CALIFORNIA BOARD OF ACCOUNTANCY

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

OFFICIAL NOTICE AND MEETING AGENDA OF THE CALIFORNIA BOARD OF ACCOUNTANCY

Thursday, July 23, 2020, beginning at 10:00 a.m.

The California Board of Accountancy will hold a public meeting via a teleconference platform. Pursuant to the provisions of Governor Gavin Newsom's Executive Order N-29-20, dated March 17, 2020, a physical meeting location is not being provided.

INSTRUCTIONS FOR PARTICIPATION: For all those who wish to participate or observe the meeting on Thursday, July 23, 2020, please log on to this website: https://dca-ca.webex.com/dca-ca/onstage/g.php?MTID=eb98988545f097289c55ec9cc2760e5bc

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 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.

Public comments will be limited to 5 minutes per person unless, in the discretion of the California Board of Accountancy President, 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.

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, 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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CBA MISSION: To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

MEETING AGENDA

Thursday, July 23, 2020
10:00 a.m.

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. 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.

Agenda Item.

Thursday, July 23, 2020

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

10:00 a.m. – 11:00 a.m.

I. Report of the President (**Nancy J. Corrigan, CPA, President**).

A. Introduction of New California Board of Accountancy Member Zuhdia "Dee Dee" Owens, CPA.

B. Introduction of New California Board of Accountancy Member Yen C. Tu.

C. Introduction of Newly Assigned Department of Consumer Affairs Legal Counsel Helen Geoffroy, Attorney III.

D. Report on the Meeting with the Governor's Office Regarding Appointments to the California Board of Accountancy.

Agenda Item.

E. Resolution for Retired California Board of Accountancy Member Jose A. Campos, CPA.

F. Resolution for Retired Qualifications Committee Member David Evans, CPA.

G. Resolution for Retired Enforcement Advisory Committee Member, Joseph Rosenbaum, CPA.

H. American Institute of Certified Public Accountants Committee Interest for the 2021-22 Volunteer Year (**Written Report Only**).

I. Discussion and Possible Action on the National Association of State Boards of Accountancy's Revisions to the Uniform Accountancy Act Model Rules (**Michelle Center, Chief, Licensing Division**).

J. Discussion and Possible Action to Amend Title 16, California Code of Regulations Sections 98, 99, and 99.1 – Disciplinary Guidelines; Substantial Relationship Criteria; Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, and Reduction of Penalty; and Adopt Title 16, California Code of Regulations Section 99.2 – Directly and Adversely Related Financial Crime Criteria (**Dominic Franzella, Chief, Enforcement Division**).

K. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations, Sections 87 – Basic Requirements; 88 – Programs Which Qualify; 88.1 – Provider Requirements; 88.2 – Program Measurements; 89 – Control and Reporting; and 90 – Exceptions and Extensions (**Dominic Franzella, Chief, Enforcement Division**).

L. California Board of Accountancy 2020 Legislative Tracking Chart (**Written Report Only**).

M. Update, Discussion and Possible Action on Legislation Which the California Board of Accountancy Has Taken a Position (**Deanne Pearce, Assistant Executive Officer**).

   1. Assembly Bill 802 – Reports to the Legislature: Statewide Open Data Portal.

   2. Assembly Bill 1525 – Cannabis: Financial Institutions.

   3. Senate Bill 51 – Financial Institutions: Cannabis.

Agenda Item.

N. Review and Consideration of Possible Positions on Legislation (**Peter Renevitz, Legislation Analyst**).

1. Assembly Bill 1616 – Department of Consumer Affairs: Boards: Expunged Convictions.

2. Assembly Bill 2028 – State Agencies: Meetings.

3. Assembly Bill 2113 – Refugees, Asylees, and Immigrants: Professional Licensing.

4. Assembly Bill 2549 – Department of Consumer Affairs: Temporary Licenses.

5. Assembly Bill 3045 – Department of Consumer Affairs: Boards: Veterans: Military Spouses: Licenses.

6. Senate Bill 878 – Department of Consumer Affairs License: Application: Processing Timeframes.

O. Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring (**Written Report Only**).

1. Assembly Bill 545 – Cannabis: Bureau of Cannabis Control.

2. Assembly Bill 1263 – Contracts: Consumer Services: Consumer Complaints.

3. Assembly Bill 1417 – Cannabis Advertisement and Marketing.

4. Assembly Bill 2122 – Unlawful Cannabis Activity: Enforcement.

5. Assembly Bill 2208 – Charitable Organizations: Charitable Fundraising Platforms and Platform Charities

6. Senate Bill 749 – California Public Records Act: Trade Secrets.

7. Senate Joint Resolution 10 – Cannabis: Federal Schedules.

Agenda Item.

P. Legislative Items for Future Meetings. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future Legislative Committee agenda and/or whether to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4 (**Deanne Pearce, Assistant Executive Officer**).

Q. Department of Consumer Affairs Director's Report on Departmental Activities (**Carrie Holmes, Deputy Director, Board and Bureau Relations**).

11:00 a.m. – 11:15 a.m.

II. Report of the Vice-President (**Michael M. Savoy, CPA, 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.

11:15 a.m. – 11:30 a.m.

III. Report of the Secretary/Treasurer (**Mark J. Silverman, Esq., Secretary/Treasurer**).

A. Update on Fiscal Year 2019-20 Budget, Including Fund Condition Report Following $10 Million Loan to the General Fund.

11:30 a.m. – 12:00 p.m.

IV. Report of the Executive Officer (**Patti Bowers, Executive Officer**).

A. Update on the California Board of Accountancy Operations During COVID-19.

B. Discussion and Possible Action to Recognize the Mutual Recognition Agreement Between the South African Institute of Chartered Accountants and the United States International Qualifications Appraisal Board (**Michelle Center, Chief, Licensing Division**).

C. Discussion and Possible Action Regarding the California Board of Accountancy's Consumer Assistance Booklet (**Deanne Pearce, Assistant Executive Officer**).

Agenda Item.

D. Discussion and Possible Action Regarding the California Board of Accountancy 2020 Communications and Outreach Plan (**Deanne Pearce, Assistant Executive Officer**).

E. Update on the California Board of Accountancy's Communications and Outreach (**Deanne Pearce, Assistant Executive Officer**).

12:00 p.m. – 12:15 p.m.

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (**Doug Aguilera, CPA, Chair**).

1. Report of the February 6 and July 9, 2020, Enforcement Advisory Committee Meetings.

   Report provided under agenda item VI.A.

B. Qualifications Committee (**Kimberly Sugiyama, CPA, Chair**).

1. Report of the January 22, 2020, Qualifications Committee Meeting.

   Report provided under agenda item VII.A.

C. Peer Review Oversight Committee (**Jeffrey De Lyser, CPA, Chair**).

1. Report of the February 14, 2020, Peer Review Oversight Committee Meeting.

   Report provided under agenda item VII.A.

2. Presentation and Possible Adoption of the Peer Review Oversight Committee 2019 Annual Report.

12:15 p.m. – 1:15 p.m.

Lunch

1:15 p.m. – 1:45 p.m.

VI. Report of the Enforcement Chief (**Dominic Franzella, Chief, Enforcement Division**).

A. Enforcement Activity Report.

B. Discussion and Possible Action to Conduct Petition Hearings Pursuant to Business and Professions Code Section 5115 Based Solely on Written Arguments.

Agenda Item.

1:45 p.m. – 2:00 p.m. VII. Report of the Licensing Chief (**Michelle Center, Chief, Licensing Division**).

A. Licensing Activity Report.

2:00 p.m. – 2:05 p.m. VIII. Meeting Minutes (**Nancy J. Corrigan, CPA, President**).

A. Adoption of the Minutes of the January 16, 2020, California Board of Accountancy Meeting.

B. Acceptance of the Minutes of the December 13, 2019, Peer Review Oversight Committee Meeting.

C. Acceptance of the Minutes of the December 5, 2019, Enforcement Advisory Committee Meeting.

D. Acceptance of the Minutes of the October 23, 2019, Qualifications Committee Meeting.

2:05 p.m. – 2:45 p.m. IX. 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. Business Environment and Concepts Subcommittee (**Nancy J. Corrigan, CPA, President**).

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

B. National Association of State Boards of Accountancy.

1. Report of the National Association of State Boards of Accountancy Pacific Regional Director (**Katrina L. Salazar, CPA**).

2. Report on Activities of Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member or Staff.

a. Bylaws Committee (**Katrina L. Salazar, CPA**).

Agenda Item.

b. Continuing Professional Education Committee (**Nancy J. Corrigan, CPA, President**).

3. Report of the Western Regional Meeting Held Virtually June 3, 2020 (**Nancy J. Corrigan, CPA, President**).

4. Report from Daniel J. Dustin, CPA, Vice President of State Board Relations, Regarding the National Association of State Board of Accountancy Activities.

2:45 p.m. – 2:50 p.m. X. Closing Business.

A. Public Comments.*

B. Agenda Items for Future California Board of Accountancy Meetings.

2:50 p.m. – 3:05 p.m. Break

3:05 p.m. – 4:30 p.m. XI. 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.

XII. 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. *Sam Walker and Sam Walker CPA, Inc. v. Department of Consumer Affairs, California Board of Accountancy, and the Office of Administrative Hearings*, Los Angeles County Superior Court, Case No. BS171533.

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

C. *Lowell A. Baisden v. Patti Bowers, Executive Officer, Board of Accountancy, Department of Consumer Affairs, State of California, Evan J. Geilenkirchen, and Jane M. Geilenkirchen*, Fifth Appellate District Court of Appeal, Case No. F076662.

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

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 his or her 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, or send a written request to the California Board of Accountancy Office 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.

Department of Consumer Affairs
California Board of Accountancy

RESOLUTION

WHEREAS, *Jose A. Campos, CPA was appointed by Governor Edmond G. Brown, Jr. and he has faithfully served as a member of the California Board of Accountancy from December 14, 2012 through July 7, 2020; and*

WHEREAS, *he served as President in 2015, Vice-President in 2014, as a Chair and a member of the Committee on Professional Conduct, member of the Enforcement Program Oversight Committee, Chair and a member of the Mobility Stakeholder Group, and California Board of Accountancy member liaison to the Enforcement Advisory Committee and member of the Taskforce to Examine Experience for CPA Licensure; and*

WHEREAS, *throughout his term of service, at all times Jose A. Campos, CPA gave fully of himself and his ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

WHEREAS, *he is a member of the California Society of Certified Public Accountants, American Institute of Certified Public Accountants, and the Association of Latino Professionals in Finance and Accounting; and*

WHEREAS, *Jose A. Campos, CPA has been a partner at Deloitte and Touche LLP since 2005. Prior to being named partner he held several other positions, including senior manager, senior accountant, and staff; and*

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

NOW, THEREFORE, BE IT RESOLVED, *that the members of the California Board of Accountancy express heartfelt appreciation to Jose A. Campos, CPA for the outstanding contribution he made during his term of service on the California Board of Accountancy and to the consumers of California.*

Nancy J. Corrigan, CPA, President

Mark J. Silverman, Esq., Secretary/Treasurer

Dated: July 23, 2020

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

WHEREAS, *David Evans, CPA has faithfully served as a member of the California Board of Accountancy Qualifications Committee from March 20, 2014 to March 31, 2020; and*

WHEREAS, *he served as Chair of the California Board of Accountancy Qualifications Committee from 2017 through 2018 and served as Vice-Chair in 2016; and*

WHEREAS, *throughout his term of service, at all times David Evans gave fully of himself and his ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

WHEREAS, *he has discharged these important responsibilities in a manner reflecting great credit upon himself and the accounting profession; and*

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

NOW, THEREFORE, BE IT RESOLVED, *that the members of the California Board of Accountancy express heartfelt appreciation to David Evans for the outstanding contribution he made during his term of service on the Qualifications Committee and to the consumers of California.*

Nancy J. Corrigan, CPA, President

Mark J. Silverman, Esq., Secretary-Treasurer

Dated: July 23, 2020

CBA Item I.G.
July 23, 2020

Department of Consumer Affairs

California Board of Accountancy

RESOLUTION

WHEREAS, *Joseph Rosenbaum, CPA has faithfully served as a member of the California Board of Accountancy Enforcement Advisory Committee from May 24, 2012 to May 31, 2020; and*

WHEREAS, *he served as Chair of the California Board of Accountancy Enforcement Advisory Committee from 2016 through 2019 and served as Vice-Chair in 2015; and*

WHEREAS, *throughout his term of service, at all times Joseph Rosenbaum gave fully of himself and his ideas and acted forthrightly and conscientiously, always with the public interest and welfare in mind; and*

WHEREAS, *he has discharged these important responsibilities in a manner reflecting great credit upon himself and the accounting profession; and*

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

NOW, THEREFORE, BE IT RESOLVED, *that the members of the California Board of Accountancy express heartfelt appreciation to Joseph Rosenbaum for the outstanding contribution he made during his term of service on the Enforcement Advisory Committee and to the consumers of California.*

Nancy J. Corrigan, CPA, President

Mark J. Silverman, Esq., Secretary-Treasurer

Dated: July 23, 2020

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CBA Item I.H.
July 23, 2020

American Institute of Certified Public Accountants Committee Interest for the 2021-22 Volunteer Year

Presented by: Written Report Only

Purpose of the Item
The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information regarding opportunities to participate on national committees with the American Institute of Certified Public Accountants (AICPA).

Consumer Protection Objectives
CBA member participation assists in ensuring that California maintains an active presence nationally in the decision-making process related to consumer protection and the regulation of the accounting profession.

Action(s) Needed
No specific action is required on this agenda item.

Background
CBA member participation on a national level assists in ensuring that California is represented during discussions on topics that affect the regulation of the accounting profession and consumer protection.

Since the AICPA began, member volunteers have contributed to the AICPA and the profession. Volunteer service gives members the opportunity to influence and guide the profession's direction. Members also support the profession's financial literacy efforts that encourage CPAs to educate the public on a range of financial topics.

Presently, there are two CBA members participating on AICPA committees. Katrina L. Salazar, CPA is serving on the AICPA State Board Committee, and I am serving on the Business Environment and Concepts Committee.

Comments
The AICPA is accepting applications through October 1, 2020 for the 2021-22 Volunteer Year. The 2021-22 AICPA volunteer term will be a 12-month term that will begin May

2021 and run through May 2022. CBA members interested in volunteering can complete an application and upload a resume at http://volunteers.aicpa.org. An overview of the AIPCA Volunteer Environment is included as **Attachment 1**.

The AICPA website provides significant information on its 200-plus volunteer groups at http://volunteers.aicpa.org. The committees cover a broad range of areas from examinations, ethics and diversity, to standard setting, and peer review. Staff have also provided a brief overview of a few committees that may be of interest to the CBA as **Attachment 2.**

There are a handful of AICPA volunteer groups where there has been an agreement with the National Association of State Boards of Accountancy (NASBA) to appoint state board members. These volunteer groups include the Auditing Standards Board, Board of Examiners and its subcommittees, State Board Committee, Professional Ethics Executive Committee, and National Peer Review Committee. NASBA nominates several state board members for each of these volunteer groups and the AICPA fills vacancies from that list.

It is important to note that participation in one of the AICPA volunteer groups requires review and signature on the "AICPA Volunteer Service Agreement" a copy of which is provided as **Attachment 3.**

CBA members with specific questions or needing further information regarding AICPA volunteer groups may contact Rebecca Reed by telephone at (916) 561-1716 or email at rebecca.reed@cba.ca.gov.

Attendance while participating on a national committee can occur via conference call, video conference, or in-person. The preferred method of participation would be through conference call or video conference as the Governor has issued anExecutive Order suspending all non-essential travel because of current budget deficit issues.

Should CBA members be requested to attend a committee meeting outside of California, staff can request the necessary authorization to travel on behalf of the CBA. This request must be reviewed and approved by the Department of Consumer Affairs, the Business, Consumer Services, and Housing Agency, and Governor. Requests for out-of-state travel should be submitted as soon as possible, but at least 60 days in advance of the intended travel dates.

Beginning January 1, 2017, an updated out-of-state travel policy restricts travel to certain states that have enacted laws that void or repeal protections against discrimination on the basis of sexual orientation, gender identity, or gender expression, which includes the states of Alabama, Idaho, Iowa, Kansas, Kentucky, Mississippi, North Carolina, Oklahoma, South Carolina, South Dakota, Tennessee, and Texas.

Exceptions may be made for trips considered “mission critical” to conducting state business.

Fiscal/Economic Impact Considerations

Depending on the number of CBA members traveling and frequency of meetings, the CBA will incur travel costs.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Overview of the AICPA Volunteer Environment
2. Overview of AICPA Committees
3. AICPA Volunteer Service Agreement

Overview of the AICPA Volunteer Environment

History of AICPA

The American Institute of Certified Public Accountants (AICPA) and its predecessors have a history dating back to 1887, when the American Association of Public Accountants (AAPA) was formed. In 1916, the American Association was succeeded by the Institute of Public Accountants, when there was a membership of 1,150. The name was changed to the American Institute of Accountants in 1917 and remained so until 1957, when it changed to its current name of the American Institute of Certified Public Accountants. The American Society of Certified Public Accountants was formed in 1921 and acted as a federation of state societies. The Society was merged into the Institute in 1936 and, at that time, the Institute agreed to restrict its future members to CPAs.

History of Committees

The use of committees began even before the AAPA was formed in 1887. At the first meeting of what would become the AAPA on December 22, 1886, those present authorized the appointment of a committee to draft rules and regulations. In addition to this first preliminary committee, the first Bylaws of the AAPA in 1897 established three committees: Finance and Audit Committee; Committee on Elections, Qualifications and Examinations; and the Committee on Bylaws. The number of committees grew continually over the years. In the 1940s there were 34 committees. By 1960 there were 89, and by 1970, the number had grown to 109. In 1999 the nearly 120 existing committees underwent a re-organization with approximately half of the standing committees being replaced with a volunteer group model that placed an increased emphasis on the use of task forces. The increased use of task forces allowed for more targeted efforts with the task forces being given a specific assignment then disbanding upon completion of that assignment. Also, in 1999 the first tracking and management of task forces began. Collectively, more than 2,000 volunteers contribute to the AICPA's fulfilling its mission.

Need for Volunteer Groups

The AICPA organization consists of volunteer groups and staff working together to achieve the Institute's objectives. Volunteer Groups help present the interests, needs' and attitudes of the membership; and assist the Institute in maintaining high standards of professional practice, promoting the interest of CPAs, serving as a spokesperson for the profession, and providing appropriate services to members. An effective volunteer group structure can generate sound group judgment, provide continuity of thinking, and help bring together a cross section of member knowledge and experience. It also provides for leaders of the profession. The most important reason for organizing a volunteer group is the need for member guidance and representation.

Volunteering for Service

Prospective volunteers can apply for service on a volunteer group via the Volunteer Central website. State Societies, firms, firm associations or other members of the AICPA often recommend candidates for volunteer service. New volunteers should be aware of the time commitment volunteer group service entails. Considering attendance at volunteer group meetings, travel, and time for assignments and other meetings, members can expect to spend

about 60-80 hours on volunteer work during the first year. Of course, the amount of time each volunteer member spends on volunteer group activities varies; with each year of service, a member's time commitment often increases. By accepting appointment to the volunteer group, a volunteer member shows his or her willingness to devote the necessary time and effort to volunteer work.

Term of Appointment

In most cases, a volunteer is appointed for a one-year term, which can be extended to three years. Each year, the chairperson and the staff evaluate each member's contribution to their volunteer group. Usually, a member cannot be reappointed for a fourth term unless he or she is appointed as chairperson of the volunteer group.

Appointing Volunteers

The appointment of volunteers can be divided into three main categories. The first appointment category includes all committees, subcommittees, expert panels, resource panels, boards and centers, whereby appointment to one of these groups are made during and annual appointments meeting held in February. The second appointment category includes the Board of Directors, Council, Joint Trial Board and Peer Review Board – appointments being made typically in September. The third and last appointment category includes all task force members in which appointment to a task force can occur at any time throughout the year as needed.

Volunteer Year

The AICPA Volunteer Year runs from May through May of the following year. The beginning of the Volunteer Year "officially" begins immediately following the AICPA Spring Meeting of Council.

TYPES OF VOLUNTEER GROUPS

All members of the Council, Boards, Committees, Subcommittees, Panels, Centers and Task Forces (hereinafter "volunteer groups")

Advisory Group

An advisory group is not responsible for policy-setting as are regular committees the purpose of an advisory group is typically to capture the views of membership groups or sections. There are currently six advisory groups, these groups usually meet virtually via conference calls although they may on occasion meet in person.

Audit Quality Center

The objectives of the Audit Quality Center include:

- Enhance the quality of member firms' audit practices in the specialized area.
- Provide a forum for member firms to address technical and regulatory matters involving the specialized area of audit practice.

- Develop relationships with, act as a liaison to, and communicate issues to regulators and others for the purpose of representing the auditing profession's views relating to the specialized area of audit practice.
- Advocate solutions and positions to regulators and standards-setters on behalf of member firms in the specialized area.

Board

Based on the Bylaws of the AICPA, the term Board is used in conjunction with the following bodies:

- Board of Directors
- Board of Examiners
- Joint Trial Board
- Peer Review Board

Board of Directors

The Board of Directors acts as the executive committee of Council, directing Institute activities between Council meetings. The Board meets five times a year and is responsible for reporting to the Council as least semiannually.

The Board of Director consists of:

- Chairman of the Board of Directors
- Vice Chairman of the Board of Directors
- Immediate Past Chair of the Board of Directors
- Regular Members of the Board of Directors (members of the AICPA)
- Public Members of the Board of Directors (non-AICPA members)

Board Committees

Board committees are comprised of members of the Board of Directors. The Chair of the Board and the President are Ex Officio Members of all Board committees. The following committees are classified as Board Committees:

- *Accounting Research Association* – Controls and manages the affairs and funds of the ARA, which is the vehicle through which the Institute seeks financial support from the accounting profession for the Government Accounting Standards Board. The officers and trustees meet as required to carry out the mission of the ARA.
- Note: The ARA is no longer active due to the change in funding of FASB under SOX.
- *Political Action Committee* – provides financial support for election campaigns of candidates for federal elective office whose views are consistent with AICPA goals.
- *Audit and Finance Committee* – Reviews with the Institute's independent auditors, their examination of the financial statements. The committee meets regularly with the Institute's internal auditor and at the time of each Board meeting.
- *Remuneration & Talent Committee* – The Remuneration & Talent Committee establishes and monitors compliance with compensation policies for the Association and its Professional Units' employees. The Committee reports to, and assists, the Association Board of Directors in carrying out its responsibilities with respect to matters relating to compensation, succession planning, employee benefit and retirement programs,

organizational goal setting and performance evaluation on delivery of the annual strategic plan.

Board of Examiners

The Board of Examiners (BOE) is responsible for the supervision and preparation of the uniform CPA examination which may be adopted by state Boards of Accountancies for examining candidates for the certified public accountant certification. The BOE is also responsible for the conduct of the grading service offered by the Institute. The BOE forms the necessary rules and regulations for the conduct of its work, but all such rules and regulations may be amended, suspended, or revoked by the Board of Directors. The BOE may delegate to members of the Institute's staff or other duly qualified persons the preparation of examination questions and the operation of the grading service conducted by the Institute.

Council

Council is the governing body of the AICPA and is comprised of approximately 265 members and representatives from every state and U.S. Territory. The Council may exercise all powers necessary for the purposes of the Institute, not inconsistent with the AICPA Bylaws or with duly enacted resolutions of the membership, including but not limited to the authority to prescribe the policies and procedures of the Institute and to enact resolutions binding upon the Board of Directors', the officers, volunteer groups, and staff.

The Council consists of the following members:

- At-Large Members of Council
- Board of Directors
- Designated Representatives of each state
- Elected Members of Council
- Ex-Officio Members (past Chairs of the Board)
- Members At Large of Council

Expert Panel

Following the AICPA's volunteer group restructuring effort in 1999, the Board of Directors' approved the establishment of Expert Panels that focus on identifying industry-specific business reporting issues with an emphasis on audit and accounting. Expert Panels have been established in areas in which the membership and the public have a high stake, and in which the AICPA can add significant value. The Expert Panels enable standards setters such as Accounting Standards Executive Committee, Auditing Standards Board, Financial Accounting Standard Board (FASB), and the General Accounting Standards Board (GASB), and to continue to leverage the AICPA membership's industry expertise, as well as provide a means for the profession to liaise with outside groups, such as regulators.

Current Expert Panels include:

- Depository Institutions Expert Panel
- Employee Benefits Plans Expert Panel
- Health Care Expert Panel
- Insurance (Life and P&L) Expert Panel
- Investment Companies Expert Panel

- Not-for-Profit Organizations Expert Panel
- State & Local Government Expert Panel
- Stockbrokerage and Investment Banking Expert Panel

Joint Trial Board

The Joint Trial Board consist of 36 members elected for a three-year term by the Nominations Committee and ratified by Council. The Joint Trial Board provides for uniform enforcement of professional standards by adjudicating disciplinary charges against state society and AICPA members. Its decisions affect both AICPA and state society memberships.

Nominations Committee

As outlined in the Bylaws of the Institute, the Nominations Committee is to be chaired by the immediate past chairman of the Institute's Board and shall consist of seven additional members serving two-year terms, elected by the Council in such manner as the Council shall prescribe. The responsibility of the Nominations Committee is to make nominations for the following:

- At-large Members of Council
- Board of Directors
- Peer Review Board
- Joint Trial Board

Peer Review Board

The Peer Review Board is the senior technical committee governing the Peer Review Program. The primary activities of the PRB are to establish and conduct, in cooperation with state CPA societies, a Program for AICPA members engaged in the practice of public accounting.

Senior & Executive Committees and Boards

An executive committee is the standing parent group responsible for policy-setting in an area of activity.

Senior and Executive Committees are as follows: (* denotes Senior Committees)

- Accounting and Review Services Committee *
- Financial Reporting Executive Committee *
- Assurance Services Executive Committee *
- Auditing Standards Board *
- Board of Examiners
- Business and Industry Executive Committee
- Center for Audit Quality Governing Board *
- Employee Benefits Audit Quality Center Executive Committee
- Forensic and Valuation Services Executive Committee *
- Governmental Audit Quality Center Executive Committee
- Information Management and Technology Assurance Executive Committee
- Management Consulting Services Executive Committee *
- National Accreditation Commission
- Peer Review Board *
- Personal Financial Planning Executive Committee *
- PCPS Executive Committee *
- Pre-Certification Education Executive Committee
- Professional Ethics Executive Committee *

- Professional Practice Executive Committee
- Tax Executive Committee *
- Women's Initiatives Executive Committee

Note: * Indicates a senior committee authorized to make statements without clearance with the Council or the Board of Directors in matters related to its area of practice.

Subcommittee

A subcommittee is a standing group which may be entirely or partially composed of some of the members of the related executive committee or may be composed entirely of other persons. The work of a subcommittee is subject to overall review by its related committee or executive committee.

Task Force

Since the Volunteer Group restructuring effort that took place in the fall of 1999 there has been an increased emphasis on task forces rather than formal "standing" committees, panels or boards. Also, beginning in 1999 the Volunteer Services Team began tracking and maintaining information on task forces. Task forces are intended to be fast paced groups that focus on a single issue or project.

Since the definition of what constitutes a task force has varied greatly, the following definition is provided:

> *Task forces are working groups that typically focus on a single issue or project. They operate in support of and under the auspices of another volunteer group (committee, panel or board). While the duration of task forces may vary considerably, they should be organized to have relatively short lives, accomplishing their objectives on single issues or projects rapidly, and then being disbanded. Also, for purposes of definition the Volunteer Services Team will only track a task force with an intended working life of over three months and if the task force meets separately from the volunteer group the task force supports.*

Since task forces do not follow the Volunteer appointments process the basic information on a task force must be provided to the Volunteer Services Team by the Staff Liaison as soon as the task force is created, members are added or removed, and notification must be provided when a task force disbands.

Tax Technical Resource Panel

Tax Technical Resource Panels (TRP's) act as a primary resource to the Tax Executive Committee (TEC) in representing members and the public interest by identifying issues, in developing technical and policy recommendations on those issues, and in suggesting or developing related practice aids to assist members in complying with the law; to recommend formation of task forces and assist the TEC and its constituent committees in monitoring task forces activities; and to maintain appropriate liaisons with government, industry and other professional organizations. TRP's are intended to be small and proactive, with members who are current and knowledgeable in the assigned technical areas.

Current Tax Technical Resource Panels:

- Corporations and Shareholders Taxation

- Employee Benefits Taxation
- Exempt Organizations Taxation
- Individual Income Taxation
- International Taxation
- Partnership Taxation
- S Corporation Taxation
- State and Local Taxation
- Tax Methods and Periods
- Trust, Estate and Gift Taxation

Volunteer Group

The term Volunteer Group is used as a general term to include the following types of groups; Committee, Subcommittee, Expert Panel, Technical Resource Panel, Board, Advisory Group and even Task Force (refer to their respective definitions for actual differences). The most important reason for organizing a volunteer group is the need for member guidance and representation. Volunteer groups may be needed because staff do not have the authority for actions in a given area or may be formed to ensure that appropriate member interests are represented on a given issue or activity.

Virtual Group

In some cases, members may serve on a volunteer group in a virtual capacity (i.e. never meeting in-person, but rather conducting their work within an online internet / email based environment). One type of virtual member participation has entailed the online support to one or more specific volunteer group. A second form of virtual participation involves the online participation in various online surveys to provide targeted feedback in specialized areas.

PUBLIC STATEMENT AUTHORIZATION

Most of the AICPPs Volunteer Groups are composed of Institute members, appointed by the chair of the board, for a term of one year (reappointments may bring service total to three years). Of these Volunteer Groups, 17 have been designated as Senior Committees (appointments must be approved by the Board of Directors), and 12 of these 17 (known as Technical Committees) have the authority to make public statements on matters related to their areas of practice without clearance from the Council or the Board.

The Senior Committees are as follows:

Committee Name:		
Accounting and Review Services Committee	**X**	
Assurance Services Executive Committee	**X**	
Auditing Standards Board	**X**	
Board of Examiners		**X**
Center for Audit Quality Governing Board	**X**	
Employee Benefits Plans Audit Quality Center Executive Committee		**X**
Financial Reporting Executive Committee	**X**	

Forensic and Valuation Services Executive Committee	X	
Government Audit Quality Center Executive Committee		X
Information Management and Technology Assurances Executive Committee		X
Management Consulting Services Executive Committee	X	
National Accreditation Commission		X
PCPS Executive Committee		X
Peer Review Board	X	
Personal Financial Planning Executive Committee	X	
Professional Ethics Executive Committee	X	
Tax Executive Committee	X	

DEFINITIONS OF VOLUNTEER ROLES

There are currently 35 volunteer roles available within the Volunteer System as shown below. In some cases, a particular role, such as Treasurer should be self-explanatory, and therefore, no definition is provided—where appropriate details on the functions of each role are provided.

Current Roles

Administrative Support	Executive Director	Secretary
Alternate	General Counsel and Secretary	Secretary-Treasurer
Alternate Chair	Immediate Past Chair	Senior Vice President
Assist. Treasurer	Member	Staff Liaison
Board Chair	Member At Large	State Reps
Board Liaison	Non-Member	Technical Advisor
Chair	Observer	Technical Secretary
Chairman	Past Chair	Treasurer
Co-Chair	President	Unknown
Director	Primary Contact	Vice Chair
Elected Members	Project Manager	Vice President
Ex Officio	Public Member	

Board Chair

The Chairman of the Board of Directors presides at key meetings of members of the Institute, the Council, and the Board of Directors. The chairman is responsible to appoint volunteer group members as provided for in the Bylaws. The Chairman also acts as a spokesperson for the Institute and appears on its behalf before other organizations. The Vice Chair of the Board is normally appointed to be Chair of the Board during the annual meeting of the Nominations Committee (usually held in February).

Board Liaison

Acts as the ears of the Board of Directors to certain volunteer groups.

Chair

The Chair of a Volunteer Group is responsible for presiding over the meetings of the group and to provide direction over the activities of the group. With the exception of task forces, the Chair is also responsible to recommend individual's for succeeding years, evaluate members of the group, and communicate any changes in the objectives or membership of the group to the Volunteer Services Team.

Elected Members

Elected Members are members of Council who are directly elected by the membership in their respective states. The number of Elected Members is allocated in two ways, somewhat analogous to the allocation of senators and congressmen for each state whereby the first is a fixed amount and the second is based on population. First, each state by default is allowed to recommend one Elected Member of Council. Second, each state is allowed to recommend additional Elected Members, the number being based on the proportion of Institute members enrolled from each state. This second category of Elected Members based on proportion of AICPA members is set at 85 members, however the allocation of the seats is reevaluated and adjusted, if necessary, every five years.

Ex-Officio

Past Chairs of the Board of Directors and Past Presidents of the AICPA.

Member-At-Large

Seven Institute members, without regard to the states in which they reside are elected annually by the Nominations Committee to serve as Members-At-Large to serve on Council.

Member

The term member is often used in a general sense to reflect any participant on a volunteer group.

President

The president of the AICPA has the responsibility for the execution of the policies and programs of the Institute, act as a spokesperson for the Institute, and perform such other services as may be assigned to the President by the Council and the Board of Directors

Public Members

Public Members are non-CPA volunteers who sit on the Board of Directors and various other volunteer groups.

Secretary of Institute

The secretary of the Institute has the usual duties of a corporate secretary and performs such other related duties as may be assigned by the president

Staff Liaison

The staff liaison is an AICPA staff member who fully assists the volunteer group at each meeting by researching and providing background information. This includes: providing

appropriate reference materials for each meeting; identifying the elements of a problem; listing the questions that need answering; participating in the discussion; endeavoring tactfully to persuade members to adopt a sound decision; alerting the volunteer group when it is deviating from AICPA policy or exceeding its authority; and accepting whatever final decision is reached unless the issue is so important that a higher authority should be consulted.

The staff liaison is responsible for preparing the agenda, drafting the minutes or highlights (including attendance), as appropriate, with review and approval by the volunteer group chair. The staff liaison is also responsible for coordinating volunteer group activities and sharing information with other AICPA volunteer groups and staff as appropriate. The staff liaison may also be called on to help the volunteer group identify goals, for us on major issues, create new programs, draft reports, and organize and implement activities approved by the volunteer group. The staff liaison should play an active role and can lead the volunteer group in the form of guidance and assistance toward a desired end.

State Rep

Each state society designates a single Institute member to represent it on the Council for a term of one year. A Designate Representative (state rep) can be reappointed each year for a combined term of service not to exceed six consecutive years.

Vice Chairman of the Board

The Vice Chairman of the Board shall be chairman- nominee of the Board of Directors and presides in the absence of the chairman at meetings of the Institute, the Council, and the Board of Directors. The Vice Chairman is currently assigned the responsibility to recommend appointments to all volunteer groups. These recommended appointments are subject to ratification during the annual Fall Council meeting. The Vice Chair is selected during the annual meeting of the Nominations Committee, usually held in February each year. Although there are no specific requirements to become the Vice Chair normally this individual will have been a member of the Board of Directors.

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment 2

Overview of AICPA Committees

Board of Examiners (BOE)

The mission of the BOE is to provide reasonable assurance to boards of accountancy that candidates who pass the Uniform CPA Examination (CPA Exam) possess the level of technical knowledge and the skills necessary for initial licensure to protect the public interest.

Members of the BOE are CPA volunteers from every segment of the profession – public accounting, business and industry, and the academic community – the majority of whom currently also have regulatory (state board) experience. There are also some BOE members – such as psychometricians – who are not CPAs but have expertise required by the BOE. Psychometricians are experts on the technical aspects of test development and scoring. There are currently eighteen members who serve on the BOE.

