Society of CPA's annual Legislative Summit event happening January 18 at the SAFE Credit Union Convention Center in downtown Sacramento.

The event features a series of panel discussions and special guests designed to prepare members for meeting with Legislative leaders and the advocacy year ahead. Ms. Salazar will be taking questions following her discussion.

## CBA ANNUAL REPORT

The fiscal year 2021-22 CBA Annual Report was [posted to the website](#) in December. You are able to view or download the 44-page report by clicking the CBA Reports link under the "Communications & Outreach" tab. An E-News email message was sent to licensees and other interested parties announcing the report, and the news was posted on social media.

The report contains information on each of the divisions of the CBA, as well as updates on many items such as the Business Modernization Project, CBA outreach including starting the "Accounting for California Podcast," and the formation of the Consideration of the CPA Experience Requirements Taskforce.



## NEW ACCOUNTING FOR CALIFORNIA PODCAST EPISODE

The sixth episode of the CBA’s “Accounting for California” podcast was posted earlier this month. The episode was a discussion with President Salazar about a wide variety of topics, including her priorities for the CBA in 2023, what it’s like serving on a board and committee at the national level, why young people should consider accounting as a career, and the upcoming CPA Exam changes due to CPA Evolution. You can listen to this and all previous episodes [on the Podcasting page](#) of the CBA website.



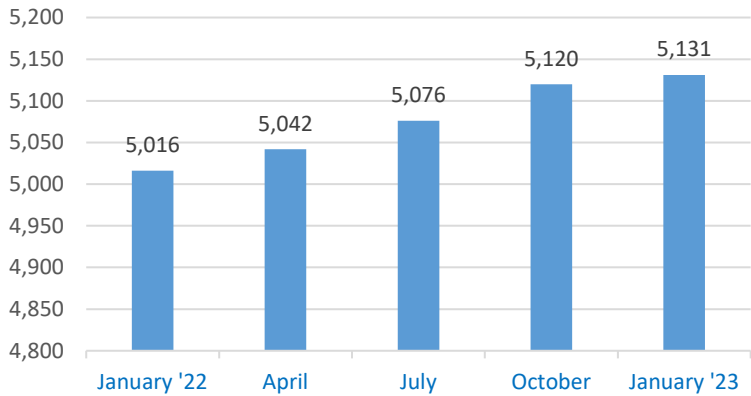
## E-NEWS

E-News Subscriptions	Total
Consumer Interest	5,196
Examination Applicant	3,290
Licensing Applicant	4,008
California Licensee	11,060
Out-of-State Licensee	2,768
Statutory/Regulatory	8,894
CBA Meeting Information & Agenda Materials	4,404
UPDATE Publication	8,918
<b>Total Subscriptions</b>	<b>48,538</b>

## SOCIAL MEDIA

The CBA’s social media pages added over 1,300 followers during calendar year 2022. Staff assisted more than 150 individuals that asked questions over private messages to the CBA Facebook and Twitter accounts. The most reactive post of the fourth quarter was former CBA President Michael M. Savoy, CPA, getting to sign his daughter’s CPA certificate as one of the final acts of his presidency. The post resulted in over 9,000 impressions on LinkedIn alone. The CBA LinkedIn profile continues to be its faster gainer, expanding its reach by over 50% in 2022. The CBA will continue to use this effective resource to communicate its messaging in 2023.

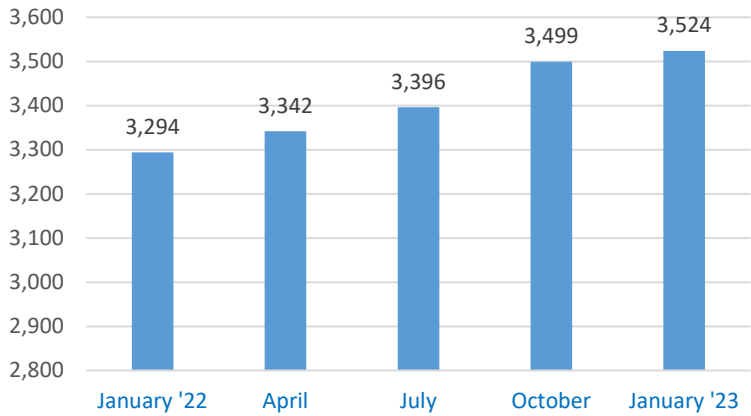
### 2022 Facebook Growth



Total followers: 5,131

Q4 Growth: +11, +0.2%  
2022 Growth: +115, +2.3%

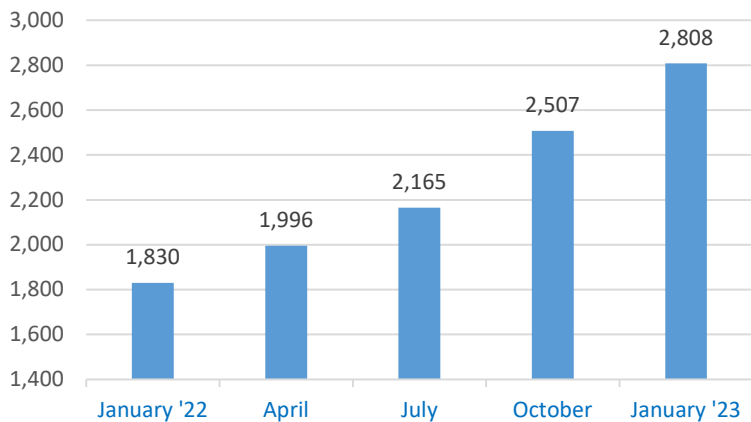
### 2022 Twitter Growth



Total followers: 3,524

Q4 Growth: +25, +0.7%  
2022 Growth: +230, +7.0%

### 2022 LinkedIn Growth



Total followers: 2,808

Q4 Growth: +301, +12.0%  
2022 Growth: +978, +53.4%



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**CBA Item IX.D.**  
January 26-27, 2023

## **Discussion and Possible Action Regarding the California Board of Accountancy 2023 Communications and Outreach Plan**

**Presented by: Deanne Pearce, Assistant Executive Officer**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to discuss and provide feedback on the proposed CBA 2023 Communications and Outreach Plan (2023 Plan) (**Attachment 1**).

### **Consumer Protection Objectives**

Strategically aligned communication and outreach efforts support the CBA's consumer protection mission.

### **Action(s) Needed**

The CBA will be asked to approve the 2023 Plan.

### **Background**

The CBA's 2022-2024 Strategic Plan discusses, among other topics, its goal to provide outreach to reach a wide audience, grow audience diversity, and increase consumer protection. Further, one of its objectives is to ensure the CBA maintains an annual communications and outreach plan.

### **Comments**

Many aspects of the 2023 Plan are consistent with or build upon the CBA-approved 2022 Communications and Outreach Plan (2022 Plan), including the target audiences, messaging goals, and priorities.

The 2023 Plan generally focuses on activities that support the following communication and outreach goals:

- Foster knowledge of, and support for, the role and mission of the CBA among target audiences
- Help and educate consumers on how to choose a licensed, authorized and qualified CPA/accountancy firm

## Discussion and Possible Action Regarding the California Board of Accountancy 2023 Communications and Outreach Plan

Page 2 of 3

- Assist consumers with reporting concerns regarding services received from licensed and unlicensed individuals
- Increase understanding among applicants and licensees of the requirements and process to obtain and maintain a license with the CBA
- Collaborating with other stakeholders to reach and grow a diverse audience.

The CBA's approval of the 2022 Plan provided valuable direction in assisting staff to accomplish the communications and outreach activities throughout the year. An overview of the status of the 2022 priorities is provided on **Attachment 2**.

Below is an overview of information contained in the 2022 Plan.

### Target Audiences and Messaging Goals

The 2023 Plan identifies the following target audiences and as described on page 1-4, each target audience has focused messaging goals:

- Consumers
- Current and future applicants
- Licensees
- State government stakeholders
- Media

The 2023 Plan discusses the valuable role of partnerships in its communications and outreach activities and describes the communication assets employed by the CBA to reach target audiences, including the *UPDATE* newsletter, emails, the website, social media, and outreach events, both online and in-person (in the future) (see page 6).

### 2023 Communication Priorities

The 2023 Plan was updated to include the following proposed priorities. The implementation of priorities will be reported on during future CBA meetings as part of the Communications and Outreach Report.

- Sunset Review
- CPA Evolution
- Meetings with Legislators
- *UPDATE* Publication
- Outreach Events
- Growing Audience Diversity
- Digital-Based Outreach
- Online Handbook Transformation
- Future of the Profession
- Increase Licensee Email Messages

## **Discussion and Possible Action Regarding the California Board of Accountancy 2023 Communications and Outreach Plan**

Page 3 of 3

- Enhanced Social Media Engagement
- Website Updates
- Increase Stakeholder Feedback via Survey
- CBA Reports Redesign

### **Fiscal/Economic Impact Considerations**

The CBA may have minor and absorbable travel costs to shoot videos in a studio.

### **Recommendation**

Staff recommend that the CBA approve the 2023 Plan.

### **Attachments**

1. Draft CBA 2023 Communications and Outreach Plan
2. Update on 2022 Priorities from the CBA 2022 Communications and Outreach Plan

2023

# COMMUNICATIONS AND OUTREACH PLAN



CALIFORNIA BOARD OF  
ACCOUNTANCY

**Katrina L. Salazar, CPA**  
President

**Dominic Franzella**  
Acting Executive Officer



## Strategic Goals and Purpose

The California Board of Accountancy (CBA) is dedicated to achieving its mission of consumer protection, and its related vision, through strategically aligned communication and outreach activities.

This Communications and Outreach Plan (Plan) provides a framework that discusses the CBA's strategic communication goals and how it intends to increase the volume and effectiveness of its activities in pursuit of those goals.

This Plan generally focuses on activities that support the following communication and outreach goals:

- Foster knowledge of, and support for, the role and mission of the CBA among target audiences
- Help and educate consumers on how to choose a licensed, authorized, and qualified CPA/accountancy firm
- Assist consumers with reporting concerns regarding services received from licensed and unlicensed individuals
- Increase understanding among applicants and licensees of the requirements and process to obtain and maintain a license with the CBA
- Collaborating with other stakeholders to reach and grow a diverse audience.

## Target Audiences and Messaging Goals

The CBA focuses its communication and outreach activities toward several distinct audiences. To communicate effectively, and achieve the messaging goals particular to each audience, the CBA should be thoughtful of each audience's interests and how their interests align with the CBA's strategic goals. The CBA encourages input from all audiences, with a variety of perspectives, backgrounds, and experience that will assist in meeting its consumer protection mission.

### Consumers

As the direct beneficiary of the CBA's mission and vision, consumers are a primary audience for the CBA's communication and outreach activities. The term refers generally to individuals and businesses that directly or indirectly use or rely on the services of a CPA or accounting firm. This audience is broad and diverse, and may be segmented into various sub-groups (e.g. general public, small businesses) depending upon the goals of a certain campaign.

Developing relationships with organizations that represent different consumer sub-groups (e.g. local chambers of commerce or organizations that represent specific industries) can help to amplify the CBA's communications and add credibility to our efforts.

Messaging goals for this audience:

- Issuer of licenses to qualified candidates
  - Ensure only qualified licensees practice accountancy
- Awareness of the CBA and its role
  - Knowledge of the complaint and enforcement process
  - Seeing the CBA as a trusted, supportive, and competent organization
- Understanding of the services provided by CPAs and accounting firms
  - License lookup and public enforcement document searches
  - Guidance to choose a CPA suitable for their needs
    - Understanding qualified vs. authorized
- How to identify and report unlicensed activity
- Identifying and cultivating positive, strategically valuable relationships with individuals and organizations who support the CBA's mission, vision, and/or policy goals
- Providing excellent customer service through timely and thorough responses to consumer inquiries

### Current and Future Applicants

Whether applying to sit for the Uniform CPA Examination (CPA Exam), pursuing initial licensure, or still considering a career as a CPA, each year many seek to gain a fuller understanding of the CBA's examination, education, and experience requirements for CPA licensure. With the upcoming changes to the CPA Exam taking effect in January 2024, communication with this audience is anticipated to significantly increase. This group experiences significant turnover as thousands of individuals explore their first interest in the CPA profession, move to applicant, and then to licensee.

Oftentimes, the members of this audience are students or recent college/university graduates.

Messaging goals for this audience:

- Awareness of the CBA and its role
  - Seeing the CBA as a trusted, supportive, and competent organization
- Understanding of the requirements and process to obtain and maintain a license
- Knowledge of CPA Evolution
  - Awareness of the changes coming to the 2024 CPA Exam
  - Understanding the CPA Exam transition policy
- Knowledge of CPA career opportunities
  - When appropriate, sharing career experiences with applicants

### Licensees

This audience is comprised of the following individuals and accounting firms:

- Active and inactive CPAs and PAs licensed by the CBA
- Accounting firms licensed by the CBA and Out-of-State accounting firms registered with the CBA

- CPAs licensed by another jurisdiction practicing in California through the mobility program

Along with applicants, the CBA has significant contact with this audience on a wide variety of matters, including renewal requirements and enforcement.

Messaging goals for this audience:

- Awareness of the CBA and its role
  - Seeing the CBA as a trusted, supportive, and competent organization
- Understanding of the following:
  - Responsibilities/duties to clients
  - Renewal and continuing education (CE) requirements, including peer review
  - Enforcement process and their due process rights
    - Probation terms, if subject
  - The mobility program

State Government Stakeholders (e.g. Governor’s Administration and Legislature)

These stakeholders have significant program oversight and budgetary control over the CBA. For example, they approve the CBA’s annual budget and have authority to approve or deny statutory and regulatory changes proposed by the CBA. In addition, by statute, the CBA must be reauthorized every four years, through the sunset review process.

This audience includes the various elements of the Governor’s Administration (Governor’s Office; Department of Finance; Office of Administrative Law; Business, Consumer Services, and Housing Agency; and Department of Consumer Affairs (DCA)) and members and committees of the Legislature.

Messaging goals for this audience:

- Understanding of the CBA and its role
  - Seeing the CBA as a trusted, supportive, and competent organization
  - Seeing the CBA as appropriately sensitive/balancing needs of consumers, applicants, and licensees
  - Seeing the CBA as a resource to their constituents/public
- Identifying and cultivating positive, strategically valuable relationships with individuals who can support the CBA’s policy goals
- Showcasing the value of the CBA’s continued existence and structure (for Sunset Review and collaboration efforts)
- Presenting legislative proposals that relate to the regulation of the accounting profession in California, to assist in accomplishing its consumer protection mission

## Media

Made up of traditional mass media (print, radio, television), industry-specific, and internet-based outlets, the media is able to spread the CBA's messages to audiences beyond the CBA's reach. To earn media coverage, the CBA must develop, package, and deliver news of interest to that outlet's audience. Oftentimes, the mechanism to do so is a news release, or through informal communications via established relationships with reporters/editors.

Messaging goals for this audience:

- Understanding of the CBA and its role
  - Seeing the CBA as a trusted, supportive, and competent organization
  - Seeing the CBA as an organization that understands their news cycle/audience and offers newsworthy stories
- Cultivating relationships with reporters/editors/producers
- News coverage that positively portrays the CBA and its mission/vision
- Amplification of announcements to protect consumers and inform licensees
- Engaged customer service through prompt but thorough replies to Public Records Act inquiries

## **Partnerships**

Developing and nurturing strategic, positive relationships with outside organizations adds significant value to the CBA's communication and outreach efforts. Partners lend their credibility and communication assets, thereby extending the reach and effectiveness of CBA's communication and outreach efforts. Partners are included in this Plan as a CBA communication asset. To develop and maintain these (and new) partnerships, they are also considered to be an audience.

Messaging goals for partnerships:

- Understanding of the CBA and its role
  - Seeing the CBA as a trusted, supportive, and competent organization
- Partner recognizing shared goals/value to a relationship with the CBA
- Identifying and cultivating positive, strategically valuable relationships with individuals who support the CBA's goals
- Collaborating to strengthen the credibility of messaging to shared audiences
- Recruitment opportunities for the CBA:
  - Investigative CPA
  - Committee Member
  - CBA Member

Three current examples of key partners are the California Society of Certified Public Accountants (CalCPA), National Association of State Boards of Accountancy (NASBA), and American Institute of Certified Public Accountants (AICPA).

CalCPA and NASBA both possess knowledge, experience, relationships, and communication assets that can help the CBA craft and deliver effective messages. CalCPA, in particular, has relationships on many California college and university campuses and with state government stakeholders. The AICPA provides valuable content the CBA can share with its audiences to keep them informed on the CPA Exam. These relationships, in particular, are critical to growing the success of the CBA's communication and outreach program.

Individual licensees are also a targeted audience, as the CBA aims to use messaging throughout 2023 to this audience for potential partnership and recruitment opportunities.

Developing partnerships takes time and sustained effort, but can lead to significant benefits to the CBA.

### Educational Institutions

The CBA's educational requirements for licensure requires every applicant to graduate from an accredited academic institution, or receive a comparable education at a foreign college or university. As a result, educational institutions have direct, sustained opportunities to communicate with the CBA's current and future applicants.

Because of the CBA's success with student outreach events in recent years, it has developed relationships with faculty/administration at certain colleges/universities. Adding new partnerships among educational institutions directly supports CBA communication efforts with current and future applicants.

### Consumer Protection Organizations

The Legislature established the CBA to provide and ensure consumer protection with regulatory oversight of the accounting profession in California. Establishing and building relationships with like-minded consumer protection organizations creates an opportunity for collaboration and expanding the CBA's reach to a broader audience, while increasing the volume of its message.

The CBA has engaged with the Alliance for Responsible Professional Licensing (ARPL), an organization comprised of national associations representing technical professions and their state licensing boards. Its philosophies and goals are consumer-focused, via emphasizing the importance of professional licensure.

## **Communication Assets**

To have a successful communication and outreach program, the CBA must employ a variety of assets appropriate to the intended audience and support the desired message. An asset is a resource that the CBA has either direct or indirect control over.

## Assets

- CBA members, committee members, and staff
- *UPDATE* Newsletter
- CBA website
- Social media accounts (Facebook, Twitter, LinkedIn, YouTube)
- Email (E-News)
- Video (e.g. live webinars or pre-recorded)
- Digital graphics
- Direct mail
- Surveys to gather feedback
- Brochures, flyers, or other printed materials
- Handbooks
- In-person and virtual events
- Media
  - Traditional: print, radio, television
  - Industry-specific: publications with CPAs/accounting firms as a primary audience
  - New/web-based: blogs, online-only outlets
- Partnerships
- Executive Officer's Report
- Podcast

## **2023 Priorities**

To reach the CBA's identified target audiences in 2023, the CBA's communication and outreach priorities are as follows:

### Sunset Review

The CBA will produce its Sunset Review Report by the end of 2023, in preparation for its official review with the Joint Legislative Committee on Sunset Review (comprised of the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development) in early 2024. The Sunset Review Report includes answers to a series of questions and requests for data and other information regarding its licensing, enforcement, and related functions. The report was originally due by the end of 2022, with legislative hearings scheduled for 2023; however, the date was extended by one year to accommodate for delays that occurred due to COVID-19.

### CPA Evolution

In conjunction with NASBA's implementation of CPA Evolution, a dedicated effort to communicate upcoming changes to the CPA Exam will be shared with CBA audiences. Using NASBA outreach resources, along with resources developed internally, the CBA will provide information and preparation time for those affected by the changes.

### Meetings with Legislators

In order to effectively work in collaboration with members of the Assembly and Senate, CBA officers and staff leadership will engage in virtual and in-person meetings with elected officials to provide information on the role of the CBA, the value it plays in consumer protection, and share contact information and resources that can assist their constituents.

### UPDATE Publication

*UPDATE* provides information regarding recent CBA activities and important changes that impact our stakeholders and operations. Further, the CBA uses *UPDATE* to inform readers of recent disciplinary actions.

The CBA will publish three issues of *UPDATE* in 2023; the first in March, the second in July, and the third in November. The November issue will be *UPDATE* No. 100, so a few special features will be included to celebrate the occasion.

### Outreach Events

Each year, the CBA participates in multiple events geared toward consumers and current and future applicants. Often made possible through partnerships developed with educational institutions, CalCPA, and others, these events provide the CBA a valuable opportunity to connect with its audiences.

In 2023, the CBA will continue to participate in CalCPA-sponsored events, and look to partner with the organization in new ways to reach its audience effectively.

The CBA will continue contacting California colleges/universities to gauge their interest in hosting the CBA at events in 2023 and beyond. Schedule permitting, these events will include CBA members as a keynote or featured speaker, or may include prerecorded presentations to maximize reach to schools throughout the year.

The CBA will also explore new ways for consumer outreach, aiming to showcase the benefits CBA efforts provide in consumer protection.

Further, the CBA will continue to host its own virtual events, inviting future licensees statewide to join online as CBA members, staff, and CPA professionals explain the benefits of becoming a CPA, and the importance of the profession overall. The CBA will continue to include other topics for virtual events targeting licensees, as well, to produce a better understanding of the services provided to them by the CBA.

### Growing Audience Diversity

Efforts to promote and encourage diversity, equity, and inclusion in the CPA profession will be promoted to CBA audiences to show support for, and the value in, creating a more balanced profession.

The CBA also welcomes the opportunity to reach new populations with its outreach, including underserved areas, whether via partnerships with schools or in collaboration with partners and stakeholders.

### Digital-Based Outreach

In 2023, the CBA will grow the use of digital content in its communication and outreach efforts. The CBA will develop a video series that explains to applicants and those interested in the CPA profession, the examination, education, and experience requirements for licensure. The series will also include information regarding renewal requirements, including peer review and CE. The CBA looks forward to, and appreciates, partnering with CalCPA for this digital-based outreach. These videos will be shared with appropriate audiences and on social media.

The CBA will also partner with DCA to produce videos aimed at explaining the CBA's role in fulfilling its consumer protection mandate with tools such as CBA Connect, the online complaint form and process, and the ability to report unlicensed activity online via the CBA's website.

The CBA will continue to create and repost recordings of its outreach events for the CBA website.

The CBA will continue producing podcast episodes to reach larger audiences. Episodes will include processing updates, staff discussing answers to frequently asked questions from licensees and applicants, and will include more CBA members, stakeholders, and other industry-related guests for interviews.

The CBA will continue to look at other forms of media for outreach, too, such as newly created applications or software, to see if new programs emerging are a better fit to reach audiences. It will also create content, either via documents or video clips, for CBA members to help promote upcoming events.

### Online Handbook Transformation

To better utilize the wealth of information provided in Licensing and Enforcement Handbooks, staff will initiate work to condense the current versions into a brochure format, Frequently Asked Question pages on the CBA website, and video or written instructions online that are more digestible and engaging.

### Future of the Profession

In partnership with CalCPA and NASBA, and in an effort to promote awareness surrounding the future of the CPA profession, the CBA will aim to provide trends and statistics regarding the CPA pipeline.

### Licensee Email Messages

The CBA has been sending emails to licensees in an effort to share activities, such as proposed regulatory changes and publication of *UPDATE*. The goal is to capitalize on



this communication opportunity and increase the messaging with information that will benefit licensees.

A licensee renewal email campaign was set to occur in 2022, but requires further IT infrastructure updates and will be pushed to 2023. Messaging goals for this campaign include:

- Option and benefits of renewing online
- 20/12 CE requirements
- Peer review reporting
- Common renewal deficiencies

### Enhanced Social Media Engagement

The CBA maintains accounts on the Facebook, Twitter, LinkedIn, and YouTube social media platforms. This medium provides a growing method to reach stakeholders. The CBA posts information about CBA meetings, licensing requirements, and other items of interest to stakeholders. In 2023, the CBA will increase its efforts to use imagery and video elements to engage followers.

The CBA is continuing to explore sharing information on its social media accounts about licensees who are disciplined. Following the effective date of each disciplinary order, the CBA may provide information about the cause for discipline regarding those licensees on the CBA's Facebook, Twitter, and LinkedIn accounts.

A refreshed look and feel will be implemented to the CBA's YouTube channel, to create more engagement as audiences continue to be driven to video content.

The CBA will promote usage of these platforms as customer service channels by responding to consumer inquiries in a timely manner, and providing useful excerpts of information normally only found on its website.

The CBA will continue to post weekly updates regarding its processing calendar dates to help applicants understand the timeline for reviewing and processing initial license and CPA Exam applications. The CBA will also continue to share content from the Governor's Office regarding health and safety updates, and other issues that may affect its audiences, along with content produced by DCA that may affect consumers and licensees. Also, new graphics were created to announce upcoming meetings, news, and updates regarding the CBA on social media.

### Website Updates

Following the CBA website's makeover in 2022, the website infrastructure and archived content will be revised to create better engagement and easier usage of important information provided online. The CBA wants the website to continue to be a valuable and interactive resource for consumers and other stakeholders to access the information they need.

The CBA will continue simplifying and updating the various resources that are on the CBA website to be more clear and easier to access (Applicant Brochures, Licensing Information, etc.).

*UPDATE* postings on the website will also be refreshed with thumbnails of each edition's cover, to add a design element and more engagement.

The CBA will explore additional interactive options to share information and resources for CBA applicants and candidates.

#### Stakeholder Feedback Survey

The Stakeholder Feedback Survey was reviewed to ensure its relevancy for today, and will continue to be shared more broadly through concerted efforts to reach targeted audiences for valuable feedback into the CBA's efforts and opportunities.

#### Report Redesign

The CBA presents various reports to CBA members and committee members at each meeting, which are also available to the public on the CBA website. These reports include the Enforcement Activity Report, Communications and Outreach Report, Licensing Activity Report, and the Report of the Administrative Division. With each report produced by a different division of the CBA, they all currently have a unique feel and design. In 2023, the CBA will work with DCA to create a template each division will use so future reports can have a more unified appearance.



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## Attachment 2

### Update on Priorities from the California Board of Accountancy 2022 Communications and Outreach Plan

Below is an excerpt from the 2022 Communications and Outreach Plan, identifying the priority, status, and next steps as relevant.

#### **Priority: Sunset Review**

The CBA will produce its Sunset Review Report by the end of 2022.

#### **Status**

Senate Bill 1443 (Roth, Chapter 625, Statutes of 2022) extended the Sunset Review date for the CBA and other boards to January 1, 2025.

#### **Next Steps**

The CBA did preliminary work on the Sunset Review Report in 2022 and will finalize a report for submission to the Legislature by the end of 2023.

#### **Priority: UPDATE Publication**

The CBA will publish three issues of the *UPDATE* in 2022; the first in March, the second in July, and the third in November.

#### **Status**

Three issues of the *UPDATE* Newsletter were created and distributed in 2022.

#### **Next Steps**

Releasing three *UPDATE* editions has been added to the 2023 Priorities. The current online format of a posted .pdf file on the CBA website and an email announcement to licensees, along with social media posts, with a link to the publication has been well received. A refreshed look and feel to the webpage hosting the digital archives of the newsletter was initiated in 2022 and will be finalized in 2023.

The CBA will also be publishing its 100<sup>th</sup> edition of *UPDATE* in November and staff are working to include some unique content.

#### **Priority: In-Person and Virtual Outreach Events**

Each year, the CBA participates in multiple outreach events geared toward consumers and current and future applicants. Often made possible through partnerships developed with educational institutions, the California Society of Certified Public Accountants

(CalCPA), and others, these events provide the CBA a valuable opportunity to connect with its audiences.

### **Status**

The CBA participated in seven outreach events overall in 2022, including:

<b>Date</b>	<b>Event</b>	<b>Host</b>
January 19, 2022	California Legislative Summit	CalCPA
March 3, 2022	Rotary Club	Rotary Club of Signal Hill
April 29, 2022	Spring Connection 2022	CSU San Bernardino
August 17, 2022	Tri-County Job Fair	Destiny Community Center
August 29, 2022	The Future of the Accounting Profession	CBA
October 24, 2022	Accounting Education Committee meeting	CalCPA
November 16, 2022	CPAs: Work Hard, Play Harder	CalCPA

### **Next Steps**

The CBA will continue participating in CalCPA-sponsored events, and contact other California colleges/universities to gauge their interest in hosting the CBA at events in 2023 and beyond. The CBA is planning to host at least one virtual event of its own, with topics reaching not just future CPAs, but current licensees as well.

### **Priority: Digital-Based Outreach**

In 2023, the CBA will continue to grow the use of video in its communication and outreach efforts.

### **Status**

The CBA developed several videos in 2022 providing guidance on qualifying for CPA licensure, renewing via CBA Connect (online license renewal platform), and uploading continuing education in CBA Connect.

The CBA launched a podcast series in 2022, “Accounting for California,” and has had CBA members and staff as guests discussing a variety of topics regarding the CBA and the regulation of the accounting profession. The “Accounting for California” podcast has been a great asset in delivering messages and will continue in 2023.

### **Next Steps**

Increasing video production and continuing the podcast series are both scheduled for 2023, as the CBA has received significant positive feedback on both communication mediums.

### **Priority: Licensee Renewal Email Campaign**

As the CBA continues to collect and verify email addresses for its licensees, it will develop and implement a campaign to email licensees with reminders and relevant information related to their license renewal requirements and deadlines.

### **Status**

The CBA has not implemented its focused email campaign regarding license renewals; however, the licensee emails have been used to share a variety of CBA-related messages regarding proposed regulatory changes and the release of *UPDATE*.

### **Next Steps**

The licensee renewal email campaign will carry over to the 2023 Priorities.

### **Priority: Enhanced Social Media Engagement**

The CBA maintains accounts on Facebook, Twitter, LinkedIn, and YouTube social media platforms. The CBA posts information about CBA meetings, licensing requirements, and other items of interest to stakeholders.

### **Status**

The CBA began using social media as a customer service channel, responding daily to consumer inquiries. It also began promoting website content on social media as an amplification channel. Information has not yet been shared about licensees who are disciplined.

The CBA continued to post weekly updates regarding its processing calendar dates, and shared not only content from the Governor's Office, but from the Department of Consumer Affairs (DCA) and the National Association of State Boards of Accountancy (NASBA), too. It also used LinkedIn to promote *UPDATE* issues.

### **Next Steps**

The CBA had visually appealing evergreen graphics produced which will be used in 2023 to increase its efforts to use imagery to engage followers. A calendar will be developed to plan weekly informative posts aligned with an appropriate time of year. Social media channels will also continue to be used for customer service, weekly processing calendar updates, and shared content from the Governor's Office, DCA, and NASBA.

### **Priority: Website Updates**

The CBA website will be given a makeover in 2022. The CBA wants the website to continue to be a valuable and interactive resource for consumers and other stakeholders to access the information they need.

### **Status**

The new CBA website was launched in October 2022. The new site has a completely different look, offering a more contemporary feel and many new features for visitors, such as an eye-catching carousel of rotating images on top of the home page. Links to the website's more highly-trafficked pages are now prominently visible on the home page through the use of "info blocks," making overall navigation through the website a simpler process.

Providing stakeholders with an improved website experience aligns with the CBA's goal of excellent customer service.

**Next Steps**

A second phase of enhancements will be made to the website in 2023 to enhance user experience and ensure stakeholders can readily access the information they need.

**Priority: Stakeholder Feedback Survey**

The Stakeholder Feedback Survey will be reviewed to ensure its relevancy for today, and shared more broadly through concerted efforts to reach targeted audiences for valuable feedback into the CBA's efforts and opportunities.

**Status**

The stakeholder survey was updated in 2022 and has seen an increase in responses during the last two quarters of 2022.

**Next Steps**

Staff will be exploring ways to increase feedback and take action where necessary to improve service.



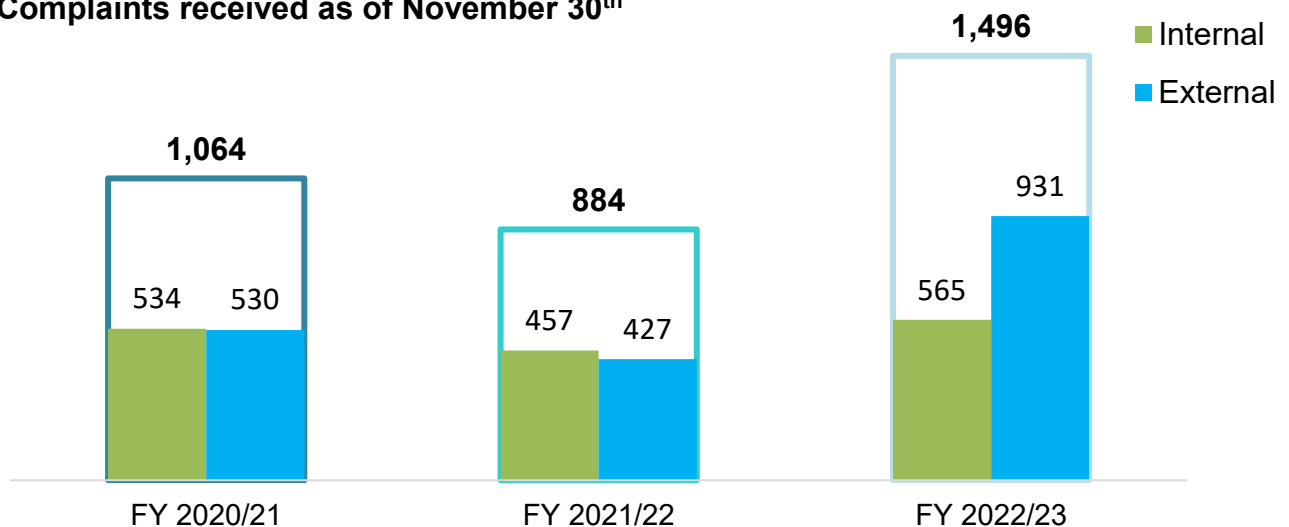
California Board of Accountancy

**ENFORCEMENT ACTIVITY REPORT**

COMPLAINTS RECEIVED

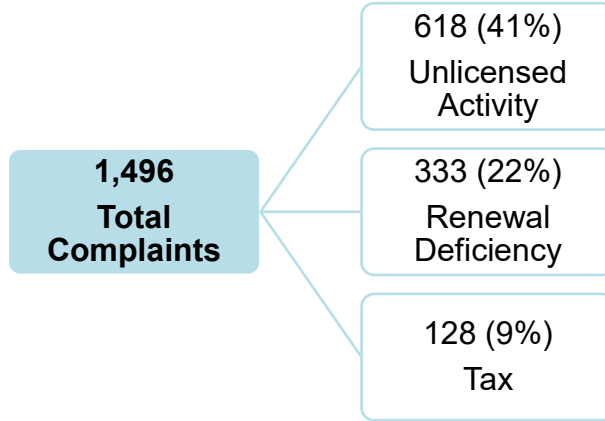
<b>FY 2022/23</b> (5 months of data)	<b>1,496 Received</b> – Internal 565 – External 931
<b>FY 2021/22</b>	<b>4,414 Received</b> – Internal 1,384 – External 3,030
<b>FY 2020/21</b>	<b>2,729 Received</b> – Internal 1,294 – External 1,435

Complaints received as of November 30<sup>th</sup>

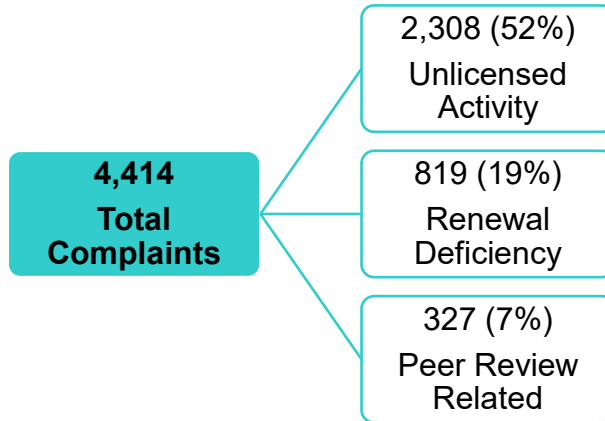


## TOP 3 COMPLAINT TYPES RECEIVED

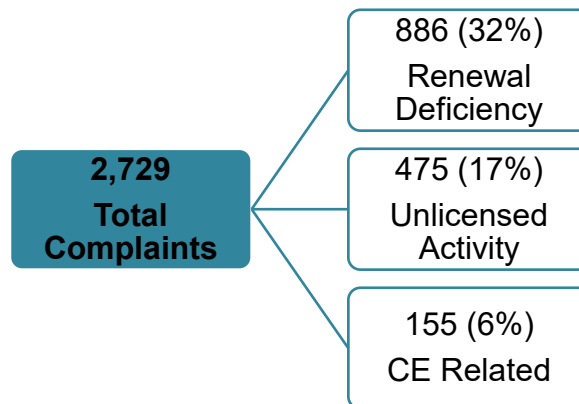
### Fiscal Year 2022/23



### Fiscal Year 2021/22



### Fiscal Year 2020/21





## INVESTIGATIONS

The number of complaints assigned for investigations and closed.

Investigations	FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Investigations Assigned	2,729	4,414	1,496
Investigations Closed	2,692	3,126	1,815
Average Days to Close	113	97	108

- The average number of days to close decreased slightly from the last report, from 111 to 108.

Investigations Closed	FY 2022/23 5 months of data
Total Closed FY 2021/22	1,815
Closed within 0-6 Months	1,655
Closed within 6-12 Months	146
Closed within 12-24 Months	7
Closed >24 Months	7

- Of the total 1,815 investigations closed in FY 2022/23, 1,655 or 91% were closed within six months from the initial complaint investigation date. Further, 1,801 investigations or 99% were closed within one year.

## INVESTIGATIONS PENDING

Investigations Pending	FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Total Investigations Pending	779	2,114	1,799
0-6 Months	686	2,060	1,488
6-12 Months	56	32	292
12-24 Months	33	21	17
>24 Months	4	1	2
Average Age of Open Cases (days)	110	57	135

- Of the total 1,799 pending cases, 83% were less than six months old and approximately 99% were less than one year old.
- There are two ongoing investigations pending over 24 months.

## DISCIPLINE

As part of its mission of consumer protection, the CBA referred matters to the Attorney General's (AG) Office for imposition of discipline.

Discipline	FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
AG Referrals	50	34	18
Accusations Filed	44	25	9
Statement of Issues Filed	2	2	0
Petitions for Revocation Filed	3	3	1

## DISCIPLINE | AGE of COMPLAINTS PENDING at ATTORNEY GENERAL'S OFFICE

Pending at AG	FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Total Pending at AG's Office	39	32	42
0-6 Months	18	11	24
6-12 Months	11	14	4
12-24 Months	10	7	13
>24 Months	0	0	1

## DISCIPLINE | FINAL ORDERS

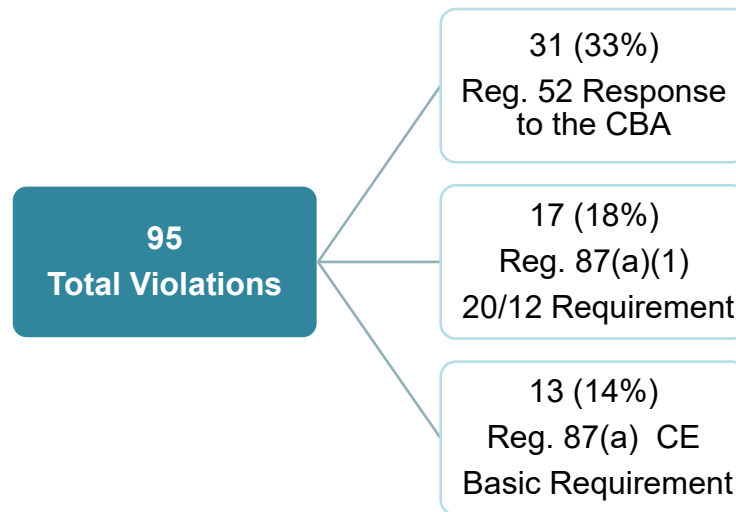
Disciplinary Action	FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Final Decision Orders	50	32	9
– <i>Stipulated Settlement</i>	34	25	7
– <i>Proposed Decision</i>	7	4	1
– <i>Default Decision</i>	9	3	1

## CITATIONS AND FINES

Citations	FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Total Citations Issued	376	459	50
Total Fines Assessed	\$117,800	\$113,825	\$21,750
Fine Average	\$313	\$248	\$435
Average Number of Days from Receipt of Complaint to Issuance of Citation	192	206	137

### CITATIONS AND FINES | FY 2022/23 TOP 3 VIOLATIONS

5 months of data



Citation and Fine Appeals and Outcomes	FY 2022/23
Citation and Fine Appeals Received	11
Citations Modified	1
Citations Withdrawn	5
Citations Affirmed/Upheld	5

- The number of outcomes (modified, withdrawn, affirmed/upheld) does not reconcile with the amount of citations and fine appeals received, as some appeals were received in the previous fiscal year, and the outcome did not occur until the present fiscal year.
- A citation may be withdrawn for reasons such as financial hardship, health-related matters, or submission of mitigating evidence demonstrating compliance.

## UNLICENSED ACTIVITY

Complaints Received		FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Internal		58	32	8
External		417	2,276	610
<b>Total</b>		<b>475</b>	<b>2,308</b>	<b>618</b>

Complaint Categories		FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Practice without Permit		197	967	280
Individuals without a CPA License		224	1,293	329
Unregistered Firms		54	48	9
<b>Total</b>		<b>475</b>	<b>2,308</b>	<b>618</b>

Investigations		FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Investigations Pending		144	1,709	1,219
<i>-Referred to Division of Investigation</i>		2	3	0
<b>Total</b>		<b>146</b>	<b>1,712</b>	<b>1,219</b>

Outcomes		FY 2020/21	FY 2021/22	FY 2022/23 5 months of data
Citations Issued		17	24	1
Closed for Compliance		382	727	1,072
Referred to District Attorney / Local Law Enforcement		2	3	0
<b>Total</b>		<b>401</b>	<b>754</b>	<b>1,073</b>

- Of the total 618 unlicensed complaints received, 81% came from one complainant. These complaints primarily involve individuals that do not have an active CPA license issued in California, holding out as a CPA on a specific social media platform.

## PROBATION MONITORING

Monitoring Activity	FY 2022/23
Number of Licensees on Probation as of Last Report	121
New Probationers Since the Last Report	4
Number of Probationers Off Probation	9
Total Number of Probationers <sup>1</sup>	97
Out-of-State Probationers	9
Total Probation Orientations Completed	9
Referrals to Revoke Probation	1

## PROBATION MONITORING | VIOLATIONS DETECTED

CPAs disciplined for various violations may be placed on probation for an ordered amount of time with required terms. To ensure probationers successfully fulfill their probationary terms, the CBA Probation Monitoring Unit continuously reviews individual probation files and identifies violations, notifies probationers, records all monitoring activities, and communicates with the probationers to obtain compliance with probation terms.

Violations detected include:

Probation Violation(s) Types	Detected
Cost Reimbursement	6
Obey All Laws	0
Submit Written Quarterly Report	13
Active License Status	3
Restricted Practice	0
Peer Review	0
Continuing Education	1
Administrative Penalty	3
Probation Monitoring Costs	0
Personal Appearance	0
Violation of Citation	0
Tolling of Probation for Out-of-State Residence/Practice	1
<b>TOTAL</b>	<b>27</b>

<sup>1</sup> This value has been reduced to reflect error corrections in the underlying data calculations.

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# CALIFORNIA BOARD OF ACCOUNTANCY LICENSING ACTIVITY REPORT

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July 1, 2022 – November 30, 2022

## Application Processing Snapshot

Table 1: Complete<sup>1</sup> Application Processing Times as of November 30, 2022

Application Type	Processing Time Complete Applications
First-Time Uniform Certified Public Accountant Examination (CPA Exam)	22 days
CPA Initial License	16 days
Corporation Initial License Application	25 days
Partnership Initial License Application	24 days
Out-of-State Firm Registration Application	2 days

- Included in this report is the National Association of State Boards of Accountancy (NASBA) Uniform CPA Examination (CPA Exam) Performance Summary for the third testing quarter of 2022. There are two parts to each quarterly report: (1) a California-specific report and (2) an all jurisdiction report. (**Attachment**)

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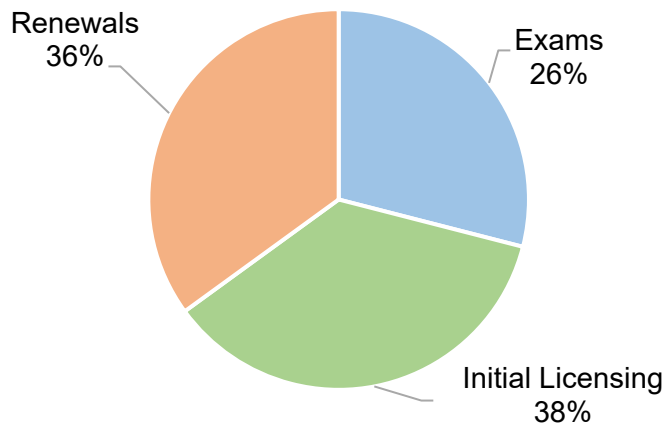
<sup>1</sup> Only applications deemed complete at the time of initial review (*i.e.*, did not require additional information/documentation) are used to calculate processing times.

# Stakeholder Inquiries

**Table 2: Inquiries Received by Fiscal Year**

Inquiry Type	2021-22 July-June Received	2022-23 July-Nov. Received
Telephone <sup>2</sup>	32,286	13,424
Email	94,629	29,334
<b>Total</b>	<b>126,915</b>	<b>42,758</b>

## Emails



<sup>2</sup> Telephone inquiries are inclusive of those received by the Department of Consumer Affairs call center.

# Uniform CPA Examination Statistics

**Table 3: CPA Exam Applications by Fiscal Year**

Examination Request	2020-21 Approved	2021-22 Approved	2022-23 July-Nov. Received	2022-23 July-Nov. Approved
First-Time Test	6,183	4,840	2,249	2,192
Repeat Test	15,633	13,707	5,285	5,285
First-Time Test (Early Entry)	N/A	348	132	132
Repeat Test (Early Entry)	N/A	0	67	67
<b>Total</b>	<b>21,816</b>	<b>18,895</b>	<b>7,733</b>	<b>7,676</b>

- Staff identified 476 first-time CPA Exam applications with a deficiency where additional documentation is required from the applicant to approve their application. Deficiencies may include, but are not limited to, a shortage of accounting units or not including the conferral date of a bachelor’s degree.
- The number approved may be higher than received given applications received in the prior year may not be approved until the following fiscal year.



## Initial Licensing Statistics

**Table 4: Initial Licensure and Permit Activity by Fiscal Year**

License/Registration/Permit Type	2020-21 Issued	2021-22 Issued	2022-22 July-Nov. Received	2022-22 July-Nov. Issued
CPA – General Accounting Experience	2,791	2,513	927	906
CPA – Attest Experience	1,255	913	419	346
<i>Subtotal CPA</i>	<i>4,046</i>	<i>3,426</i>	<i>1,346<sup>3</sup></i>	<i>1,252</i>
Partnerships	60	48	18	21
Corporations	243	223	65	68
Out-of-State Firms	67	69	16	17
<i>Subtotal Firms</i>	<i>370</i>	<i>340</i>	<i>99</i>	<i>106</i>
<i>Total Fictitious Name Permits</i>	<i>107</i>	<i>66</i>	<i>25</i>	<i>24</i>
<b>Total Licenses/ Registrations/Permits</b>	<b>4,523</b>	<b>3,832</b>	<b>1,470</b>	<b>1,382</b>

- On November 30, 2022, there were a total of 284 initial CPA applications with a deficiency where additional documentation was required from the applicant to approve the application. This includes active applications received in prior fiscal years. Deficiencies may include, but are not limited to, shortage of education units, inaccurate information reflected on experience forms, fingerprint clearance results not received from Department of Justice, and incomplete applications.
- The number issued may be higher than received given applications received in the prior year may not be approved until the following fiscal year.

<sup>3</sup> This total includes seven licensing applications that were received without experience forms and those have received a deficiency letter. At this time, the Initial Licensing Unit cannot determine whether these seven applications are for licensure with general accounting experience or attest experience.

## License Renewal Statistics

**Table 5: License Renewal Activity by Fiscal Year**

License/Registration/Permit Type	2020-21 Renewed	2021-22 Renewed	2022-23 July-Nov. Renewed
CPA	43,945	44,396	19,225
Public Accountant (PA)	2	2	0
<i>Subtotal CPA/PA</i>	<i>43,947</i>	<i>44,398</i>	<i>19,225</i>
Partnerships	579	631	231
Corporations	1,951	1,896	896
Out-of-State Firms	133	161	57
<i>Subtotal Firms</i>	<i>2,663</i>	<i>2,688</i>	<i>1,184</i>
<i>Total Fictitious Name Permits</i>	<i>376</i>	<i>164</i>	<i>98</i>
<b>Total Licenses/Registrations/Permits</b>	<b>46,986</b>	<b>47,250</b>	<b>20,507</b>

**Table 6: License Renewal Application Review by Fiscal Year (Cohort Report)<sup>4</sup>**

Review Outcome	2020-21	2021-22	2022-23 July-Nov.
Deficient – Resolved Deficiency	1,323	1,226	840
Deficient – Outstanding	0	8 <sup>5</sup>	303
Enforcement Referral	240	195	21 <sup>6</sup>
<i>Subtotal Deficient/Enforcement Referrals</i>	<i>1,563</i>	<i>1,429</i>	<i>1,164</i>
<i>Subtotal Compliant</i>	<i>20,428</i>	<i>37,518</i>	<i>28,114</i>
<b>Total Reviewed</b>	<b>21,991</b>	<b>38,947</b>	<b>29,278</b>

- If staff identified a deficiency that could be corrected (e.g., missing signature) the renewal was counted as Deficient – Outstanding. If the deficiency is corrected, it will move to Deficient – Resolved Deficiency. (The table reflects deficiencies and does not include licensees who have been granted additional time to complete their CE requirements under DCA’s COVID-19 CE extension waivers).
- Licensees who had a deficiency that could not be corrected were referred to Enforcement.

<sup>4</sup> Caution should be used when comparing fiscal years in this table. CBA Connect was launched on April 4, 2022, allowing for more efficient renewal review by automating a portion of the renewal review process.

<sup>5</sup> Licensees have one year to comply with renewal deficiencies pursuant to California Code of Regulations section 71(c).

<sup>6</sup> CBA Connect ensures licensees meet specific renewal requirements prior to renewal, explaining the decline in the number of renewals being referred to the Enforcement Division.

**Table 7: Continuing Education Audits by Fiscal Year (Cohort Report)**

<b>Audit Outcome</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23 July-Nov.</b>
Compliant CE	623	778	248
Non-Compliant CE – Outstanding	0	0	6
Non-Compliant CE – Resolved	59	38	13
Enforcement Referral	73	61	2
Audits in Process	0	0	107
<b>Total Audits</b>	<b>755</b>	<b>877</b>	<b>376</b>

- To conduct CE audits, staff select a random sample of licensees from those who reported completion of the 80 hours on their renewal application.

## Population Statistics

**Table 8: Population Statistics by Fiscal Year**

License/Registration/ Permit Type	June 30, 2021 Count	June 30, 2022 Count	Nov. 30, 2022 Count
CPA – Active	58,525	65,966	65,278
PA – Active	4	2	2
<i>Subtotal CPA/PA – Active</i>	<i>58,529</i>	<i>65,968</i>	<i>65,280</i>
Accountancy Corporations	4,357	4,385	4,319
Accountancy Partnerships	1,357	1,326	1,325
Out-of-State Firm Registrations	790	859	876
<i>Subtotal Accountancy Firms</i>	<i>6,504</i>	<i>6,570</i>	<i>6,520</i>
<b><i>Total – Active CPA/PA and Firms</i></b>	<b><i>65,033</i></b>	<b><i>72,538</i></b>	<b><i>71,800</i></b>
CPA – Inactive	30,617	22,540	22,073
CPA – Delinquent	11,613	13,015	14,246
CPA – Retired	3,774	3,853	4,030
<i>Subtotal CPA – Inactive/Delinquent/Retired</i>	<i>46,004</i>	<i>39,408</i>	<i>40,349</i>
<i>Total Fictitious Name Permits</i>	<i>2,577</i>	<i>2,633</i>	<i>2,652</i>
<b><i>Grand Total Licenses/ Registrations/Permits</i></b>	<b><i>113,614</i></b>	<b><i>114,579</i></b>	<b><i>114,801</i></b>

## Military and Refugee Statistics

The CBA provides assistance programs for past and present military personnel and their spouses/domestic partners, as well as refugees, asylees, and special immigrant visa holders, collectively referred to as “refugee.”

**Table 9: Military and Refugee Inquiries as of November 30, 2022**

Inquiries	2021-22	2022-23 July-Nov.
Email (Military)	338	158
Telephone Calls (Military)	55	56
Email (Refugee)	73	40
Telephone Calls (Refugee)	13	28
<b>Total Inquiries</b>	<b>479</b>	<b>282</b>

**Table 10: Military and Refugee Applications Received and Approved**

Application Type	2020-21 Approved	2021-22 Approved	2022-22 July-Nov. Received	2022-22 July-Nov. Approved	Average Processing Time in Days
CPA Exam (Military)	1	13	17	17	4.5
CPA License (Military)	18	48	27	19	4
CPA Renewal (Military)	1	1	1	1	1
CPA Exam (Refugee)	0	4	9	9	7
CPA License (Refugee)	3	4	4	4	N/A <sup>7</sup>

<sup>7</sup> Only applications deemed complete at the time of initial review (*i.e.*, did not require additional information/documentation) are used to calculate processing times. In this case there were no complete applications at the time of initial review.

# CPA Exam Performance Summary: 2022 Q-3 California

## Overall Performance

Unique Candidates	4,120
New Candidates	1,057
Total Sections	5,243
Passing 4th Section	591
Sections / Candidates	1.27
Pass Rate	51.67%
Average Score	71.36

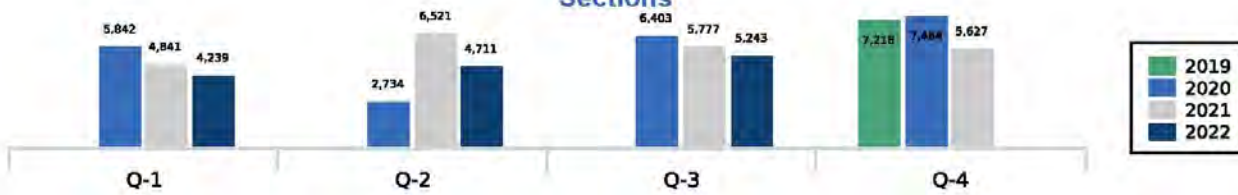
## Section Performance

	Sections	Score	% Pass
First-Time	1,586	70.42	54.6%
Re-Exam	3,645	71.77	50.43%
AUD	1,390	71.07	47.41%
BEC	1,047	75.03	58.93%
FAR	1,639	67.00	42.16%
REG	1,167	74.53	63.58%

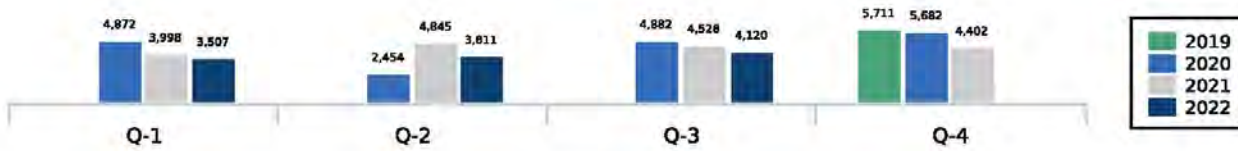
## Jurisdiction Ranking

Candidates	1	Sections	1
Pass Rate	28	Avg Score	32

### Sections



### Candidates



### Average Age



### % Pass



# CPA Exam Performance Summary: 2022 Q-3

## California

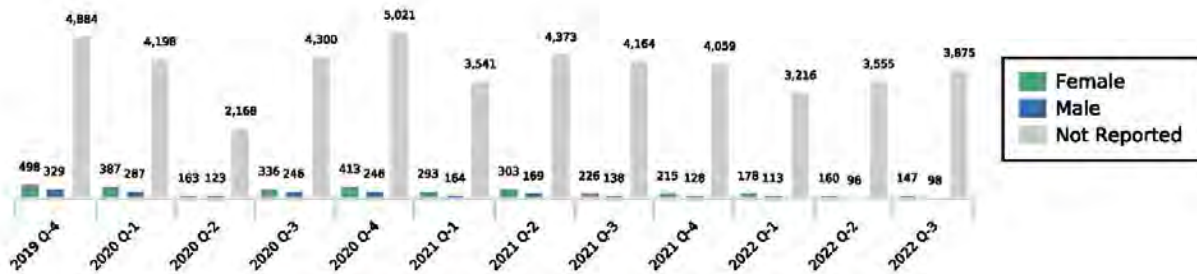
### Degree Type

	Candidates	% Total
Bachelor's Degree	3,113	75.6%
Advanced Degree	982	23.8%
Enrolled / Other	25	0.6%

### Residency

	Candidates	% Total
In-State Address	3,327	80.75%
Out-of-State Address	367	8.91%
Foreign Address	426	10.34%

### Gender



### New Candidates vs Candidates Passing 4th Section



Notes:

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 jurisdictions.
  2. The demographic data related to age, gender, and degree type is provided by the individual candidates and may not be 100% accurate.
  3. Some jurisdictions do not require candidates to report certain demographic data nor complete surveys gathering such data on a voluntary basis.
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# CPA Exam Performance Summary: 2022 Q-3

## Overall

### Overall Performance

Unique Candidates	32,267
New Candidates	8,379
Total Sections	42,307
Passing 4th Section	4,930
Sections / Candidates	1.31
Pass Rate	52.5%
Average Score	71.92

### Section Performance

	Sections	Score	% Pass
First-Time	11,341	70.25	53.19%
Re-Exam	30,839	72.55	52.27%
AUD	11,088	71.36	48.67%
BEC	8,688	75.64	59.92%
FAR	13,182	68.18	44.31%
REG	9,349	74.38	61.69%

### Most Candidates

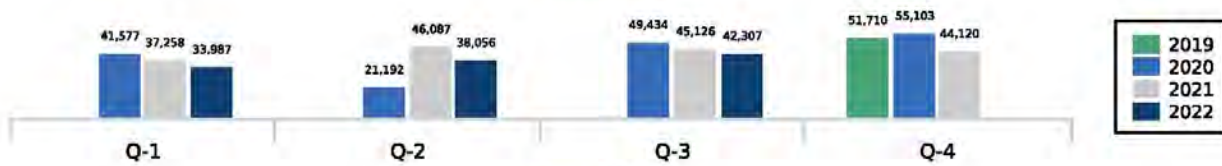
- California 4,120
- New York 3,513
- Texas 2,469

### Top 3 Jurisdictions

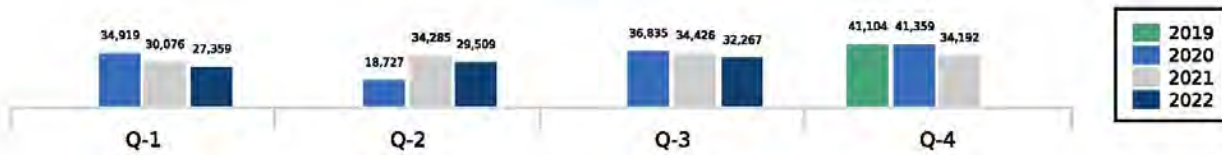
- Nebraska 65.10%
- Wisconsin 64.48%
- Iowa 63.23%

### Highest Pass Rate

### Sections



### Candidates



### Average Age



### % Pass



# CPA Exam Performance Summary: 2022 Q-3

## Overall

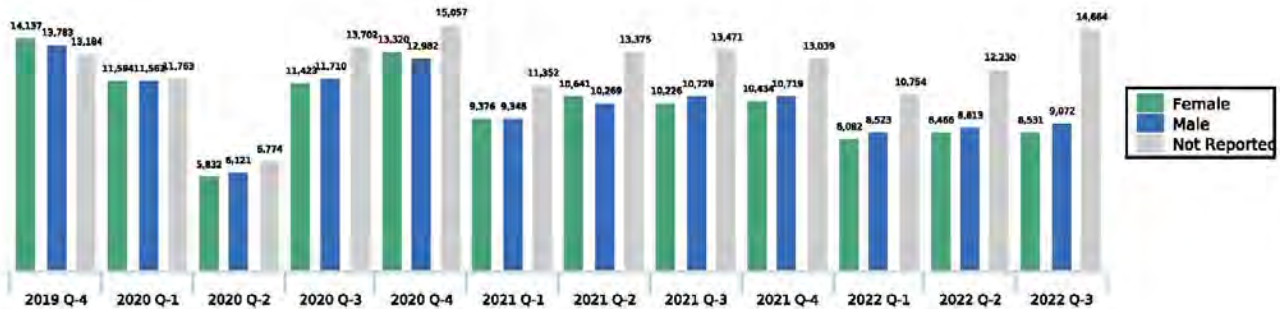
### Degree Type

	Candidates	% Total
Bachelor's Degree	22,054	68.3%
Advanced Degree	7,163	22.2%
Enrolled / Other	3,050	9.5%

### Residency

	Candidates	% Total
In-State Address	22,600	70.04%
Out-of-State Address	4,658	14.44%
Foreign Address	5,009	15.52%

### Gender



### New Candidates vs Candidates Passing 4th Section



**Notes:**

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 jurisdictions.
  2. The demographic data related to age, gender, and degree type is provided by the individual candidates and may not be 100% accurate.
  3. Some jurisdictions do not require candidates to report certain demographic data nor complete surveys gathering such data on a voluntary basis.
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**California Board of Accountancy**  
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**CBA Item XIII.A.**  
 January 26-27, 2023  
**DRAFT**

**DEPARTMENT OF CONSUMER AFFAIRS  
 CALIFORNIA BOARD OF ACCOUNTANCY**

**MINUTES OF THE  
 November 17, 2022  
 CALIFORNIA BOARD OF ACCOUNTANCY MEETING**

California Board of Accountancy  
 2450 Venture Oaks Way, Suite 420  
 Sacramento, CA 95833  
 Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

California Board of Accountancy (CBA) President Michael M. Savoy, CPA, called the meeting to order at 9:26 a.m. on Thursday, November 17, 2022 at the CBA office in Sacramento. The CBA held the meeting in-person and provided public participation via WebEx. The CBA convened into closed session from 1:53 p.m. until 2:28 p.m. to deliberate on closed session matters.

President Savoy read the following into the record:

The CBA's mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

CBA Members

Michael M. Savoy, CPA, President  
 Katrina L. Salazar, CPA, Vice President  
 Yen C. Tu, Secretary/Treasurer  
 Nancy J. Corrigan, CPA  
 Karriann Farrell Hinds, Esq.  
 Dan Jacobson, Esq.  
 Kristian Latta, CPA

November 17, 2022

9:26 a.m. to 2:28 p.m.  
 9:26 a.m. to 2:28 p.m.  
 9:26 a.m. to 2:28 p.m.  
 9:26 a.m. to 2:28 p.m.  
 Absent  
 Absent  
 9:26 a.m. to 2:28 p.m.

CBA Members

Xochitl A. León  
Luz Molina Lopez  
Zuhdia "Dee Dee" Owens, CPA  
Ariel Pe  
Deidre Robinson  
Joseph Rosenbaum, CPA  
Evangeline Ward

November 17, 2022

Absent  
9:26 a.m. to 2:28 p.m.  
9:26 a.m. to 2:28 p.m.  
9:26 a.m. to 2:28 p.m.  
Absent  
9:26 a.m. to 2:28 p.m.  
Absent

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Angelita Acosta, Enforcement Analyst  
Suzanne Balkis, Budget Analyst, Department of Consumer Affairs (DCA)  
Sarah Benedict, Manager, Renewal and Continuing Competency Unit  
Michelle Center, Chief, Licensing Division  
Elizabeth Coronel, Strategic Business Analyst, DCA  
Theodore Drcar, Deputy Attorney General (DAG), Department of Justice (DOJ)  
Emmanuel Estacio, Information Technology Support Analyst  
Dominic Franzella, Chief, Enforcement Division  
Helen Geoffroy, Legal Counsel, DCA  
Jerilee Heller, Manager, Office of Human Resources, DCA  
David Hemphill, Information and Planning Analyst  
Daryl Holloway, Legislative Analyst, Legislative Affairs, DCA  
Patrick Ibarra, Information and Planning Officer  
Alegra Keith, Assistant Human Resources Liaison  
Amir Larian, Website Analyst  
Alexander Millington, Attorney, Regulations Unit, Legal Affairs Division, DCA  
Eulalio Ortega, Manager, Examination Unit  
Bryce Penny, Television Specialist, Office of Public Affairs, DCA  
Rebecca Reed, Board Relations Analyst  
Olivia Trejo, Chief, Office of Human Resources, DCA

Committee Chairs and Members

Douglas Aguilera, CPA, Chair, Enforcement Advisory Committee (EAC)  
Michael L. Williams, CPA, Chair, Qualifications Committee (QC)  
Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)  
Laura L. Ross, CPA, Vice Chair, PROC

Other Participants

Jason Fox, Vice President of Government Relations, California Society of CPAs (CalCPA)  
Pat Joyce, The Accountant's Coalition (TAC)

I. Public Comment for Items Not on the Agenda.

No public comments were received.

II. Report of the President.

A. Presentation from the Department of Consumer Affairs Office of Human Resources Regarding the Executive Officer Recruitment Process.

Ms. Heller provided a presentation regarding the Executive Officer recruitment process.

**It was moved by Ms. Tu and seconded by Mr. Rosenbaum to approve the Executive Officer Duty Statement as drafted.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

**It was moved by Ms. Tu and seconded by Ms. Salazar to approve the recruitment announcement for the Executive Officer position, increase the final filing date up to 90 days, if needed, and to limit the Statement of Qualifications submitted by applicants to six pages maximum.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

B. Resolution For Retiring Qualifications Committee Member, Pradeep Budhiraja, CPA.

**It was moved by Ms. Owens and seconded Ms. Salazar to approve the resolution for Pradeep Budhiraja, CPA.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

C. 2023 California Board of Accountancy Member Committee Interest Survey.

President Savoy requested CBA members complete the Committee Interest Form by December 1, 2022, as the form would be used by the next CBA President to appoint members to the Committee on Professional Conduct (CPC), Enforcement Program Oversight Committee (EPOC), Legislative Committee (LC), and the CBA liaisons for the EAC, PROC, and QC.

D. Announcement of California Board of Accountancy Members Appointed to the National Association of State Boards of Accountancy Committees.

President Savoy reported the following CBA members were appointed/reappointed to serve on a National Association of State Boards of Accountancy committee:

- Nancy J. Corrigan, CPA – Chairperson of the Education Committee
- Nancy J. Corrigan, CPA – Relations With Member Boards Committee
- Katrina L. Salazar, CPA – Chairperson of the Diversity Committee
- Michael M. Savoy, CPA – Nominating Committee, Alternate, Pacific Region
- Yen C. Tu – Communications Committee

President Savoy noted Ms. Salazar would continue to serve as the NASBA Director-at-Large and Ms. Corrigan would continue to serve as the NASBA Pacific Regional Director.

E. Discussion and Possible Action Regarding the Consideration of the CPA Experience Requirements Taskforce Recommendation that the Attest Experience Requirement is Necessary for the Authority to Sign Reports on Attest Engagements in California.

Ms. Salazar reported the purpose of this item was to provide the CBA the Consideration of the CPA Experience Requirements Taskforce's (CERT) determination that the attest experience requirement was necessary for the authority to sign reports on attest engagements.

**The CERT recommended the CBA adopt the recommendation that the attest experience requirement for CPA licensure is necessary for the authority to sign reports on attest engagements.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Mr. Pe, Mr. Rosenbaum, Mr. Savoy, and Ms. Tu.**

**No: Ms. Owens and Ms. Salazar.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

- F. Discussion and Possible Action Regarding the Remaining Policy Issues for Deliberation by the Consideration of the CPA Experience Requirements Taskforce.

Mr. Franzella provided an overview of the remaining policy issues for deliberation by the CERT, including whether the current attest experience requirement of 500 hours is sufficient.

- G. Discussion and Possible Action Regarding the National Association of State Boards of Accountancy's Proposed Revisions to the Uniform Accountancy Act Model Rules.

Ms. Center stated the purpose of this item was to provide the CBA the opportunity to discuss NASBA's proposed revisions to the Uniform Accountancy Act's (UAA) Model Rules pertaining to credit requirements for sections passed on the Uniform CPA Examination (CPA Exam) and to decide whether to submit a comment letter to NASBA supporting the revisions.

**It was moved by Ms. Corrigan and seconded by Mr. Rosenbaum to approve the draft letter to NASBA supporting the revisions to the UAA's Model Rules regarding credit requirements for sections passed on the CPA Exam.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

H. Final Actions and Outcomes on Legislation the California Board of Accountancy Took a Position on in 2022.

Mr. Ibarra provided a report on the final actions and outcomes on legislation the CBA took a position on in 2022. He noted Senate Bill 1443, which the CBA took a support position on, extended the Sunset date of several boards and bureaus within DCA and was signed by the Governor. As a result, the CBA would complete its Sunset Review Report in 2023 and participate in legislative hearings in 2024.

I. Department of Consumer Affairs Director's Report on Departmental Activities.

Mr. Holloway provided a report on departmental activities, which included the following:

- Announcement of Melissa Gear as DCA's Deputy Director of Board and Bureau Relations and Yvonne Dorantes as Assistant Deputy Director of Board and Bureau Relations
- The newly established DCA Diversity, Equity, and Inclusion Steering Committee was scheduled to hold its kick-off meeting on November 9, 2022. The committee was formed to guide DCA in its equity strategies, initiatives, and action plan
- In accordance with Governor Newsom's Executive Order, DCA would start revising its strategic planning processes to incorporate more inclusive public engagement, data analyses and embedding diversity, equity, and inclusion into its strategic planning process
- The 2022 Our Promise Campaign began on October 1, 2022 and would end on December 31, 2022
- Reminder that boards and bureaus that choose to hold in-person meetings are expected to follow the state and local guidelines regarding COVID-19 safety measures
- Reminder that state travel arrangements must be made through Concur Cal Travel Store. All board, bureau, committee members, and staff must use the most economical fares possible when traveling by air on official state business, which is typically the Southwest Wanna Get Away option. Any flight changes for personal convenience that incur additional charges will be the responsibility of the traveler.
- Assembly Bill 1887 prohibits travel to states that are subject to California's travel ban. The list of banned states can be found on the Attorney General's website
- DCA will be partnering with the State Controller's Office (SCO) to share information with consumers and certain licensees regarding the



unclaimed property program. State law requires banks, insurance companies, corporations, and other entities to report and submit their customers' property to SCO after a period of inactivity.

III. Report of the Vice President.

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

**It was moved by Ms. Salazar and seconded by Ms. Molina Lopez to:**

- **Reappoint Doug Aguilera, CPA as Chair**
- **Reappoint Kathy A. Johnson, CPA as Vice Chair**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

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

**It was moved by Ms. Salazar and seconded by Ms. Latta to:**

- **Reappoint Michael L. Williams, CPA as Chair**
- **Reappoint Timothy T. Jones, CPA as Vice Chair**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

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

**It was moved by Ms. Salazar and seconded by Mr. Pe to:**

- **Appoint Laura L. Ross, CPA as Chair**
- **Appoint Fausto Hinojosa, CPA as Vice Chair**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

IV. Report of the Secretary/Treasurer.

A. Discussion of the Fiscal Year 2021-22 Year End Financial Report.

Ms. Tu provided an overview of the CBA's Year End Financial Report for fiscal year (FY) 2021-22. She noted the CBA's budget authority for FY 2021-22 was \$18,084,000 and expenditures for FY 2021-22 totaled \$16,212,061 which resulted in a surplus of 10.4%. She stated the CBA ended FY 2021-22 with 6.7 months in the reserve fund.

B. Discussion of the Fiscal Year 2022-23 First Quarter Financial Report.

This item was deferred to a future meeting.

C. Presentation of the California Board of Accountancy's Fee Analysis Conducted by the Department of Consumer Affairs Budget Office.

This item was deferred to a future meeting.

V. Report of the Executive Officer.

A. Discussion Regarding Implementation Activities for the 2022-2024 Strategic Plan.

Ms. Pearce reported the purpose of this agenda item was to update the CBA on the activities that were occurring to complete the objectives contained in the 2022-2024 Strategic Plan.

B. Presentation of the California Board of Accountancy Annual Report.

Ms. Pearce presented the CBA's FY 2021-22 Annual Report. She noted the Annual Report included the accomplishments of the CBA during the prior fiscal year as the CBA fulfills its mission of consumer protection.

C. Report of the Administration Division.

Ms. Pearce provided an overview of this agenda item.

D. Update on the California Board of Accountancy's Communications and Outreach.

Mr. Ibarra provided an overview of this agenda item.

E. Demonstration of Continuing Education Data File Template Upload Feature in CBA Connect.

Ms. Benedict provided a demonstration of the continuing education data file template upload feature in CBA Connect.

VI. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the October 6, 2022 Enforcement Advisory Committee Meeting.

Mr. Aguilera reported at the October 6, 2022 EAC meeting, members reviewed approximately 45 case files that included open, closed, and intake investigative files and members provided valuable insight and feedback to assist staff with next steps in the investigative process. He noted the EAC also held three investigative hearings.

B. Qualifications Committee.

There was no report on this agenda item.

C. Peer Review Oversight Committee.

There was no report on this agenda item.

VII. Regulations.

A. Discussion and Possible Action to Amend California Code of Regulations, Title 16, Division 1, Sections 87, 88, 88.1, 88.2, 89, 90 – Continuing Education.

Ms. Center reported the purpose of this item was to provide the CBA the opportunity to discuss and possibly amend California Code of Regulations, Title 16, Division 1, Sections 87, 88, 88.1, 88.2, 89, and 90, specifically related to continuing education (CE).

Ms. Center noted the proposed regulatory amendments provide increased flexibility for CPAs completing CE by providing three additional learning methodologies, four additional subject areas, and the opportunity to earn CE in 10 minute increments. She stated the proposed amendments also clarify that that licensees who qualify for an extension of time to complete their CE only need to complete four hours of Fraud CE instead of eight hours.

Ms. Center stated that during the public comment period, the CBA received two written comments which represented the following:

Comment 1:

“Could you please send me more detail on the Proposed Changes? I am afraid that the following explanation ‘three new learning methodologies, add four technical subject areas for a wider variety of technical subject areas for which a licensee may earn CE credit, allow CE to be earned in increments, and include CE requirements that were inadvertently omitted from the CBA’s 2014 CE rulemaking. These proposed amendments will provide increased CE opportunities in a wider variety of technical subject areas to maintain or improve the competency of licensees in providing public accounting services to the benefit of California consumers,’ leaves me quite in the dark as to what is being changed.

I am a somewhat-retired CPA, still doing some trust tax work and returns every year, still doing accounting for a couple of small businesses, trying to keep my CPE up and stay relevant. If there is anything included in these proposed changes that is likely to leave me high and dry on my requirements, if I use the same on line and at-home CPE sources as I have done for the past three cycles, kindly point it out on my behalf. Thanks for being there for us!”

Staff proposed the CBA reject the comment for the following reason:

This comment is asking for clarification on the content and impact of this proposed rulemaking. The proposed rulemaking provides increased CE opportunities in a wider variety of technical subject areas to maintain or improve the competency of licensees in providing public accounting services to the benefit of California consumers and therefore has no adverse impact on the licensee’s ability to complete the required CE. More

information regarding the rulemaking can be found in the Initial Statement of Reasons. This comment is not asking for any action to be taken. The CBA will make no changes to this rulemaking as a result of this comment.

Comment 2:

“At various sections of the CBA proposed rules there are different time periods (four and five) years for a CBA to retain records for a course taken for CPE. For consistency throughout the rules I suggest the same time period be used so less chance of misunderstanding by a CPA. I did not see any definition as to when the time period begins for the period to hold the required records. I assume it is from the date of completion of the CPE course. For clarity so no misunderstanding I suggest at some point in the rules it states any holding period begins from the completion date of the CPE course. Following is where I noticed the difference in periods to retain records. There may be other areas of the rules that show required time to retain records that I recommend be consistent with the standard holding period selected.

On page 16 at the bottom of the page is this information:

During the development of these CE Regulations, it was critical to align the requirements with existing methodologies. Ensuring a level of consistency throughout the CE requirements will assist licensees in selecting courses that will count towards their license renewal requirements.

Specifically, under the CBA’s proposal, CE providers of nano learning programs would be required to:

- 1) Retain, for a period of five years, written educational goals and specific learning objectives, as well as a syllabus. The syllabus must provide a general outline, instructional objectives, and a summary of topics for the course. The CE provider would be required to make a copy of the educational goals, learning objectives, and course syllabus available to the CBA upon request.

The underlying purpose for the retention of specific records is to ensure documentation for all courses is available, if necessary, to both the licensee and CBA.

On page 30 it has this statement:

Section 89(d)

The CBA proposes to amend subdivision 89(d) to include adaptive self-study courses to the requirement that licensees who utilize self-study courses must retain a receipt, or its equivalent, and certification of

completion, or its equivalent, for a period of four years. The retention period is being proposed to be consistent with other self-study course retention periods and to ensure that the CBA can, if necessary, verify the completion of an adaptive self-study course. The CBA proposes to add “all of,” to increase clarity of the requirements a licensee shall disclose for continuing education credit claimed for completing a self-study or adaptive learning self-study course.

#### Section 89(e) and (f)

The CBA proposes to add subdivisions (e) and (f) to Section 89 to establish the requirement that a licensee claiming CE credit for a nano learning program (Section 88(e)) and a blended learning program (Section 88(f)) must obtain and retain for a period of four years: (1) a receipt or its equivalent documenting the date of purchase or enrollment in the program; and (2) a certificate of completion or its equivalent, which discloses seven pieces of information. Subdivisions are being added for nano learning and blended learning to separate the retention requirements as both learning methods are distinct from the existing methods described in existing section 89(b) through (e). Separating the requirements also allows for greater future flexibility in requirements should the learning methods require different records.”

Staff proposed the CBA reject the comment for the following reason:

The CBA has two separate and distinct CE record retention periods. The first retention period specifies how long a CPA should retain their completed CE documentation. The CBA requires that CPA’s retain CE certification or its equivalent for a four-year period after renewal (section 89). The second retention period specifies how long the CE course provider should retain their CE course documentation. The CBA requires course providers to retain their course documentation for five years (section 88.1).

The CBA rejects the suggestion to amend the retention period related to a CPA’s completed CE records. The regulatory text is sufficiently detailed as written and states that the four-year retention period begins at the time of renewal. Further, the CBA rejects the suggestion to change the retention periods so that the CPA retention period is identical to the CE course provider retention period. The four-year period covers two full CBA renewal cycles, which is adequate for record keeping purposes. The five-year retention period for CE providers is consistent with the American Institute for Certified Public Accountants and the National Association of State Boards of Accountancy’s Statement on Standards for Continuing Professional Educational (CPE) Programs.

The CBA also rejects the suggestion to amend language related to when the five-year retention period for CE provider documentation begins. Based on the regulatory text there is only one legally tenable interpretation and commonly understood meaning of the start date, which is from the date of administration of the course. The retention period beginning on the date of the administration of the course is common practice in the industry in the CBA's experience. The CBA has not experienced any complaints from other providers on this issue, nor has the CBA received any questions regarding the record retention period in general.

**It was moved by Ms. Tu and seconded by Ms. Salazar to:**

- **Adopt the staff recommended response for the comments regarding the proposed regulatory text**
- **Adopt the regulatory text in CCR, title 16, sections 87, 88, 88.1, 88.2, 89, 90**
- **Direct staff to take all steps necessary to complete the rulemaking file, including submitting to the Director of the Department of Consumer Affairs; the Business, Consumer Services, and Housing Agency; and Office of Administrative Law**
- **Authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

VIII. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of this agenda item.

IX. Report of the Licensing Chief.

A. Licensing Activity Report.

Mr. Center provided an overview of this agenda item.

Ms. Salazar requested staff provide a historical look at data trends regarding the CPA Exam, initial licensing, and licensees at a future meeting.

X. Meeting Minutes.

- A. Adoption of the Minutes of the September 22, 2022 California Board of Accountancy Meeting.

**It was moved by Mr. Pe and seconded by Mr. Rosenbaum to adopt the minutes of the September 22, 2022 CBA meeting, which included non-substantive edits that were noted after the minutes were received.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Owens, Mr. Pe, Mr. Rosenbaum, and Mr. Savoy.**

**No: None.**

**Abstain: Ms. Molina Lopez, Ms. Salazar, and Ms. Tu.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

- B. Acceptance of the Minutes of the July 21, 2022 Committee on Professional Enforcement Program Oversight Committee Meeting.
- C. Acceptance of the Minutes of the July 7, 2022 Enforcement Advisory Committee Meeting.

**It was moved by Mr. Rosenbaum and seconded by Ms. Owens to accept items X.B. and X.C., which included non-substantive edits that were noted after the minutes were received.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**



XI. Other Business.

A. American Institute of Certified Public Accountants.

1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

a. Board of Examiners.

Ms. Salazar reported the Board of Examiners met on August 3 and October 27, 2022 and discussed the following topics:

- Overview and discussion of Prometric software report results
- 2024 CPA Exam score releases
- Update regarding CPA Exam finances
- CPA Evolution and the practice analysis exposure draft comments
- Update regarding the annual blueprint review

b. State Board Committee.

Ms. Salazar stated the committee met on September 13, 2022 and their continued to be discussion regarding what various states are allowing for internship credits for educational experience. She noted Nevada was discussing a change to CPE requirements from a rolling 80 hours every two years to a 40 hour annual requirement to minimize licensee confusion and to streamline the process for license renewal.

B. National Association of State Boards of Accountancy.

1. Report of the National Association of State Boards of Accountancy Director-at-Large.

There was no report on this agenda item.

2. Report of the National Association of State Boards of Accountancy Pacific Regional Director.

There was no report on this agenda item.

3. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member or Staff.

a. Report of the National Association of State Boards of Accountancy Annual Meeting Held October 30-November 2, 2022.

Ms. Corrigan reported during the breakout sessions at the NASBA Annual Meeting there were discussions regarding the following topics:

- Responses to the NASBA Focus Questions
- Principle place of business, mobility, and reciprocity
- Jurisdictions that maintain data on licensees including the number of licensees and age demographics
- Pipeline issues including how to attract and maintain staff and outreach to students
- Implementation of the new CPA Exam and the tentative timeline
- The 150 hour education requirement

President Savoy noted this was the first in-person NASBA Annual meeting in over two years and there were over 300 hundred attendees. He thanked Ms. Salazar and Ms. Corrigan for their willingness to serve in a leadership capacity for NASBA committees and encouraged CBA members to serve on NASBA committees.

Ms. Corrigan stated there was a report of the CPA Examination Review Board during the Annual Meeting. She stated the CPA Examination Review Board gives state boards assurance that they can rely on the CPA Exam results.

b. Continuing Professional Education Committee.

Ms. Salazar reported the Continuing Professional Education, along with the CPE Standards Working Group and the joint NASBA and AICPA CPE Committee completed their review for the CPE Standards and approved the proposed revised CPE standards to be presented to NASBA and AICPA for their boards to vote on for exposure. She noted the CPE Standards was an evergreen document that was revisited every two years, along with the field study document.

c. Computer-Based Test Administration Committee.

Ms. Corrigan reported the committee met on September 30, 2022 and discussed the following topics:

- Regulation of the accounting profession and how to drive audit quality
- Peer review quality and management
- Responses to the CPA Evolution Exposure Draft

d. Relations With Member Boards Committee.

Ms. Corrigan reported the committee met during the NASBA Annual meeting and discussed how best to address responses to the NASBA Focus Questions and discussed the format for future Focus Questions.

XII. Report on the Enforcement Program Oversight Committee.

A. Enforcement Program Oversight Committee.

1. Report of the November 17, 2022 Enforcement Program Oversight Committee Meeting.
2. Discussion and Possible Action to Incorporate into the Disciplinary and Petitions Process the National Association of State Boards of Accountancy's Center for the Public's Trust Ethics Leadership Training.

Mr. Pe reported the purpose of this agenda item was to provide members information regarding NASBA's Center for the Public Trust Ethics Leadership Training for possible incorporation into the CBA Disciplinary Guidelines and petitions process. He noted that 14 states are utilizing the training for remediation purposes.

**The EPOC recommended the CBA incorporate the Center for the Public Trust Ethics Leadership Training into the CBA Disciplinary Guidelines for consideration on certain aspects of its disciplinary process and petition process on a case-by-case basis.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

3. Discussion and Possible Action Regarding Information Provided to Individuals Petitioning for Termination of Probation or Reduction of Penalty Pursuant to Business and Professions Code Section 5115.

Mr. Pe reported the purpose of this agenda item was to provide information regarding the petition process for individuals who petition for reinstatement of certificate or reduction of penalty, and the revisions staff performed to the *California Board of Accountancy Petition Hearings* manual.

The EPOC took no action on this agenda item.

XIII. Officer Elections.

A. Secretary/Treasurer.

**It was moved by Ms. Corrigan and seconded by Ms. Owens to appoint Joseph Rosenbaum, CPA as Secretary/Treasurer of the California Board of Accountancy.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

B. Vice President.

**It was moved by Ms. Molina Lopez and seconded by Mr. Pe to appoint Yen C. Tu as Vice President of the California Board of Accountancy.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

C. President.

**It was moved by Ms. Molina Lopez and seconded by Ms. Latta to appoint Katrina L. Salazar, CPA as President of the California Board of Accountancy.**

**Yes: Ms. Corrigan, Ms. Latta, Ms. Molina Lopez, Ms. Owens, Mr. Pe,**

**Mr. Rosenbaum, Ms. Salazar, Mr. Savoy, and Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Mr. Jacobson, Ms. León, Ms. Robinson, and Ms. Ward.**

**The motion passed.**

XIV. Closing Business.

A. Agenda Items for Future California Board of Accountancy Meetings.

There were no items requested for future meetings.

Mr. Fox read the following statement into the record:

Throughout her illustrious career, Ms. Bowers has proven to be highly competent, diligent, and committed to upholding the high standards that are essential for an effective consumer protection. Most notably, Ms. Bowers has approached her work with integrity and professionalism with a thoughtful consideration each issue deserves. Without a doubt, very few people have been as influential as Ms. Bowers in the implementation of policies that regulate the CPA profession in California and Nationally. As the Executive Officer of the CBA, Ms. Bowers has overseen the adoption and implementation of significant consumer protection policies in California, including mandatory peer review, enhanced continuing education requirements, enactment of mobility, modifications to the licensure framework, and rigorous enforcement policies.

Ms. Bowers has overseen high level of engagement with public stakeholders, undertaken CBA operational efficiencies, initiated outreach to consumers, licensees, and candidates. Ms. Bowers has represented the CBA before policy leaders on numerous accounts. Ms. Bowers has also supported the personal and professional development of her staff at the CBA, providing opportunities to grow skills and advance in their roles. Many of the staff here today are a part of the policies Ms. Bowers has put into place to cross-train and promote within the CBA. Her willingness to contribute and lend her expertise has earned respect from peers in California and across the country.

Importantly, Ms. Bowers has demonstrated the trust, integrity, competence, and commitment to the public interest to a core to a regulatory role. She has been thoughtful and throughout her analysis, articulate and comprehensive and undaunted in the face of challenges. She has been

compassionate about her work and committed to meeting the public's expectations of a regulatory role. We thank her for her years of service to the public profession and the profession was very fortunate to have somebody like Ms. Bowers. On behalf of CalCPA, congratulations on your retirement.

- XV. Closed Session: Pursuant to Government Code Section 11126(a)(1), the California Board of Accountancy Will Meet in Closed Session to Conduct the Annual Evaluation of its Executive Officer.
- XVI. Closed Session: Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Convene into Closed Session to Receive Advice From Legal Counsel on Litigation.
- A. *Lanfeng Zhao and ELZ Accountancy Corporation v. California Board of Accountancy*, Los Angeles Superior Court, Case No. 18STCP02951.
- B. *Michael D. Robinson v. California Board of Accountancy*, San Francisco County Superior Court, Case No. CPF-19-516602.
- XVII. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene into Closed Session to Deliberate on Enforcement Matters.

There being no further business to conduct, President Savoy adjourned the meeting at 2:28 p.m. on Thursday, November 17, 2022.

\_\_\_\_\_ Katrina L. Salazar, CPA, President

\_\_\_\_\_ Joseph Rosenbaum, CPA, Secretary/Treasurer

Rebecca Reed, Board Relations Analyst, and Dominic Franzella, Acting Executive Officer, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.



**California Board of Accountancy**  
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**CERT Item II.  
CBA Item XIII.B.**  
January 26-27, 2023  
**DRAFT**

**DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY**

**MINUTES OF THE  
September 15, 2022  
CONSIDERATION OF THE CPA EXPERIENCE REQUIREMENTS TASKFORCE**

California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Katrina L. Salazar, CPA, Consideration of the CPA Experience Requirements Taskforce (CERT) Chair, called to order the regularly scheduled meeting of the California Board of Accountancy (CBA) CERT at 12:00 p.m. on Thursday, September 15, 2022.

Chair Salazar read the following into the record:

The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

CERT Members

Katrina L. Salazar, CPA, Chair	12:00 p.m. to 2:54 p.m.
Karriann Farrell Hinds, Esq., Vice Chair	12:00 p.m. to 2:54 p.m.
Nancy J. Corrigan, CPA	12:00 p.m. to 2:54 p.m.
Daniel J. Dustin, CPA	12:00 p.m. to 2:54 p.m.
Kathy A. Johnson, CPA	Absent
Luz Molina Lopez	12:00 p.m. to 2:54 p.m.
David Senteney, Ph.D., CPA	12:00 p.m. to 2:54 p.m.
Rich Simitian, CPA	12:00 p.m. to 2:54 p.m.
Michael L. Williams, CPA	12:00 p.m. to 2:54 p.m.

September 15, 2022

CBA Members

None

Other Committee Members

Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)  
Doug Aguilera, Chair, Enforcement Advisory Committee

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Michelle Center, Chief, Licensing Division  
Elizabeth Coronel, Strategic Business Analyst, Department of Consumer Affairs (DCA)  
Emmanuel Estacio, Information Technology Support Analyst  
Dominic Franzella, Chief, Enforcement Division  
Amir Larian, Information Technology Associate  
Michael Lieberman, Manager, Licensing Division  
Kari O'Connor, Deputy Chief, Enforcement Division

Other Participants

Jason Fox, Vice President of Government Relations, California Society of Certified Public Accountants (CalCPA)

I. Public Comments for Items not on the Agenda.

No public comments were received.

II. Approve Minutes of the May 19, 2022 Consideration of the CPA Experience Requirements Taskforce Meeting.

**It was moved by Vice Chair Hinds and seconded by Ms. Corrigan to approve the minutes of the May 19, 2022 CERT meeting on the condition staff would verify the language of the minutes that documented a public comment made on CERT Agenda Item VI., and granting authority to staff to address any non-substantive edits.**

**Yes: Ms. Salazar, Ms. Hinds, Ms. Corrigan, Mr. Dustin, Ms. Lopez, Mr. Senteney and Mr. Simitian.**



**No: None.**

**Abstain: Mr. Williams.**

**Absent: Ms. Johnson.**

**The motion passed.**

III. Information Regarding the Purpose and Goal of the Consideration of the CPA Experience Requirements Taskforce Materials for the September 2022 Meeting (**Katrina L. Salazar, CPA, Chair**).

Ms. Salazar stated that the purpose of this agenda item is to provide CERT members with a framework for the materials for this meeting. She explained that the primary question for CERT consists of two parts, the necessity and the sufficiency of the present attest experience requirement. She noted that under **CERT Item XI**, CERT members will have the opportunity to determine if they are ready to make a recommendation on the necessity of the attest experience requirement.

IV. Additional Information Regarding Whether Other States Intend to Make Modifications to Their Existing Experience Requirements for CPA Licensure (**Written Report Only**).

Vice Chair Hinds discussed the 2021 written reports and highlighted the lack of response from all 55 jurisdictions to the poll regarding the experience requirement.

No public comments were received.

V. Information Regarding the American Institute of Certified Public Accountants' Report on Enhancing Audit Quality – 2021 Highlights and Progress (**Written Report Only**).

No public comments were received.

VI. Information Regarding the California Board of Accountancy Enforcement Division Processing Timeframes (**Dominic Franzella, Chief, Enforcement Division**).

Mr. Franzella provided information in response to a request made by CERT at its March 30, 2022 meeting on how other states without an attest experience requirement addressed enforcement and safeguards associated with not having an attest experience requirement as well as other states' processing times.

Mr. Franzella reported that CBA staff found that other state enforcement programs were equivalent to NASBA's guiding principles of enforcement, and staff determined that those guiding principles are equivalent to the CBA's own enforcement program.

Mr. Franzella reported that the CBA uses the Consumer Protection initiative, developed by the Department of Consumer Affairs, for its enforcement program and provided a comparison of the CBA's enforcement program performance measures to those of NASBA's guiding principles of enforcement.

No public comments were received.

VII. Information Regarding the California Board of Accountancy's Continuing Education Requirements (**Sarah Benedict, Licensing Manager**).

Ms. Benedict provided an overview of the continuing education requirements for CPAs. Mr. Simitian requested clarification regarding the renewal requirement for those who have a licensee with the authority to sign reports on attest engagements and those with general authority. Ms. Benedict and Mr. Franzella clarified that the continuing education requirements are not license type specific, but instead are based on the work conducted. Therefore, those engaging in attest work would most likely be required to complete the Accounting and Auditing or the Governmental Auditing continuing education requirement.

No public comments were received.

VIII. Discussion and Overview of California's Requirements Associated with the Accounting Profession's Requirements to Adhere to Professional Standards (**Dominic Franzella, Chief, Enforcement Division**).

Mr. Franzella provided a report on California's requirements related to the Accounting profession's requirements to adhere to professional standards. He noted that licensees, who are engaged to perform specified services, must be knowledgeable and diligent to ensure that any public accounting services they perform are in accordance with professional standards.

No public comments were received.

IX. Discussion and Overview Regarding Peer Review Reporting Standards and How Firm Deficiencies Correspond to Receiving a Pass with Deficiencies or Substandard (Fail) Peer Review Rating (**Michelle Center, Chief, Licensing Division and Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee**).

PROC Chair De Lyser, and Chief Center, presented an overview of peer review reporting standards, and how firm deficiencies correspond to peer review ratings.

CERT members discussed the various areas of the peer review requirement and deficiencies for California firms including:

- Between 2010 and 2013, California phased in firms to have mandatory peer reviews, and about 50% of firms had never gone through peer reviews before which resulted in an increase in failure rates.
- Whether there is a correlation to how the peer review results compare to the national level in other jurisdictions that may not require 500 hours of attest experience.
- Clarification about AICPA being the standard for the system review in the peer review program. The CBA follows these AICPA standards for their peer review program much like most of the other jurisdictions.
- The different reasons why a firm might fall within a substandard review and the pass with deficiency rate.
- The different types of follow-up actions required from firms that pass with a deficiency.

No public comments were received.

X. Discussion and Overview of California Board of Accountancy Advisory Committees' Feedback Regarding the Necessity of the Attest Experience Requirement (**Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee, Michael Williams, CPA, Chair, Qualifications Committee, and Doug Aguilera, CPA, Chair, Enforcement Advisory Committee**)

In its May meeting, CERT requested input from the Enforcement Advisory Committee (EAC), the PROC, and the Qualifications Committee (QC), regarding “the necessity of requiring attest experience for applicants seeking the authority to sign reports on attest engagements.”

The advisory committee chairs provided their reports at the September meeting. The PROC and QC reported unanimous support for the necessity of an attest experience requirement in support of the CBA mission. The EAC did not have consensus on the necessity of the attest experience requirement.

No public comments were received.

XI. Discussion and Overview of the Attest Experience Requirement Survey (**Dominic Franzella, Chief, Enforcement Division**).

Mr. Franzella provided an overview of the results of the CBA’s 2022 Attest Experience Requirement Survey.

No public comments were received.

XII. Discussion Regarding Possible Recommendations to the California Board of Accountancy Regarding Experience Required for CPA Licensure (**Dominic Franzella, Chief, Enforcement Division**).

Mr. Franzella provided an overview of this item and noted that the primary question for CERT's review is whether the present attest experience requirement is necessary and sufficient to support the CBA's mission to protect consumers. He noted that the agenda item gives CERT the opportunity to discuss an initial recommendation regarding the necessity of the attest experience requirement.

CERT members discussed various topics and raised various questions regarding the attest and general accounting experience requirements, as it related to California and nationally including:

- How other states without the attest experience requirement ensure appropriate safeguards.
- Discussed if the experience hours for the attest experience requirement is necessary, and if so, are the 500 hours sufficient?
- The reason(s) to continue to have A and G license types. If California no longer does this, and relies on one license, can it be viable for CPAs? Consumers may not be viable to the difference between the two licenses.

**It was moved by Ms. Corrigan to recommend to the California Board of Accountancy that the attest experience requirement is necessary for licensing CPAs in California.**

**Yes: Ms. Hinds, Ms. Corrigan, Ms. Lopez, Mr. Senteney, Mr. Williams**

**No: Ms. Salazar, Mr. Dustin, Mr. Simitian**

**The motion passed.**

Public Comment: EAC Chair Aguilera believes that in order to protect the consumer, the CBA should proactively make sure licensees who are potentially going to sign attest engagements are qualified and has previously completed an apprenticeship process.

XIII. Discussion and Possible Action to Approve the Proposed November Meeting Date for the Consideration of the CPA Experience Requirements Taskforce **(Dominic Franzella, Chief, Enforcement Division)**.

Mr. Franzella recommended that the discussion of a possible action to approve a proposed November meeting date be deferred until the CERT has a more clear direction on the recommendations with the experience requirements.

XIV. Agenda Items for Future CERT Meetings.

Chair Salazar suggested that Chief Franzella outlines possible agenda items for future considerations for the CBA's experience requirement in the next CERT meetings. The CERT will wait for the CBA's action and additional directive prior to scheduling the next CERT meeting.

No public comments were received.

There being no further business to conduct, Chair Salazar adjourned the meeting at 2:54 p.m.

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Katrina L. Salazar, CPA, Chair  
Consideration of the CPA Experience Requirements Taskforce

Prepared by: Justin Kanenaga, Licensing Coordinator



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**LC Item II.**  
**CBA Item XIII.C.**  
 September 26-27, 2023  
**DRAFT**

**DEPARTMENT OF CONSUMER AFFAIRS**  
**CALIFORNIA BOARD OF ACCOUNTANCY**

**MINUTES OF THE**  
**July 21, 2022**  
**LEGISLATIVE COMMITTEE MEETING**

California Board of Accountancy  
 2450 Venture Oaks Way, Suite 420  
 Sacramento, CA 95833  
 Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Legislative Committee (LC) Chair, Dan Jacobson, Esq. called the meeting to order at 10:15 a.m. on Thursday, July 21, 2022.

Mr. Jacobson read the following into the record:

“The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.”

LC Members

Dan Jacobson, Esq., Chair  
 Yen C. Tu, Vice Chair  
 Kristian Latta, CPA  
 Katrina L. Salazar, CPA  
 Karriann Farrell Hinds, Esq.  
 Deidre Robinson

July 21, 2022

10:15 a.m. to 10:35 a.m.  
 10:15 a.m. to 10:35 a.m.  
 10:15 a.m. to 10:35 a.m.  
 10:15 a.m. to 10:35 a.m.  
 Absent  
 Absent

CBA Members Observing

Michael M. Savoy, CPA, President  
Nancy J. Corrigan, CPA  
Zuhdia “Dee” Owens, CPA  
Luz Molina Lopez  
Evangeline Ward

CBA Committee Chairs and Members Observing

Jeff DeLyser CPA, Chair, Peer Review Oversight Committee (PROC)  
Douglas Aguilera, CPA, Chair, Enforcement Advisory Committee (EAC)  
Kathy Johnson CPA, Vice Chair, EAC  
Laura Ross, CPA, Vice Chair, PROC

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Dominic Franzella, Chief, Enforcement Division  
Michelle Center, Chief, Licensing Division  
Patrick Ibarra, Information and Planning Officer  
Helen Geoffroy, Legal Counsel, Department of Consumer Affairs (DCA)  
Elizabeth Coronel, Moderator, DCA  
Theodore Dracar, Deputy Attorney General (DAG), Department of Justice (DOJ)  
Suzanne Gracia, CBA Special Projects Manager  
Mary Kathryn Cruz Jones, Staff Services Manager, Executive Office, DCA  
Emmanuel Estacio, Information Technology (IT) Staff  
Amir Larian, IT Staff  
Kari O’Connor, Deputy Chief, Enforcement Division  
Matt Woodcheke, Information Officer II, Office of Public Affairs, DCA  
Rebecca Reed, Board Relations Analyst  
Peter Renevitz, Legislative Analyst  
Wayne Wilson, Information Analyst  
Cesar Victoria, Television Specialist, DCA  
Ann Fisher, Facilitator, DCA

Other Participants

Jason Fox, Vice-President of Government Relations, California Society of Certified Public Accountants (CalCPA)  
Denise Froemming, CPA, President and Chief Executive Officer, CalCPA  
Pat Joyce, The Accounting Coalition

**I. Public Comments for Items Not on the Agenda.**

No public comments were received.

**II. Approve Minutes of the May 19, 2022 Legislative Committee Meeting.**

**It was moved by Ms. Tu and seconded by Ms. Salazar to approve the minutes of the May 19, 2022 LC meeting.**

**Yes: Mr. Jacobson, Ms. Latta, Ms. Salazar, Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Ms. Robinson.**

**The motion passed.**

**III. Legislative Tracking Chart, 2022 Legislative Calendar, and Considerations for Taking Positions on Legislation.**

This was a written report only.

**IV. Review and Consideration of Possible Positions on Legislation.**

At the approval of the Legislative Committee, staff only provided a presentation on Senate Bill 731 (Item IV.E) as the other bills under this agenda item had either no amendments, or only minor amendments that did not materially impact the CBA's position since the prior CBA meeting.

**E. Senate Bill 731 – Criminal Records: Relief.**

Mr. Ibarra reported that Senate Bill (SB) 731 would require the Department of Justice to expand the provisions regarding criminal record relief, without requiring a petition or motion by a party for that relief, to include an arrest and a conviction of a felony, if specified conditions are met.

The CBA had previously adopted a Watch position on this measure.