Uniform Accountancy Act (UAA) Committee

The UAA Committee collaborates with the National Association of State Boards of Accountancy (NASBA) on a joint model accountancy law to review the UAA on a regular basis and incorporate revisions based on changes in the profession.

Business Environment and Concepts (BEC) Subcommittee

The BEC section of the CPA Exam is focused on assessing the knowledge and skills that a newly licensed CPA must demonstrate when performing audit, attest, accounting, and review services; financial reporting; tax preparation; and other professional responsibilities in their role as certified public accountants. The content areas tested under the BEC section of the Exam include corporate governance, economic concepts and analysis, financial management, information technology, and operations management.

U.S. International Qualifications Appraisal Board (IQAB)

The IQAB was established in the early 1990s. IQAB members are appointed by NASBA representing state boards of accountancy and the American Institute of Certified Public Accountants (AICPA) representing practitioners. IQAB is chaired by a NASBA representative and is responsible for reviewing the accounting qualifications of other countries, negotiating reciprocity agreements with foreign professional accounting organizations, and making reciprocity recommendations to the AICPA and NASBA Boards of Directors, and the state boards of accountancy.

Special Qualifications: Knowledge of US and foreign requirements for certification as an accounting professional.

National Commission on Diversity and Inclusion
The commission is charged with serving as advisors to the AICPA and accounting organizations on best practices that will yield the increase, recruitment, retention, and advancement of minorities in the accounting profession.

Association of International Certified Professional Accountants®

Volunteer Service Agreement

Volunteering with the Association of International Certified Professional Accountants (the "Association"), American Institute of Certified Public Accountants ("AICPA"), and Chartered Institute of Management Accountants ("CIMA") (collectively referred to as the "Entities") provides an opportunity for you to network with your peers and serve your profession by working on various interesting and worthwhile assignments. Our Volunteers are organized into Volunteer Groups. A Volunteer Group includes but is not limited to senior committees, committees, subcommittees, boards, panels, centers, task forces, and Regional Boards or other similar body appointed by any of the Entities to act on the Entity's behalf for a specific purpose.

We know you have many demands on your volunteer time. We appreciate your willingness to use a part of that time to serve the accounting profession. We hope you benefit as much by your volunteer service as the Entities benefit from having members willing to volunteer.

Your acceptance as a Volunteer and participation in a Volunteer Group comes with a responsibility to assist in achieving the objectives of the Volunteer Group, including but not limited to: attending and participating in meetings and deliberations, meeting preparation, and post meeting deliverables.

All Volunteers are required to review and provide their signature to this Volunteer Service Agreement (the Agreement"), by accepting their appointment electronically or via email. You may not perform any volunteer services until you have signed this Agreement.

Confidentiality and Conflict of Interest

Volunteers may have access to, or receive, information which is proprietary or confidential. For purposes of this policy, confidential information includes, but is not limited to: trade secrets, employee or the Entities' member data, information related to the operations or plans of any of the Entities or of firms, companies or individuals or which is otherwise personal, proprietary, private or sensitive nature. Confidential information does not include information that (i) is already known to the Volunteer at the time of its disclosure; (ii) is, as of the time of its disclosure, generally available to the public, or later becomes generally available to the public through no wrongful act of the Volunteer; (iii) is received by the Volunteer without restriction as to use or disclosure by a third party not known by the Volunteer to be under a confidentiality obligation to any of the Entities or its members; (iv) is approved for release by prior written authorization of any of the Entities; (v) is furnished by the Entities to a third party without restriction on the third party's right of disclosure or (vi) is disclosed pursuant to any judicial or governmental requirement or order; provided, however, that the Volunteer notifies the relevant Entity in writing of such required disclosure as much in advance as practicable in the circumstances and cooperates with the Entities to limit the scope of or prevent

such disclosure. Confidential information is the property of the individual Entity. Volunteer Group members must consider all information received or discussed during their service as confidential, and members may not use or disclose any such information outside of the committee's deliberations without express written permission from the Entities CEO or Counsel of the relevant Entity or as permitted elsewhere in this Agreement.

In addition, members should avoid all conflicts of interest. Specifically, where a matter is the subject of discussion that may result in a personal financial benefit/opportunity to a member or his/her firm or organization to the exclusion of the members generally, that conflict of interest should be disclosed and the member should not participate in the discussion or vote on the matter.

Communications

During recent years, the activities of the Entities have increased rapidly in scope and variety. Many of these activities are conducted with the knowledge, input, or based on recommendations of volunteer groups. To avoid overlapping or duplication of effort and to maintain consistency in general policies, it is essential for all activities to be coordinated as effectively as possible.

It is also important that statements to the press or communications with outside groups, which may result in published statements attributed to the Entity, be screened for conformity with policies implemented by the relevant Board of Directors. The Chairman of the Board, the CEO and designated members of senior management have been delegated the responsibility for this function. With limited exceptions, press releases and communications with reporters and financial writers on behalf of the relevant Entity must be channeled through or cleared with the Office of the CEO of the relevant Entity. The Association's Washington DC Office should receive advance information about statements to be made to any branch of the United States Federal Government.

Please see the respective entities bylaws to determine if a Volunteer Group is authorized to make statements, without clearance from either AICPA or CIMA Council or the Association Board of Directors, in matters related to its area of practice once adopted by the Volunteer Group.

All statements concerning policy or technical matters issued on the authority of these Volunteer Groups should be clearly identified as such.

No other Volunteer Group may issue any outside communications without clearance by the Board of Directors prior to issuance.

Actions That May Discredit the Association, AICPA or CIMA

Volunteers should not engage in, promote, or participate in any activities that can reasonably be anticipated to discredit or result in damage to the Entity's reputation or otherwise discredit the core standards and principles the relevant Entity or the profession. When participating in Volunteer activities on behalf of the relevant Entity, all Volunteers are expected to conduct themselves in a professional manner. Should a Volunteer act outside the standards set forth, he/she may be immediately removed as a member of the volunteer committee.

Meetings

Care should be exercised in the decision to call a meeting and the selection of meeting sites to ensure effectiveness and efficiency consistent with reasonable costs to the relevant Entity and to the firms and other organizations of Volunteer Group members. Meetings should be scheduled in locations that are easily accessible, conducive to serious volunteer efforts, require a minimum of travel of Volunteer Group members and staff, and require the least expenditure of non-chargeable time compatible with Volunteer Group requirements. All offsite meetings are a representation of the relevant Entity and should be reflected as such. Meeting venues should be consistent with the relevant Entity's standards by conveying a professional and modest image. Consideration should be given to use of conference calls and computer technology, such as videoconferencing in lieu of a meeting, whenever possible.

The purpose of a Volunteer Group meeting is to obtain the input of members and decisions on Volunteer matters and where appropriate, produce material for use by the Volunteer Group and others. For effective Volunteer Group deliberations, and in fairness to other Volunteer members, each member should spend whatever time is necessary to prepare for the meetings and then actively participate. Members receive volunteer credit for attending/participating in Volunteer Group meetings. Thus, it is encouraged to attend each meeting and communicate with the staff liaison in advance if a member is unable to attend a meeting. It is not appropriate for the member who is unable to attend to send a replacement. If volunteer misses more than two consecutive meetings, they may be asked to resign their position on the volunteer group. The relevant Entity reserves the right to schedule and modify virtual and/or in person meetings as they see fit based on the needs of the volunteer group and the advancement of technology.

Ownership/Assignment of Copyright

From time to time, a Volunteer may be tasked with preparing documents, guides, plans, standards and other materials, including updates and revisions thereof (the "Work"), for use by the Volunteer Group or others outside of the group.

To the extent that any Work created by a Volunteer shall constitute or contain copyrightable subject matter, the Work shall be considered a specially commissioned

"work made for hire" for the benefit of the Association, AICPA, or CIMA to the fullest extent accorded the definition of those terms under the Copyright Laws of the United States, Title 17, United States Code § 101. Without limitation of the foregoing, the Volunteer agrees to assign and hereby assigns the Work, the copyright and all other right, title and interest in and to the Work to the Association, AICPA or CIMA, and the Volunteer agrees to promptly execute any and all documents necessary or desirable to effectuate or otherwise evidence such assignment. Accordingly, all of the rights comprised in the Work and the updates to the Work shall vest in the Association, AICPA, or CIMA, and its successors and assigns, as the sole and absolute owner. the Association, AICPA, or CIMA shall have the sole right and power to apply for any and all copyrights in its name, in order that all copyrights so obtained shall vest in the Association, AICPA, or CIMA, including the copyrights for any renewed or extended terms now or hereafter authorized by law. Whenever requested by the Association, AICPA, or CIMA, Volunteer shall perform such acts and sign all documents and certificates which the Association, AICPA, or CIMA may reasonably request in order to fully carry out the intent and purposes of this Paragraph.

Verification and Agreement

As a requirement of membership in a Volunteer Group for the Entities, I, the undersigned, hereby verify and state that I have read the above Service Policy Agreement, and I fully understand its terms. By accepting my volunteer appointment, I hereby agree to be bound by all of its terms and conditions including, without limitation, the sections dealing with Confidentiality and Conflict of Interest and Ownership/Assignment of Copyright as set forth above. I acknowledge that committees may be disbanded or suspended at any time as seen fit by the relevant Entity. I confirm that the networking opportunities and professional recognition afforded by my volunteer services constitute good and valuable consideration for the undertakings made herein.

Any questions or assistance needed, please contact Heather Collins at 919.402.4846, Jamie Geary McNair at 919.402.4103, Sarah Gentry-Kanashiro at 919.402.4997 or via email at AICPAVolunteerServices@aicpa-cima.com.

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item I.I.
July 23, 2020

Discussion and Possible Action on the National Association of State Boards of Accountancy's Revisions to the Uniform Accountancy Act Model Rules

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 the opportunity to discuss the National Association of State Boards of Accountancy's (NASBA) Exposure Draft on the Uniform Accountancy Act's Model Rules (Exposure Draft) that pertains to educational requirements for initial licensure (**Attachment 1**).

Consumer Protection Objectives

Requiring applicants for CPA licensure meet core educational requirements for CPA licensure supports the CBA's mission of consumer protection by ensuring individuals have a minimum competency level prior to entering the practice of public accountancy.

Action(s) Needed

The CBA is being asked to review the Exposure Draft and consider whether to submit a comment letter to NASBA prior to the conclusion of the comment period on August 31, 2020. Additionally, the CBA may want to consider if changes to the educational requirements for California licensure should be discussed or sought at a future CBA meeting.

Background

Beginning in 2004, NASBA developed the Model Rules as part of its effort to promote uniformity in the regulatory scheme governing the practice of public accountancy in the various licensing jurisdictions. Similar to how the CBA Regulations implement, interpret, and make specific various sections of the California Accountancy Act, the Model Rules function comparable for the purpose of the Uniform Accountancy Act (UAA).

While some jurisdictions take substantial portions of the UAA and Model Rules for regulation of the accounting professions, California, like many jurisdictions, maintain statutory and regulatory provisions that do draw guidance from the UAA and Model Rules, but use a unique framework for regulating the practice of accountancy while also maintaining substantial equivalence.

Comments

The primary catalyst for the Exposure Draft relate to the ongoing national discussion regarding the joint NASBA/American Institute of Certified Public Accountants (AICPA) CPA Evolution initiative. The initiative aims to modernize the CPA licensure model to adapt to the changing skills and competencies the practice of accounting requires today and in the future. In a memorandum authored by NASBA/AICPA regarding the CPA Evolution (May 2020), they stated that:

> as part of the CPA Evolution initiative, the leadership of NASBA, in collaboration with the AICPA, determined that the UAA Model Rules around educational requirements for licensure needed to incorporate additional subjects and skills reflective of the evolving profession, and create more consistency.

The Exposure Draft reflects changes proposed by the NASBA/AICPA CPA Evolution initiative, which the NASBA UAA Committee reviewed and recommended to the NASBA Board of Directors to release for public comment.

The Exposure Draft includes a range of changes related to educational requirements for applicants for CPA licensure. Generally, the proposed Model Rules are more prescriptive when compared to the California requirements that provide for substantially more flexibility in meeting the CPA educational requirements.

California educational requirements, as outlined in **Attachment 2**, are codified in the Business and Profession Code (BPC) and CBA Regulations. Therefore, changes to California educational requirements may necessitate a change to statute, regulations, or both and would need to be supported with a rationale for such changes.

The Exposure Draft includes:

- a cover memorandum summarizing the proposed changes
- a clean version incorporating the proposed changes (the first set of pages numbered 1-5)
- a strike though and underline version of the existing Model Rules incorporating the proposed changes (the second set of pages numbered 1-5)

Staff have prepared a detailed comparison of the proposed changes to the Model Rules found in the Exposure Draft and applicable California statute, CBA Regulations, or both. While staff are not recommending any changes to California educational requirements at this time, the CBA may be asked to consider changes as additional information is gathered regarding the final Model Rules, including the rationale in support of the rule changes.

<u>Rule 5-1 – Education requirements – definitions, subsections (b) and (c)</u>
A revision is proposed to Rule 5-1, subsections (b) and (c) that would remove the requirement that a college, university, business school or accounting program must be recognized by the Council for Higher Education Accreditation (CHEA). Instead, the

Exposure Draft proposes that a college, university, business school or accounting program be recognized by a board-recognized regional, national or international accreditation organization. The associated transcript review process outlined in the Model Rules is predicated on the level of accreditation (*e.g.*, accreditation of the college or university, business school or accounting program) to determine the level of detail that the transcript should be reviewed.

CBA Comparison:
Currently, BPC section 5094, subdivision (b) (**Attachment 3**) directs the CBA to accept education completed at colleges, universities or other institutions of learning from institutions accredited by regional or national agencies recognized by the U.S. Secretary of Education. Additionally, BPC section 5094 subdivision (c) (**Attachment 3**) permits the CBA to accept education completed at a colleges and universities outside the United States if deemed to be equivalent to education obtained in the United States. The CBA uses the services of foreign credential evaluation service to determine if education obtained outside of the United States is equivalent to education obtained in the United States. As for the level of transcript review, there is not a direct comparison to California statue or regulations given all college and university transcripts undergo the same thorough review by the Licensing Division staff.

Staff Recommendation:
As the Legislature has developed the framework under which the CBA will accept qualifying education from colleges and universities, and given the Licensing Division staff conduct a detailed review of all education that meet the requirements, staff do not recommend seeking a change to the statute at this time.

<u>Rule 5-1 – Education requirements – definitions, subsections (f) and (g)</u>
A revision is proposed to Rule 5-1, subsections (f) and (g) that would require pre-approval of internship programs and independent study by the appropriate faculty or department of a college or university.

CBA Comparison:
Currently, an applicant may use units obtained from internship programs or independent study courses in accounting or business-related subjects to meet educational requirements. The CBA does not restrict acceptance to only pre-approved internship programs or independent study courses. Instead, the CBA relies on colleges or universities to determine when it is appropriate to confer units for internship programs and independent study.[1]

[1] The Model Rules note units as Semester Credit Hours or SCH or its equivalent, presumably quarter units (which in California one quarter unit is equivalent to 2/3 semester unit). For purposes of this paper, when using the term units, it refers to semester units.

Staff Recommendation:
The CBA relies on the college or university to determine when it is appropriate to confer units for internship programs and independent study, and, as a result, staff do not recommend seeking a change to regulations at this time.

<u>Rule 5-2 – Education requirements – determining compliance of the applicant's education, subsection (a)</u>
Rule 5-2, subsection (a) describes the skills and behaviors that are intended to provide an educational program's foundation in accounting and business. While this section in the Model Rules is not new, a revision is proposed to add the skills of "critical thinking" and "professional skepticism and judgement." This proposed change is consistent with the CPA Evolution initiative that has the goal of incorporating deeper skillsets.

CBA Comparison:
California does not have statutes or regulations that describe the skills and behaviors that are intended to provide an educational program's foundation in accounting and business. Instead, the CBA relies on the colleges and universities to determine what skills and knowledge are best suited for their program's goals.

Staff Recommendation:
Staff anticipate that the Uniform CPA Examination (CPA Exam) changes proposed by the CPA Evolution initiative will include assessment of the skills of "critical thinking" and "professional skepticism and judgement." Staff consider institutions of higher education to be best suited to determine how their education programs should be modified to provide their students the skills they need to pass the new CPA Exam; therefore, staff do not recommend seeking changes to statute or regulations at this time.

<u>Rule 5-2 – Education requirements – determining compliance of the applicant's education, subsection (c)</u>
A revision is proposed to Rule 5-2, subsection (c) urging accountancy boards to complete a transcript review.

CBA Comparison:
The Licensing Division staff review each applicant's transcript(s) as part of the application review, both for entrance to the CPA Exam and prior to issuance of a CPA license.

Staff Recommendation:
As the CBA already performs to determine if an applicant meets the educational requirements, staff do not recommend seeking changes to statute or regulations at this time.

<u>Rule 5-2 – Education requirements – determining compliance of the applicant's education, subsection (d)(2)</u>

The changes to Model Rule 5-2, subsection (d)(2) broadly fall into three areas: (1) replacement of the word course with the term content, (2) requirement of principle/introductory courses beyond the 24-unit requirement, and (3) specificity of the course content as it relates to the accounting 24-unit requirement.

The Exposure Draft replaced the word courses to now describe the subject-matter content. The Exposure Draft also seeks to add additional accounting-related units to the minimum amount of units already required from 24 to either 27 or 30. The Exposure Draft proposes including specified units in principles or introductory accounting, with a minimum of six units obtained at the undergraduate level and/or three units obtained at the graduate level.

The Exposure Draft outlines requirements for the course content related to the 24 units of accounting. Specifically, it requires a minimum of three units in each of the following subject matter content areas (for 12 of the 24 units):

i. Financial accounting and reporting for business organizations
ii. Financial statement auditing
iii. Taxation
iv. Accounting information systems

Finally, the proposed changes would require a minimum of 12 units (of the 24 units) in some or all of the following subject-matter content areas:

v. Financial accounting and reporting for government and not-for-profit entities
vi. Attestation engagements
vii. Managerial or cost accounting
viii. Mergers and acquisitions
ix. Tax and financial planning
x. Fraud examination
xi. Internal controls and risk assessment
xii. Financial statement analysis
xiii. Accounting research and analysis
xiv. Tax research and analysis
xv. Data analytics, data interrogation techniques, and/or digital acumen in an accounting context, whether taken in the business school or in another college or university program, such as the engineering, computer science, or math programs
xvi. Ethics (accounting courses)
xvii. Other accounting-related content areas included in the Uniform CPA Examination Blueprints or as may be approved by the Board

CBA Comparison:
CBA Regulations use the term “course” and not “content.”

CBA Regulations 11, subsection (a) (**Attachment 3**) requires an applicant to complete 24 units of core accounting subjects and 20 units of accounting study. Additionally, CBA Regulations 11.1, subsection (a) (**Attachment 3**), states that a minimum of six of the accounting study units must come from accounting and a maximum of 14 from business-related subjects.

Staff Recommendation:
Staff do not recommend changing the word course to content. As part of the Exposure Draft, there is no explanation or rationale provided to understand the context for the change. Therefore, staff do not recommend a changes at this time.

Additionally, staff do not recommend changes that would increase the unit requirement or provide less flexibility in meeting the education requirement. While the Exposure Draft proposes to increase the required units from 24 to either 27 or 30, the additional courses are most likely considered pre-requisites to other courses; therefore, staff do not consider this a material difference at this time. Further, the CBA accepts courses from all subject matters specified in the proposed revisions and has no minimum unit requirement for specific content areas, thus providing greater flexibility than what is called for in the Exposure Draft.

<u>Rule 5-2, Education requirements – determining compliance of the applicant's education, Subsections (d)(2) and (d)(4)</u>
A revision is proposed to Rule 5-2, subsection (d)(2) adding subject-matter content in data analytics, data interrogation techniques, and/or digital acumen in an accounting context, to the list of core accounting content requirements. These courses may be taken in the business school or in another college program, such as the engineering, computer science, or math programs.

A revision is proposed to Rule 5-2, subsection (d)(4) adding subject-matter content in data analytics, data interrogation techniques, and/or digital acumen, to the list of business-related content requirements. These courses may be taken in the business school or in another college program, such as the engineering, computer science, or math programs.

CBA Comparison:
Currently, CBA Regulations section 9.2(c) (**Attachment 3**) requires an applicant to complete 24 units in business-related subject matter, including computer science, and information systems. This is a broad requirement that includes data analytics.

Staff Recommendation:
Presently, the CBA grants units for courses related to data analytics, data interrogation techniques, and/or digital acumen. If the courses are taken in the accounting program, credit may be given in the core accounting, accounting study or business-related education requirement areas. If the courses are taken outside of the accounting program, credit may be given in the accounting study or business-related education

requirement areas. Given current CBA practice, staff consider this change unnecessary but also recognize that the CBA may still wish to consider a change to CBA regulations to increase clarity regarding the acceptance of courses related to data analytics, data interrogation techniques, and/or data acumen.

<u>Rule 5-2 – Education requirements – determining compliance of the applicant's education, subsection (d)(6)</u>
A revision is proposed to Rule 5-2, subsection (d)(6) that would require the three units in in accounting or business ethics, and that the courses be recognized by the board of accountancy, rather than the CHEA.

CBA Comparison:
Currently, BPC section 5094.3, subsection (a) (**Attachment 3**) indicates an applicant "shall, to the satisfaction of the board, provide documentation of the completion of 10 semester units or 15 quarter units of ethics study." Further, of these units, a minimum of three semester or four quarter units must be in accounting ethics or accountants' professional responsibilities.

Currently, ethics-related units from regionally or nationally accredited colleges or ethics-related units from outside of the United States that have been deemed equivalent by a board-recognized foreign credential service are considered to have satisfactorily met the ethics education requirement.

Staff Recommendation:
Staff consider our current approach to be materially similar to the Exposure Draft proposal and, therefore, do not recommend seeking changes to statute at this time.

<u>Rule 5-2 – Education requirements – determining compliance of the applicant's education, subsection (d)(7)</u>
A revision is proposed to Rule 5-2, subsection (d)(7) that would increase the maximum number of acceptable internship and independent study units from six to nine. This proposed increase would add flexibility to how applicants can meet the education requirements. Additionally, three of those nine units may apply toward accounting content and a maximum of three units to business content.

CBA Comparison:
While CBA Regulations section 11.1, subsection (a)(2)(D) (**Attachment 3**) states that of the 20 required accounting study units, four units may be obtained through internships or independent study in either accounting or business-related courses, there is no corresponding limit on the units obtained through internships or independent study in core accounting or business-related subjects.

Staff Recommendation:

Given California currently does not have a limitation on the use of units from internships or independent study as outlined in the current Model Rules, the implementation of the nine unit maximum proposed change would decrease flexibility for California applicants. Therefore, staff do not recommend seeking changes to regulations at this time.

Rule 5-2 – Education requirements – determining compliance of the applicant's education, subsection (e)
Rule 5-2, subsection (e) addresses colleges and universities that use an integrated approach to meet the educational requirements. A revision is proposed to Rule 5-2, subsection (e) that would require evaluation of courses from such universities to be from accredited organizations recognized by the accountancy board, rather than by agencies recognized by CHEA. As defined in Rule 5-1, subsection (d), an integrated approach is the combining of content from multiple subjects into a single course that would be discrete courses in other colleges or universities.

CBA Comparison:
As mentioned before, the Licensing Division reviews each applicant's transcript(s) as part of the complete application review process prior to recommending approval of the application package to management. Transcripts from college using an integrated approach would be reviewed in the same manner. If the content of the integrated approach is not clear by the course title, a review of the course description is done.

Staff Recommendation:
Given the thorough transcript review process used by the Licensing Division, staff do not recommend seeking changes to regulations at this time.

Next Steps
The comment period for the Exposure Draft is set to end on August 31, 2020. Staff have prepared a draft comment letter (**Attachment 4**) for CBA consideration. If the CBA votes to send a comment letter, staff will make any necessary adjustments as directed by the CBA and send the letter prior to the close of the comment period.

Additionally, staff will monitor the proposed changes to the Model Rules. If NASBA seeks to publish a subsequent Exposure Draft regarding changes, staff will provide it to the CBA for review and consideration. If NASBA approves changes to the Model Rules, staff will provide these to the CBA along with staff recommendations.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff recommend issuing the comment letter in **Attachment 4**. If the CBA wishes to include additional topics, staff recommend authority be delegated to the CBA President to approve the comment letter for submission by the conclusion of the comment period.

Attachments

1. Exposure Draft: UAA Model Rules Requirements– Education
2. Qualifications for a California CPA License
3. Statutory and Regulatory Requirements for CPA Licensure
4. Draft Comment Letter to NASBA Regarding UAA Model Rule Requirements - Education Exposure Draft, July 2020

Attachment 1

NASBA

National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel: 615/880/4200

May 26, 2020

TO: State Boards of Accountancy and other interested parties
FROM: J. Coalter Baker, Chair – NASBA Uniform Accountancy Act Committee

As approved by the NASBA Board of Directors, we are releasing for a 90-day comment period proposed revisions to the Uniform Accountancy Act's Model Rules that pertain to education. These revisions were developed by the AICPA/NASBA CPA Evolution Initiative and reviewed by the NASBA Uniform Accountancy Act Committee, which recommended them to the NASBA Board for public comment.

The changes being proposed cover several areas related to the education requirements for those wishing to enter the CPA profession. A guiding principle was to suggest Model Rules that aligned with those already implemented in a majority of states, and in that way to encourage uniformity among the states. The CPA Evolution Initiative limited their recommendations to those they believed to be most relevant to their charge.

Briefly, some of the more significant changes being proposed include:

- A revision is being proposed to Rule 5-1 that would remove the requirement that an accounting program must be recognized by the Council for Higher Education Accreditation (CHEA); instead the program must be recognized by the Board of Accountancy. Only a few States have adopted the language in the current Model Rules that calls for CHEA recognition. Many excellent accounting programs are recognized by the Association to Advance Collegiate Schools of Business-International (AACSB), which is no longer listed by CHEA. This issue arises again in Rule 5-2 (d)(7).
- Rule 5-2(a) has proposed additions of developing skills in "critical thinking" and "professional skepticism," as has been advocated by accounting educators worldwide.
- Consistent with the proposed revised model of the Uniform CPA Examination, establish required accounting content that is core to the accounting profession as defined in Rule 5-2(d)(2).
- Pre-approval of internship programs and independent study is being advised in proposed Rule 5-1 (f) and (g), to help ensure students receive valuable educational experiences.
- Boards are being urged to complete transcript reviews in Rule 5-2(c), as accrediting organizations are focused on the overall quality of educational institutions, and not verifying that the content of the accounting programs meets Boards of Accountancy licensing requirements. The issue of coverage is also raised in Rule 5-2(d)(6).
- Changes to align requirements among states and to add data analytics and related courses to basic subject matter to be covered are found in Rule 5-2(d). Also in Rule 5-2(d), you will note reference to areas "included in the Uniform CPA Examination Blueprints" to allow for updating topics as needed.
- To cover situations where pertinent courses are not being offered inside the business school, but are available in another college or university program, changes are being suggested to Rules 5-2(c) and (d).
- Currently, states have rules that permit three, or six, or an undetermined number of credits to be earned through internships and independent study. Changes are being proposed to Rule 5-2 (d)(7) to set the maximum number at nine credits and describe the content. This can help with education costs and add flexibility to the curriculum.

We believe these changes will provide guidance for students, educators and regulators on the education needed to enter the evolving CPA profession in the years ahead. We encourage the State Boards and other interested parties to consider these proposed changes and send any comments or recommendations to the UAA Committee via uaacomments@nasba.org by August 31, 2020.

Sincerely,

J. Coalter Baker

J. Coalter Baker, CPA
Chair, NASBA Uniform Accountancy Act Committee

UAA Model Rule Requirements – Education

Rule 5-1 - Education requirements – definitions.

(a) "Semester credit hour" (SCH) means the conventional college semester credit hour. "Quarter credit hours" may be converted to semester credit hours by multiplying them by two-thirds; i.e., one quarter credit hour equals two-thirds of a semester credit hour.

(b) "College(s) or university(s)" means Board-recognized institution(s) of higher education accredited by Board recognized accrediting organizations.

(c) "Accredited" or "Accreditation" reflects the quality control of the education process provided by Board-recognized regional, national or international accreditation organizations. In determining acceptable accreditation organizations, the Board may recognize a Council for Higher Education Accreditation (CHEA) recognized regional and/or national accreditation organization. These Rules refer to three levels of accreditation. Level 1 represents the most comprehensive review at the accounting program level and Level 3 is the least comprehensive review at the college or university level. Colleges or universities without accreditation, as defined below, would generally lack any level of accreditation including the college or university, the business school or program ("business school"), and/or the accounting department or program ("accounting program").

1. Level 1 accreditation – the accounting program. In a Level 1 accreditation, the college or university, business school, and the accounting program are separately accredited. This level applies to an accounting program that is accredited by an organization recognized by the Board as a specialized or professional accrediting organization, such as the Association to Advance Collegiate Schools of Business-International (AACSB). Accredited accounting programs have met standards substantially higher and much more specific than those required for Level 2 or Level 3 accreditation.
2. Level 2 accreditation – the business school. In a Level 2 accreditation, the college or university and the business school are accredited, but the accounting program is not separately accredited. This level applies to a business school that is accredited by an organization recognized by the Board as a specialized or professional accrediting organization, such as the AACSB or the Association of Collegiate Business Schools and Programs (ACBSP).
3. Level 3 accreditation – the college or university. In a Level 3 accreditation, the college or university is accredited, but neither the business school nor the accounting program meet Level 1 or Level 2 accreditation requirements. This level applies to a degree-granting college or university that is not accredited at Level 1 or Level 2, but is accredited by an organization currently recognized by the Board as a regional, national or international accrediting organization, such as Higher Learning Commission, Middle States Commission on Higher Education, New England Commission on Higher Education, Northwest Commission on Colleges and Universities, , Southern Association of Colleges and Schools Commission on Colleges, and WASC Senior College and University Commission.
4. College or university without accreditation – an educational institution or entity that does not have an accreditation of either the college or university, business school, or accounting program; or a college or university accredited by organizations not recognized by the Board.

(d) “Integration of subject matter” means a program of learning where certain subjects, which may be discrete courses in some colleges or universities, are integrated or embedded within related courses. Colleges or universities that use an integrated approach to cover such multiple course subjects should provide evidence of the required coverage pursuant to Rule 5-2(d). Acceptance of integration of any subject matter requires Board approval.
(e) “Ethics” means a program of learning that provides students with a framework of ethical reasoning, professional values and attitudes for exercising professional skepticism and other behavior that is in the best interest of the public and profession. At a minimum, an ethics program should provide a foundation for ethical reasoning and the core values of integrity, objectivity and independence.
(f) “Internship” means faculty pre-approved and appropriately supervised short-term work experience, usually related to a student’s major field of study, for which the student earns academic credit.
(g) “Independent study” means academic work selected or designed by the student with the pre-approval of the appropriate department of a college or university under faculty supervision. This work typically occurs outside of the regular classroom structure.

Rule 5-2 - Education requirements - determining compliance of the applicant’s education.

(a) These requirements are intended to provide a foundation in accounting and business course subjects. The program should:
    1. Develop the skills required to apply the knowledge attained (including skills in communications, critical thinking, research and analysis).
    2. Include and emphasize ethical behavior, professional skepticism and judgment, and professional responsibility.
    3. Provide the highest quality instruction in subjects that clearly contribute to the knowledge, skills and abilities necessary to meet the public’s expectations of a CPA.
(b) For purposes of Section 5(c) of the Uniform Accountancy Act, an applicant will be deemed to have met the education requirement(s) if the Board has determined the applicant has met the requirements of Rule 5-2(c) and Rule 5-2(d), together with appropriate consideration of Rule 5-2(a).
(c) Determining compliance of the applicant’s education shall be accomplished through the Board’s use of the following procedures:
    1. Reliance on accreditation, as defined in Rule 5-1(c), of the college or university, from which the candidate has obtained the necessary degree and hours as defined in Rule 5-2(d) for purposes of determining the acceptability of the degree and the amount of detailed review required for compliance with the accounting and business content. The Board may place significant reliance on the quality, of accounting and business courses included in accounting degrees from Level 1 colleges or universities, however, the Board should complete a transcript review to ascertain appropriate coverage of accounting and business content in accordance with Rule 5-2(d). The Board may place reliance on the quality of the business courses included in business degrees from colleges or universities with Level 2 accreditation , however, the Board should complete a transcript review to ascertain appropriate coverage of accounting and business content in accordance with Rule 5-2(d), including a more thorough review of the accounting content than from Level 1 colleges or universities. Transcripts from a Level 3 college or university require more detailed review by the Board for compliance

with the accounting and business content. Degrees from colleges or universities without accreditation or with accreditation by an organization not recognized by the Board would generally not be acceptable.

2. Reliance on other procedures and information where the degree and/or courses were obtained from a college or university(s) not meeting the accreditation requirements of Rule 5-2(c)(1). Accepting degrees or courses under Rule 5-2(d) should only be based on evidence of acceptable course content, instruction and quality as would be expected by accreditation and as approved by the Board.
3. Reliance on other procedures and information where the requirements of Rule 5-2(d) are met by integration of subject matter. The requirements set forth in Rule 5-2(e) should be used to determine compliance.

(d) An applicant shall be deemed to have satisfied the education requirements if the following conditions are met:

1. Earned a graduate degree and/or a baccalaureate degree at a college or university that is accredited, as described in Rule 5-1(c);
2. Earned a minimum of six SCH at the undergraduate level or three SCH at the graduate level of principles or introductory accounting content and a minimum of 24 SCH (or the equivalent) of accounting content at the undergraduate or graduate level requiring a minimum of three SCH in each of the subject-matter content areas listed in Rule 5-2(d)(2)i. through iv below, and a minimum of twelve SCH in some or all of the subject-matter content areas listed in Rule 5-2(d)(2)v through xvii below:
    i. Financial accounting and reporting for business organizations
    ii. Financial statement auditing
    iii. Taxation
    iv. Accounting information systems
    v. Financial accounting and reporting for government and not-for-profit entities
    vi. Attestation engagements
    vii. Managerial or cost accounting
    viii. Mergers and acquisitions
    ix. Tax and financial planning
    x. Fraud examination
    xi. Internal controls and risk assessment
    xii. Financial statement analysis
    xiii. Accounting research and analysis
    xiv. Tax research and analysis
    xv. Data analytics, data interrogation techniques, and/or digital acumen in an accounting context, whether taken in the business school or in another college or university program, such as the engineering, computer science, or math programs
    xvi. Ethics (accounting course)
    xvii. Other accounting-related content areas included in the Uniform CPA Examination Blueprints or as may be approved by the Board.
3. Earned a minimum of two SCH in research and analysis relevant to the course content described in 5-2(d)(2) through a discrete undergraduate and/or graduate accounting course, or two SCH integrated throughout the undergraduate and/or graduate accounting curriculum. Colleges or universities must provide evidence of coverage under integration as specified in Rule 5-2(e). The SCH earned through a discrete course in research and analysis in accounting may fulfill two of the SCH of the accounting subject matter requirements in Rule 5-2(d)(2).

4. Earned a minimum of 24 SCH (or the equivalent) of business content, other than accounting, at the undergraduate and/or graduate level, covering some or all of the following subject-matter content:
    i. Business law
    ii. Economics
    iii. Management
    iv. Marketing
    v. Finance
    vi. Business communications
    vii. Statistics
    viii. Quantitative methods
    ix. Information systems or technology
    x. Data analytics, data interrogation techniques, and/or digital acumen, whether taken in the business school or in another college or university program, such as the engineering, computer science, or math programs.
    xi. Ethics (business course)
    xii. Other business-related content areas included in the Uniform CPA Examination Blueprints or as may be approved by the Board.
5. Earned a minimum of two SCH in communications in an undergraduate and/or a graduate course listed or cross-listed as an accounting or business course or two SCH integrated throughout the undergraduate or graduate accounting or business curriculum. Colleges or universities must provide evidence of coverage under integration as specified in 5-2(e). The SCH earned through a discrete course in communications may fulfill two SCH of the subject matter requirements of Rule 5-2(d)(4).
6. Earned a minimum of three SCH in an undergraduate and/or a graduate course listed or cross listed as an accounting or business course in ethics as defined in Rule 5-1(e). A discrete three SCH course in ethics may count towards meeting the accounting or business course requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4). As an alternative, colleges or universities may choose to integrate the course throughout the undergraduate and/or graduate accounting or business curriculum. Universities must provide evidence of coverage under integration as specified in Rule 5-2(e). Proof of coverage may be provided through specific evaluation by a specialized or professional accrediting organization recognized by the Board, in which evidence is provided to assure the Board that the program of learning defined in Rule 5-1(e) has been adequately covered and at the equivalent of the three SCH minimum. Alternate methods for proof of ethics coverage may be determined and approved by the Board following careful scrutiny.
7. A maximum of nine SCH for internships and independent study, as defined in Rule 5-1(f) and Rule 5-1(g), may count towards the education requirement of Section 5(c) of the Uniform Accountancy Act. However, of the nine SCH, a maximum of three SCH may apply to accounting content required under Rule 5-2(d)(2) and a maximum of three SCH may apply to business content required under Rule 5-2(d)(4).

(e) Colleges or universities that use an integrated approach to meet the requirements of Rule 5-2(d)(3, 5 or 6) must provide evidence that the respective subjects adequately cover the desired content, with acceptable instruction and quality to attain the objectives. Proof of coverage may be provided through specific evaluation by a specialized or professional accrediting organization recognized by the Board. Alternate methods for

proof of coverage may be determined and approved by the Board following careful scrutiny.

UAA Model Rule Requirements – Education

Rule 5-1 - Education requirements – definitions.

(a) "Semester credit hour" (SCH) means the conventional college semester credit hour. "Quarter credit hours" may be converted to semester credit hours by multiplying them by two-thirds; i.e., one quarter credit hour equals two-thirds of a semester credit hour.

(b) "College(s) or university(s)" means B~~b~~oard-recognized institution(s) of higher education accredited by Board~~generally~~ recognized accrediting organizations.

(c) "Accredited" or "Accreditation" reflects the quality control of the education process provided by ~~generally~~ Board~~-~~-recognized regional, ~~and/or~~ national or international accreditation organizations. In determining acceptable accreditation organizations, the Board may recognize a Council for Higher Education Accreditation (CHEA) recognized regional and/or national accreditation organization. These Rules refer to three levels of accreditation. Level 1 represents the most comprehensive review at the accounting program level and Level 3 is the least comprehensive review at the college or university level. Colleges or universities without accreditation, as defined below, would generally lack any level of accreditation including the college or university, the business school or program ("business school"), and/or the accounting department or program ("accounting program").

1. Level 1 accreditation – the accounting program. In a Level 1 accreditation, the college or university, business school, and the accounting program are separately accredited. This level applies to an accounting program that is accredited by an organization recognized by the Board ~~Council for Higher Education Accreditation (CHEA)~~ as a specialized or professional accrediting organization, such as the Association to Advance Collegiate Schools of Business-International (AACSB). Accredited accounting programs have met standards substantially higher and much more specific than those required for Level 2 or Level 3 accreditation.
2. Level 2 accreditation – the business school. In a Level 2 accreditation, the college or university and the business school are accredited, but the accounting program is not separately accredited. This level applies to a business school that is accredited by an organization recognized by the ~~Council for Higher Education Accreditation (CHEA)~~Board as a specialized or professional accrediting organization, such as the AACSB or the Association of Collegiate Business Schools and Programs (ACBSP).
3. Level 3 accreditation – the college or university. In a Level 3 accreditation, the college or university is accredited, but neither the business school nor the accounting program meet Level 1 or Level 2 accreditation requirements. This level applies to a degree-granting college or university that is not accredited at Level 1 or Level 2, but is accredited by an organization currently recognized by the ~~Council for Higher Education Accreditation~~Board as a regional, national or international accrediting organization, such as Higher Learning Commission, Middle States Commission on Higher Education, New England ~~Association of Schools and Colleges~~ Commission on ~~Colleges or Universities of~~ Higher Education, Northwest Commission on Colleges and Universities, ~~North Central Association of Colleges and Schools-The Higher Learning Commission~~, Southern Association of Colleges and Schools Commission on Colleges, and WASC Senior College and University Commission.

4. College or university without accreditation – an educational institution or entity that does not have an accreditation of either the college or university, business school, or accounting program; or a college or university accredited by organizations not recognized by the Board.

(d) "Integration of subject matter" means a program of learning where certain subjects, which may be discrete courses in some colleges or universities, are integrated or embedded within related courses. Colleges or universities that use an integrated approach to cover such multiple course subjects should provide evidence of the required coverage pursuant to Rule 5-2(d). Acceptance of integration of any subject matter requires Board approval.

(e) "Ethics" means a program of learning that provides students with a framework of ethical reasoning, professional values and attitudes for exercising professional skepticism and other behavior that is in the best interest of the public and profession. At a minimum, an ethics program should provide a foundation for ethical reasoning and the core values of integrity, objectivity and independence.

(f) "Internship" means faculty pre-approved and appropriately supervised short-term work experience, usually related to a student's major field of study, for which the student earns academic credit.

(g) "Independent study" means academic work selected or designed by the student with the pre-approval of the appropriate department of a college or university under faculty supervision. This work typically occurs outside of the regular classroom structure.

Rule 5-2 - Education requirements - determining compliance of the applicant's education.

(a) These requirements are intended to provide a foundation in accounting and business course subjects. The program should:

1. Develop the skills required to apply the knowledge attained (including skills in communications, critical thinking, research~~, judgment~~ and analysis).
2. Include and emphasize ethical behavior, professional skepticism and judgment, and professional responsibility.
3. Provide the highest quality instruction in subjects that clearly contribute to the knowledge, skills and abilities necessary to meet the public's expectations of a CPA.

(b) For purposes of Section 5(c) of the Uniform Accountancy Act, an applicant will be deemed to have met the education requirement(s) if the Board has determined the applicant has met the requirements of Rule 5-2(c) and Rule 5-2(d), together with appropriate consideration of Rule 5-2(a).

(c) Determining compliance of the applicant's education shall be accomplished through the Board's use of the following procedures:

1. Reliance on accreditation, as defined in Rule 5-1(c), of the college or university, from which the candidate has obtained the necessary degree and hours as defined in Rule 5-2(d) for purposes of determining the acceptability of the degree and the amount of detailed review required for compliance with the accounting and business content. ~~State~~ The Board~~s~~ may place significant reliance on the quality, ~~content and delivery method~~ of accounting and business courses included in accounting degrees from Level 1 colleges or universities, however, ~~and as such,~~ the Board should complete a transcript review to ascertain appropriate coverage of accounting and business content in accordance with Rule 5-2(d). ~~transcripts from such colleges or universities would require minimal or no Board review.~~ The Board may place reliance on the quality of the business

courses included in business degrees from c~~C~~olleges or universities with Level 2 accreditation ~~would require little or no Board review of transcripts in terms of the business content, but~~, however, the Board should complete a transcript review to ascertain appropriate coverage of accounting and business content in accordance with Rule 5-2(d), including a more thorough review of the accounting content ~~would require more review~~ than from Level 1 colleges or universities. Transcripts from a Level 3 college or university ~~would~~ require more detailed review by the Board for compliance with the accounting and business content. Degrees from colleges or universities without accreditation or with accreditation by an organization not recognized by the Board would generally not be acceptable.

2. Reliance on other procedures and information where the degree and/or courses were obtained from a college or university(s) not meeting the accreditation requirements of Rule 5-2(c)(1). Accepting degrees or courses under Rule 5-2(d) should only be based on evidence of acceptable course content, instruction and quality as would be expected by accreditation and as approved by the Board.
3. Reliance on other procedures and information where the requirements of Rule 5-2(d) are met by integration of subject matter. The requirements set forth in Rule 5-2(e) should be used to determine compliance.

(d) An applicant shall be deemed to have satisfied the education requirements if the following conditions are met:

1. Earned a graduate degree and/or a baccalaureate degree at a college or university that is accredited, as described in Rule 5-1(c);
2. Earned a minimum of six SCH at the undergraduate level or three SCH at the graduate level of principles or introductory accounting content and a minimum of 24 SCH (or the equivalent) of accounting ~~courses~~ content at the undergraduate or graduate level ~~, excluding principles or introductory accounting courses, covering~~ requiring a minimum of three SCH in each of the subject-matter content areas listed in Rule 5-2(d)(2)i. through iv below, and a minimum of twelve SCH in some or all of the ~~following~~ subject-matter content areas listed in Rule 5-2(d)(2)v~~.~~ through xvii below:~~, which are to be contemporaneously derived from the Uniform CPA Examination Blueprints:~~
   i. Financial accounting and reporting for business organizations
   ii. Financial statement auditing ~~Financial accounting and reporting for government and not-forprofit entities~~
   iii. Taxation~~Auditing and attestation services~~
   iv. Accounting information systems~~Managerial or cost accounting~~
   v. Financial accounting and reporting for government and not-for-profit entities ~~Taxation~~
   vi. Attestation engagements
   vii. Managerial or cost accounting
   viii. Mergers and acquisitions
   ~~v.~~ix. Tax and financial planning
   ~~vi.~~x. Fraud examination
   ~~vii.~~xi. Internal controls and risk assessment
   ~~viii.~~xii. Financial statement analysis
   ~~ix.~~xiii. Accounting research and analysis
   ~~x.~~xiv. Tax research and analysis
   ~~xi.~~xv. ~~Accounting information systems~~Data analytics, data interrogation techniques, and/or digital acumen in an accounting context, whether

taken in the business school or in another college or university program, such as the engineering, computer science, or math programs

~~xii.~~xvi. Ethics (accounting course)~~, as described in Rule 5-2 (d) (6)~~

~~xiii.~~xvii. Other accounting-related content areas included in the Uniform CPA Examination Blueprints or as may be approved by the Board.

3. Earned a minimum of two SCH in research and analysis relevant to the course content described in 5-2(d)(2) through a discrete undergraduate and/or graduate accounting course, or two SCH integrated throughout the undergraduate and/or graduate accounting curriculum. Colleges or universities must provide evidence of coverage under integration as specified in Rule 5-2(e). The SCH earned through a discrete course in research and analysis in accounting may fulfill two of the SCH of the accounting subject matter requirements in Rule 5-2(d)(2).
4. Earned a minimum of 24 SCH (or the equivalent) of business ~~courses~~content, other than accounting, at the undergraduate and/or graduate level, covering some or all of the following subject-matter content:
   i. Business law
   ii. Economics
   iii. Management
   iv. Marketing
   v. Finance
   vi. Business communications
   vii. Statistics
   viii. Quantitative methods
   ix. Information systems or technology
   x. Data analytics, data interrogation techniques, and/or digital acumen, whether taken in the business school or in another college or university program, such as the engineering, computer science, or math programs.
   ~~ix.~~xi. Ethics (business course)~~, as described in Rule 5-2 (d) (6)~~
   ~~x.~~xii. Other business-related content areas included in the Uniform CPA Examination Blueprints or as may be approved by the Board.
5. Earned a minimum of two SCH in communications in an undergraduate and/or a graduate course listed or cross-listed as an accounting or business course or two SCH integrated throughout the undergraduate or graduate accounting or business curriculum. Colleges or universities must provide evidence of coverage under integration as specified in 5-2(e). The SCH earned through a discrete course in communications may fulfill two SCH of the subject matter requirements of Rule 5-2(d)(4).
6. Earned a minimum of three SCH in an undergraduate and/or a graduate course listed or cross listed as an accounting or business course in ethics as defined in Rule 5-1(e). A discrete three SCH course in ethics may count towards meeting the accounting or business course requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4). As an alternative, colleges or universities may choose to integrate the course throughout the undergraduate and/or graduate accounting or business curriculum. Universities must provide evidence of coverage under integration as specified in Rule 5-2(e). Proof of coverage may be provided through specific evaluation by a ~~national~~specialized or professional accrediting ~~agency~~ organization recognized by ~~CHEA~~the Board, ~~such as AACSB or ACBSP,~~ in which evidence is provided to assure the Board that the program of learning defined in Rule 5-1(e) has been adequately covered and at the equivalent of the

three SCH minimum. Alternate methods for proof of ethics coverage may be determined and approved by the Board following careful scrutiny.

7. A maximum of nine~~six~~ SCH for internships and independent study, as defined in Rule 5-1(f) and Rule 5-1(g), may count towards the education requirement of Section 5(c) of the Uniform Accountancy Act~~ subject matter requirements of Rule 5-2(d)(2) or Rule 5-2(d)(4)~~. However, of the nine~~six~~ SCH, a maximum of three SCH may apply to accounting ~~courses~~ content required under Rule 5-2(d)(2) and a maximum of three SCH may apply to business ~~courses~~content required under Rule 5-2(d)(4).

(e) Colleges or universities that use an integrated approach to meet the requirements of Rule 5-2(d)(3, 5 or 6) must provide evidence that the respective subjects adequately cover the desired content, with acceptable instruction and quality to attain the objectives. Proof of coverage may be provided through specific evaluation by a specialized or professional~~national~~ accrediting organization~~agency~~ recognized by ~~CHEA~~the Board~~, such as AACSB or ACBSP~~. Alternate methods for proof of coverage may be determined and approved by the Board following careful scrutiny.

Attachment 2

CALIFORNIA BOARD OF ACCOUNTANCY

QUALIFYING FOR A CALIFORNIA CPA LICENSE

HOW TO QUALIFY FOR A CPA LICENSE

Exam
Pass the CPA Exam

Education
Complete the Required Education

Experience
Obtain Accounting Experience

Ethics
Pass the California Professional Ethics Exam

ADDITIONAL EDUCATION REQUIREMENTS

In addition to the CPA Exam requirements of a bachelor's degree and 24 units in each accounting and business-related subjects, you will need:

10 Ethics Study

⇩

7 Semester Units

+

3 Semester Units
(4 quarter units)

In accounting ethics or accountants' professional responsibilities

20 Accounting Study

⇩

6 Semester Units of accounting subjects

+

14 Semester Units of business-related subjects

150 Total Semester Units

EXPERIENCE REQUIREMENTS

12

Months of experience obtained through employment in public or non-public accounting

- ✓ Obtained under the supervision of an individual holding an active CPA license
- ✓ Completed in accordance with the applicable professional standards

---

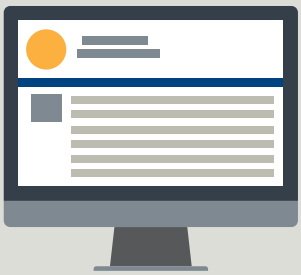
Attest Engagements:
To be issued a license with the ability to sign reports on attest engagements, you must also demonstrate completion of a minimum of 500 hours in attest experience.

Experience in academia can be considered qualifying toward general accounting experience if specific requirements are met and the course(s) are in an accounting subject listed in CBA Regulations.

CALIFORNIA BOARD OF ACCOUNTANCY

APPLYING FOR A CALIFORNIA CPA LICENSE

HOW TO APPLY FOR A CPA LICENSE



Visit the CBA website at https://www.dca.ca.gov/cba/applicants/cpaapp.pdf

Fill out the application → Gather all required documentation → Mail the application and required documentation along with the processing fee

1

CPA LICENSE APPLICATION RECEIVED

Payment and application are processed

Be sure to complete and provide all required documentation. Mail the application with the processing fee.

2

REQUIREMENTS ARE REVIEWED

Passage of the CPA Exam
Education
One year of General Accounting Experience
California Professional Ethics Exam
State/Federal Fingerprint Clearance

Education Requirements include:
Bachelor's Degree
150 semester units
24 units Accounting Subjects
24 units Business-Related Subjects
20 units Accounting Study
10 units Ethics Study

3

CPA LICENSE APPROVED

License issued upon payment of initial license fee

If the application is deficient, additional documentation may need to be submitted.

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment 3

Statutory and Regulatory Requirements for California CPA Educational Requirements

ACCOUNTANCY ACT – BUSINESS AND PROFESSIONS CODE

§ 5094 – Accredited Schools.

(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 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.

§ 5094.3 – Ethics Study.
(a) An applicant for licensure as a certified public accountant shall, to the satisfaction of the board, provide documentation of the completion of 10 semester units or 15 quarter units of ethics study, as set forth in paragraph (2) of subdivision (b) of Section 5093, in the manner prescribed in this section.
(b) (1) Between January 1, 2014, and December 31, 2016, inclusive, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (d), (e), and (f).
(2) Beginning January 1, 2017, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (c), (d), (e), and (f).
(c) A minimum of three semester units or four quarter units in courses at an upper division level or higher devoted to accounting ethics or accountants' professional responsibilities, unless the course was completed at a community college, in which case it need not be completed at the upper division level or higher.
(d) Between January 1, 2014, and December 31, 2016, inclusive, a maximum of 10 semester units or 15 quarter units, and on and after January 1, 2017, a maximum of 7 semester units or 11 quarter units, in the following subjects relating to ethics:
(1) Business, government, and society.
(2) Business law.
(3) Corporate governance.
(4) Corporate social responsibility.
(5) Ethics.
(6) Fraud.
(7) Human resources management.
(8) Business leadership.
(9) Legal environment of business.
(10) Management of organizations.
(11) Morals.
(12) Organizational behavior.
(13) Professional responsibilities.
(14) Auditing.
(e) (1) A maximum of three semester units or four quarter units in courses taken in the following disciplines:
(A) Philosophy.
(B) Religion.
(C) Theology.
(2) To qualify under this subdivision, the course title shall contain one or more of the terms "introduction," "introductory," "general," "fundamentals of," "principles," "foundation of," or "survey of," or have the name of the discipline as the sole name of the course title.
(f) A maximum of one semester unit of ethics study for completion of a course specific to financial statement audits.
(g) An applicant who has successfully passed the examination requirement specified under Section 5082 on or before December 31, 2013, is exempt from this section unless

the applicant fails to obtain the qualifying experience as specified in Section 5092 or 5093 on or before December 31, 2015.

TITLE 16, CALIFORNIA CODE OF REGULATIONS DIVISION 1 – CBA REGULATIONS

§ 9.2 – Education Required Under Business and Professions Code Sections 5092 and 5093.

(a) Each applicant shall present satisfactory evidence that he or she has received a baccalaureate or higher degree, has completed the accounting subjects specified in subsection (b) of this section, and has completed the business-related subjects specified in subsection (c) of this section.
(b) The applicant shall have completed a minimum of 24 semester units, or the equivalent in quarter units, selected from the following accounting subjects: accounting, auditing, financial reporting, external or internal reporting, financial statement analysis or taxation.
(c) In addition to the accounting courses described in subsection (b), an applicant shall have completed a minimum of 24 semester units, or the equivalent in quarter units, selected from the following business-related subjects: accounting subjects in excess of the 24 semester units as described in subsection (b), business administration, economics, finance, business management, marketing, computer science/information systems, statistics, business communications, mathematics, business law, or business related law courses offered by an accredited law school.
(d) Qualifying education shall be completed within the following time frames specified in this subsection:
(1) Except as provided for in subsection (d)(2), applicants shall complete the education required by this section before applying for examination for the first time.
(2) An applicant who applied, qualified, and sat for at least two subjects of the examination for the Certified Public Accountant License before May 15, 2002, may provide evidence of qualifying education at the time of application for licensure.
(e) For purposes of this article, one quarter unit is equivalent to two-thirds of one semester unit.

NOTE: Authority cited: Sections 5010, 5092 and 5093, Business and Professions Code. Reference: Sections 5092, 5093, 5094.3 and 5094.6, Business and Professions Code.

§ 11 – Education Required to Apply for Certified Public Accountant License.

(a) An applicant for certified public accountant licensure after December 31, 2013, shall meet all of the following requirements:
(1) completion of 24 semester units, or the equivalent in quarter units, of accounting subjects as described in Section 9.2(b),
(2) completion of 24 semester units, or the equivalent in quarter units, of business-related subjects as described in Section 9.2(c),
(3) completion of 20 semester units, or the equivalent in quarter units, of accounting study as described in Section 11.1; and
(4) completion of 10 semester units, or the equivalent in quarter units, of ethics study as described in Business and Professions Code Section 5094.3.

(b) An applicant shall present satisfactory evidence that he or she has completed the units required in subsection(a).

NOTE: Authority cited: Sections 5010, 5093 and 5094.6, Business and Professions Code. Reference: Sections 5093, 5094, 5094.3, and 5094.6, Business and Professions Code.

§ 11.1 –Accounting Study.
(a) For an applicant to satisfy the accounting study requirement described in Section 11(a)(3), he or she shall meet either of the following requirements:
(1) conferral of a Master of Accounting, Master of Taxation, or Master of Laws in Taxation degree, or;
(2) completion of 20 semester units, or the equivalent in quarter units, that satisfy the following requirements:
(A) a minimum of six semester units, or the equivalent in quarter units, shall be completed in accounting subjects as described in Section 9.2(b),
(B) a maximum of 14 semester units, or the equivalent in quarter units, may be completed in business-related subjects as described in Section 9.2(c),
(C) a maximum of nine semester units, or the equivalent in quarter units, may be completed in other academic work relevant to accounting and business; and
(D) a maximum of four semester units, or the equivalent in quarter units, may come from internships or independent studies courses which meet the subject matter requirements of Section 11.1(a)(2)(A) or (B).
(b) For the purposes of this section, "other academic work relevant to accounting and business" means:
(1) a maximum of three semester units, or the equivalent in quarter units, in courses that increase an applicant's oral, verbal, written, and presentation skills, as well as increase his or her ability to gather, critically analyze and assess, and reach conclusions. Courses counted towards this requirement shall be completed in any of the following disciplines: English, Communications, Journalism, or the Physical, Life, Natural, and Social Sciences;
(2) a maximum of three semester units, or the equivalent in quarter units, in courses in foreign languages, which may include sign language, or in courses containing the word "culture," "cultural," or "ethnic" in the course title; and,
(3) a maximum of three semester units, or the equivalent in quarter units, in courses that provide applicants with information on the business, economic, or financial market within which a particular industry operates. Courses shall either include the word "industry" or "administration" in the course title, or be completed in one of the following disciplines: Engineering, Architecture, or Real Estate.

NOTE: Authority cited: Sections 5010, 5093 and 5094.6, Business and Professions Code. Reference: Sections 5093 and 5094.6, Business and Professions Code.

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment 4

July 24, 2020

J. Coalter Baker, CPA
Chair, NASBA Uniform Accountancy Act Committee
National Association of State Boards of Accountancy
150 Fourth Avenue North, Suite 700
Nashville, TN 37219

RE: Statement on the NASBA Exposure Draft Regarding the Uniform Accountancy Act's Model Rules (May 2020)

Dear Mr. Baker:

On behalf of the California Board of Accountancy (CBA), I am pleased to submit our comments on the National Association of State Boards of Accountancy's (NASBA) Exposure Draft on the Uniform Accountancy Act's Model Rules (*Model Rules*) that pertain to education requirements for those wishing to enter the CPA profession.

The CBA supports efforts to revise the *Model Rules* to encourage uniformity among education requirements for CPA licensure across the states. This is consistent with the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy.

Current CBA statutes, regulations, and best practices regarding education requirements are in line with NASBA's proposed changes to the Model Rules. Therefore, the CBA does not have any comment on the Exposure Draft at this time, and would take a neutral position on the proposal. The CBA will continue to monitor the changes proposed by this Exposure Draft and may make comments on any future versions submitted for public comment.

The CBA is grateful for the opportunity to comment on this Exposure Draft and your continued hard work in encouraging uniformity among the states.

Sincerely,

Nancy J. Corrigan, CPA
President

cc: Members, California Board of Accountancy
Patti Bowers, Executive Officer

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item I.J.
July 23, 2020

Discussion and Possible Action to Amend Title 16, California Code of Regulations Sections 98, 99, and 99.1 – Disciplinary Guidelines; Substantial Relationship Criteria; Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, and Reduction of Penalty; and Adopt Title 16, California Code of Regulations Section 99.2 – Directly and Adversely Related Financial Crime Criteria

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is twofold:

1. To provide the California Board of Accountancy (CBA) the opportunity to consider any public comments (written or oral) and provide any responses, and
2. To provide the CBA an opportunity to adopt proposed amendments to Title 16, California Code of Regulations (CBA Regulations) sections 98, 99, and 99.1, adopt a new regulation section 99.2.

Consumer Protection Objectives

Ensuring the CBA maintains updated and current Disciplinary Guidelines and Model Orders (Disciplinary Guidelines) and substantial relationship and rehabilitation criteria that conforms to enabling statutes is consistent with the CBA's mission of consumer protection.

Action(s) Needed

The CBA will be asked to consider and adopt positions on whether to accept or reject (including in whole or in part) public comments received and to adopt proposed amendments to CBA Regulations sections 98, 99, 99.1 and adopt a new section, 99.2.

Background

CBA Consideration of Proposed Regulatory Text

During the 2018 legislative year, the Legislature passed Assembly Bill (AB) 2138 (Chiu, Chapter 995) (**Attachment 1**). AB 2138 recast how DCA boards/bureaus evaluate applications for initial licensure, especially related to weighing past criminal convictions.

AB 2138 took effect July 1, 2020. The most impactful changes of AB 2138 that effect the CBA's regulatory text included adjusting the CBA's substantial relationship criteria, rehabilitation criteria, and the adoption of a new definition for direct and adverse financial felony convictions. In addition to the changes required by AB 2138, the CBA also considered various changes to its Disciplinary Guidelines.

At the January 2019 CBA meeting, the Enforcement Program Oversight Committee (EPOC) considered various changes to the following:

- Substantial Relationship Criteria.

  The AB 2138-required changes included the addition of the following: the nature and gravity of the offense, the number of years elapsed since the date of the offense, and the nature and the duties of the profession which the applicant seeks licensure or in which the licensee is licensed.

  The CBA also considered a staff-proposed additional change to the criteria as follows: "Crimes that reflect a lack of sound professional or personal judgment relevant to the practice of public accountancy, regardless of whether harm has occurred to a consumer."

- Rehabilitation Criteria.

  The AB 2138-required changes included the addition of the following: the applicant or licensee has completed the criminal sentence at issue without a violation of parole or probation, and that a board, applying its criteria for rehabilitation, finds that the applicant is rehabilitated.

- Disciplinary Guidelines

  The CBA reviewed several previously approved modifications to the Disciplinary Guidelines and two additional staff-proposed change to include: transitioning the Ethics Continuing Education and Regulatory Review Course terms and conditions of probation from optional terms to standard terms, and require the Samples – Audit, Review, and Compilation term and condition of probation required when the Peer Review term and condition is ordered.

The EPOC reported to the CBA that it supported the staff-proposed changes and directed staff to present final language to the CBA for its consideration at the March 2019 meeting.

At the March 2019 CBA meeting, the CBA considered various changes to the following:

- Substantial Relationship Criteria.

  Again, staff provided proposed text for CBA consideration. Staff noted that the text it originally presented in January 2019 remained largely unchanged. The only change was to make some minor formatting changes to the text to more closely align with model text circulated to the board/bureaus by the Department of Consumer Affairs (DCA).

- Rehabilitation Criteria.

  As with the substantial relationship criteria, staff, again, presented proposed regulatory text. Staff noted that the language remained mostly unchanged, with the exception of some minor formatting changes. Staff did note that it added a new subsection for the CBA's consideration that indicated that a showing of rehabilitation supported by did not itself constitute a finding that an individual is rehabilitated.

- Directly and Adversely Financial Crime Criteria

  This was a wholly new section staff presented to the CBA, both that it was not part of the CBA's discussion at the January 2019 meeting and that it was not an existing regulation. Staff noted that DCA had convened a working group of the various board/bureaus with a carve out (beyond the seven-year washout period for most crimes) related to continuing to deny licensure for select direct and adverse financial crimes.

  Staff reported on a model was developed by DCA that performed a five-year look back at financially related crimes for which the Contractors' State License Board (CSLB) had denied licensure. Staff informed the CBA that it employed a similar approach, with adjustments taking into consideration the differences between the CBA and CSLB. The most notable difference is the overall size of the licensee and application volume between the CBA and CSLB. CSLB receives considerably more applications than the CBA and, therefore, sees more criminal convictions that lead to denial of licensure.

  Staff noted that as the CBA has denied considerably fewer applications with criminal convictions, including those with financial crimes, staff used the following methodology: evaluate all denials and license discipline with financial crimes over the previous seven-year period (2012-2018).

At the March 2019 meeting, the CBA adopted the proposed regulatory text and directed staff to take the necessary steps to initiate a rulemaking.

Lastly, at its November 2019 meeting, the CBA discussed some final modifications to the rehabilitation criteria. The CBA revisited these criteria at the request of DCA. During DCA's review of the rulemaking materials, it noted some construction issues with the rehabilitation criteria. Two items that were listed in the text approved by the CBA at the March 2019 meeting were not actually criteria and were actually an application of how to view whether certain criteria were met. This led to the need to reformat the criteria.

The CBA adopted the revised regulatory text and directed staff to incorporated the proposed changes into the rulemaking materials under review by the CBA.

Overview of the Rulemaking Process

California requires that a state agency follow the Administrative Procedure Act (APA) (Government Code section 11340 *et. seq.*) when adopting a regulation. This is commonly referred to as the rulemaking process.

The Legislature created and entrusted the Office of Administrative Law (OAL) with ensuring that a state agency complies with the rulemaking procedures and standards required by the APA. The rulemaking process provides:

- The public a meaningful opportunity to participate, and
- Ensures that the state agency creates an adequate record for OAL and judicial review.

Provided OAL determines that a state agency has satisfied the basic requirements of the APA, it will approve the regulation(s). Regulations properly adopted through the APA and approved by OAL have the same force of law.

There are several steps that make up the rulemaking process, many of which are time sensitive. Additionally, for the CBA, there are various state agencies that must review and sign off on any regulations the CBA seeks to adopt or amend.[1]

One of the primary purposes of the rulemaking process is to provide the public an opportunity to participate in a state agency's consideration and adoption of a regulation. One of the steps included in the APA is that a state agency must file a Notice of Proposed Action (Notice) with the OAL. The Notice contains various information

[1] DCA; Business, Consumer Services and Housing Agency, and Department of Finance

regarding the purpose and nature of the proposed regulation. It also has important information for the public, including:

- Deadlines for submitting comments,
- Date, time, and location of a public hearing,
- Where to locate and obtain copies of supporting information for the proposed regulation, and
- Point of contact for the state agency.

Once the Notice is filed, OAL will publish the Notice in its weekly publication *The California Regulatory Notice Register (Notice Register)*. The publication of the Notice in the *Notice Register* begins the required 45-day written public comment period. During this period, individuals of the public may submit written comments regarding the proposed rulemaking. According to OAL:

> Effective comments are based on an understanding of the statutes and factual material the agency relies on in proposing the regulation, on an understanding of what the proposed regulation is intended to do, and on an understanding of the standards the regulation must satisfy. Comments should be directed at the proposed regulation provisions and/or procedures followed by the agency in proposing the regulations. One of the primary purposes of providing the opportunity for public comment is to allow interested persons to present ways of improving the regulations.

The CBA filed the necessary documents with OAL to allow the 45-day public comment period to occur, which concluded on June 23, 2020. The CBA conducted the public hearing at its office on June 26, 2020.

Comments

As part of the rulemaking process, the CBA will now need to consider any public comments and whether to amend and adopt the proposed regulatory text. To assist the CBA in evaluating public comments received during the public comment phase of the rulemaking process, staff have attached the following documents:

- Notice of Proposed Action (**Attachment 2**)
- Initial Statement of Reasons (**Attachment 3**)
- Proposed Regulatory Text (**Attachment 4**)

OAL published the Notice of Proposed Action in the *Notice Register*, while staff posted all three documents to its website noting proposed regulatory action.

Public Comment
As part of completing the rulemaking activities, the CBA must address all public comments. When considering a comment, the CBA can accept or reject a comment in whole or in part (thus accepting part of a comment and rejecting part of a comment).

When accepting a comment, the CBA needs to explain how it modified the regulatory action to accommodate for the change. When rejecting a comment, the CBA must provide an explanation for its rejection. For certain rejections, the CBA may dismiss a comment if the comment is not specifically directed at the regulatory action.

The CBA must include the responses to the comments in the Final Statement of Reasons, which is included in the completed rulemaking materials for OAL's consideration in the approval/disapproval of the rulemaking file.

The CBA received two written public comments during the 45-day public comment period; however, the CBA did not receive any public comments during the public hearing. The CBA received written comments from:

- Thomas Spitter, CPA (**Attachment 5**), and
- Faride Perez-Aucar, Roots and Rebound, and Vinuta Naik, Community Legal Services in East Palo Alto, on behalf of 20 separate organizations (**Attachment 6**, list of organizations on pages 6 and 7) (Roots and Rebound).

For each of the written comments, staff have provided a summary and a proposed response, including whether to accept or reject the comment. The Roots and Rebound comment contains general comments and comments on sections 99, 99.1, and 99.2. To address this, staff have divided the summaries and proposed responses into individual comments. Further, staff have created **Attachment 7** to aid in reviewing and identifying the comments staff summarized together. The letter received is only altered for this purpose, with staff having highlighted each of the comments summarized in a different color and placed a text box noting the comment number before each section. Otherwise, **Attachments 6** and **7** are identical.

*Thomas Spitter, CPA (**Attachment 5**)*
Summary Comment:
The comment relates to personal matters regarding his relatives.

Staff Recommended Response:
The CBA rejects this comment. While the commenter's reference indicates he has reviewed the "Notice of Proposed Changes in the Regulations," he fails to address any

of the proposed regulatory text. Therefore, as the comment has no bearing on the regulations, it is rejected.

*Roots and Rebound (**Attachments 6** and **7**)*
Summary Comment #1:
This comment states that the proposed regulations leave some gaps in the regulatory scheme pursuant to the changes to Business and Professions Code (BPC) sections 480, 481, 482, and 493 as modified by AB 2138. The comment states that the proposed regulations fail to fully implement these statutes. Additionally, the comment states that the proposed regulations fall short of the intent of the bill, which includes combating discrimination against people with records who have demonstrated rehabilitation and seek to establish themselves professionally.

Staff Recommended Response – Summary Comment #1:
The CBA rejects this comment. The purpose of much of the proposed regulations is to clarify substantial relationship criteria and rehabilitation criteria, as required by AB 2138 (BPC sections 481 and 482, respectively). Consistent with the requirements enacted by AB 2138, for the substantial relationship criteria found in CBA Regulations section 99, the CBA is proposing regulatory text consistent with and required by BPC section 481, and which would assist the CBA in implementing a balanced approach to evaluating an applicant's eligibility for licensure. Specifically, the CBA is adding the following factors when evaluating criminal convictions as required by BPC section 480, subdivision (b):

1. The nature and gravity of the offense.
2. The number of years elapsed since the date of the offense.
3. The nature and duties of the profession in which the applicant seeks licensure or in which the licensee is licensed.

Additionally, the CBA is proposing adding several new rehabilitation criteria to CBA Regulations section 99.1, specifically subsection (a)(6)-(12). Further, the CBA has included regulatory text in subsections (b) through (d) consistent with the requirements of AB 2138, BPC section 482.