Staff recommended the CBA consider changing its position to Oppose, Unless Amended. Staff are concerned that this bill would limit the CBA's ability to consider financial felony crime convictions for CPA licensure applicants. Specifically, the staff recommends the CBA request the author ensure, or amend SB 731, if necessary, to enable the CBA to continue its present authority to look at matters beyond the seven-year period that is referenced in Business and Professions Code section 480(a)(1).

Staff reported that the bill was on the Senate Floor for Concurrence in Assembly amendments.



**It was moved by Ms. Tu and seconded by Ms. Salazar to recommend a change in the CBA's position to Oppose, Unless Amended on SB 731.**

**Yes: Mr. Jacobson, Ms. Latta, Ms. Salazar, Ms. Tu.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds, Ms. Robinson.**

**The motion passed.**

**V Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring.**

- A. Assembly Bill 1715 – Space Force.
- B. Assembly Bill 2449 – Open Meetings: Local Agencies: Teleconferences.
- C. Assembly Bill 2893 – Administrative Procedure Act: Standardized Regulatory Impact Analysis: Comments.

Mr. Ibarra reported that several bills previously on this list were removed as they failed to meet legislative deadlines. Staff will continue to monitor the bills listed through August 31, 2022, which is the last day for the Legislature to pass bills.

**VI. Agenda Items for Future LC Meetings.**

None.

There being no further business to be conducted, Mr. Jacobson adjourned the meeting at 10:35 a.m.



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**CPC Item II.**  
**CBA Item XIII.D.**  
 January 26-27, 2023  
**DRAFT**

**DEPARTMENT OF CONSUMER AFFAIRS**  
**CALIFORNIA BOARD OF ACCOUNTANCY**

**MINUTES OF THE**  
**September 22, 2022**  
**COMMITTEE ON PROFESSIONAL CONDUCT MEETING**

California Board of Accountancy  
 2450 Venture Oaks Way, Suite 420  
 Sacramento, CA 95833  
 Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Committee on Professional Conduct (CPC) Chair Zuhdia “Dee Dee” Owens, CPA, called the meeting to order at 9:00 a.m. on Thursday, September 22, 2022. The CPC held the meeting in person with the ability to attend via teleconference.

Chair Owens read the following into the record:

The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

CPC Members

Zuhdia “Dee Dee” Owens, CPA, Chair  
 Karriann Farrell Hinds, Esq., Vice Chair  
 Nancy J. Corrigan, CPA  
 Ariel Pe  
 Joseph Rosenbaum, CPA  
 Evangeline Ward  
 Yen C. Tu

September 22, 2022

9:00 a.m. to 9:37 a.m.  
 9:00 a.m. to 9:37 a.m.  
 9:00 a.m. to 9:37 a.m.  
 9:00 a.m. to 9:37 a.m.  
 9:00 a.m. to 9:37 a.m.  
 9:00 a.m. to 9:37 a.m.  
 Absent

CBA Members Observing

Michael M. Savoy, CPA, President  
Dan Jacobson, Esq.  
Kristian Latta, CPA

CBA Committee Chairs and Members Observing

Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)  
Douglas Aguilera, CPA, Chair, Enforcement Advisory Committee (EAC)  
Michael L. Williams, CPA, Chair, Qualifications Committee

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Dominic Franzella, Chief, Enforcement Division  
Michelle Center, Chief, Licensing Division  
Patrick Ibarra, Information and Planning Officer  
Helen Geoffroy, Legal Counsel, Department of Consumer Affairs (DCA)  
Suzanne Gracia, Manager, Business Modernization Project  
Elizabeth Coronel, Strategic Business Analyst, DCA  
Emmanuel Estacio, Information Technology (IT) Staff  
Daryl Holloway, Staff Services Manager, DCA  
Alegra Kieth, Assistant Human Resources Liaison  
Denise Murata, Manager, Licensing Division  
Gregory Pruden, Staff Services Manager, DCA  
Cesar Victoria, Staff Services Manager, DCA  
Matt Woodcheke, DCA, Manager, Office of Public Affairs  
Amir Larian, IT Staff  
Rebecca Reed, Board Relations Analyst  
Peter Renevitz, Legislative Analyst  
Wayne Wilson, Special Projects Analyst

Other Participants

Matt Borasi, Director of Government Relations, California Society of CPAs (CalCPA)  
Patricia Hartman, Director of Client Services, National Association of State Boards of Accountancy (NASBA)  
Pat Joyce, The Accountant's Coalition (TAC)  
Katie Slaughter  
Tammy Velasquez, TAC

I. Public Comments for items not on the Agenda.

No public comments were received.

II. Approve Minutes of the July 21, 2022 Committee on Professional Conduct Meeting.

**It was moved by Mr. Pe and seconded by Mr. Rosenbaum to adopt the minutes of the July 21, 2022 CPC meeting.**

**Yes: Ms. Corrigan, Ms. Hinds, Ms. Owens, Mr. Rosenbaum, Mr. Pe, and Ms. Ward.**

**No: None.**

**Absent: Ms. Tu.**

**Abstain: None.**

**The motion passed.**

- III. Discussion and Possible Action to Initiate a Rulemaking to Amend California Code of Regulations, Title 16, Sections 6 – Examination Required, Passing Grades, Provisions for Disabled Applicants, 7.1 – Credit Status for the Computerized Uniform CPA Examination, 8.2 – Requirements for Issuance of the Authorization to Test, 9.2 – Education Required Under Business and Professions Code Sections 5092 and 5093, and 13 – Applicants Who Applied for the Examination Prior to May 12, 2002, and to Add California Code of Regulations, Title 16, Sections 7.3 – Transition to Core Plus Discipline Uniform CPA Examination and 9.3 – Early Admission to the Uniform CPA Examination Under Business and Professions Code Section 5093.5 (**Michelle Center, Chief, Licensing Division**).

Ms. Center provided an overview of Business and Professions Code section 5093.5 that established early entry to the Uniform CPA Examination and CPA Evolution licensure model topics that pertain to the regulatory package.

Ms. Center also provided a summary of the changes in each section of the California Code of Regulations that is proposed to be amended, repealed, or added.

**It was moved by Ms. Corrigan and seconded by Mr. Pe to approve the proposed recommendation that the CBA:**

- **Rescind the CBA's November 2018 motion and prior proposed text for CCR section 7.1;**
- **Approve the proposed regulatory language presented in Attachment 1;**
- **Approve the proposed COE-1 (7/2022 New) presented in Attachment 2;**
- **Direct staff to submit the text and form to the Director of the Department of Consumer Affairs and the Business, Consumer Services, and Housing Agency for review; and**
- **If no adverse comments are received, authorize the Executive Officer to take all steps necessary to initiate the rulemaking process, make any non-substantive changes to the package, and set the matter for hearing if one is requested.**
- **If no adverse comments are received during the 45-day comment period and no hearing is requested, authorize the Executive Officer to take all steps necessary to complete the rulemaking to amend CCR sections 6, 7.1, 8.2,**

**9.2, and adopt proposed regulations at CCR sections 7.3 and 9.3, and repeal CCR section 13 as noticed.**

**Yes: Ms. Corrigan, Ms. Hinds, Ms. Owens, Mr. Rosenbaum, Mr. Pe, Ms. Ward.**

**No: None.**

**Absent: Ms. Tu.**

**Abstain: None.**

**The motion passed.**

**IV. Discussion and Possible Action to Initiate a Rulemaking to Add California Code of Regulations, Title 16, Section 54.3 – Sale or Transfer of Licensee’s Practice and 54.4 – Discontinuance of Licensee’s Practice (**Dominic Franzella, Chief, Enforcement Division**).**

Mr. Franzella provided an overview of a rulemaking to adopt regulations regarding the sale, transfer, or discontinuance of a licensee’s practice.

**It was moved by Ms. Hinds and seconded by Mr. Rosenbaum to adopt the recommendation that the CBA:**

- **Approve the proposed regulatory text for sections 54.3 and 54.4, as presented.**
- **Direct staff to submit the text to the Director of DCA and to the Business, Consumer Services, and Housing Agency for review, and if no adverse comments are received, authorize the Executive Officer to take all steps necessary to initiate the rulemaking process, make any non-substantive changes to the package, and set the matter for hearing.**
- **If no adverse comments are received during the 45-day comment period or during the public hearing, authorize the Executive Officer to take all steps necessary to complete the rulemaking and adopt the proposed regulations at sections 54.3 and 54.4 as noticed.**

**Yes: Ms. Corrigan, Ms. Hinds, Ms. Owens, Mr. Rosenbaum, Mr. Pe, and Ms. Ward.**

**No: None.**

**Absent: Ms. Tu.**

**Abstain: None.**

**The motion passed.**

V. Agenda Items for Future CPC Meetings.

None.

There being no further business to be conducted, Ms. Owens adjourned the meeting at 9:37 a.m. on Thursday, September 22, 2022.



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**EPOC Item II.  
CBA Item XIII.E.**  
November 17, 2022  
**DRAFT**

**DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY**

**MINUTES OF THE  
November 17, 2022  
ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE**

California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Enforcement Program Oversight Committee (EPOC) Chair, Ariel Pe, called the meeting to order at 9:00 a.m. on Thursday, November 17, 2022. The EPOC held the meeting in person with the ability to attend via teleconference.

Chair Pe read the following into the record:

The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

EPOC Members

Ariel Pe, Chair	9:00 a.m. to 9:17 a.m.
Xochitl León, Vice Chair	Absent
Nancy Corrigan, CPA	9:00 a.m. to 9:17 a.m.
Luz Molina Lopez	9:00 a.m. to 9:17 a.m.
Zuhdia “Dee Dee” Owens, CPA	9:00 a.m. to 9:17 a.m.
Deidre Robinson	Absent
Joseph Rosenbaum, CPA	9:00 a.m. to 9:17 a.m.

CBA Members Observing

Michael M. Savoy, CPA, President  
Katrina L. Salazar, CPA, Vice-President  
Yen C. Tu, Secretary/Treasurer  
Kristian Latta, CPA

CBA Committee Chairs and Members Observing

Douglas Aquilera, CPA, Chair, Enforcement Advisory Committee (EAC)  
Michael L. Williams, CPA, Chair, Qualifications Committee (QC)

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Sarah Benedict, Manager, Renewals and Continuing Competency Unit  
Michelle Center, Chief, Licensing Division  
Elizabeth Coronel, Strategic Business Analyst, Department of Consumer Affairs (DCA)  
Ted S. Dracar, Deputy Attorney General (DAG), Department of Justice (DOJ)  
Emmanuel Estacio, Information Technology Support Analyst  
Dominic Franzella, Chief, Enforcement Division  
Helen Geoffroy, Legal Counsel, DCA  
Patrick Ibarra, Information and Planning Officer  
Alegra Keith, Personnel Specialist  
Amir Larian, Information Technology Support Analyst  
Eulalio Ortega, Manager, Examinations Unit  
Rebecca Reed, Board Relations Analyst  
Cesar Victoria, Television Specialist, Office of Public Affairs, DCA

Other Participants

Jason Fox, Vice President of Government Relations, California Society of CPAs (CalCPA)  
Pat Joyce, The Accountant's Coalition

I. Public Comments for Items not on the Agenda.

No public comments were received.

II. Approve Minutes of the July 21, 2022 Enforcement Program Oversight Committee Meeting.

**It was moved by Ms. Owens and seconded by Ms. Corrigan to approve the minutes of the July 21, 2022 Enforcement Program Oversight Committee Meeting.**

**Yes: Ms. Corrigan, Ms. Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum.**

**No: None.**



**Absent: Ms. Leon and Ms. Robinson.**

- III. Discussion and Possible Action to Incorporate into the Disciplinary and Petitions Processes the National Association of State Boards of Accountancy's Center for the Public's Trust Ethics Leadership Training (**Dominic Franzella, Chief, Enforcement Division**).

Mr. Franzella presented information regarding the National Association of State Boards of Accountancy's (NASBA) Center for the Public's Trust (CPT) Ethics Leadership Training for possible incorporation into the CBA Disciplinary Guidelines and Petition process on a case-by-case basis.

**It was moved by Ms. Corrigan and seconded by Ms. Owens to recommend that the CBA incorporate the NASBA CPT Ethics Leadership Training into the disciplinary and petitions processes on a case-by-case basis.**

**Yes: Ms. Corrigan, Ms. Lopez, Ms. Owens, Mr. Pe, Mr. Rosenbaum.**

- IV. Discussion and Possible Action Regarding Information Provided to Individuals Petitioning for Termination of Probation or Reduction of Penalty Pursuant to Business and Professions Code Section 5115 (**Dominic Franzella, Chief, Enforcement Division**).

Mr. Franzella presented information regarding the petition process for individuals who petition for reinstatement of a certificate or reduction in penalty and the revisions staff have performed to the CBA's Petition Hearings Manual.

No action was taken on this item.

- V. Agenda Items for Next Meeting.

No agenda items were discussed.

Adjournment

Having no further business to conduct, Chair Pe adjourned the meeting at 9:17 a.m.



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**CBA Item XIII.F.**  
 January 26-27, 2023

**DEPARTMENT OF CONSUMER AFFAIRS  
 CALIFORNIA BOARD OF ACCOUNTANCY**

**MINUTES OF THE  
 May 13, 2022  
 PEER REVIEW OVERSIGHT COMMITTEE MEETING**

California Board of Accountancy  
 2450 Venture Oaks Way, Suite 420  
 Sacramento, CA 95833  
 Telephone: (916) 263-3680

Velocity Financial Inc.  
 30699 Russell Ranch Rd., Ste. 295  
 Westlake Village, CA 91362  
 Telephone: (818) 483-1817

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Laura Ross, CPA, Peer Review Oversight Committee (PROC) Vice-Chair, called to order the regularly scheduled meeting of the California Board of Accountancy (CBA) PROC at 11:00 a.m. on May 13, 2022.

Ms. Ross read the following into the record:

“The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.”

Members

Jeffrey De Lyser, CPA, Chair  
 Laura Ross, CPA, Vice-Chair  
 Fausto Hinojosa, CPA  
 Nick Petersen, CPA

May 13, 2022

Absent  
 11:00 a.m. to 11:53 a.m.  
 11:00 a.m. to 11:53 a.m.  
 11:00 a.m. to 11:53 a.m.

Members

Sharon Selleck, CPA  
Fiona Tam, CPA

May 13, 2022

11:00 a.m. to 11:53 a.m.  
11:00 a.m. to 11:53 a.m.

CBA Member

Xochitl León

CBA Staff

Deanne Pearce, Assistant Executive Officer  
Sarah Benedict, License Renewal Manager  
Michelle Center, Chief, Licensing Chief  
Emmanuel Estacio, Information Technology Support Analyst  
Amir Larian, Website Analyst  
Matthew Parsons, License Renewal Coordinator

Other Participants

Elizabeth Coronel, Department of Consumer Affairs  
Ann Fisher, Department of Consumer Affairs  
Mike Sanchez, Department of Consumer Affairs  
Vinit Shrawagi, California Society of Certified Public Accountants (CalCPA)

I. Public Comments for Items Not on the Agenda

None.

II. Report of the Committee Chair (**Laura Ross, CPA**).

A. Approval of the February 18, 2022 PROC Meeting Minutes.

**It was moved by Member Petersen and seconded by Member Hinojosa to approve the minutes of the February 18, 2022 PROC meeting.**

**Yes: Laura Ross, Fiona Tam, Sharon Selleck, Nick Petersen, Fausto Hinojosa.**

**No: None.**

**Abstain: None.**

**Absent: Jeffrey De Lyser.**

There were no public comments.

**The motion passed.**

III. Report of the California Board of Accountancy Liaison (**Xochitl León**).

Ms. León provided an update to PROC members.

Ms. León noted the CBA will hold its next meeting on May 19-20, 2022.

There were no public comments.

IV. Report on Peer Review Oversight Committee Oversight Activities Since February 18, 2022 and Future Activities (**Laura Ross, CPA**).

A. Report on the California Society of Certified Public Accountants Report Acceptance Body Meetings.

This was a written report only.

There were no public comments.

B. Report and Discussion on the Peer Review Oversight Committee Oversight of Out-of-State Administering Entities: Pennsylvania Institute of CPAs (New York, Pennsylvania, Delaware, and the Virgin Islands) and the Peer Review Alliance (Illinois, Indiana, Iowa, Kentucky, South Carolina, West Virginia, and Wisconsin)

This was a written report only.

There were no public comments.

C. Report on Notices Posted on the American Institute of Certified Public Accountants' and National Association of State Boards of Accountancy's Websites Regarding Changes and Updates to the Peer Review Program.

Ms. Selleck provided an overview of this report.

There were no public comments.

D. Assignment of Future Peer Review Oversight Committee Oversight Roles, Responsibilities, Activities, and Assignments (**Laura Ross, CPA**).

Ms. Ross highlighted upcoming PROC oversight activities and requested PROC members to participate and accept new assignments for upcoming PROC oversight activities.

Peer Review-Related Updates for August 2022 PROC Meeting

- American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA) Websites–Member Selleck

#### Out-of-State Administering Entities

- Georgia Society of CPAs–Member Ross
- Coastal Peer Review, Inc.–Members Hinojosa and De Lyser

CalCPA Peer Review Committee Meeting, May 26<sup>th</sup>, 2022, Southern California–Member Tam

#### CalCPA Report Acceptance Body Meetings

- Member Tam–June 14, 2022 at 9:00 a.m.
- Member Selleck–June 14, 2022 at 2:00 p.m.
- Member Tam–June 16, 2022 at 9:00 a.m.
- Member Petersen–June 21, 2022 at 9:00 a.m.
- Member Hinojosa–June 21, 2022 at 2:00 p.m.
- Member Ross–July 5, 2022 at 2:00 p.m.
- Member Petersen–July 7, 2022 at 9:00 a.m.
- Member Hinojosa–July 7, 2022 at 2:00 p.m.
- Member Selleck–July 19, 2022 at 2:00 p.m.

#### CBA Meetings

- May 19-20, 2022–Chair De Lyser and Vice-Chair Ross
- July 21-22, 2022–Chair De Lyser and Vice-Chair Ross

Peer Review Conference, St. Louis, MO, August 8-10, 2022

- Member Hinojosa (in-person)
- Members Selleck and Petersen (virtual)

There were no public comments.

#### V. Report of the Licensing Chief (**Sarah Benedict, Manager, Renewal and Continuing Competency Unit**).

##### A. Discussion and Approval of the Proposed Amendments to the Peer Review Oversight Committee Procedure Manual.

Ms. Benedict provided an overview of this report.

**It was moved by Member Hinojosa and seconded by Member Petersen to approve the Amendments to the Peer Review Oversight Committee Procedure Manual.**

**Amendments added to the motion are as follows:**

- 1. Include verbiage in the ASV checklist that ensures that technical reviewers of the administering entity do not conflict with firms that they review at a RAB or during a peer review procedure.**
- 2. Clarify with CalCPA and AICPA regarding whether or not peer reviewers can have a substandard or pass with deficiency rating.**
- 3. Review the annual statistics listed to ensure that they are consistent with what is provided by AICPA.**
- 4. Delegate authority to PROC Chair Jeffrey De Lyser to make additional edits as necessary and to approve the manual for presentation to the CBA.**

**Yes: Laura Ross, Fiona Tam, Sharon Selleck, Nick Petersen, Fausto Hinojosa.**

**No: None.**

**Abstain: None.**

**Absent: Jeffrey De Lyser.**

There were no public comments.

**The motion passed.**

## VI. Closing Business (**Laura Ross, CPA**).

### A. Agenda Items for Future Peer Review Oversight Committee Meetings

There were no public comments.

## VII. Adjournment

Having no further business to conduct, the PROC meeting adjourned at approximately 11:53 a.m.

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Laura Ross, CPA, Vice Chair  
Peer Review Oversight Committee

Prepared by: Matthew Parsons, Renewal and Continuing Competency Unit Coordinator



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**CBA Item XIII.G.**  
January 26-27, 2023

**DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY**

**MINUTES OF THE  
August 12, 2022  
PEER REVIEW OVERSIGHT COMMITTEE MEETING**

California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Jeffrey De Lyser, CPA, Peer Review Oversight Committee (PROC) Chair, called to order the regularly scheduled meeting of the California Board of Accountancy (CBA) PROC at 11:00 a.m. on August 12, 2022.

Chair De Lyser read the following into the record:

The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

Members

Jeffrey De Lyser, CPA, Chair  
Laura Ross, CPA, Vice Chair  
Fausto Hinojosa, CPA  
Nick Petersen, CPA  
Sharon Selleck, CPA  
Fiona Tam, CPA

August 12, 2022

11:00 a.m. to 12:31 p.m.  
11:00 a.m. to 12:31 p.m.  
11:00 a.m. to 12:31 p.m.  
Absent  
Absent  
11:00 a.m. to 12:31 p.m.

CBA Member

Evangeline Ward

CBA Staff

Sarah Benedict, License Renewal Manager  
Michelle Center, Chief, Licensing Division  
Emmanuel Estacio, Information Technology Support Analyst  
Dominic Franzella, Chief, Enforcement Division  
Amir Larian, Website Analyst  
Matthew Parsons, License Renewal Coordinator

Other Participants

Elizabeth Coronel, Strategic Business Analyst, Department of Consumer Affairs (DCA)  
Daryl Holloway, Legislative Analyst, Legislative Affairs, DCA  
Vinit Shrawagi, California Society of Certified Public Accountants (CalCPA)

I. Public Comments for Items Not on the Agenda

None.

II. Report of the Committee Chair (**Jeffery De Lyser, CPA**).

A. Approval of the May 13, 2022 PROC Meeting Minutes.

**It was moved by Member Hinojosa and seconded by Member Tam to approve the May 13, 2022 PROC meeting minutes.**

**Yes: Fiona Tam, Fausto Hinojosa, Laura Ross.**

**No: None.**

**Abstain: Member De Lyser.**

**Absent: Member Selleck, Member Petersen.**

**The motion did not pass. The May 13, 2022 PROC Meeting Minutes will be brought to the December 9, 2022 PROC meeting for a vote.**

B. Discussion and Approval of Proposed 2023 Peer Review Oversight Committee Meeting Dates.

**It was moved by Vice Chair Ross and seconded by Member Hinojosa to approve the 2023 Peer Review Oversight Committee Meeting Dates.**

**Yes: Jeff De Lyser, Laura Ross, Fiona Tam, Fausto Hinojosa.**

**No: None.**

**Abstain: None.**



**Absent: Member Selleck, Member Petersen.**

**The motion passed.**

III. Report of the California Board of Accountancy Liaison (**Evangeline Ward**).

Liaison Ward provided an update to PROC members.

Liaison Ward noted the CBA will hold its next meeting on September 22-23, 2022.

There were no public comments.

IV. Report on Peer Review Oversight Committee Oversight Activities Since May 13, 2022 and Future Activities (**Jeffrey De Lyser, CPA**).

A. Report on the California Society of Certified Public Accountants Report Acceptance Body Meetings, and the California Society of Certified Public Accountants Peer Review Committee Meeting.

Member Tam provided an overview of this report.

There were no public comments.

B. Report and Discussion on the Peer Review Oversight Committee Oversight of Out-of-State Administering Entities: Georgia Society of CPAs and the Coastal Peer Review, Inc. (Maryland and North Carolina).

Vice Chair Ross and Member Hinojosa provided an overview of this report.

There were no public comments.

C. Report on Notices Posted on the American Institute of Certified Public Accountants' and National Association of State Boards of Accountancy's Websites Regarding Changes and Updates to the Peer Review Program.

This was a written report only.

There were no public comments.

D. Assignment of Future Peer Review Oversight Committee Oversight Roles, Responsibilities, Activities, and Assignments (**Jeffrey De Lyser, CPA**).

Chair De Lyser highlighted upcoming PROC oversight activities and requested PROC members to participate and accept new assignments for upcoming PROC oversight activities.

#### Peer Review-Related Updates for December 2022 PROC Meeting

- American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA) Websites–Member Selleck

#### Out-of-State Administering Entities

- Massachusetts Society of CPAs–Member Hinojosa
- Ohio Society of CPAs–Vice Chair Ross

CalCPA Peer Review Committee Meeting, November 17-18, 2022, Sonoma–Member Tam

#### AICPA Peer Review Board Open Session Meetings

- Chair De Lyser–September 5, 2022
- Chair De Lyser and Member Tam–November 16, 2022

#### CalCPA Report Acceptance Body Meetings

- Member Selleck–August 23, 2022 at 2:00 p.m.
- Member Petersen–September 6, 2022 at 9:00 a.m.
- Member Hinojosa–September 8, 2022 at 2:00 p.m.
- Member Selleck–October 6, 2022 at 2:00 p.m.
- Member Petersen–October 25, 2022 at 2:00 p.m.
- Member Petersen–November 10, 2022 at 9:00 a.m.

#### CBA Meetings

- September 22-23, 2022–Chair De Lyser and Vice Chair Ross
- November 17-18, 2022–Chair De Lyser and Vice Chair Ross

#### 2022 Administrative Site Visit (Virtual)

- Member Hinojosa
- Vice Chair Ross

There were no public comments.

#### V. Report of the Licensing Chief (**Michelle Center, Chief, Licensing Division**).

- A. Report on the American Institute of Certified Public Accountants Peer Review Program, National Peer Review Committee, 2020 Annual Report on Oversight, Issued February 10, 2022.

This was a written report only.

There were no public comments.

- B. Report on the American Institute of Certified Public Accountants Peer Review Program Annual Report on Oversight, Issued April 18, 2022.

This was a written report only.

There were no public comments.

- C. Discussion Regarding Providing Input to the California Board of Accountancy's CPA Experience Requirements Taskforce on the Necessity of the Attest Experience Requirements for CPA Licensure.

Chief Center provided an overview of this report.

Members engaged in a discussion regarding the attest requirement. The results of the discussion will be presented at the September 15, 2022 CPA Experience Requirements Taskforce Meeting by Chief Center and Chair De Lyser.

There were no public comments.

## VI. Closing Business (**Jeffrey De Lyser, CPA**).

- A. Agenda Items for Future Peer Review Oversight Committee Meetings

There were no public comments.

## VII. Adjournment

Having no further business to conduct, the PROC meeting adjourned at approximately 12:31 p.m.

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Jeffrey De Lyser, CPA, Chair  
Peer Review Oversight Committee

Prepared by: Matthew Parsons, Renewal and Continuing Competency Unit Coordinator



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**CERT Item III.**  
**CBA Item XV.A.2.**  
January 26-27, 2023

**Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Whether the Present Attest Experience Requirement is Sufficient to Support the California Board of Accountancy Mission to Protect Consumers by Ensuring Only Qualified Licensees Practice Public Accountancy in Accordance With Professional Standards**

**Presented by Michelle Center, Licensing Chief**

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**Purpose of the Item**

The purpose of this agenda item is to provide for a discussion and possible recommendation, from the Consideration of the CPA Experience Requirements Taskforce (CERT) to the California Board of Accountancy (CBA), on whether the current attest experience requirement is sufficient to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with professional standards.

**Consumer Protection Objectives**

Ensuring the CBA maintains appropriate experience requirements for Certified Public Accountant (CPA) licensure helps ensure that applicants enter the practice of accountancy with knowledge of applicable professional standards.

**Action(s) Needed**

Discuss and make a recommendation regarding the sufficiency of the current attest experience requirement to protect consumers, by ensuring only qualified licensees practice public accountancy in accordance with professional standards.

**Background**

In November 2021, the CBA directed CERT to use the following question as a guide to evaluate the experience requirements for CPA licensure:

*Is the present attest experience requirement necessary and sufficient to support the CBA mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with professional standards?*

# **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Whether the Present Attest Experience Requirement is Sufficient to Support the California Board of Accountancy Mission to Protect Consumers by Ensuring Only Qualified Licensees Practice Public Accountancy in Accordance With Professional Standards**

Page 2 of 6

To effectively address this question, CERT broke down the question in two parts: (1) necessity and (2) sufficiency. At its September 2022 meeting, CERT made the following motion regarding a recommendation for CBA consideration on the necessity portion of the primary question.

*CERT recommends that the attest experience requirement is necessary for the authority to sign reports on attest engagements.*

At its November 2022 meeting, the CBA approved the CERT recommendation that the attest experience requirement is necessary for the authority to sign reports on attest engagements.

## **Comments**

With the CBA approval of the CERT recommendation regarding necessity, the CERT must now address the sufficiency of the current attest experience requirement.

### Existing Experience Requirements for CPA Licensure

Applicants are required to have a minimum of one year of qualifying general accounting experience. Experience can be gained in public accounting, private industry, government or academia.<sup>1</sup>

Public accounting experience shall be completed under the supervision of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Private industry or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

Applicants can earn experience providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. The work performed by applicants in these areas must be performed in accordance with applicable professional standards.

Nothing requires that applicants earn experience in all of the outlined areas. For example, an applicant could satisfy the general accounting experience requirement simply by completing a minimum of one year of experience in management advisory services.

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<sup>1</sup> Applicants can meet the one-year experience requirement by demonstrating instruction of 48 semester units, or its equivalent in quarter units, signed off by the dean, chair, or head of the applicant's department who has authority and oversight over the applicant.

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Whether the Present Attest Experience Requirement is Sufficient to Support the California Board of Accountancy Mission to Protect Consumers by Ensuring Only Qualified Licensees Practice Public Accountancy in Accordance With Professional Standards**

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Applicants demonstrate satisfactory completion of the general accounting experience requirement by having a *Certificate of General Experience* (either public or non-public) submitted on their behalf directly to the CBA. The *Certificate of General Experience* must be signed by their supervisor.<sup>2</sup> To be considered supervised experience, the applicants' supervisor shall have reviewed and evaluated the qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant. In signing the form, supervisors are confirming they have supervised the applicant and the applicant has completed general accounting experience. To document the general accounting experience, the supervisor supplies the dates of employment.

While supervisors are noting that at a minimum the applicant has completed general accounting experience, met the required time period, and done so in accordance with applicable professional standards, the supervisor is not expressing an opinion as to whether the applicant understands the applicable professional standards.

Upon issuance of a license with general accounting experience, licensees can perform the full scope of public accounting activities, with the exception that they cannot sign reports on attest engagements. Licensees issued a CPA license with general accounting experience can at a later date seek to convert the license to provide for the authority to sign reports on attest engagements by satisfying the attest experience requirement as outlined below.

For applicants who want the authority to sign reports on attest engagements, in addition to completing the general experience requirement, they must also document a minimum 500 hours of experience, satisfactory to the CBA, in attest services.<sup>3</sup> The minimum 500 hours must include all of the following:

- I. Experience in the planning of the audit including the selection of the procedures to be performed.
- II. Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.

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<sup>2</sup> The form must be signed by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience was gained in public accounting the second signature must be an owner of the public accounting firm holding a valid license or other comparable authority to practice public accountancy. A second signature is not required if the owner of the public accounting firm or private industry company is the individual signing the verification as the supervisor. The CBA is also initiating a rulemaking to remove the second signature requirement.

<sup>3</sup> In California, the CBA has defined attest services to "include an audit, a review of financial statements, or an examination of prospective financial information. Attest services shall not include the issuance of compiled financial statements."

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Whether the Present Attest Experience Requirement is Sufficient to Support the California Board of Accountancy Mission to Protect Consumers by Ensuring Only Qualified Licensees Practice Public Accountancy in Accordance With Professional Standards**

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- III. Experience in the preparation of working papers in connection with the various elements of (I.) and (II.) above.
- IV. Experience in the preparation of written explanations and comments on the work performed and its findings.
- V. Experience in the preparation of and reporting on full disclosure financial statements.

Applicants demonstrate satisfactory completion of the attest experience requirement by having a *Certificate of Attest Experience* (either public or non-public) submitted on their behalf directly to the CBA. The *Certificate of Attest Experience* must be signed by their supervisor. To be considered supervised experience, applicants' supervisor shall have reviewed and evaluated the qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.

For the experience to qualify, the CBA requires that supervisors opine as to whether applicants understand the various applicable professional standards that make up attest-related services. This is done by supervisors marking all of the boxes in Section I-V of the *Certificate of Attest Experience*. The requirement of supervisors to opine on an applicants' understanding of the applicable professional standards is a significant difference between the attest experience requirement and the general accounting experience requirement (where no such opinion on understanding is offered).

### Qualifications Committee Consideration of the Sufficiency of the Attest Experience Requirement

In response to a request from the CERT, the Qualifications Committee (QC) provided feedback on both the necessity and sufficiency of the attest experience requirement at its July 2022 meeting. QC members indicated support for the current attest experience requirement as both necessary and sufficient.

QC members agreed that attest engagements are a highly technical and specialized type of work that impacts consumers, business entities, investors, and the general public. CPAs who conduct comprehensive audits and sign off on attest engagements must understand risk and materiality. QC members explained that without the attest experience requirement, audits might not be completed appropriately and in accordance with professional standards.

While the QC members indicated that applicants, for the most part, would not be able to gain the necessary experience within the minimum of 500 hours of experience, they thought the current attest experience requirement, when considered as a single component within a multi-component system (e.g., QC review of work papers, peer review, enforcement), ensured an adequate level of consumer protection.

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Whether the Present Attest Experience Requirement is Sufficient to Support the California Board of Accountancy Mission to Protect Consumers by Ensuring Only Qualified Licensees Practice Public Accountancy in Accordance With Professional Standards**

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Additionally, the QC members discussed how the *Certificate of Attest Experience* was updated in 2020 upon members' recommendation and the approval of the CBA.

The updated *Certificate of Attest Experience* included clarifying language to ensure the attest experience obtained by applicants and reported on the *Certificate of Attest Experience* complies with the definition of accounting and auditing practice as presented in regulations. Some members expressed concern with changing the experience requirement when firms and applicants are just now learning how to complete the modified form.

### 2015 and 2022 Attest Survey Results

In 2015, the CBA engaged the services of a consulting firm to conduct a comprehensive survey asking California stakeholders general questions regarding California's attest experience requirement. This included approving targeted stakeholder audiences (new licensees 0-3 years, hiring manager/signers of the Certificate of Attest Experience form, individuals licensed between 10-20 years, pending applicants for licensure, university accounting programs/faculty and consumers) and areas/topics to explore for these audiences.

Within this survey, experienced CPAs were defined as licensed CPAs with 10-20 years of experience. The survey ran from August 2015 to October 2015 and the results were presented at the March 2016 CBA meeting. A total of 2,500 survey responses were received. Sixty-three percent of the experienced CPAs agreed that the CBA should maintain the current attest experience requirement and nineteen percent of the experienced CPAs believed that the CBA's attest experience requirement should be modified.

In August 2022, the CBA conducted a survey that asked the same questions regarding California's attest experience requirement. Sixty-two percent of the 3,047 respondents from the survey with three or more years as a licensed CPA agreed that the CBA should maintain the current attest experience requirement and 20% of the experienced CPAs believed that the CBA's attest experience requirement should be modified.

### Attest Experience Review

It is important to note that while the 500-hour requirement sets a floor for when an applicant may be considered to have a minimum number of hours, it is part of a multi-tier approach to demonstrating satisfactory completion of the attest experience requirement. As noted earlier, the requirement is also built on supervisors monitoring applicants' work to ensure that they not only perform work in identified areas, but that they have demonstrated knowledge of the professional standards governing those areas.



## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Whether the Present Attest Experience Requirement is Sufficient to Support the California Board of Accountancy Mission to Protect Consumers by Ensuring Only Qualified Licensees Practice Public Accountancy in Accordance With Professional Standards**

Page 6 of 6

Additionally, staff and the QC perform an instrumental role in evaluating completed experience forms as part of this multi-tier approach. Staff evaluate every experience form to ensure it is documented and completed appropriately. When reviewing these forms, staff consider not only the completion of the 500-hour requirement, but in what areas applicants earn those hours. If the hours appear overly weighted in one area, with limited amounts completed in the other required areas, staff can have the supervisor appear before the QC.

Additionally, given the recent changes to the five categories that make up the experience requirement, staff believe that now is not the time to undertake additional changes. Staff believe that these changes should be allowed to be in effect for a reasonable amount of time. Staff can continue to monitor for future changes to the attest experience requirement and, when necessary, bring those to the CBA for its consideration and possible modifications.

### **Fiscal/Economic Impact Considerations**

At this time, there are no fiscal/economic impacts to consider.

### **Recommendation**

Staff recommends that the CERT recommend to the CBA that the current attest experience requirement is sufficient for the protection of consumers by ensuring only qualified licensees practice public accountancy in accordance with professional standards.

### **Attachment**

None.



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**CERT Item IV.**  
**CBA Item XV.A.3.**  
January 26-27, 2023

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Accounting Firms Ability to Provide Attest Services When the Firm Owners Do Not Have Authority to Sign Reports on Attest Engagements**

**Presented by: Dominic Franzella, Acting Executive Officer**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the Consideration of the CPA Experience Requirements Taskforce (CERT) an opportunity to provide a recommendation to the California Board of Accountancy (CBA) regarding accounting firms providing attest services when the firm owners do not have authority to sign reports on attest engagements.

### **Consumer Protection Objectives**

Ensuring licensees, including accounting firms, are providing services to consumers in accordance with CBA statutes and regulations, and professional standards is consistent with the CBA's consumer protection mission.

### **Action(s) Needed**

No specific action is required on this agenda item, unless CERT believes additional recommendations on this topic should be evaluated by the CBA.

### **Background**

Since about 2019, the CBA has been discussing the topic of accounting firms that provide attest services when the firms' ownership is comprised solely of Certified Public Accountants (CPA) who are not authorized to sign reports on attest engagements. Over the course of several meetings, the CBA took actions to increase consumer protection around this issue, including enhanced client notification, peer review notification and professional responsibility through enforcement actions.

### **Client Notification and Peer Review Notification**

At its September 2021 meeting, the CBA took steps to initiate regulatory changes to modify California Code of Regulations (CCR) sections 41 and 50.1 related to client notification and peer review notification. The modification to CCR section 41 would

# Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Accounting Firms Ability to Provide Attest Services When the Firm Owners Do Not Have Authority to Sign Reports on Attest Engagements

Page 2 of 3

require a firm to notify the peer reviewer that no owner is authorized to sign reports on attest engagements prior to the commencement of the peer review. CCR section 50.1 would require the firm include in their engagement letters for attest services, a notification to the client of the name and license number of the CPA that the firm has authorized to sign the attest report on behalf of the accounting firm. The proposed amendments are provided in **Attachment 1** and **Attachment 2** for reference.

## Professional Responsibility Through Enforcement Actions

At the May 2022 CERT meeting, staff provided information regarding disciplinary actions against licensees related to work performed when the owner did not have authority to sign reports on attest engagements. Staff highlighted some concerns with the disciplinary framework in these instances.

The CBA took action to have staff begin exploring the following:

- Require ownership take the same responsibilities as accounting firms or as if they were the licensees who performed the engagement.
- Require accounting firms to make available the working papers to the licensee who signed the report on the attest engagement should the licensee no longer be employed with the accounting firm for purposes of any investigation conducted by the CBA.

## **Comments**

As the CBA began to implement actions regarding client notification, peer review, and professional responsibility/enforcement actions, other issues arose regarding the attest and general experience requirements, two of which make up **CERT Items V. and VI.** A third issue arose regarding a licensee (who completed general accounting experience) operating as an unincorporated sole proprietorship and hired a CPA to sign reports on an attest engagement.

Given the various issues regarding the attest and general experience requirements, the CBA paused completing the actions noted in the Background Section and established CERT to study the attest and general experience requirement. With CERT having recommended that the attest experience requirement is necessary, and the CBA having accepted that recommendation, CERT is pivoting to reviewing the various policy issues that were before the CBA.

As it pertains to the topic of accounting firms providing attest services when the firm owners do not have authority to sign reports on attest engagements, CERT will need to consider any additional recommendations beyond those outlined in the Background Section, if any. If the actions taken by the CBA appear sufficient then no further action is necessary on the part of CERT. If, however, CERT believes there are other

# **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Accounting Firms Ability to Provide Attest Services When the Firm Owners Do Not Have Authority to Sign Reports on Attest Engagements**

Page 3 of 3

recommendations it wishes to explore and eventually provide to the CBA, then it can request staff to prepare future items around this topic for its consideration.

The one area that the CBA had not considered prior to the establishment of CERT was the issue regarding a licensee (who completed general accounting experience) operating as an unincorporated sole proprietorship and hired a CPA to sign reports on an attest engagements.

Subsequent to the establishment of CERT, the CBA did file an accusation regarding this issue that alleged multiple violations, two of which included unauthorized signing of reports on an attest engagement and practice without a valid permit to sign reports on attest engagements. The accusation was settled, and the licensee was placed on probation, including a requirement to complete CE in ethics and Regulatory Review, maintain an active license, payment of a \$2,500 administrative penalty, prohibition from completing compilation services, and other standard terms and conditions.

Given that the CBA has taken action regarding this topic and determined that it is a violation, staff recommend that this topic be highlighted to licensees as part of the CBA Communications and Outreach Plan.

## **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

## **Recommendation**

As it relates to the specific issue regarding a licensee (who completed general accounting experience) operating as an unincorporated sole proprietorship and hired a CPA to sign reports on an attest engagements, staff recommend that the CERT accept the staff recommendation to recommend that the CBA highlight this topic as part of the CBA Communication and Outreach Plan.

## **Attachments**

1. Proposed Amendments to California Board of Accountancy Regulations Section 41, Firm Responsibilities
2. Proposed Amendments to California Board of Accountancy Regulations Section 50.1, Attest Client Notification Regarding Composition of Firm Ownership



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## Attachment 1

### **Proposed Amendments California Board of Accountancy Regulations Section 41 Firm Responsibilities**

#### § 41. Firm Responsibilities.

(a) A firm shall enroll with a Board-recognized peer review program provider, and shall cooperate with the Board-recognized peer review program provider with which the firm is enrolled to arrange, schedule, and complete a peer review, in addition to taking and completing any remedial or corrective actions prescribed by the Board-recognized peer review program provider.

(b) For a firm that issued reports on attest engagements as defined by Article 1, Section 2.4, and where the ownership of the firm is comprised solely of licensees who are not authorized to sign reports on attest engagements pursuant to Business and Professions Code section 5095, prior to the commencement of the peer review, the firm shall provide written notice to the Peer Reviewer or Peer View Team that the firm has no owner authorized to sign reports on attest engagements.

Note: Authority cited: Sections 5010, 5076 and 5095, Business and Professions Code.  
Reference: Sections 5076 and 5095, Business and Professions Code.



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## Attachment 2

### **Proposed Amendments California Board of Accountancy Regulations Section 50.1 Attest Client Notification Regarding Composition of Firm Ownership**

#### § 50.1. Attest Client Notification Regarding Composition of Firm Ownership.

Any licensee employed by a firm in which no licensee owners are authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095 must, prior to engaging in attest services, provide written notification to any attest client or prospective attest client of the ownership composition of the firm. The Notice shall include ~~be provided by any of the following methods:~~ (a) Providing a statement to ~~the attest client or prospective attest client~~ to be signed and dated by the client and retained in the client's records, which states the client or prospective client understands that no firm owners are authorized to sign reports on attest engagements and the name and license number of the licensee the firm has authorized and designated to sign the report on attest engagement on behalf of the firm.

~~(b) Posting a written notice on the firm's Internet Web site, disclosing all owner's names and whether each is authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095.~~

Note: Authority cited: Sections 5010, 5018 and 5095, Business and Professions Code.  
Reference: Sections 138, 5018 and 5095, Business and Professions Code.



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**CERT Item V.**  
**CBA Item XV.A.4.**  
January 26-27, 2023

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding How Licensees Who are Accounting Firm Owners Obtain Experience to Convert to a License with the Authority to Sign Reports on Attest Engagements**

**Presented by Michelle Center, Licensing Chief**

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### **Purpose of the Item**

The purpose of this agenda item is to serve as the Consideration of the CPA Experience Requirements Taskforce (CERT) starting point for discussion on possible recommendations to the California Board of Accountancy (CBA) regarding how accounting firm owners who obtained a CPA license with general accounting experience can gain the necessary experience to convert their license to have the authority to sign reports on attest engagements.

### **Consumer Protection Objectives**

The CBA's experience requirements are an important component of its mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with applicable professional standards.

### **Action(s) Needed**

CERT is asked to discuss possible ways firm owners can gain the necessary experience for licensure with attest authority.

### **Background**

At its September 2022 meeting, CERT recommended to the CBA that the attest experience requirement is necessary for CPA licensure, if the licensee wishes to sign reports on attest engagements. The CBA adopted CERT's recommendation at its November 2022 meeting. With the CBA's adoption of this recommendation, the CERT is now focusing on additional policy issues including the ability of accounting firm owners with a general license to obtain the necessary experience to convert their license to one with the attest designation.

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding How Licensees Who are Accounting Firm Owners Obtain Experience to Convert to a License with the Authority to Sign Reports on Attest Engagements**

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### **Comments**

The CBA receives inquiries from CPAs who were issued a license with general accounting experience wanting to convert to having their license with attest authority; however, these CPAs are owners of accounting firms. While the CBA receives conversion applications regularly, these are received from CPAs who are employees.

In order for experience to qualify, applicants' supervisor shall have reviewed and evaluated the qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant. This model centers on an employer-employee relationship.

CPAs who own their own practice have begun inquiring if they could have an employee at their accounting firm who has a CPA license issued with the authority to sign reports on attest engagements complete their Certificate of Attest Experience. Staff informed these individuals that an employee is not in a position that meets the definition of "supervisor." Specifically, there is not a reasonable way that an employee can have authority and oversight over owners of the accounting firm.

The present definition for supervision has been in place for nearly a decade. At the time the definition was drafted, it was designed to ensure that a clear employer-employee relationship existed so that the CBA could have a level of assurance regarding the supervision of the experience. The CBA never contemplated the need to have a definition that would allow for owners to have their worked supervised as a means to convert licenses to the attest authority.

With the CPA population markedly shifting to more applicants being approved for a license with general accounting experience, there is likely a need for the CBA to take steps to ensure these CPAs have an avenue to obtaining authority to sign reports on attest engagements. Absent taking steps, the population of available CPAs to perform attest work could reduce to a level that would minimize consumers' choices on who can provide these important services.

### **Options for Firm Owners to Obtain Attest Experience**

To accommodate licensees who are owners of accounting firms obtaining the necessary experience to convert their license to include the authority to sign attest reports, as a starting point for discussions, CERT may wish to consider allowing licensees to enter into an agreement or contract with another accounting firm or California CPA who would be responsible for the engagement and provide the appropriate oversight.

A model such as this would require a new framework and regulation to be implemented. It would require outlining specifics to ensure that parties agree to a certain structure



## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding How Licensees Who are Accounting Firm Owners Obtain Experience to Convert to a License with the Authority to Sign Reports on Attest Engagements**

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allowing for the owner to obtain the necessary experience whilst taking direction from an outside party. There would likely need to be discussion on the various permutations this could take through a Memorandum of Understanding or contract on whether this is being performed with the intention of the firm issuing the report signed by the outside party.

Another option CERT could discuss is modifications to the supervisor definition to allow for employees to sign off on employers' attest experience requirement. This would require an adjustment to the concept of "authority and oversight of the applicant." Additionally, consideration would need to be given about the perception of undue influence employers may have over their employees when the roles are reversed.

### **Fiscal/Economic Impact Considerations**

At this time, there are no fiscal/economic impacts to consider.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachment**

None.



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**CERT Item VI.**  
**CBA Item XV.A.5.**  
January 26-27, 2023

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Reciprocity Issued Under Business and Professions Code Section 5087**

**Presented by Michelle Center, Licensing Chief**

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### **Purpose of the Item**

The purpose of this agenda item is to provide an opportunity for the Consideration of the CPA Experience Requirements Taskforce (CERT) to discuss and possibly act on a recommendation regarding licenses issued with attest authority pursuant to Business and Professions Code (BPC) section 5087.

### **Consumer Protection Objectives**

Requiring applicants for Certified Public Accountant (CPA) licensure to meet specified requirements, including accounting experience, assists the California Board of Accountancy (CBA) in meeting its consumer protection mission by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

### **Action(s) Needed**

CERT is being asked to make a recommendation regarding the experience requirements for applicants seeking attest authority for those individuals with a valid license to practice public accounting in a state other than California and is applying pursuant to BPC 5087.

### **Background**

Since 1995, the Accountancy Act has included a section to address reciprocity. Reciprocity creates a more streamlined approach to licensure for individuals licensed in another state. BPC section 5087 – Reciprocity of License from Another State; Waiver of Examination Requirements (**Attachment 1**) provides the CBA the authority to waive the Uniform CPA Examination and issues a CPA license to an applicant who has a current, active and unrestrictive license issued in another state that is deemed to be substantially equivalent in education, examination and experience standards. BPC section 5087 specifies that those getting licensed under the reciprocity provision with the authority to sign reports on attest engagements shall meet the attest experience

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Reciprocity Issued Under Business and Professions Code Section 5087**

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requirements of BPC section 5095 (**Attachment 2**). BPC section 5095 – Minimum Number of Attest Services Hours; Attest Services establishes the minimum 500 hours of attest experience requirement for licensure.

In order to implement BPC section 5087 and address the attest experience requirements established in BPC section 5095, the CBA adopted California Code of Regulations (CCR), title 16, section 36.1(c) (**Attachment 3**), that requires out-of-state licensees who wish to obtain a CPA license with attest authority to show they have been “authorized to provide attest services ... in another state.” This regulatory language was adopted in 2013, when states were more likely to have included a requirement for attest experience. Additionally, the regulations contain provisions that prohibit California residents from using the reciprocity authorization to bypass California licensure standards.

### **Comments**

As currently implemented, applicants who possess a current, active and unrestricted license at the time of application, have been licensed for four of the last 10 years, and the state in which they are licensed has authorized them to sign reports on attest engagements are eligible to be licensed with the attest authority.

Consequently, the implementation of the regulations in the current environment (*i.e.*, only two out of 55 jurisdictions explicitly require attest experience) results in the possibility that licenses are issued with attest authority, pursuant to the reciprocity provisions, without attest experience. While this creates increased reciprocity for individuals seeking licensure in California, it may be that these individuals have never engaged in the attest functions or have not done so in some time, yet they are authorized to sign attest reports.

The CERT is asked to make recommendations if the CBA should continue to implement BPC section 5087 in this manner regarding applicants seeking attest authority. If so, it may wish to recommend to the CBA that CCR section 36.1 be amended to more clearly define this requirement.

### **Fiscal/Economic Impact Considerations**

At this time, there are no fiscal/economic impacts to consider.

### **Recommendation**

Staff does not have a recommendation on this agenda item.

### **Attachments**

1. Business and Professions Code section 5087
2. Business and Professions Code section 5095
3. California Code of Regulations section 36.1



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## Attachment 1

### **Business and Professions Code Section 5087**

(a) The board may issue a certified public accountant license to any applicant who is a holder of a current, active, and unrestricted certified public accountant license issued under the laws of any state, if the board determines that the standards under which the applicant received the license are substantially equivalent to the standards of education, examination, and experience established under this chapter and the applicant has not committed acts or crimes constituting grounds for denial under Section 480. To be authorized to sign reports on attest engagements, the applicant shall meet the requirements of Section 5095.

(b) The board may in particular cases waive any of the requirements regarding the circumstances in which the various parts of the examination were to be passed for an applicant from another state.