Clarifying how to determine whether a crime is substantially related and clarifying the factors that will be considered when evaluating rehabilitation should assist applicants and licensees with demonstrating their rehabilitation. Accordingly, the CBA is making no changes to the proposed regulations in response to this comment.

Summary Comment #2
The proposed regulations do not comply with AB 2138 because CBA Regulations section 99 lists certain crimes, professional misconduct, and acts and defines them as

substantially related regardless of the time that has passed or the nature and gravity of the offense in contravention of AB 2138 (BPC section 481). Moreover, the section fails to note that criminal history that resulted in the applicant obtaining a certificate of rehabilitation, pardon, dismissal per Penal Code section 1203.4 *et seq.*, or an arrest that resulted in a disposition other than a conviction shall not be denied a license (see BPC section 480, subdivisions (b)-(d)).

The commenters also notes "we object to [CBA Regulations] section 99(c)(4) as vague, overbroad, and unclear."

Staff Recommended Response – Summary Comment #2
The CBA rejects this comment. The evaluation process under amendments to CBA Regulations section 99 flows from subsection (a), which provides a description of the circumstances under which a substantial relationship determination may be made. Through subsection (a), it flows to subsection (b), which defines the exact same three criteria as required by BPC section 481:

1. The nature and gravity of the offense.
2. The number of years elapsed since the date of the offense.
3. The nature and duties of the profession in which the applicant seeks licensure or in which the licensee is licensed.

Finally, flowing to subsection (c), which states "(c) For purposes of subdivision (a), a substantially related crime, professional misconduct, or act shall include, but are not limited to, the following…"

On its face, subsection (c) does not require a *per se* determination of relationship irrespective of time passed. Proposed CBA Regulations section 99 is, therefore, consistent with BPC section 481.

The argument made regarding failure to include a note stating the CBA shall not deny a license in cases where the criminal history led to a certificate of rehabilitation, pardon, or dismissal per Penal Code section 1203.4 *et seq,* or an arrest resulting in a disposition other than a conviction is asking the CBA to unnecessarily duplicate statutory text in regulation.

Regulations should not indiscriminately incorporate statutory language (Government Code section 11349, subdivision (f), nonduplication standard). BPC section 480, subdivision (c), as amended by AB 2138 and effective on July 1, 2020, already states that a license may not be denied based on a conviction, or on the basis of the

underlying acts, if it has been dismissed pursuant to Penal Code sections 1203.4, 1203.4a, 1203.41, 1203.42, or 1203.425, or otherwise dismissed or expunged.

In addition, BPC section 480, subdivision (b), prohibits license denial if the applicant has obtained a certificate of rehabilitation, was granted clemency or a pardon, or has made a showing of rehabilitation per BPC section 482. Since these are already specifically addressed in statute, adding them again in regulation would be duplicative. Accordingly, the CBA is making no changes to the regulations in response to this comment.

Lastly, concerning the commenters' concerns regarding the proposed amendment to CBA Regulations section 99, subsection (c)(4), as being "vague, overbroad, and unclear," without an additional articulation of what is vague, overbroad, and unclear the CBA cannot further address the concern. Additionally, in the Initial Statement of Reasons developed to articulate the addition of this amendment, the CBA notes, the proposed criteria are consistent with California case law.

In *Griffiths v. Superior Court* (2002) 96 Cal.App.4th 757, the court ruled that there must be a sufficient nexus between a licensee's conduct and the qualifications, functions, or duties of the profession. The court concluded that a nexus exists if the there is a "lack of sound professional and personal judgment" relevant to the licensee's fitness and competence to practice. The addition of this language is to aid in transparency in identifying the types of crimes or conduct that the CBA may consider to be substantially related to the practice of public accountancy.

Accordingly, the CBA is making no changes to the proposed regulations in response to this comment.

Summary Comment #3
The commenters raise issue with aspects of the rehabilitation criteria outlined in CBA Regulations section 99.1. The commenters note that proposed CBA Regulations section 99.1, subsection (a)(2), states an individual's criminal record is a criterion of an individual's rehabilitation. Further CBA Regulations 99.1, subsection (a)(9), states "the individual's history of violations" (the latter of which is also listed in the Board's Disciplinary Guidelines and Model Orders, 10th Edition 2019), is a criterion of an individual's rehabilitation. The commenters argue that this:

> undermine[s] the seven-year time limitation in AB 2138, where, except in certain circumstances, the board may deny a license to an applicant only on the basis of certain actions that occurred within the preceding 7 years. Allowing the examination of an applicant's history of violations and their criminal record to determine rehabilitation subverts AB 2138.

Lastly, the commenters also include a suggestion that the CBA include examples of rehabilitation to expand the rehabilitation criteria, which the commenter notes are found in Number 5 of the comment (pages 6-7). This comment states that the intent of AB 2138 was not to incorporate mere probation or parole reports into the occupational licensing determinations.

The commenters state that rehabilitation can and does take many forms that extend beyond law enforcement supervision. Therefore, the letter recommends that the CBA provide additional examples of evidence of mitigating circumstances and rehabilitation efforts, which the commenters provides enumerated examples.

Staff Recommended Response – Comment #3
The CBA rejects this comment. The CBA does not agree with the argument that consideration of 'an individual's criminal record' in proposed CBA Regulations section 99.1, subsection (a)(2), undermines the seven-year time limitation imposed via AB 2138. CBA Regulations section 99.1, subsection (a)(2), which is unchanged by this rulemaking, reads in full "Criminal record and evidence of any act(s) committed *subsequent* to the act(s) or offense(s) under consideration which could also be considered as grounds for denial, suspension, or revocation" (emphasis added).

Only criminal record *subsequent* to the record giving rise to the denial, suspension, or revocation may be considered. Because BPC sections 475 *et seq*. determine which crimes may form the basis of an adverse action, the fact that section 99.1, subsection (a)(2), is limited to the consideration of criminal record and evidence of conduct *more recent* than an otherwise useable act means the scope of history that may be considered can reach back no further than the incident giving rise to the adverse action.

Regarding the issue of section 99.1, subsection (a)(9), the "history of violations" is intended to refer to violations of the "laws and rules of licensure" as described in the CBA's Initial Statement of Reasons (at page 6). The criteria are, nonetheless, bound by existing statute, including limitations established through AB 2138.

Lastly, BPC section 482, as amended by AB 2138, requires boards to develop criteria to evaluate rehabilitation and to consider whether an applicant or licensee has made a showing of rehabilitation if either the criminal sentence has been completed without violation of probation or parole, or if the board otherwise finds the applicant rehabilitated.

The text for proposed CBA Regulations section 99.1 articulates the process for evaluating rehabilitation:

1. First, subsection (a) articulates that there are a set of enumerated criteria, further subsections (a)(1) through (a)(13), that will be applied when considering the denial of a certificate or permit under BPC section 480, when considering the suspension or revocation of a certificate or permit under BPC section 5100, or when considering restoration of a revoked certificate or reduction of penalty under BPC section 5115.
2. Second, subsection (b) establishes that when the decision is whether to issue a license to an applicant that has been convicted of a crime, the Board will consider whether the applicant made a showing of rehabilitation, if the applicant has completed the sentence at issue without violation of parole or probation.
3. Third, subsection (c) establishes that in all other circumstances the Board must consider the criteria in (a)(1) through (a)(13) to evaluate rehabilitation.

Where an inquiry into rehabilitation is made and criteria are considered, subsection (a)(13), which is a general category permitting submission of any rehabilitation evidence, allows an applicant to offer evidence relating to the proposed categories suggested by the commenters. Further, subsection (a)(12) allows for the consideration of "other aggravating or mitigating factors." The applicant is not precluded from submitting any evidence the applicant believes establishes rehabilitation. For these reasons, the CBA believes that the proposed language is consistent with legislative intent.

Accordingly, the CBA is making no changes to the regulations in response to this comment.

Summary Comment #4
The commenters note proposed CBA Regulations section 99.2 describes the criteria to evaluate directly and adversely related financial crimes related to the fiduciary qualifications, functions, or duties. The commenters suggest incorporating the Department of Fair Employment and Housing's regulations regarding consideration of criminal history in employment decisions, at California Code of Regulations section 11017.1. Specifically, the commenters suggest looking at section 11017.1, subsection (e), which established a different relatedness standard for criminal convictions. The commenters note a policy must be tailored and take into account:

1. The nature and gravity of the offense or conduct,
2. The time that has passed since the event or conduct and/or the completion of a sentence, and
3. The nature of the job held or sought.

The commenters argue that maintaining a 'directly and adversely' standard of relatedness that does not match the factors of the 'substantial relationship' regulation, "the [CBA] sets up two different standards." The commenters, therefore, suggest the CBA include the three above factors in the 'directly and adversely related' criteria to bring the two standards into alignment, and to "allow for an assessment of the individual circumstances, the amount of time that has passed, and how the criminal history is related to the functions of a certified public accountant."

Finally, the commenters argue that the CBA should only consider felony financial crimes that are "directly and adversely tied to the qualifications, duties, and/or functions of a certified public accountant."

Staff Recommended Response – Comment #4
The CBA rejects this comment. The commenters seek to align the historical standard of substantial relationship with the newly established standard of directly and adversely. As part of the commenters' suggestion, they argue the CBA should look to the Department of Fair Employment and Housing's regulation regarding consideration of criminal history in employment decisions.

In adopting the select carve out for financial-based crimes for the CBA and select other DCA entities, it specifically created a new standard of directly and adversely. The Legislature could have continued to apply the standard of substantial relationship; however, it appears the Legislature sought to differentiate these types of crimes and have the select entities develop a definition around a new standard of directly and adversely. Further, the Legislature could have required the CBA, or the other select DCA entities, to include minimum specified criteria, similar to what is required, as part of the substantial relationship criteria in BPC section 481, yet the Legislature did not. Instead, the Legislature expressly created a new standard by which to consider certain types of financial-based felony convictions, establishing the directly and adversely standard.[2]

As the Legislature developed a new standard, one without any further definition, it provided the CBA with the requirement to develop a definition via regulation. As noted in the CBA's Initial Statement of Reasons, the substantial relationship standard has been developed and refined over the years with case law. As no such case law exists for the directly and adversely standard and, as the Legislature sought to create a separate and distinct standard by which to evaluate select felony convictions for select

[2] The directly and adversely standard was originally codified by amendments included in AB 2138 (BPC 480, subsection (a)(1)(B)) and subsequently modified to remove the fiduciary connection for the CBA by AB 1521 (BPC section 5100.2, subdivision (a)).

DCA entities, the proposed language endeavors to provide a balanced approach to defining a new standard.

In reviewing the three proposed criteria found in the Department of Fair Employment and Housing's regulations, these appear addressed by the enabling legislation itself.

1. The nature and gravity of the offense or conduct.

   The Legislature already defined this inasmuch as the nature and gravity are deemed to be a felony conviction of a financial nature that has had a direct and adverse effect. With this already noted in the statute, it would be unnecessary to include in the proposed regulation.

2. The time that has passed since the event or conduct and/or the completion of a sentence.

   One of the primary effects of AB 2138 was to establish a uniform amount of time that various licensing agencies use in evaluating an applicant's criminal history. The legislation established a seven-year period, with limited exceptions for select serious felonies. This limited exception is for all DCA entities. Additionally, the Legislature took further steps to allow for select DCA entities to consider time beyond the seven-year period for certain financial-based felony convictions.

3. The nature of the job held or sought.

   The proposed regulation already addresses the fact that the felony conviction must be related to the qualifications, functions, or duties of a certified public accountant.

Realizing that the Legislature established a new standard, the CBA seeks to tie the financial harm to the direct and adverse impact to having a direct financial benefit to the applicant or another person or direct financial harm to the other person or entity.

Accordingly, the CBA is making no changes to the regulations in response to this comment.

Summary Comment #5
The commenters conclude their letter (pages 6-7) with six enumerated items they believe the CBA should incorporate into the proposed regulations. Staff grouped Numbers 1-4 and 6 together for this summary, with staff having combined Number 5

with Summary Comment #3, as the comment was applicable to the rehabilitation criteria discussed earlier.

For Numbers 1-4 and 6, commenters request a number items that are covered and spelled out in the enabling statutes. These requests include reference to:

1. The seven-year washout period (BPC section 480, subdivision (a)),
2. The fact that a person with a criminal history shall not be denied a license if the applicant has obtained a certificate of rehabilitation, dismissal per Penal Code section 1203.4, 1203.4a, 1203.41, or 1203.42, or an arrest which led to an infraction/citation or a disposition other than a conviction, or juvenile adjudication (BPC section 480, subdivision (b) through (d)),
3. The fact that a person shall not be required to disclose any information or documentation regarding the applicant's criminal history (BPC section 480, subdivision (f)(2)),
4. The requirement that a board shall notify the applicant in writing if they are denied or disqualified for licensure, including the procedures to challenge or appeal (BPC section 480, subdivision (f)(3)),
6. The requirement that a board maintain statistical information regarding applicants who have a criminal record who apply for licensure, as specified (BPC section 480, subdivision (g)).

Staff Recommended Response – Summary Comment #5
The CBA rejects this comment. As noted earlier, regulations should not indiscriminately incorporate statutory language (Government Code section 11349, subdivision (f), nonduplication standard). In each of the above requests, the commenters seek to have the CBA incorporate unnecessary and duplicative statutory language into the CBA-proposed regulations. Accordingly, the CBA is making no changes to the regulations in response to this comment.

Adoption of Proposed Regulatory Text
The CBA has two options for a motion to adopt the proposed amendments to CBA Regulations section 98, 99, 99.1 and to adopt CBA Regulations section 99.2.

Option 1: If no additional changes are to be, the following motion is suggested:

- Adopt the regulatory text in Title 16, California Code of Regulations sections 98, 99, 99.1, and 99.2,
- 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 OAL, and

- Authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

Option 2: If substantive changes are to be made, the following motion is suggested:

- Approve the modified regulatory text to California Code of Regulations sections 98, 99, 99.1, and 99.2, including sending out the modified text for an additional 15-day comment period,
- If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations and adopt the proposed regulations as described in the modified notice; and
- 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 OAL.

Staff are requesting that the CBA consider additional modifications to the originally approved and noticed text for the present rulemaking (**Attachment 8**). The proposed changes are confined to proposed amendments to CBA Regulations section 99.1 (Rehabilitation Criteria) and the adoption of CBA Regulations section 99.2 (Directly and Adversely Financial Crimes Criteria). Each change is noted in double strikethrough and double underline.

The changes being proposed to rehabilitation criteria were requested by the Business, Consumer Services, and Housing Agency. During its review of the proposed text, it noted that this applicability of the rehabilitation criteria to applicants and licensees, and to applicants who have completed their criminal sentence without a violation of parole or probation, and those applicants who had not was unclear.

Working with the Business, Consumer Services, and Housing Agency and DCA Legal Affairs Office, subsection (c) was significantly expanded to provide the scenarios of how to use the rehabilitation criteria when the applicant has been convicted of a crime and did not complete the criminal sentence without a violation of probation or parole, and in those circumstances where the CBA will be considering an applicant that was subject to formal discipline by licensing board inside or outside of California. Additionally, minor changes were made to subsection (d) to improve clarity and readability.

As for the changes to the adoption of new CBA Regulations section 99.2, the changes are to subsection (a) to remove the word “fiduciary” and to update the Authority and Reference sections. As part of AB 1521, the Legislature amended BPC 480 to remove the CBA from the list of licensing agencies that could consider, beyond the seven-year

washout period, certain financial felonies that are directly and adversely related to the fiduciary qualifications, functions, or duties of the business or profession for which the application is made.

The Legislature created a new statute BPC section 5100.2, specific to the CBA. This new section removes the word "fiduciary." As a result, the word is removed from the proposed text and, as BPC section 480 is no longer the appropriate Authority or Reference, it has been updated to reflect BPC section 5100.2.

Fiscal/Economic Impact Considerations

The proposed regulatory text will have minimal and absorbable fiscal impact to the CBA. It is anticipated that the proposed regulations will not have an economic impact.

Recommendation

Public Comment

Staff recommend that the CBA adopt the Staff Recommended Responses for the various comments regarding the proposed regulatory text.

Adoption of Proposed Regulatory Text

Staff recommend that the CBA adopt the motion identified in *Option 2*, as follows:

- Approve the modified regulatory text to California Code of Regulations sections 98, 99, 99.1, and 99.2, including sending out the modified text for an additional 15-day comment period,
- If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations and adopt the proposed regulations as described in the modified notice; and
- 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 OAL.

Attachments

1. Assembly Bill 2138
2. Notice of Proposed Action
3. Initial Statement of Reason
4. Proposed Regulatory Text
5. Comment Received from Thomas Spitters, CPA
6. Comment Received from Roots and Rebound and Community Legal Services in East Palo Alto, on behalf of 20 separate organizations

7. Color Coded – Comment Received from Roots and Rebound and Community Legal Services in East Palo Alto, on behalf of 20 separate organizations
8. Modified Proposed Text

STATE OF CALIFORNIA
AUTHENTICATED
ELECTRONIC LEGAL MATERIAL

Attachment 1

Assembly Bill No. 2138

CHAPTER 995

An act to amend, repeal, and add Sections 7.5, 480, 481, 482, 488, 493, and 11345.2 of, and to add Section 480.2 to, the Business and Professions Code, relating to professions and vocations.

[Approved by Governor September 30, 2018. Filed with Secretary of State September 30, 2018.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2138, Chiu. Licensing boards: denial of application: revocation or suspension of licensure: criminal conviction.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law authorizes a board to deny, suspend, or revoke a license or take disciplinary action against a licensee on the grounds that the applicant or licensee has, among other things, been convicted of a crime, as specified. Existing law provides that a person shall not be denied a license solely on the basis that the person has been convicted of a felony if he or she has obtained a certificate of rehabilitation or that the person has been convicted of a misdemeanor if he or she has met applicable requirements of rehabilitation developed by the board, as specified. Existing law also prohibits a person from being denied a license solely on the basis of a conviction that has been dismissed, as specified. Existing law requires a board to develop criteria to aid it when considering the denial, suspension, or revocation of a license to determine whether a crime is substantially related to the qualifications, functions, or duties of the business or profession the board regulates and requires a board to develop criteria to evaluate the rehabilitation of a person when considering the denial, suspension, or revocation of a license.

This bill would revise and recast those provisions to instead authorize a board to, among other things, deny, revoke, or suspend a license on the grounds that the applicant or licensee has been subject to formal discipline, as specified, or convicted of a crime only if the applicant or licensee has been convicted of a crime within the preceding 7 years from the date of application that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, regardless of whether the applicant was incarcerated for that crime, or if the applicant has been convicted of a crime that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made and for which the applicant is presently incarcerated or for which the applicant was released from incarceration within the preceding 7 years, except as specified. The bill would prohibit a board from

denying a person a license based on the conviction of a crime, or on the basis of acts underlying a conviction, as defined, for a crime, if the conviction has been dismissed or expunged, if the person has provided evidence of rehabilitation, if the person has been granted clemency or a pardon, or if an arrest resulted in a disposition other than a conviction.

The bill would require the board to develop criteria for determining whether a crime is substantially related to the qualifications, functions, or duties of the business or profession. The bill would require a board to consider whether a person has made a showing of rehabilitation if certain conditions are met. The bill would require a board to follow certain procedures when requesting or acting on an applicant's or licensee's criminal history information. The bill would also require a board to annually submit a report to the Legislature and post the report on its Internet Web site containing specified deidentified information regarding actions taken by a board based on an applicant or licensee's criminal history information.

Existing law authorizes a board to deny a license on the grounds that an applicant knowingly made a false statement of fact that is required to be revealed in the application for licensure.

This bill would prohibit a board from denying a license based solely on an applicant's failure to disclose a fact that would not have been cause for denial of the license had the fact been disclosed.

Existing law authorizes a board, after a specified hearing requested by an applicant for licensure to take various actions in relation to denying or granting the applicant the license.

This bill would revise and recast those provisions to eliminate some of the more specific options that the board may take in these circumstances.

This bill would clarify that the existing above-described provisions continue to apply to the State Athletic Commission, the Bureau for Private Postsecondary Education, and the California Horse Racing Board.

This bill would also make necessary conforming changes.

This bill would make these provisions operative on July 1, 2020.

The people of the State of California do enact as follows:

SECTION 1. Section 7.5 of the Business and Professions Code is amended to read:

7.5. (a) A conviction within the meaning of this code means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Any action which a board is permitted to take following the establishment of a conviction may be taken when the time for appeal has elapsed, or the judgment of conviction has been affirmed on appeal or when an order granting probation is made suspending the imposition of sentence, irrespective of a subsequent order under the provisions of Section 1203.4 of the Penal Code. However, a board may not deny a license to an applicant who is otherwise qualified pursuant to subdivision (b) of Section 480.

Nothing in this section shall apply to the licensure of persons pursuant to Chapter 4 (commencing with Section 6000) of Division 3.

(b) This section shall become inoperative on July 1, 2020, and, as of January 1, 2021, is repealed.

SEC. 2. Section 7.5 is added to the Business and Professions Code, to read:

7.5. (a) A conviction within the meaning of this code means a judgment following a plea or verdict of guilty or a plea of nolo contendere or finding of guilt. Any action which a board is permitted to take following the establishment of a conviction may be taken when the time for appeal has elapsed, or the judgment of conviction has been affirmed on appeal or when an order granting probation is made suspending the imposition of sentence. However, a board may not deny a license to an applicant who is otherwise qualified pursuant to subdivision (b) or (c) of Section 480.

(b) (1) Nothing in this section shall apply to the licensure of persons pursuant to Chapter 4 (commencing with Section 6000) of Division 3.

(2) This section does not in any way modify or otherwise affect the existing authority of the following entities in regard to licensure:

(A) The State Athletic Commission.

(B) The Bureau for Private Postsecondary Education.

(C) The California Horse Racing Board.

(c) Except as provided in subdivision (b), this section controls over and supersedes the definition of conviction contained within individual practice acts under this code.

(d) This section shall become operative on July 1, 2020.

SEC. 3. Section 480 of the Business and Professions Code is amended to read:

480. (a) A board may deny a license regulated by this code on the grounds that the applicant has one of the following:

(1) Been convicted of a crime. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Any action that a board is permitted to take following the establishment of a conviction may be taken when the time for appeal has elapsed, or the judgment of conviction has been affirmed on appeal, or when an order granting probation is made suspending the imposition of sentence, irrespective of a subsequent order under the provisions of Section 1203.4, 1203.4a, or 1203.41 of the Penal Code.

(2) Done any act involving dishonesty, fraud, or deceit with the intent to substantially benefit himself or herself or another, or substantially injure another.

(3) (A) Done any act that if done by a licentiate of the business or profession in question, would be grounds for suspension or revocation of license.

(B) The board may deny a license pursuant to this subdivision only if the crime or act is substantially related to the qualifications, functions, or duties of the business or profession for which application is made.

(b) Notwithstanding any other provision of this code, a person shall not be denied a license solely on the basis that he or she has been convicted of a felony if he or she has obtained a certificate of rehabilitation under Chapter 3.5 (commencing with Section 4852.01) of Title 6 of Part 3 of the Penal Code or that he or she has been convicted of a misdemeanor if he or she has met all applicable requirements of the criteria of rehabilitation developed by the board to evaluate the rehabilitation of a person when considering the denial of a license under subdivision (a) of Section 482.

(c) Notwithstanding any other provisions of this code, a person shall not be denied a license solely on the basis of a conviction that has been dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41 of the Penal Code. An applicant who has a conviction that has been dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41 of the Penal Code shall provide proof of the dismissal.

(d) A board may deny a license regulated by this code on the ground that the applicant knowingly made a false statement of fact that is required to be revealed in the application for the license.

(e) This section shall become inoperative on July 1, 2020, and, as of January 1, 2021, is repealed.

SEC. 4. Section 480 is added to the Business and Professions Code, to read:

480. (a) Notwithstanding any other provision of this code, a board may deny a license regulated by this code on the grounds that the applicant has been convicted of a crime or has been subject to formal discipline only if either of the following conditions are met:

(1) The applicant has been convicted of a crime within the preceding seven years from the date of application that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, regardless of whether the applicant was incarcerated for that crime, or the applicant has been convicted of a crime that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made and for which the applicant is presently incarcerated or for which the applicant was released from incarceration within the preceding seven years from the date of application. However, the preceding seven-year limitation shall not apply in either of the following situations:

(A) The applicant was convicted of a serious felony, as defined in Section 1192.7 of the Penal Code or a crime for which registration is required pursuant to paragraph (2) or (3) of subdivision (d) of Section 290 of the Penal Code.

(B) The applicant was convicted of a financial crime currently classified as a felony that is directly and adversely related to the fiduciary qualifications, functions, or duties of the business or profession for which the application is made, pursuant to regulations adopted by the board, and for which the applicant is seeking licensure under any of the following:

(i) Chapter 1 (commencing with Section 5000) of Division 3.

(ii) Chapter 6 (commencing with Section 6500) of Division 3.

(iii) Chapter 9 (commencing with Section 7000) of Division 3.

(iv) Chapter 11.3 (commencing with Section 7512) of Division 3.

(v) Licensure as a funeral director or cemetery manager under Chapter 12 (commencing with Section 7600) of Division 3.

(vi) Division 4 (commencing with Section 10000).

(2) The applicant has been subjected to formal discipline by a licensing board in or outside California within the preceding seven years from the date of application based on professional misconduct that would have been cause for discipline before the board for which the present application is made and that is substantially related to the qualifications, functions, or duties of the business or profession for which the present application is made. However, prior disciplinary action by a licensing board within the preceding seven years shall not be the basis for denial of a license if the basis for that disciplinary action was a conviction that has been dismissed pursuant to Section 1203.4, 1203.4a, 1203.41, or 1203.42 of the Penal Code or a comparable dismissal or expungement.

(b) Notwithstanding any other provision of this code, a person shall not be denied a license on the basis that he or she has been convicted of a crime, or on the basis of acts underlying a conviction for a crime, if he or she has obtained a certificate of rehabilitation under Chapter 3.5 (commencing with Section 4852.01) of Title 6 of Part 3 of the Penal Code, has been granted clemency or a pardon by a state or federal executive, or has made a showing of rehabilitation pursuant to Section 482.

(c) Notwithstanding any other provision of this code, a person shall not be denied a license on the basis of any conviction, or on the basis of the acts underlying the conviction, that has been dismissed pursuant to Section 1203.4, 1203.4a, 1203.41, or 1203.42 of the Penal Code, or a comparable dismissal or expungement. An applicant who has a conviction that has been dismissed pursuant to Section 1203.4, 1203.4a, 1203.41, or 1203.42 of the Penal Code shall provide proof of the dismissal if it is not reflected on the report furnished by the Department of Justice.

(d) Notwithstanding any other provision of this code, a board shall not deny a license on the basis of an arrest that resulted in a disposition other than a conviction, including an arrest that resulted in an infraction, citation, or a juvenile adjudication.

(e) A board may deny a license regulated by this code on the ground that the applicant knowingly made a false statement of fact that is required to be revealed in the application for the license. A board shall not deny a license based solely on an applicant's failure to disclose a fact that would not have been cause for denial of the license had it been disclosed.

(f) A board shall follow the following procedures in requesting or acting on an applicant's criminal history information:

(1) A board issuing a license pursuant to Chapter 3 (commencing with Section 5500), Chapter 3.5 (commencing with Section 5615), Chapter 10 (commencing with Section 7301), Chapter 20 (commencing with Section 9800), or Chapter 20.3 (commencing with Section 9880), of Division 3, or Chapter 3 (commencing with Section 19000) or Chapter 3.1 (commencing

with Section 19225) of Division 8 may require applicants for licensure under those chapters to disclose criminal conviction history on an application for licensure.

(2) Except as provided in paragraph (1), a board shall not require an applicant for licensure to disclose any information or documentation regarding the applicant's criminal history. However, a board may request mitigating information from an applicant regarding the applicant's criminal history for purposes of determining substantial relation or demonstrating evidence of rehabilitation, provided that the applicant is informed that disclosure is voluntary and that the applicant's decision not to disclose any information shall not be a factor in a board's decision to grant or deny an application for licensure.

(3) If a board decides to deny an application for licensure based solely or in part on the applicant's conviction history, the board shall notify the applicant in writing of all of the following:

(A) The denial or disqualification of licensure.

(B) Any existing procedure the board has for the applicant to challenge the decision or to request reconsideration.

(C) That the applicant has the right to appeal the board's decision.

(D) The processes for the applicant to request a copy of his or her complete conviction history and question the accuracy or completeness of the record pursuant to Sections 11122 to 11127 of the Penal Code.

(g) (1) For a minimum of three years, each board under this code shall retain application forms and other documents submitted by an applicant, any notice provided to an applicant, all other communications received from and provided to an applicant, and criminal history reports of an applicant.

(2) Each board under this code shall retain the number of applications received for each license and the number of applications requiring inquiries regarding criminal history. In addition, each licensing authority shall retain all of the following information:

(A) The number of applicants with a criminal record who received notice of denial or disqualification of licensure.

(B) The number of applicants with a criminal record who provided evidence of mitigation or rehabilitation.

(C) The number of applicants with a criminal record who appealed any denial or disqualification of licensure.

(D) The final disposition and demographic information, consisting of voluntarily provided information on race or gender, of any applicant described in subparagraph (A), (B), or (C).

(3) (A) Each board under this code shall annually make available to the public through the board's Internet Web site and through a report submitted to the appropriate policy committees of the Legislature deidentified information collected pursuant to this subdivision. Each board shall ensure confidentiality of the individual applicants.

(B) A report pursuant to subparagraph (A) shall be submitted in compliance with Section 9795 of the Government Code.

(h) "Conviction" as used in this section shall have the same meaning as defined in Section 7.5.

(i) This section does not in any way modify or otherwise affect the existing authority of the following entities in regard to licensure:

(1) The State Athletic Commission.

(2) The Bureau for Private Postsecondary Education.

(3) The California Horse Racing Board.

(j) This section shall become operative on July 1, 2020.

SEC. 5. Section 480.2 is added to the Business and Professions Code, to read:

480.2. (a) The Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board may deny a license regulated by it on the grounds that the applicant has one of the following:

(1) Been convicted of a crime.

(2) Done any act involving dishonesty, fraud, or deceit with the intent to substantially benefit himself or herself or another, or substantially injure another.

(3) (A) Done any act that if done by a licentiate of the business or profession in question, would be grounds for suspension or revocation of license.

(B) The Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board may deny a license pursuant to this subdivision only if the crime or act is substantially related to the qualifications, functions, or duties of the business or profession for which application is made.

(b) Notwithstanding any other provision of this code, a person shall not be denied a license solely on the basis that he or she has been convicted of a felony if he or she has obtained a certificate of rehabilitation under Chapter 3.5 (commencing with Section 4852.01) of Title 6 of Part 3 of the Penal Code or that he or she has been convicted of a misdemeanor if he or she has met all applicable requirements of the criteria of rehabilitation developed by the Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board to evaluate the rehabilitation of a person when considering the denial of a license under paragraph (1) of subdivision (f).

(c) Notwithstanding any other provisions of this code, a person shall not be denied a license by the Bureau for Private Postsecondary Education, the State Athletic Commission, or the California Horse Racing Board solely on the basis of a conviction that has been dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41 of the Penal Code. An applicant who has a conviction that has been dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41 of the Penal Code shall provide proof of the dismissal.

(d) The Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board may deny a license regulated by it on the ground that the applicant knowingly made a false

statement of fact that is required to be revealed in the application for the license.

(e) The Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board shall develop criteria to aid it, when considering the denial, suspension or revocation of a license, to determine whether a crime or act is substantially related to the qualifications, functions, or duties of the business or profession it regulates.

(f) (1) The Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board shall develop criteria to evaluate the rehabilitation of a person either when:

(A) Considering the denial of a license under this section.

(B) Considering suspension or revocation of a license under Section 490.

(2) The Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board shall take into account all competent evidence of rehabilitation furnished by the applicant or licensee.

(g) Except as otherwise provided by law, following a hearing requested by an applicant pursuant to subdivision (b) of Section 485, the Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board may take any of the following actions:

(1) Grant the license effective upon completion of all licensing requirements by the applicant.

(2) Grant the license effective upon completion of all licensing requirements by the applicant, immediately revoke the license, stay the revocation, and impose probationary conditions on the license, which may include suspension.

(3) Deny the license.

(4) Take other action in relation to denying or granting the license as the Bureau for Private Postsecondary Education, the State Athletic Commission, or the California Horse Racing Board, in its discretion, may deem proper.

(h) Notwithstanding any other law, in a proceeding conducted by the Bureau for Private Postsecondary Education, the State Athletic Commission, or the California Horse Racing Board to deny an application for a license or to suspend or revoke a license or otherwise take disciplinary action against a person who holds a license, upon the ground that the applicant or the licensee has been convicted of a crime substantially related to the qualifications, functions, and duties of the licensee in question, the record of conviction of the crime shall be conclusive evidence of the fact that the conviction occurred, but only of that fact, and the Bureau for Private Postsecondary Education, the State Athletic Commission, and the California Horse Racing Board may inquire into the circumstances surrounding the commission of the crime in order to fix the degree of discipline or to determine if the conviction is substantially related to the qualifications, functions, and duties of the licensee in question.

(i) Notwithstanding Section 7.5, a conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Any action that the Bureau for Private Postsecondary

Education, the State Athletic Commission, or the California Horse Racing Board is permitted to take following the establishment of a conviction may be taken when the time for appeal has elapsed, the judgment of conviction has been affirmed on appeal, or when an order granting probation is made suspending the imposition of sentence, irrespective of a subsequent order under the provisions of Section 1203.4, 1203.4a, or 1203.41 of the Penal Code.

(j) This section shall become operative on July 1, 2020.

SEC. 6. Section 481 of the Business and Professions Code is amended to read:

481. (a) Each board under the provisions of this code shall develop criteria to aid it, when considering the denial, suspension or revocation of a license, to determine whether a crime or act is substantially related to the qualifications, functions, or duties of the business or profession it regulates.

(b) This section shall become inoperative on July 1, 2020, and, as of January 1, 2021, is repealed.

SEC. 7. Section 481 is added to the Business and Professions Code, to read:

481. (a) Each board under this code shall develop criteria to aid it, when considering the denial, suspension, or revocation of a license, to determine whether a crime is substantially related to the qualifications, functions, or duties of the business or profession it regulates.

(b) Criteria for determining whether a crime is substantially related to the qualifications, functions, or duties of the business or profession a board regulates shall include all of the following:

(1) The nature and gravity of the offense.

(2) The number of years elapsed since the date of the offense.

(3) The nature and duties of the profession in which the applicant seeks licensure or in which the licensee is licensed.

(c) A board shall not deny a license based in whole or in part on a conviction without considering evidence of rehabilitation submitted by an applicant pursuant to any process established in the practice act or regulations of the particular board and as directed by Section 482.

(d) Each board shall post on its Internet Web site a summary of the criteria used to consider whether a crime is considered to be substantially related to the qualifications, functions, or duties of the business or profession it regulates consistent with this section.

(e) This section does not in any way modify or otherwise affect the existing authority of the following entities in regard to licensure:

(1) The State Athletic Commission.

(2) The Bureau for Private Postsecondary Education.

(3) The California Horse Racing Board.

(f) This section shall become operative on July 1, 2020.

SEC. 8. Section 482 of the Business and Professions Code is amended to read:

482. (a) Each board under the provisions of this code shall develop criteria to evaluate the rehabilitation of a person when:

(1) Considering the denial of a license by the board under Section 480; or

(2) Considering suspension or revocation of a license under Section 490.

(b) Each board shall take into account all competent evidence of rehabilitation furnished by the applicant or licensee.

(c) This section shall become inoperative on July 1, 2020, and, as of January 1, 2021, is repealed.

SEC. 9. Section 482 is added to the Business and Professions Code, to read:

482. (a) Each board under this code shall develop criteria to evaluate the rehabilitation of a person when doing either of the following:

(1) Considering the denial of a license by the board under Section 480.

(2) Considering suspension or revocation of a license under Section 490.

(b) Each board shall consider whether an applicant or licensee has made a showing of rehabilitation if either of the following are met:

(1) The applicant or licensee has completed the criminal sentence at issue without a violation of parole or probation.

(2) The board, applying its criteria for rehabilitation, finds that the applicant is rehabilitated.

(c) This section does not in any way modify or otherwise affect the existing authority of the following entities in regard to licensure:

(1) The State Athletic Commission.

(2) The Bureau for Private Postsecondary Education.

(3) The California Horse Racing Board.

(d) This section shall become operative on July 1, 2020.

SEC. 10. Section 488 of the Business and Professions Code is amended to read:

488. (a) Except as otherwise provided by law, following a hearing requested by an applicant pursuant to subdivision (b) of Section 485, the board may take any of the following actions:

(1) Grant the license effective upon completion of all licensing requirements by the applicant.

(2) Grant the license effective upon completion of all licensing requirements by the applicant, immediately revoke the license, stay the revocation, and impose probationary conditions on the license, which may include suspension.

(3) Deny the license.

(4) Take other action in relation to denying or granting the license as the board in its discretion may deem proper.

(b) This section shall become inoperative on July 1, 2020, and, as of January 1, 2021, is repealed.

SEC. 11. Section 488 is added to the Business and Professions Code, to read:

488. (a) Except as otherwise provided by law, following a hearing requested by an applicant pursuant to subdivision (b) of Section 485, the board may take any of the following actions:

(1) Grant the license effective upon completion of all licensing requirements by the applicant.

(2) Grant the license effective upon completion of all licensing requirements by the applicant, immediately revoke the license, stay the revocation, and impose probationary conditions on the license, which may include suspension.

(3) Deny the license.

(4) Take other action in relation to denying or granting the license as the board in its discretion may deem proper.

(b) This section does not in any way modify or otherwise affect the existing authority of the following entities in regard to licensure:

(1) The State Athletic Commission.

(2) The Bureau for Private Postsecondary Education.

(3) The California Horse Racing Board.

(c) This section shall become operative on July 1, 2020.

SEC. 12. Section 493 of the Business and Professions Code is amended to read:

493. (a) Notwithstanding any other provision of law, in a proceeding conducted by a board within the department pursuant to law to deny an application for a license or to suspend or revoke a license or otherwise take disciplinary action against a person who holds a license, upon the ground that the applicant or the licensee has been convicted of a crime substantially related to the qualifications, functions, and duties of the licensee in question, the record of conviction of the crime shall be conclusive evidence of the fact that the conviction occurred, but only of that fact, and the board may inquire into the circumstances surrounding the commission of the crime in order to fix the degree of discipline or to determine if the conviction is substantially related to the qualifications, functions, and duties of the licensee in question.

(b) As used in this section, "license" includes "certificate," "permit," "authority," and "registration."

(c) This section shall become inoperative on July 1, 2020, and, as of January 1, 2021, is repealed.

SEC. 13. Section 493 is added to the Business and Professions Code, to read:

493. (a) Notwithstanding any other law, in a proceeding conducted by a board within the department pursuant to law to deny an application for a license or to suspend or revoke a license or otherwise take disciplinary action against a person who holds a license, upon the ground that the applicant or the licensee has been convicted of a crime substantially related to the qualifications, functions, and duties of the licensee in question, the record of conviction of the crime shall be conclusive evidence of the fact that the conviction occurred, but only of that fact.

(b) (1) Criteria for determining whether a crime is substantially related to the qualifications, functions, or duties of the business or profession the board regulates shall include all of the following:

(A) The nature and gravity of the offense.

(B) The number of years elapsed since the date of the offense.

(C) The nature and duties of the profession.

(2) A board shall not categorically bar an applicant based solely on the type of conviction without considering evidence of rehabilitation.

(c) As used in this section, "license" includes "certificate," "permit," "authority," and "registration."

(d) This section does not in any way modify or otherwise affect the existing authority of the following entities in regard to licensure:

(1) The State Athletic Commission.

(2) The Bureau for Private Postsecondary Education.

(3) The California Horse Racing Board.

(e) This section shall become operative on July 1, 2020.

SEC. 14. Section 11345.2 of the Business and Professions Code is amended to read:

11345.2. (a) An individual shall not act as a controlling person for a registrant if any of the following apply:

(1) The individual has entered a plea of guilty or no contest to, or been convicted of, a felony. Notwithstanding subdivision (c) of Section 480, if the individual's felony conviction has been dismissed pursuant to Section 1203.4, 1203.4a, or 1203.41 of the Penal Code, the bureau may allow the individual to act as a controlling person.

(2) The individual has had a license or certificate to act as an appraiser or to engage in activities related to the transfer of real property refused, denied, canceled, or revoked in this state or any other state.

(b) Any individual who acts as a controlling person of an appraisal management company and who enters a plea of guilty or no contest to, or is convicted of, a felony, or who has a license or certificate as an appraiser refused, denied, canceled, or revoked in any other state shall report that fact or cause that fact to be reported to the office, in writing, within 10 days of the date he or she has knowledge of that fact.

(c) This section shall become inoperative on July 1, 2020, and, as of January 1, 2021, is repealed.

SEC. 15. Section 11345.2 is added to the Business and Professions Code, to read:

11345.2. (a) An individual shall not act as a controlling person for a registrant if any of the following apply:

(1) The individual has entered a plea of guilty or no contest to, or been convicted of, a felony. If the individual's felony conviction has been dismissed pursuant to Section 1203.4, 1203.4a, 1203.41, or 1203.42 of the Penal Code, the bureau may allow the individual to act as a controlling person.

(2) The individual has had a license or certificate to act as an appraiser or to engage in activities related to the transfer of real property refused, denied, canceled, or revoked in this state or any other state.

(b) Any individual who acts as a controlling person of an appraisal management company and who enters a plea of guilty or no contest to, or is convicted of, a felony, or who has a license or certificate as an appraiser

refused, denied, canceled, or revoked in any other state shall report that fact or cause that fact to be reported to the office, in writing, within 10 days of the date he or she has knowledge of that fact.

(c) This section shall become operative on July 1, 2020.

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STATE OF CALIFORNIA – DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
NOTICE OF PROPOSED CHANGES IN THE REGULATIONS

TITLE 16. DIVISION 1. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (CBA) is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at:

California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
June 26, 2020
9:00 a.m.

Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the CBA at its office by **June 23, 2020** or must be received by the CBA at the hearing. The CBA, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference:
Pursuant to the authority vested by Sections 5010, 5018 and 5116 of the Business and Professions Code[1] (BPC); and Section 11400.20 of the Government Code (GC), and to implement, interpret, or make specific Sections 480, 481, 482, 486, 493, 5018, 5100, 5106, 5112, 5115, 5116, 5116.1, 5116.2, 5116.3, 5116.4, 5116.5 and 5116.6 of the BPC; Section 11425.50(e) of the Government Code, and Section 1203.4 of the Penal Code, the CBA is considering changes to Division 1 of Title 16 of the California Code of Regulations[2] (CCR), as described herein.

INFORMATIVE DIGEST

A. Informative Digest
The CBA is a board within the Department of Consumer Affairs (DCA) responsible for regulation of the public accounting practice in California. The CBA proposes to amend

[1] Unless otherwise specified, all sections refer to the Business and Professions Code.

[2] Unless otherwise specified, all California Code of Regulations sections refer to title 16.

sections 98, 99, 99.1, and 99.2 of title 16 of the CCR relating to the denial, suspension, and revocation of a certificate, permit or license (collectively, license[3]) issued by the CBA and the assessment of administrative penalties for violations of the Accountancy Act.

Existing law, BPC 5112, authorizes the CBA to deny a license based on the grounds described in Section 5100.

Existing law, BPC 5100, authorizes the CBA to revoke, suspend, censure or refuse to renew a license issued by the CBA.

Existing law, BPC section 5116, requires the CBA to establish criteria for assessing administrative penalties for violations of the Accountancy Act. This proposal would revise CBA regulations to update the disciplinary guidelines that establish criteria for assessing administrative penalties. GC section 11425.50(e) specifies that a penalty may not be based on a guideline, criterion, bulletin, manual, instruction, order, standard of general application or other rule unless it has been adopted as a regulation. Current CBA regulation, CCR section 98, incorporates by reference the CBA's "A Manual of Disciplinary Guidelines and Model Disciplinary Orders, 9th edition, 2013" (Disciplinary Guidelines). The CBA is proposing to amend CCR section 98 to update its Disciplinary Guidelines.

As a result of updated statutory provisions in Assembly Bill No. 2138 (Chiu and Low, Chapter 995, Statutes of 2018) (AB 2318), the CBA is proposing to amend CCR sections 99 and 99.1, and adopt CCR section 99.2. On September 30, 2018, AB 2138 was enacted, amending provisions of the BPC relating to DCA boards' authority to deny, revoke, or suspend a license, effective July 1, 2020. AB 2138 requires boards to amend existing criteria regarding crimes substantially related to the regulated profession and rehabilitation criteria.

Currently, the CBA may deny an application for licensure based on a conviction of a crime or act that is substantially related to the qualifications, functions or duties of a certified public accountant or public accountant, with certain limitations, and suspend or revoke a license on the basis that the licensee was convicted of a substantially related crime. CCR section 99 of the CBA's regulations includes criteria relating to the identification of substantially related crimes, and CCR section 99.1 establishes criteria to evaluate a person's rehabilitation when considering the denial, suspension or revocation of a license.

In addition, AB 2138 authorizes certain specified boards, including the CBA, to deny a license if the applicant was convicted of a financial crime currently classified as a felony that is directly and adversely related to the fiduciary qualifications, functions, or duties of

[3] Unless otherwise expressly provided, "license" means license, certificate, registration, or other means to engage in a business or profession. (Bus. & Prof. Code, § 23.7.)

the regulated profession. The CBA is proposing the addition of CCR section 99.2 to address the criteria for such financial crimes.

B. Policy Statement Overview/Anticipated Benefits of Proposal
This regulatory proposal incorporates the changes necessary to be compliant with AB 2138 and amends the Disciplinary Guidelines to provide a reference for the consistent enforcement of the laws under the CBA's jurisdiction. The anticipated benefits of this proposal include providing clearer and updated guidance for the CBA's licensing and disciplinary functions for protection of the public.

C. Consistency and Compatibility with Existing State Regulations
During the process of developing these regulations and amendments, the CBA has conducted a search of any similar regulations on this topic and has concluded that these regulations are neither inconsistent nor incompatible with existing state regulations.

INCORPORATION BY REFERENCE

- Disciplinary Guidelines and Model Orders (10th edition, 2019)

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: The cost is insignificant as electronic distribution via the CBA's website and email are the predominant forms of dissemination of the CBA's regulations and Disciplinary Guidelines. A paper copy of the Disciplinary Guidelines is available only by request. In addition, the CBA may be reimbursed costs for probation monitoring if included as a condition of probation. The amount reimbursed would vary based on the number of probationers with this condition of probation and the actual conditions of probation being monitored by board staff.

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

Cost to Any Local Agency or School District for Which Government Code Sections 17500 - 17630 Require Reimbursement: None

Business Impact: The CBA has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

The following studies/relevant data were relied upon in making the above determination:

The CBA currently regulates approximately 108,000 licensees, including certified

public accountants, public accountants, and accounting firms. This regulatory proposal updates the Disciplinary Guidelines, which are referenced by the CBA and Administrative Law Judges (ALJs) when imposing discipline on licensees. Therefore, any "adverse economic impact" would only occur as the result of a disciplinary order following a formal administrative proceeding and a finding of fact affirming a violation of the CBA's laws or regulations. Any potential "adverse economic impact" may be avoided simply by complying with the law.

There are several amendments to the Disciplinary Guidelines that will have minimal economic costs, specifically, the inclusion of the ethics continuing education requirement and regulatory review course that will become standard conditions of probation. These terms are presently incorporated in the Disciplinary Guidelines as optional conditions of probation; however, as these provisions are being utilized in a majority of the CBA's disciplinary matters, the economic costs will impact only a limited number of licensees.

Cost Impact on Representative Private Person or Business:
The CBA is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Effect on Housing Costs: None

EFFECT ON SMALL BUSINESS

The CBA has determined that the proposed regulations would not affect small businesses. This regulatory proposal only affects individuals with a criminal history and individuals and/or businesses (accounting firms and sole proprietors) that are disciplined for violations of the Accountancy Act and CBA Regulations.

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS:

Impact on Jobs/Businesses:
The CBA has determined that this regulatory proposal will not have a significant impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Benefits of Regulation:
The CBA has determined that this regulatory proposal will have the following benefits to the health and welfare of California residents, worker safety, and state's environment:

This regulatory proposal would allow the CBA to provide clear guidance in its licensing and enforcement processes. The proposed regulations also ensure consumer protection by providing the CBA and ALJs with updated guidelines to reference when imposing disciplinary action on licensees and providing standards for the consistent and appropriate enforcement of the laws under the

CBA's jurisdiction.

This regulatory proposal does not affect worker safety because it has nothing to do with worker safety.

This regulatory proposal does not affect the state's environment because it has nothing to do with the environment.

CONSIDERATION OF ALTERNATIVES

The CBA must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposal described in this Notice, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

The CBA has prepared an initial statement of the reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations, any document incorporated by reference, and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the CBA at 2450 Venture Oaks Way, Suite 300, Sacramento, California 95833.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named below.

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the contact person named below or by accessing the website listed below.

CONTACT PERSON

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name:	Melissa Winchell
Address:	2450 Venture Oaks Way, Suite 300 Sacramento, CA 95833
Telephone No.:	916-561-1726
Fax No.:	916-263-3673
E-Mail Address:	melissa.winchell@cba.ca.gov

The backup contact person is:

Name:	Dominic Franzella
Address:	2450 Venture Oaks Way, Suite 300 Sacramento, CA 95833
Telephone No.:	916-561-4310
Fax No.:	916-263-3673
E-Mail Address:	dominic.franzella@cba.ca.gov

Website Access: Materials regarding this proposal can be found at: https://www.dca.ca.gov/cba/about-cba/laws-and-rules.shtml.

STATE OF CALIFORNIA – DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
INITIAL STATEMENT OF REASONS

Hearing Date: Friday, June 26, 2020

Subject Matter of Proposed Regulations: Disciplinary Guidelines; Substantial Relationship Criteria; Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, and Reduction of Penalty; and Directly and Adversely Related Financial Crime Criteria

Sections Affected: Title 16, Division 1[1], Sections 98, 99, 99.1, and 99.2

Introduction:

The California Board of Accountancy (CBA) is mandated, pursuant to Business and Professions Code (BPC) section 5000.1, to ensure that the protection of the public is its highest priority in exercising its licensing, regulatory, and disciplinary authority. In achieving this mandate, the CBA regulates the accounting profession for the protection of the public. The CBA currently regulates over 108,000 licensees, including individual Certified Public Accountants/Public Accountants (CPAs/PAs), accountancy partnerships and accountancy corporations.

Pursuant to BPC section 5010, the CBA may adopt, repeal, or amend such regulations as may be reasonably necessary and expedient for the orderly conduct of its affairs and for the administration of the Accountancy Act. This proposal is intended to implement, interpret or make specific the provisions of Assembly Bill (AB) No. 2138 (Chiu and Low, Chapter 995) and concurrently update the Disciplinary Guidelines through the regulatory process.

Problems being addressed:

On September 30, 2018, Governor Brown approved AB 2138, which amends the BPC relating to licensing professions and vocations by boards within the Department of Consumer Affairs (DCA), effective July 1, 2020. Specifically, AB 2138 makes changes to BPC provisions relating to a board's authority to deny, revoke, or suspend a license on the basis of a criminal conviction or professional misconduct, requires boards to amend their existing regulations for use when considering the denial, suspension, or revocation of a license to determine whether a crime is substantially related to the qualifications, functions, or duties of the profession regulated, and to develop criteria to evaluate the rehabilitation of a person when considering the denial, suspension, or revocation of a license. AB 2138 also allows certain boards, including the CBA, to deny

[1] All CCR references are to Division 1 of Title 16 of the California Code of Regulations, unless otherwise specified.

a license if “the applicant was convicted of a financial crime currently classified as a felony that is directly and adversely related to the fiduciary qualifications, functions, or duties of the profession” being regulated. This proposed rulemaking is intended to address the requirements of AB 2138 and impacts the following regulations: CCR section 99 – Substantial Relationship Criteria, and CCR section 99.1 – Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty, Etc., and proposes new CCR section 99.2 – Directly and Adversely Financial Crime Criteria.

The CBA is also proposing amendments to its “Disciplinary Guidelines and Model Orders” (Disciplinary Guidelines) as part of this rulemaking, which impacts CCR section 98. The CBA last reviewed and updated its Disciplinary Guidelines in 2013. Since that time, there have been changes in laws, regulations, and policy direction by the CBA. Due to the critical nature of the document and that it is often referenced by the CBA, licensees, attorneys and Administrative Law Judges (ALJs) during the imposition of discipline, revisions are necessary to address these changes, and to ensure the CBA imposes discipline against licensees in a consistent manner.

The CBA’s proposed modifications to the Disciplinary Guidelines include the proposed amendments to the CBA’s rehabilitation criteria to comply with AB 2138. The CBA would also like to identify rehabilitation evidence to assist applicants and licensees in preparing their cases related to their rehabilitation. As a result, changes to the Disciplinary Guidelines are necessary to ensure sufficient guidance is provided to the CBA and ALJs when considering rehabilitation criteria.

Anticipated benefits from this regulatory action:

This regulatory action is anticipated to improve clarity, transparency, and uniformity in the CBA’s licensing and enforcement processes and will result in the CBA’s compliance with the provisions of AB 2138.

Updating the Disciplinary Guidelines will ensure that the CBA, ALJs, and other individuals involved in the disciplinary process are provided current and consistent guidance and a clear reference in determining appropriate discipline of licensees and those practicing accountancy in the State without a valid permit issued by the CBA. As consumer protection is the CBA’s highest priority, it is essential that information used during the disciplinary process is current, valid, and consistent.

Modifying the rehabilitation criteria and identifying rehabilitation evidence will enable the CBA to consider a wider range of information to help ensure that a licensee providing public accounting services to consumers is sufficiently rehabilitated to provide these services in a manner consistent with the public health, safety and welfare, and guiding individuals in how to demonstrate their rehabilitative efforts.

Specific Purpose/Factual Basis/Rationale
The CBA proposes the following:

1) Amend CCR section 98 to update the version of the Disciplinary Guidelines;
2) Amend CBA's substantial relationship criteria in CCR section 99 to implement, interpret or make specific the provisions of AB 2138;
3) Amend CBA's rehabilitation criteria in CCR section 99.1 to implement, interpret or make specific the provisions of AB 2138 and identify additional rehabilitation criteria; and
4) Adopt new CCR section 99.2 to implement, interpret or make specific the provisions of AB 2138 by establishing criteria for a financial crime currently classified as a felony that is directly and adversely related to the fiduciary qualifications, functions, or duties of public accountancy.

The specific purpose, factual basis and rationale for the proposed amendments are as follows:

1. Amend Section 98 of Title 16 of the California Code of Regulations.

The proposed amendment of CCR section 98 would incorporate by reference the "Disciplinary Guidelines and Model Orders 10th Edition, 2019." The CBA proposes to amend the Disciplinary Guidelines as follows:

Title Page
The proposed amendments reflect the new edition (10th edition) and updated year (2013 to 2019), which coincides with the CBA's review. The title page also includes an amendment to reflect the CBA's current address.

These changes are necessary to ensure the title page reflects the revised edition number and year of the Disciplinary Guidelines, as well as provide the CBA's current address.

Table of Contents
The proposed amendment adds a table of contents to the Disciplinary Guidelines.

The updated table of contents is necessary to assist individuals in quickly locating the information they are seeking. The table of contents is broken down into Sections, which correspond with the sections contained throughout the document.

Section I – Introduction (p. 1)
The proposed amendments reflect the use of acronyms and other non-substantive changes.

The basis for the changes is to improve overall clarity and consistency throughout the Disciplinary Guidelines.

Section II – General Considerations (pp. 3-4)
The proposed amendments to the General Considerations section are as follows:

- d. – Including a reference to "Section V. Rehabilitation Criteria."
- e. – Removing a reference to a checklist that was designed to assist the CBA and ALJs with the preparation of a petition for reinstatement. The checklist is no longer used; accordingly, it is necessary to remove the reference to the checklist to conform to the CBA's and ALJ's actual practice.
- g. – Adding language to clarify that when suspension is imposed, a Respondent may not engage in activities for which certification is required during the period of suspension. This is a nonsubstantive change and merely reiterates that suspended licensees may not practice while suspended. The proposed amendment clarifies that the Respondent will be required to notify clients regarding the suspended status of the certificate if directed to do so by the CBA. This is also a nonsubstantive change. The change ensures consistency with the suspension model order and provides clearer direction to Respondent.
- Removing the note in reference to BPC section 143.5 prohibiting the CBA from requiring restitution in disciplinary cases related to a civil actions settled for monetary damages that have been satisfied for full and final satisfaction of the parties in the civil action. The basis for this change is based on the CBA's minimal use of the Restitution condition of probation. The note is also merely a restatement of statute and unnecessary for the CBA Guidelines. Section IV. Evidence in Mitigation of Penalty also includes language considering restitution made in full for ALJs to consider as a mitigating circumstance.

There are also non-substantive changes being proposed to correct grammar, capitalization, and acronyms.

The basis for the changes is to improve overall clarity and consistency throughout the Disciplinary Guidelines.

Section V – Rehabilitation Criteria (pp. 9-10)
The proposed amendments to this section of the Disciplinary Guidelines provide guidance on rehabilitation criteria when considering the denial or restoration of a certificate or a reduction of penalty, and reflect the proposed changes to CCR section 99.1 being made to comply with AB 2138. Specifically, the rehabilitation criteria in the current Disciplinary Guidelines (9th Edition, 2013) applies only to the evaluation of an applicant's rehabilitation in the context of license denial. The proposed amendments to Section V are consistent with the proposed changes to Section 99.1, and provide that the rehabilitation criteria apply to the evaluation of an applicant or a licensee or a reduction of penalty. In addition, the proposed amendments note that the burden of

proof regarding rehabilitation is the responsibility of the individual seeking licensure, relicensure, or a reduction of penalty, which is consistent with applicable case law.[2] The amendment is necessary to assist individuals in understanding the CBA's expectations regarding the demonstration of rehabilitation to comply with AB 2138, and to explain the criteria the Board considers in evaluating rehabilitation.

Section V is also being amended to reflect the proposed additional rehabilitation criteria in Section 99.1, which are:

- The nature and gravity of the act(s) or offense(s).

  The CBA proposes to add the consideration of the "gravity" of the act(s) or offense(s) to its rehabilitation criteria. The gravity, or seriousness, of the conduct is relevant in determining whether the individual has shown rehabilitation as compared to the gravity of the act(s) or offense(s) committed. Together, the nature and gravity of the act(s) or offense(s) are relevant in evaluating whether and to what extent the conduct is related to the practice of public accountancy and is valuable in assessing whether the facts support a determination of rehabilitation.

- Nature and extent of actual and potential consumer harm.

  It is necessary for the CBA to consider the nature and extent of actual and potential consumer harm as these factors reflect whether and to what extent the conduct is related to the practice of public accountancy and the extent to which the individual failed to comport themselves in a manner consistent with the public health, safety and welfare as it relates to the practice of public accountancy. Further, this information bears on whether the individual is sufficiently rehabilitated in conjunction with the CBA's other rehabilitative criteria.

- Attitude toward the individual's commission of the violations.

  It is necessary for the CBA to consider the individual's attitude toward their commission of the violations as it is relevant in evaluating whether the individual is rehabilitated and their willingness to comply with the law and rules of licensure in the future. This information is relevant in the CBA's assessment of the individual's willingness to practice public accountancy in a manner consistent with the public health, safety and welfare.

[2] *Flanzer v. Board of Dental examiners* (1990) 220 Cal.App.3d 1392, 1398.

- Recognition of wrongdoing.

  It is necessary for the CBA to consider the individual's recognition of wrongdoing as it is relevant in evaluating their rehabilitation. This information reflects their willingness to comply with the law and rules of licensure and to practice public accountancy consistent with the public health, safety and welfare.

- History of violations.

  It is necessary for the CBA to consider the individual's history of violations as it is relevant in evaluating their rehabilitation. This information reflects the individual's willingness to comply with the law and rules of licensure and is relevant in assessing whether the individual is sufficiently rehabilitated to practice public accountancy consistent with the public health, safety and welfare.

- The pursuit of corrective actions to deter future violations.

  It is necessary for the CBA to consider the nature and extent to which the applicant or licensee has taken corrective actions to ensure the violation will not recur as it is relevant in evaluating the individual's rehabilitation. This information is valuable in assessing the individual's willingness to comply with the law, the rules of licensure, and whether the individual is sufficiently rehabilitated to practice public accountancy consistent with the public health, safety and welfare.

- Nature and extent of restitution to consumers harmed by violations.

  It is necessary for the CBA to consider the nature and extent of restitution to consumers harmed by violations as it is relevant in evaluating the individual's rehabilitation. This information is relevant in assessing the individual's willingness to comply with the law, the rules of licensure, whether the individual is sufficiently rehabilitated to practice public accountancy consistent with the public health, safety and welfare.

- Other additional aggravating or mitigating factors.

  It is necessary for the CBA to consider other aggravating or mitigating factors to allow the Board to evaluate other factors that are not otherwise addressed in the Board's criteria. This criterion allows the individual and the Office of the Attorney General to provide additional evidence relevant in determining whether the individual is sufficiently rehabilitated to practice public accountancy consistent with the public health, safety and welfare.

Section V also specifies that the CBA will consider whether an applicant convicted of a crime made a showing of rehabilitation when the applicant completed parole or probation without a violation. This evaluation is required under BPC section 480 and it is necessary to include it here to consolidate the CBA's rehabilitation requirements in one place. Section V also specifies that an applicant is considered to have made a showing of rehabilitation if, in applying its rehabilitation criteria, the CBA finds that the applicant is rehabilitated; and that a showing of rehabilitation supports, but is not in itself, a finding that an individual is rehabilitated. This is necessary to clarify the interplay between BPC section 480(c), which indicates that a board shall not deny a license if the individual "has made a showing of rehabilitation pursuant to Section 482[,]" and BPC section 482(b)(2), which states that a board, "shall consider whether an applicant or licensee has made a showing of rehabilitation if […] the board finds that the applicant is rehabilitated" pursuant to the board's rehabilitation criteria. The proposed amendment to Section 99.1(b) clarifies that, for applicants, the CBA will apply its criteria for rehabilitation prior to making its final determination of whether the applicant is sufficiently rehabilitated to practice public accountancy consistent with the public health, safety and welfare.

This proposal reflects relevant case law that describes rehabilitation as "a state of mind." (*Pacheco v. State Bar* (1987) 43 Cal.3d 1041, 1058.) "While a candid admission of misconduct and a full acknowledgement of wrongdoing may be a necessary step in the process, it is only a first step. [...] a truer indication of rehabilitation will be presented if [the person] can demonstrate by his sustained conduct over an extended period of time that he is once again fit to practice [...]." (*In re Conflenti* (1981) 29 Cal.3d 120, 124-125.) In addition, persons "under the direct supervision of correctional authorities are required to behave in exemplary fashion [...]." (*In re Gossage* (2000) 23 Cal.4th 1080, 1099.) With these in mind, the proposed criteria are intended to allow the CBA to consider applications for licensure and suspensions or revocations of a license on a case-by-case basis weighing various mitigating and aggravating factors to gauge a person's rehabilitation and to comply with the requirements of AB 2138.

Collectively, the criteria emphasize the CBA's mission to ensure that individuals who practice public accountancy are sufficiently rehabilitated to provide public accounting services in a manner consistent with the public health, safety and welfare, which is critical in the CBA meeting its consumer protection mandate. The proposed additional rehabilitation criteria provide guidance to applicants and licensees regarding what the CBA considers in evaluating rehabilitation.

Modifying the rehabilitation criteria and identifying rehabilitation evidence will enable the CBA to consider a wider range of information to help ensure that a licensee providing public accounting services to consumers is sufficiently rehabilitated to provide these services in a manner consistent with the public health, safety and welfare, and guiding individuals in how to demonstrate rehabilitative efforts.

Section VI – Rehabilitation Evidence (p. 11)

The proposed addition of the Rehabilitation Evidence section to the Disciplinary Guidelines is intended to identify criteria to assist individuals with examples of types of evidence that may be submitted to demonstrate rehabilitative efforts and competency. It is also designed to serve as a guide for the CBA in assessing rehabilitation as it evaluates an individual's rehabilitation and fitness for the practice of public accountancy in a manner consistent with public health, safety and welfare.

The CBA often receives inquiries from individuals on the types of documents the CBA receives in assessing an individual's rehabilitation. Accordingly, the CBA developed a list of examples of the types of documentation it typically receives from petitioners for consideration in petition for reinstatement and reduction of penalty hearings, which the CBA has found helpful in making a determination on a person's rehabilitation. The inclusion of the list, while not exhaustive, is reasonably necessary to provide consistent guidance to individuals asking about rehabilitation evidence. These types of examples may be submitted at the discretion of the individual and will be reviewed by the CBA and considered on a case-by-case basis.

Examples of the types of evidence provided in this section that may be submitted to demonstrate rehabilitative efforts and competency are as follows:

a. A letter from Respondent describing underlying circumstances of the 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.

Section VII – Administrative Penalties (pp. 13-14)
The proposed amendments to the Administrative Penalties section of the Disciplinary Guidelines renumbers the section title and contains other non-substantive amendments to correct grammar, capitalization, and acronym usage.

The basis for the changes is to improve overall clarity and consistency throughout the Disciplinary Guidelines.

Section VIII – Disciplinary Guidelines (pp.15-64)
The proposed amendments to the introductory paragraph of the Disciplinary Guidelines section renumbers the section title and contains other non-substantive amendments to correct grammar, capitalization, and acronym usage. The basis for the changes is to provide consistency throughout the Disciplinary Guidelines.

The Disciplinary Guidelines are organized numerically by statutory and regulatory section number. The CBA is proposing the following amendments:

BUSINESS AND PROFESSIONS CODE (SEE PP. 15-41)

Article 2 Sections

The non-substantive proposed amendments are:

- Repositioning the model order number references in brackets.
- Updating the model number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).

- Adding a reference to “BPC” to the code section that relates to Administrative Penalties.
- In the Reference portion:
    - Including the acronym “CCR.”
    - Changing “Section” to “section.”

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC and CCR), and address minor grammatical/spelling issues.

The remaining proposed amendments to Article 2 are substantive and are:

- The proposal will remove the following conditions of probation from “if warranted” (these conditions are proposed to be included as “required” conditions; see proposed amendments to Standard Conditions of Probation):
    - Ethics Continuing Education
    - Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines’ Conditions of Probation reflect that these conditions would no longer be used “if warranted.”

Article 3 Sections

The primary amendment adds a maximum term of three years’ probation for violation of BPC sections 5058 and 5058.1. The basis for establishing a maximum term of three years’ probation for these violations is to be consistent with discipline imposed for similar violations. Three years is an appropriate timeframe to monitor a licensee on probation to ensure the violations do not continue and the individual completes the necessary probation terms. If the licensee fails to comply with the prescribed probationary terms during the three years, the CBA will have a sufficient amount of time to take further action in most cases.

The proposal would also remove the following, if warranted, the section on optional conditions of probation from sections 5050(a), 5055, 5056, 5058 and 5058.1, and add them to the section on standard conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines’ Conditions of Probation reflect that these conditions would no longer be used “if warranted” and would be added to the Standard Conditions of Probation.

Additional proposed amendments to Article 3 are non-substantive and are:

- Capitalizing the word “respondent” to “Respondent” or “respondents” to “Respondents.”
- Updating the model number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Adding a reference to “BPC” to the code section that relates to Administrative Penalties.
- In the Reference portion of section 5050(c), change “See” to “Reference.”
- In the Reference portion of section 5058:
    - Including the acronym “CCR.”
    - Changing “Section” to “section.”

The bases for the non-substantive changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC and CCR), and address minor grammatical/spelling issues.

Article 3.5 Sections

The primary amendment adds a maximum term of three years’ probation for violation of BPC section 5060. The basis for establishing a maximum term of three years’ probation for violations is to be consistent with discipline imposed for similar violations. Three years is an appropriate timeframe to monitor a licensee on probation to ensure the violations do not continue and the individual to complete the necessary probation terms. If the licensee fails to comply with the prescribed probationary terms during the three years, the CBA will have a sufficient amount of time to take further action in most cases. The proposal would also remove the following, “if warranted,” conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines’ Conditions of Probation reflect that these conditions would no longer be used “if warranted.”

Additional proposed amendments to Article 3.5 are non-substantive and are:

- Updating the model number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Adding a reference to “BPC” to the code section that relates to Administrative Penalties.
- In the Reference portion of sections 5060, 5062, and 5063:
    - Including the acronym “BPC.”

    - Changing “Section” to “section.”
- Replacing the word “Probation” with “Prohibition” in Condition of Probation #7 for section 5063.3, consistent with the proposed probationary terms referenced on page 76 of the Disciplinary Guidelines (#39 Prohibition from Handling Funds). This correction is necessary to ensure accuracy.

The bases for the non-substantive changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines and address minor grammatical/spelling issues.

Article 4 Sections

The proposal would remove the following, “if warranted,” conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines’ Conditions of Probation reflect that these conditions would no longer be used “if warranted.”

Additional proposed amendments to Article 4 are non-substantive and are:

- Updating the model number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Adding a reference to “BPC” to the code section that relates to Administrative Penalties in all sections and in section 5072(a) before the reference to section 5073.
- Modifying section 5072(a) to reference “BPC” next to code section 5073 in the introductory sentence and change “See” to “Reference” in the Reference portion.
- In the Reference portion of sections 5076(a), 5076(f), and 5079(a)(b)(d):
    - Including the acronym “CCR.”
    - Changing “Section” to “section.”
- Replacing the word “Sample” with “Samples” in Condition of Probation #7 for section 5076(a), consistent with the probationary term referenced on page 76 of the Disciplinary Guidelines (#38 Samples – Audit, Review or Compilation). This correction is necessary to ensure accuracy.

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC and CCR), and address minor grammatical/spelling issues.

Article 5 Sections

The proposal would remove the following, "if warranted," conditions of probation from the guidelines for section 5095(a):

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

Additional proposed amendments to Article 5 are non-substantive and are:

- Adding a reference to "BPC" next to the code section that relates to Administrative Penalties.
- In section 5081(a):
    - Including a reference to "BPC" and changing "Section" to "section" in the Minimum Penalty section.
    - Changing the word "See" to "Reference" in the Reference portion.
- In section 5088, changing "Board" to "CBA" in the "Minimum/Maximum Penalty" section.

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC) and address minor grammatical/spelling issues.

Article 5.1: Practice Privilege Sections

The proposal would remove the following, "if warranted," conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

Additional proposed amendments are non-substantive and are:

- Repositioning the model order number references in brackets.
- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).