*(Amended by Stats. 2015, Ch. 430, Sec. 3. (AB 181) Effective January 1, 2016.)*



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## Attachment 2

### Business and Professions Code Section 5095

(a) To be authorized to sign reports on attest engagements, a licensee shall complete a minimum of 500 hours of experience, satisfactory to the board, in attest services.

(b) To qualify under this section, attest experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy and provide attest services, and this experience shall be verified. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy and perform attest services, and this experience shall be verified. An applicant may be required to present work papers or other evidence substantiating that the applicant has met the requirements of this section and any applicable regulations.

(c) The board shall adopt regulations to implement this section, including, but not limited to, a procedure for applicants under Section 5092 or Section 5093 to qualify under this section.

*(Amended by Stats. 2018, Ch. 422, Sec. 1. (SB 1492) Effective January 1, 2019.)*



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## Attachment 3

### California Code of Regulations, Title 16, Section 36.1

#### 36.1 – Out-of-State Licensee

(a) The Board will consider applications filed under Section 5087 from holders of current, active, and unrestricted Certified Public Accountant licenses issued under the laws of any state. The Board may deny an application when the facts indicate that the applicant has been a California resident before, during or after having obtained a CPA license in another state and when the facts indicate that the applicant's CPA license was obtained in another state to evade otherwise applicable California statutes and rules.

(b) An applicant pursuant to Business and Professions Code Section 5087 may be considered to have met the education, examination, and experience requirements for issuance of the California license if the applicant shows, to the satisfaction of the Board, that he or she has engaged in the practice of public accounting as a licensed Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

(c) An applicant pursuant to Business and Professions Code Section 5087 may be considered to have met the attest experience requirement of Section 5095 if the applicant shows to the satisfaction of the Board that he or she has been authorized to provide attest services and engaged in the practice of public accounting as a Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

**NOTE:** Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: Sections 5082, 5087 and 5095, Business and Professions Code.



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**CERT Item VII.**  
**CBA Item XV.A.6.**  
January 26-27, 2023

**Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Options for Addressing Possible Consumer Confusion Between CPA Licensees Who Maintain Licenses With or Without the Authority to Sign Reports on Attest Engagements**

**Presented by: Kari O'Connor, Deputy Enforcement Chief**

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**Purpose of the Item**

The purpose of this agenda item is to provide the Consideration of the CPA Experience Requirements Taskforce (CERT) an opportunity to provide a recommendation to the California Board of Accountancy (CBA) regarding addressing possible consumer confusion between CPA licensees who maintain licenses with or without the authority to sign report on attest engagements.

**Consumer Protection Objectives**

Ensuring that consumers are well informed of the services that a CPA is authorized and qualified to perform is consistent with the CBA's consumer protection mission.

**Action(s) Needed**

No specific action is required on this agenda item.

**Background**

Prior to the present CERT discussions regarding this topic, the Taskforce to Examine Experience for CPA Licensure (TEEL) reviewed the topic at its meeting in July 2013. TEEL members expressed concern that maintaining both an attest and general accounting experience requirement may mislead consumers to believe that a CPA with an "A" in the experience completed column of the CBA License Lookup feature is fully qualified and/or specializes in attest functions.

Of particular concern to members was the fact that a CPA could obtain licensure based on attest experience, never actually perform any post-licensure attest work, and continue to appear on the CBA website as though they have been deemed qualified by the CBA to perform attest services.

## **Discussion and Possible Action on a Recommendation to the California Board of Accountancy Regarding Options for Addressing Possible Consumer Confusion Between CPA Licensees Who Maintain Licensees With or Without the Authority to Sign Reports on Attest Engagements**

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As a result of the discussions, TEEL members identified three areas of the CBA website that consumers are most likely to access in search of information related to the authorized practice of a CPA – *How to Select a CPA*, California License Lookup feature, and the *Consumer Assistance Booklet*. The revisions to these consumer resources further clarified the difference between attest and general experience; specifically, that an individual licensed with attest authority is simply that, authorized to sign reports on attest engagements and that having an “A” in the experience completed column does not mean that the individual is necessarily qualified or actively practicing in that area.

### **Comments**

While this topic did come up during CERT’s discussions, this topic appears to be more appropriately handled by the CBA as part of its Communications and Outreach Plan.

As staff work with the CBA to incorporate the topic into its various outreach items, staff wanted to provide CERT the opportunity to offer any suggestions for CBA consideration regarding this topic. Staff value any feedback, or suggestions members may have that will provide added clarity to consumers, thereby increasing consumer protection.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff do not have a recommendation on this agenda item.

### **Attachment(s)**

None.





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**LC Item III.**  
**CBA Item XV.B.2.**  
January 26-27, 2023

## **Overview of the California Legislative Process and the Legislative Committee's Role**

**Presented by: Deanne Pearce, Assistant Executive Officer**

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### **Purpose of Item**

The purpose of this agenda item is to present information regarding the legislative process and the role of the California Board of Accountancy's (CBA) Legislative Committee (LC).

### **Consumer Protection Objectives**

This agenda item provides background and resources to assist the CBA in more fully understanding the Legislative process in which they may be engaged to aid in the CBA's role in consumer protection.

### **Action(s) Needed**

No specific action is required on this item.

### **Background**

One of the main priorities of the LC is to assist the CBA in its consumer protection mandate by reviewing, recommending, and promoting legislation relating to consumer protection and the practice of public accountancy.

### **Comments**

In an effort to ensure CBA's active involvement in the legislative process, staff continue to communicate and meet with stakeholders and legislative staff to discuss the CBA's position and concerns with proposed legislation. Furthermore, staff participate in various aspects of bill negotiations to promote the CBA's mission.

The following provides information regarding the legislative process employed by the CBA.

## Overview of the California Legislative Process and the Legislative Committee's Role

Page 2 of 3

### Legislation

To ensure effective monitoring and the promotion of legislation that furthers the mission of the CBA, staff have established the following legislative best practices:

1. *Identifying, Tracking, and Monitoring Legislation* – Capitol Track and LegInfo (<http://leginfo.legislature.ca.gov/>) are two websites used for tracking legislation. Key search terms are used to identify any bills that may impact or be of interest to the CBA.
2. *Communication* – Staff are continuously in contact with bill authors and their legislative staff, legislative committee staff, other boards and bureaus, the Department of Consumer Affairs (DCA) Division of Legislative Affairs, and other stakeholders. Below is a list of staff's communication process once a bill, that may impact the CBA, has been identified:
  - Staff will email the author's office to request background information, indicate the CBA's potential interest, and extend an invitation to the author or their staff to attend a CBA meeting where the bill will be discussed.
  - Staff will email the approved (by the Executive Unit) CBA staff bill analysis to the author's office.
  - Staff will communicate the approved CBA position via a position letter to the author's office and copy the chair of the committee where the bill will be heard next.
  - Staff will send the bill analysis and a copy of the CBA's position letter to DCA Division of Legislative Affairs.
3. *Staff Reporting and Keeping the CBA in the Legislative Loop* – Staff provides regular updates at CBA meetings on pertinent bills and facilitates discussions between CBA meetings with legislators and bill authors regarding questions, concerns, and CBA positions. If necessary, staff may initiate a CBA special meeting between regularly scheduled meetings so the CBA can take immediate action on pertinent bills, if desired. Furthermore, the Executive Officer's monthly report includes a legislative update. If necessary, staff may update members via email.
4. *Testifying at Legislative Hearings* – If the CBA is a sponsor, or has a strong position on a bill, staff will contact the CBA President to see if they would like to testify at the committee hearing and prepare appropriate testimony. If the President is unavailable, another CBA Member, the CBA Executive Officer, or the CBA Information and Planning Officer shall testify at a committee hearing. The CBA Information and Planning Officer or Legislative Analyst attend hearings, as able, for bills the CBA has taken a position on.

## **Overview of the California Legislative Process and the Legislative Committee's Role**

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**Attachment 1**, Overview of the Legislative Process, provides information on all necessary steps for a bill to become law in California, and other considerations the CBA may wish to keep in mind as it discusses legislation.

**Attachment 2**, Considerations for Taking Positions on Legislation, is meant to assist the CBA when determining what position to take on proposed legislation. As the LC and CBA review proposed legislation, it may be helpful to refer to these considerations.

**Attachment 3**, Legislative Calendar, is the official Legislative Calendar adhered to by the California Legislature listing its deadlines for bill introductions, policy and fiscal committee hearings, and when bills must finally be heard on the floor of the respective houses.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff do not have a recommendation on this agenda item.

### **Attachments**

1. Overview of the Legislative Process
2. Considerations for Taking Positions on Legislation
3. Legislative Calendar 2023



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## Attachment 1

### Overview of the Legislative Process

The process by which bills are considered, and laws enacted by the California State Legislature, is commonly referred to as the legislative process. The Legislature maintains a calendar governing the introduction and processing of bills during its two-year regular session. A bill must pass both houses, the Senate and Assembly, and be signed by the Governor before it can become law. Once law, it is subject to judicial review.

#### The Legislative Process Step-by-Step

##### Idea

All legislation begins with an idea. Ideas can arise from many different sources, including the California Board of Accountancy (CBA). When the CBA develops an idea, it is analyzed internally and draft statutory language is prepared and presented to the CBA. Upon the CBA's approval, staff then seeks an author.

##### Author

Most bills are authored by an individual legislator who carries it through the legislative process. When choosing a legislator to sponsor a bill, it is important to do so carefully. Staff may take into consideration the legislator's background, party, voting history, policy interests, committee membership, and how the idea relates to the legislator's constituents.

##### Introduction

Bills are typically introduced in January and February of each year. No bill may be acted upon until 30 days after its introduction.

##### Committee Hearings

After introduction, bills go to the Rules Committee of the house of origin, where it is assigned to one or more policy committees for consideration. The majority of bills related to the CBA are expected to be sent to the Assembly Committee on Business and Professions, or the Senate Committee on Business, Professions, and Economic Development. Bills that require the expenditure of funds must also be heard in the fiscal committees: Assembly and Senate Appropriations.

Committee staff prepares bill analyses that are available to the public, which generally summarize the bill's background, describe its policy, fiscal, and economic impact, support, opposition, and other information the staff deem necessary or helpful to legislators as they consider each bill.

## **Overview of the Legislative Process**

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During a committee hearing, bills are presented by the legislator authoring the bill or a member of their staff. After the bill is discussed among committee members, it becomes open for public comment. If the bill is of particular interest to the CBA, members and staff may wish to comment on the bill and highlight concerns or support for the bill.

### *Floor Vote*

Bills passed by committees are then considered by the full house (Senate or Assembly). While the bill is on the floor, discussion is restricted to the legislators elected to that house. Most bills require a majority vote (21 in the Senate and 41 in the Assembly) to pass that house. Bills that require an appropriation, or that take effect immediately, generally require 27 votes in the Senate and 54 votes in the Assembly to be passed.

Once the bill is approved by the house of origin, it proceeds to the other house where the process is repeated.

### *Resolution of Difference*

Both houses of the Legislature must approve the same version of the bill. If a bill is amended in the second house, it must go back to the house of origin for a concurrence vote to agree on the amendments. If agreement cannot be reached, the bill may be referred to a two-house conference committee to resolve differences. Three members of the committee are from the Senate and three are from the Assembly. If a compromise is reached, the bill is returned to both houses for a final vote.

### *Governor*

Once both houses approve the bill, it goes before the Governor. The Governor has three options: sign, veto, or do nothing. If the Governor signs the bill, it goes into effect. If the Governor takes no action on the bill within 12 days of receipt, it will go into effect without his or her signature. The Governor may have up to 30 days to sign or veto bills passed by the Legislature in the final weeks of the legislative session each calendar year. If the Governor vetoes the bill, the veto can be overridden by a two-thirds vote in both houses.

### *Effective Dates*

If the bill is an urgency measure, it will go into effect immediately after it is signed or allowed to go into law. If the bill is not an urgency measure, it will go into effect January 1 of the following calendar year, unless otherwise specified in the bill.

## **Considerations for Sponsoring a Legislative Agenda**

When putting together a legislative agenda, there are several key factors to be considered. The following is a discussion of the major factors the CBA faces when it considers sponsoring legislation.

### *DCA Involvement*

The Department of Consumer Affairs (DCA) can be a valuable ally in the legislative process. DCA may offer assistance to the CBA by helping ensure the bill language is clear and accomplishes the desired result, and advocating in favor of our legislation.

## Overview of the Legislative Process

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When DCA takes a position on a bill, it is called an “approved position.” Since DCA is a department of the executive branch, it cannot take a position without the Governor’s approval.

### CBA Member Participation

CBA members play a significant role in advancing the CBA’s legislative agenda. The Legislature may rely on the professional expertise from the industry to gain a stronger understanding of the issue. CBA members wishing to contact members of the Legislature should first involve CBA staff. CBA staff will schedule an appointment and work to ensure you are properly prepared for the discussion.

### Be Willing to Compromise

Throughout the legislative process, various committees and legislators may seek to amend bills. Bills are often amended during the legislative process prior to being signed by the Governor.

Even though the CBA may sponsor a bill, it does not have authority over that bill. Frequently, the author will defer to the sponsor of a bill when deciding whether or not to accept an amendment. However, that is not always the case. If an author takes an amendment that the CBA does not like, it has three options.

1. Accept the amendment. It may not be exactly what the CBA would like, but may be workable.
2. Ask the author to amend the bill to an acceptable form. This can be very tricky. Once an author accepts an amendment from a committee or another member, the intent of that amendment is typically maintained or the author could be seen by fellow legislators as going back on their word or may lose needed support for the bill.
3. Remove sponsorship of the bill. The CBA has no power to stop the author from going forward with the bill, but it is not required to continue its sponsorship. It may issue a letter of opposition, if appropriate.

### Some Bills Just Die

Sometimes bills die due to fiscal impacts and political factors outside the CBA’s control, despite the CBA’s best efforts.



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## Attachment 2

### **Considerations for Taking Positions on Legislation**

As new bills are introduced or amended in the Legislature, the California Board of Accountancy (CBA) may take a variety of positions, which are outlined below. Introduced legislation rarely passes through the legislative process without amendments and those amendments may change the CBA's position. Should the CBA take a position on a bill, staff will track the legislation and update the CBA on any developments.

#### **Positions the CBA May Take**

##### **Sponsor:**

The CBA is the sponsor of a bill, meaning the CBA participated in the development of the legislation, will provide technical assistance to the author on any related policy areas, and advocate its passage.

##### **Support:**

CBA supports the bill as currently written and sends a letter of support to interested legislators. The CBA may decide to take proactive action in favor of the bill.

##### **Support if Amended:**

The CBA supports the concept, or certain portions of the bill, but requests an amendment to obtain the CBA's full support. This position would be communicated to legislators along with the requested amendment. If the CBA's amendment is accepted without further significant amendments, the CBA's position will be changed automatically to support the bill, and a letter reflecting this new position will be sent to the Legislature.

##### **Neutral:**

The bill in question may affect the CBA's interests in some way, but the CBA does not have a formal position. If the CBA adopts a Neutral position, it may wish to consider sending a letter to explain its viewpoint.

##### **Oppose unless Amended:**

The CBA opposes the bill as presently written, but if the bill were amended as requested by the CBA, the CBA's position would change to neutral. This position will be communicated to the author and other legislators, along with the

## **Considerations for Taking Positions on Legislation**

Page 2 of 2

suggested amendment. If the CBA's amendment is accepted without a significant change, a letter will be sent withdrawing the CBA's opposition and stating a new position.

### **Oppose:**

The CBA opposes the bill. There are no reasonable or anticipated amendments that would change the CBA's position. The CBA would send a letter of opposition to the author and other legislators and may consider taking proactive action against the bill.

### **Watch:**

The bill may develop into an item of interest for the CBA. Staff will continue to monitor the bill and update the CBA on any developments.

### **Discontinue Following:**

The bill has changed in such a way that it is no longer of interest to the CBA. Staff will stop monitoring and providing updates on the bill.

Throughout the legislative process, staff will track the bills that the CBA takes a position on, and monitor other legislation that may be of interest to the CBA.



## 2023 TENTATIVE LEGISLATIVE CALENDAR

COMPILED BY THE OFFICE OF THE ASSEMBLY CHIEF CLERK AND THE OFFICE OF THE SECRETARY OF THE SENATE  
Revised 11-4-22

## DEADLINES

JANUARY							
	S	M	T	W	TH	F	S
	1	2	3	4	5	6	7
Wk. 1	8	9	10	11	12	13	14
Wk. 2	15	16	17	18	19	20	21
Wk. 3	22	23	24	25	26	27	28
Wk. 4	29	30	31				

**Jan. 1** Statutes take effect (Art. IV, Sec. 8(c)).

**Jan. 4** Legislature reconvenes (J.R. 51(a)(1)).

**Jan. 10** Budget must be submitted by Governor (Art. IV, Sec. 12(a)).

**Jan. 16** Martin Luther King, Jr. Day.

**Jan. 20** Last day to submit **bill requests** to the Office of Legislative Counsel.

FEBRUARY							
	S	M	T	W	TH	F	S
Wk. 4				1	2	3	4
Wk. 1	5	6	7	8	9	10	11
Wk. 2	12	13	14	15	16	17	18
Wk. 3	19	20	21	22	23	24	25
Wk. 4	26	27	28				

**Feb. 17** Last day for bills to be **introduced** (J.R. 61(a)(1), J.R. 54(a)).

**Feb. 20** Presidents' Day.

MARCH							
	S	M	T	W	TH	F	S
Wk. 4				1	2	3	4
Wk. 1	5	6	7	8	9	10	11
Wk. 2	12	13	14	15	16	17	18
Wk. 3	19	20	21	22	23	24	25
Wk. 4	26	27	28	29	30	31	

**Mar. 30** **Spring Recess** begins upon adjournment (J.R. 51(a)(2)).

**Mar. 31** Cesar Chavez Day observed.

APRIL							
	S	M	T	W	TH	F	S
Wk. 4							1
Spring Recess	2	3	4	5	6	7	8
Wk. 1	9	10	11	12	13	14	15
Wk. 2	16	17	18	19	20	21	22
Wk. 3	23	24	25	26	27	28	29
Wk. 4	30						

**Apr. 10** Legislature reconvenes from **Spring Recess** (J.R. 51(a)(2)).

**Apr. 28** Last day for **policy committees** to hear and report to fiscal committees **fiscal bills** introduced in their house (J.R. 61(a)(2)).

MAY							
	S	M	T	W	TH	F	S
Wk. 4		1	2	3	4	5	6
Wk. 1	7	8	9	10	11	12	13
Wk. 2	14	15	16	17	18	19	20
Wk. 3	21	22	23	24	25	26	27
No Hrgs.	28	29	30	31			

**May 5** Last day for **policy committees** to hear and report to the Floor **nonfiscal bills** introduced in their house (J.R. 61(a)(3)).

**May 12** Last day for **policy committees** to meet prior to June 5 (J.R. 61(a)(4)).

**May 19** Last day for **fiscal committees** to hear and report to the Floor bills introduced in their house (J.R. 61(a)(5)).

Last day for **fiscal committees** to meet prior to June 5 (J.R. 61(a)(6)).

**May 29** Memorial Day.

**May 30-June 2** **Floor session only.** No committee may meet for any purpose except Rules Committee, bills referred pursuant to A.R. 77.2, and Conference Committees (J.R. 61(a)(7)).

**2023 TENTATIVE LEGISLATIVE CALENDAR**

COMPILED BY THE OFFICE OF THE ASSEMBLY CHIEF CLERK AND THE OFFICE OF THE SECRETARY OF THE SENATE  
Revised 11-4-22

JUNE							
	S	M	T	W	TH	F	S
No Hrgs.					1	2	3
Wk. 4	4	5	6	7	8	9	10
Wk. 1	11	12	13	14	15	16	17
Wk. 2	18	19	20	21	22	23	24
Wk. 3	25	26	27	28	29	30	

- June 2** Last day for each house to pass bills introduced in that house (J.R. 61(a)(8)).
- June 5** Committee meetings may resume (J.R. 61(a)(9)).
- June 15** Budget Bill must be passed by midnight (Art. IV, Sec. 12(c)(3)).

JULY							
	S	M	T	W	TH	F	S
Wk. 3							1
Wk. 4	2	3	4	5	6	7	8
Wk. 1	9	10	11	12	13	14	15
Summer Recess	16	17	18	19	20	21	22
Summer Recess	23	24	25	26	27	28	29
Summer Recess	30	31					

- July 4** Independence Day.
- July 14** Last day for **policy committees** to meet and report bills (J.R. 61(a)(10)).
- Summer Recess** begins upon adjournment, provided Budget Bill has been passed (J.R. 51(a)(3)).

AUGUST							
	S	M	T	W	TH	F	S
Summer Recess			1	2	3	4	5
Summer Recess	6	7	8	9	10	11	12
Wk. 2	13	14	15	16	17	18	19
Wk. 3	20	21	22	23	24	25	26
Wk. 4	27	28	29	30	31		

- Aug. 14** Legislature reconvenes from Summer Recess (J.R. 51(a)(3)).

SEPTEMBER							
	S	M	T	W	TH	F	S
Wk. 4						1	2
No Hrgs.	3	4	5	6	7	8	9
No Hrgs.	10	11	12	13	14	15	16
Interim Recess	17	18	19	20	21	22	23
Interim Recess	24	25	26	27	28	29	30

- Sept. 1** Last day for **fiscal committees** to meet and report bills (J.R. 61(a)(11)).
- Sept. 4** Labor Day.
- Sept. 5-14** **Floor session only.** No committees may meet for any purpose, except Rules Committee, bills referred pursuant to Assembly Rule 77.2, and Conference Committees (J.R. 61(a)(12)).
- Sept. 8** Last day to **amend** on the Floor (J.R. 61(a)(13)).
- Sept. 14** Last day for each house to pass bills. (J.R. 61(a)(14)).
- Interim Recess** begins upon adjournment (J.R. 51(a)(4)).

**IMPORTANT DATES OCCURRING DURING INTERIM RECESS**

**2023**

Oct. 14 Last day for Governor to sign or veto bills passed by the Legislature on or before Sept. 14 and in the Governor's possession on or after Sept. 14 (Art. IV, Sec. 10(b)(1)).

**2024**

Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).

Jan. 3 Legislature reconvenes (J.R. 51(a)(4)).

\*Holiday schedule subject to final approval by Rules Committee.



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**LC Item IV.**  
**CBA Item XV.B.3.**  
January 26-27, 2023

## **Discussion and Possible Action on Legislative Proposals for Inclusion in the 2023 Senate Committee on Business, Professions and Economic Development Committee Bill**

**Presented by: Deanne Pearce, Assistant Executive Officer**

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### **Purpose of the Item**

The purpose of this item is to provide the California Board of Accountancy (CBA) the opportunity to review and approve legislative proposals for inclusion in the 2023 Senate Committee on Business, Professions and Economic Development (BP&ED) Committee bill.

### **Consumer Protection Objectives**

Ensuring the CBA has clear and current statutes assists the CBA in meeting its consumer protection mission.

### **Action(s) Needed**

The CBA will be asked to approve proposed statutory changes for inclusion in the Senate BP&ED Committee bill.

### **Background**

The Senate BP&ED Committee intends to introduce a technical, non-substantive committee bill during the 2023 legislative year which will revise provisions of the Business and Professions Code (BPC) pertaining to both the health and non-health professions and vocations under the Department of Consumer Affairs. The committee bill(s) may also include revisions to other codes that typically fall within the Committee's jurisdiction. Proposals for inclusion in the Committee Bill should include statutory changes that are non-controversial, non-substantive, which are intended to clarify, update, or strengthen existing law.

### **Comments**

Staff have identified possible statutory changes that meet the criteria for the Senate BP&ED Committee bill, specifically that clarify, update, or strengthen existing law. The following provides an overview of the change and accompanying attachment with the proposed statutory language.

# Discussion and Possible Action on Legislative Proposals for Inclusion in the 2023 Senate Committee on Business, Professions and Economic Development Committee Bill

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## Gender Neutral Pronouns

Assembly Concurrent Resolution 260, which is Chapter 190 from the 2018 Legislative Session was intended to encourage the Legislature to engage in a coordinated effort to revise existing statutes and introduce new legislation with inclusive language by using gender-neutral pronouns or reusing nouns to avoid the use of gender pronouns. Currently, there are many instances in which CBA statutes contain “he/she” and “his/her” pronouns to refer to individuals. The proposed statutory changes in **Attachments 1-14** modify these terms to reflect them as gender neutral.

## Website Language

There are several outdated references in CBA statutes that reflect “Internet Web site.” This terminology was used shortly after the creation of the “World Wide Web” and have since been modified to the term “website.” **Attachments 14-23** propose updating terminology to “website” for consistency with new statutory provisions and terminology used CBA-wide on other documents.

## Peer Review Terminology Change

The term “substandard” contained in BPC section 5076 (**Attachment 24**) is no longer used when referring to peer reviews of firms which have not met applicable professional standards. The term “fail” is used in the American Institute of CPAs’ Standards for Performing and Reporting on Peer Reviews (Standards) and this change aligns the CBA terminology with the Standards. In subsection 5076(g), an implementation date was removed for clarity.

## Continuing Education Committee

The CBA has not used and does not foresee using an advisory continuing education committee as authorized under BPC section 5029 (**Attachment 25**). This advisory committee was tasked to evaluate programs and advise the CBA as to whether those courses qualify under the regulatory requirements established pursuant to BPC section 5027(f) and consider applications for exceptions as permitted under BPC section 5028.

The CBA does not preapprove CE courses, other than Regulatory Review course. The approval of Regulatory Review courses is conducted by staff following the CBA-approved regulatory requirements in California Code of Regulations (CCR) section 87.9. Additionally, it is the responsibility of course providers to review the CBA’s statutory and regulatory provisions to ensure their course(s) qualifies for CE in California. Last, staff review requests for exceptions to continuing education requirements consistent with CCR section 90.

## Outdated Transitional Language for New CPA Licensure Requirements in 2013

The CBA developed transitional language in BPC section 5092.1 (**Attachment 26**) when the 20 hours of accounting study and 10 units of ethics study were implemented as a requirement for CPA licensure. The transitional language allowed a period of time

# **Discussion and Possible Action on Legislative Proposals for Inclusion in the 2023 Senate Committee on Business, Professions and Economic Development Committee Bill**

Page 3 of 4

for candidates who were in the pipeline to obtain their license without having to return to school and obtain additional education. These provisions are no longer needed.

## Practice Privilege Fees

Currently, under BPC section 5096, individuals, whose principal place of business is outside of California and are licensed in states that have licensing requirements substantially equivalent to California's, are authorized to practice in California under a practice privilege (also referred to as Mobility) without providing notice or paying a fee. Prior to this provision, out-of-state licensees in good-standing seeking to obtain a practice privilege within California were required to file a written notice and pay a fee to the CBA. This fee, as referenced in BPC section 5134(k) (**Attachment 27**) is no longer necessary.

## **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

## **Recommendation**

Staff recommend the CBA approve the legislative proposals and direct staff to seek its inclusion in the 2023 Senate BP&ED Committee bill.

## **Attachments**

1. Business and Professions Code Section 5022
2. Business and Professions Code Section 5028
3. Business and Professions Code Section 5037
4. Business and Professions Code Section 5051
5. Business and Professions Code Section 5053
6. Business and Professions Code Section 5057
7. Business and Professions Code Section 5060
8. Business and Professions Code Section 5063
9. Business and Professions Code Section 5070.7
10. Business and Professions Code Section 5082.4
11. Business and Professions Code Section 5094
12. Business and Professions Code Section 5104
13. Business and Professions Code Section 5107
14. Business and Professions Code Section 5121
15. Business and Professions Code Section 5008
16. Business and Professions Code Section 5017.1
17. Business and Professions Code Section 5017.5
18. Business and Professions Code Section 5058.2
19. Business and Professions Code Section 5058.3
20. Business and Professions Code Section 5058.4
21. Business and Professions Code Section 5096.20
22. Business and Professions Code Section 5096.21

**Discussion and Possible Action on Legislative Proposals for Inclusion in the 2023  
Senate Committee on Business, Professions and Economic Development  
Committee Bill**

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- 23. Business and Professions Code Section 5103.5
- 24. Business and Professions Code Section 5076
- 25. Business and Professions Code Section 5029
- 26. Business and Professions Code Section 5092.1
- 27. Business and Professions Code Section 5134



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## Attachment 1

### **Business and Professions Code Section 5022 As Proposed to be Amended**

**5022.** The qualifications committee shall make recommendations and forward its report to the board for action on any matter on which it is authorized to act. An applicant for registration as a certified public accountant who is aggrieved by any action taken by the committee with respect to ~~his or her~~ their qualifications may appeal to the board in accordance with rules or regulations prescribed by the board. The board on the appeal may give an oral or written examination as an aid in determining whether the applicant is qualified under the terms of this chapter.



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## Attachment 2

### **Business and Professions Code sections 5028 As Proposed to be Amended**

**5028.** The board may, in accordance with the intent of this article, make exceptions from continuing education requirements for licensees not engaged in public practice, or for reasons of health, military service, or other good cause; provided, however, that if the licensee returns to the practice of public accounting ~~he or she~~ they shall meet such continuing education requirements as the board may determine.





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## Attachment 3

### **Business and Professions Code Section 5037 As Proposed to be Amended**

**5037.** (a) All statements, records, schedules, working papers and memoranda made by a licensee or a partner, shareholder, officer, director, or employee of a licensee, incident to, or in the course of, rendering services to a client in the practice of public accountancy, except the reports submitted by the licensee to the client and except for records which are part of the client's records, shall be and remain the property of the licensee in the absence of an express agreement between the licensee and the client to the contrary. No such statement, record, schedule, working paper, or memoranda shall be sold, transferred, or bequeathed, without the consent of the client or ~~his or her~~ their personal representative or assignee, to anyone other than one or more surviving partners or stockholders or new partners or stockholders of the licensee, or any combined or merged firm or successor in interest to the licensee.

(b) A licensee shall furnish to ~~his or her~~ their client or former client, upon request and reasonable notice:

(1) A copy of the licensee's working papers, to the extent that those working papers include records that would ordinarily constitute part of the client's records and are not otherwise available to the client.

(2) Any accounting or other records belonging to, or obtained from or on behalf of, the client which the licensee removed from the client's premises or received for the client's account. The licensee may make and retain copies of documents of the client when they form the basis for work done by ~~him or her~~ them.



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## Attachment 4

### **Business and Professions Code Section 5051 As Proposed to be Amended**

**5051.** Except as provided in Sections 5052 and 5053, a person shall be deemed to be engaged in the practice of public accountancy within the meaning and intent of this chapter if ~~he or she~~ they does any of the following:

- (a) Holds ~~himself or herself~~ out to the public in any manner as one skilled in the knowledge, science, and practice of accounting, and as qualified and ready to render professional service therein as a public accountant for compensation.
- (b) Maintains an office for the transaction of business as a public accountant.
- (c) Offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an audit, examination, verification, investigation, certification, presentation, or review of financial transactions and accounting records.
- (d) Prepares or certifies for clients reports on audits or examinations of books or records of account, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports that are to be used for publication, for the purpose of obtaining credit, for filing with a court of law or with any governmental agency, or for any other purpose.
- (e) In general or as an incident to that work, renders professional services to clients for compensation in any or all matters relating to accounting procedure and to the recording, presentation, or certification of financial information or data.
- (f) Keeps books, makes trial balances, or prepares statements, makes audits, or prepares reports, all as a part of bookkeeping operations for clients.
- (g) Prepares or signs, as the tax preparer, tax returns for clients.
- (h) Prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans.
- (i) Provides management consulting services to clients.

The activities set forth in subdivisions (f) to (i), inclusive, are “public accountancy” only when performed by a certified public accountant or public accountant, as defined in this chapter.

A person is not engaged in the practice of public accountancy if the only services ~~he or she~~ they engages in are those defined by subdivisions (f) to (i), inclusive, and ~~he or she~~ they does do not hold ~~himself or herself~~ out, solicit, or advertise for clients using the certified public accountant or public accountant designation. A person is not holding ~~himself or herself~~ out, soliciting, or advertising for clients within the meaning of this section solely by reason of displaying a CPA or PA certificate in his or her office or identifying himself or herself as a CPA or PA on other than signs, advertisements, letterhead, business cards, publications directed to clients or potential clients, or financial or tax documents of a client.



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## Attachment 5

### **Business and Professions Code Section 5053 As Proposed to be Amended**

**5053.** Nothing contained in this chapter precludes a person who is not a certified public accountant or public accountant from serving as an employee of, or an assistant to, a certified public accountant or public accountant or partnership or a corporation composed of certified public accountants or public accountants holding a permit to practice pursuant to this chapter if the employee or assistant works under the control and supervision of a certified public accountant, or a public accountant authorized to practice public accountancy pursuant to this chapter and if the employee or assistant does not issue any statement over ~~his or her~~ their name.

This section does not apply to an attorney at law in connection with ~~his or her~~ their practice of law.



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## Attachment 6

### **Business and Professions Code Section 5057 As Proposed to be Amended**

**5057.** Notwithstanding any other provision of law, an individual holding a valid and current license, certificate, or permit to practice public accountancy from another state shall be exempt from the requirement to obtain a permit to practice public accountancy issued by the board under this chapter or to secure a practice privilege pursuant to Article 5.1 (commencing with Section 5096) if all of the following conditions are satisfied:

- (a) The individual's client is located in another state.
- (b) The individual's engagement with the client relates to work product to be delivered in another state.
- (c) The individual does not solicit California clients, or have ~~his or her~~ their principal place of business in this state.
- (d) The individual does not assert or imply that ~~he or she is~~ they are licensed to practice public accountancy in California.
- (e) The individual's practice of public accountancy in this state on behalf of the client located in another state is of a limited duration, not extending beyond the period required to service the engagement for the client located in another state.
- (f) The individual's practice of public accountancy in this state specifically relates to servicing the engagement for the client located in another state.



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## Attachment 7

### **Business and Professions Code Section 5060 As Proposed to be Amended**

- 5060.** (a) No person or firm may practice public accountancy under any name which is false or misleading.
- (b) No person or firm may practice public accountancy under any name other than the name under which the person or firm holds a valid permit to practice issued by the board.
- (c) Notwithstanding subdivision (b), a sole proprietor may practice under a name other than the name set forth on ~~his or her~~ their permit to practice, provided the name is registered by the board, is in good standing, and complies with the requirements of subdivision (a).
- (d) The board may adopt regulations to implement, interpret, and make specific the provisions of this section including, but not limited to, regulations designating particular forms of names as being false or misleading.



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## Attachment 8

### **Business and Professions Code Section 5063 As Proposed to be Amended**

**5063.3.** (a) No confidential information obtained by a licensee, in ~~his or her~~ their professional capacity, concerning a client or a prospective client shall be disclosed by the licensee without the written permission of the client or prospective client, except the following:

- (1) Disclosures made by a licensee in compliance with a subpoena or a summons enforceable by order of a court.
  - (2) Disclosures made by a licensee regarding a client or prospective client to the extent the licensee reasonably believes it is necessary to maintain or defend ~~himself or herself~~ themselves in a legal proceeding initiated by the client or prospective client.
  - (3) Disclosures made by a licensee in response to an official inquiry from a federal or state government regulatory agency.
  - (4) Disclosures made by a licensee or a licensee's duly authorized representative to another licensee or person in connection with a proposed sale or merger of the licensee's professional practice, provided the parties enter into a written nondisclosure agreement with regard to all client information shared between the parties.
  - (5) Disclosures made by a licensee to either of the following:
    - (A) Another licensee to the extent necessary for purposes of professional consultation.
    - (B) Organizations that provide professional standards review and ethics or quality control peer review.
  - (6) Disclosures made when specifically required by law.
  - (7) Disclosures specified by the board in regulation.
- (b) In the event that confidential client information may be disclosed to persons or entities outside the United States of America in connection with the services provided, the licensee shall inform the client in writing and obtain the client's written permission for the disclosure.



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## Attachment 9

### **Business and Professions Code Section 5070.7 As Proposed to be Amended**

**5070.7.** (a) A permit that is not renewed within five years following its expiration may not be renewed, restored, or reinstated thereafter, and the certificate of the holder of the permit shall be canceled immediately upon expiration of the five-year period, except as provided in subdivision (e).

(b) A partnership or corporation whose certificate has been canceled by operation of this section may obtain a new certificate and permit only if it again meets the requirements set forth in this chapter relating to registration and pays the registration fee and initial permit fee.

(c) A certified public accountant whose certificate is canceled by operation of this section may apply for and obtain a new certificate and permit if the applicant:

(1) Is not subject to denial of a certificate and permit under Section 480.

(2) Pays all of the fees that would be required of ~~him or her~~ them if ~~he or she~~ they were then applying for the certificate and permit for the first time.

(3) Takes and passes the examination which would be required of ~~him or her~~ them if ~~he or she~~ they were then applying for the certificate for the first time. The examination may be waived in any case in which the applicant establishes to the satisfaction of the board that, with due regard for the public interest, ~~he or she is~~ they are qualified to engage in practice as a certified public accountant.

(d) The board may, by appropriate regulation, provide for the waiver or refund of all or any part of the application fee in those cases in which a certificate is issued without an examination under this section.

(e) Revoked permits may not be renewed, but may be reinstated by the board, without regard to the length of time that has elapsed since the permit was revoked, and with conditions and restrictions as the board shall determine.



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## Attachment 10

### **Business and Professions Code Section 5082.4 As Proposed to be Amended**

**5082.4.** A Canadian Chartered Accountant in good standing may be deemed by the board to have met the examination requirements of Section 5082, 5092, or 5093 if ~~he or she has~~ they have successfully passed the Canadian Chartered Accountant Uniform Certified Public Accountant Qualification Examination of the American Institute of Certified Public Accountants or the International Uniform Certified Public Accountant Qualification Examination referenced in subdivision (b) Section 5082.3.





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## Attachment 11

### **Business and Professions Code Section 5094 As Proposed to be Amended**

**5094.** (a) In order for education to be qualifying, it shall meet the standards described in subdivision (b) or (c) of this section.

(b) At a minimum, education shall be from a degree-granting university, college, or other institution of learning accredited by a regional or national accrediting agency included in a list of these agencies published by the United States Secretary of Education under the requirements of the Higher Education Act of 1965 as amended (20 U.S.C. Sec. 1001 et seq.).

(c) Education from a college, university, or other institution of learning located outside the United States may be qualifying provided it is deemed by the board to be equivalent to education obtained under subdivision (b). The board may require an applicant to submit documentation of ~~his or her~~ their education to a credential evaluation service approved by the board for evaluation and to cause the results of this evaluation to be reported to the board in order to assess educational equivalency.

(d) The board shall adopt regulations specifying the criteria and procedures for approval of credential evaluation services. These regulations shall, at a minimum, require that the credential evaluation service (1) furnish evaluations directly to the board, (2) furnish evaluations written in English, (3) be a member of the American Association of Collegiate Registrars and Admissions Officers, NAFSA: Association of International Educators, or the National Association of Credential Evaluation Services, (4) be used by accredited colleges and universities, (5) be reevaluated by the board every five years, (6) maintain a complete set of reference materials as specified by the board, (7) base evaluations only upon authentic, original transcripts and degrees and have a written procedure for identifying fraudulent transcripts, (8) include in the evaluation report, for each degree held by the applicant, the equivalent degree offered in the United States, the date the degree was granted, the institution granting the degree, an English translation of the course titles, and the semester unit equivalence for each of the courses, (9) have an appeal procedure for applicants, and (10) furnish the board with information concerning the credential evaluation service that includes biographical information on evaluators and translators, three letters of references from public or private agencies, statistical information on the number of applications processed annually for the past five years, and any additional information the board may require in order to ascertain that the credential evaluation service meets the standards set forth in this subdivision and in any regulations adopted by the board.



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## Attachment 12

### **Business and Professions Code Section 5104 As Proposed to be Amended**

**5104.** Any certified public accountant or public accountant whose certificate, registration, or permit has been revoked or suspended shall upon request of the board relinquish ~~his or her~~ their certificate or permit. However, upon the expiration of the period of suspension, the board shall immediately return any suspended certificate or permit which has been relinquished.



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## Attachment 13

### **Business and Professions Code Section 5107 As Proposed to be Amended**

- 5107.** (a) The executive officer of the board may request the administrative law judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate found to have committed a violation or violations of this chapter to pay to the board all reasonable costs of investigation and prosecution of the case, including, but not limited to, attorney's fees. The board shall not recover costs incurred at the administrative hearing.
- (b) A certified copy of the actual costs, or a good faith estimate of costs where actual costs are not available, signed by the executive officer, shall be prima facie evidence of reasonable costs of investigation and prosecution of the case.
- (c) The administrative law judge shall make a proposed finding of the amount of reasonable costs of investigation and prosecution of the case when requested to do so by the executive officer pursuant to subdivision (a). Costs are payable 120 days after the board's decision is final, unless otherwise provided for by the administrative law judge or if the time for payment is extended by the board.
- (d) The finding of the administrative law judge with regard to cost shall not be reviewable by the board to increase the cost award. The board may reduce or eliminate the cost award, or remand to the administrative law judge where the proposed decision fails to make a finding on costs requested by the executive officer pursuant to subdivision (a).
- (e) The administrative law judge may make a further finding that the amount of reasonable costs awarded shall be reduced or eliminated upon a finding that respondent has demonstrated that ~~he or she~~ they cannot pay all or a portion of the costs or that payment of the costs would cause an unreasonable financial hardship which cannot be remedied through a payment plan.
- (f) When an administrative law judge makes a finding that costs be waived or reduced, ~~he or she~~ they shall set forth the factual basis for ~~his or her~~ their finding in the proposed decision.
- (g) Where an order for recovery of costs is made and timely payment is not made as directed by the board's decision, the board may enforce the order for payment in any appropriate court. This right of enforcement shall be in addition to any other rights the board may have as to any holder of a permit or certificate directed to pay costs.
- (h) In a judicial action for the recovery of costs, proof of the board's decision shall be conclusive proof of the validity of the order of payment and the terms of payment.
- (i) All costs recovered under this section shall be deposited in the Accountancy Fund.

(j) (1) Except as provided in paragraph (2), the board shall not renew or reinstate the permit or certificate of a holder who has failed to pay all of the costs ordered under this section.

(2) Notwithstanding paragraph (1) or paragraph (2) of subdivision (g) of Section 125.3, the board may, in its discretion, conditionally renew or reinstate for a maximum of three years the permit or certificate of a holder who demonstrates financial hardship and who enters into a formal agreement with the board to reimburse the board within that three-year period for those unpaid costs.

(k) Nothing in this section shall preclude the board from seeking recovery of costs in an order or decision made pursuant to an agreement entered into between the board and the holder of a permit or certificate.

(l) (1) Costs may not be recovered under this section as a result of a citation issued pursuant to Section 125.9 and its implementing language if the licensee complies with the citation.

(2) The Legislature hereby finds and declares that this subdivision is declaratory of existing law.



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## Attachment 14

### **Business and Professions Code Section 5121 As Proposed to be Amended**

**5121.** The display or uttering by a person of a card, sign, advertisement or other printed, engraved or written instrument or device, bearing a person's name in conjunction with the words "certified public accountant" or any abbreviation thereof or the words "public accountant" or any abbreviation thereof shall be prima facie evidence in any prosecution, proceeding or hearing brought under this article that the person whose name is so displayed caused or procured the display or uttering of such card, sign, advertisement or other printed, engraved or written instrument or device. Any such display or uttering shall be prima facie evidence that the person whose name is so displayed holds ~~himself or herself~~ themselves out as a certified public accountant, or a public accountant holding a permit to practice public accountancy in this State under the provisions of this chapter. In any prosecution or hearing under this chapter, evidence of the commission of a single act prohibited by this chapter shall be sufficient to justify a conviction without evidence of a general course of conduct.



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## Attachment 15

### **Business and Professions Code Section 5008 As Proposed to be Amended**

**5008.** The board shall, from time to time, but not less than twice each year, prepare and distribute to all licensees, a report of the activities of the board, including amendments to this chapter and regulations adopted by the board, and may likewise distribute reports of other matters of interest to the public and to practitioners. The board may meet this requirement by electronically distributing these materials via email or making them available on the board's internet website.



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## Attachment 16

### **Business and Professions Code Section 5017.1 As Proposed to be Amended**

**5017.1.** The board shall post, within 10 days of board approval, the finalized minutes from meetings of the board that are open and public pursuant to Section 5017 on the board's ~~Internet Web site~~ website. The minutes shall remain on the board's ~~Internet Web site~~ website for at least three years. Providing a link on the ~~Internet Web site~~ website to the minutes shall satisfy this requirement.



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## Attachment 17

### **Business and Professions Code Section 5017.5 As Proposed to be Amended**

- 5017.5.** (a) The board shall provide a live audio or video broadcast, on its ~~Internet Web site~~ website, of each of its board meetings that are open and public.
- (b) (1) If technical failure prevents the board from providing a live broadcast as specified in subdivision (a), that failure shall not constitute a violation of this section if the board exercised reasonable diligence in providing a live broadcast.
- (2) Failure to provide a live broadcast of its board meetings due to technical failure shall not prohibit the board from meeting and taking actions.
- (c) The recording of the live audio or video broadcast shall remain on the ~~Internet Web site~~ website for at least three years. Providing a link on the ~~Internet Web site~~ website to the recording of the live audio or video broadcast shall satisfy this requirement.





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## Attachment 18

### **Business and Professions Code Section 5058.2 As Proposed to be Amended**

**5058.2.** The holder of an inactive license issued by the board pursuant to Section 462, when lawfully using the title “certified public accountant,” the CPA designation, or any other reference that would suggest that the person is licensed by the board on materials such as correspondence, ~~Internet Web sites~~ websites, business cards, nameplates, or name plaques, shall place the term “inactive” immediately after that designation.



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## Attachment 19

### **Business and Professions Code Section 5058.3 As Proposed to be Amended**

**5058.3.** The holder of a retired license issued by the board pursuant to Section 5070.1, when lawfully using the title “certified public accountant,” the CPA designation, or any other reference that would suggest that the person is licensed by the board on materials such as correspondence, ~~Internet Web sites~~ websites, business cards, nameplates, or name plaques, shall place the term “retired” immediately after that title, designation, or reference.



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## Attachment 20

### **Business and Professions Code Section 5058.4 As Proposed to be Amended**

**5058.4.** The holder of a permit in a military inactive status issued by the board pursuant to Section 5070.2, when lawfully using the title “certified public accountant,” the CPA designation, or any other reference that would suggest that the person is licensed by the board, on materials such as correspondence, ~~Internet Web sites~~ websites, business cards, nameplates, or name plaques, shall place the term “military inactive” immediately after that title, designation, or reference.



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## Attachment 21

### Business and Professions Code Section 5096.20 As Proposed to be Amended

**5096.20.** (a) To ensure that Californians are protected from out-of-state licensees with disqualifying conditions who may unlawfully attempt to practice in this state under a practice privilege, prior to July 1, 2013, the board shall add an out-of-state licensee feature to its license lookup tab of the home page of its ~~Internet Web site~~ website that allows consumers to obtain information about an individual whose principal place of business is not in this state and who seeks to exercise a practice privilege in this state, that is at least equal to the information that was available to consumers through its home page prior to January 1, 2013, through the practice privilege form previously filed by out-of-state licensees pursuant to Section 5096, as added by Chapter 921 of the Statutes of 2004, and the regulations adopted thereunder. At minimum, these features shall include all of the following:

- (1) The ability of the consumer to search by name and state of licensure.
  - (2) The disclosure of information in the possession of the board, which the board is otherwise authorized to publicly disclose, about an individual exercising a practice privilege in this state, including, but not limited to, whether the board has taken action of any form against that individual and, if so, what the action was or is.
  - (3) A disclaimer that the consumer must click through prior to being referred to any other ~~Internet Web site~~ website, which in plain language explains that the consumer is being referred to ~~an Internet Web site~~ a website that is maintained by a regulatory agency or other entity that is not affiliated with the board. This disclaimer shall include a link to relevant sections of this article that set forth disqualifying conditions, including, but not limited to, Section 5096.2.
  - (4) A statement in plain language that notifies consumers that they are permitted to file complaints against such individuals with the board.
  - (5) A link to the ~~Internet Web site~~ website or sites that the board determines, in its discretion, provides the consumer the most complete and reliable information available about the individual's status as a licenseholder, permitholder, or certificate holder.
  - (6) If the board of another state does not maintain ~~an Internet Web site~~ a website that allows a consumer to obtain information about its licensees including, but not limited to, disciplinary history, and that information is not available through a link to ~~an Internet Web site~~ a website maintained by another entity, a link to contact information for that board, which contains a disclaimer in plain language that explains that the consumer is being referred to a board that does not permit the consumer to obtain information, including, but not limited to, disciplinary history, about individuals through the ~~Internet Web site~~ website, and that the out-of-state board is not affiliated with the board.
- (b) The board shall biennially survey the ~~Internet Web sites~~ websites and disclosure policies of other boards to ensure that its disclaimers are accurate.



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## Attachment 22

### **Business and Professions Code Section 5096.21 As Proposed to be Amended**

**5096.21.** (a) (1) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by Section 5096.22.

(2) A state for which the board has made a determination pursuant to paragraph (1) to require individuals licensed from that state to file a notification form and pay the applicable fees may subsequently be redetermined by the board, by majority vote of the board at a regularly scheduled meeting, to allow individuals from that state to practice in this state pursuant to a practice privilege as described in Section 5096.

(b) The board shall, at minimum, consider the following factors when making a determination or redetermination pursuant to subdivision (a):

(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.

(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site a website to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

(4) Whether the state has in place and is operating pursuant to enforcement practices substantially equivalent to the current best practices guidelines adopted by the National Association of State Boards of Accountancy provided those guidelines have been determined by the board to meet or exceed the board's own enforcement practices.

(c) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board. The group shall provide recommendations to the board on any matter upon which it is authorized to act.



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## Attachment 23

### **Business and Professions Code Section 5103.5 As Proposed to be Amended**

**5103.5.** (a) The board shall post on its ~~Internet Web site~~ website, in an easily marked and identifiable location, notice of all formal accusations. The notice of any formal accusation shall contain a link to where a person may request and have sent to him or her a copy of the formal accusation, and the basis for the accusation and alleged violations filed by the board against a licensee.

(b) The link to where a person may request and have sent to him or her a copy of the formal accusation shall be clearly and conspicuously located on the same ~~Internet Web site~~ website page on which the notice is posted and shall authorize a person to request and receive the information described in subdivision (a) by regular mail or electronic mail.

(c) The board shall develop a statement that informs any person requesting a copy of a formal accusation and any person receiving a copy of a formal accusation that any allegations contained in the accusation are not a final determination of wrongdoing and are subject to adjudication and final review by the board pursuant to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). This statement shall be provided to a person requesting and receiving a copy of a formal accusation in a manner to be determined by the board.



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## Attachment 24

### **Business and Professions Code Section 5076 As Proposed to be Amended**

**5076.** (a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) "Accounting and auditing practice" includes any services that were performed in the prior three years using professional standards defined by the board in regulations.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.

(d) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.

(e) A firm issued a peer review report with a rating of "fail," ~~substandard peer review report,~~ as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.

(f) (1) A board-recognized peer review program provider shall file a copy with the board of all ~~substandard~~ peer review reports issued to California-licensed firms with a rating of fail. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is filed with the board. These reports may be filed with the board electronically.

(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(g) The board shall, ~~by January 1, 2010,~~ define a ~~substandard~~ peer review report rating of "fail" in regulation.