- Adding a reference to “BPC” next to the code section that relates to Administrative Penalties.
- Including a reference to “BPC” next to the section number in “Suspension” for sections 5096(e)(2), (3), (5), (6), (7), (8), (9), 5096(f), 5096(i) and 5096.5

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC) and address minor grammatical/spelling issues.

Article 5.5 Sections

The proposed amendment would remove the following, “if warranted,” conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines’ Conditions of Probation reflect that these conditions would no longer be used “if warranted.”

Additional proposed amendments are non-substantive and are:

- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Replacing the word “Audits” with “Audit” in Condition of Probation #9, consistent with the probationary term referenced on page 76 of the Disciplinary Guidelines (#38 Samples – Audit, Review or Compilation). This correction is necessary to ensure accuracy.
- Adding a reference to “BPC” next to the code section that relates to Administrative Penalties.
- In the Reference portion:
    - Including the acronym “CCR.”
    - Changing “Section” to “section.”

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (CCR and BPC) and address minor grammatical/spelling issues.

Article 6 Sections

The primary proposed amendments to Article 6 are related to section 5100(a). The amendment proposes to exclude misdemeanor alcohol/drug convictions under Vehicle Code section 23152 and misdemeanor drug convictions for possession for personal use

from being subject to the same penalties as felony convictions or multiple misdemeanor convictions. The minimum and maximum penalties for felony convictions or multiple misdemeanor convictions remain unchanged (minimum penalty: revocation stayed, with 120-day suspension and three years of probation; maximum penalty: revocation).

A new minimum and maximum penalty guideline is proposed for multiple misdemeanor alcohol/drug convictions under Vehicle Code section 23152 and drug convictions for possession for personal use. The proposed minimum penalty is 120-day suspension stayed and one year of probation, and a maximum penalty of revocation.

The proposed changes provide separate guidelines for felony or multiple misdemeanor convictions on one hand, and misdemeanors violations associated with drugs and alcohol, on the other hand. Currently, the Disciplinary Guidelines (9th Edition, 2013) recommends a minimum and maximum penalty for any conviction of a crime substantially related to the qualifications, functions and duties of a CPA. The proposed amendments reduce the minimum penalty for multiple misdemeanor alcohol/drug convictions as these convictions are considered not as severe and generally accompanied by reduced criminal penalties, including shorter lengths of sentencing, informal probations and opportunity to be rehabilitated. Therefore, the minimum penalty for these convictions is proposed to be divided from the minimum penalties of a felony conviction or multiple misdemeanor convictions not related to alcohol/drugs. The Board selected the minimum penalty as a 120-day suspension because this is the lowest penalty the Board would reasonably impose for misdemeanor drug and alcohol offenses. It provides meaningful discipline for even low-level offenders.

The proposed amendments in Article 6 also eliminate the Enrolled Agents (EA) Examination as a possible condition of probation in sections 5100(a), (d), (h), (i), (j), (k) and (l). The EA examination is being deleted from the Disciplinary Guidelines as an optional term of probation (see page 75, #35). The reason for the elimination is that it is no longer necessary. The CBA has not used this optional term of probation in over five years. Further, in the event an individual needed to demonstrate competency in tax services, the CBA could require completion of the Uniform CPA Examination (see page 75, #35) which has a section that includes tax concepts.

The proposed amendment would also remove the following “if warranted” conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines’ Conditions of Probation reflect that these conditions would no longer be used “if warranted.”

Additional amendments to Article 6 are non-substantive and are:

- Repositioning the model order number references in brackets.
- Adding the words “BPC sections” prior to the code section referenced in section 5100 for Condition of Probation #3 (optional conditions).
- Including a reference to “BPC” next to the code section number for the “Administrative Penalty” condition of probation.
- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Deleting the word “of” under conditions of probation in relation to the duration of probation in BPC sections 5100, 5100(a), (b), (c), (d) and (i).
- In section 5100(e), replacing “Material” with “Materials” in Condition of Probation #5 and “Audits” with “Audit” in Condition of Probation #8, consistent with the probationary terms referenced on page 73 (#33 Library Reference Materials) and page 76 (#38 Samples – Audit, Review or Compilation).
- Adding the acronym “BPC” prior to the code section reference in the introductory language for section 5100(f) and changing “Section” to “section.”

The bases for the non-substantive changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC) and address minor grammatical/spelling issues.

Article 7 Sections

The proposed amendments are non-substantive and are:

- Change the word “See” to “Reference.”
- Adding the words “BPC” prior to the code section reference.
- Changing “Section” to “section.”
- Removing the bolding on the font for “Unlicensed Activities.”

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC) and address minor grammatical/spelling issues.

Article 9 Sections

The proposed amendment would remove the following “if warranted” conditions of probation in BPC sections 5154, 5155 and 5158:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public

accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

The additional proposed amendments are non-substantive and are:

- Changing the word "See" to "Reference" and adding the acronym "BPC" prior to the code section reference in section 5152.1.
- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties.
- Section 5156 – changing "respondents" to "Respondents" in the Note.

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC) and address minor grammatical/spelling issues.

CALIFORNIA CODE OF REGULATIONS (PP. 43 - 64)

Article 1: General

The proposal would remove the following "if warranted" conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

The additional proposed amendments are non-substantive and are:

- Repositioning the model order number references in brackets.
  Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties.

The basis for the changes is to improve overall clarity and consistency throughout the Disciplinary Guidelines.

Article 2: Examinations

The proposed amendment is non-substantive and is:

- Including a reference to "BPC" next to code section numbers 5100 and 5116 referenced in the minimum and maximum penalty section.

The basis for the changes is to improve overall clarity and consistency throughout the Disciplinary Guidelines.

Article 3: Practice Privileges

The proposed amendments are non-substantive and are:

- Repositioning the model order number references in brackets.
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties.

The basis for the changes is to improve overall clarity and consistency throughout the Disciplinary Guidelines.

Article 5: Registration

The proposal would remove the following "if warranted" conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

The additional proposed amendments are non-substantive and are:

- Repositioning the model order number references in brackets.
- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties and changing "Section" to "section."

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines and address minor grammatical/spelling issues.

Article 6: Peer Review

The proposal would remove the following "if warranted" conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

The additional proposed amendments are non-substantive and are:

- Repositioning the model order number references in brackets.
- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties.
- In the Reference sections of CCR sections 40(a)(b)(c), 41, 45 and 46(a), including a reference to "BPC" next to the section number reference and changing "Section" to "section."
- Replacing the word "Sample" with "Samples" in Condition of Probation #9 in CCR section 44, consistent with the probationary term referenced on page 76 of the Disciplinary Guidelines (#38 Samples – Audit, Review or Compilation). The correction of this section is to ensure accuracy.

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC), and address minor grammatical/spelling issues.

Article 9: Rules of Professional Conduct

The proposal would remove the following "if warranted" conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

The additional proposed amendments are non-substantive and are:

- Repositioning the model order number references in brackets.

- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties.
- In the Reference sections of CCR sections 51.1, 54.1, 59, 60, 61, 68, 68.2, 68.3, and 68.5, including a reference to "BPC" next to the section number reference and changing "Section" to "section."
- Replacing "Audits" with "Audit" in Condition of Probation #5 in CCR sections 68.2, 68.4 and 68.5, consistent with the probationary terms referenced on page 76 (#38 Samples – Audit, Review or Compilation).
- Replacing "Material" with "Materials" in CCR sections 68.3, 68.4 and 68.5, Condition of Probation #5 consistent with the probationary terms referenced on page 73 (#33 Library Reference Materials).

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines, clarify the specific code section references (BPC), ensure accuracy and address minor grammatical/spelling issues.

Article 11: Accountancy Corporation Rules

The proposal would remove the following "if warranted" conditions of probation:

- Ethics Continuing Education
- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

The additional proposed amendments are non-substantive and are:

- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties.

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines and clarify the specific code section references (BPC).

Article 12: Continuing Education Rules

The proposal would remove the following "if warranted" conditions of probation:

- Ethics Continuing Education

- Regulatory Review Course

The change is necessary because all disciplined licensees will benefit from additional training on ethical decision-making and the laws governing the practice of public accountancy; accordingly, it is necessary that the Disciplinary Guidelines' Conditions of Probation reflect that these conditions would no longer be used "if warranted."

The additional proposed amendments are non-substantive and are:

- Repositioning the model order number references in brackets.
- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties.

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines and clarify the specific code section references (BPC).

Article 12.5: Citations and Fines

The proposed amendments are non-substantive and are:

- Updating the model order number reference(s) for each condition of probation. This is necessary due to a renumbering of the standard and optional terms of probation (*pages 67-78 of the Disciplinary Guidelines*).
- Including a reference to "BPC" next to the code section that relates to Administrative Penalties.

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines and clarify the specific code section references (BPC).

Violation of Probation, Unlicensed Activities, Injunctions (pp. 65-66)

The proposed amendments are non-substantive and are:

- Replacing "California Code of Regulations" with the acronym "CCR."
- Replacing "$5000" with "$5,000."
- Adding the acronym "BPC" to clarify the code section references.
- Amending "Section" to "section."
- Correcting language under the Injunctions section to mirror language in BPC section 5122.

The bases for the changes are to improve overall clarity and consistency throughout the Disciplinary Guidelines and clarify the specific code section references.

Section IX – Model Orders (pp. 67-78)

The proposed amendments to the Model Orders section renumbers the section title and contains the following non-substantive amendments:

- Capitalizing the word "Respondent."
- Amending "Section" to "section."
- Repositioning of the model order number references.

The bases for the changes are to fix grammatical/spelling errors and improve overall clarity and consistency throughout the Disciplinary Guidelines and address minor grammatical references. The changes also ensure that the numbering is sequential as a result of adding the model order, Restricted Practice (#5) and modifying standard and optional conditions of probation.

The following sections of the model orders contain substantial proposed amendments:

Order of Restricted Practice

The proposed amendments include the addition of the section "Order of Restricted Practice." This section will include a model order for "Permanent Restricted Practice Order," authorized by BPC section 5100.5. This model order would be included in the decision following the prescribed probationary terms in cases where the respondent licensee will be permanently prohibited from engaging in certain services in the State for the remainder of time he/she has a California CPA license, or until the respondent successfully petitions the CBA for reinstatement of this prohibition. The type of services restricted will be based on the type of services that were performed by the licensee that were not in compliance with established professional standards and/or where the respondent's practice reflected negligence. As this restriction is "permanent" it is not included within the probationary terms, but rather after the probationary terms at the end of the decision. The permanent practice restriction can only be removed following successfully petitioning the CBA for the reinstatement of the privilege to engage in the specific services.

The basis for this change is to both protect consumers by prohibiting a licensee from practicing in an area in which he/she is not competent, and to enable a licensee to continue practicing in areas where he/she does not have competency issues. When a licensee is disciplined and placed on probation, it provides an opportunity for the licensee to rehabilitate and at the same time provides the CBA the opportunity to monitor the practice activities to ensure consumer protection. If there are violations of unprofessional conduct or repeated violations in a practice area, a permanent restriction in that practice area gives added assurance that the licensee will not continue re-engaging in those services following the completion of their probation. Rather, the licensee will have to demonstrate competency to the CBA through the petition process.

Petitions for Reinstatement
The proposed amendments to the Petitions for Reinstatement section include clarification that a license will be granted only if the individual has satisfied all statutory and regulatory requirements necessary to obtain a CPA license. The model order sections that include this clarification are:

- Grant petition without restrictions on the license (#6)
- Grant petition and place license on probation (#7)
- Grant petition and place license on probation after petitioner completes conditions precedent to reinstatement of the license (#8)

The purpose of this clarification is to ensure an individual petitioning for reinstatement of their license is aware that they must meet any statutory and regulatory requirements prior to reinstatement of their license.

The text used when granting the petition and placing the license on probation after the petitioner completes conditions precedent of their license (#8) includes a proposed amendment to exclude the Enrolled Agents exam as a possible example of a condition that would need to be met prior to granting a probationary license. The purpose for this amendment is that the Enrolled Agents exam condition of probation is included as a proposed amendment to be removed as a condition of probation in this rulemaking package.

The text used when denying the petition (#9) includes a proposed amendment to establish the acronym "BPC," following the first reference of the Business and Professions Code, subsequently replacing the second reference of Business and Professions Code with the acronym "BPC." The basis for this amendment is to correct a non-substantive grammar issue to ensure clarity and consistency.

Petition for Revocation of Probation
The continuance of probation order (#11) includes a proposed amendment to add "a period of." The basis for the amendment is for clarification purposes.

Applicants
The order granting an application and placing a license on probation after applicant completed conditions precedent to reinstatement of the license (#14) includes a proposed amendment deleting reference to the "Enrolled Agents Exam" as a possible example of a condition that would need to be met prior to granting a probationary license.

The basis for the amendment is to eliminate the reference to the "Enrolled Agents Exam" as the CBA is proposing to eliminate this as an optional term of probation. (See #35).

Standard Conditions of Probation

The primary amendments to this section are the following:

- Amending the Completion of Probation (#25) condition to clarify that upon completion of probation, the licensee's license will be fully restored, unless there is an order that Respondent be permanently restricted from engaging in specified services – as identified under the new model order, Permanent Restricted Practice Order (#5).

  The basis for this change is to ensure internal consistency in the regulation, as discussed above. The purpose of permanent practice restrictions is to ensure consumer protection by prohibiting an individual from engaging in certain services that they have not maintained a minimum competency level and to allow them to practice in areas where consumers are not at risk.

- Adding "Ethics Continuing Education" (#26) as a standard condition of probation.

  The basis for converting the Ethics Continuing Education from an optional condition of probation to a standard condition is that the CBA has used this term in a majority of its disciplinary orders over the past five years. This course will remind disciplined licensees of business ethics and how nationally recognized codes of professional conduct relate to the licensee's professional responsibilities to improve consumer protection. All disciplined licensees will benefit from additional training on ethical decision-making; accordingly, it is necessary to change this condition from an optional condition to a standard condition.

  There are no substantive changes to the text as it presently appears in the optional condition of probation. It is now being proposed to make it a standard condition of probation.

- Adding "Regulatory Review Course" (#27) as a standard condition of probation.

  The basis for converting the Regulatory Review Course from an optional condition of probation to a standard condition is that the CBA has used this term in a majority of its disciplinary orders over the past five years. The course provides information on the provisions of the Accountancy Act and CBA Regulations. This condition will require all disciplined licensees to better understand the current rules and regulations, to improve consumer protection. All disciplined licensees will benefit from additional training on the laws governing the practice of public accountancy; accordingly, it is necessary to change this condition from an optional condition to a standard condition to ensure they all receive the training. The CBA proposes to remove the requirement that the training be a minimum of two hours because CCR section 87.8 establishes the

Regulatory Review course as a minimum of two hours, and the CBA maintains a list of CBA-approved courses to select from.

There are no substantive changes to the text as it presently appears in the optional condition of probation. It is now being proposed to make it a standard condition of probation.

Other minor and non-substantive amendments to the Standard Conditions of Probation are:

- Cost Reimbursement (#17)
  - Replacing the word "Board" with "CBA."

- Submit Written Reports (#18)
  - Spelling out "California Board of Accountancy" and establishing "CBA."
  - Replacing the word "Board" with "CBA."

- Personal Appearances (#19)
  - Spelling out "California Board of Accountancy."

- Comply with Probation (#20)
  - Spelling out "California Board of Accountancy" and establishing "CBA."
  - Replacing the "California Board of Accountancy" with "CBA."

- Practice Investigation (#21)
  - Spelling out "California Board of Accountancy" and establishing "CBA" as an acronym.

- Tolling of Probation for Out-of-State Residence/Practice (#23)
  - Spelling out "California Board of Accountancy" and establishing "CBA" as an acronym.
  - Replacing "Board" with "CBA."

- Violation of Probation (#24)
  - Spelling out "California Board of Accountancy" and establishing "CBA" as an acronym.

The basis for these amendments is to provide clarity and consistency throughout the Disciplinary Guidelines.

<u>Optional Conditions of Probation</u>
The primary proposed amendments to this section are:

- Restricted Practice (#31)
    - Adding the word “other” before attestation engagements.
    - Adding language to clarify that an individual with this term of probation would be prohibited from engaging in specified restricted services until such time as they receive authorization from the CBA to do so.

  The bases for these changes is to clarify that the restricted practice for attestation engagements is not limited to audits, reviews, and compilations and to ensure the licensee is clearly notified that, pursuant to BPC sections 5100.5 and 5115, the restricted practice restrictions continue throughout probation, until they receive authorization from the CBA to resume performing the restricted services. The process to obtain approval requires the licensee to petition the CBA to remove the restriction and obtain an order providing authorization to resume performing those services.

- Ethics Continuing Education (formerly #31) and Regulatory Review Course (formerly #32).
    - Removing these sections as Optional Conditions of Probation. These conditions are proposed to be added as Standard Conditions of Probation.

- Peer Review (#34)
    - Including references to the statutory and regulatory requirements regarding peer review.
    - Specifying the timeframe in which the peer review documentation is to be submitted to the CBA.
    - Identifying what peer review documentation is to be submitted to the CBA, which is consistent with the required documents licensees submit pursuant to Title 16, CCR, section 46.
    - Adding reference for condition #38 (Samples – Audit, Review or Compilation) to be used any time #34 is used.

  The bases for the changes are to provide added clarity regarding the Peer Review requirement of probation. The content of the peer review was deleted because this is governed by regulation and unnecessary. Further, a timeframe is being added for the submission of documents for a licensee undergoing the peer review process. The CBA determined that the 45-day timeframe to submit documents is appropriate because it is consistent with the language in CBA Regulation section 46, Document Submission Requirements, requiring a firm who received a substandard peer review rating to submit peer review documents to the CBA within 45 days.

  These changes are necessary to ensure the respondent is in compliance with the peer review probationary term. Identifying the necessary documentation

provides clarity to the respondent regarding specifically what must be submitted to ensure they are in compliance with this term of probation.

- CPA Exam (#35)
    - Specifying the time period for the respondent to complete a section of (or all sections) of the Uniform CPA Exam.
    - Renaming “CPA exam” to “Uniform CPA Exam.”
    - Replacing “Board” with “California Board of Accountancy.”
    - Updating “exam” to “examination.”

  The basis for these changes is to provide greater flexibility for the CBA when prescribing the CPA Exam as a term of probation. The CBA will evaluate each matter on a case-by-case basis and establish an appropriate time for the licensee to take the examination. The CBA removed the limitation on the number of attempts as it is unnecessary to have both a specified time period and number of attempts. The time period limitation is sufficient for this condition of probation. Additionally, grammatical changes are being made to ensure clarity and consistency throughout the Disciplinary Guidelines.

- Enrolled Agents Exam
    - Removing this section as a condition of probation.

  The basis for the deletion is to eliminate this probationary condition as it has not been utilized in a disciplinary order in several years. Additionally, if a respondent needs to demonstrate competency in a tax-based area, the CBA can require completion of the CPA Exam (#35) or a specified section of the CPA Exam that contains tax-based questions.

- Continuing Education Courses (#36)
    - Adding language related to the time period in which a licensee should complete the prescribed continuing education.
    - Providing the Respondent steps to follow if they are unable to complete the prescribed continuing education courses, which includes:
        - Notify the CBA
        - Cease practice until the deficiency is rectified
        - Provide proof of compliance with continuing education
        - Await authorization from the CBA prior to practicing

  The basis for the changes are to provide clarity regarding this term of probation to ensure Respondent is clearly notified of what is required in order to comply with this probationary term. The changes include a specified timeframe, at the discretion of the CBA, established for the Respondent to complete the prescribed continuing education. The CBA’s example, set at 180 days, has continuously

been used in past decisions and is considered a reasonable timeframe for Respondents to complete the continuing education.

In the instances where a Respondent does not abide by the probationary terms, steps are identified to ensure the CBA is notified and that consumers are protected by ensuring there are no practice rights during the time of the deficiency. Ensuring the Respondent is aware that failure to meet this probationary term is a violation will assist in conveying the importance of the requirement as well as ensure the Respondent is aware that the violation could result in the stay of revocation being lifted and the Respondent's licensing being revoked.

There are additional non-substantive proposed amendments to each Optional Condition of Probation and are as follows:

- Supervised Practice (#28)
  - Replacing "thirty" with "30."
  - Spelling out "California Board of Accountancy" and establishing "CBA" as an acronym.

- Restitution (#29)
  - Spelling out "California Board of Accountancy."

- Probation Monitoring Costs (#30)
  - Spelling out "California Board of Accountancy" and establishing "CBA" as an acronym.

- Engagement Letters (#32)
  - Spelling out "California Board of Accountancy."

- Library Reference Materials (#33)
  - Spell out "California Board of Accountancy."

- Active License Status (#37), Samples – Audit, Review, or Compilation (#38), Community Service – Free Services (#40), Relinquish Certificate (#41), Administrative Penalty (#43), Medical Treatment (#44), Psychotherapist (#45), Rehabilitation Program/Chemical Dependence (#46), Drugs – Screening (#48) and Biological Fluid Testing (#49)
  - Replacing "Board" with "California Board of Accountancy" and establishing the acronym "CBA."

The bases for these changes are to ensure consistency throughout the Disciplinary Guidelines.

2. Amend Section 99 Substantial Relationship Criteria of Title 16 of the California Code of Regulations.

Under existing law, BPC section 481 specifies that each DCA board shall develop criteria to aid it, when considering the denial, suspension or revocation of a license, to determine whether a crime is substantially related to the qualifications, functions, or duties of the business or profession it regulates. Beginning July 1, 2020, AB 2138 amends this section and section 493 and requires the following criteria to be used in determining whether a crime is substantially related: the nature and gravity of the offense, the number of years elapsed since the date of the offense, and the nature and duties of the profession in which the applicant seeks licensure or in which the licensee is licensed. The substantial relationship requirement stems from the due process principal that a statute constitutionally can prohibit an individual from practicing a lawful profession only for reasons related to his or her fitness or competence to practice. (*Arneson v. Fox* (1980) 28 Cal.3d 440, 448; *Moustafa v. Board of Registered Nursing* (2018) 29 Cal.App.5th 1119, 1135.) The CBA has included these criteria in its proposed amendments to CCR section 99 to comply with existing law.

CCR section 99 states crimes or acts shall be considered substantially related to the qualifications, functions, or duties of a licensee if they evidence present or potential unfitness to perform the functions authorized for the certificate or permit to practice. In addition to crimes or acts, the CBA's proposed amendments include "professional misconduct" to be considered in the substantial relationship criteria because the Board may consider such misconduct in denying licenses under AB 2138.

The CBA's proposed amendments to the substantial relationship criteria also includes language to consider "whether the crime or act of professional misconduct reflects a lack of sound professional or personal judgment relevant to the practice of public accountancy, regardless of whether financial harm occurred to a consumer." The proposed criteria are consistent with California case law. In *Griffiths v. Superior Court* (2002) 96 Cal.App.4th 757, the court ruled that there must be a sufficient nexus between a licensee's conduct and the qualifications, functions, or duties of the profession. The court concluded that a nexus exists if the there is a "lack of sound professional and personal judgment" relevant to the licensee's fitness and competence to practice. The addition of this language is to aid in transparency in identifying the types of crimes or conduct that the Board may consider to be substantially related to the practice of public accountancy.

3. Amend Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty, Etc. of Tile 16 of the California Code of Regulations.

Existing law under BPC section 482 requires DCA boards to develop criteria to evaluate the rehabilitation of a person when considering the denial, suspension, or revocation of

a license. Under this section, a board is required to consider all competent evidence in the rehabilitation furnished by the applicant or licensee. Beginning July 1, 2020, AB 2138 amends BPC section 482 requiring DCA boards to develop criteria when considering whether an applicant or licensee has made a showing of rehabilitation if either of the following are met:

- The applicant or licensee has completed the criminal sentence at issue without a violation of parole or probation.
- The board, applying its criteria for rehabilitation, finds that the applicant is rehabilitated.

The proposed amendments include language related to a showing of rehabilitation, consistent with AB 2138. The CBA is also proposing to add the following criteria to consider when evaluating rehabilitation of a licensee or the eligibility for a certificate or permit:

- Nature and extent of actual and potential consumer harm.

  It is necessary for the CBA to consider the nature and extent of actual and potential consumer harm as these factors reflect whether and to what extent the conduct is related to the practice of public accountancy and the extent to which the individual failed to comport themselves in a manner consistent with the public health, safety and welfare as it relates to the practice of public accountancy. Further, this information bears on whether the individual is sufficiently rehabilitated when considering the CBA's other rehabilitative criteria.

- The applicant's or licensee's attitude toward his or her commission of the violations.

  It is necessary for the CBA to consider the applicant's or licensee's attitude toward his or her commission of the violations as it is relevant in evaluating whether the individual is rehabilitated and their willingness to comply with the law and rules of licensure going forward. This information is relevant in the CBA's assessment of the individual's willingness to practice public accountancy in a manner consistent with the public health, safety and welfare.

- The applicant's or licensee's recognition of wrongdoing.

  It is necessary for the CBA to consider the applicant's or licensee's recognition of wrongdoing as it is relevant in evaluating the individual's rehabilitation. This information reflects their willingness to comply with the law and rules of licensure and to practice public accountancy in a manner consistent with the public health, safety and welfare.

- The applicant's or licensee's history of violations.

  It is necessary for the CBA to consider the applicant's or licensee's history of violations as this is relevant in evaluating their rehabilitation. This information reflects the individual's willingness to comply with the law and rules of licensure and is relevant in assessing whether the individual is sufficiently rehabilitated to practice public accountancy in a manner consistent with the public health, safety and welfare.

- Nature and extent to which the applicant or licensee has taken corrective action to ensure the violation will not recur.

  It is necessary for the CBA to consider the nature and extent to which the applicant or licensee has taken corrective action to ensure the violation will not recur as it is relevant in evaluating the individual's rehabilitation. This information is valuable in assessing the individual's willingness to comply with the law, the rules of licensure, and whether they are sufficiently rehabilitated to practice public accountancy in a manner consistent with the public health, safety and welfare.

- Nature and extent of restitution to consumers harmed by violations.

  It is necessary for the CBA to consider the nature and extent of restitution to consumers harmed by violations as it is relevant in evaluating the individual's rehabilitation. This information is relevant in assessing the individual's willingness to comply with the law, the rules of licensure, whether they are sufficiently rehabilitated to practice public accountancy consistent with the public health, safety and welfare.

- Other aggravating or mitigating factors.

  It is necessary for the CBA to consider other aggravating or mitigating factors to provide the Board with the flexibility of considering other factors that are not otherwise addressed in the Board's criteria. This criterion allows the individual and the Office of the Attorney General to provide additional evidence relevant in determining whether the individual is sufficiently rehabilitated to practice public accountancy consistent with the public health, safety and welfare.

These new criteria, together with the existing criteria, ensure that the CBA has clear guidance when considering that an individual is competent and wiling to provide public accounting services in a manner consistent with the public health, safety and welfare prior to providing such services to consumers.

It is necessary to clarify the interplay between BPC section 480(b), which indicates that a board shall not deny a license if the individual "has made a showing of rehabilitation

pursuant to Section 482[,]" and BPC section 482(b)(2), which states that a board, "shall consider whether an applicant or licensee has made a showing of rehabilitation if […] the board finds that the applicant is rehabilitated" pursuant to the board's rehabilitation criteria.

The proposed amendment to Section 99.1(b) clarifies that, for applicants, the CBA will consider the applicant to have made a showing of rehabilitation on the basis that the applicant did not violate parole or probation and, consequently, is entitled to a license. In other applicant cases, the CBA will apply its criteria for rehabilitation, as outlined in subdivisions (a)(1)-(13), prior to making its final determination of whether the applicant is sufficiently rehabilitated to practice public accountancy consistent with the public health, safety and welfare. As each case is unique, this language provides the CBA the ability to consider the totality of the facts and circumstances and evaluate each matter on a case-by-case basis for public protection.

The CBA has also proposed language that states that, "a showing of rehabilitation supports, but does not itself constitute, a finding that an individual is rehabilitated." The inclusion of this statement in CCR section 99.1(d) provides the CBA with flexibility in evaluating rehabilitation. With respect to license discipline or restoring a license pursuant to section 99.1(d), the Board will consider whether the licensee made a showing of rehabilitation, as required, under BPC section 482. A showing of rehabilitation, for purposes of existing licensees (whether subject to discipline or seeking a reinstatement of license or reduction of penalty) does not mean that the licensee is rehabilitated and entitled to a license, however. Thus, section 99.1(d) specifies that a showing of rehabilitation supports, but does not constitute, an unqualified finding that the licensee is rehabilitated.

4. Adopt Section 99.2 Directly and Adversely Financial Crime Criteria of Title 16 of the California Code of Regulations.

AB 2138 amends language in BPC section 480 requiring select DCA boards or bureaus, of which the CBA is included, to develop and adopt regulations that allow them to deny an application for licensure if the "applicant was convicted of a financial crime currently classified as a felony that is directly and adversely related to the fiduciary qualifications, functions, or duties of the business or profession for which the application is made."

DCA convened a working group of other impacted boards and bureaus to develop model language around the new statutory requirement. Unlike the substantial relationship requirement, which has been developed in case law, the "directly and adversely related" standard is new. To distinguish it from the closely related "substantially related" standard, and acknowledging that the standard applies to crimes that involve financial harm, the DCA's proposed language ties the direct and adverse impact to having a direct financial benefit to the applicant or another person or direct financial harm to the other person or entity. This language has been included in the

proposed regulatory language for CCR section 99.2 as adoption of regulations is required by AB 2138.

In developing the criteria governing the types of financial crimes that would be related to the practice of public accountancy, the CBA reviewed its records from a seven-year period (2012-2018) involving license denials and discipline where a factor in the CBA's decision to deny or discipline a license was a criminal conviction. It is reasonably necessary to include this information to provide clarity to applicants regarding what the CBA considers to be directly and adversely related to the fiduciary qualifications, functions, or duties of a certificate public accountant. In reviewing its records over this seven-year period, the CBA focused on records involving financially-related crimes such as embezzlement and theft, where the CBA previously found the crime was related to the practice of public accountancy. The CBA then reviewed the elements of the crimes and developed its regulatory criteria based on the common features of the crimes the CBA previously found to be related to the practice of public accountancy. Such crimes are contrary to the fiduciary relationship between accountant and client and, consequently, it is necessary to include the elements of the crimes to ensure that all such crimes are included.

Underlying Data

1. March 17-18, 2016: CBA Item X.B.3 – Discussion and Possible Approval of Model Orders for Permanent Restricted Practice for Inclusion in Proposed Amendments to the California Board of Accountancy *Disciplinary Guidelines and Model* Orders
2. Minutes of the March 17, 2016 Enforcement Program Oversight Committee Meeting
3. Minutes of the March 17-18, 2016 CBA Meeting
4. May 19-20, 2016: CBA Item IX.B.3 – Discussion and Possible Action Regarding Proposed Changes to the Disciplinary Guidelines and Model Orders
5. Minutes of the May 19, 2016 Enforcement Program Oversight Committee Meeting
6. Minutes of the May 19-20, 2016 CBA Meeting
7. July 21-22, 2016: CBA Item II.C. – Discussion and Possible Action on Evaluating Criminal Convictions Involving Drugs and Alcohol and the Authority to Take Administrative Actions Pursuant to Business and Professions Code Sections 480, 490, and 5100
8. July 21-22, 2016: CBA Item IX.B.4 – Discussion and Possible Action Regarding Proposed Changes to the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty
9. Minutes of the July 21, 2016 Enforcement Program Oversight Committee Meeting
10. Minutes of the July 21-22, 2016 CBA Meeting

11. September 15-16, 2016: CBA Item VIII.A.2. – Discussion and Possible Action on Evaluating Criminal Convictions Involving Drugs and Alcohol and the Authority to Take Administrative Actions Pursuant to Business and Professions Code Sections 480, 490, and 5100
12. September 15-16, 2016: CBA Item VIII.B.3. – Discussion and Possible Action to Initiate a Rulemaking to Amend the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty
13. Minutes of the September 15, 2016 Committee on Professional Conduct Meeting
14. Minutes of the September 15, 2016 Enforcement Program Oversight Committee Meeting
15. Minutes of the September 15-16, 2016 CBA Meeting
16. November 17-18, 2016: CBA Item IX.A.3. – Discussion and Possible Action on Evaluating Criminal Convictions Not Involving Drugs and Alcohol, and the Authority to Take Administrative Actions Pursuant to Business and Professions Code Sections 480, 490, and 5100
17. November 17-18, 2016: CBA Item IX.B.3. – Discussion and Possible Action to Initiate a Rulemaking to Amend the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty
18. Minutes of the November 17, 2016 Committee on Professional Conduct Meeting
19. Minutes of the November 17, 2016 Enforcement Program Oversight Committee Meeting
20. Minutes of the November 17-18, 2016 CBA Meeting
21. January 26-27, 2017: CBA Item VIII.B.3 – Discussion and Possible Action to Initiate a Rulemaking to Amend the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1, Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty
22. Minutes of the January 26, 2017 Enforcement Program Oversight Committee Meeting
23. Minutes of the January 26, 2017 CBA Meeting
24. Assembly Bill No. 2138 approved September 30, 2018
25. January 17, 2019: CBA Item X.A.2. – Discussion and Possible Action Regarding Proposed Changes to Title 16, California Code of Regulations Section 98, Disciplinary Guidelines and Model Orders; Section 99, Substantial Relationship Criteria; and Section 99.1, Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty
26. Minutes of the January 17, 2019 Enforcement Program Oversight Committee Meeting
27. Minutes of the January 17, 2019 CBA Meeting
28. *Griffiths v. Superior Court* (2002) 96 CaJ.App.4th 757

29. *Sulla v. Board of Registered Nursing* (2012) 205 Cal.App.4th 1195
30. March 21-22, 2019: CBA Item X.C.2. – Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulation Section 98, Disciplinary Guidelines and Model Orders; Section 99, Substantial Relationship Criteria; and Section 99.1, Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty, and to Adopt Title 16, California Code of Regulations Section 99.2, Directly and Adversely Financial Crime Criteria
31. Draft minutes of the March 21, 2019 Enforcement Program Oversight Meeting
32. Draft minutes of the March 21-22, 2019 CBA Meeting
33. "Disciplinary Guidelines and Model Orders" (10th Edition, 2019) as approved at the March 21-22, 2019 CBA Meeting

Business Impact

The CBA has made the initial determination that the proposed regulations will not have a significant adverse economic impact directly affecting businesses. This initial determination is based on the following facts or evidence/documents/testimony:

The CBA's proposed amendments related to the implementation of AB 2138 will not impact businesses in California as the regulatory proposal strictly relates to applicants or licensees with criminal convictions. The proposed amendments to the Disciplinary Guidelines will only impact individuals disciplined for violations of the Accountancy Act or CBA regulations.

Economic Impact Assessment

This regulatory proposal will have the following effects:

- It will not create or eliminate jobs within the State of California as it only amends CBA regulations consistent with AB 2138 and updates the existing Disciplinary Guidelines. Therefore, the overall economic impact on jobs is deemed insignificant.

- It will not create new business or eliminate existing business within the State of California because the amendments to comply with AB 2138 apply to individuals with a criminal history and the update of the Disciplinary Guidelines affects individuals who have been disciplined for violations of the Accountancy Act or CBA regulations. Therefore, the overall economic impact on businesses is deemed as insignificant.

- It will not affect the expansion of businesses currently doing business within the State of California. This regulatory proposal merely updates CBA regulations to align with AB 2138 and updates the existing Disciplinary Guidelines that are used to discipline licensees for violations of the Accountancy Act or CBA regulations.

Therefore, the overall economic impact on the expansion of businesses is deemed insignificant.