(h) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.

(i) Any peer review report with a rating of "fail" ~~of a substandard peer review~~ submitted to the board in conjunction with this section shall be collected for investigatory purposes.

(j) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.

(k) Nothing in this section requires any firm to become a member of any professional organization.

(l) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.

(m) (1) By January 1, 2015, the board shall provide the Legislature and Governor with a report regarding the peer review requirements of this section that includes, without limitation:

(A) The number of peer review reports completed to date and the number of reports which were submitted to the board as required in subdivision (e).

(B) The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i).

(C) The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that



took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.

(D) The extent to which mandatory peer review of accounting firms enhances consumer protection.

(E) The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.

(F) A recommendation as to whether the mandatory peer review program should continue.

(G) The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on another comprehensive basis of accounting enhances consumer protection.

(H) The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on another comprehensive basis of accounting.

(I) The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on another comprehensive basis of accounting.

(J) A recommendation as to whether the preparation of nondisclosure compiled financial statements on another comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

(2) A report to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.



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## Attachment 25

### Business and Professions Code Section 5029 Proposed Section Removal

~~**5029.** The board may establish an advisory continuing education committee of nine members, six of whom shall be certified public accountants, two of whom shall be board members, one of whom is a public member of the board, and one of whom shall be a public accountant, to perform any of the following duties:~~

~~(a) To evaluate programs and advise the board as to whether they qualify under the regulations adopted by the board pursuant to subdivision (f) of Section 5027.~~

~~Educational courses offered by professional accounting societies shall be accepted by the board as qualifying if the courses are approved by the committee as meeting the requirements of the board under the regulations.~~

~~(b) To consider applications for exceptions as permitted under Section 5028 and provide a recommendation to the board.~~

~~(c) To consider other advisory matters relating to the requirements of this article as the board may assign to the committee.~~



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## Attachment 26

### **Business and Professions Code Section 5092.1 Proposed Deletion**

~~**5092.1.** Notwithstanding subdivision (a) of Section 5093, an applicant who has successfully completed the examination requirement specified in Section 5082 on or before December 31, 2013, may qualify for the issuance of a certified public accountant license until January 1, 2016, if he or she has they have met all remaining requirements specified in Section 5092 as they existed on December 31, 2013.~~



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## Attachment 27

### **Business and Professions Code Section 5134 As Proposed to be Amended**

**5134.** The amount of fees prescribed by this chapter is as follows:

- (a) The fee to be charged to each applicant for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600). The board may charge a reexamination fee not to exceed seventy-five dollars (\$75) for each part that is subject to reexamination.
- (b) The fee to be charged to out-of-state candidates for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600) per candidate.
- (c) The application fee to be charged to each applicant for issuance of a certified public accountant certificate shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).
- (d) The application fee to be charged to each applicant for issuance of a certified public accountant certificate by waiver of examination shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).
- (e) The fee to be charged to each applicant for registration as a partnership or professional corporation shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).
- (f) The biennial fee for the renewal of each of the permits to engage in the practice of public accountancy specified in Section 5070 shall not be less than two hundred fifty dollars (\$250) and shall not exceed two hundred eighty dollars (\$280).
- (g) The application fee to be charged to each applicant for a retired status license, as described in Section 5070.1, shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).
- (h) The application fee to be charged to each applicant for restoration of a license in a retired status to an active status pursuant to subdivision (f) of Section 5070.1 shall be fixed by the board at an amount not to exceed one thousand dollars (\$1,000).
- (i) The delinquency fee shall be 50 percent of the accrued renewal fee.

(j) The initial permit fee is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the permit is issued, except that, if the permit is issued one year or less before it will expire, then the initial permit fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the permit is issued. The board may, by regulation, provide for the waiver or refund of the initial permit fee where the permit is issued less than 45 days before the date on which it will expire.

~~(k) (1) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 with an authorization to sign attest reports shall be fixed by the board at an amount not to exceed one hundred twenty-five dollars (\$125).~~

~~(2) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 without an authorization to sign attest reports shall be fixed by the board at an amount not to exceed 80 percent of the fee authorized under paragraph (1).~~

~~(k)~~ (k) The fee to be charged for the certification of documents evidencing passage of the certified public accountant examination, the certification of documents evidencing the grades received on the certified public accountant examination, or the certification of documents evidencing licensure shall be twenty-five dollars (\$25).

~~(m)~~ (l) The board shall fix the fees in accordance with the limits of this section and any increase in a fee fixed by the board shall be pursuant to regulation duly adopted by the board in accordance with the limits of this section.

~~(n)~~ (m) It is the intent of the Legislature that, to ease entry into the public accounting profession in California, any administrative cost to the board related to the certified public accountant examination or issuance of the certified public accountant certificate that exceeds the maximum fees authorized by this section shall be covered by the fees charged for the biennial renewal of the permit to practice.



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**CPC Item III.**  
**CBA Item XV.C.2.**  
January 26-27, 2023

## **Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document**

**Presented by: Sarah Benedict, Manager, Renewal and Continuing Competency Unit**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the opportunity to discuss the American Institute of Certified Public Accountants' (AICPA) and National Association of State Boards of Accountancy's (NASBA) jointly issued Exposure Draft on the Proposed Revisions to the Standards for Continuing Professional Education<sup>1</sup> (CPE) Programs (Standards) and the NASBA Fields of Study Document (Fields of Study Document) (**Attachment 1**).

### **Consumer Protection Objectives**

Requiring certified public accountants to complete continuing education (CE) assists the CBA in meeting its consumer protection mandate by ensuring licensees are maintaining a currency of knowledge when practicing public accountancy.

### **Action(s) Needed**

The CBA is being asked to review the Exposure Draft and consider whether to submit a comment letter to the AICPA and NASBA prior to the conclusion of the comment period on March 31, 2023.

### **Background**

The Standards are jointly published by the AICPA and NASBA to provide a framework for the development, presentation, measurement and reporting of CE programs. The Fields of Study Document is issued by NASBA and includes 20 subject matter areas that represent skills and knowledge needed to perform public accounting. The Fields of Study Document is referenced in the Standards.

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<sup>1</sup> The term Continuing Professional Education (CPE) is synonymous with the term Continuing Education (CE).

## **Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document**

Page 2 of 9

While some jurisdictions use all or substantial portions of the Standards and Fields of Study Document for regulation of the CE requirement, California maintains statutory and regulatory provisions that draw guidance from the Standards and Fields of Study Document but retains its own framework for regulating the CE requirement. Additionally, Business and Professions Code section 166 requires the Department of Consumer Affairs (DCA) to develop regulations that prescribe components for mandatory CE programs administered by any board within the DCA. Staff have been collaborating with DCA and other boards on the development of these regulations that are anticipated to be adopted in September 2024.

### **Comments**

The Standards are reviewed and evaluated every two years from the effective date of the last revision to the document. The Standards were last revised with an effective date of December 31, 2019. The Standards are reviewed and revised by the Standards Working Group, which is comprised of 13 members from state boards of accountancy, state societies, educators, CE providers and the AICPA. The Standards Working Group also reviewed the Fields of Study Document.

NASBA's CPE Committee reviewed the recommended revisions to the Standards and the Fields of Study document at its August 2022 meeting. The CPE Committee approved the recommendation to the CPE Standards with one addition/revision and approved the recommendation to the Fields of Study Document without revision.

The Exposure Draft includes:

- a explanatory memorandum summarizing the proposed changes.
- a strike through and underline version of the existing Standards incorporating the proposed changes.
- a strike through and underline version of the existing Fields of Study Document incorporating the proposed changes.

Staff have provided a comparison of the proposed changes to the Standards and the Fields of Study Document found in the Exposure Draft and applicable California Code of Regulations (CCR) (**Attachment 2**). Staff are not recommending any changes to the CBA's CE requirements at this time. The CBA may be asked to consider regulatory changes once both the Standards are finalized and DCA CE regulations are adopted.

### Standards

#### ***Standard No. 5: Learning Activities Reviewed by Content Reviewers (Page 8)***

Standard No. 5 states that CE program sponsors must ensure that learning activities are reviewed by content reviewers who are independent from the course developers.

These reviews must occur before the first presentation of the course materials.

## **Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document**

Page 3 of 9

A revision is proposed to Standard No. 5-01 that provides guidance on rare occasions when a course may be presented without prior review.

### *CBA Comparison:*

The CBA does not require CE providers ensure an independent review of their learning activities.

### **Standard No. 7: Group Live Programs**

Standard No. 7 states that Group Live Programs must employ instructional strategies that clearly define learning objectives, guide the participant through a program of learning and include elements of engagement within the group.

The current definition of a Group Live Program is:

*“Synchronous learning in a group environment with real time interaction of an instructor or subject matter expert that provides the required elements of attendance monitoring and engagement”.*

A revision is proposed to the definition of Group Live Program that would include real time interaction of participants with each other as well as with an instructor.

A similar revision is being proposed at the beginning of Standard No. 7, which specifies that a program is classified as Group Live or Group Internet-Based depending on how the participants interact with each other and the instructor and not by the technology used in the program delivery. Group Live Program examples include:

- Physical classroom setting with a real time instructor.
- Web enabled two-way video participation.
- Participation in a group setting and calling in to a teleconference.
- Participation in a group setting and watching a live broadcast or rebroadcast of a program with a real time subject matter expert facilitator.

### *CBA Comparison:*

CCR section 88 provides the following examples of a Group Live Program:

- Professional development programs of national and state accounting organizations.
- Technical sessions at meetings of national and state accounting organizations and their chapters which are designed as formal education programs
- University or college course.
- Other formal educational programs provided the program meets the required standards.

The CCR does not list web or teleconference courses, nor does it take into account the ability of participants to interact with one another. At a later date, the CBA recommends



## **Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document**

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updating the CCR to be less reliant on specific technology to describe various modes of CE.

### ***Standard No. 8: Group Internet-Based Programs***

The current definition of a Group Internet-Based Program is:

*“Individual participation in synchronous learning with real time interaction of an instructor or subject matter expert and built-in processes for attendance and interactivity.”*

A revision is proposed to the definition of Group Internet-Based Programs that specifies individual participation is in a group learning environment.

A similar revision is being proposed at the beginning of Standard No. 8, which specifies that a program is classified as Group Live or Group Internet-Based depending on how the participants interact with each other and the instructor and not by the technology used in the program delivery. Group Internet-Based Program examples include individual participation in:

- Webcasts
- Broadcast of a group live presentation
- Conference call

#### ***CBA Comparison:***

CCR section 88 states that a Group Internet-Based program is one that enables a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location. The CCR bases the description on the use of a computer and does not consider how participants interact with each other and the instructor.

### ***Standard No. 9: Self-Study Programs***

The current definition of a Self-Study Program is:

*“An educational program completed individually without the assistance or interaction of a real time instructor.”*

A revision is proposed to the definition of Self-Study Program to specify the program is asynchronous. A revision is also proposed to the definition of Synchronous to change “group program” to “learning activity.”

A revision is being proposed to Standard No. 9-03 that deletes the requirements that CE providers to provide feedback on true and false questions.

#### ***CBA Comparison:***

CCR section 88.2(c)(2) requires frequent participant response to questions that test the understanding of the material presented. The provider is required to provide evaluated

## **Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document**

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feedback to incorrectly answered questions and reinforcement feedback to correctly answered questions. This is true of all question types, including true or false.

CCR section 88.2(c)(4) prohibits true or false questions in the exam given at the conclusion for a self-study course.

The CBA recently submitted a rulemaking package to the Office of Administrative Law that proposes to a change to CCR section 88(g) to define a synchronous learning program as “a program in which participants engage simultaneously in instructional methods.” This proposed change does not contradict the definition in the Exposure Draft.

### ***Standard No. 16: Program Length Measured in CPE Credits***

Standard 16 states that sponsored learning activities are measured by actual program length, with one 50-minute period equal to credit for one CE hour. Credits may be awarded in one-fifth or one-half increments after the first hour.

The proposed revision specifies that interactive, facilitated question and answer time between instructor and participants qualifies as eligible CE credit. Standard No. 16 also specifies that CE providers may round down to the nearest one-fifth or one-half after the first hour. The proposed revision adds that providers must apply the increment to all CE program sessions within the same CE program and certificates of completion must be awarded in the chosen increment.

Standard 16-03 states that all Group Internet-Based Programs must employ some type of real time monitoring mechanism to verify that participants are participating during the course. The proposed revision states the CE provider must communicate how participants can earn full credit. An example may be requiring three out of four polling questions to be answered in order to earn full credit for the course.

It is proposed that a new addition be added as Standard No. 16-05. The new section would address web enabled two-way video participation in Group Live Programs. Participation in the two-way video conference must be monitored and documented by the instructor or attendance monitor in order to authenticate attendance for program duration. Additionally, the participant-to-attendance monitor ratio must not exceed 25:1.

### ***CBA Comparison:***

CCR section 88.2 requires Live and Group Internet-Based Programs to be measured in 50 minute increments. The programs must be at least 50 minutes in length. Any additional time shall be rounded down to the nearest one-half hour. The CBA is currently proposing a change in regulation that would allow one-fifth hour increments. CCR section 89 states that only class hours or the equivalent will be used to measure the hours of continuing education for Live and Group Internet-Based Programs.

## **Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document**

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The CCR does not specifically list question and answer time as acceptable CE; however, if the question and answer session was performed during class hours it would be considered acceptable CE. For self-study courses, questions are considered when calculating the average completion time.

The CBA does not have any law or regulation that addresses two-way video participation in Group Live Programs.

### ***Standard No. 20: Instructor or Content Reviewer CPE Credit for Preparation and Presentation Time***

Standard No. 20 states that instructors and discussion leaders of learning activities may receive CE credit for their preparation, review and presentation time as long as the activity improves professional competence and meet the requirements set forth in the Standards.

The proposed revision would clarify that if there are multiple presenters involved in one CE program session for the first time, they will each receive CE credit for the actual time of the program, plus two additional hours per program hour for preparation.

#### ***CBA Comparison:***

CCR section 88 allows instructors, discussion leaders, and speakers to claim presentation hours provided the session meets CBA CE requirements. The credit is based on actual presentation hours, plus up to two additional hours for preparation time for each hour taught. The CCR does not specifically address multiple presenters.

### ***Standard No. 23: Documentation of Participation in Program***

Standard No. 23 states that CE programs must provide participants with documentation of their participation and details what the documentation must include. The proposed revisions clarify that “contact information” is the CE provider’s contact information, adds “Name of CE program sponsor representative” as a new requirement, and removes the requirement to have a verification by a CE program representative.

The proposed revisions to Standard 23-02 clarify requirements for certificates of completion issued for courses that have a simultaneous delivery of Group Live and Group Internet-Based programs. Specifically, the proposed revisions state:

*In circumstances in which the CPE program sponsor is providing simultaneous delivery of group live and group internet-based programs, the CE program sponsor must ensure that the delivery, attendance monitoring and documentation requirements of the respective instructional delivery methods are met, including the following:*

- *Group live program participants must be monitored for attendance as detailed in S16-02.*

## Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document

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- *The group live program must include at least one element of engagement related to course content during each full credit of CPE as detailed in S7-01.*
- *Group Internet-based participants must respond to at least three attendance monitoring mechanisms per CPE credit as detailed in S16-03.*
- *Group live documentation requirements in S24-01 and S24-03.*
- *Group Internet-based documentation requirements in S24-01 and S24-04.*

*If the individual delivery method and attendance requirements are met, then the CPE program sponsor, at its discretion, may issue the certificate of completion to all program participants by awarding CPE credits under the instructional delivery method attended by the majority of the participants.*

### *CBA Comparison:*

CCR section 89 states that a licensee who is required to obtain CE shall obtain and retain information concerning the courses or programs the licensee completed. The required information varies depending on the type of CE credit claimed. The CCR provides a list of required information for each type of CE credit. The requirements do not include contact information for the CE program. Credit that was earned in Regulatory Review, in a Live Program, or in a Group Internet-Based Program must include a verification by the program provider representative.

The CBA does not currently have any laws or regulations that address simultaneous delivery of a live and group based internet course.

### **Standard No. 24: Program and Participation Documentation Maintenance**

Standard No. 24 states that CE program providers must retain adequate documentation that supports their compliance with the Standards and the reports that may be required of participants for at least five years.

A proposed revision would add a new section, Standard No. 24-04, that specifies that CE program providers must also maintain documentation that serves as evidence of participant responses to attendance monitoring mechanisms required in Group Internet-Based programs.

### *CBA Comparison:*

CCR section 88.1(b)(1) requires Group Internet-Based programs to monitor attendance through the program by including a minimum of three monitoring devices each hour, such as polling, questions, or survey. CCR 88(b)(4) requires providers to retain attendance records for five years that includes the number of participation hours, but it does not require that providers retain documentation on participant responses to monitoring devices.

# Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document

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## Fields of Study Document

The proposed revisions to the Fields of Study Document include several new acceptable subjects.

### ***Technical Subject Areas***

The proposed changes add the following subjects as technical CE:

#### Accounting

- Reviews and Compilations (Statement on Standards for Accounting and Review Services (SSARS)).
- Environmental, Social, and Governance and Sustainability.
- Financial Statements and Reports – Financial Reporting Frameworks.
- Fraud

#### Accounting (Governmental)

- Environmental, Social, and Governance and Sustainability related to a governmental entity and contract.
- Fraud related to a governmental entity or contract.

#### Auditing

- Environmental, Social, and Governance and Sustainability.
- Fraud
- Risk Assessment
- Service Organization Controls (SOC) Reporting.

#### Auditing (Governmental)

- Environmental, Social, and Governance and Sustainability related to a governmental entity and contract.
- Fraud related to a governmental entity or contract.
- Single Audit Act

#### Information Technology

- Digital Transformation

#### Specialized Knowledge

- Environmental, Social, and Governance and Sustainability.

The proposed changes remove the following subjects as technical CE:

#### Specialized Knowledge

- Employee Benefit Plan Auditing Compliance.

## **Discussion and Possible Action on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document**

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### *CBA Comparison:*

CCR section 87(a)(2) lists examples of acceptable technical subject areas. Although the CBA's list is not identical to the Fields of Study Document, the CBA regulations do not exclude any of the subject areas listed in the Fields of Study Document.

### ***Nontechnical Subject Areas***

The proposed revisions do not add or remove any nontechnical subjects; however, "Management Planning in Industry" in the Business Management and Organization subject area has been revised to include strategy.

### *CBA Comparison:*

CCR section 87(a)(3) lists examples of acceptable nontechnical just areas. Although the CBA's list is not identical to the Fields of Study Document, the CBA regulations do not exclude any of the subject areas listed in the Fields of Study Document.

### Items for CBA Consideration

The DCA is currently undergoing a department-wide rulemaking process regarding CE. Once the rulemaking is complete, staff will begin to review CBA regulations regarding CE to identify proposed changes. The Exposure Draft does not present any changes to the Standards or the Fields of Study Document that would require immediate CBA action.

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff recommend the CBA submit a letter of support to the AICPA and NASBA (**Attachment 3**) regarding the Exposure Draft.

### **Attachments**

1. AICPA and NASBA Exposure Draft on the Proposed Statements on Standards for Continuing Professional Education Programs and the Proposed NASBA Fields of Study Document
2. California Code of Regulations, Article 12 – Continuing Education Regulations
3. Draft letter from the CBA to the AICPA and NASBA on the Exposure Draft Regarding Proposed Revisions to the Standards for Continuing Professional Education Programs and Fields of Study Document



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# **EXPOSURE DRAFT**

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## **PROPOSED STATEMENTS ON STANDARDS FOR CONTINUING PROFESSIONAL EDUCATION (CPE) PROGRAMS**

### **PROPOSED NASBA FIELDS OF STUDY DOCUMENT**

**December 14, 2022**

**Comments are requested by March 31, 2023**

Comments should be submitted to [comments@nasba.org](mailto:comments@nasba.org)

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# Explanatory Memorandum

## Introduction

The Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*) is published jointly by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) to provide a framework for the development, presentation, measurement, and reporting of CPE programs.

The *Standards* are intended to be an “evergreen” document. The *Standards* are reviewed and evaluated every two years from the effective date of the last revision to the document. The *Standards* were last revised with an effective date of December 31, 2019.

## Background

In May 2022, the CPE Standards Working Group (Working Group) began the review and evaluation of the *Standards*. The Working Group is comprised of 13 members representing various stakeholders in CPE including state boards of accountancy, state societies, educators, CPE providers and the AICPA. In addition to reviewing the *Standards* in their entirety, the Working Group considered innovations, trends and techniques in CPE and adult learning as well as ideas and suggestions related to clarifications and modifications of the 2019 *Standards*. Because the NASBA Fields of Study document is referenced within the *Standards*, the Working Group also reviewed and evaluated the Fields of Study document for currency and relevancy.

NASBA’s CPE Committee reviewed the recommendation at its August 2022 meeting. The CPE Committee approved the recommendation to the CPE Standards with one addition/revision and approved the recommendation to the Fields of Study document without revision.

In September 2022, the Joint AICPA/NASBA CPE Standards Committee met and reviewed the recommendation of revisions to the *Standards* and Fields of Study document. The Joint Committee approved the recommendation to the *Standards* without revision and made one addition to the Fields of Study document.

The NASBA Board of Directors and the AICPA Board of Directors approved the proposed revisions for public comment at its October and November 2022 meetings, respectively.

## Proposed Changes from Existing Standards

### Article I - Definitions:

- Clarified the definition of group Internet based program and group live and included reference to examples within the Standards.
- Clarified the definition of self study program to emphasize that it is an asynchronous program completed individually.
- Revised definition of synchronous to mirror the definition of asynchronous.

### **Article III - Standards for CPE Program Sponsors:**

#### **Program Development:**

- S5-01 – Clarified the intention of the content review of a CPE program. The 2019 version of S5-01 permitted an exception for content reviews when it is impractical to review certain programs in advance such as lectures given only once. In order to reinforce the importance of the content review in ensuring high quality CPE programs, additional language was included to explain that only in rare circumstances (with examples provided) should a CPE program not have a content review.
- Standard 7 – Clarified the distinction of Group Live and Group Internet Based programs is determined by how the participant interacts with other participants and the instructor instead of how the learning is consumed by the participant. Provided specific examples of Group Live programs to include web enabled two-way video participation. Additional measurement requirements for web enabled two-way video participation is included in S16-05.
- Standard 8 – Clarified the distinction of Group Live and Group Internet Based programs to mirror Standard 7. Provided specific examples of Group Internet Based programs.
- S9-03 – Modification from “must” to “should” for compliant feedback for “true or false” questions, which encourages sponsors to provide compliant feedback but eliminates the requirement.

#### **Program Measurement:**

- Standard 16 – Clarified that interactive, facilitated question and answer time between instructor and participants qualifies toward eligible CPE credit.

The paragraph following the table was modified and moved to the last paragraph to clarify that the CPE program sponsor has the discretion to round down CPE credits awarded for a CPE program to the nearest one-fifth, one-half or whole credit. However, the increment chosen must be applied to all CPE program sessions within the same CPE program (i.e., cannot mix and match one-fifth and one-half credit increments within the same CPE program).

- S16-03 – Paragraph added to require CPE program sponsors to communicate how participants can earn full credit for a Group Internet Based program. Provided an example of when more than the minimum required polling questions are used as the attendance monitoring mechanism.
- S16-05 – Added to describe the requirements for web enabled two-way video participation Group Live programs. The requirements are for the program to include elements of engagement as required in S7-01 and for two-way video participation to be monitored and documented by the instructor or attendance monitor in order to authenticate attendance for program duration. The participant-to-attendance monitor ratio cannot exceed 25:1.
- S20-01 – Added a paragraph with an example of how to award CPE credit when multiple presenters are actively involved in instructing one CPE program session.

## **Program Reporting:**

- Standard 23 – Clarified the required information to be included on the certificate of completion.
- S23-02 – Reorganized the paragraph on certificate issuance for simultaneous delivery of Group Live and Group Internet Based programs to specify first the requirements of the respective delivery methods that must be met. Then, if those requirements are met, how to issue the certificates of completion to all program participants.
- S24-04 – Requirement for documentation to be maintained by a CPE program sponsor of a Group Internet Based program was added for consistency with the other instructional delivery methods included in the Standards.

## **Effective Date**

No specific date has been recommended and the effective date is dependent on the timing of review and approval through NASBA's CPE Committee, the Joint AICPA/NASBA CPE Standards Committee, and ultimately, the respective AICPA and NASBA Boards of Directors. The proposed revisions could have the effective date of the Boards' final approval.

## **Guide for Respondents**

Comments are sought on both the Exposure Draft of the Statement on Standards for Continuing Professional Education (CPE) Programs and the NASBA Fields of Study document.

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific suggestions for any proposed changes to wording.

Written comments on the exposure draft will become part of the public record of NASBA and will be available for review on NASBA's National Registry of CPE Sponsors website until the final standard is issued. Responses should be sent to [comments@nasba.org](mailto:comments@nasba.org), and received by March 31, 2023. Responses may be submitted in Word format or directly in the body of the email with an appropriate signature (name, organization). Respondents may also submit a PDF version of their Word document for posting to the NASBA website.

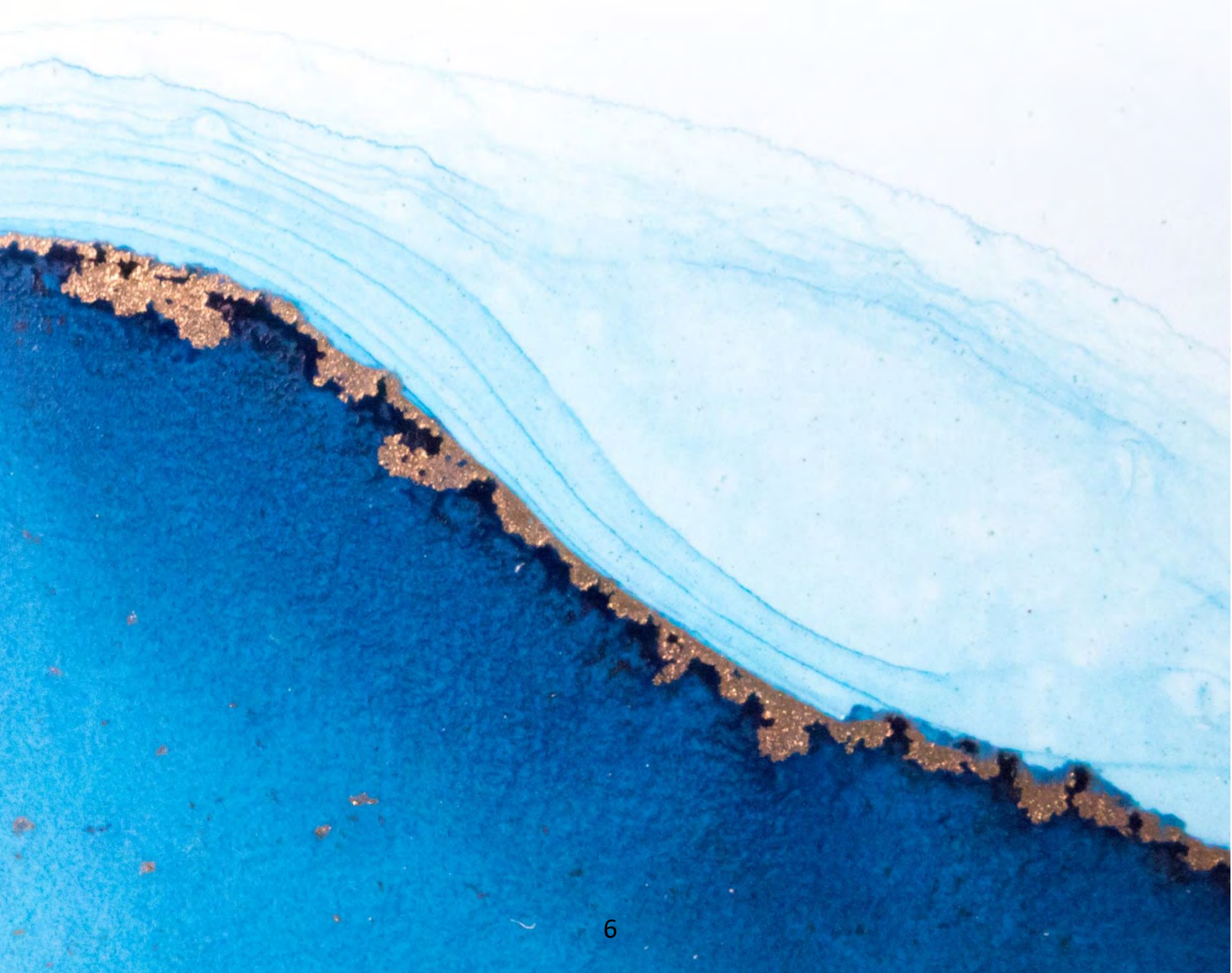
## **Comment Period**

The comment period for this exposure draft ends March 31, 2023.

# The Statement on Standards for Continuing Professional Education (CPE) Programs

Jointly issued by the American Institute of Certified Public Accountants (AICPA) and the  
National Association of State Boards of Accountancy (NASBA)

**December 2019**



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## Introduction

Continuing professional education (CPE) is required for CPAs to maintain or improve their professional competence and provide quality professional services. CPAs are responsible for complying with all applicable CPE requirements, rules, and regulations of boards of accountancy, as well as those of membership associations and other professional organizations.

The Statement on Standards for Continuing Professional Education (CPE) Programs (Standards) is published jointly by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) to provide a framework for the development, presentation, measurement, and reporting of CPE programs. The Standards were last revised in ~~2016~~2019.

The Standards are periodically reviewed in their entirety by the CPE Standards Working Group (Working Group). The Working Group comprises 13 members representing the various stakeholders in the CPE arena, including boards of accountancy, state societies, educators, CPE providers, and the AICPA. If the Working Group determines that revisions or modifications are required, then the Working Group will make its recommendations to NASBA's CPE Committee (CPE Committee), which, in turn, makes recommendations to the Joint AICPA/NASBA CPE Standards Committee (Joint Committee). The Joint Committee will then make its recommendation to the respective AICPA and NASBA Boards of Directors. Any revisions or modifications to the Standards will be posted to the AICPA and NASBA websites for comment.

The Standards are intended to be an "evergreen" document. As questions arise related to implementation and application of the Standards, the questions will be presented to the Working Group. NASBA will communicate the findings of the Working Group to the specific CPE program sponsor. Authoritative interpretations will only be issued by the CPE Committee in limited cases in which the matter is not addressed in the Standards, cannot be addressed specifically with the CPE program sponsor, or cannot be addressed in the "Best Practices" web pages. All interpretations issued by the CPE Committee will be reviewed and considered by the Joint Committee upon the next revision of the Standards.

## Preamble

- 1** The right to use the title “Certified Public Accountant” (CPA) is regulated by each state’s board of accountancy in the public interest and imposes a duty to maintain public confidence by enhancing current professional competence, as defined in the Statement on Standards for Continuing Professional Education (CPE) Programs (Standards), in all areas in which they provide services. CPAs must accept and fulfill their ethical responsibilities to the public and the profession regardless of their fields of employment.<sup>1</sup>
- 2** The profession of accountancy is characterized by an explosion of relevant knowledge, ongoing changes and expansion, and increasing complexity. Advancing technology, globalization of commerce, increasing specialization, proliferating regulations, and the complex nature of business transactions have created a dynamic environment that requires CPAs to continuously maintain or improve their professional competence.
- 3** The continuing development of professional competence involves a program of lifelong educational activities. Continuing professional education (CPE) is the term used in these Standards to describe the educational activities that assist CPAs in achieving and maintaining quality in professional services.
- 4** The following Standards have been broadly stated in recognition of the diversity of practice and experience among CPAs. They establish a framework for the development, presentation, measurement, and reporting of CPE programs and thereby help to ensure that CPAs receive the quality CPE necessary to satisfy their obligations to serve the public interest. The spirit of the Standards is to encourage high-quality learning with measurable objectives by providing baseline requirements. These Standards may also apply to other professionals by virtue of employment or membership. Boards of accountancy have final authority on the acceptance of individual courses for CPE credit.
- 5** Advances in technology, delivery, and workplace arrangements may lead to innovative learning techniques. Learning theory is evolving to include more emphasis on outcome-based learning. These Standards anticipate innovation in CPE in response to these advances. Sponsors must ensure innovative learning techniques are in compliance with the Standards. CPE program sponsors are encouraged to consult with NASBA regarding questions related to compliance with the Standards when using innovative techniques.
- 6** These Standards create a basic foundation for sound educational programs. Sponsors may wish to provide enhanced educational and evaluative techniques to all programs.

<sup>1</sup> The term “CPA” is used in these Standards to identify any person who is licensed or regulated, or both, by boards of accountancy.

## Article I – Definitions

**Adaptive learning self study program.** A self study program that uses a computer algorithm, other predictive analytics tools, or learner-driven selections to orchestrate interaction with the learner and deliver customized learning activities to assist the learner in meeting the course’s stated learning objectives. CPE credit for an adaptive learning self study program must be determined based on the methodologies detailed in S17-09 through S17-17.

**Advanced.** Program knowledge level most useful for individuals with mastery of the particular topic. This level focuses on the development of in-depth knowledge, a variety of skills, or a broader range of applications. Advanced level programs are often appropriate for seasoned professionals within organizations; however, they may also be beneficial for other professionals with specialized knowledge in a subject area.

**Asynchronous.** A learning activity in which the participant has control over time, place, or pace of learning.

**Basic.** Program knowledge level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

**Blended learning program.** An educational program that includes both asynchronous and synchronous learning activities, and incorporates different instructional delivery methods or instructional strategies, or different levels of guidance.

**Content reinforcement tools.** Tools used within the overall learning activity to reinforce learning and influence behavior change throughout the learning or at the end of the learning. Examples include but are not limited to simulations, drag-and-drop, rank order, or matching activities.

**Content reviewer.** Individuals or teams qualified in the subject matter other than those who developed the content.

**Continuing professional education (CPE).** An integral part of the lifelong learning required to provide competent service to the public. The set of activities that enables CPAs to maintain or improve their professional competence.

**CPE credit.** Fifty minutes of participation in a program of learning equals one CPE credit.

**CPE program sponsor.** The individual or organization responsible for issuing the certificate of completion and maintaining the documentation required by the Statement on Standards for Continuing Professional Education (CPE) Programs.

**Elements of engagement.** Tools within the overall learning activity of a group live program to encourage the participation of learners within the program. Examples include but are not limited to group discussion, polling questions, instructor-posed question with time for participant reflection, role play, demonstration, or use of a case study with different engagement elements throughout the program.

**Evaluative feedback.** Specific response to incorrect answers to questions in self study programs.

**Group Internet based program.** Individual participation in synchronous group learning with real time interaction of an instructor or subject matter expert and built-in processes for attendance and interactivity. [See Standard No. 8 for examples of group Internet based programs.](#)

**Group live program.**— Synchronous learning in a group in an environment with real time interaction of participants with each other and with an instructor or subject matter expert that provides the required elements of attendance monitoring and engagement. [See Standard No. 7 for examples of group live programs.](#)

**Group program.** Any group live or group Internet based programs.

**Independent study.** An educational process designed to permit a participant to learn a given subject under a learning contract with a CPE program sponsor.

**Instructional delivery methods.**— Delivery formats used for CPE programs as defined within these Standards: group live, group Internet based, self study, nano learning, and blended learning.

**Instructional strategies.** Strategies such as but not limited to case studies, computer-assisted learning, lectures, group interaction, programmed instruction, and use of audiovisual aids employed within the instructional delivery methods of group, self study, or independent study programs or other innovative programs.

**Intermediate.**— Program knowledge level that builds on a basic program and is most appropriate for CPAs with detailed knowledge in a particular topic. Such persons are often at a mid-level within the organization, with operational or supervisory responsibilities, or both.

**Learning activity.** An educational endeavor that maintains or improves professional competence.

**Learning contract.** A written contract signed by an independent study participant and a qualified CPE program sponsor prior to the commencement of the independent study.

**Learning objectives.** Measurable outcomes that participants should accomplish upon completion of a learning activity. Learning objectives are useful to program developers in deciding appropriate instructional strategies and allocating time to various subjects.

**Nano learning program.** A program designed to permit a participant to learn a given subject in a minimum of 10 minutes and less than 20 minutes through the use of electronic media (including technology applications and processes and computer-based or web-based technology) and without interaction with a real time instructor. A nano learning program differs from a self study program in that it is typically focused on a single learning objective and is not paper-based. A nano learning program is not a group program. Nano learning is not a substitute for comprehensive programs addressing complex issues.

**Overview.** Program knowledge level that provides a general review of a subject area from a broad perspective. These programs may be appropriate for professionals at all organizational levels.

**Pilot test.** A method to determine the recommended CPE credit for self study programs that involves sampling of individuals who are independent of the development team and are representative of the intended participants to measure the representative completion time.

**Pre-program assessment.** A method of measuring prior knowledge that is given before the participant has access to the course content of the program.

**Professional competence.** Having requisite technical competence, professional skills, values, ethics, and attitudes to provide quality services as defined by the technical and ethical standards of the profession. The expertise needed to undertake professional responsibilities and to serve the public interest.

**Program of learning.** A collection of learning activities that are designed and intended as continuing education and that comply with these Standards.

**Qualified assessment.** A method of measuring the achievement of a representative number of the learning objectives for the learning activity.

**Reinforcement feedback.** Specific responses to correct answers to questions in self study programs.

**Self study program.** An asynchronous educational program of learning completed individually without the assistance or interaction of a real time instructor.

**Social learning.** Learning from one's peers in a community of practice through observation, modeling, and application.

**Subject matter expert.** A person who has expertise in a particular area or topic. Expertise may be demonstrated through practical experience or education, or both.

**Synchronous.** A learning activity~~group program~~ in which participants engage simultaneously in learning activities.

**Word count formula.** A method, detailed under §17-05 method 2, to determine the recommended CPE credit for self study programs that uses a formula, including word count of learning material, number of questions and exercises, and duration of audio and video segments.

**Update.** Program knowledge level that provides a general review of new developments. This level is for participants with a background in the subject area who desire to keep current.

## Article II – General Guidelines for CPAs

**2.1 Professional Competence.** All CPAs should participate in learning activities that maintain or improve their professional competence.<sup>2</sup>

Selection of learning activities should be a thoughtful, reflective process addressing the individual CPA's current and future professional plans, current knowledge and skill level, and desired or needed additional competence to meet future opportunities or professional responsibilities, or both.

CPAs' fields of employment do not limit the need for CPE. CPAs performing professional services need to have a broad range of professional competence. Thus, the concept of professional competence may be interpreted broadly. Accordingly, acceptable continuing education encompasses programs contributing to the development and maintenance of professional skills.

The [fields of study](#), as published on NASBA's website, [www.nasbaregistry.org](http://www.nasbaregistry.org), represent the primary knowledge and skill areas that CPAs need to perform professional services in all fields of employment.

To help guide their professional development, CPAs may find it useful to develop a learning plan. Learning plans are structured processes that help CPAs guide their professional development. They are dynamic instruments used to evaluate and document learning and professional competence development. They may be reviewed regularly and modified as CPAs' professional competence needs change. Plans include a self-assessment of the gap between current and needed professional competence; a set of learning objectives arising from this assessment; and learning activities to be undertaken to fulfill the learning plan.

**2.2 CPE Compliance.** CPAs must comply with all applicable CPE requirements.

CPAs are responsible for compliance with all applicable CPE requirements, rules, and regulations of state licensing bodies, other governmental entities, membership associations, and other professional organizations or bodies. CPAs should contact each appropriate entity to which they report to determine its specific requirements or any exceptions it may have to the standards presented herein.

Periodically, CPAs participate in learning activities that do not comply with all applicable CPE requirements, for example, specialized industry programs offered through industry sponsors. If CPAs propose to claim credit for such learning activities, they must retain all relevant information

<sup>2</sup> The terms "should" and "must" are intended to convey specific meanings within the context of this joint AICPA/NASBA Statement on Standards for Continuing Professional Education Programs (Standards). The term "must" is used in the Standards and applies to CPAs and CPE program sponsors to convey that CPAs and CPE program sponsors are not permitted any departure from those specific Standards. The term "should" is used in the Standards and applies to both CPAs and CPE program sponsors and is intended to convey that CPAs and CPE program sponsors are encouraged to follow such Standards as written. The term "may" is used in the Standards and applies to both CPAs and CPE program sponsors and is intended to convey that CPAs and CPE program sponsors are permitted to follow such Standards as written.

regarding the program to provide documentation to state licensing bodies and all other professional organizations or bodies that the learning activity is equivalent to one that meets all these standards.

**2.3 CPE Credits Record Documentation.** CPAs are responsible for accurate reporting of the appropriate number of CPE credits earned and must retain appropriate documentation of their participation in learning activities.

To protect the public interest, regulators require CPAs to document maintenance or improvement of professional competence through periodic reporting of CPE. For convenience, measurement is expressed in CPE credits. However, the objective of CPE must always be maintenance or improvement of professional competence, not attainment of credits. Compliance with regulatory and other requirements mandates that CPAs keep documentation of their participation in activities designed to maintain or improve professional competence. In the absence of legal or other requirements, a reasonable policy is to retain documentation for a minimum of five years from the end of the year in which the learning activities were completed.

Participants must document their claims of CPE credit. Examples of acceptable evidence of completion include the following:

- For group, blended learning, and independent study programs, a certificate or other verification supplied by the CPE program sponsor
- For self study and nano learning programs, a certificate supplied by the CPE program sponsor after satisfactory completion of a qualified assessment
- For instruction or content review credit, appropriate supporting documentation that complies with the requirements of the respective state boards subject to the guidelines in Standard No. 20 in the “Standards for CPE Program Measurement” section of the Standards
- For a university or college course that is successfully completed for credit, a record or transcript of the grade the participant received
- For university or college noncredit courses, a certificate of attendance issued by a representative of the university or college
- For published articles, books, or CPE programs:
  - a copy of the publication (or in the case of a CPE program, course development documentation) that names the CPA as author or contributor,
  - a statement from the writer supporting the number of CPE hours claimed, and
  - the name and contact information of the content reviewer(s) or publisher

**2.4 Reporting CPE Credits.** CPAs who complete sponsored learning activities that maintain or improve their professional competence must claim no more than the CPE credits recommended by CPE program sponsors subject to state board regulations.

CPAs may participate in a variety of sponsored learning activities. Although CPE program sponsors determine credits, CPAs must claim credit only for activities through which they maintained or improved their professional competence. CPAs who participate in only part of a program must claim CPE credit only for the portion they attended or completed.

**2.5 Independent Study.** CPAs may engage in independent study under the direction of a CPE program sponsor who has met the applicable standards for CPE program sponsors when the subject matter and level of study maintain or improve the CPAs' professional competence.

Independent study is an educational process designed to permit a participant to learn a given subject under the guidance of a CPE program sponsor. Participants in an independent study program must

a. enter into a written learning contract with a CPE program sponsor that must comply with the applicable standards for CPE program sponsors. A learning contract:

- i. specifies the nature of the independent study program and the time frame over which it is to be completed, not to exceed 15 weeks.
- ii. specifies that the output must be in the form of
  - (1) a written report that will be reviewed by the CPE program sponsor or a qualified person selected by the CPE program sponsor or
  - (2) a written certification by the CPE program sponsor that the participant has demonstrated application of learning objectives through
    - (a) successful completion of tasks or
    - (b) performance of a live demonstration, oral examination, or presentation to a subject matter expert.
- iii. outlines the maximum CPE credit that will be awarded for the independent study program, but limits credit to actual time spent.

b. accept the written recommendation of the CPE program sponsor regarding the number of credits to be earned upon successful completion of the proposed learning activities. CPE credits will be awarded only if

- i. all the requirements of the independent study as outlined in the learning contract are met;
- ii. the CPE program sponsor reviews and signs the participant's report;
- iii. the CPE program sponsor reports to the participant the actual credits earned; and
- iv. the CPE program sponsor provides the participant with contact information.

The maximum credits to be recommended by an independent study CPE program sponsor must be agreed upon in advance and must be equated to the effort expended to maintain or improve professional competence. The credits cannot exceed the time devoted to the learning activities and may be less than the actual time involved.

c. retain the necessary documentation to satisfy regulatory requirements regarding the content, inputs, and outcomes of the independent study.



## **Article III – Standards for CPE Program Sponsors**

### **3.1 - General Standards**

**Standard No. 1. CPE program sponsors are responsible for compliance with all applicable Standards and other CPE requirements.**

**S1 – 01. CPE requirements of licensing bodies and others.** CPE program sponsors may have to meet specific CPE requirements of state licensing bodies, other governmental entities, membership associations, and other professional organizations or bodies. Professional guidance for CPE program sponsors is available from NASBA; state-specific guidance is available from the boards of accountancy. CPE program sponsors should contact the appropriate entity to determine requirements.

### **3.2 - Standards for CPE Program Development**

**Standard No. 2. Sponsored learning activities must be based on relevant learning objectives and outcomes that clearly articulate the professional competence that should be achieved by participants in the learning activities.**

**S2-01. Program knowledge level.** Learning activities provided by CPE program sponsors for the benefit of CPAs must specify the knowledge level, content, and learning objectives so that potential participants can determine whether the learning outcomes are appropriate to their professional competence development needs. Knowledge levels consist of basic, intermediate, advanced, update, and overview.

**Standard No. 3. CPE program sponsors must develop and execute learning activities in a manner consistent with the prerequisite education, experience, and advance preparation of participants.**

**S3-01. Prerequisite education and experience.** To the extent it is possible to do so, CPE program sponsors should make every attempt to equate program content and level with the backgrounds of intended participants. All programs identified as Intermediate, Advanced or Update must clearly identify prerequisite education, experience, and advance preparation in precise language so that potential participants can readily ascertain whether they qualify for the program. For courses with a program knowledge level of Basic and Overview, prerequisite education or experience and advance preparation, if any, must be noted, otherwise, state “none” in the course announcement or descriptive materials.

**Standard No. 4. CPE program sponsors must employ activities, materials, and delivery systems that are current, accurate, and effectively designed. Course documentation must contain the most recent publication, revision, or review date. Courses must be revised as soon as feasible following changes to relative codes, laws, rulings, decisions, interpretations, and so on. Courses in subjects that undergo frequent changes must be reviewed by a subject matter expert at least once a year to verify the currency of the content. Other courses must be reviewed at least every two years.**

**S4-01. Developed by subject matter expert(s).** Learning activities must be developed by subject matter expert(s).

**Standard No. 5. CPE program sponsors of group, self study, nano learning, and blended learning programs must ensure that learning activities are reviewed by content reviewers other than those who developed the programs to assure that the program is accurate and current and addresses the stated learning objectives. These reviews must occur before the first presentation of these materials and again after each significant revision of the CPE programs.**

The participation of at least one licensed CPA (in good standing and holding an active license or the equivalent of an “active” CPA license in a U.S. jurisdiction) is required in the development of every program in accounting and auditing. The participation of at least one licensed CPA, tax attorney, or IRS enrolled agent (in good standing and holding an active CPA license or the equivalent of an “active” license in a U.S. jurisdiction) is required in the development of each program in the field of study of taxes. In the case of the subject matter of international taxes, the participation of the equivalent of an “active” licensed CPA for the international jurisdiction involved is permitted. As long as this requirement is met at some point during the development process, a program would be in compliance. Whether to have this individual involved during the development or the review process is at the CPE program sponsor’s discretion.

**S5-01. Qualifications of content reviewers.** Individuals or teams qualified in the subject matter must review programs. The intent of the review is to serve as a quality control procedure to ensure the course content is accurate and current as well as appropriate for CPE. When it is in rare circumstances, it may be impractical to review certain programs in advance, such as lectures given only once such as a matter that must be communicated to participants quickly due to the effective date of the matter (for example, an emerging issue, change in accounting/auditing pronouncement or tax code) or the instructor/presenter is the only subject matter expert within the sponsor organization or the instructor/presenter is a recognized leader within an authoritative body such as the Securities and Exchange Commission or the Public Company Accounting Oversight Board. In those rare circumstances, greater reliance should be placed on the recognized professional competence of the instructor or presenter and the basis for the lack of content review must be documented.

**S5-02. Review responsibilities if content is purchased from another entity.** CPE program sponsors may purchase course content from other entities and developers. The organization that issues the certificate of completion under its name to the participants of the program is responsible for compliance with all Standards and other CPE requirements.

If a CPE program sponsor plans to issue certificates of completion under its name, then the CPE program sponsor must first consider whether the content was purchased from an entity registered with NASBA on the National Registry of CPE Sponsors.

- If the content is purchased from a sponsor registered with NASBA on the National Registry of CPE Sponsors, then the CPE program sponsor ~~may~~must maintain the author/developer and content reviewer documentation from that sponsor to satisfy the content development requirements of the Standards. The documentation should be maintained as prescribed in Standard No. 24.

- If the content is purchased from an entity not registered with NASBA on the National Registry of CPE Sponsors, then the CPE program sponsor must independently review the purchased content to ensure compliance with the Standards. If the CPE program sponsor does not have the subject matter expertise on staff, then the CPE program sponsor must contract with a content reviewer to conduct the review. The CPE program sponsor must maintain the appropriate documentation regarding the credentials and experience of both the course author/developer(s) and content reviewer(s) as prescribed in Standard No. 24.

**Standard No. 6. CPE program sponsors of independent study learning activities must be qualified in the subject matter.**

**S6-01. Requirements of independent study sponsor.** A CPE program sponsor of independent study learning activities must have expertise in the specific subject area related to the independent study. The CPE program sponsor must also

- review, evaluate, approve, and sign the proposed independent study learning contract, including agreeing in advance on the number of credits to be recommended upon successful completion.
- evidence program completion by at least one of the following:
  - reviewing and signing the written report developed by the participant in independent study.
  - certifying in writing that the applicant has demonstrated application of learning objectives through successful completion of tasks.
  - certifying in writing that the applicant has performed a live demonstration, oral examination, or presentation to a subject matter expert.
- retain the necessary documentation as included in Standard No. 24 to satisfy regulatory requirements regarding the content, inputs, and outcomes of the independent study.

**Standard No. 7. Group live programs must employ instructional strategies that clearly define learning objectives, guide the participant through a program of learning, and include elements of engagement within the program.**

Whether a program is classified as group live or group Internet based is determined by how the participant ~~consumes the learning (in a group setting or on an individual basis)~~ interacts with other participants and the instructor and not by the technology used in program delivery.- Group live examples include but are not limited to:

- physical classroom setting with a real time instructor;
- web enabled two-way video participation;
- participation in a group setting and calling in to a teleconference; and-or
- participation in a group setting and watching a live broadcast or rebroadcast of a program with a real time subject matter expert facilitator.

**S7-01. Required elements of engagement.** A group live program must include at least one element of engagement related to course content during each full credit of CPE (for example, group discussion, polling questions, instructor-posed question with time for participant reflection, or use of a case study with different engagement elements throughout the program).

In certain limited circumstances, for example, a high-profile keynote session, an element of engagement may not be appropriate. In such cases, the sponsor should document the justification.

**S7-02. Real time instructor during program presentation.** Group live programs must have a real time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation). Once a group live program is recorded for future presentation, it will continue to be considered a group live program only when a real time subject matter expert facilitates the recorded presentation. CPE credit for a recorded group live program facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation.