- This regulatory proposal benefits the health and welfare of California residents because the updated Disciplinary Guidelines will improve clarity for staff, applicants, licensees and individuals involved in the disciplinary process. The proposed changes enable the CBA to meet its mandate to protect consumers by ensuring only qualified licensees practice public accountancy. The CBA can only speculate the anticipated changes that may occur as a result of AB 2138, however, the amendments provide clearer guidance and may expedite the CBA's licensing and enforcement processes.

- This regulatory proposal does not affect worker safety because the regulatory proposal does not relate to worker safety.

- This regulatory proposal does not affect the state's environment because the regulatory proposal does not relate to the state's environment.

Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective or less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

- Not adopting the regulations; however, the regulatory proposal is necessary to implement AB 2138. Further, the Disciplinary Guidelines have not been updated since 2013. New laws have been implemented requiring that the Disciplinary Guidelines be updated to reflect relevant guidance on potential violations. Further, outdated information should be made current, and improvements to clarity and consistency are necessary.

- The CBA considered alternate language in CCR section 99, subdivision (c)(4), to remove "personal judgment" from being considered when evaluating whether a crime or act of professional misconduct is relevant to the practice of public accountancy. The CBA discussed this matter and determined that the precedent is based on case law. The CBA ultimately decided to include the language in its proposed regulatory amendment for this reason.

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment 4

CBA Proposed Regulations
Title 16, California Code of Regulations
(Additions are underscored; Deletions are ~~stricken~~)

§ 98. Disciplinary Guidelines

In reaching a decision on a disciplinary action under the Administrative Procedure Act (Government Code Section 11400 et seq.) the Board shall consider the disciplinary guidelines entitled "Disciplinary Guidelines and Model Orders" (~~9th edition, 2013~~10th edition, 2019), which are hereby incorporated by reference. Deviation from these guidelines and orders, including the standard terms of probation, is appropriate where the Board in its sole discretion determines that the facts of the particular case warrant such a deviation, for example: the presence of mitigating factors; the age of the case; evidentiary problems.

Note: Authority cited: Sections 5010, 5018 and 5116, Business and Professions Code; and Section 11400.20, Government Code.
Reference: Sections 5018, 5096, 5096.5, 5096.12, 5100 and 5116–5116.6, Business and professions Code; and Section 11425.50(e), Government Code.

§ 99. Substantial Relationship Criteria

(a) For the purposes of denial, suspension, or revocation of a certificate or permit pursuant to Division 1.5 (commencing with Section 475) of the Business and Professions Code, a crime, professional misconduct, or act shall be considered to be substantially related to the qualifications, functions or duties of a certified public accountant or public accountant if to a substantial degree it evidences present or potential unfitness of a certified public accountant or public accountant to perform the functions authorized by his or her certificate or permit in a manner consistent with the public, health, safety, or welfare. ~~Such crimes or acts shall include but not be limited to those involving:~~

(b) In making the substantial relationship determination required under subdivision (a) for a crime, the board shall consider the following criteria:

(1) The nature and gravity of the offense;

(2) The number of years elapsed since the date of the offense; and

(3) The nature and duties of the accounting profession.

(c) For purposes of subdivision (a), a substantially related crime, professional misconduct, or act shall include, but are not limited to, the following:

~~(a)~~(1) A crime, professional misconduct, or act that involves ~~D~~dishonesty, fraud, or breach of fiduciary responsibility of any kind;

~~(b)~~(2) Fraud or deceit in obtaining a certified public accountant's certificate or public accountant's permit under Chapter 1, Division III of the Business and Professions Code;

~~(c)~~(3) Gross negligence in the practice of public accountancy or in the performance of bookkeeping operation described in Section 5052 of the Business and Professions C~~c~~ode;

(4) A crime or act of professional misconduct that reflects a lack of sound professional or personal judgment relevant to the practice of public accountancy, regardless of whether financial harm occurred to a consumer.

~~(d)~~(5) Violation of any of the provisions of Chapter 1, Division III of the Business and Professions Code or willful violation of any rule or regulation of the board.

Note: Authority cited: Sections 481, 5010, 5018, Business and Professions Code.
Reference: Sections 480, 481, ~~and~~ 5100, and 5100.2, Business and Professions Code.

§ 99.1. Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty, Etc.

(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 ~~11522 of the Government~~ 5115 of the Business and Professions Code, the board~~, in evaluating the rehabilitation of the applicant and his present eligibility for a certificate or permit,~~ will consider the following criteria:

(1) Nature and gravity ~~severity~~ 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 subdivisions (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.

(b) For purposes of issuing a license to an applicant that has been convicted of a crime, the board will consider whether the applicant made a showing of rehabilitation, if the applicant has completed the criminal sentence at issue without a violation of parole or probation.

(c) In all other circumstances relating to issuing a license, 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 has completed the criminal sentence at issue without a violation of parole or probation. A showing of rehabilitation supports, but does not itself constitute, a finding that the licensee is rehabilitated.

Note: Authority cited: Sections 482 and 5010, Business and Professions Code.
Reference: Sections 480, 481, 482, 486, 493, 5100, 5115, and 5106, Business and Professions Code; and Section 1203.4, Penal Code.

§ 99.2 Directly and Adversely Financial Crime Criteria.

(a) For the purpose of determining whether there are grounds to deny an applicant who was convicted of a financial crime currently classified as a felony pursuant to Section 480 of the Business and Professions Code, the crime shall be considered to be directly and adversely related to the fiduciary qualifications, functions, or duties of a certified public accountant if it involves dishonesty, fraud, deceit, or theft that resulted in or could have resulted in either:

(1) Direct financial benefit to the applicant or another person or entity; or

(2) Direct financial harm to another person or entity (to include federal, state, or local government).

(b) The felony financial crimes shall include, but are not limited to, the following;

(1) Crimes involving the acquisition or provision of false, altered, forged, counterfeit, or fraudulent statements or documents.

(2) Crimes involving stolen property, embezzlement, money laundering, fraud, theft, grand theft, larceny, burglary, identity theft, bid rigging, racketeering, tax evasion, conspiracy to defraud, or obtaining money, labor, or property under false pretenses.

(3) Crimes involving an attempt or conspiracy to commit such crimes listed in subdivisions (b)(1) or (b)(2).

Note: Authority cited: Sections 7.5, 480, 5010, and 5018, Business and Professions Code.
Reference: Sections 480 and 5100, Business and Professions Code.

CALIFORNIA BOARD OF ACCOUNTANCY

DISCIPLINARY GUIDELINES AND MODEL ORDERS

~~9~~10TH EDITION, ~~2013~~2019

CALIFORNIA BOARD OF ACCOUNTANCY
~~2000 EVERGREEN STREET, SUITE 250~~
~~SACRAMENTO, CA 95815-3832~~
2450 VENTURE OAKS WAY, SUITE 300
SACRAMENTO, CA 95833
(916) 263-3680 – TELEPHONE
(916) 263-3675 – FACSIMILE
WWW.CBA.CA.GOV

~~DISCIPLINARY GUIDELINES~~
~~AND~~
~~MODEL ORDERS~~

I. INTRODUCTION

The California Board of Accountancy (CBA) ~~licenses~~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 Title16 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 ~~(ALJ)~~ 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 ~~are~~referenced ~~to~~ the statutory and regulatory provisions violated.

These disciplinary guidelines set forth recommended discipline for the violation of current statutes and regulations; include~~s~~ a provision for community service; and provide~~s~~ 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~~s~~ 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 ~~below/~~ 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~~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 ~~Administrative Law Judge~~ 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. ~~The Petition for Reinstatement Checklist was designed to assist the CBA members and an ALJ with the preparation of a petition for reinstatement. See Attachment 1 for additional information.~~

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 ~~VI~~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~~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 ~~Administrative Law Judge~~ ALJ, as part of any proposed decision in a disciplinary proceeding, to order the recovery of reasonable costs of investigation and prosecution (~~California Business and Professions Code~~ 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~~Respondent must reimburse the CBA for all reasonable costs of investigation and prosecution prior to or upon reinstatement of ~~respondent's~~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~~Respondent engage in no activities for which certification is required (see model disciplinary orders) during the period of suspension. In addition, the ~~respondent~~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~~, if directed to do so by the CBA~~.

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.

~~*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.~~

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

~~The CBA's rehabilitation criteria, set forth in CCR section 99.1, are as follows:~~

~~When considering the denial of a certificate or permit under BPC section 480, the suspension or revocation of a certificate or permit or restoration of a revoked certificate under BPC section 5115, the CBA, in evaluating the rehabilitation of the applicant and his or her present eligibility for a certificate or permit, will consider the following criteria:~~

~~1. Nature and severity 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 that could also 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 respondent has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or respondent.~~

~~5. If applicable, evidence of expungement proceedings pursuant to section 1203.4 of the Penal Code.~~

~~6. Evidence, if any, of rehabilitation submitted by the applicant or respondent.~~

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) In determining whether to issue 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 subdivisions (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.

(b) For purposes of issuing a license to an applicant that was convicted of a crime, the board will consider whether the applicant made a showing of rehabilitation, if the applicant has completed the criminal sentence at issue without a violation of parole or probation.

(c) In all other circumstances relating to issuing a license, 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 has completed the criminal sentence at issue without a violation of parole or probation. A showing of rehabilitation supports, but does not itself constitute, a finding that the licensee is rehabilitated.

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.

~~VI~~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 ~~Administrative Law Judge~~ 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 of 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~~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.

~~VII~~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, ~~[1, 2, 4]~~ 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~

~~7~~5. Continuing Education Courses [36]
~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]

6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~12~~10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference CCR ~~Section~~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~~Respondent who practices for a time without a valid license to practice or to ~~respondent~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~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~~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

(~~See~~Reference section on Unlicensed Activities.)

Section 5055 TITLE OF CERTIFIED PUBLIC ACCOUNTANT/
Section 5056 TITLE OF PUBLIC ACCOUNTANT
(Applies to ~~respondent~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~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 [~~15~~16-~~24~~27]

If warranted:
1. Probation Monitoring Costs [~~27~~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 [~~15~~16-~~24~~27]

If warranted:
1. Probation Monitoring Costs [~~27~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
6. ~~6~~4. Continuing Education Courses [36]
7. ~~7~~5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
7. ~~Ethics Continuing Education [31]~~
8. ~~Regulatory Review Course [32]~~
9. ~~9~~7. Continuing Education Courses [36]
10. ~~10~~8. Community Service – Free Services [40]
11. ~~11~~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 [~~15~~16-~~24~~27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]

4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Peer Review [~~33~~34]
~~10~~8. CPA Exam [~~34~~35]
~~11~~9. Samples – Audit~~s~~, Review or Compilation [38]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 ~~of~~ 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15~~16-~~24~~27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Community Service – Free Services [40]
~~5~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~

~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~7. Prohibition from Handling Funds [39]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~12~~10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference CCR ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~7. ~~Probation~~ Prohibition from Handling Funds [39]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Notice to Clients [42]
~~12~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]

3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5071.2(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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(~~See~~ 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 [~~15~~16-~~24~~27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
2. ~~Ethics Continuing Education [31]~~
3. ~~Regulatory Review Course [32]~~
4. ~~4~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. Peer Review [~~33~~34]
8. ~~8~~6. Continuing Education Courses [36]
9. ~~9~~7. Samples – Audit, Review or Compilation [38]
10. ~~10~~8. Notification to Clients/Cessation of Practice [42]
11. ~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. Peer Review [~~33~~34]
8. ~~8~~6. Continuing Education Courses [36]
9. ~~9~~7. Samples – Audit, Review or Compilation [38]
10. ~~10~~8. Notification to Clients/Cessation of Practice [42]
11. ~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 [20]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. Continuing Education Courses [36]
8. ~~8~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~

~~6~~4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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~~section 5100 for applicable provisions

Maximum Penalty – Denial of admission to examination or revocation of license if issued

(~~See~~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 ~~Board~~ 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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
6. ~~6~~4. CPA Exam [~~34~~35]
7. ~~7~~5. Continuing Education Courses [36]
8. ~~8~~6. Active License Status [~~36~~37]
9. ~~9~~7. Notification to Clients/Cessation of Practice [42]
10. ~~10~~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 ~~[1, 2, 4],~~ 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 [~~15-21, 23, 24,~~16-22, 24-27]

If warranted:
1. Suspension [3]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
5. ~~5~~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~~section 5096(g)).
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [30]~~
~~4~~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~~section 5096(g))
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~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~~section 5096(g)).
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~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~~section 5096(g)).
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
~~1. Ethics Continuing Education [31]~~
~~2. Regulatory Review Course [32]~~
~~3~~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 of 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 [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [23]~~
~~4~~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~~section 5096(g))
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~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~~section 5096(g)).
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
2. ~~Ethics Continuing Education [31]~~
3. ~~Regulatory Review Course [32]~~
4. ~~4~~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 ~~[1, 2, 4]~~, 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~~section 5096(g))
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
2. ~~Ethics Continuing Education [31]~~
3. ~~Regulatory Review Course [32]~~
4. ~~4~~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 ~~[1, 2, 4]~~, 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 [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
2. Suspension [3] (BPC ~~Section~~section 5096(g))
~~3. Ethics Continuing Education [31]~~
~~4. Regulatory Review Course [32]~~
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Continuing Education Courses [36]
~~11~~9. Samples - Audit~~s~~, Review or Compilation [38]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 ~~of~~ 3 to 5 years

2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~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 ~~of~~ ~~3~~1 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~

~~8~~6. CPA Exam [~~23~~35] ~~or Enrolled Agents Exam [35]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Compilation or Review [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~14~~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 ~~of~~ 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~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 ~~[1, 2, 4],~~ 3 years probation [1, 2, 4],
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation ~~of~~ 3 to 5 years
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Peer Review [~~33~~34]
~~8~~6. CPA Exam [~~34~~35]
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Review or Compilation [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]

~~13~~11. Notification to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~15~~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 ~~of~~ 3 to 5 years
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Review or Compilation [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]

~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Samples - Audit~~s~~, Review or Compilation [38]
~~11~~9. Community Service – Free Services [40]
~~12~~10. Notice to Clients [42]
~~13~~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~~section 5120 states "Any person who violates any of the provisions of 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, or both. "Whenever the Board has reason to believe that any person is liable for punishment under this article, the Board or its designated representatives, 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/ PUBLIC ACCOUNTANT
5058	USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED

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 ~~[1, 2, 4]~~, 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 [~~15-24~~16-27]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~26~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~

~~8~~6. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Review or Compilation [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~15~~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 ~~of~~ 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:

1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~

~~7~~5. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35]~~
~~8~~6. Continuing Education Courses [36]
~~9~~7. Prohibition from Handling Funds [39]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Notice to Clients [42]
~~12~~10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~13~~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 [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~
8. ~~8~~6. CPA Exam [~~23~~35] ~~or Enrolled Agents Exam [35]~~
9. ~~9~~7. Continuing Education Courses [36]
10. ~~10~~8. Samples - Audit, Review or Compilation [38]
11. ~~11~~9. Community Service – Free Services [40]
12. ~~12~~10. Notice to Clients [42]
13. ~~13~~11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
14. ~~14~~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 [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35]~~
8. ~~8~~6. Continuing Education Courses [36]

~~9~~7. Prohibition from Handling Funds [39]
~~10~~8. Notice to Clients [42]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~12~~10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(l) 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 [~~15-24~~16-27]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35~~]
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Review or Compilation [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~15~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]

2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5101 DISCIPLINE OF PARTNERSHIP

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~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~~section 5116 [43]

ARTICLE 7

Sections 5120/5121 VIOLATIONS AS MISDEMEANOR/EVIDENCE OF VIOLATION

(~~See~~Reference BPC ~~Section~~section 5100(f) and section on ~~**Unlicensed Activities**~~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]

(~~See~~ 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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5155 DISQUALIFIED SHAREHOLDER NONPARTICIPATION

Minimum Penalty – Revocation stayed ~~[1, 2, 4],~~ 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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
5. ~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31] for licensee directors, shareholders and/or officers~~
4. ~~Regulatory Review Course [32] for licensee directors, shareholders and/or officers~~
5. ~~5~~3. Community Service – Free Services [40]
6. ~~6~~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~~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 [~~15-24~~16-27]

If warranted:

1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~

~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

~~9~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Samples - Audit, Review or Compilation [38]
~~6~~4. Community Service – Free Services [40]
~~7~~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 [~~15-24~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]

~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Peer Review [~~33~~34]
~~8~~6. Continuing Education Courses [36]
~~9~~7. Samples – Audit, Review or Compilation [38]
~~10~~8. Notification to Clients/Cessation of Practice [42]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~10~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
~~3. Ethics Continuing Education [31]~~
~~4. Regulatory Review Course [32]~~
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
~~3. Ethics Continuing Education [31]~~
~~4. Regulatory Review Course [32]~~
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5 Regulatory Review Course [32]~~
~~6~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
~~3. Ethics Continuing Education [31]~~
~~4. Regulatory Review Course [32]~~
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Community Service – Free Services [40]
~~6~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Notice to Clients [42]

~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
5. ~~5~~3. Continuing Education Courses [36]
6. ~~6~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
7. ~~Ethics Continuing Education [31]~~
8. ~~Regulatory Review Course [32]~~
9. ~~9~~7. Continuing Education Courses [36]
10. ~~10~~8. Community Service – Free Services [40]
11. ~~11~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~
8. ~~8~~6. Continuing Education Courses [36]
9. ~~9~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
6. Ethics Continuing Education [~~31~~]
7. ~~Regulatory Review Course [32]~~
8. ~~Continuing Education Courses [36]~~
9. ~~9~~7. Prohibition from Handling Funds [39]
10. ~~10~~8. Community Service – Free Services [40]
11. ~~11~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]

2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Continuing Education Courses [36]
~~11~~9. Samples - Audit, Review or Compilation [38]
~~12~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Community Service – Free Services [40]
~~9~~7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]

4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Community Service – Free Services [40]
~~9~~7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Continuing Education Courses [36]
~~9~~7. Community Service – Free Services [40]
~~10~~8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~1, 2, 4],~~ 3 years probation [1, 2, 4]
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]

6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Community Service – Free Services [40]
~~11~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
~~3. Ethics Continuing Education [31]~~
~~4. Regulatory Review Course [32]~~
~~5~~3. Community Service – Free Services [40]
~~6~~4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 65 INDEPENDENCE

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years of probation [1, 2, 4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation ~~of~~ 3 to 5 years
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Peer Review [~~33~~34]
~~10~~8. CPA Exam [~~34~~35]
~~11~~9. Samples - Audit, Review or Compilation [38]
~~12~~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 [~~15-24~~16-27]

If warranted: 1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Community Service – Free Services [40]
~~5~~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 ~~[1, 2, 4]~~, 3 years probation [1, 2, 4]
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted: 1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~12~~10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Continuing Education Courses [36]
~~9~~7. Community Service – Free Services [40]
~~10~~8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~11~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Peer Review [~~33~~34]
~~8~~6. CPA Exam [~~24~~35]
~~9~~7. Samples - Audit~~s~~, Review or Compilation [38]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Notice to Clients [42]
~~12~~10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Samples - Audits, Review or Compilation [38]
~~11~~9. Community Service – Free Services [40]
~~12~~10. Notice to Clients [42]
~~13~~11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BCP ~~Section~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Samples - Audit~~s~~, Review or Compilation [38]
~~11~~9. Community Service – Free Services [40]
~~12~~10. Notice to Clients [42]
~~13~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Samples - Audit~~s~~, Review or Compilation [38]
~~11~~9. Community Service – Free Services [40]
~~12~~10. Notice to Clients [42]
~~13~~11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Community Service – Free Services [40]
~~7~~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 ~~of~~ 3 to 5 years
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. Continuing Education Courses [36]
8. ~~8~~6. Samples - Audit, Review or Compilation [38]
9. ~~9~~7. Prohibition from Handling Funds [39]
10. ~~10~~8. Community Service – Free Services [40]
11. ~~11~~9. Notification to Clients [42]
12. ~~12~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
6. ~~6~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [~~28~~31]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~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 [~~25~~36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Active License Status [37]
~~6~~4. Samples - Audit, Review or Compilation [38]
~~7~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Samples - Audit, Review or Compilation [38]
~~6~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Continuing Education Courses [36]~~
~~4~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~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 [~~15-24~~16-27]

If warranted: 1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Samples - Audit, Review or Compilation [38]
~~6~~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 [~~15-24~~16-27]

If warranted: 1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~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 [~~15-24~~16-27]
2. Restitution [~~26~~29]
3. Compliance with Citation Abatement Order and/or Fine

If warranted:

1. Probation Monitoring Costs [~~27~~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]

~~California Code of Regulations~~ 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.

Section 5050	**Section 5056**	**Section 5072**
Section 5051	**Section 5058**	**Section 5088**
Section 5055	**Section 5071**	

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 ~~Sections~~section 5122 provides that "Whenever in the judgment of the board, ~~(~~or with its approval~~, in~~ the ~~judgment of the~~ enforcement advisory committee~~)~~, any person has engaged, or is about to engage, in any acts or practices that ~~which~~ 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 ~~such~~ other order that may be appropriate shall be granted by the court." This section applies to licensees and unlicensed persons.

~~VIII~~IX. MODEL ORDERS

LICENSEES

1. **Revocation** - Single Cause:

   _____License No._____issued
   (Ex: Certified Public Accountant) (Ex: 00000)

   to ~~respondent~~Respondent _____is revoked.
   (Name)

2. **Revocation** - Multiple Causes**:**

   _____License No._____issued to ~~respondent~~Respondent _____is revoked pursuant to Determination(s) of Issues_____separately and for all of them.

3. **Suspension:**

   _____License No._____issued to ~~respondent~~Respondent _____is suspended for _____. During the period of suspension the ~~respondent~~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~~section 5051.

4. **Standard Stay Order:**

   However,_____(revocation/suspension)_____ is stayed and ~~respondent~~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 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

~~5~~6. Grant petition without restrictions on the license:

Upon satisfaction of all statutory and regulatory requirements for the issuance of a license, ~~The~~ the petition for reinstatement filed by _____ is hereby granted and Petitioner's certificate shall be fully restored.

~~6~~7. Grant petition and place license on probation:

Upon satisfaction of all statutory and regulatory requirements for issuance of a license, ~~The~~ 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):*

~~7~~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~~/Enrolled Agents~~ 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):*

~~8~~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: ~~Business and Professions Code~~ BPC section 5115 also allows a person to file a petition for a reduction in penalty.

PETITION FOR REVOCATION OF PROBATION

~~9~~10. Revocation of Probation:

Certified Public Accountant Certificate No. _____, heretofore issued to Respondent _____, is revoked.

~~10~~11. Continuance of Probation:

However, revocation is stayed and ~~respondent~~Respondent is placed on probation for a period of years upon the following terms and conditions:

APPLICANTS

~~11~~12. Grant application without restrictions on the license:

The application of ~~respondent~~Respondent _____ for initial licensure is hereby granted and a license shall be issued to ~~respondent~~Respondent upon successful completion of all licensing requirements including payment of all fees.

~~12~~13. Grant application and place license on probation:

The application of ~~respondent~~Respondent _____ for initial licensure is hereby granted and a license shall be issued to ~~respondent~~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~~Respondent's license placed on probation for a period of _____ years on the following conditions:

~~13~~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~~/Enrolled Agents~~ 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, 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):*

~~14~~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)

~~15~~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.

~~16~~17. Cost Reimbursement

Respondent shall reimburse the ~~Board~~ CBA $_____for its investigation and prosecution costs. The payment shall be made within __ days/months of the date the ~~Board's~~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].

~~17~~18. Submit Written Reports

Respondent shall submit, within 10 days of completion of the quarter, written reports to the ~~Board~~ California Board of Accountancy (CBA) on a form obtained from the ~~Board~~ CBA. The ~~respondent~~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~~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 ~~Board~~ CBA or its representatives.

~~18~~19. Personal Appearances

Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the ~~Board~~ California Board of Accountancy or its designated representatives, provided such notification is accomplished in a timely manner.

~~19~~20. Comply With Probation

Respondent shall fully comply with the terms and conditions of the probation imposed by the ~~Board~~ California Board of Accountancy (CBA) and shall cooperate fully with representatives of the ~~California Board of Accountancy~~ CBA in its monitoring and investigation of the ~~respondent's~~Respondent's compliance with probation terms and conditions.

~~20~~21. Practice Investigation

Respondent shall be subject to, and shall permit, a practice investigation of the ~~respondent's~~Respondent's professional practice. Such a practice investigation shall be conducted by representatives of the ~~Board~~ California Board of Accountancy, provided notification of such review is accomplished in a timely manner.

~~21~~22. Comply With Citations

Respondent shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

~~22~~23. Tolling of Probation for Out-of-State Residence/Practice

In the event ~~respondent~~Respondent should leave California to reside or practice outside this state, ~~respondent~~Respondent must notify the ~~Board~~ 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 ~~Board~~ 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.

~~23~~24. Violation of Probation

If ~~respondent~~Respondent violates probation in any respect, the ~~Board~~ California Board of Accountancy (CBA), after giving ~~respondent~~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~~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~~section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

~~24~~25. Completion of Probation

Upon successful completion of probation, ~~respondent's~~Respondent's license will be fully restored, unless the California Board of Accountancy has ordered that Respondent's license be permanently restricted or limited even after probation has been completed.

~~25~~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.

~~26~~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)

~~25~~28. Supervised Practice

Within ~~thirty~~ 30 days of the effective date of this decision, ~~respondent~~Respondent shall submit to the ~~Board~~ 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.

~~26~~29. Restitution

Respondent shall make restitution to _____ in the amount of $_____ and shall provide the ~~Board~~ California Board of Accountancy with a written release from _____ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

~~27~~30. Probation Monitoring Costs

Respondent shall pay all costs associated with probation monitoring as determined by the ~~CBA~~ 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.

~~28~~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.

~~29~~32. Engagement Letters

Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the ~~Board~~ California Board of Accountancy or its designee upon request.

~~30~~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 ~~Board~~ California Board of Accountancy or its designee upon reasonable notice.

~~31. Ethics Continuing Education~~

~~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 (within a given period of time or prior to the resumption of practice). Courses must be a minimum of one hour as described in California Code of Regulations section 88.2, (Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

~~If respondent fails to complete said courses within the time 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 no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.~~

~~32. Regulatory Review Course~~

~~Respondent shall complete a CBA-approved course on the provisions of the California Accountancy Act and the California Board of Accountancy Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations (within a given period of time or prior to resumption of practice). 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. The course shall be (a minimum of) two hours.~~

~~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 no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.~~

~~33~~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, ~~certified peer reviewer~~ at ~~respondent's~~Respondent's expense. ~~The review shall evaluate the respondent's and his/her firm's system of quality control, including, it's organizational structure, the policies and procedures established by the firm, and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements.~~ 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.
~~Upon completion of the peer review, respondent shall submit a copy of the report with the reviewer's conclusions and findings to the Board.~~

Condition 38 shall be used whenever Condition 34 is used.

~~34~~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. ~~- e.g., within 180 days of the effective date of the decision or within 180 days of completion of educational program, etc., or Prior to the resumption of practice. (Exam will be passed Prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

If ~~respondent~~Respondent fails to pass said examination within the time period provided ~~or within two attempts~~, ~~respondent~~Respondent shall so notify the ~~Board~~ California Board of Accountancy (CBA) and shall cease practice until ~~respondent~~Respondent ~~takes~~ 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 ~~no later than 100 days prior to the termination of probation~~ shall constitute a violation of probation.

~~35. Enrolled Agents Exam~~

~~Respondent shall take and pass the enrolled agents exam (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

~~If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said examination, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation 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). ~~This shall be in addition to continuing education requirements for relicensing.~~

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 ~~Board~~ California Board of Accountancy (CBA), including during any period of suspension. If the license is expired at the time the ~~Board~~ 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~~Respondent undertakes an audit, review or compilation engagement, the ~~respondent~~Respondent shall submit to the ~~Board~~ 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~~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 ~~Board~~ California Board of Accountancy (CBA) or its designee in which ~~respondent~~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~~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~~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 ~~Board~~ 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~~Respondent shall comply with procedures provided by the California Board of Accountancy or its designee regarding notification to, and management of, clients.

43. Administrative Penalty

Respondent shall pay to the ~~Board~~ California Board of Accountancy 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 ~~Board~~CBA's decision is final.

44. Medical Treatment

Respondent shall undergo and continue treatment by a licensed physician of ~~respondent's~~Respondent's choice and approved by the ~~Board~~ 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 ~~Board~~ 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~~Respondent is physically fit to practice.

45. Psychotherapist

Respondent shall undergo and continue treatment by a licensed psychotherapist of ~~respondent's~~Respondent's choice and approved by ~~Board~~ the California Board of Accountancy (CBA) or its designee until the treating psychotherapist certifies in writing in a report to the ~~Board~~ CBA or its designee that treatment is no longer necessary. Respondent shall have the treating psychotherapist submit reports to the ~~Board~~CBA at intervals determined by the ~~Board~~CBA or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the ~~Board~~CBA of its determination that ~~respondent~~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 ~~Board~~ 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~~Respondent, within a reasonable period of time as determined by the ~~Board~~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~~Respondent must attend support groups, (e.g. Narcotics Anonymous, Alcoholic Anonymous etc.), as directed by the ~~Board~~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 ~~Board~~ 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 ~~Board~~ 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~~Respondent may have physical or mental ailment(s) or conditions(s) which contributed to the violation or when the same are alleged by ~~respondent~~Respondent to be a contributing factor to the violation(s).

Attachment 5

From: THOMAS SPITTERS
To: Winchell, Melissa@CBA; Franzella, Dominic@CBA
Cc: THOMAS SPITTERS
Subject: Hello. HIGHLY CONFIDENTIAL. DRAFT Memorandum.
Date: Friday, May 8, 2020 12:47:17 PM

HIGHLY CONFIDENTIAL. CA BOARD OF ACCOUNTANCY ONLY. DRAFT Memorandum.

Dear Melissa Winchell and Dominic Franzella of the CA Board of Accountancy :

While I do not know you, I have reviewed the "Notice of Proposed Changes in the Regulations" as published within the past few days by the CA Board of Accountancy and routinely review these items typically as they are published through email notices and the world wide web. The CA Board of Accountancy should know I have relatives entirely adverse to me and wanting things, or had, as I have not been in touch with them for some years, who might have violated the terms expressed in the notice at the same time as having my identification paper(s) in their wallets and declaring themselves to be accountants. The overall effects of this have been a series of troubles and derelicts approaching and patently telling me to leave the country. There has not been just one of these. The relatives I have who are in question are notably dishonest in business matters as they do not really understand business nor really accountancy; nor even arithmetic really, and originally, my pursuing accounting subject matter and professional training had been derivative of this.

In the interpretations of the statute(s) of CA law having to do with these matters, there should be some time and energy devoted to investigation of this sort of thing and resulting findings integrated into legal proceedings and decisions having to do with application of the rules and guidelines around these notices, statutes and related proceedings. Thank you for your intake of this narrative, and please be safe and healthy in this pandemic.

Sincerely yours,

Thomas H. Spitters -- License 88428, San Francisco, CA 94104 (415)800-4499

Cf. CBA Meeting -- Thursday, November 15, 2012 . 9:30 a.m. Dolce Hayes Mansion, 200 Edenvale Avenue, San Jose, CA 95136

Cc. Patricia Bowers, Leslie LaManna [sic], et. al

Confidentially sent using Mail for Windows. Please pardon typographical errors.

COMMUNITY LEGAL SERVICES IN EAST PALO ALTO

June 23, 2020

Via Email

California Department of Consumer Affairs
Board of Accountancy
ATTN: Melissa Winchell and Dominic Franzella
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833
Email: melissa.winchell@cba.ca.gov
dominic.franzella@cba.ca.gov

RE: Comments in Response to Dept. of Consumer Affairs, Board of Accountancy California Regulatory Action Concerning the Implementation of AB 2138, Proposal to Amend Sections 98, 99, 99.1, and 99.2 of Article 13 of Division 1 of Title 16 of the California Code of Regulations

Dear Melissa Winchell and Dominic Franzella:

Thank you for the opportunity to submit comments to the Department of Consumer Affairs ("DCA"), Board of Accountancy ("Board") regarding proposed regulations to implement AB 2138.

Assembly Bill 2138 was authored by Assemblymembers David Chiu and Evan Low to help formerly incarcerated people have a fair chance at obtaining occupational licensure. AB 2138 was sponsored by the Anti-Recidivism Coalition, East Bay Community Law Center, Legal Services for Prisoners with Children, Root & Rebound and supported by a coalition of 50 organizations. Thanks to the passage of AB 2138 in 2018, the roughly 1 in 3 California adults or 8 million Californians with arrest or conviction records will face fewer barriers to employment and will help to fill the much needed occupational employment gaps in the State.

Formerly incarcerated workers strive to obtain permanent, stable, and living wage jobs; however around 30% of jobs require licensure, clearance, or oversight by a governing body. This oversight, while intended to protect public safety, disproportionately impacts people of color, low-income, and indigent communities of people. These communities have been disproportionately impacted by over-policing and over-criminalization resulting in contacts with law enforcement that bar these applicants from later obtaining the licensure they require to pursue employment under DCA's regulation. Moreover, applicants have been deterred by the lengthy process, lack of clarity, and obstacles to obtaining licensure – problems that AB 2138 seeks to rectify to offer a fair chance to all people.

However, across the state of California, there are only a handful of organizations that support low-income and indigent people seeking occupational licensure. Licensure applicants look for help answering questions about general eligibility, the initial application, appeals, probationary and restricted licenses, and license revocations or suspensions. The lack of clarity in this process and lack of low-cost or free service providers, leads many people facing differing levels of adversity to give up entirely. We believe that our direct experience with clients who are undergoing this difficult process, along with our involvement in the drafting and passage of AB 2138, makes us equipped to understand the proper implementation of this bill.

The undersigned organizations commend the Board for its action to implement AB 2138 and thereby reduce discrimination against people of color in California, who are disproportionally denied job opportunities because of occupational licensing-related conviction background checks. We support amendments to Sections 98, 99, 99.1, and 99.2 of Article 13 of Division 1 of Title 16 of the California Code of Regulations to reflect the passage of Assembly Bill 2138, Chiu, but believe the proposed amendments should be clarified and go further in order to fully implement the intention and spirit of the AB 2138 text.

The proposed regulations leave some gaps in the regulatory scheme under the changes to CA Business and Professions Code sections 480, 481, 482, and 493 as modified by AB 2138. These proposed regulations fail to meet and implement CA B&P Code sections 480, 481, 482, and 493 and are not, as currently written, valid. The proposed regulations also fall short of the intent of the bill, which includes combating discrimination against people with records that have demonstrated rehabilitation and seek to establish themselves professionally.

Specifically, the proposed regulations do not comply with AB 2138 as follows:

- Section 99 lists certain crimes, professional misconduct, and acts and defines them as substantially related regardless of the time that has passed or the nature and gravity of the offense in contravention of AB 2138 Business and Professions Code section 481. AB 2138 allows the Board discretion to determine which crimes are substantially related on an individual basis.

  This section fails to note that criminal history and the acts underlying a conviction that resulted in the applicant obtaining a Certificate of Rehabilitation, pardon, dismissal per Penal Code section 1203.4 *et seq*., or an arrest that resulted in a disposition other than a conviction **shall not** be denied a license. See Business & Professions Code Section 480(b)-(d).

  Further, we object to section 99(c)(4) as vague, overbroad, and unclear.