**S7-03. No real time instructor during recorded program presentation.** A group live program that is recorded for future presentation that does not include a real time subject matter facilitator is no longer a group live program and will be classified as a self study program only if it meets all self study delivery method requirements with the exception of the basis for CPE credit. CPE credit for a recorded group live program not facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation, or it may be determined by either of the two self study credit determination methodologies described in Standard No. 17: pilot testing or the prescribed word count formula, at the sponsor's discretion.

**Standard No. 8. Group Internet based programs must employ instructional strategies that clearly define learning objectives, guide the participant through a program of learning, and provide evidence of a participant's satisfactory completion of the program.**

Whether a program is classified as group live or group Internet based is determined by how the participant ~~consumes the learning (in a group setting or on an individual basis)~~interacts with other participants and the instructor and not by the technology used in program delivery. Group Internet based examples include but are not limited to individual participation in a:

- ~~participation in a~~webcast;st individually,
- ~~participation in a~~broadcast of a group live presentation; or on an individual basis, and
- ~~participants calling in to a~~conference call on an individual basis.

**S8-01. Real time instructor during program presentation.** Group Internet based programs must have a real time instructor while the program is being presented. Program participants must be able to interact with the real time instructor while the course is in progress (including the opportunity to ask questions and receive answers during the presentation). Once a group Internet based program is recorded for future presentation, it will continue to be considered a group Internet based program only when a real time subject matter expert facilitates the recorded presentation. CPE credit for a recorded group Internet based program facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation.

**S8-02. No real time instructor during recorded program presentation.** A group Internet based program that is recorded for future presentation that does not include a real time subject matter facilitator is no longer a group Internet based program and will only be classified as a self study program if it meets all self study delivery method requirements, with the exception of the basis for CPE credit. CPE credit for a recorded group Internet based program not facilitated by a real time subject matter expert will be equal to the CPE credit awarded to the original presentation,

or it may be determined by either of the two self study credit determination methodologies described in Standard No. 17: pilot testing or the prescribed word count formula, at the sponsor's discretion.

**Standard No. 9. Self study programs must employ instructional strategies that clearly define learning objectives, guide the participant through a program of learning, and provide evidence of a participant's satisfactory completion of the program.**

**S9-01. Guide participant through a program of learning.** To guide participants through a program of learning, CPE program sponsors of self study programs must elicit participant responses to test for understanding of the material. Appropriate feedback must be provided. Satisfactory completion of the program must be confirmed during or after the program through a qualified assessment.

**S9-02. Use of review questions or other content reinforcement tools.** Review questions or other content reinforcement tools must be placed throughout the program in sufficient intervals to allow the participant the opportunity to evaluate the material that needs to be re-studied. At least three review questions or other content reinforcement tools with scored responses per CPE credit must be included. If the program is marketed for one-half CPE credits, then two review questions or other content reinforcement tools with scored responses must be included. Other content reinforcement tools with scored responses, such as simulations, that guide participants through structured decisions can be used in lieu of review questions.

After the first full credit and the minimum of three review questions or other content reinforcement tools with scored responses, additional review questions or other content reinforcement tools with scored responses are required based on the additional credit measurement amount of the program as follows:

Additional Credit	Additional Review Questions or Other Content Reinforcement Tools
0.2	0
0.4	1
0.5	2
0.6	2
0.8	3
Next full credit	3

**S9-03. Evaluative and reinforcement feedback on review questions or other content reinforcement tools.** When review questions, such as the multiple choice method, are used, evaluative feedback for each incorrect response must explain specifically why each response is wrong, and reinforcement feedback must be provided for correct responses even when the minimum number of review questions or other content reinforcement tools requirement has otherwise been exceeded. When other content reinforcement tools, such as drag-and-drop, rank order, or matching activities, are used, then it is permissible to provide single feedback to explain

the correct response. Other content reinforcement tools, such as simulations, that guide participants through structured decisions could provide feedback at irregular intervals or at the end of the learning experience. In those situations, single feedback would be permissible. “True or false” questions do not count toward the number of required review questions per CPE credit. Sponsors that elect to include “true or false” questions ~~must~~ should provide evaluative and reinforcement feedback to further the learning process. Forced choice questions other than “true or false” questions, when used as part of an overall learning strategy, are allowed as review questions and can be counted in the number of review questions required per CPE credit. There is no minimum passing rate required for review questions or other content reinforcement tools.

**S9-04. Qualified assessment requirements.** To provide evidence of satisfactory completion of the course, CPE program sponsors of self study programs must require participants to successfully complete a qualified assessment during or after the program with a cumulative minimum passing grade of at least 70 percent before issuing CPE credit for the course. Assessments may contain questions of varying format (for example, multiple choice, essay, and simulations). At least 5 questions and scored responses per CPE credit must be included on the qualified assessment or 3 assessment questions and scored responses if the program is marketed for one-half CPE credits. For example, the qualified assessment for a 5-credit course must include at least 25 questions and scored responses. Alternatively, a 5 ½ credit course must include at least 28 questions and scored responses. Except in courses in which recall of information is the learning strategy, duplicate review and qualified assessment questions are not allowed. “True or false” questions are not permissible on the qualified assessment.

After the first full credit and the minimum of five questions and scored responses per CPE credit, additional qualified assessment questions and scored responses are required based on the additional credit measurement amount of the program as follows:

Additional Credit	Additional Questions/Scored Responses
0.2	1
0.4	2
0.5	3
0.6	3
0.8	4
Next full credit	5

If a pre-program assessment is used in the course, then the pre-program assessment cannot be included in the determination of the recommended CPE credits for the course. If a pre-program assessment is used and feedback is provided, then duplicate pre-program assessment and qualified assessment questions are not permitted. If a pre-program assessment is used and feedback is not provided, then duplicate pre-program assessment and qualified assessment questions are permissible. Feedback may comply with the feedback for review questions as described in S9-03 or take the form of identifying correct and incorrect answers.

A qualified assessment must measure a representative number of the learning objectives for the program. A representative number of the learning objectives is 75 percent or more of the learning objectives for the program. The representative number of the learning objectives can be less than 75 percent of the learning objectives for the program only if a randomized question generator is

used, and the test bank used in the creation of the assessment includes at least 75 percent of the learning objectives for the program. Assessment items must be written to test the achievement of the stated learning objectives of the course.

**S9-05. Feedback on qualified assessment.** Providing feedback on the qualified assessment is at the discretion of the CPE program sponsor. If the CPE program sponsor chooses to provide feedback and

- uses a test bank, then the CPE program sponsor must ensure that the question test bank is of sufficient size to minimize overlap of questions on the qualified assessment for the typical repeat test taker. Feedback may comply with the feedback for review questions as described in S9-03 or take the form of identifying correct and incorrect answers.
- does not use a test bank, whether or not feedback can be given depends on whether the participant passes the qualified assessment, then
  - on a failed assessment, the CPE program sponsor may not provide feedback to the test taker.
  - on assessments passed successfully, CPE program sponsors may choose to provide participants with feedback. This feedback may comply with the type of feedback for review questions as described in S9-03 or take the form of identifying correct and incorrect answers.

**S9-06. Program or course expiration date.** Course documentation must include an expiration date (the time by which the participant must complete the qualified assessment). For individual courses, the expiration date is no longer than one year from the date of purchase or enrollment. For a series of courses to achieve an integrated learning plan, the expiration date may be longer.

**S9-07. Based on materials developed for instructional use.** Self study programs must be based on materials specifically developed for instructional use and not on third-party materials. Self study programs requiring only the reading of general professional literature, IRS publications, or reference manuals followed by a test will not be acceptable. However, the use of the publications and reference materials in self study programs as supplements to the instructional materials could qualify if the self study program complies with each of the CPE standards.

Instructional materials for self study include teaching materials that are developed for instructional educational purposes. These materials must demonstrate the expertise of the author(s). At a minimum, instructional materials must include the following items:

- An overview of topics
- The ability to find information quickly (for example, an index, a detailed menu, or key word search function)
- The definition of key terms (for example, a glossary or a search function that takes a participant to the definition of a key word)
- Instructions to participants regarding navigation through the course, course components, and course completion
- Review questions with feedback
- Qualified assessment

**Standard No. 10. Nano learning programs must employ instructional strategies that clearly define a minimum of one learning objective, guide the participant through a program of learning, and provide evidence of a participant’s satisfactory completion of the program. Satisfactory completion of the program must be confirmed at the conclusion of the program through a qualified assessment. Review questions or other content reinforcement tools that comply with S9-03 may be included in a nano learning program.**

**S10-01. Qualified assessment requirements.** To provide evidence of satisfactory completion of the course, CPE program sponsors of nano learning programs must require participants to successfully complete a qualified assessment with a passing grade of 100 percent before issuing CPE credit for the course. Assessments may contain questions of varying format (for example, multiple choice, rank order, and matching). Only two questions must be included on the qualified assessment. “True or false” questions are not permissible on the qualified assessment. If the participant fails the qualified assessment, then the participant must re-take the nano learning program. The number of re-takes permitted a participant is at the sponsor’s discretion.

**S10-02. Feedback on qualified assessment.** Providing feedback on the qualified assessment is at the discretion of the CPE program sponsor. If the CPE program sponsor chooses to provide feedback and

- uses a test bank, then the CPE program sponsor must ensure that the question test bank is of sufficient size for no overlap of questions on the qualified assessment for the typical repeat test taker. If the multiple choice method is used, evaluative feedback for each incorrect response must explain specifically why each response is wrong, and reinforcement feedback must be provided for correct responses. If rank order or matching questions are used, then it is permissible to provide single feedback to explain the correct response. Feedback may also take the form of identifying correct and incorrect answers.
- does not use a test bank, whether or not feedback can be given depends on whether the participant passes the qualified assessment, then
  - on a failed assessment, the CPE program sponsor may not provide feedback to the test taker.
  - on assessments passed successfully, CPE program sponsors may choose to provide participants with feedback. This feedback may comply with the type of feedback described in the preceding paragraph or take the form of identifying correct and incorrect answers.

**S10-03. Program or course expiration date.** Course documentation must include an expiration date. The expiration date is no longer than one year from the date of purchase or enrollment.

**S10-04. Based on materials developed for instructional use.** Nano learning programs must be based on materials specifically developed for instructional use and not on third-party materials. Nano learning programs requiring only the reading of general professional literature, IRS publications, or reference manuals followed by an assessment will not be acceptable.



Acceptable instructional materials for a nano learning program include intentional, engaged learning activities developed for focused content delivery. Nano learning programs may incorporate techniques such as visuals, slide reinforcements, role play, demonstrations, or use of a white board. The intent of a nano learning program is to transfer knowledge that is interactive—seeking to teach by example—to supply information to understand a specific concept, complete a certain task or computation, or to problem-solve or make decisions through role play or demonstration. At a minimum, nano learning programs must include the following items:

- The learning objective(s) of the program
- Any instructions that participants need to navigate through the program
- A qualified assessment

**Standard No. 11. Blended learning programs must employ instructional strategies that clearly define learning objectives and guide the participant through a program of learning. Pre-program, post- program, and homework assignments should enhance the learning program experience and must relate to the defined learning objectives of the program.**

**S11-01. Guide participant through a program of learning.** The blended learning program includes both asynchronous and synchronous learning; different instructional strategies (for example, lectures, discussion, guided practice, reading, games, case studies, and simulation); different instructional delivery methods (group live, group Internet based, nano learning, or self study); or different levels of guidance (for example, a program led by an individual, instructor or subject matter expert, or group and social learning). To guide participants through the learning process, CPE program sponsors must provide clear instructions and information to participants that summarize the different components of the program and what must be completed or achieved during each component in order to qualify for CPE credits. The CPE program sponsor must document the process and components of the course progression and completion of components by the participants.

**S11-02. Primary components of blended learning program are synchronous learning activities.** If the primary components of the blended learning program are synchronous learning activities, then CPE credits for pre-program, post- program, and homework assignments cannot constitute more than 25 percent of the total CPE credits available for the blended learning program.

**S11-03. Primary components of blended learning program are asynchronous learning activities.** If the primary components of the blended learning program are asynchronous learning activities, then the blended learning program must incorporate a qualified assessment in which participants demonstrate achievement of the learning objectives of the program.

**S11-03.1. Qualified assessment requirements.** A qualified assessment must measure a representative number of learning objectives for the program. A representative number of the learning objectives is 75 percent or more of the learning objectives for the program. The qualified assessment must be completed during or after the program with a cumulative minimum passing grade of at least 70 percent before issuing CPE credit for the course.

**S11-04. A course for credit from an accredited university or college.**- A course from an accredited university or college that is successfully completed for credit will be considered to be a blended learning program. CPE program sponsors should refer to respective state board of accountancy requirements for definition of an accredited university or college.

### **3.3 - Standards for CPE Program Presentation**

**Standard No. 12. CPE program sponsors must provide descriptive materials that enable CPAs to assess the appropriateness of learning activities. For CPE program sponsors whose courses are developed for sale or external audiences, or both (that is, not internal training), CPE program sponsors must make the following information available in advance:**

- Learning objectives
- Instructional delivery methods
- Recommended CPE credit and recommended field of study
- Prerequisites
- Program knowledge level
- Advance preparation
- Program description
- Course registration and, where applicable, attendance requirements
- Refund policy for courses sold for a fee or cancellation policy
- Complaint resolution policy
- Official NASBA sponsor statement, if an approved NASBA sponsor (explaining final authority of acceptance of CPE credits)

**For CPE program sponsors whose courses are purchased or developed for internal training only, CPE program sponsors must make the following information available in advance:**

- Learning objectives
- Instructional delivery methods
- Recommended CPE credit and recommended field of study
- Prerequisites
- Advance preparation
- Program knowledge level (for optional internal courses only)
- Program description (for optional internal course only)

**S12-01. Disclose significant features of program in advance.** For potential participants to effectively plan their CPE, the program sponsor must disclose the significant features of the program in advance (for example, through the use of brochures, websites, electronic notices, invitations, direct mail, or other announcements). When CPE programs are offered in conjunction with non-educational activities or when several CPE programs are offered concurrently, participants must receive an appropriate schedule of events indicating those components that are recommended for CPE credit. The CPE program sponsor's registration and attendance policies and procedures must be formalized, published, and made available to participants and include refund and cancellation policies as well as complaint resolution policies.

**S12-02. Disclose advance preparation and prerequisites.** CPE program sponsors must distribute program materials in a timely manner and encourage participants to complete any advance preparation requirements. All programs must clearly identify prerequisite education, experience, and advance preparation requirements, if any, in the descriptive materials. Prerequisites, if any, must be written in precise language so that potential participants can readily ascertain whether they qualify for the program.

**Standard No. 13. CPE program sponsors must ensure that instructors are qualified with respect to both program content and instructional strategies used.**

**S13-01. Qualifications of instructors.** Instructors are key ingredients in the learning process for any group or blended learning program. Therefore, it is imperative that CPE program sponsors exercise great care in selecting qualified instructors for all group or blended learning programs. Qualified instructors are those who are capable, through training, education, or experience, of communicating effectively and providing an environment conducive to learning. They must be competent and current in the subject matter, skilled in the use of the appropriate instructional strategies and technology, prepared in advance, and must strive to engage participants.

**S13-02. Evaluation of instructor's performance.** CPE program sponsors should evaluate the instructor's performance at the conclusion of each program to determine the instructor's suitability to serve in the future.

**Standard No. 14. CPE program sponsors must employ an effective means for evaluating learning activity quality with respect to content and presentation, as well as provide a mechanism for participants to assess whether learning objectives were met.**

**S14-01. Required elements of evaluation.** The objectives of evaluation are to assess participant and instructor satisfaction with specific programs and to increase subsequent program effectiveness. Evaluations, whether written or electronic, must be solicited from participants and instructors for the overall program, including self study and nano learning programs. Sponsors may elect to solicit evaluations for each session within an overall program. Evaluations determine, among other things, whether

- stated learning objectives were met.
- stated prerequisite requirements were appropriate and sufficient.
- program materials, including the qualified assessment, if any, were relevant and contributed to the achievement of the learning objectives.
- time allotted to the learning activity was appropriate.
- instructors were effective. (Note: This topic does not need to be included in evaluations for self study and nano learning programs.)

If the instructor is actively involved in the development of the program materials, then it is not necessary to solicit an evaluation from the instructor.

**S14- 02. Evaluation results.** CPE program sponsors must periodically review evaluation results to assess program effectiveness and should inform developers and instructors of evaluation results.

**Standard No. 15. CPE program sponsors must ensure that instructional strategies employed are appropriate for the learning activities.**

**S15-01. Assess instructional strategy in context of program presentation.** CPE program sponsors must assess the instructional strategies employed for the learning activities to determine whether the delivery is appropriate and effective.

**S15-02. Facilities and technology appropriateness.** Learning activities must be presented in a manner consistent with the program materials provided. Integral aspects of the learning environment that should be carefully monitored include the number of participants and the facilities and technologies employed in the delivery of the learning activity.

### 3.4 - Standards for CPE Program Measurement

**Standard No. 16. Sponsored learning activities are measured by actual program length, with one 50-minute period equal to one CPE credit. Sponsors may recommend CPE credits under the following scenarios:**

- **Group programs, independent study, and blended learning programs – A minimum of one full credit must be awarded initially, but after the first credit has been earned, credits may be awarded in one-fifth increments or in one-half increments (1.0, x.2, x.4, x.5, x.6, x.8, and so on).**
- **Self study – A minimum of one-half credit must be awarded initially, but after the first full credit has been earned, credits may be awarded in one-fifth increments or in one-half increments (0.5, 1.0, x.2, x.4, x.5, x.6, x.8, and so on).**
- **Nano learning – Credits must be awarded only as one-fifth credit (0.2 credit). A 20-minute program would have to be produced as two stand-alone nano learning programs.**

CPE Program	Minimum initial credit that must be earned	After first full credit has been earned, credit may be earned in these increments, in addition to one whole credit
Group	One	One-fifth or one-half
Independent study	One	One-fifth or one-half
Blended learning	One	One-fifth or one-half
Self study	One-half	One-fifth or one-half
Nano learning	One-fifth	Not applicable (single nano learning program is one-fifth credit)

~~Sponsors may round down CPE credits awarded to the nearest one-fifth, one-half, or whole credit at their discretion and as appropriate for the instructional delivery method; however, the CPA claiming CPE credits should refer to respective state board requirements regarding acceptability of one-fifth and one-half CPE credits.~~

Only learning content portions of programs (including pre-program, post-program, and homework assignments, when incorporated into a blended learning program) qualify toward eligible credit amounts. Time for activities outside of actual learning content, including, for example, excessive welcome and introductions, housekeeping instructions, and breaks, is not accepted toward credit. Interactive, facilitated question and answer time between instructor and participants qualifies toward eligible credit amounts.

At their discretion, CPE program sponsors may round down CPE credits awarded for a CPE program to the nearest one-fifth, one-half, or whole credit increment as appropriate for the instructional delivery method. The increment chosen by the CPE program sponsor must be applied to all CPE program sessions (learning activities) within the same CPE program. Any resulting certificate(s) issued for the CPE program must also be awarded in the chosen increment. The CPA claiming the CPE credits should refer to the respective state board requirements regarding acceptability of one-fifth and one-half CPE credits.

**S16-01. Learning activities with individual segments.** For learning activities in which individual segments are less than 50 minutes, the sum of the segments would be considered one total program. For example, five 30-minute presentations would equal 150 minutes and would be counted as three CPE credits. When the total minutes of a sponsored learning activity are greater than 50, but not equally divisible by 50, the CPE credits granted must be rounded down to the nearest credit basis depending on the instructional delivery method of the program. For example, a group live program must be rounded down to the nearest one-fifth, one-half, or whole credit. Thus, learning activities with segments totaling 140 minutes would be granted two and four-fifths CPE credits if using one-fifth increments and two and one-half credits if using one-half increments.

For learning activities in which segments are classified in multiple fields of study, the CPE credits granted should first be computed based on the content time of the total program. Next, the CPE credits granted should be allocated to the fields of study based on the field of study content time. If the sum of the individual segments by field of study content time does not equal the CPE credits computed based on the content time for the total program, then the difference should be allocated to the primary field of study for the program.

**S16-02. Responsibility to monitor attendance.** Although it is the participant's responsibility to report the appropriate number of credits earned, CPE program sponsors must maintain a process to monitor individual attendance at group programs to assign the correct number of CPE credits. A participant's self-certification of attendance alone is not sufficient.

**S16-03. Monitoring mechanism for group Internet based programs.** In addition to meeting all other applicable group program standards and requirements, group Internet based programs must employ some type of real time monitoring mechanism to verify that participants are participating during the course. The monitoring mechanism must be of sufficient frequency and lack predictability to ensure that participants have been engaged throughout the program. The monitoring mechanism must employ at least three instances of interactivity completed by the participant per CPE credit. CPE program sponsors should verify with respective boards of accountancy on specific interactivity requirements. After the first full credit and the three instances of interactivity, additional monitoring mechanisms are required based on the additional credit amount of the program as follows:

Additional Credit	Additional Monitoring Mechanisms
0.2	0
0.4	1
0.5	2
0.6	2
0.8	3
Next full credit	3

Prior to the commencement of the Internet based program, the CPE program sponsor must communicate how the participants can earn full credit. For example, if polling questions are used for the attendance monitoring mechanism, then the participant must be informed of the number of polling questions posted per CPE credit and how many must be answered or if the questions must be answered correctly in order to earn full CPE credit for the program. For example: “Four polling questions will be posted per 50-minutes of content. You must respond to three out of the four polling questions in order to earn full CPE credit for the 50 minutes of content.”

**S16-04. Small group viewing of group Internet based programs.** In situations wherein which small groups view a group Internet based program such that one person logs into the program and asks questions on behalf of the group, documentation of attendance is required in order to award CPE credits to the group of participants. Participation in the group must be documented and verified by the small group facilitator or administrator in order to authenticate attendance for program duration.

**S16-05 Web enabled two-way video participation of group live programs.** In situations where individual participants log into a group live program and are required to enable two-way video to participate in a virtual face-to-face setting, elements of engagement are required in compliance with S7-01 in order to award CPE credits to the participants. Participation in the two-way video conference must be monitored and documented by the instructor or attendance monitor in order to authenticate attendance for program duration. The participant-to-attendance monitor ratio must not exceed 25:1.

**S16-065. University or college credit course.** For university or college credit courses that meet these CPE Standards, each unit of college credit shall equal the following CPE credits:

- Semester system 15 credits
- Quarter system 10 credits

**S16-076. University or college noncredit course.** For university or college noncredit courses that meet these CPE standards, CPE credit shall be awarded only for the actual classroom time spent in the noncredit course.

**S16-087. Participant preparation time.** Credit is not granted to participants for preparation time, unless the program meets the criteria for blended learning in Standard No. 11.

**S16-098. Committee or staff meetings qualification for CPE credits.** Only the portions of committee or staff meetings that are designed as programs of learning and comply with these Standards qualify for CPE credit.

**Standard No. 17. CPE credit for self study learning activities must be based on one of the following educationally sound and defensible methods:**

**Method 1: Pilot test of the representative completion time**

**Method 2: Computation using the prescribed word count formula**

**If a pre-program assessment is used, the pre-program assessment is not included in the CPE credit computation.**

**S17-01. Method 1 – Sample group of pilot testers.** A sample of intended professional participants must be selected to test program materials in an environment and manner similar to that in which the program is to be presented. The sample group must consist of at least three qualified individuals who are independent of the program development group.

- For those courses whose target audience includes CPAs, the sample group must be licensed CPAs in good standing, hold an active CPA license or the equivalent of an “active” CPA license in a U.S. jurisdiction, and possess the appropriate level of knowledge before taking the program.
- For those sponsors who are subject to various regulatory requirements that mandate a minimum number of CPE credits and offer courses to non-CPAs, those courses do not have to be pilot tested by licensed CPAs.
- For those courses whose target audience includes CPAs and non-CPAs, the sample group must be representative of the target audience and contain both CPAs, as defined previously, and non-CPAs.

**S17-02. Method 1 – CPE credit based on representative completion time.** The sample does not have to ensure statistical validity; however, if the results of pilot testing are inconsistent, then the sample must be expanded or, if the inconsistent results are outliers, the inconsistent results must be eliminated. CPE credit must be recommended based on the representative completion time for the sample. Completion time includes the time spent taking the final examination and does not include the time spent completing the course evaluation or pre-program assessment. Pilot testers must not be informed about the length of time the program is expected to take to complete. If substantive changes are subsequently made to program materials, whether in one year or over a period of years, further pilot tests of the revised program materials must be conducted to affirm or amend, as appropriate, the representative completion time.

**S17-03. Method 1 – Requirement for re-pilot testing.** If, subsequent to course release, actual participant completion time warrants a change in CPE credit hours, re-pilot testing is required to substantiate a change in CPE credit prospectively.

**S17-04. Method 1 – Pilot testing when course is purchased from vendor or other developer.** CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses in which pilot tests were conducted and provided, CPE program sponsors must review results of the course developer’s pilot test results to ensure that the results are appropriate. For purchased courses in which no pilot tests were conducted or provided, CPE program sponsors must conduct pilot testing or perform the word count formula as prescribed in method 2 in S17-05.

**S17-05. Method 2 – Basis for prescribed word count formula.** The prescribed word count formula begins with a word count of the number of words contained in the text of the required reading of the self study program and should exclude any material not critical to the achievement of the stated learning objectives for the program. Examples of information material that is not critical and, therefore, **excluded** from the word count are course introduction, instructions to the participant, author/course developer biographies, table of contents, glossary, pre-program assessment, and appendixes containing supplementary reference materials.

Again, only course content text that is critical to the achievement of stated learning objectives should be included in the word count formula. If an author/course developer determines, for example, that including the entire accounting rule or tax regulation is beneficial to the participant, the accounting rule or tax regulation should be included as an appendix to the course as supplementary reference material and excluded from the word count formula. Only pertinent paragraphs or sections of the accounting rule or tax regulation required for the achievement of stated learning objectives should be included in the actual text of the course and, therefore, included in the word count formula.

Review questions, exercises, and qualified assessment questions are considered separately in the calculation and should not be included in the word count.

**S17-06. Method 2 – Calculation of CPE credit using the prescribed word count formula.** The word count for the text of the required reading of the program is divided by 180, the average reading speed of adults. The total number of review questions (including those above the minimum requirements), exercises, and qualified assessment questions is multiplied by 1.85, which is the estimated average completion time per question. These two numbers plus actual audio/video duration time (not narration of the text), if any, are then added together and the result divided by 50 to calculate the CPE credit for the self study program. When the total minutes of a self study program are not equally divisible by 50, the CPE credits granted must be rounded down to the nearest one-half credit, one-fifth credit, or whole credit using the guidelines of Standard No. 16.

$$\frac{[(\# \text{ of words}/180) + \text{actual audio/video duration time} + (\# \text{ of questions} \times 1.85)]}{50} = \text{CPE credit}$$



**S17-07. Method 2 – Consideration of audio and video segments in word count formula.** If audio and video segments of a self study program constitute additional learning for the participant (that is, not narration of the text), then the actual audio/video duration time may be added to the time calculation as provided in the prescribed word count formula. If the entire self study program constitutes a video, then the prescribed word count formula in S17-06 would consist of the actual video time plus the total number of review questions (including those above the minimum requirements), exercises, and qualified assessment questions multiplied by 1.85, divided by 50 (that is, there would be no word count for text used in the formula).

$$[\text{actual audio/video duration time} + (\# \text{ of questions} \times 1.85)] / 50 = \text{CPE credit}$$

**S17-08. Method 2 – Word count formula when course is purchased from vendor or other developer.** CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses in which the word count formula was calculated, CPE program sponsors must review the results of the course developer’s word count formula calculation to ensure that results are appropriate. For purchased courses in which the word count formula calculation was not performed or provided, CPE program sponsors must perform the word count formula calculation or conduct pilot testing as described in method 1 in S17-01 and S17-02.

**S17-09. CPE credit calculation for an adaptive learning self study program.** CPE credit for an adaptive learning self study program must be based on one of the following educationally sound and defensible methods:

Adaptive Learning Method 1: Pilot test of the representative completion time

Adaptive Learning Method 2: Computation using the prescribed word count formula

**S17-10.- Adaptive Learning Method 1 – Sample group of pilot testers.** A sample of intended professional participants must be selected to test program materials in an environment and manner similar to that in which the program is to be presented. The sample group must consist of at least seven qualified individuals who are independent of the program development group.

- For those courses whose target audience includes CPAs, the sample group must be licensed CPAs in good standing, hold an active CPA license or the equivalent of an “active” CPA license in a U.S. jurisdiction, and possess the appropriate level of knowledge before taking the program.
- For those sponsors who are subject to various regulatory requirements that mandate a minimum number of CPE credits and offer courses to non-CPAs, those courses do not have to be pilot tested by licensed CPAs.
- For those courses whose target audience includes CPAs and non-CPAs, the sample group must be representative of the target audience and contain both CPAs, as defined previously, and non-CPAs.

**S17-11. Adaptive learning self study Method 1 – CPE credit based on representative completion time.** The sample does not have to ensure statistical validity; however, if the results of pilot testing are inconsistent, then the sample must be expanded or, if the inconsistent results are outliers, the inconsistent results must be eliminated. CPE credit must be recommended based on the representative completion time for the sample. Completion time includes the time spent

taking the qualified assessment. Pilot testers must not be informed about the length of time the program is expected to take to complete. If substantive changes are subsequently made to program materials, whether in one year or over a period of years, further pilot tests of the revised program materials must be conducted to affirm or amend, as appropriate, the representative completion time.

**S17-12. Adaptive learning self study Method 1 – Requirement for re-pilot testing.** If, subsequent to course release, actual participant completion time warrants a change in CPE credit hours, re-pilot testing is required to substantiate a change in CPE credit prospectively.

**S17-13. Adaptive learning self study Method 1– Pilot testing when course is purchased from vendor or other developer.** CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses in which pilot tests were conducted and provided, CPE program sponsors must review results of the course developer’s pilot test results to ensure that the results are appropriate. For purchased courses in which no pilot tests were conducted or provided, CPE program sponsors must conduct pilot testing as prescribed in S17-10 and S17-11.

**S17-14. Adaptive learning self study Method 2 – Computation using the prescribed word count formula.** For adaptive learning self study programs, the CPE credit issued must be based on the average word count formula calculation of each potential path the learner could take to complete the program using the prescribed word count formula as described in S17-16. All potential paths must be documented. For example, if the adaptive learning self study program has nine potential paths a learner could take to complete the program, then the word count formula must be calculated for each of the nine potential paths, with the sum of the results divided by nine.

**S17-15. Adaptive learning self study Method 2 – Basis for prescribed word count formula.** The prescribed word count formula begins with a word count of the number of words contained in the text of the required reading of the adaptive learning self study program and should exclude any material not critical to the achievement of the stated learning objectives for the program. Examples of information material that is not critical and, therefore, **excluded** from the word count are course introduction, instructions to the participant, author/course developer biographies, table of contents, glossary, pre-program assessment, and appendixes containing supplementary reference materials.

Again, only course content text that is critical to the achievement of stated learning objectives should be included in the word count formula. If an author/course developer determines, for example, that including the entire accounting rule or tax regulation is beneficial to the participant, the accounting rule or tax regulation should be included as an appendix to the course as supplementary reference material and excluded from the word count formula. Only pertinent paragraphs or sections of the accounting rule or tax regulation required for the achievement of stated learning objectives should be included in the actual text of the course and, therefore, included in the word count formula.

Review questions, exercises, and qualified assessment questions are considered separately in the calculation and should not be included in the word count.

**S17-16. Adaptive learning self study Method 2 – Calculation of CPE credit for each potential learning path using the prescribed word count formula.** The word count for the text of the required reading of the program is divided by 180, the average reading speed of adults. The total number of review questions (including those above the minimum requirements), exercises, and qualified assessment questions is multiplied by 1.85, which is the estimated average completion time per question. These two numbers plus actual audio/video duration time (not narration of the text), if any, are then added together and the result divided by 50 to calculate the CPE credit for the adaptive learning self study program. When the total minutes of an adaptive learning self study program are not equally divisible by 50, the CPE credits granted must be rounded down to the nearest one-half credit, one-fifth credit, or whole credit using the guidelines of Standard No. 16.

$$[(\# \text{ of words}/180) + \text{actual audio/video duration time} + (\# \text{ of questions} \times 1.85)] / 50 = \text{CPE credit}$$

**S17-17. Adaptive learning self study Method 2 – Word count formula when course is purchased from vendor or other developer.** CPE program sponsors may purchase courses from other vendors or course developers. For purchased courses in which the word count formula was calculated, CPE program sponsors must review the results of the course developer’s word count formula calculation to ensure that results are appropriate. For purchased courses in which the word count formula calculation was not performed or provided, CPE program sponsors must perform the word count formula calculation or conduct pilot testing as described in method 1.

**Standard No. 18. CPE credit for nano learning programs must be based on the duration of the program including review questions or other content reinforcement tools plus the qualified assessment, which, when combined, should be a minimum of 10 minutes. The maximum credit to be awarded for a single nano learning program is one-fifth (0.2) credit. Sponsors must use Method 2 in S17-07 to confirm that the nano learning program is a minimum of 10 minutes and less than 20 minutes.**

**Standard No. 19. CPE credit for blended learning programs must equal the sum of the CPE credit determinations for the various completed components of the program. CPE credits could be determined by actual duration time (for example, audio/video duration time or learning content delivery time in a group program) or by a pilot test of the representative completion time as prescribed in S17-01 or word count formula as prescribed in S17-06 (for example, reading, games, case studies, and simulations).**

**Standard No. 20. Instructors and discussion leaders of learning activities may receive CPE credit for their preparation, review, and presentation time to the extent the activities maintain or improve their professional competence and meet the requirements of these Standards. Content reviewers of learning activities may receive CPE credit for actual review time up to the actual number of CPE credits for the program, subject to the regulations and maximums established by boards of accountancy.**

**S20-01. Instructor CPE credit parameters.** Instructors, discussion leaders, or speakers who present a learning activity for the first time may receive CPE credit for actual preparation time up to 2 times the number of CPE credits to which participants would be entitled, in addition to the time for presentation, subject to regulations and maximums established by the boards of accountancy. For example, for learning activities in which participants could receive 8 CPE credits, instructors may

receive up to 24 CPE credits (16 for preparation plus 8 for presentation). For repeat presentations, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed, and such change required significant additional study or research.

When multiple presenters are actively involved in instructing one CPE program session for the first time, all presenters may receive the maximum CPE credit for preparation time up to 2 times the number of CPE credits to which the participants would be entitled, in addition to the time for presentation, subject to regulations and maximums established by the boards of accountancy. For example, a CPE program session (learning activity) with 3 presenters offers participants 1 CPE credit. Each presenter may receive up to 3 CPE credits (2 for preparation plus 1 for presentation).

**S20-02. Presenting a program.** The CPA claiming CPE credits should refer to respective state board requirements.

**S20-03. Content reviewer CPE credit parameters.** Content reviewers who review a learning activity for the first time may receive CPE credit for actual review time up to the actual number of CPE credits for the program, subject to regulations and maximums established by boards of accountancy. For repeat content reviews, CPE credit can be claimed only if it can be demonstrated that the learning activity content was substantially changed, and such change required significant additional study or research.

**Standard No. 21. Writers of published articles, books, or CPE programs may receive CPE credit for their research and writing time to the extent it maintains or improves their professional competence.**

**S21-01. Requirement for content review.** Writing articles, books, or CPE programs for publication is a structured activity that involves a process of learning. For the writer to receive CPE credit, the article, book, or CPE program must be formally reviewed by a content reviewer other than the writer. CPE credits should be claimed only upon publication.

**S21-02. Authoring a program.** As a general rule, receiving CPE credits for authoring and presenting the same program should not be allowed. The CPA claiming CPE credits should refer to respective state board requirements.

**Standard No. 22. CPE credits recommended by a CPE program sponsor of independent study must not exceed the time the participant devoted to complete the learning activities specified in the learning contract.**

**S22-01. CPE credits agreed to in advance.** The maximum credits to be recommended by an independent study CPE program sponsor must be agreed upon in advance and must be equated to the effort expended to improve professional competence. The credits cannot exceed the time devoted to the learning activities and may be less than the actual time involved.

### 3.5 - Standards for CPE Program Reporting

**Standard No. 23. CPE program sponsors must provide program participants with documentation (electronic or paper) of their participation (certificate of completion), which includes the following:**

- **CPE program sponsor name**
- **CPE program sponsor contact information**
- **Name of CPE program sponsor representative**
- **Participant's name**
- **Course title**
- **Date offered or completed**
- **If applicable, location**
- **Type of instructional and delivery method used**
- **Amount of CPE credit recommended by field(s) of study**
- **~~Verification by CPE program sponsor representative~~**
- **Sponsor identification number or registration number, if required by the state boards**
- **NASBA time statement stating that CPE credits have been granted on a 50-minute hour**
- **Any other statements required by boards of accountancy**

**The documentation should be provided as soon as possible and should not exceed 60 days (so that participants can report their earned CPE credits in a timely manner).**

**S23-01. Entity to award CPE credits and acceptable documentation.** The CPE program sponsor is the individual or organization responsible for issuing the certificate of completion and maintaining the documentation required by these Standards. The entity whose name appears on the certificate of completion is responsible for validating the CPE credits claimed by a participant. CPE program sponsors must provide participants with documentation (electronic or paper) to support their claims of CPE credit. Acceptable evidence of completion includes the following:

- For group, blended learning, and independent study programs, a certificate or other verification supplied by the CPE program sponsor
- For self study and nano learning programs, a certificate supplied by the CPE program sponsor after satisfactory completion of a qualified assessment
- For instruction or content review credit, appropriate supporting documentation that complies with the requirements of the respective state boards subject to the guidelines in Standard No.20 in "Standards for CPE Program Measurement"
- For a university or college course that is successfully completed for credit, a record or transcript of the grade the participant received
- For university or college noncredit courses, a certificate of attendance issued by a representative of the university or college
- For published articles, books, or CPE programs:
  - A copy of the publication (or in the case of a CPE program, course development documentation) that names the CPA as author or contributor
  - A statement from the writer supporting the number of CPE hours claimed
  - The name and contact information of the content reviewer(s) or publisher

**S23-02. Certificate issuance for simultaneous delivery of a group live and group Internet based program.** In circumstances in which the CPE program sponsor is providing simultaneous delivery of ~~a group live and group Internet based programs~~, the CPE program sponsor must ensure that the delivery, attendance monitoring and documentation requirements of the respective instructional delivery methods are met, including the following:

- Group live program participants must be monitored for attendance as detailed in S16-02.
- The group live program must include at least one element of engagement related to course content during each full credit of CPE as detailed in S7-01.
- Group Internet based participants must respond to at least three attendance monitoring mechanisms per CPE credit as detailed in S16-03.
- Group live documentation requirements in S24-01 and S24-03.
- Group Internet based documentation requirements in S24-01 and S24-04.

If the individual delivery method and attendance requirements are met, then the CPE program sponsor, at its discretion, may issue the certificate of completion to all program participants by awarding CPE credits under the instructional delivery method attended by the majority of the participants. ~~The delivery and attendance monitoring requirements of the respective instructional delivery methods still apply.~~

**Standard No. 24. CPE program sponsors must retain adequate documentation (electronic or paper) for a minimum of five years to support their compliance with these standards and the reports that may be required of participants.**

**S24-01. Required documentation elements.** Evidence of compliance with responsibilities set forth under these Standards that is to be retained by CPE program sponsors includes the following:

- Records of participation.
- Dates and locations.
- Author/instructor, author/developer, and content reviewer, as applicable, names and credentials. For the CPA and tax attorney acting as an author/instructor, author/developer, and content reviewer for accounting, auditing, or tax program(s), the state of licensure, license number, and status of license should be maintained. For the enrolled agent acting in such capacity for tax program(s), information regarding the enrolled agent number should be maintained.
- Number of CPE credits earned by participants.
- Results of program evaluations.
- Program descriptive materials (course announcement information).

Information to be retained by CPE program sponsors includes copies of program materials, evidence that the program materials were developed and reviewed by qualified parties, and a record of how CPE credits were determined.

**S24-02. Maintenance of documentation as basis for CPE credit for self study programs.** For CPE program sponsors using method 1 (pilot tests) as the basis for CPE credit for self study programs, as well as adaptive learning self study programs, appropriate pilot test records must be retained regarding the following:

- When the pilot test was conducted
- The intended participant population
- How the sample of pilot testers was selected
- Names and credentials and relevant experience of sample pilot test participants
- For CPA pilot testers, the state of licensure, license number, and status of license should be maintained
- A summary of pilot test participants' actual completion time
- Statement from each pilot tester to confirm that the pilot tester is independent from the course development group and that the pilot tester was not informed in advance of the expected completion time

For CPE program sponsors using method 2 (word count formula) as the basis for CPE credit for self study programs, the word count formula calculation, as well as the supporting documentation for the data used in the word count formula (for example, word count; number of review questions, exercises, and final examination questions; duration of audio or video segments, or both, if applicable; and actual calculation), must be retained. For adaptive learning self study programs, all potential paths that a learner could take to complete the program must be documented and retained.

**S24-03. Maintenance of documentation of element of engagement for group live programs.**- In addition to the requirements in S24-01, group live CPE program sponsors must retain the program outline, agenda, speaker notes or other documentation that evidences the element of engagement related to course content during each credit of CPE planned for the group live program. As noted in S7-01, in certain limited circumstances, such as a high-profile keynote session, an element of engagement may not be appropriate. In such cases, the sponsor should document the justification.

**S24-04. Maintenance of documentation of attendance monitoring mechanisms for group Internet based programs.** In addition to the requirements in S24-01, group Internet based CPE program sponsors must retain documentation that serves as the evidence of the individual participant response to the attendance monitoring mechanisms required in S16-03.


**S24-0405. Maintenance of documentation of instructions and information to participants regarding the components that comprise a blended learning program.** In addition to the requirements in S24-01, blended learning CPE program sponsors must retain clear instructions and information that summarizes the different components of the blended learning program and what must be completed or achieved during each component in order to qualify for CPE credits. The CPE program sponsor must also retain documentation of the course progression and what CPE credits were earned by participants upon the completion of the components.

**S24-0506. Maintenance of documentation of an independent study program.** The CPE program sponsor of independent study learning activities must retain the approved, signed independent study learning contract. The CPE program sponsor must also retain the documentation to evidence program completion, such as the written report developed by the participant, a certification that the participant has demonstrated the application of learning objectives, or a certification that the participant has performed a live demonstration, oral examination, or presentation to a subject matter expert.

**Effective date:**

Unless otherwise established by state licensing bodies or other professional organizations, these Standards are to be effective on \_\_\_\_\_.





**Fields of Study That Qualify for Continuing  
Professional Education**

**December 2019**

**NASBA**

## Fields of Study That Qualify for Continuing Professional Education

The right to use the title Certified Public Accountant (CPA) is regulated in the public interest and imposes a duty on CPAs to maintain public confidence and current knowledge, skills, and abilities in all areas of services. CPAs must accept and fulfill their ethical responsibilities to the public and profession, regardless of their fields of employment.

A CPA performing professional services needs to have a broad range of knowledge, skills, and abilities. The fundamental purpose of continuing professional education (CPE) is to help ensure that CPAs participate in learning activities that maintain or improve their professional competence. Learning activities that improve a CPA's professional competence include technical and non-technical learning activities.

Technical learning activities contribute to the professional competence of a CPA in fields of study that directly relate to the profession of accounting and to the CPA's field of business. These fields of study include, but are not limited to, the following:

• Accounting	• Information Technology
• Accounting (Governmental)	• Management Services
• Auditing	• Regulatory Ethics
• Auditing (Governmental)	• Specialized Knowledge
• Business Law	• Statistics
• Economics	• Taxes
• Finance	

Non-technical learning activities contribute to the professional competence of a CPA in fields of study that indirectly relate to the CPA's field of business. These fields of study are those that do not meet the definition of technical fields of study and include, but are not limited to, the following:

• Behavioral Ethics	• Personal Development
• Business Management & Organization	• Personnel/Human Resources
• Communications and Marketing	• Production
• Computer Software & Applications	

When approached by a CPA regarding a field of study that does not align to a CPA's state board of accountancy's accepted fields of study, CPE sponsors have the discretion to re-issue a certificate with an alternative field of study other than those listed herein when necessary to align to a CPA's state board of accountancy's accepted field of study. The CPE sponsor is responsible for ensuring that the alternate, state-specific fields of study under which the credits are being awarded reasonably reflect the underlying content of the course.

See the next sections for further descriptions of each of the previously identified technical and non-technical fields of study.

## Accounting – Technical

This field of study encompasses the knowledge required to prepare, maintain, or report the financial records of an entity; the analysis, verification and reporting of such records; and the principles and procedures of accounting and financial reporting. Subjects related to accounting include, but are not limited to, the following:

- Accounting - General
- Accounting Research
- Accounting Services for Small Businesses
- Reviews and Compilations (Statement on Standards for Accounting and Review Services (SSARs))
- Environmental, Social, and Governance (ESG) and Sustainability
- Financial Statements and Reports - Subjects related to Financial Accounting Standards Board (FASB) statements, concepts, and interpretations as well as subjects related to the International Accounting Standards Board (IASB) such as the International Financial Reporting Standards (IFRS) and other financial reporting frameworks
- Forensic Accounting
- Fraud
- Measurement, Recognition, and Presentation of Specific Financial Statement Items – Including subjects such as valuation and impairment analyses
- SEC Practice - Subjects related to accounting and reporting standards, rules and regulations for publicly held companies
- Technical Computer Software and Applications – Subjects, especially around enterprise resource planning (ERP) products, that focus on the application of software in an accounting practice including applying accounting principles in ERP installations and using an accounting software product to prepare financial reporting documents

## Accounting (Governmental) – Technical

This field of study encompasses the knowledge required to prepare or maintain the financial records of a governmental entity or contract, the analysis, verification and reporting of such records and the principles and procedures of governmental accounting. Subjects related to accounting (governmental) include, but are not limited to, the following:

- Environmental, Social, and Governance (ESG) and Sustainability related to a governmental entity or contract
- Forensic Accounting related to a governmental entity or contract

- Fraud related to a governmental entity or contract
- Governmental Accounting and Reporting - Subjects related to Governmental Accounting Standards Board (GASB) standards of state and local governmental accounting and financial reporting, statements, concepts, and interpretations
- Government Accounting and Reporting Specialized

## Auditing – Technical

This field of study encompasses the knowledge required to perform a systematic and independent examination of data, statements, records, operations, and performances (financial or otherwise) of an entity for a stated purpose. Subjects related to auditing include, but are not limited to, the following:

- Auditing and Reports - Subjects related to auditing standards and procedures
- Auditing – General
- Auditing Research
- Employee Benefit Plan Auditing
- Environmental, Social, and Governance (ESG) and Sustainability
- Forensic Analysis and Evaluation
- Fraud
- Planning and Supervision
- Risk Assessment
- Service Organization Controls (SOC) Reporting
- Study, Evaluation, Implementation, and Monitoring of Internal Controls
- Substantive Audit Procedures – Subjects related to activities performed by the auditor (during the substantive testing stage of the audit) that gather evidence as to the completeness, validity, and/or accuracy of account balances and underlying classes of transactions
- Technical Computer Software and Applications – Subjects, especially around ERP products, that focus on the application of software in an auditing practice, including understanding the issues in auditing ERP system implementations and applying auditing principles in ERP installations

## Auditing (Governmental) – Technical

This field of study encompasses the knowledge required to perform a systematic and independent examination of data, statements, records, operations, and performances (financial or otherwise) of a governmental entity or contract for a stated purpose. Subjects related to auditing (governmental) include, but are not limited to, the following:

- Environmental, Social, and Governance (ESG) and Sustainability related to a governmental agency or contract
- Forensic Analysis and Evaluation related to a governmental agency or contract
- Fraud related to a governmental agency or contract
- Government Auditing – General and Specialized - Subjects related to GASB standards of state and local governmental accounting and financial reporting, statements, concepts, and interpretations
- Government Auditing Standards as required by the Government Accountability Office (GAO)
- Single Audit Act

## Behavioral Ethics – Non-technical

Subjects related to behavioral ethics include, but are not limited to, the following:

- Ethical Decision-Making
- Ethical Practice in Business
- Personal Ethics
- Diversity, Equity and Inclusion including unconscious bias training and awareness

## Business Law – Technical

This field of study encompasses the legal system, with special emphasis upon its relationship to business and the practice of accounting. Subjects related to business law include, but are not limited to, the following:

- Business Law
- Collection Law
- Employment Law
- Legal and Tax Issues

## Business Management & Organization – Non-technical

This field of study consists of the management of an organization, including organizational structures, management planning, and administrative practices. Subjects related to business management & organization include, but are not limited to, the following:

- Organization of a Public Accounting Practice
- Administration of a Public Accounting Practice
  - Time and billing
  - Collections
  - Professional liability insurance
  - Succession planning
- Management Planning and Strategy in Industry

## Communications and Marketing – Non-technical

This field of study constitutes areas for becoming a competent communicator as well as marketing tactics for organizations and CPA firms. Subjects related to communications and marketing include, but are not limited to, the following:

- Business Presentations
- Business Writing
- Interviewing Techniques
- Public Relations
- Social Media
- Customer Communications
- Marketing Professional Services

## Computer Software & Applications – Non-technical

This field of study encompasses computer software and applications used by CPAs in performing professional services. Non-technical courses in this field of study focus on the use and study of the software itself. This includes, but is not limited to, the following:

- Courses in the general use of software (“how-to”) around products such as Excel, Word, PowerPoint, and bookkeeping software such as QuickBooks
- Courses in the architecture and technical aspects of business process software (for example, ERP products)

However, some software courses, especially around ERP products, focus on the application of the software in an accounting, audit, or tax practice. These courses should be categorized into the field of study of the respective practice: auditing, accounting, or taxes. These include, but are not limited to, the following:

- Courses in understanding the issues in auditing ERP system implementations
- Courses in using tax software for the preparation of tax returns and application of tax law and regulations
- Courses in applying auditing or accounting principles in ERP installations
- Courses in using an accounting software product to prepare financial reporting documents

### Economics – Technical

Studies related to the principles of microeconomics, macroeconomics, money and banking, and public finance. Subjects related to economics include, but are not limited to, the following:

- Economic Growth
- Employment Theory
- Fiscal Policy Banking Systems
- Fundamentals of the International Economy
- Monetary Policy
- Pricing
- Stabilization
- Supply and Demand

### Finance – Technical

This field of study encompasses specific financial management of an organization including financial planning and analysis, asset management, buying and selling businesses, contracting goods and services and foreign operations. Subjects related to finance include, but are not limited to, the following:

- Asset Management
- Budgeting and Cost Analysis
- Contracting for Goods and Services
- Financial Management
- Financial Planning and Analysis
- Quantitative Analysis

## Information Technology – Technical

This field of study encompasses subjects related to information technology that include, but are not limited to, the following:

- Artificial Intelligence
- Blockchain
- Cloud Computing
- Computer Systems
- Cyber Security
- Data Analytics
- Database Management
- Digital Transformation
- Disaster Recovery Plans
- Management Information Systems
- Networking
- Programming
- Robotics/Process Automation

When a course focuses on the application of information technology in an accounting, auditing or tax practice, the course should be categorized into the field of study of the respective practice: auditing, accounting, or taxes.

## Management Services – Technical

This field of study incorporates business processes of an entity, achieving efficiencies, improving cash flow, and maintaining profitability. Subjects related to management services include, but are not limited to, the following:

- Cash and Treasury Management
- Enterprise Risk Management
- Performance Management
- Project Management



## Personal Development – Non-technical

Subjects related to personal development include, but are not limited to, the following:

- Career Planning
- Leadership
- Time Management

## Personnel/Human Resources – Non-technical

Subjects related to personnel/human resources include but are not limited to, the following:

- Functional Areas of Human Resource Management
- Attracting, Motivating, Developing and Retaining Employees
- Integration of Functions for an Effective and Efficient Human Resources Management System
- Diversity, Equity, and Inclusion or Social Justice in Staff Recruitment and Retainment

## Production – Non-technical

This field of study comprises production management, including scheduling, inventory control, standards for pay and production and quality control. Subjects related to production include, but are not limited to, the following:

- Operations Management
- Inventory Management
- Supply Operations

## Regulatory Ethics – Technical

This field of study deals with the necessary ethical background knowledge required to adhere to rules and regulations of state licensing bodies, other governmental entities, membership associations and other professional organizations or bodies. Creating an ethical framework is absolutely necessary to be able to sort through professional dilemmas. This curriculum covers the needs of licensees in public practice, industry and government.

Subjects related to regulatory ethics include, but are not limited to, the following:

- Business Transactions with Clients
- Competence
- Confidential Client Information

- Conflict of Interest
- Contingent Fees, Commissions and Other Considerations
- Discreditable Acts
- General and Professional Standards
- Independence
- Integrity and Objectivity
- Licenses and Renewals
- Malpractice
- Professional Conduct
- Public Interest and Responsibilities
- Regulatory Oversight
- Retention of Client Records
- State Rules and Regulations

### Specialized Knowledge – Technical

This field of study consists of topics that are particular to specialized industries or services, such as not-for-profit organizations, health care, gaming, and oil and gas. [Note: Accounting, auditing, and tax content for these specialized industries should be classified as accounting, auditing, or tax.] Subjects related to specialized knowledge include, but are not limited to, the following:

- Brokers and Dealers in Securities
- Energy Options on Futures
- Environmental, Social, and Governance (ESG) and Sustainability
- ~~Employee Benefit Plan Auditing Compliance~~
- HIPAA Compliance
- Personal Financial Planning
- PCI Compliance
- Valuation Services

## Statistics – Technical

This field of study comprises business statistics, quantitative analysis and probability. Subjects related to statistics include, but are not limited to, the following:

- Analysis of Enumerative Data
- Analysis of Variance
- Estimation of Parameters
- Hypothesis Testing
- Linear Models
- Multivariate Probability Distributions
- Nonparametric Statistics

## Taxes – Technical

This field of study encompasses tax compliance and tax planning. Compliance covers tax return preparation and review and IRS examinations, ruling requests and protests. Tax planning focuses on applying tax rules to prospective transactions and understanding the tax implications of unusual or complex transactions. Subjects related to taxes include, but are not limited to, the following:

- Compensation Considerations for Taxation
- Corporate Income Taxation
- Corporate Tax Consideration in Industry
- Estate and Trust Taxation
- Individual Income Taxation
- International Taxation
- Partnership Taxation
- Real Estate Taxation
- Special Tax Matters
- State and Local Taxes
- Tax Research
- Tax-Exempt Organizations
- Technical Computer Software and Applications - Subjects that focus on the application of software in a tax practice, including using tax software for the preparation of tax returns and application of tax law and regulations

## Effective Date

Unless otherwise established by state licensing bodies and/or professional organizations, these fields of study are to be effective as of \_\_\_\_\_.



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## Attachment 2

### California Code of Regulations Article 12 – Continuing Education Regulations

#### Section 87: Basic Requirements

(a) 80 Hours. As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of continuing education in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section 89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas as described in subsection (a)(2).

(2) Licensees shall complete a minimum of 50 percent of the required continuing education hours in the following technical subject areas: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in subsection (b), regulatory review as defined in Section 87.8, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(3) Licensees may claim no more than 50 percent of the required number of continuing education hours in the following non-technical subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(4) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

#### (b) Ethics Continuing Education Requirement

A licensee renewing a license in an active status shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in an ethics course. The course subject matter shall consist of one or more of the following areas: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical

sensitivity, and consumer expectations. Programs in the following subject areas are not acceptable toward meeting this requirement: sexual harassment, workplace harassment, or workplace violence. Courses must be a minimum of one hour as described in Section 88.2.

(c) Government Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 hours of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Accounting and Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued.

(e) Accounting and Auditing Continuing Education Requirement When Providing Preparation Engagements as Highest Level of Service.

A licensee who provided preparation engagements as his/her highest level of service shall complete eight hours of the 80 hours of continuing education required pursuant to subsection (a) in preparation engagements or accounting and auditing as described in Section 87(d).

(f) A licensee who must complete continuing education pursuant to subsections (c), (d), or (e) of this section shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c), (d), or (e).

(g) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.  
Reference: Sections 5026, 5027, 5028 and 5051, Business and Professions Code

### **Section 88: Program Which Qualify**

(a) (1) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is the obligation of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his/her professional competence.

(2) A formal program of learning is an instructional activity that meets the requirements of this section and Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.

(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.

(1) Professional development programs of national and state accounting organizations.

(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.

(3) University or college courses:

(i) Credit courses--each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.

(ii) Non credit courses--each classroom hour will equal one qualifying hour.

(4) Other formal educational programs provided the program meets the required standards.

(c) Group Internet-Based Programs (Webcast): Programs that enable a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location are qualifying, provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1 and Section 88.2. Group viewing of a webcast program is permissible only where a live facilitator logs into the program to ask questions on behalf of the group. The live facilitator shall document and verify group participation and attendance in accordance with the requirements of Section 88.1 and 88.2.

(d) Formal correspondence or other individual study programs are qualifying provided:

(1) the program is based upon materials specifically developed for instructional use,

(2) the program meets the requirements of Section 88(a), Section 88.1, and Section 88.2,

(3) the program is completed within one year from the date of purchase or enrollment, and

(4) the licensee receives a passing score.

(e) Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the CERTIFIED FINANCIAL PLANNER™ Certification Examination or the Certified Management Accountant examination qualify as acceptable continuing education if the modules meet the requirements of subsection (d).

(f) Credit as an instructor, discussion leader, or speaker shall be allowed for any meeting or program provided that the session is one which meets the continuing education requirements set forth in subsection (a)(1), Section 88.1, and Section 88.2. The credit allowed an instructor, discussion leader, or a speaker shall be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour taught. The maximum credit for such preparation and teaching shall not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

(g) Credit may be allowed by the Board on an hour-for-hour basis for the following activities:

(1) Writing published articles and books provided the publisher is not under the control of the licensee, and the article and/or book would contribute to his/her professional competence.

(2) Writing instructional materials for any continuing education program which meets the requirements of subsection (a)(1), Section 88.1, and Section 88.2,

(3) Writing questions for the Uniform Certified Public Accountant Examination,

(4) Performing a technical review of instructional materials for any continuing education program which meets the requirements of subsection (a)(1), Section 88.1, and Section 88.2. For the purposes of this section a technical review shall mean reviewing for technical accuracy, currency of the information, and attainment of stated learning objectives.

(h) The maximum credit allowed under subsection (g) shall not exceed 25 percent of the renewal period requirement.

(i) In order for any continuing education hours to be acceptable to the Board under this article, the hours shall be completed in a program which qualifies under this section or Section 87.9.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.  
Reference: Section 5027, Business and Professions Code



## **Section 88.1: Provider Requirements**

### **(a) Live Presentation**

In order to qualify as acceptable continuing education under Section 88(b) the provider of a live presentation program must:

- (1) Require attendance and retain for a period of five years a record of attendance that accurately assigns the appropriate number of contact hours for participants including those who arrive late or leave early.
- (2) Retain for a period of five years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.
- (3) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of five years. The amount of credit reflected on the certificate of completion shall be calculated in accordance with Section 88.2(a). The certificate of completion must delineate the subject areas, as described in Section 87(a)(2) and (3), for which the licensee may claim credit.

### **(b) Group Internet-Based Programs (Webcast)**

In order to qualify as acceptable continuing education under Section 88(c), the provider of a Group Internet-Based Program (Webcast) must:

- (1) Require and monitor attendance throughout the program by using attendance monitoring devices such as polling, questions, or surveys. The program shall include a minimum of three monitoring events each hour, at least one of which occurs at an irregular interval.
- (2) Have a live instructor while the program is being presented and a feature allowing participants to send questions/comments directly to the instructor and receive answers during the program.
- (3) If it is recorded or archived, have a live subject matter expert facilitate the program (webcast) to answer questions. A recorded or archived program that does not have a live subject matter expert must meet the self-study requirements of subsection (c), Section 88, and Section 88.2(c).
- (4) Retain for a period of five years a record of attendance that accurately assigns the appropriate number of participation hours for participants.
- (5) Retain for a period of five years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(6) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course. Satisfactory completion shall at a minimum require responding to at least 75 percent of the monitoring events described in subsection (b)(1) during the period for which continuing education credit is being granted. Retain records of licensees receiving certificates of completion for a period of five years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(b). The certificate of completion must delineate the subject areas, as described in Section 87(a)(2) and (3), for which the licensee may claim credit.

(7) Have a written policy to address rescheduling and the granting of partial credit in the event of a technology failure, and make that policy available to the Board upon request.

(c) Self-Study

In order to qualify as acceptable continuing education under Section 88(d) the provider of a self-study course must:

(1) Retain for a period of five years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(2) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of five years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(c). The certificate of completion must delineate the subject areas, as described in Section 87(a)(2) and (3), for which the licensee may claim credit.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.  
Reference: Sections 5026 and 5027, Business and Professions Code.

## **Section 88.2: Program Measurements**

### **(a) Live Presentation**

In order to qualify as acceptable continuing education under Section 88(b) a live presentation program must:

(1) Be measured in 50-minute class hours. A program must be at least one 50-minute class hour in length to be acceptable continuing education. For a program composed of several segments in which individual segments are less than 50 minutes, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50-minute class hour. For a program that is longer than one 50-minute class hour, credit shall be granted for additional 25-minute segments (one-half of a 50-minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Any program designed pursuant to Section 87(b) must be a minimum of one 50-minute class hour. Should a course be comprised of multiple subject areas as described in Section 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50-minute class hour.

(3) Meet the provider requirements for live presentation under Section 88.1(a).

### **(b) Group Internet-Based Program (Webcast)**

In order to qualify as acceptable continuing education under Section 88(c), a Group Internet-Based Program (Webcast) must:

(1) Be measured by actual program length in 50-minute class hours. A program must be a minimum of one 50-minute class hour in length to be acceptable continuing education. For a program composed of several segments, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50-minute class hour. For a program that is longer than one 50-minute class hour, credit shall be granted for additional 25-minute segments (one-half of a 50-minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Any program designed pursuant to Section 87(b) must be a minimum of one 50-minute class hour. Should a program be comprised of multiple subject areas as described in Section 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50-minute class hour.

(3) Meet the provider requirements for Group Internet-Based Program (Webcast) under Section 88.1(b).

### **(c) Self-Study**

In order to qualify as acceptable continuing education under Section 88(d), a self-study course, whether in electronic or paper text format, must:

(1) Grant continuing education credit calculated using one of the following methods:

(A) Demonstrating an average completion time, measured in 50-minute continuing education hours, by pre-testing the documentation from a minimum of three current and

active certified public accountants simulating the manner in which the course will be completed and showing the length of time spent by each participant to complete the course. Pre-testing participants are required to be independent of the group that developed and/or are offering the course and provide feedback on the level of difficulty of the course. The continuing education credit shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50.

(B) Demonstrating an average completion time, measured in 50-minute continuing education hours, by dividing the number of words contained in the text of the required reading (excluding any material not critical to the achievement of the stated learning objectives such as the course introduction, author biography, instructions, table of contents, and supplementary reference materials) by 180, adding the actual length of time in minutes of any audio or video segments, adding the number of review questions, exercises, and final examination questions multiplied by 1.85, and dividing the total by 50. The continuing education credit shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50.

(2) Clearly define lesson objectives and manage the participant through the learning process by requiring frequent participant response to questions that test for understanding of the material presented, providing evaluated feedback to incorrectly answered questions and reinforcement feedback to correctly answered questions. For purposes of this section, evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. For purposes of this section, reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.

(3) Any program designed pursuant to Section 87(b) must be a minimum of one class hour. Should a program be comprised of multiple subject areas as described in Section 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50-minute class hour.

(4) Require a passing score on a test given at the conclusion of the course. The test shall not include true/false type questions.

(5) Meet the provider requirements for self-study under Section 88.1(c).

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.  
Reference: Sections 5026 and 5027, Business and Professions Code.

## **Section 89: Control and Reporting**

(a) Upon renewal, a licensee who is required, pursuant to Section 80.2, 81, 87, or 87.1, to obtain continuing education must provide a written statement, signed under penalty of perjury, certifying that the requisite number of continuing education hours has been obtained. The licensee shall disclose the following information concerning courses or programs claimed as qualifying continuing education hours:

- (1) Course title or description
- (2) Date of completion
- (3) Name of school, firm or organization providing the course or program
- (4) Method of study, i.e., whether course or program is self-study, live presentation or Group Internet-Based Program (Webcast)
- (5) Number of hours earned.
- (6) Subject areas as described in Section 87(a)(2) and (3).

(b) If credit is claimed for completing the two hour regulatory review course specified in Section 87.8, a licensee shall obtain and retain for six years after renewal of his/her license, a certificate of completion or its equivalent disclosing the following information:

- (1) Name of licensee
- (2) Course title
- (3) Board-issued approval number for the regulatory review course completed by the licensee
- (4) School, firm or organization providing the course
- (5) Date of completion
- (6) Verification by a program provider representative, such as a signature or seal.

(c) If continuing education credit for attending a continuing education course is claimed, the licensee shall obtain and retain for four years after renewal a certificate of completion or its equivalent disclosing the following information:

- (1) Name of licensee in attendance
- (2) School, firm or organization conducting course
- (3) Location of course attended
- (4) Title of course or description of content
- (5) Dates of attendance except when the licensee attended a course for academic credit given by a college, university, or other institution of higher learning accredited by an association recognized by the Secretary of the United States Department of Education, in which case the applicant may provide evidence of a grade of pass or "credit" to satisfy this requirement.

(6) Number of hours of actual attendance except when the licensee attended a course for academic credit given by a college, university, or other institution of higher learning accredited by an association recognized by the Secretary of the United States Department of Education, in which case the applicant may provide evidence of a grade of pass or "credit" to satisfy this requirement.

(7) Verification by a program provider representative, such as a signature or seal.

(8) Subject areas as described in Section 87(a)(2) and (3).

(d) If continuing education credit is claimed for completing a self-study course, the licensee shall obtain and retain for four years after renewal a receipt or its equivalent documenting the date of purchase or enrollment and a certificate of completion or its equivalent disclosing the following information:

(1) Name of licensee taking the course

(2) School, firm, or organization providing the course

(3) Title of course or description of contents

(4) Date of completion

(5) Number of hours of continued education credit granted for completing the course.

(6) Subject areas as described in Section 87(a)(2) and (3).

(e) If credit as an instructor, discussion leader, or speaker is claimed, the licensee shall retain for four years after renewal the following information:

(1) School, firm or organization providing course

(2) Location of course presented

(3) Title of the course or description of content

(4) Course outline

(5) Dates and evidence of presentation

(6) Number of hours of actual preparation time and presentation time.

(f) If credit is claimed for writing continuing education instructional materials, the following information shall be maintained for four years after renewal:

(1) Name of the course provider or publisher

(2) Title of the course and a description of the instructional materials

(3) Date of completion of the instructional materials or publication date

(4) A copy of the instructional materials

(5) Hours claimed.

(g) If credit for published articles and books is claimed, the following information shall be maintained for four years after renewal:

(1) Name and address of publisher

(2) Title of publication

(3) Brief description

(4) Date(s) of publication

(5) Copy of publication

(6) Hours claimed

(h) If credit for writing questions for the Uniform CPA Examination is claimed, the licensee shall obtain and retain for four years after renewal a letter or other statement from the American Institute of Certified Public Accountants documenting the licensee's participation and the number of hours of continuing education credit the licensee has received.

(i) If credit is claimed for performing a technical review of continuing education instructional materials, the following information shall be maintained for four years after renewal:

(1) Name of the course provider or publisher,

(2) Title of the course and a description of the instructional materials,

(3) Date the review was completed,

(4) A copy of the instructional materials, and

(5) Hours claimed.

(j) The Board may solicit and verify such information. If a licensee is found to have a deficiency, the licensee shall be so notified and shall be required to provide copies of the documentation required by this section.

(k) A licensee who is determined by the Board at renewal not to have completed the required number of hours of qualifying continuing education shall be required to make up any deficiency. A licensee who is required to make up a deficiency shall be ineligible for active status license renewal or conversion to active status pursuant to Section 80.1 until such time as documentation to support the required hours of continuing education for license renewal has been submitted and approved by the Board.

(l) A licensee's willful making of any false or misleading statement, in writing, regarding his/her continuing education shall constitute cause for disciplinary action pursuant to section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.  
Reference: Section 5027, Business and Professions Code.



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### Attachment 3

January 30, 2023

Willie B. Sims Jr., CPA, Chair  
Continuing Professional Education Committee  
National Association of State Boards of Accountancy  
150 Fourth Avenue North, Suite 700  
Nashville, TN 37219

RE: AICPA and NASBA Exposure Draft Regarding the Statement on Standards for Continuing Professional Education Programs and the NASBA Fields of Study Document

Dear Mr. Sims:

On behalf of the California Board of Accountancy (CBA), I am pleased to submit a statement of support on the American Institute of Certified Public Accountants and National Association of State Boards of Accountancy's Exposure Draft on the Statement on Standards for Continuing Professional Education Programs (Standards) and the Fields of Study document that pertain to education requirements for those wishing to maintain an active Certified Public Accountant (CPA) license.

The CBA reviewed the proposed changes at its January 26-27, 2023 meeting and have no specific comments. The CBA supports the enhancements to the Standards and the Fields of Study document that assist the CBA in meeting our consumer protection mission by ensuring licensees are maintaining a currency of knowledge when practicing public accountancy.

The CBA looks forward to monitoring the changes proposed by this Exposure Draft and may make comments on any future versions submitted for public comment.

Sincerely,

Katrina L. Salazar, CPA  
President

c: Members, California Board of Accountancy  
Dominic Franzella, Acting Executive Officer





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**EPOC Item III.**  
**CBA Item XV.D.2.**  
January 26-27, 2023

## **Revision Schedule for Regulatory Changes Associated with the Disciplinary Guidelines and Model Orders, California Code of Regulations, Title 16, Division 1, Section 98**

**Presented by: Kari O'Connor, Deputy Enforcement Chief**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the Enforcement Program Oversight Committee (EPOC) the opportunity to review the revision schedule for the rulemaking process regarding changes to the California Board of Accountancy (CBA) Disciplinary Guidelines and Model Orders (Guidelines) (**Attachment**).

### **Consumer Protection Objectives**

The Guidelines set forth recommended discipline for violations of CBA statutes and regulations. Ensuring that the Guidelines is regularly updated is paramount to ensuring that the CBA meets its mission of consumer protection.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

The CBA generally performs a review of the Guidelines on a triennial basis. The most recent version of the Guidelines are the 10<sup>th</sup> Edition, 2019. The CBA actually did a comprehensive review in or around 2016 and was in the midst of working through a rulemaking when the Legislature passed Assembly Bill (AB) 2138 (Chiu, Chapter 995, Statutes of 2018). This law substantively changed how Department of Consumer Affairs' boards and bureaus addressed denials for initial licensure and how to review criminal convictions (including at the time of licensure, discipline, and reinstatement).

As this new law required updates to the rehabilitation criteria used by the CBA, staff suspended its activities on completing a rulemaking and brought forth changes for the CBA's consideration to properly implement AB 2138. As a result, the most recent edition of the Guidelines did not become effective until June, 2021.

# **Revision Schedule for Regulatory Changes Associated with the Disciplinary Guidelines and Model Orders, California Code of Regulations, Title 16, Division 1, Section 98**

Page 2 of 2

## **Comments**

Staff are proposing the plan, outlined below, for handling the revisions for the Guidelines.

### January 2023 CBA Meeting

- Introduce plan for revisions to the Guidelines
- Submit proposed language for input and feedback from the CBA about the concept of incorporating the National Association of State Boards of Accountancy's Center for the Public's Trust Ethics Leadership Training into the Guidelines.

### May 2023 CBA Meeting

- Provide the CBA with information on any new statutes or regulations that need to be incorporated into the Guidelines, if any.
- Provide the CBA with possible updates on the various sections of the Guidelines, including aggravating and mitigating circumstances, rehabilitation criteria and evidence, assessing administrative penalties, model orders, and standard and optional terms and conditions for probation.
- Provide the CBA with any non-substantive items that need to be addressed in the Guidelines.

### November 2023 CBA Meeting

- Request that the CBA take action to initiate the rulemaking package.

## **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

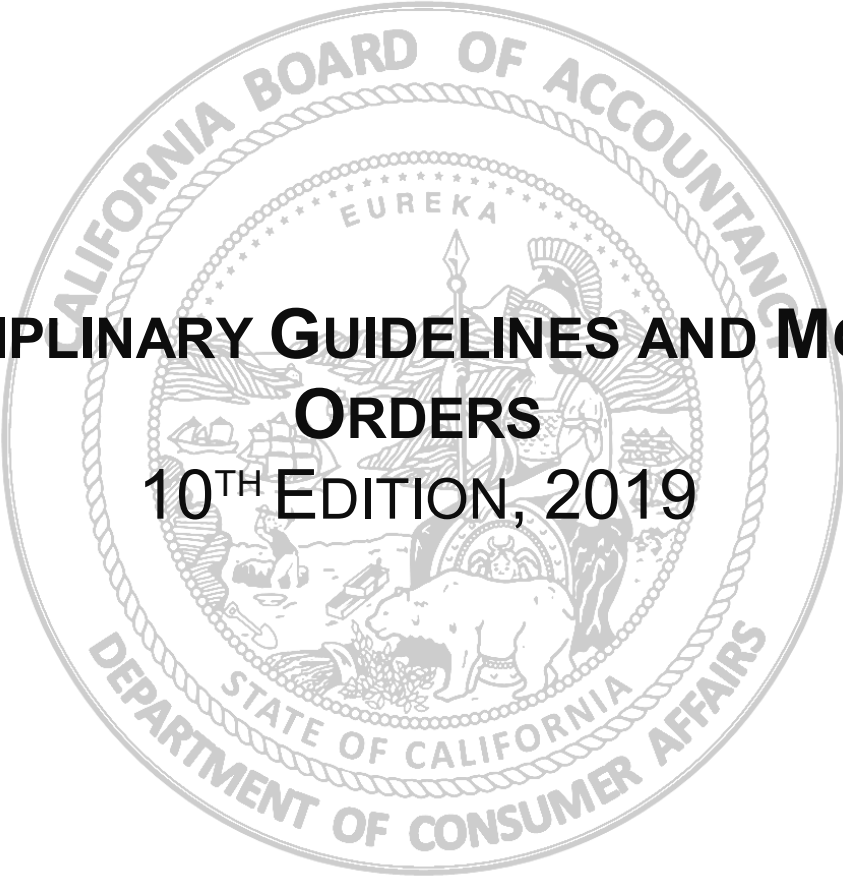
## **Recommendation**

Staff do not have a recommendation on this agenda item; however, staff welcome any input members may have on future modifications to the Guidelines.

## **Attachments**

California Board of Accountancy, Disciplinary Guidelines and Model Orders, 10<sup>th</sup> Edition, 2019

# CALIFORNIA BOARD OF ACCOUNTANCY

The seal of the California Board of Accountancy is a circular emblem. It features a central figure of a woman in classical attire holding a scale and a sword, with a bear at her feet. The word "EUREKA" is inscribed above the figure. The outer ring of the seal contains the text "CALIFORNIA BOARD OF ACCOUNTANCY" at the top and "DEPARTMENT OF CONSUMER AFFAIRS" at the bottom. The inner ring contains "STATE OF CALIFORNIA".

## DISCIPLINARY GUIDELINES AND MODEL ORDERS 10<sup>TH</sup> EDITION, 2019

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# I. INTRODUCTION

The California Board of Accountancy (CBA) regulates the practice of public accountancy in the State of California and may revoke, suspend, or refuse to renew any permit or certificate for violation of applicable statutes or regulations. The CBA examines applicants, sets education requirements, and may deny licensure and the authority to practice under practice privilege (California Business and Professions Code (BPC) section 5096 et seq.). The CBA may, by regulation, prescribe, amend, or repeal rules of professional conduct appropriate to the establishment and maintenance of a high standard of integrity and competency in the profession.

The CBA, through its Enforcement Division, assisted by its statutorily established Enforcement Advisory Committee, receives and investigates complaints; initiates and conducts investigations or hearings, with or without the filing of a complaint; and obtains information and evidence relating to any matter involving the conduct of Certified Public Accountants (CPA), Public Accountants (PA) and Accountancy Firms. The California Accountancy Act and the CBA regulations provide the basis for CBA disciplinary action. (See BPC sections 5000 et seq., and **Title 16** of the California Code of Regulations (CCR) sections 1 through 99.1.)

The expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or other authority to practice public accountancy in California, or the voluntary surrender of a license by a licensee shall not deprive the CBA of the authority to proceed with an investigation, action, or disciplinary proceeding against the licensee or to render a decision suspending or revoking the license. (See BPC section 5109.)

These disciplinary guidelines, designed for the use of Administrative Law Judges (ALJ), attorneys, CBA licensees, and others involved in the CBA's disciplinary process, are revised from time to time. The guidelines cover model orders, including factors to be considered in aggravation and mitigation; standard probationary terms; and guidelines for specific offenses. The guidelines for specific offenses reference the statutory and regulatory provisions violated.

These disciplinary guidelines set forth recommended discipline for the violation of current statutes and regulations; include a provision for community service; and provide additional guidance regarding disciplinary and model orders.

The CBA recognizes that these recommended penalties and conditions of probation are merely guidelines and that mitigating or aggravating circumstance and other factors may necessitate deviations, as discussed herein.

## II. GENERAL CONSIDERATIONS

The CBA requests that **Proposed Decisions** following administrative hearings include the following:

- a. Specific code sections violated with their definitions.
- b. Clear description of the violation.
- c. Respondent's explanation of the violation if he or she is present at the hearing.
- d. Findings regarding aggravation, mitigation, and rehabilitation where appropriate. (See factors set forth in CCR section 99.1, under section V. Rehabilitation Criteria).
- e. When suspension or probation is recommended, the CBA requests that the disciplinary order include terms within the recommended guidelines for that offense unless the reason for departure there from is clearly set forth in the findings and supported by the evidence.

If the Respondent fails to appear for the scheduled hearing, such action shall result in a **default decision** to revoke license.

When the CBA, at a **reinstatement hearing**, denies a petitioner's request for reinstatement, the CBA requests that the ALJ provide technical assistance in formulating language clearly setting forth the reasons for denial. Such a **statement** should include, for example, a statement on rehabilitation, including suggestions for further approaches by petitioner to demonstrate rehabilitation, where appropriate.

- f. **Reimbursement** to the CBA for costs of investigation and prosecution as warranted by BPC section 5107.
- g. Imposition of an **Administrative Penalty** if warranted. See section VII for guidance.

The CBA will consider **stipulated settlements** to promote cost effectiveness and to expedite disciplinary decisions if such agreements achieve its disciplinary objectives. Deputy Attorneys General should inquire as to Respondent's interest in stipulated settlement promptly after receipt of a notice of defense. If stipulated settlement appears unlikely, the case should be set for hearing.

The CBA's policy is that all disciplinary actions will be published.

It is also the CBA's policy that matters resolved by stipulation include **cost recovery**.

The CBA's Executive Officer is authorized by statute to request an ALJ, as part of any proposed decision in a disciplinary proceeding, to order the recovery of reasonable costs of investigation and prosecution (BPC section 5107). This statute does not preclude the CBA from seeking recovery of costs through stipulations; thus, it does not change the CBA's policy

of requesting and recovering costs where appropriate in stipulated settlements. Restitution to victims and/or administrative penalties should not be reasons to reduce, eliminate, or stay full recovery of all reasonable costs of investigation and prosecution.

In stipulated decisions involving **revocation** (no revocation stayed), the order will generally include the requirement that Respondent must reimburse the CBA for all reasonable costs of investigation and prosecution prior to or upon reinstatement of Respondent's revoked certificate under BPC section 5115.

The period of **probation** is generally three years. During the probation period, licensees are required to appear in person at interviews/meetings as directed by the CBA or its designated representatives to report on probation compliance.

Where an actual **suspension** is imposed, the order shall include the requirement that Respondent engage in no activities for which certification is required (see model disciplinary orders) during the period of suspension. In addition, the Respondent shall relinquish the certificate in question to the CBA and, if directed to do so by the CBA, shall notify clients regarding the suspended status of the certificate.

When discipline includes a violation that can be corrected, **correction of the violation** should be included as the basis for any discipline.

**Restitution** should be considered for all cases in which harm is demonstrated against the complainant. However, restitution should consider the actual harm to a complainant; it is not intended to award damages.

### **III. EVIDENCE IN AGGRAVATION OF PENALTY**

The following are among aggravating circumstances to be considered by ALJs in providing for penalties in proposed decisions:

1. Evidence that the violation was knowingly committed and/or was premeditated.
2. Licensee has a history of prior discipline, particularly where the prior discipline is for the same or similar type of conduct.
3. Licensee's actions resulted in financial damage to his or her clients or other consumers. The amount of loss may be an additional aggravating factor.
4. Violation of CBA probation.
5. Failure to comply with a final citation order.
6. Failure to comply with a notice to appear before the CBA or its designated representatives.
7. Failure to comply with continuing education requirements as ordered by the CBA or its designated representatives pursuant to CCR section 87.5.
8. Evidence that the licensee has not cooperated with the CBA's investigation.
9. Misappropriation of entrusted funds or other breach of fiduciary responsibility.
10. Duration of violation(s).
11. Evidence that the licensee knew or should have known that his or her actions could harm his or her clients or other consumers.
12. Evidence that the licensee took advantage of his or her client for personal gain, especially if the licensee was able to take advantage due to the ignorance, age, or lack of sophistication of the client.



## **IV. EVIDENCE IN MITIGATION OF PENALTY**

The following are among mitigating circumstances that may be taken into account by ALJs in providing for penalties in proposed decisions:

1. The licensee has cooperated with the CBA's investigation, other law enforcement or regulatory agencies, and/or the injured parties.
2. The passage of considerable time since an act of professional misconduct occurred with no evidence of recurrence or evidence of any other professional misconduct.
3. Convincing proof of rehabilitation, including the factors in CCR section 99.1 as well as other relevant considerations.
4. Demonstration of remorse by the licensee.
5. Recognition by licensee of his or her wrongdoing and demonstration of corrective action to prevent recurrence.
6. Violation was corrected without monetary losses to consumers and/or restitution was made in full.
7. If violation involved multiple licensees, the relative degree of culpability of the subject licensee should be considered.



## V. REHABILITATION CRITERIA

When considering the denial of a certificate or permit or the restoration of a revoked certificate or reduction of penalty, the burden of proof lies with the individual to demonstrate sufficient competent evidence of rehabilitation to establish fitness to perform public accounting services in a manner consistent with professional standards and public protection.

The CBA's rehabilitative criteria, set forth in CCR section 99.1, are as follows:

- (a) When considering the denial of a certificate or permit under Section 480 of the Business and Professions Code, the suspension or revocation of a certificate or permit under Business and Professions Code Section 5100, or restoration of a revoked certificate or reduction of penalty under Section 5115 of the Business and Professions Code, the board will consider the following criteria:
  - (1) Nature and gravity of the act(s) or offense(s).
  - (2) Criminal record and evidence of any act(s) committed subsequent to the act(s) or offense(s) under consideration which also could be considered as grounds for denial, suspension or revocation.
  - (3) The time that has elapsed since commission of the act(s) or offense(s) referred to in subdivision (1) or (2).
  - (4) The extent to which the applicant or licensee has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or licensee.
  - (5) If applicable, evidence of expungement proceedings pursuant to Section 1203.4 of the Penal Code.
  - (6) Nature and extent of actual and potential consumer harm.
  - (7) The individual's attitude toward his or her commission of the violations.
  - (8) The individual's recognition of wrongdoing.
  - (9) The individual's history of violations.
  - (10) Nature and extent to which the applicant or licensee has taken corrective action to ensure the violation will not recur.
  - (11) Nature and extent of restitution to consumers harmed by violations.
  - (12) Other aggravating or mitigating factors.

(13) Evidence, if any, of rehabilitation submitted by the applicant or licensee; however, evidence of rehabilitation does not necessarily result in a finding that the licensee is rehabilitated.

- (b) For purposes of issuing a license to an applicant that has been convicted of a crime, the board will consider the applicant to have made a showing of rehabilitation if the applicant has completed the criminal sentence at issue without a violation of parole or probation.
- (c) If the applicant has been convicted of a crime and did not complete the criminal sentence at issue without a violation of parole or probation, and/or if the applicant has been subject to formal discipline by a licensing board in or outside the State within the seven years preceding the application that was based on professional misconduct that is substantially related to the qualifications, functions or duties of a certified public accountant or public accountant, and that would have been cause for discipline by the Board, unless the discipline was based on a conviction that has been dismissed as specified in Section 480(a)(2) of the Business and Professions Code, the Board will find the applicant to have made a showing of rehabilitation if, in applying its criteria for rehabilitation, set forth in (a)(1)-(13) above, the board finds that the applicant is rehabilitated.
- (d) For purposes of suspending, revoking, or restoring a license, or the reduction of penalty, the Board will consider whether the licensee made a showing of rehabilitation, if the licensee:
  - (1) has completed the criminal sentence at issue without a violation of parole or probation, and/or
  - (2) has demonstrated rehabilitation using criteria set forth in (a)(1)-(13).

## VI. REHABILITATION EVIDENCE

The following are examples of types of evidence which the licensee/applicant (Respondent) may submit to CBA demonstrate his or her rehabilitative efforts and competency:

- a. Letter from Respondent describing underlying circumstances of arrest and conviction record as well as any rehabilitation efforts or changes in life since that time to prevent future problems.
- b. Recent, dated written statements or performance evaluations from past and/or current employers or persons in positions of authority who have on-the-job knowledge of the Respondent's current competence in the practice of public accountancy, including the period of time and capacity in which the person worked with the Respondent.
- c. Recent, dated letters or a current mental status examination by a clinical psychologist or psychiatrist regarding the Respondent's participation in a rehabilitation, therapy or recovery program, which should include a diagnosis of the condition or any impairment, current state of recovery, and the psychologist's or psychiatrist's basis for determining rehabilitation. The evaluation should also address the likelihood of similar acts occurring in the future, and should speak to the Respondent's mental capacity and ability to practice public accountancy safely.
- d. Letters of reference from other knowledgeable professionals, such as probation or parole officers regarding the Respondent's participation in and/or compliance with terms and conditions of probation or parole, which should include at least a description of the terms and conditions of probation or parole, and the officer's basis for determining compliance.
- e. Recent, dated letters from outside individuals describing Respondent's community or volunteer participation in civic activities or support groups (e.g., Alcoholics Anonymous, Narcotics Anonymous, other professional or community based-support groups).
- f. Documentary or other evidence showing continuing education related to the practice of public accountancy.
- g. Documentary or other evidence showing enrollment in or completion of an advanced degree program. In instances where an individual is petitioning for the reinstatement of a revoked certificate or reduction of penalty, the enrollment in or completion of an advanced degree program should have occurred after the effective date of the disciplinary order.

The CBA will evaluate the sufficiency of the evidence submitted on a case-by-case basis. Any evidence submitted to the CBA will be subject to verification by CBA staff.



## VII. ADMINISTRATIVE PENALTIES

BPC section 5116 et seq. allows the CBA to order any licensee or applicant for licensure or examination to pay an administrative penalty as part of any disciplinary proceeding. In matters that go through the administrative hearing process, the CBA's Executive Officer may request an ALJ to impose an administrative penalty as part of any proposed decision.

The administrative penalty assessed shall be in addition to any other penalties or sanctions imposed on the licensee or other person, including but not limited to, license revocation, license suspension, denial of the application for licensure, or denial of admission to the licensing examination. When probation is ordered, an administrative penalty may be included as a condition of probation.

For any violation, with the exception of violation of subdivisions (a), (c), (i), (j), or (k) of BPC section 5100, any licensee may be assessed an administrative penalty of not more than \$5,000 for the first violation and not more than \$10,000 for each subsequent violation.

For violation of subdivisions (a), (c), (i), (j), or (k) of BPC section 5100, licensed firms may be assessed an administrative penalty of not more than \$1,000,000 for the first violation and not more than \$5,000,000 for any subsequent violation. The administrative penalty that may be assessed an individual licensee who violates these sections is limited to not more than \$50,000 for the first violation and not more than \$100,000 for any subsequent violation.

Administrative penalties may be assessed under one or more violations; however, the total administrative penalty shall not exceed the amount of the highest administrative penalty allowed.

The term "violation" used in BPC sections 5116.1, 5116.2, and 5116.3 is intended to include the total violations in the disciplinary proceeding. Accordingly, "first violation" refers to the Respondent's first disciplinary action and "subsequent violations" refers to any subsequent disciplinary actions.

Cost recovery ordered under BPC section 5107 should not be a reason to reduce or eliminate the amount of administrative fines.

The following criteria should be considered in assessing administrative penalties.

1. Nature and extent of actual and potential consumer harm.
2. Nature and extent of actual and potential harm to clients.
3. Nature and severity of the violation.
4. The role of the person in the violation.
5. The person's attitude toward his or her commission of the violations.

6. Recognition of wrongdoing.
7. Person's history of violations.
8. Nature and extent of cooperation with the CBA's investigation.
9. The person's ability to pay the administrative penalty.
10. The level of administrative penalty necessary to deter future violations.
11. Nature and extent to which the person has taken corrective action to ensure the violation will not recur.
12. Nature and extent of restitution to consumers harmed by violations.
13. The violations involve sanctions by other government agencies or other regulatory licensing bodies, i.e. Internal Revenue Service, Securities and Exchange Commission, and Public Company Accounting Oversight Board.
14. Other aggravating or mitigating factors.



## VIII. DISCIPLINARY GUIDELINES

The offenses and penalties are listed chronologically by statute number in the Business and Professions Code (BPC) and by regulation number in Title 16 of the California Code of Regulations (CCR). The number in brackets following each condition of probation refers to the model order so numbered (See **Model Orders**). The probation terms listed under "if warranted" for each violation are to be considered, and imposed, if facts and circumstances warrant.

### **CALIFORNIA ACCOUNTANCY ACT: BUSINESS AND PROFESSIONS CODE, DIVISION 3, CHAPTER 1**

#### **ARTICLE 2**

##### **Section 5037(a) OWNERSHIP OF ACCOUNTANTS' WORKPAPERS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

##### **CONDITIONS OF PROBATION:**

Required: 1. Standard Conditions of Probation [16-27]

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [28]
3. Probation Monitoring Costs [30]
4. Restricted Practice [31]
5. Continuing Education Courses [36]
6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR section 54.1)

##### **Section 5037(b)(1)(2) RETURN OF CLIENT DOCUMENTS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

##### **CONDITIONS OF PROBATION:**

Required:

1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [16-27]

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [28]
3. Restitution [29]
4. Probation Monitoring Costs [30]
5. Restricted Practice [31]
6. Engagement Letters [32]
7. Continuing Education Courses [36]

8. Community Service – Free Services [40]
9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference CCR section 68)

### **ARTICLE 3**

**Section 5050(a) PRACTICE WITHOUT PERMIT;  
TEMPORARY PRACTICE**

Except as provided for in sections 5050(c), 5054, and 5096.12, this section applies to a Respondent who practices for a time without a valid license to practice or to Respondent who practices without obtaining a practice privilege.

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Restricted Practice [31]
  4. Continuing Education Courses [36]
  5. Active License Status [37]
  6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5050(c) PRACTICE WITHOUT PERMIT;  
TEMPORARY PRACTICE; FOREIGN ACCOUNTANTS**

Applies to Respondents licensed in a foreign country who are temporarily practicing in California and hold out as California licensees.

Minimum Penalty – Cease and Desist Letter

Maximum Penalty – Refer to Prosecutorial Agency for Unlicensed Practice

(Reference section on Unlicensed Activities.)

**Section 5055 TITLE OF CERTIFIED PUBLIC ACCOUNTANT/  
Section 5056 TITLE OF PUBLIC ACCOUNTANT**

(Applies to Respondent who assumes or uses the title certified public accountant, CPA, public accountant, or PA without having an appropriate permit to practice.)

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

**CONDITIONS OF PROBATION:**

Required:           1. If revocation stayed [4], 3 years probation  
                          2. Standard Conditions of Probation [16-27]

If warranted:       1. Suspension [3] with/without stay [4]  
                          2. Probation Monitoring Costs [30]  
                          3. Restricted Practice [31]  
                          4. Continuing Education Courses [36]  
                          5. Active License Status [37]  
                          6. Administrative Penalty not to exceed maximum set forth in  
                              BPC section 5116 [43]

**Section 5058           USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 Years Probation, with actual suspension [1-4]

**CONDITIONS OF PROBATION:**

Required:           1. Standard Conditions of Probation [16-27]

If warranted:       1. Suspension [3] with/without stay [4]  
                          2. Probation Monitoring Costs [30]  
                          3. Restricted Practice [31]  
                          4. Continuing Education Courses [36]  
                          5. Administrative Penalty not to exceed maximum set forth in  
                              BPC section 5116 [43]

(Reference CCR section 2)

**Section 5058.1       TITLES IN CONJUNCTION WITH  
                              CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 Years Probation, with actual suspension [1-4]

**CONDITIONS OF PROBATION:**

Required:           1. Standard Conditions of Probation [16-27]

If warranted:       1. Suspension [3] with/without stay [4]  
                          2. Probation Monitoring Costs [30]  
                          3. Restricted Practice [31]

4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5058.2 INACTIVE DESIGNATION**

Minimum Penalty – Continuing Education Courses [36]  
 Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Probation Monitoring Costs [30]  
 2. Continuing Education Courses [36]  
 3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5058.3 RETIRED DESIGNATION**

Minimum Penalty – Continuing Education Courses [36]  
 Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Probation Monitoring Costs [30]  
 2. Continuing Education Courses [36]  
 3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**ARTICLE 3.5**

**Section 5060 NAME OF FIRM**

Minimum Penalty – Continuing Education Courses [36] for licensee, licensee partners, licensee directors, shareholders, and/or officers of corporation  
 Maximum Penalty – Revocation stayed, 3 Years Probation, with actual suspension [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Suspension [3] with/without stay [4]  
 2. Probation Monitoring Costs [30]  
 3. Restricted Practice [31]  
 4. Continuing Education Courses [36]  
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5072)

**Section 5061        COMMISSIONS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Restitution [29]
  4. Probation Monitoring Costs [30]
  5. Restricted Practice [31]
  6. Engagement Letters [32]
  7. Continuing Education Courses [36]
  8. Community Service – Free Services [40]
  9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5062        REPORT CONFORMING TO PROFESSIONAL STANDARDS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]
  3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Restitution [29]
  4. Probation Monitoring Costs [30]
  5. Restricted Practice [31]
  6. Engagement Letters [32]
  7. Peer Review [34]
  8. CPA Exam [35]
  9. Samples – Audit, Review or Compilation [38]
  10. Community Service – Free Services [40]
  11. Notice to Clients [42]
  12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5100(j))

**Section 5062.2 RESTRICTIONS ON ACCEPTING EMPLOYMENT WITH AN AUDIT CLIENT**

Minimum Penalty – Revocation stayed, 30 day suspension, 3 years probation [1-4]  
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3]  
3. Standard Conditions of Probation [16-27]

If warranted: 1. Probation Monitoring Costs [30]  
2. Community Service – Free Services [40]  
3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5063 REPORTABLE EVENTS**

Minimum Penalty – Continuing Education Courses [36]  
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [16-27]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [28]  
3. Probation Monitoring Costs [30]  
4. Restricted Practice [31]  
5. Continuing Education Courses [36]  
6. Samples – Audit, Review or Compilation [38]  
7. Prohibition from Handling Funds [39]  
8. Community Service – Free Services [40]  
9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]  
10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference CCR sections 59, 60, 61)

**Section 5063.3 CONFIDENTIAL INFORMATION DISCLOSURE**

Minimum Penalty – Continuing Education Courses [36]  
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Continuing Education Courses [36]
  6. Samples – Audit, Review or Compilation [38]
  7. Prohibition from Handling Funds [39]
  8. Community Service – Free Services [40]
  9. Notice to Clients [42]
  10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **ARTICLE 4**

### **Section 5070.1(b) PRACTICE WITH A RETIRED LICENSE STATUS**

Minimum Penalty – Continuing Education Courses [36]  
 Maximum Penalty – Revocation [1, 2]

#### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Restricted Practice [31]
  4. Continuing Education Courses [36]
  5. Active License Status [37]
  6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

### **Section 5070.2(b) PRACTICE WITH A MILITARY LICENSE STATUS**

Minimum Penalty – Continuing Education Courses [36]  
 Maximum Penalty – Revocation [1, 2]

#### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Restricted Practice [31]
  4. Continuing Education Courses [36]
  5. Active License Status [37]
  6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5072(a) REQUIREMENTS FOR REGISTRATION AS A PARTNERSHIP**

Applies to licensee(s) in a partnership who practices for a time without partnership license (BPC section 5073) and subsequently renews, or to a partnership in practice without a license.

Minimum Penalty – Continuing Education Courses for Licensee Partners [36]

Maximum Penalty – Revocation of partnership/individual licenses [1, 2]

CONDITIONS OF PROBATION:

Required:           1. If revocation stayed [4], 3 years probation  
                          2. Standard Conditions of Probation [16-27]

If warranted:       1. Suspension [3] with/without stay [4]  
                          2. Probation Monitoring Costs [30]  
                          3. Restricted Practice [31]  
                          4. Continuing Education Courses [36]  
                          5. Administrative Penalty not to exceed maximum set forth in  
                              BPC section 5116 [43]

(Reference section on Unlicensed Activities.)

**Section 5073(d) PARTNERSHIP APPLICATIONS  
(ADMISSION OR WITHDRAWAL OF PARTNER)**

Minimum Penalty – Continuing Education Courses for Licensee Partners [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:           1. If revocation stayed [4], 3 years probation  
                          2. Standard Conditions of Probation [16-27]

If warranted:       1. Probation Monitoring Costs [30]  
                          2. Administrative Penalty not to exceed maximum set forth in  
                              BPC section 5116 [43]

**Section 5076(a) PEER REVIEW**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:           1. If revocation stayed [4], 3 years probation  
                          2. Standard Conditions of Probation [16-27]

If warranted:       1. Suspension [3] with/without stay [4]  
                          2. Supervised Practice [28]  
                          3. Probation Monitoring Costs [30]



4. Restricted Practice [31]
5. Peer Review [34]
6. Continuing Education Courses [36]
7. Samples – Audit, Review or Compilation [38]
8. Notification to Clients/Cessation of Practice [42]
9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR sections 40, 32, 43)

**Section 5076(f) PEER REVIEW – DOCUMENT SUBMISSION REQUIREMENT**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Peer Review [34]
  6. Continuing Education Courses [36]
  7. Samples – Audit, Review or Compilation [38]
  8. Notification to Clients/Cessation of Practice [42]
  9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR section 46)

**Section 5078 OFFICES NOT UNDER PERSONAL MANAGEMENT OF CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT; SUPERVISION**

Minimum Penalty – Continuing Education Courses for Licensee Owners [36] and/or require CPA or PA to develop standards for supervision, and implement a practice plan; permit practice investigation within 3 months to insure compliance [21]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]

3. Probation Monitoring Costs [30]
4. Restricted Practice [31]
5. Continuing Education Courses [36]
6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5079(a)(b)(d) NONLICENSEE OWNERSHIP OF FIRMS**

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation of partnership or corporate registration and individual licenses [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Restricted Practice [31]
  4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR section 51.1)

**ARTICLE 5**

**Section 5081(a) REQUIREMENTS FOR ADMISSION TO CERTIFIED PUBLIC ACCOUNTANT EXAMINATION (ACTS DENYING ADMISSION TO EXAM)**

Minimum Penalty – Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of BPC section 5100 for applicable provisions

Maximum Penalty – Denial of admission to examination or revocation of license if issued

(Reference relevant section for discipline based upon nature of act.)

- If warranted:
1. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5081(b)(c) REQUIREMENTS FOR ADMISSION TO CERTIFIED PUBLIC ACCOUNTANT EXAMINATION**

Minimum/Maximum Penalty – Denial of admission to examination, or revocation of license if issued.

If warranted: 1. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5088 INTERIM PRACTICE RIGHTS: OUT-OF-STATE CPA**

Minimum/Maximum Penalty – If CBA rejects application, cease practice immediately. If practice continues, see provisions on **Unlicensed Activities and Practice Privilege**.

**Section 5095(a) MINIMUM NUMBER OF ATTEST SERVICES HOURS; ATTEST EXPERIENCE**

Minimum Penalty – Revocation stayed and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [16-27]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Probation Monitoring Costs [30]  
3. Restricted Practice [31]  
4. CPA Exam [35]  
5. Continuing Education Courses [36]  
6. Active License Status [37]  
7. Notification to Clients/Cessation of Practice [42]  
8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**ARTICLE 5.1: Practice Privilege**

**Section 5096(d) PRACTICING THROUGH AN UNREGISTERED FIRM**

Minimum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Standard Conditions of Probation [16-22, 24-27]

If warranted: 1. Suspension [3]  
2. Probation Monitoring Costs [30]  
3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5096(e)(2) COMPLY WITH RULES, LAWS, AND STANDARDS**

Minimum Penalty – One year suspension [3]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3] (BPC section 5096(g)).
  3. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5096(e)(3) PRACTICE FROM AN UNAUTHORIZED OFFICE IN THIS STATE**

Minimum Penalty – One year suspension [3]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3] (BPC section 5096(g)).
  3. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5096(e)(5) COOPERATE WITH BOARD**

Minimum Penalty – One year suspension [3]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3] (BPC section 5096(g)).
  3. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5096(e)(6), (7), (8), (9) FAILURE TO CEASE EXERCISING THE PRACTICE PRIVILEGE**

Minimum Penalty – One year suspension [3]

Maximum Penalty – Revoke Practice Privilege [1, 2]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3] (BPC section 5096(g)).
  3. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years pursuant to Section 5096(g).**

**Section 5096(e)(10) FAILURE TO REPORT PENDING CRIMINAL CHARGES**

- Minimum Penalty – One year suspension [3]  
Maximum Penalty – Revoke Practice Privilege [1, 2]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3] (BPC section 5096(g)).
  3. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5096(f) FAILURE TO NOTIFY THE BOARD/CEASE PRACTICE**

- Minimum Penalty – One year suspension [3]  
Maximum Penalty – Revoke Practice Privilege [1, 2]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3] (BPC section 5096(g)).
  3. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years pursuant to Section 5096(g).**

**Section 5096(i) FAILURE TO FILE PRE-NOTIFICATION FORM**

- Minimum Penalty – One year suspension [3]  
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3] (BPC section 5096(g)).
  3. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**If it is determined that the failure to cease practice or provide the notice was intentional, that individual’s practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years.**

**Section 5096.5 UNAUTHORIZED SIGNING OF ATTEST REPORTS**

Minimum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3] (BPC section 5096(g)).
  3. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5096.12 FIRM PRACTICING WITHOUT A PRACTICE PRIVILEGE HOLDER**

Minimum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Standard Conditions of Probation [16-22, 24-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Suspension [3] (BPC section 5096(g)).
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**ARTICLE 5.5**

**Section 5097 AUDIT DOCUMENTATION**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Library Reference Materials [33]
  6. Peer Review [34]
  7. CPA Exam [35]
  8. Continuing Education Courses [36]
  9. Samples - Audit, Review or Compilation [38]
  10. Community Service – Free Services [40]
  11. Notice to Clients [42]
  12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR sections 68.2, 68.3, 68.4, 68.5)

**ARTICLE 6**

**Section 5100        DISCIPLINE IN GENERAL,  
(including but not limited to that set forth in  
subsections (a) through (l) of this section)**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Optional conditions which relate to underlying facts and circumstances; reference conditions listed in BPC sections 5100 (a)-(j)
  4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5100(a)        CONVICTION OF ANY CRIME SUBSTANTIALLY RELATED TO THE  
QUALIFICATIONS, FUNCTIONS AND DUTIES OF A CPA/PA**

**FOR FELONY CONVICTIONS OR MULTIPLE MISDEMEANOR CONVICTIONS, WITH THE  
EXCEPTION OF MISDEMEANOR ALCOHOL/DRUG CONVICTIONS FOR VEHICLE CODE  
SECTION 23152 AND DRUG CONVICTIONS FOR POSSESSION FOR PERSONAL USE:**

Minimum Penalty – Revocation stayed. Actual suspension from practice 120 days.  
Three years probation [1-4]

Maximum Penalty – Revocation [1, 2]

**FOR MULTIPLE MISDEMEANOR ALCOHOL/DRUG CONVICTIONS FOR VEHICLE CODE SECTION 23152 AND DRUG CONVICTIONS FOR POSSESSION FOR PERSONAL USE:**

Minimum Penalty – 120-day suspension stayed, and 1 year probation [1-4]

Maximum Penalty – Revocation [1, 2]

**CONDITIONS OF PROBATION:**

Required:           1. If revocation/suspension stayed [4], probation 1 to 5 years  
                          2. Suspension [3]  
                          3. Standard Conditions of Probation [16-27]

If warranted:       1. Supervised Practice [28]  
                          2. Restitution [29]  
                          3. Probation Monitoring Costs [30]  
                          4. Restricted Practice [31]  
                          5. Engagement Letters [32]  
                          6. CPA Exam [35]  
                          7. Continuing Education Courses [36]  
                          8. Samples - Audit, Compilation or Review [38]  
                          9. Prohibition from Handling Funds [39]  
                          10. Community Service – Free Services [40]  
                          11. Administrative Penalty not to exceed maximum set forth in  
                              BPC section 5116 [43]  
                          12. Conditions as appropriate relating to physical or mental disability or  
                              condition [44-49]

**IN THE CASE OF A SINGLE MISDEMEANOR VIOLATION, TAILOR PROBATION TO CIRCUMSTANCES; ADJUSTING THE REQUIRED CONDITIONS ACCORDINGLY AND CHOOSING APPROPRIATE WARRANTED CONDITIONS FROM THE ABOVE LIST.**

**Section 5100(b)    FRAUD OR DECEIT IN OBTAINING  
                          LICENSE/PERMIT/REGISTRATION**

Minimum Penalty – Revocation stayed with 180 days actual suspension and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.

Maximum Penalty – Revocation or application denied. [1, 2]

**CONDITIONS OF PROBATION:**

Required:           1. If revocation stayed [4], probation 3 to 5 years  
                          2. Suspension [3]  
                          3. Standard Conditions of Probation [16-27]



- If warranted:
1. Probation Monitoring Costs [30]
  2. Continuing Education Courses [36]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5100(c) DISHONESTY, FRAUD, GROSS NEGLIGENCE, OR REPEATED ACTS OF NEGLIGENCE IN THE PRACTICE OF PUBLIC ACCOUNTANCY OR THE PERFORMANCE OF BOOKKEEPING**

Minimum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Supervised Practice [28]
  2. Restitution [29]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Peer Review [34]
  6. CPA Exam [35]
  7. Continuing Education Courses [36]
  8. Samples - Audit, Review or Compilation [38]
  9. Prohibition from Handling Funds [39]
  10. Community Service – Free Services [40]
  11. Notification to Clients [42]
  12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
  13. Conditions as appropriate relating to physical or mental disability or condition [44-49]

**Section 5100(d) CANCELLATION, REVOCATION OR SUSPENSION BY ANY OTHER STATE OR FOREIGN COUNTRY**

Minimum Penalty – Revocation stayed [1, 2, 4], probation 3 years

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Standard Conditions of Probation [16-27]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [28]
3. Restitution [29]
4. Probation Monitoring Costs [30]
5. Restricted Practice [31]

6. CPA Exam [35]
7. Continuing Education Courses [36]
8. Samples - Audit, Review or Compilation [38]
9. Prohibition from Handling Funds [39]
10. Community Service – Free Services [40]
11. Notice to Clients [42]
12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

**Section 5100(e) VIOLATION OF PROVISIONS OF SECTION 5097**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]
  3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Library Reference Materials [33]
  6. Peer Review [34]
  7. CPA Exam [35]
  8. Samples - Audit, Review or Compilation [38]
  9. Community Service – Free Services [40]
  10. Notice to Clients [42]
  11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5100(f) VIOLATIONS OF PROVISIONS OF SECTION 5120**

BPC section 5120 states "Any person who violates Article 3 (commencing with Section 5050) is guilty of a misdemeanor, punishable by imprisonment for not more than six months, or by a fine of not more than one thousand dollars (\$1,000), or both. Whenever the board has reason to believe that any person is liable for punishment under this article, the board, or with its approval the enforcement advisory committee, may certify the facts to the appropriate enforcement officer of the city or county where the alleged violation had taken place and the officer may cause appropriate proceedings to be brought."

Violations of Article 3 include:

- |               |  |
|---------------|--|
| 5050 and 5051 | PRACTICE WITHOUT PERMIT/"PUBLIC ACCOUNTANCY" DEFINED       |
| 5055 and 5056 | TITLE OF CERTIFIED PUBLIC ACCOUNTANT/<br>PUBLIC ACCOUNTANT |

Minimum/Maximum Penalty – See specific statute/regulation violated for recommended penalty

**Section 5100(g) WILLFUL VIOLATION OF THE ACCOUNTANCY ACT, OR A RULE OR REGULATION PROMULGATED BY THE BOARD**

Minimum/Maximum Penalty – See specific statute or regulation violated for recommended penalty

**Section 5100(h) SUSPENSION OR REVOCATION OF THE RIGHT TO PRACTICE BEFORE ANY GOVERNMENTAL BODY OR AGENCY**

Minimum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [28]
3. Restitution [29]
4. Probation Monitoring Costs [30]
5. Restricted Practice [31]
6. CPA Exam [35]
7. Continuing Education Courses [36]
8. Samples - Audit, Review or Compilation [38]
9. Prohibition from Handling Funds [39]
10. Community Service – Free Services [40]
11. Notice to Clients [42]
12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
13. Conditions as appropriate relating to physical or mental disability or condition [44-49]

**Section 5100(i) FISCAL DISHONESTY OR BREACH OF FIDUCIARY RESPONSIBILITY OF ANY KIND**

Minimum Penalty – Revocation stayed, 30 day suspension, 3 years probation [1-4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Suspension [3]

3. Standard Conditions of Probation [16-27]

- If warranted:
1. Supervised Practice [28]
  2. Restitution [29]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. CPA Exam [35]
  6. Continuing Education Courses [36]
  7. Prohibition from Handling Funds [39]
  8. Community Service – Free Services [40]
  9. Notice to Clients [42]
  10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
  11. Conditions as appropriate relating to physical or mental disability or condition [44-49]

**Section 5100(j) KNOWING PREPARATION, PUBLICATION OR DISSEMINATION OF FALSE, FRAUDULENT, OR MATERIALLY MISLEADING FINANCIAL STATEMENTS, REPORTS, OR INFORMATION**

Minimum Penalty – Revocation stayed, 60 days suspension, 3 years probation [1-4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 to 5 years probation
  2. Suspension [3]
  3. Standard Conditions of Probation [16-27]

- If warranted:
1. Supervised Practice [28]
  2. Restitution [29]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Engagement Letters [32]
  6. CPA Exam [35]
  7. Continuing Education Courses [36]
  8. Samples - Audit, Review or Compilation [38]
  9. Community Service – Free Services [40]
  10. Notice to Clients [42]
  11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
  12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

**Section 5100(k) EMBEZZLEMENT, THEFT, MISAPPROPRIATION OF FUNDS OR PROPERTY, OR OBTAINING MONEY, PROPERTY OR OTHER VALUABLE CONSIDERATION BY FRAUDULENT MEANS OR FALSE PRETENSES**

Minimum Penalty – Revocation stayed, 90 day suspension, 3 years probation [1-4]  
Maximum Penalty – Revocation [1, 2]

**CONDITIONS OF PROBATION:**

Required:           1. If revocation stayed [4], probation of 3 to 5 years  
                          2. Suspension [3]  
                          3. Standard Conditions of Probation [16-27]

If warranted:       1. Supervised Practice [28]  
                          2. Restitution [29]  
                          3. Probation Monitoring Costs [30]  
                          4. Restricted Practice [31]  
                          5. CPA Exam [35]  
                          6. Continuing Education Courses [36]  
                          7. Prohibition from Handling Funds [39]  
                          8. Notice to Clients [42]  
                          9. Administrative Penalty not to exceed maximum set forth in  
                              BPC section 5116 [43]  
                         10. Conditions as appropriate relating to physical or mental disability or  
                              condition [44-49]

**Section 5100(I)       DISCIPLINE, PENALTY, OR SANCTION BY THE  
                             PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD  
                             OR SECURITIES AND EXCHANGE COMMISSION**

Minimum Penalty – Revocation stayed [1, 2, 4], 3 years probation  
Maximum Penalty – Revocation [1, 2]

**CONDITIONS OF PROBATION:**

Required:           1. If revocation stayed [4], 3 years probation  
                          2. Standard Conditions of Probation [16-27]

If warranted (include those related to underlying offense(s)):  
                          1. Suspension [3] with/without stay [4]  
                          2. Supervised Practice [28]  
                          3. Restitution [29]  
                          4. Probation Monitoring Costs [30]  
                          5. Restricted Practice [31]  
                          6. CPA Exam [35]  
                          7. Continuing Education Courses [36]  
                          8. Samples - Audit, Review or Compilation [38]  
                          9. Prohibition from Handling Funds [39]  
                         10. Community Service – Free Services [40]  
                         11. Notice to Clients [42]  
                         12. Administrative Penalty not to exceed maximum set forth in  
                              BPC section 5116 [43]  
                         13. Conditions as appropriate relating to physical or mental disability or  
                              condition [44-49]

**Section 5100(m) UNLAWFULLY ENGAGING IN PRACTICE OF PUBLIC ACCOUNTANCY IN ANOTHER STATE**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [16-27]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Probation Monitoring Costs [30]  
3. Restricted Practice [31]  
4. Continuing Education Courses [36]  
5. Active License Status [37]  
6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5101 DISCIPLINE OF PARTNERSHIP**

Minimum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [28]  
3. Restitution [29]  
4. Probation Monitoring Costs [30]  
5. Restricted Practice [31]  
6. Engagement Letters [32]  
7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5104 RELINQUISHMENT OF CERTIFICATE OR PERMIT (revocation or suspension)**

Minimum/Maximum Penalty – Revocation [1, 2]

**Section 5105 RELINQUISHMENT OF CERTIFICATE OR PERMIT (delinquent)**

Minimum/Maximum Penalty – Revocation [1, 2]

**Section 5110(a) ACTS CONSTITUTING CAUSE FOR BOARD'S DENIAL OF EXAM APPLICATION OR ADMISSION, VOIDANCE OF GRADES, OR**

## **DENIAL OF LICENSE APPLICATION OR REGISTRATION**

Minimum/Maximum Penalty – Denial of admission to examination, denial of licensure application, or revocation of license if issued.

If warranted: 1. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **ARTICLE 7**

### **Sections 5120/5121 VIOLATIONS AS MISDEMEANOR/EVIDENCE OF VIOLATION**

(Reference BPC section 5100(f) and section on Unlicensed Activities.)

## **ARTICLE 9**

### **Section 5152 CORPORATION REPORTS**

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

### **Section 5152.1 ACCOUNTANCY CORPORATION RENEWAL OF PERMIT TO PRACTICE**

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

(Reference BPC sections 5050 and 5060(b))

### **Section 5154 DIRECTORS, SHAREHOLDERS, AND OFFICERS MUST BE LICENSED**

Minimum Penalty – Continuing Education Courses for licensee directors, shareholders, and/or officers of corporation [36]

Maximum Penalty – Revocation of corporate registration [1, 2] and discipline of individual licenses

### **CONDITIONS OF PROBATION:**

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Probation Monitoring Costs [30]  
3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5155            DISQUALIFIED SHAREHOLDER NONPARTICIPATION**

Minimum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

Maximum Penalty – Revocation of individual and corporate license [1, 2]

CONDITIONS OF PROBATION:

Required:            1. Standard Conditions of Probation [16-27]

If warranted:        1. Suspension [3] with/without stay [4]  
                          2. Probation Monitoring Costs [30]  
                          3. Administrative Penalty not to exceed maximum set forth in  
                          BPC section 5116 [43]

**Section 5156            UNPROFESSIONAL CONDUCT  
                                  (ACCOUNTANCY CORPORATION)**

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders,  
                                  and/or officers of corporation

Maximum Penalty – Revocation of individual and corporate licenses [1, 2]

CONDITIONS OF PROBATION:

Required:            1. If Revocation stayed [4], 3 to 5 years probation  
                          2. Standard Conditions of Probation [16-27]

If warranted:        1. Suspension [3] with/without stay [4]  
                          2. Probation Monitoring Costs [30]  
                          3. Community Service – Free Services [40]  
                          4. Administrative Penalty not to exceed maximum set forth in  
                          BPC section 5116 [43]

**Note:** An accountancy corporation is bound by the same regulations as individual Respondents. See specific statute or regulation violated for recommended penalty.

**Section 5158            PRACTICE OF PUBLIC ACCOUNTANCY; MANAGEMENT  
                                  (ACCOUNTANCY CORPORATION)**

Minimum Penalty – Continuing Education Courses [36] for licensee directors, stakeholders,  
                                  and/or officers of corporation. Require CPA or PA to develop  
                                  management plan; permit practice investigation within 3 months to ensure  
                                  compliance with management requirement and plan [20, 33]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:            1. If Revocation stayed [4], 3 to 5 years probation  
                          2. Standard Conditions of Probation [16-27]

If warranted:        1. Supervised Practice [28]



2. Restitution [29]
3. Probation Monitoring Costs [30]
4. Restricted Practice [31]
5. Engagement Letters [32]
6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
7. Conditions as appropriate relating to physical or mental disability or condition [44-49]



# **CALIFORNIA BOARD OF ACCOUNTANCY REGULATIONS**

## **TITLE 16 CALIFORNIA CODE OF REGULATIONS**

### **ARTICLE 1: GENERAL**

#### **SECTION 3 NOTIFICATION OF CHANGE OF ADDRESS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – 90 day Suspension [3]

#### **SECTION 5 OBSERVANCE OF RULES**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

#### **CONDITIONS OF PROBATION:**

Required:           1. If revocation stayed [4], 3 years probation  
                          2. Standard Conditions of Probation [16-27]

If warranted:       1. Probation Monitoring Costs [30]  
                          2. Continuing Education Courses [36]  
                          3. Samples - Audit, Review or Compilation [38]  
                          4. Community Service – Free Services [40]  
                          5. Administrative Penalty not to exceed maximum set forth in  
                              BPC section 5116 [43]

Note: Reference the specific regulation for appropriate discipline.

### **ARTICLE 2: EXAMINATIONS**

#### **SECTION 8.2 REQUIREMENTS FOR ISSUANCE OF THE AUTHORIZATION TO TEST**

Minimum Penalty – Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of BPC section 5100 for applicable provisions

Maximum Penalty – Denial of admission to examination or revocation of license if issued; Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **ARTICLE 3: PRACTICE PRIVILEGES**

### **SECTION 20 NOTIFICATION OF CHANGE OF INFORMATION FOR REGISTERED OUT-OF-STATE ACCOUNTING FIRMS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – 90 day Suspension [3]

#### CONDITIONS OF PROBATION:

- Required:
1. If suspension stayed [4], probation 3 to 5 years
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **ARTICLE 5: REGISTRATION**

### **SECTION 37.5 FINGERPRINTING**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

#### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Continuing Education Courses [36]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **ARTICLE 6: PEER REVIEW**

### **SECTION 40(a)(b)(c) ENROLLMENT AND PARTICIPATION**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

#### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Peer Review [34]
  6. Continuing Education Courses [36]

7. Samples – Audit, Review or Compilation [38]
8. Notification to Clients/Cessation of Practice [42]
9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5076(a))

#### **SECTION 41 FIRM RESPONSIBILITIES**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

##### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Continuing Education Courses [36]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5076(a))

#### **SECTION 43 EXTENSIONS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

##### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Continuing Education Courses [36]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

#### **SECTION 44 NOTIFICATION OF EXPULSION**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

##### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]

3. Probation Monitoring Costs [30]
4. Restricted Practice [31]
5. Continuing Education Courses [36]
6. Samples – Audit, Review or Compilation [38]
7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
8. Conditions as appropriate relating to physical or mental disability or condition [44-49]

## **SECTION 45            REPORTING TO BOARD**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Continuing Education Courses [36]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5076(a))

## **SECTION 46(a)    DOCUMENT SUBMISSION REQUIREMENTS**

Applies to firms that receive a substandard peer review rating.

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Continuing Education Courses [36]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5076(f))

## **SECTION 46(b)    DOCUMENT SUBMISSION REQUIREMENTS**

Applies to firms that receive a “pass” or “pass with deficiencies” peer review rating.

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**ARTICLE 9: RULES OF PROFESSIONAL CONDUCT**

**SECTION 50 CLIENT NOTIFICATION**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 50.1 ATTEST CLIENT NOTIFICATION**

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation of partnership or corporate registration and individual licenses

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Administrative Penalty not to maximum set forth in BPC section 5116 [43]

**SECTION 51 FIRMS WITH NONLICENSEE OWNERS**

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]

3. Restricted Practice [31]
4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

### **SECTION 51.1 NOTIFICATION OF NON-LICENSEE OWNERSHIP**

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation of partnership or corporate registration and individual licenses

#### **CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5079)

### **SECTION 52 RESPONSE TO BOARD INQUIRY**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

#### **CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Continuing Education Courses [36]
  3. Community Service – Free Services [40]
  4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

### **SECTION 53 DISCRIMINATION PROHIBITED**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

#### **CONDITIONS OF PROBATION:**

- Required:
1. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Continuing Education Courses [36]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]



**SECTION 54.1 DISCLOSURE OF CONFIDENTIAL INFORMATION PROHIBITED**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Continuing Education Courses [36]
  5. Notice to Clients [42]
  6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5037)

**SECTION 54.2 RECIPIENTS OF CONFIDENTIAL INFORMATION**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed, [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Supervised Practice [28]
  2. Probation Monitoring Costs [30]
  3. Continuing Education Courses [36]
  4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 56 COMMISSIONS – BASIC DISCLOSURE REQUIREMENT**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Restitution [29]
  4. Probation Monitoring Costs [30]

5. Restricted Practice [31]
6. Engagement Letters [32]
7. Continuing Education Courses [36]
8. Community Service – Free Services [40]
9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 56.1      COMMISSIONS – PROFESSIONAL SERVICES PROVIDED TO CLIENT**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Restitution [29]
  4. Probation Monitoring Costs [30]
  5. Restricted Practice [31]
  6. Continuing Education Courses [36]
  7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 57      INCOMPATIBLE OCCUPATIONS AND CONFLICT OF INTEREST**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Engagement Letters [32]
  6. Continuing Education Courses [36]
  7. Prohibition from Handling Funds [39]
  8. Community Service – Free Services [40]
  9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 58      COMPLIANCE WITH STANDARDS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Engagement Letters [32]
  6. Peer Review [34]
  7. CPA Exam [35]
  8. Continuing Education Courses [36]
  9. Samples - Audit, Review or Compilation [38]
  10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 59            REPORTING OF RESTATEMENTS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Continuing Education Courses [36]
  6. Community Service – Free Services [40]
  7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5063)

**SECTION 60            REPORTING OF INVESTIGATIONS BY THE  
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Continuing Education Courses [36]
  6. Community Service – Free Services [40]
  7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5063)

## **SECTION 61 THE REPORTING OF SETTLEMENTS, ARBITRATION AWARDS, AND JUDGMENTS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Engagement Letters [32]
  6. Continuing Education Courses [36]
  7. Community Service – Free Services [40]
  8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5063)

## **SECTION 62 CONTINGENT FEES**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed, 3 years probation [1, 2, 4]
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Restitution [29]
  4. Probation Monitoring Costs [30]
  5. Restricted Practice [31]
  6. Engagement Letters [32]

7. Continuing Education Courses [36]
8. Community Service – Free Services [40]
9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 63            ADVERTISING**

Minimum Penalty – Continuing Education Courses [36]  
 Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Community Service – Free Services [40]
  4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 65            INDEPENDENCE**

Minimum Penalty – Revocation stayed, 3 years of probation [1, 2, 4]  
 Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Restitution [29]
  4. Probation Monitoring Costs [30]
  5. Restricted Practice [31]
  6. Engagement Letters [32]
  7. Peer Review [34]
  8. CPA Exam [35]
  9. Samples - Audit, Review or Compilation [38]
  10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 67            APPROVAL OF USE OF FICTITIOUS NAME**

Minimum Penalty – Continuing Education Courses [36]  
 Maximum Penalty – Revocation stayed, 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [16-27]

- If warranted:
1. Probation Monitoring Costs [30]
  2. Community Service – Free Services [40]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 68            RETENTION OF CLIENT'S RECORDS**

Minimum Penalty – Continuing Education Courses [36]  
 Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed, 3 years probation [1, 2, 4]
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Restitution [29]
  4. Probation Monitoring Costs [30]
  5. Restricted Practice [31]
  6. Engagement Letters [32]
  7. Continuing Education Courses [36]
  8. Community Service – Free Services [40]
  9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
  10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference BPC section 5037)

**SECTION 68.1        WORKING PAPERS DEFINED; RETENTION**

Minimum Penalty – Continuing Education Courses [36]  
 Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Restitution [29]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Engagement Letters [32]
  6. Continuing Education Courses [36]
  7. Community Service – Free Services [40]
  8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

9. Conditions as appropriate relating to physical or mental disability or condition [44-49]

## **SECTION 68.2 COMPONENTS OF AUDIT DOCUMENTATION**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]
  3. Continuing Education Courses [36]
- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Peer Review [34]
  6. CPA Exam [35]
  7. Samples - Audit, Review or Compilation [38]
  8. Community Service – Free Services [40]
  9. Notice to Clients [42]
  10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5097)

## **SECTION 68.3 RETENTION PERIOD FOR AUDIT DOCUMENTATION**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]
  3. Continuing Education Courses [36]
- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Library Reference Materials [33]
  6. Peer Review [34]
  7. CPA Exam [35]
  8. Samples - Audit, Review or Compilation [38]
  9. Community Service – Free Services [40]
  10. Notice to Clients [42]

11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BCP section 5097)

#### **SECTION 68.4 CHANGES IN AUDIT DOCUMENTATION AFTER ISSUANCE OF REPORT**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

##### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]
  3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Library Reference Materials [33]
  6. Peer Review [34]
  7. CPA Exam [35]
  8. Samples - Audit, Review or Compilation [38]
  9. Community Service – Free Services [40]
  10. Notice to Clients [42]
  11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5097)

#### **SECTION 68.5 AUDIT DOCUMENTATION RETENTION AND DESTRUCTION POLICY**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

##### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]
  3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Library Reference Materials [33]
  6. Peer Review [34]
  7. CPA Exam [35]



8. Samples - Audit, Review or Compilation [38]
9. Community Service – Free Services [40]
10. Notice to Clients [42]
11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC section 5097)

## **SECTION 69            CERTIFICATION OF APPLICANT'S EXPERIENCE**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Community Service – Free Services [40]
  5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [46]

## **ARTICLE 11: ACCOUNTANCY CORPORATION RULES**

### **SECTION 75.8            SECURITY FOR CLAIMS AGAINST AN ACCOUNTANCY CORPORATION**

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Supervised Practice [28]
  2. Restitution [29]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Continuing Education Courses [36]
  6. Samples - Audit, Review or Compilation [38]
  7. Prohibition from Handling Funds [39]
  8. Community Service – Free Services [40]
  9. Notification to Clients [42]
  10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 75.9      SHARES: OWNERSHIP AND TRANSFER**

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Revocation of corporate registration [1, 2] and discipline of individual licenses

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]
  3. Restricted Practice [31]
  4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 75.11(b)    CERTIFICATION OF REGISTRATION; CONTINUING VALIDITY; NOTIFICATION OF NAME AND ADDRESS CHANGES**

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Suspend corporate accountancy registration and/or individual licensees for 90 days [3]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Restricted Practice [31]
  3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**ARTICLE 12: CONTINUING EDUCATION RULES**

**Section 80      INACTIVE LICENSE STATUS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [30]

3. Restricted Practice [31]
4. Continuing Education Courses [36]
5. Active License Status [37]
6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 81(a) CONTINUING EDUCATION REQUIREMENTS FOR RENEWING AN EXPIRED LICENSE**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Continuing Education Courses [36]
  6. Samples – Audit, Review or Compilation [38]
  7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 87 BASIC REQUIREMENTS (Continuing Education)**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [16-27]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [28]
  3. Probation Monitoring Costs [30]
  4. Restricted Practice [31]
  5. Continuing Education Courses [36]
  6. Samples – Audit, Review or Compilation [38]
  7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 87.5 ADDITIONAL CONTINUING EDUCATION REQUIREMENTS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Probation Monitoring Costs [30]  
2. Continuing Education Courses [36]  
3. Active License Status [37]  
4. Samples - Audit, Review or Compilation [38]  
5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 87.6 RECORDS REVIEW  
CONTINUING EDUCATION REQUIREMENTS**

Minimum Penalty – Continuing Education Courses [36]  
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Probation Monitoring Costs [30]  
2. Continuing Education Courses [36]  
3. Samples - Audit, Review or Compilation [38]  
4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 87.8 REGULATORY REVIEW COURSE**

Minimum Penalty – Continuing Education Courses [36]  
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Probation Monitoring Costs [30]  
2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**SECTION 89 CONTROL AND REPORTING**

Minimum Penalty – Continuing Education Courses [36]  
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [16-27]

If warranted: 1. Probation Monitoring Costs [30]  
2. Continuing Education Courses [36]

3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **SECTION 89.1 REPORTS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

### CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]

If warranted: 1. Probation Monitoring Costs [30]  
2. Continuing Education Courses [36]  
3. Samples - Audit, Review or Compilation [38]  
4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **SECTION 90 EXCEPTIONS AND EXTENSIONS**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

### CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4] 3 years probation  
2. Standard Conditions of Probation [16-27]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [28]  
3. Probation Monitoring Costs [30]  
4. Restricted Practice [31]  
5. Continuing Education Courses [36]  
6. Samples – Audit, Review or Compilation [38]  
7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **ARTICLE 12.5: CITATIONS AND FINES**

### **SECTION 95.4 FAILURE TO COMPLY WITH CITATION**

Minimum Penalty – Compliance with Citation Abatement Order and/or Fine as issued

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

### CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [16-27]  
2. Restitution [29]  
3. Compliance with Citation Abatement Order and/or Fine

If warranted: 1. Probation Monitoring Costs [30]

2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

## **VIOLATION OF PROBATION**

Minimum penalty - Citation and Fine (19)

Maximum penalty - Vacate stay order and impose penalty that was previously stayed; and/or revoke, separately and severally, for violation of probation and/or for any additional offenses. [1-4]

CCR section 95 provides the authority for the Executive Officer to issue citations and fines from \$100 to \$5,000 to a licensee for violation of a term or condition contained in a decision placing that licensee on probation.

The maximum penalty is appropriate for repeated **similar** offenses, or for probation violations indicating a cavalier or recalcitrant attitude. If the probation violation is due in part to the commission of additional offense(s), additional penalties shall be imposed according to the nature of the offense; and the probation violation shall be considered as an aggravating factor in imposing a penalty for those offenses.

## **UNLICENSED ACTIVITIES**

If any unlicensed individual or firm violates, or is suspected of violating, any of the following Business and Professions Code sections, the matter may be referred to the Division of Investigation and if the allegation is confirmed, to the District Attorney or other appropriate law enforcement officer for prosecution.

<b>Section 5050</b>	<b>Section 5056</b>	<b>Section 5072</b>
<b>Section 5051</b>	<b>Section 5058</b>	<b>Section 5088</b>
<b>Section 5055</b>	<b>Section 5071</b>	

**CCR section 95.6 also provides the authority for the Executive Officer to issue citations and fines from \$100 to \$5,000 and an order of abatement against any person defined in Business and Professions Code section 5035 who is acting in the capacity of a licensee under the jurisdiction of the CBA.**

BPC section 5120 provides that any person who violates any provisions of Article 3 is guilty of a misdemeanor and can be imprisoned for not more than 6 months or assessed a fine of not more than \$1,000 or both. Injunctions may be requested (see BPC section 5122 immediately following).

## **INJUNCTIONS**

BPC section 5122 provides that "Whenever in the judgment of the board, or with its approval the enforcement advisory committee, any person has engaged, or is about to engage, in any acts or practices that constitute, or will constitute, an offense against this chapter, the board may make application to the appropriate court for an order enjoining the acts or practices, and upon showing by the board that the person has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order, or other order that may be appropriate shall be granted by the court." This section applies to licensees and unlicensed persons.





## IX. MODEL ORDERS

### LICENSEES

#### 1. Revocation - Single Cause:

\_\_\_\_\_ License No. \_\_\_\_\_ issued  
(Ex: Certified Public Accountant) (Ex: 00000)

to Respondent \_\_\_\_\_ is revoked.  
(Name)

#### 2. Revocation - Multiple Causes:

\_\_\_\_\_ License No. \_\_\_\_\_ issued to Respondent \_\_\_\_\_ is revoked pursuant to Determination(s) of Issues \_\_\_\_\_ separately and for all of them.

#### 3. Suspension:

\_\_\_\_\_ License No. \_\_\_\_\_ issued to Respondent \_\_\_\_\_ is suspended for \_\_\_\_\_. During the period of suspension the Respondent shall engage in no activities for which certification as a Certified Public Accountant or Public Accountant is required as described in Business and Professions Code, Division 3, Chapter 1, section 5051.

#### 4. Standard Stay Order:

However, \_\_\_\_\_ (revocation/suspension) \_\_\_\_\_ is stayed and Respondent is placed on probation for \_\_\_\_\_ years upon the following terms and conditions:

### ORDER OF RESTRICTED PRACTICE

#### 5. Permanent Restricted Practice Order (to be placed after any probationary order):

After the period of probation set forth above is successfully completed, it is further ordered that Respondent shall be prohibited from (performing certain types of engagements such as audits, reviews, compilations, or other attestation engagements, etc.), and/or from practice in (certain specialty areas, e.g. bookkeeping, write-up, tax, auditing, etc.). Respondent shall be prohibited from performing the above mentioned services permanently or until such time as Respondent successfully petitions the California Board of Accountancy (CBA) for reinstatement of the privilege to engage in any of the service(s) or act(s) restricted by this Order.

(Note: This restriction is authorized by Business and Professions Code section 5100.5. It should be used where the violation involves unprofessional conduct in the performance or failure to perform particular accountancy acts or services or where serious or repeated violations in a particular practice area are found and revocation is not warranted.)

## **PETITIONS FOR REINSTATEMENT**

### **6. Grant petition without restrictions on the license:**

Upon satisfaction of all statutory and regulatory requirements for the issuance of a license, the petition for reinstatement filed by \_\_\_\_\_ is hereby granted and Petitioner's certificate shall be fully restored.

### **7. Grant petition and place license on probation:**

Upon satisfaction of all statutory and regulatory requirements for issuance of a license, the petition for reinstatement filed by \_\_\_\_\_ is hereby granted. Petitioner's certificate shall be fully restored. However, the certificate shall then be immediately revoked, the revocation shall be stayed, and petitioner shall be placed on probation for \_\_\_ years upon the following terms and conditions (*list standard and applicable optional conditions of probation*):

### **8. Grant petition and place license on probation after petitioner completes conditions precedent to reinstatement of the license:**

The petition for reinstatement filed by \_\_\_\_\_ is hereby granted and Petitioner's certificate shall be fully reinstated upon the following conditions precedent (*list conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA exam, etc.*):

Upon completion of the conditions precedent above and satisfaction of all statutory and regulatory requirements for issuance of a license, Petitioner's certificate shall be reinstated. Upon reinstatement, Petitioner's certificate shall be revoked. However, said revocation shall be stayed and Petitioner shall be placed on probation for a period of \_\_\_ years under the following terms and conditions (*list standard and applicable optional conditions of probation*):

### **9. Deny Petition:**

The petition for reinstatement filed by \_\_\_\_\_ is hereby denied. Option: In accordance with Section 5115(a) of the Business and Professions Code (BPC), Petitioner may file a new petition for reinstatement only after \_\_\_ years have elapsed from the effective date of this decision.

*Note:* (3 years maximum)

*Note:* BPC section 5115 also allows a person to file a petition for a reduction in penalty. The above checklist can also be used for these petitions.

## **PETITION FOR REVOCATION OF PROBATION**

### **10. Revocation of Probation:**

Certified Public Accountant Certificate No. \_\_\_\_\_, heretofore issued to Respondent \_\_\_\_\_, is revoked.

### **11. Continuance of Probation:**

However, revocation is stayed and Respondent is placed on probation for a period of years upon the following terms and conditions:

## **APPLICANTS**

### **12. Grant application without restrictions on the license:**

The application of Respondent \_\_\_\_\_ for initial licensure is hereby granted and a license shall be issued to Respondent upon successful completion of all licensing requirements including payment of all fees.

### **13. Grant application and place license on probation:**

The application of Respondent \_\_\_\_\_ for initial licensure is hereby granted and a license shall be issued to Respondent upon successful completion of all licensing requirements including payment of all fees. Said license shall immediately be revoked, the order of revocation stayed and Respondent's license placed on probation for a period of \_\_\_\_\_ years on the following conditions:

### **14. Grant application and place license on probation after applicant completes conditions precedent to reinstatement of the license:**

The application filed by \_\_\_\_\_ for initial licensure is hereby granted and a license shall be issued upon the following conditions precedent (*list conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA exam, etc.*):

Upon completion of the conditions precedent above and successful completion of all licensing requirements, Respondent shall be issued a license. However, the license shall be immediately revoked, the revocation shall be stayed, and Respondent shall be placed on probation for a period of \_\_\_ years under the following terms and conditions (*list standard and applicable optional conditions of probation*):

### **15. Deny Application:**

The application of Respondent \_\_\_\_\_ for initial licensure is hereby denied.

## **STANDARD CONDITIONS OF PROBATION (TO BE INCLUDED IN ALL CASES OF PROBATION)**

### **16. Obey All Laws**

Respondent shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.

### **17. Cost Reimbursement**

Respondent shall reimburse the California Board of Accountancy (CBA) \$ \_\_\_\_\_ for its investigation and prosecution costs. The payment shall be made within \_\_ days/months of the date the CBA's decision is final.

Option: The payment shall be made as follows: \_\_\_\_\_ [specify either prior to the resumption of practice or in quarterly payments (due with quarterly written reports), the final payment being due one year before probation is scheduled to terminate].

### **18. Submit Written Reports**

Respondent shall submit, within 10 days of completion of the quarter, written reports to the California Board of Accountancy (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.

### **19. Personal Appearances**

Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the California Board of Accountancy (CBA) or its designated representatives, provided such notification is accomplished in a timely manner.

### **20. Comply With Probation**

Respondent shall fully comply with the terms and conditions of the probation imposed by the California Board of Accountancy (CBA) and shall cooperate fully with representatives of the CBA in its monitoring and investigation of the Respondent's compliance with probation terms and conditions.

### **21. Practice Investigation**

Respondent shall be subject to, and shall permit, a practice investigation of the Respondent's professional practice. Such a practice investigation shall be conducted by representatives of the California Board of Accountancy (CBA), provided notification of such review is accomplished in a timely manner.

## **22. Comply With Citations**

Respondent shall comply with all final orders resulting from citations issued by the California Board of Accountancy (CBA).

## **23. Tolling of Probation for Out-of-State Residence/Practice**

In the event Respondent should leave California to reside or practice outside this state, Respondent must notify the California Board of Accountancy (CBA) in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not 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, and 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.

## **24. Violation of Probation**

If Respondent violates probation in any respect, the California Board of Accountancy (CBA), after giving Respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary 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.

The CBA's Executive Officer may issue a citation under California Code of Regulations, section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

## **25. Completion of Probation**

Upon successful completion of probation, Respondent's license will be fully restored, unless the California Board of Accountancy (CBA) has ordered that Respondent's license be permanently restricted or limited even after probation has been completed.

## **26. Ethics Continuing Education**

Within (a specified time period (e.g. one year)) of the effective date of the Order **or** Prior to the resumption of practice (where the license has been suspended), Respondent shall complete four hours of continuing education in course subject matter pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Courses must be a minimum of one hour as described in California Code of Regulations section 88.2.

If Respondent fails to complete said courses within the time period provided, Respondent shall so notify the California Board of Accountancy (CBA) and shall cease practice until Respondent completes said courses, has submitted proof of same to the CBA, and has

been notified by the CBA that he or she may resume practice. Failure to complete the required courses within the time period provided shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

## **27. Regulatory Review Course**

Within (a specified time period (e.g. 180 days)) of the effective date of the Order **or** Prior to the resumption of practice (where the license has been suspended), Respondent shall complete a California Board of Accountancy (CBA) approved course on the provisions of the California Accountancy Act and the (CBA) Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations. The course also will include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined.

If Respondent fails to complete said courses within the time period provided, Respondent shall so notify the CBA and shall cease practice until Respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses within the time period provided shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

## **OPTIONAL CONDITIONS OF PROBATION (To Be Included In Cases Where Appropriate)**

### **28. Supervised Practice**

Within 30 days of the effective date of this decision, Respondent shall submit to the California Board of Accountancy (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. Respondent shall pay all costs for such monitoring.

### **29. Restitution**

Respondent shall make restitution to \_\_\_\_\_ in the amount of \$\_\_\_\_\_ and shall provide the California Board of Accountancy (CBA) with a written release from \_\_\_\_\_ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

Note: Business and Professions Code section 143.5 prohibits the CBA from requiring restitution in disciplinary cases when the CBA's case is based on a complaint or report that has also been the subject of a civil action and that has been settled for monetary damages providing for full and final satisfaction of the parties in the civil action.

### **30. Probation Monitoring Costs**

Respondent shall pay all costs associated with probation monitoring as determined by the California Board of Accountancy (CBA). Such costs shall be payable to the CBA within 30 days. Failure to pay such costs by the deadline(s) as directed shall be considered a violation of probation. If costs are billed after the completion of the probationary period, the obligation to pay the costs shall continue, but the probation shall not be extended.

### **31. Restricted Practice**

Respondent shall be prohibited from \_\_\_\_\_ (performing certain types of engagements such as audits, reviews, compilations, or other attestation engagements, etc.), and/or from practice in \_\_\_\_\_ (certain specialty areas, i.e. bookkeeping, write-up, tax, auditing, etc.). The Respondent will be prohibited from performing the above mentioned services until such time that they successfully petition the California Board of Accountancy as listed in BPC section 5115.

### **32. Engagement Letters**

Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the California Board of Accountancy (CBA) or its designee upon request.

### **33. Library Reference Materials**

Respondent shall have immediate access to, shall use, and shall maintain published materials and/or checklists that are consistent with the practice. Such materials and checklists shall be produced on-site for review by the California Board of Accountancy (CBA) or its designee upon reasonable notice.

### **34. Peer Review**

During the period of probation, all audit, review, and compilation reports and work papers shall be subject to peer review by a Board-recognized peer review program provider pursuant to Business and Professions Code section 5076 and California Code of Regulations, Title 16, Division 1, Article 6, commencing with section 38, at Respondent's expense. The specific engagements to be reviewed shall be at the discretion of the peer reviewer. Within 45 days of the peer review report being accepted by a Board-recognized peer review program provider, Respondent shall submit to the California Board of Accountancy (CBA) a copy of the peer review report, including any materials documenting the prescription of remedial or corrective actions imposed by the Board-recognized peer review program provider. Respondent shall also submit, if available, within 45 days from the date of the request by the CBA or its designee, any materials documenting completion of any prescribed or remedial actions.

**Condition 38 shall be used whenever Condition 34 is used.**

### **35. CPA Exam**

Within (a specified time period (e.g. one (1) year)) of the effective date of the Order **or** Prior to the resumption of practice (where the license has been suspended), Respondent shall take and pass the (section) of the Uniform CPA Exam.

If Respondent fails to pass said examination within the time period provided, Respondent shall so notify the California Board of Accountancy (CBA) and shall cease practice until Respondent completes and successfully passes said examination, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to pass the required examination within the time period provided shall constitute a violation of probation.

### **36. Continuing Education Courses**

Within (a specified time period (e.g. 180 days)) of the effective date of the Order **or** Prior to the resumption of practice (where the license has been suspended), Respondent shall complete and provide proper documentation of (specified) professional education courses within (a designated time).

If Respondent fails to complete said courses within the time period provided, Respondent shall so notify the California Board of Accountancy (CBA) and shall cease practice until Respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the



required courses within the time period provided shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

### **37. Active License Status**

Respondent shall at all times maintain an active license status with the California Board of Accountancy (CBA), including during any period of suspension. If the license is expired at the time the CBA's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

### **38. Samples - Audit, Review or Compilation**

During the period of probation, if the Respondent undertakes an audit, review or compilation engagement, the Respondent shall submit to the California Board of Accountancy (CBA) as an attachment to the required quarterly report a listing of the same. The CBA or its designee may select one or more from each category and the resulting report and financial statement and all related working papers must be submitted to the CBA or its designee upon request.

### **39. Prohibition from Handling Funds**

During the period of probation the Respondent shall engage in no activities which require receiving or disbursing funds for or on behalf of any other person, company, partnership, association, corporation, or other business entity.

### **40. Community Service - Free Services**

Respondent shall participate in a community service program as directed by the California Board of Accountancy (CBA) or its designee in which Respondent provides free professional services on a regular basis to a community or charitable facility or agency, amounting to a minimum of \_\_\_\_ hours. Such services to begin no later than \_\_\_\_ days after Respondent is notified of the program and to be completed no later than \_\_\_\_.

Respondent shall submit proof of compliance with this requirement to the CBA. Respondent is entirely responsible for his or her performance in the program and the CBA assumes neither express nor implied responsibility for Respondent's performance nor for the product or services rendered.

### **41. Relinquish Certificate**

Respondent shall relinquish and shall forward or deliver the certificate or permit to practice to the California Board of Accountancy (CBA) office within 10 days of the effective date of this decision and order.

### **42. Notification to Clients/Cessation of Practice**

In orders that provide for a cessation or suspension of practice, Respondent shall comply with procedures provided by the California Board of Accountancy (CBA) or its designee

regarding notification to, and management of, clients.

#### **43. Administrative Penalty**

Respondent shall pay to the California Board of Accountancy (CBA) an administrative penalty in the amount of \$ \_\_\_\_\_ for violation of section(s) \_\_\_\_\_ of the California Accountancy Act. The payment shall be made within \_\_\_ days/months of the date the CBA's decision is final.

#### **44. Medical Treatment**

Respondent shall undergo and continue treatment by a licensed physician of Respondent's choice and approved by the California Board of Accountancy (CBA) or its designee until the treating physician certifies in writing in a report to the CBA or its designee that treatment is no longer necessary. Respondent shall have the treating physician submit reports to the CBA at intervals determined by the CBA or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the CBA of its determination that Respondent is physically fit to practice.

#### **45. Psychotherapist**

Respondent shall undergo and continue treatment by a licensed psychotherapist of Respondent's choice and approved by the California Board of Accountancy (CBA) or its designee until the treating psychotherapist certifies in writing in a report to the CBA or its designee that treatment is no longer necessary. Respondent shall have the treating psychotherapist submit reports to the CBA at intervals determined by the CBA or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the CBA of its determination that Respondent is mentally fit to practice.

#### **46. Rehabilitation Program/Chemical Dependence**

Respondent shall successfully complete or shall have successfully completed a rehabilitation program for chemical dependence that the California Board of Accountancy (CBA) or its designee approves and shall have reports submitted by the program. If a program was not successfully completed prior to the period of probation, the Respondent, within a reasonable period of time as determined by the CBA or its designee but not exceeding 90 days of the effective date of the decision, shall be enrolled in a program. In addition, Respondent must attend support groups, (e.g. Narcotics Anonymous, Alcoholic Anonymous etc.), as directed by the CBA or its designee. Respondent is responsible for all costs of such a program.

#### **47. Drugs - Abstain From Use**

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

#### **48. Drugs – Screening**

Respondent shall participate or shall have participated in a drug screening program acceptable to the California Board of Accountancy (CBA) and shall have reports submitted by the program. Respondent is responsible for all costs associated with said screening and reporting.

#### **49. Biological Fluid Testing**

Respondent, at any time during the period of probation, shall fully cooperate with the California Board of Accountancy (CBA) or its designee in its supervision and investigation of compliance with the terms and conditions of probation, and 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. Respondent is responsible for all costs associated with this investigation and testing.

Conditions 44-49 shall be used when evidence indicates Respondent may have physical or mental ailment(s) or conditions(s) which contributed to the violation or when the same are alleged by Respondent to be a contributing factor to the violation(s).



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**EPOC Item IV.**  
**CBA Item XV.D.3.**  
January 26-27, 2023

## **Discussion and Feedback on Language Regarding The National Association of State Boards of Accountancy's The Center for the Public's Trust Ethics Leadership Training Being Incorporated into the Disciplinary Guidelines and Model Orders**

**Presented by: Kari O'Connor, Deputy Enforcement Chief**

### **Purpose of the Item**

The purpose of this agenda item is to provide the Enforcement Program Oversight Committee (EPOC) with proposed language to incorporate the California Board of Accountancy's (CBA) Disciplinary Guidelines and Model Orders (Guidelines) regarding the National Association of State Boards of Accountancy's (NASBA) The Center for the Public's Trust (CPT) Ethics Leadership Training.

### **Consumer Protection Objectives**

Requiring that licensees who have received discipline complete additional training to promote ethical practices assists the CBA in protecting consumers by ensuring only qualified licensees practice public accountancy.

### **Action(s) Needed**

No specific action is needed; however, staff are requesting any input and feedback from the CBA on the proposed language regarding NASBA's The CPT Ethics Leadership Training for inclusion in the CBA Guidelines.

### **Background**

At the November 2020 CBA meeting, a representative from the NASBA CPT provided a presentation regarding the Ethics Leadership Training (**Attachment**). NASBA CPT designed the program to help practitioners recognize ethical issues, resolve ethical dilemmas and create an environment that promotes ethical practices within their state. Presently, there are 16 states that use the Ethics Leadership Training for remediation purposes.

At the request of a CBA member, this topic was presented at the November 2022 meeting for CBA consideration regarding whether to incorporate NASBA The CPT Ethics Leadership Training into the CBA Disciplinary Guidelines and Model Orders.

**Discussion and Feedback on Language Regarding The National Association of State Boards of Accountancy's The Center for the Public's Trust Ethics Leadership Training Being Incorporated into the Disciplinary Guidelines and Model Orders**

Page 2 of 2

Based on CBA's recommendation, staff have drafted proposed language regarding the Ethics Leadership Training for the CBA's review and feedback.

**Comments**

Provided below is draft language staff propose be incorporated into the Guidelines for a future rulemaking.

**Ethics Leadership Training**

Within 180 days of the effective date of the Order, Respondent shall successfully complete and pass the Professional Ethical Leadership Training Program through the National Association of State Boards of Accountancy The Center for the Public Trust and shall provide the certificate(s) of completion to the California Board of Accountancy (CBA).

If Respondent fails to complete said training within the time period provided, Respondent shall so notify the CBA and shall cease practice until Respondent completes said training, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required training within the time period provided shall constitute a violation of probation.

**Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

**Recommendation**

Staff do not have a recommendation on this agenda item; however, staff are seeking any member input and feedback on this language to ensure that it is sufficiently meeting the CBA's expectations.

**Attachments**

National Association of State Boards of Accountancy, The Center for the Public Trust, Ethical Leadership Training Overview



Attachment

# Ethical Leadership Training

**Prepared for**

**California Board of Accountancy**

# Ethical Leadership Training Program



Designed to help practitioners recognize ethical issues, resolve ethical dilemmas and create an environment that promotes ethical practices with their state.

# Ethical Leadership Training Modules

## Module 1

Culture Matters: The value of an ethical culture



## Module 2

Leadership Matters: The need for ethical leaders



## Module 3


Strategy Matters: The key components of ethical business





# ETHICAL LEADERSHIP CERTIFICATION



 States Currently Using  
the Training Program

# Why State Boards Participate

## Benefits

- Fosters behavior change in practitioners
- Provides tools and resources to make ethical decisions
- Ease of implementation of online program
- No cost to state board

## Features

- Auditable course with tracking and reporting components
- 3 module program with state specific 4<sup>th</sup> module option
- Research based content
- Technical support available 24 hours a day, 365 days a year

# Ethical Leadership Training Program

## 3 Module Program

- Requires minimal customization
- Fee for practitioners - \$250

## 4 Module Program

- First three modules with state specific 4<sup>th</sup> module option
- Fee for practitioners - \$400

# ELT Sample Certificate

Ethical Leadership Training



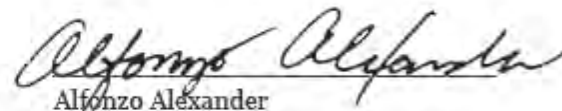
The NASBA Center for the Public Trust certifies that

**Deborah Lederman**

Completed the modules and passed all the examinations in each of the modules of its Ethical Leadership Training and Certification Program.

July 11, 2022



  
Alfonzo Alexander  
President

# Set up ELT for your BOA

## The Course:

- ✓ Passing rate – 80%
- ✓ Attempts – 3
- ✓ Questions – standard

## The Center for the Public Trust:

- ✓ Give specified BOA personnel access
- ✓ Set up the enrollment form and payment process
- ✓ Launch the course
- ✓ Provide BOA with the enrollment link

## The Board Of Accountancy:

- ✓ Submit state seal



# Ethical Leadership Training

**Thank you for your time and attention.**

**Deborah Lederman**  
**[dlederman@nasba.org](mailto:dlederman@nasba.org)**  
**(615) 312-3128**