- The Board's rehabilitative criteria are set forth in CCR Section 99.1. Section 99.1(a)(2) states that an individual's criminal record is a criterion to be considered in determining an individual's rehabilitation. Section 99.1(a)(9) states that "the individual's history of violations" is a criterion to be considered in determining an individual's rehabilitation. (This same criteria also appears in the criteria used to assess administrative penalties in the CBA's Disciplinary Guidelines and Model Orders, 10th Edition 2019.) These criteria undermine the seven-year time limitation in AB 2138, where, except in certain

circumstances, the board may deny a license to an applicant only on the basis of certain actions that occurred within the preceding 7 years. Allowing the examination of an applicant's history of violations and their criminal record to determine rehabilitation subverts AB 2138.

While Section 99.1 identifies other criteria that can demonstrate rehabilitation, providing more concrete examples and guidelines in these criteria could help the Board, applicants, and licensees. Please see number 5 below for examples of rehabilitation to expand the proposed regulations.

- Section 99.2 describes the criteria to evaluate directly and adversely related financial crimes related to the fiduciary qualifications, functions, or duties.

  We urge you to incorporate the Department of Fair Employment and Housing (DFEH)'s regulations regarding consideration of criminal history in employment decisions found at Section 11017.1 of Article 2, Subchapter 2, Chapter 5, of Division 4.1, of Title 2 of the California Code of Regulations[1]. Specifically, Section 11017.1(e) states that a "criminal conviction consideration policy or practice needs to bear a demonstrable relationship to successful performance on the job…and measure the person's fitness for the specific position(s)." A policy must be tailored and take into account the following factors: 1) the nature and gravity of the offense or conduct, 2) the time that has passed since the offense or conduct and/or the completion of the sentence, and 3) the nature of the job held or sought.

  These factors are similar to the substantially related criteria. By not adding these factors to the directly and adversely related criteria, the Board sets up two different standards. The substantially related factors allow the Board discretion to evaluate a person whereas the directly and adversely related criteria remove all such discretion. The directly and adversely related section should include the above factors to allow for an assessment of the individual circumstances, the amount of time that has passed, and how the criminal history is related to the functions of a certified public accountant. In particular, the Board should only consider felony financial crimes that are directly and adversely tied to the qualifications, duties, and/or functions of a certified public accountant.

[1] Cal. Code Regs. tit. 2, Section 11017.1 (2017).

Further, we urge the Board to incorporate the full extent of AB 2138 by including the following provisions:

1. The proposed regulations should include the 7 year washout period for consideration of convictions or discipline which are not statutorily considered serious felonies under the Cal. Penal Code. 1192.7. See Cal Business and Professions Code section 480(a).

2. The proposed regulations should provide that a person with a criminal history **shall not** be denied a license if the applicant has obtained a Certificate of Rehabilitation, dismissal per Penal Code section 1203.4, 1203.4a, 1203.41, or 1203.42, or an arrest which led to an infraction/citation or a disposition other than a conviction, or juvenile adjudication. See Cal Business and Professions Code section 480(b)-(d).

3. The proposed regulations fail to include that the board shall not require an applicant to disclose any information or documentation regarding the applicant's criminal history. See Cal Business and Professions Code section 480(f)(2).

4. The proposed regulations fail to include that the board shall notify the applicant in writing if the applicant is denied or disqualified from licensure. The Board must provide procedures describing the process for the applicant to challenge the decision or to request reconsideration, that the applicant has a right to appeal the board's decision, and the process of requesting a complete conviction history. See Cal Business and Professions Code section 480(f)(3).

5. The intent of AB 2138 was not to incorporate mere probation or parole reports into the occupational licensing determinations. Merely looking to law enforcement will not adequately show how an applicant would do on the job.
   Rather, rehabilitation can and does take many forms that extend beyond mere law enforcement supervision. To better define rehabilitation, we recommend that the board provide examples of evidence of mitigating circumstances and rehabilitation efforts to assist both the Board and licensing applicants.

   For instance, the Board should consider adding the following rehabilitation criteria:
   - Volunteer service;
   - Successful employment in a related field;
   - A history of work experience in an employment social enterprise;
   - Unpaid work in the community;
   - Furthered education;
   - Abstinence from controlled substances and/or alcohol;

- Stability of family life, fulfillment of parental and familial responsibilities;
- New and different social and business relationships from those which existed at the time of the underlying charges at issue;
- Change in attitude of the applicant as evidenced by:
  - Personal testimony,
  - Evidence of rehabilitation submitted by the applicant,
  - Evidence from family, friends, and/or other persons familiar with the applicant's previous behavior patterns and subsequent attitude and behavioral changes, and;
- Other markers of rehabilitation.

6. The proposed regulations fail to include any mention of requirements to obtain statistical information on the number of applicants with a criminal record who apply and receive notice of denial/disqualification of licensure, provided evidence of mitigation or rehabilitation, the final disposition of the application, and demographic information. See Cal Business and Professions Code section 480(g).

Adequate implementation of the changes to California Business and Professions Code sections 480, 481, 482, and 493 will go a long way toward restoring hope and opportunity for the nearly 1 in 3 California adults or 8 million Californians who have an arrest or conviction record. Thank you for your consideration.

If you have any questions regarding the content of these comments, please contact Faride Perez-Aucar (Root and Rebound) or Vinuta Naik (Community Legal Services in East Palo Alto).

Sincerely,

/s/ Faride Perez-Aucar

Faride Perez-Aucar
510-279-4662
fperez@rootandrebound.org

/s/ Vinuta Naik

Vinuta Naik
650-326-6440
vnaik@clsepa.org

Organizations:

A New Way of Life Reentry Project
Anchor of Hope International Ministries, Inc.

Californians for Safety and Justice
Center for Employment Opportunities
Center for Living and Learning
Community Legal Services in East Palo Alto
Criminal Justice Clinic, UC Irvine School of Law
Drug Policy Alliance
East Bay Community Law Center
Legal Aid at Work
Legal Aid Foundation of Los Angeles
Legal Services for Prisoners with Children, All of Us or None
Los Angeles Regional Reentry Project
National Association of Social Workers, California Chapter
National Employment Law Project
REDF
The Record Clearance Project, San Jose State University
Root and Rebound
Rubicon Programs
Underground Scholars Initiative

COMMUNITY LEGAL SERVICES IN EAST PALO ALTO

June 23, 2020

Via Email

California Department of Consumer Affairs
Board of Accountancy
ATTN: Melissa Winchell and Dominic Franzella
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833
Email: melissa.winchell@cba.ca.gov
dominic.franzella@cba.ca.gov

RE: Comments in Response to Dept. of Consumer Affairs, Board of Accountancy California Regulatory Action Concerning the Implementation of AB 2138, Proposal to Amend Sections 98, 99, 99.1, and 99.2 of Article 13 of Division 1 of Title 16 of the California Code of Regulations

Dear Melissa Winchell and Dominic Franzella:

Thank you for the opportunity to submit comments to the Department of Consumer Affairs ("DCA"), Board of Accountancy ("Board") regarding proposed regulations to implement AB 2138.

Assembly Bill 2138 was authored by Assemblymembers David Chiu and Evan Low to help formerly incarcerated people have a fair chance at obtaining occupational licensure. AB 2138 was sponsored by the Anti-Recidivism Coalition, East Bay Community Law Center, Legal Services for Prisoners with Children, Root & Rebound and supported by a coalition of 50 organizations. Thanks to the passage of AB 2138 in 2018, the roughly 1 in 3 California adults or 8 million Californians with arrest or conviction records will face fewer barriers to employment and will help to fill the much needed occupational employment gaps in the State.

Formerly incarcerated workers strive to obtain permanent, stable, and living wage jobs; however around 30% of jobs require licensure, clearance, or oversight by a governing body. This oversight, while intended to protect public safety, disproportionately impacts people of color, low-income, and indigent communities of people. These communities have been disproportionately impacted by over-policing and over-criminalization resulting in contacts with law enforcement that bar these applicants from later obtaining the licensure they require to pursue employment under DCA's regulation. Moreover, applicants have been deterred by the lengthy process, lack of clarity, and obstacles to obtaining licensure – problems that AB 2138 seeks to rectify to offer a fair chance to all people.

However, across the state of California, there are only a handful of organizations that support low-income and indigent people seeking occupational licensure. Licensure applicants look for help answering questions about general eligibility, the initial application, appeals, probationary and restricted licenses, and license revocations or suspensions. The lack of clarity in this process and lack of low-cost or free service providers, leads many people facing differing levels of adversity to give up entirely. We believe that our direct experience with clients who are undergoing this difficult process, along with our involvement in the drafting and passage of AB 2138, makes us equipped to understand the proper implementation of this bill.

The undersigned organizations commend the Board for its action to implement AB 2138 and thereby reduce discrimination against people of color in California, who are disproportionally denied job opportunities because of occupational licensing-related conviction background checks. We support amendments to Sections 98, 99, 99.1, and 99.2 of Article 13 of Division 1 of Title 16 of the California Code of Regulations to reflect the passage of Assembly Bill 2138, Chiu, but believe the proposed amendments should be clarified and go further in order to fully implement the intention and spirit of the AB 2138 text.

Summary Comment #1

The proposed regulations leave some gaps in the regulatory scheme under the changes to CA Business and Professions Code sections 480, 481, 482, and 493 as modified by AB 2138. These proposed regulations fail to meet and implement CA B&P Code sections 480, 481, 482, and 493 and are not, as currently written, valid. The proposed regulations also fall short of the intent of the bill, which includes combating discrimination against people with records that have demonstrated rehabilitation and seek to establish themselves professionally.

Specifically, the proposed regulations do not comply with AB 2138 as follows:

Summary Comment #2

- Section 99 lists certain crimes, professional misconduct, and acts and defines them as substantially related regardless of the time that has passed or the nature and gravity of the offense in contravention of AB 2138 Business and Professions Code section 481. AB 2138 allows the Board discretion to determine which crimes are substantially related on an individual basis.

  This section fails to note that criminal history and the acts underlying a conviction that resulted in the applicant obtaining a Certificate of Rehabilitation, pardon, dismissal per Penal Code section 1203.4 *et seq*., or an arrest that resulted in a disposition other than a conviction **shall not** be denied a license. See Business & Professions Code Section 480(b)-(d).

  Further, we object to section 99(c)(4) as vague, overbroad, and unclear.

Summary Comment #3

- The Board's rehabilitative criteria are set forth in CCR Section 99.1. Section 99.1(a)(2) states that an individual's criminal record is a criterion to be considered in determining an individual's rehabilitation. Section 99.1(a)(9) states that "the individual's history of violations" is a criterion to be considered in determining an individual's rehabilitation. (This same criteria also appears in the criteria used to assess administrative penalties in the CBA's Disciplinary Guidelines and Model Orders, 10th Edition 2019.) These criteria undermine the seven-year time limitation in AB 2138, where, except in certain

circumstances, the board may deny a license to an applicant only on the basis of certain actions that occurred within the preceding 7 years. Allowing the examination of an applicant's history of violations and their criminal record to determine rehabilitation subverts AB 2138.

While Section 99.1 identifies other criteria that can demonstrate rehabilitation, providing more concrete examples and guidelines in these criteria could help the Board, applicants, and licensees. Please see number 5 below for examples of rehabilitation to expand the proposed regulations.

Summary Comment #4

- Section 99.2 describes the criteria to evaluate directly and adversely related financial crimes related to the fiduciary qualifications, functions, or duties.

We urge you to incorporate the Department of Fair Employment and Housing (DFEH)'s regulations regarding consideration of criminal history in employment decisions found at Section 11017.1 of Article 2, Subchapter 2, Chapter 5, of Division 4.1, of Title 2 of the California Code of Regulations[1]. Specifically, Section 11017.1(e) states that a "criminal conviction consideration policy or practice needs to bear a demonstrable relationship to successful performance on the job…and measure the person's fitness for the specific position(s)." A policy must be tailored and take into account the following factors: 1) the nature and gravity of the offense or conduct, 2) the time that has passed since the offense or conduct and/or the completion of the sentence, and 3) the nature of the job held or sought.

These factors are similar to the substantially related criteria. By not adding these factors to the directly and adversely related criteria, the Board sets up two different standards. The substantially related factors allow the Board discretion to evaluate a person whereas the directly and adversely related criteria remove all such discretion. The directly and adversely related section should include the above factors to allow for an assessment of the individual circumstances, the amount of time that has passed, and how the criminal history is related to the functions of a certified public accountant. In particular, the Board should only consider felony financial crimes that are directly and adversely tied to the qualifications, duties, and/or functions of a certified public accountant.

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Further, we urge the Board to incorporate the full extent of AB 2138 by including the following provisions:

Summary Comment #5

1. The proposed regulations should include the 7 year washout period for consideration of convictions or discipline which are not statutorily considered serious felonies under the Cal. Penal Code. 1192.7. See Cal Business and Professions Code section 480(a).

2. The proposed regulations should provide that a person with a criminal history **shall not** be denied a license if the applicant has obtained a Certificate of Rehabilitation, dismissal per Penal Code section 1203.4, 1203.4a, 1203.41, or 1203.42, or an arrest which led to an infraction/citation or a disposition other than a conviction, or juvenile adjudication. See Cal Business and Professions Code section 480(b)-(d).

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Summary Comment #3

5. The intent of AB 2138 was not to incorporate mere probation or parole reports into the occupational licensing determinations. Merely looking to law enforcement will not adequately show how an applicant would do on the job.
   Rather, rehabilitation can and does take many forms that extend beyond mere law enforcement supervision. To better define rehabilitation, we recommend that the board provide examples of evidence of mitigating circumstances and rehabilitation efforts to assist both the Board and licensing applicants.

   For instance, the Board should consider adding the following rehabilitation criteria:
   - Volunteer service;
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   - Unpaid work in the community;
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- Stability of family life, fulfillment of parental and familial responsibilities;
- New and different social and business relationships from those which existed at the time of the underlying charges at issue;
- Change in attitude of the applicant as evidenced by:
  - Personal testimony,
  - Evidence of rehabilitation submitted by the applicant,
  - Evidence from family, friends, and/or other persons familiar with the applicant's previous behavior patterns and subsequent attitude and behavioral changes, and;
- Other markers of rehabilitation.

Summary Comment #5

6. The proposed regulations fail to include any mention of requirements to obtain statistical information on the number of applicants with a criminal record who apply and receive notice of denial/disqualification of licensure, provided evidence of mitigation or rehabilitation, the final disposition of the application, and demographic information. See Cal Business and Professions Code section 480(g).

Adequate implementation of the changes to California Business and Professions Code sections 480, 481, 482, and 493 will go a long way toward restoring hope and opportunity for the nearly 1 in 3 California adults or 8 million Californians who have an arrest or conviction record. Thank you for your consideration.

If you have any questions regarding the content of these comments, please contact Faride Perez-Aucar (Root and Rebound) or Vinuta Naik (Community Legal Services in East Palo Alto).

Sincerely,

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Organizations:

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REDF
The Record Clearance Project, San Jose State University
Root and Rebound
Rubicon Programs
Underground Scholars Initiative

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Proposed Regulations **Attachment 8**

Title 16, California Code of Regulations

(Original Additions are underscored; Deletions are ~~stricken~~,
Proposed Modifications are double underscored; Deletions are ~~double stricken~~)

§ 98. Disciplinary Guidelines

In reaching a decision on a disciplinary action under the Administrative Procedure Act (Government Code Section 11400 et seq.) the Board shall consider the disciplinary guidelines entitled "Disciplinary Guidelines and Model Orders" (~~9th edition, 2013~~10th edition, 2019), which are hereby incorporated by reference. Deviation from these guidelines and orders, including the standard terms of probation, is appropriate where the Board in its sole discretion determines that the facts of the particular case warrant such a deviation, for example: the presence of mitigating factors; the age of the case; evidentiary problems.

Note: Authority cited: Sections 5010, 5018 and 5116, Business and Professions Code; and Section 11400.20, Government Code.
Reference: Sections 5018, 5096, 5096.5, 5096.12, 5100 and 5116–5116.6, Business and professions Code; and Section 11425.50(e), Government Code.

§ 99. Substantial Relationship Criteria

(a) For the purposes of denial, suspension, or revocation of a certificate or permit pursuant to Division 1.5 (commencing with Section 475) of the Business and Professions Code, a crime, professional misconduct, or act shall be considered to be substantially related to the qualifications, functions or duties of a certified public accountant or public accountant if to a substantial degree it evidences present or potential unfitness of a certified public accountant or public accountant to perform the functions authorized by his or her

certificate or permit in a manner consistent with the public, health, safety, or welfare. ~~Such crimes or acts shall include but not be limited to those involving:~~

(b) In making the substantial relationship determination required under subdivision (a) for a crime, the board shall consider the following criteria:

(1) The nature and gravity of the offense;

(2) The number of years elapsed since the date of the offense; and

(3) The nature and duties of the accounting profession.

(c) For purposes of subdivision (a), a substantially related crime, professional misconduct, or act shall include, but are not limited to, the following:

~~(a)~~(1) A crime, professional misconduct, or act that involves ~~D~~dishonesty, fraud, or breach of fiduciary responsibility of any kind;

~~(b)~~(2) Fraud or deceit in obtaining a certified public accountant's certificate or public accountant's permit under Chapter 1, Division III of the Business and Professions Code;

~~(c)~~(3) Gross negligence in the practice of public accountancy or in the performance of bookkeeping operation described in Section 5052 of the Business and Professions C~~c~~ode;

(4) A crime or act of professional misconduct that reflects a lack of sound professional or personal judgment relevant to the practice of public accountancy, regardless of whether financial harm occurred to a consumer.

~~(d)~~(5) Violation of any of the provisions of Chapter 1, Division III of the Business and Professions Code or willful violation of any rule or regulation of the board.

Note: Authority cited: Sections 481, 5010, 5018, Business and Professions Code.
Reference: Sections 480, 481, ~~and~~ 5100, and 5100.2, Business and Professions Code.

§ 99.1. Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty, Etc.

(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 ~~11522 of the Government~~ 5115 of the Business and Professions Code, the board~~, in evaluating the rehabilitation of the applicant and his present eligibility for a certificate or permit,~~ will consider the following criteria:

(1) Nature and gravity ~~severity~~ 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 subdivisions (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 ~~whether~~ 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, ~~In all other circumstances relating to issuing a license,~~ the ~~b~~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) ~~A showing of~~ has demonstrated rehabilitation ~~supports, but does not itself constitute, a finding that the licensee is rehabilitated~~, using criteria set forth in (a)(1)-(13).

Note: Authority cited: Sections 482 and 5010, Business and Professions Code.

Reference: Sections 480, 481, 482, 486, 493, 5100, 5115, and 5106, Business and Professions Code; and Section 1203.4, Penal Code.

§ 99.2 Directly and Adversely Financial Crime Criteria.

(a) For the purpose of determining whether there are grounds to deny an applicant who was convicted of a financial crime currently classified as a felony pursuant to Section 480 of the Business and Professions Code, the crime shall be considered to be directly and adversely related to the ~~fiduciary~~ qualifications, functions, or duties of a certified public accountant if it involves dishonesty, fraud, deceit, or theft that resulted in or could have resulted in either:

(1) Direct financial benefit to the applicant or another person or entity; or

(2) Direct financial harm to another person or entity (to include federal, state, or local government).

(b) The felony financial crimes shall include, but are not limited to, the following;

(1) Crimes involving the acquisition or provision of false, altered, forged, counterfeit, or fraudulent statements or documents.

(2) Crimes involving stolen property, embezzlement, money laundering, fraud, theft, grand theft, larceny, burglary, identity theft, bid rigging, racketeering, tax evasion, conspiracy to defraud, or obtaining money, labor, or property under false pretenses.

(3) Crimes involving an attempt or conspiracy to commit such crimes listed in subdivisions (b)(1) or (b)(2).

Note: Authority cited: Sections 7.5, ~~480~~, 5010, ~~and~~ 5018, and 5100.2 Business and Professions Code.
Reference: Sections ~~480 and~~ 5100 and 5100.2, Business and Professions Code.

CALIFORNIA BOARD OF ACCOUNTANCY

DISCIPLINARY GUIDELINES AND MODEL ORDERS

~~9~~10TH EDITION, ~~2013~~2019

CALIFORNIA BOARD OF ACCOUNTANCY
~~2000 EVERGREEN STREET, SUITE 250~~
~~SACRAMENTO, CA 95815-3832~~
2450 VENTURE OAKS WAY, SUITE 300
SACRAMENTO, CA 95833
(916) 263-3680 – TELEPHONE
(916) 263-3675 – FACSIMILE
WWW.CBA.CA.GOV

~~DISCIPLINARY GUIDELINES~~
~~AND~~
~~MODEL ORDERS~~

I. INTRODUCTION

The California Board of Accountancy (CBA) ~~licenses~~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 Title16 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 ~~(ALJ)~~ 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 ~~are~~referenced ~~to~~ the statutory and regulatory provisions violated.

These disciplinary guidelines set forth recommended discipline for the violation of current statutes and regulations; include~~s~~ a provision for community service; and provide~~s~~ 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~~s~~ 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 ~~below/~~ 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~~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 ~~Administrative Law Judge~~ 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. ~~The Petition for Reinstatement Checklist was designed to assist the CBA members and an ALJ with the preparation of a petition for reinstatement. See Attachment 1 for additional information.~~

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 ~~VI~~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~~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 ~~Administrative Law Judge~~ ALJ, as part of any proposed decision in a disciplinary proceeding, to order the recovery of reasonable costs of investigation and prosecution (~~California Business and Professions Code~~ 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~~Respondent must reimburse the CBA for all reasonable costs of investigation and prosecution prior to or upon reinstatement of ~~respondent's~~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~~Respondent engage in no activities for which certification is required (see model disciplinary orders) during the period of suspension. In addition, the ~~respondent~~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~~, if directed to do so by the CBA~~.

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.

~~*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.~~

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

~~The CBA's rehabilitation criteria, set forth in CCR section 99.1, are as follows:~~

~~When considering the denial of a certificate or permit under BPC section 480, the suspension or revocation of a certificate or permit or restoration of a revoked certificate under BPC section 5115, the CBA, in evaluating the rehabilitation of the applicant and his or her present eligibility for a certificate or permit, will consider the following criteria:~~

~~1. Nature and severity 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 that could also 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 respondent has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or respondent.~~

~~5. If applicable, evidence of expungement proceedings pursuant to section 1203.4 of the Penal Code.~~

~~6. Evidence, if any, of rehabilitation submitted by the applicant or respondent.~~

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) In determining whether to issue 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 subdivisions (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 the finding that the licensee is rehabilitated.

(b) For purposes of issuing a license to an applicant that was convicted of a crime, the board will consider ~~whether~~ 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, ~~In all other circumstances relating to issuing a license~~, the ~~b~~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) ~~A showing of~~ has demonstrated ~~rehabilitation supports, but does not itself constitute, a finding that the licensee is rehabilitated~~, using the 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.

~~VI~~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 ~~Administrative Law Judge~~ 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 of 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~~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.

~~VII~~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, ~~[1, 2, 4]~~ 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~

~~7~~5. Continuing Education Courses [36]
~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]

6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~12~~10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference CCR ~~Section~~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~~Respondent who practices for a time without a valid license to practice or to ~~respondent~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~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~~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

(~~See~~Reference section on Unlicensed Activities.)

Section 5055 TITLE OF CERTIFIED PUBLIC ACCOUNTANT/
Section 5056 TITLE OF PUBLIC ACCOUNTANT
(Applies to ~~respondent~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~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 [~~15~~16-~~24~~27]

If warranted:
1. Probation Monitoring Costs [~~27~~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 [~~15~~16-~~24~~27]

If warranted:
1. Probation Monitoring Costs [~~27~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
6. ~~6~~4. Continuing Education Courses [36]
7. ~~7~~5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
7. ~~Ethics Continuing Education [31]~~
8. ~~Regulatory Review Course [32]~~
9. ~~9~~7. Continuing Education Courses [36]
10. ~~10~~8. Community Service – Free Services [40]
11. ~~11~~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 [~~15~~16-~~24~~27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]

4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Peer Review [~~33~~34]
~~10~~8. CPA Exam [~~34~~35]
~~11~~9. Samples – Audit~~s~~, Review or Compilation [38]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 ~~of~~ 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15~~16-~~24~~27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Community Service – Free Services [40]
~~5~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~

~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~7. Prohibition from Handling Funds [39]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~12~~10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference CCR ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~7. ~~Probation~~ Prohibition from Handling Funds [39]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Notice to Clients [42]
~~12~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]

3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5071.2(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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(~~See~~ 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 [~~15~~16-~~24~~27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
2. ~~Ethics Continuing Education [31]~~
3. ~~Regulatory Review Course [32]~~

~~4~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~

~~7~~5. Peer Review [~~33~~34]
~~8~~6. Continuing Education Courses [36]
~~9~~7. Samples – Audit, Review or Compilation [38]
~~10~~8. Notification to Clients/Cessation of Practice [42]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. Peer Review [~~33~~34]
8. ~~8~~6. Continuing Education Courses [36]
9. ~~9~~7. Samples – Audit, Review or Compilation [38]
10. ~~10~~8. Notification to Clients/Cessation of Practice [42]
11. ~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 [20]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. Continuing Education Courses [36]
8. ~~8~~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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~

~~6~~4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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~~section 5100 for applicable provisions

Maximum Penalty – Denial of admission to examination or revocation of license if issued

(~~See~~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 ~~Board~~ 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 [~~15~~16-~~24~~27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
6. ~~6~~4. CPA Exam [~~34~~35]
7. ~~7~~5. Continuing Education Courses [36]
8. ~~8~~6. Active License Status [~~36~~37]
9. ~~9~~7. Notification to Clients/Cessation of Practice [42]
10. ~~10~~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 ~~[1, 2, 4],~~ 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 [~~15-21, 23, 24,~~16-22, 24-27]

If warranted:
1. Suspension [3]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
5. ~~5~~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~~section 5096(g)).
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [30]~~
~~4~~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~~section 5096(g))
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~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~~section 5096(g)).
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~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~~section 5096(g)).
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
~~1. Ethics Continuing Education [31]~~
~~2. Regulatory Review Course [32]~~
~~3~~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 of 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 [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [23]~~
~~4~~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~~section 5096(g))
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~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~~section 5096(g)).
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
2. ~~Ethics Continuing Education [31]~~
3. ~~Regulatory Review Course [32]~~
4. ~~4~~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 ~~[1, 2, 4]~~, 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~~section 5096(g))
3. Standard Conditions of Probation [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
2. ~~Ethics Continuing Education [31]~~
3. ~~Regulatory Review Course [32]~~
4. ~~4~~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 ~~[1, 2, 4]~~, 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 [~~15-21, 23, 24~~16-22, 24-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
2. Suspension [3] (BPC ~~Section~~section 5096(g))
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Continuing Education Courses [36]
~~11~~9. Samples - Audit~~s~~, Review or Compilation [38]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~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 ~~of~~ 3 to 5 years

2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~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 ~~of~~ ~~3~~1 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~

~~8~~6. CPA Exam [~~23~~35] ~~or Enrolled Agents Exam [35]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Compilation or Review [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~14~~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 ~~of~~ 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~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 ~~[1, 2, 4],~~ 3 years probation [1, 2, 4],
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation ~~of~~ 3 to 5 years
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Peer Review [~~33~~34]
~~8~~6. CPA Exam [~~34~~35]
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Review or Compilation [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]

~~13~~11. Notification to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~15~~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 ~~of~~ 3 to 5 years
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Review or Compilation [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]

~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Samples - Audit~~s~~, Review or Compilation [38]
~~11~~9. Community Service – Free Services [40]
~~12~~10. Notice to Clients [42]
~~13~~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~~section 5120 states "Any person who violates any of the provisions of 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, or both. "Whenever the Board has reason to believe that any person is liable for punishment under this article, the Board or its designated representatives, 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/ PUBLIC ACCOUNTANT
5058	USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED

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 ~~[1, 2, 4]~~, 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 [~~15-24~~16-27]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~26~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~

~~8~~6. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Review or Compilation [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~15~~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 ~~of~~ 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:

1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~

~~7~~5. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35]~~
~~8~~6. Continuing Education Courses [36]
~~9~~7. Prohibition from Handling Funds [39]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Notice to Clients [42]
~~12~~10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~13~~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 [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~
8. ~~8~~6. CPA Exam [~~23~~35] ~~or Enrolled Agents Exam [35]~~
9. ~~9~~7. Continuing Education Courses [36]
10. ~~10~~8. Samples - Audit, Review or Compilation [38]
11. ~~11~~9. Community Service – Free Services [40]
12. ~~12~~10. Notice to Clients [42]
13. ~~13~~11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
14. ~~14~~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 [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35]~~
8. ~~8~~6. Continuing Education Courses [36]

~~9~~7. Prohibition from Handling Funds [39]
~~10~~8. Notice to Clients [42]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~12~~10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(l) 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 [~~15-24~~16-27]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. CPA Exam [~~34~~35] ~~or Enrolled Agents Exam [35~~]
~~9~~7. Continuing Education Courses [36]
~~10~~8. Samples - Audit, Review or Compilation [38]
~~11~~9. Prohibition from Handling Funds [39]
~~12~~10. Community Service – Free Services [40]
~~13~~11. Notice to Clients [42]
~~14~~12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~15~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]

2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5101 DISCIPLINE OF PARTNERSHIP

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~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~~section 5116 [43]

ARTICLE 7

Sections 5120/5121 VIOLATIONS AS MISDEMEANOR/EVIDENCE OF VIOLATION

(~~See~~Reference BPC ~~Section~~section 5100(f) and section on ~~**Unlicensed Activities**~~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]

(~~See~~ 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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5155 DISQUALIFIED SHAREHOLDER NONPARTICIPATION

Minimum Penalty – Revocation stayed ~~[1, 2, 4],~~ 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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
5. ~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31] for licensee directors, shareholders and/or officers~~
4. ~~Regulatory Review Course [32] for licensee directors, shareholders and/or officers~~
5. ~~5~~3. Community Service – Free Services [40]
6. ~~6~~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~~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 [~~15-24~~16-27]

If warranted:

1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~

~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

~~9~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Samples - Audit, Review or Compilation [38]
~~6~~4. Community Service – Free Services [40]
~~7~~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 [~~15-24~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]

~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Peer Review [~~33~~34]
~~8~~6. Continuing Education Courses [36]
~~9~~7. Samples – Audit, Review or Compilation [38]
~~10~~8. Notification to Clients/Cessation of Practice [42]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~10~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
~~3. Ethics Continuing Education [31]~~
~~4. Regulatory Review Course [32]~~
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
5. ~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
6. ~~6~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
5. ~~5~~3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Community Service – Free Services [40]
~~6~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Notice to Clients [42]

~~8~~6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Probation Monitoring Costs [~~27~~30]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
5. ~~5~~3. Continuing Education Courses [36]
6. ~~6~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
7. ~~Ethics Continuing Education [31]~~
8. ~~Regulatory Review Course [32]~~
9. ~~9~~7. Continuing Education Courses [36]
10. ~~10~~8. Community Service – Free Services [40]
11. ~~11~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. ~~Ethics Continuing Education [31]~~
7. ~~Regulatory Review Course [32]~~
8. ~~8~~6. Continuing Education Courses [36]
9. ~~9~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
6. Ethics Continuing Education [~~31~~]
7. ~~Regulatory Review Course [32]~~
8. ~~Continuing Education Courses [36]~~
9. ~~9~~7. Prohibition from Handling Funds [39]
10. ~~10~~8. Community Service – Free Services [40]
11. ~~11~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]

2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Continuing Education Courses [36]
~~11~~9. Samples - Audit, Review or Compilation [38]
~~12~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Community Service – Free Services [40]
~~9~~7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]

4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Community Service – Free Services [40]
~~9~~7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Continuing Education Courses [36]
~~9~~7. Community Service – Free Services [40]
~~10~~8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~1, 2, 4],~~ 3 years probation [1, 2, 4]
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]

6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Community Service – Free Services [40]
~~11~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
~~3. Ethics Continuing Education [31]~~
~~4. Regulatory Review Course [32]~~
~~5~~3. Community Service – Free Services [40]
~~6~~4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 65 INDEPENDENCE

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years of probation [1, 2, 4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation ~~of~~ 3 to 5 years
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Peer Review [~~33~~34]
~~10~~8. CPA Exam [~~34~~35]
~~11~~9. Samples - Audit, Review or Compilation [38]
~~12~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Community Service – Free Services [40]
~~5~~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 ~~[1, 2, 4]~~, 3 years probation [1, 2, 4]
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Restitution [~~26~~29]
4. Probation Monitoring Costs [~~27~~30]
5. Restricted Practice [~~28~~31]
6. Engagement Letters [~~29~~32]
~~7. Ethics Continuing Education [31]~~
~~8. Regulatory Review Course [32]~~
~~9~~7. Continuing Education Courses [36]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~12~~10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Engagement Letters [~~29~~32]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Continuing Education Courses [36]
~~9~~7. Community Service – Free Services [40]
~~10~~8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
~~11~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Peer Review [~~33~~34]
~~8~~6. CPA Exam [~~24~~35]
~~9~~7. Samples - Audit~~s~~, Review or Compilation [38]
~~10~~8. Community Service – Free Services [40]
~~11~~9. Notice to Clients [42]
~~12~~10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Samples - Audits, Review or Compilation [38]
~~11~~9. Community Service – Free Services [40]
~~12~~10. Notice to Clients [42]
~~13~~11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BCP ~~Section~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Samples - Audit~~s~~, Review or Compilation [38]
~~11~~9. Community Service – Free Services [40]
~~12~~10. Notice to Clients [42]
~~13~~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 [~~15-24~~16-27]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. Library Reference Materials [~~30~~33]
~~6. Ethics Continuing Education [31]~~
~~7. Regulatory Review Course [32]~~
~~8~~6. Peer Review [~~33~~34]
~~9~~7. CPA Exam [~~34~~35]
~~10~~8. Samples - Audit~~s~~, Review or Compilation [38]
~~11~~9. Community Service – Free Services [40]
~~12~~10. Notice to Clients [42]
~~13~~11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
~~4. Ethics Continuing Education [31]~~
~~5. Regulatory Review Course [32]~~
~~6~~4. Community Service – Free Services [40]
~~7~~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 ~~of~~ 3 to 5 years
2. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Supervised Practice [~~25~~28]
2. Restitution [~~26~~29]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
5. ~~Ethics Continuing Education [31]~~
6. ~~Regulatory Review Course [32]~~
7. ~~7~~5. Continuing Education Courses [36]
8. ~~8~~6. Samples - Audit, Review or Compilation [38]
9. ~~9~~7. Prohibition from Handling Funds [39]
10. ~~10~~8. Community Service – Free Services [40]
11. ~~11~~9. Notification to Clients [42]
12. ~~12~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
6. ~~6~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [~~28~~31]
3. ~~Ethics Continuing Education [31]~~
4. ~~Regulatory Review Course [32]~~
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~30]
3. Restricted Practice [~~28~~31]
4. ~~Ethics Continuing Education [31]~~
5. ~~Regulatory Review Course [32]~~
~~6~~4. Continuing Education Courses [36]
~~7~~5. Active License Status [37]
~~8~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~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 [~~25~~36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Active License Status [37]
~~6~~4. Samples - Audit, Review or Compilation [38]
~~7~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Samples - Audit, Review or Compilation [38]
~~6~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Continuing Education Courses [36]~~
~~4~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~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 [~~15-24~~16-27]

If warranted:
1. Probation Monitoring Costs [~~27~~30]
~~2. Ethics Continuing Education [31]~~
~~3. Regulatory Review Course [32]~~
~~4~~2. Continuing Education Courses [36]
~~5~~3. Samples - Audit, Review or Compilation [38]
~~6~~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 [~~15-24~~16-27]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~28]
3. Probation Monitoring Costs [~~27~~30]
4. Restricted Practice [~~28~~31]
~~5. Ethics Continuing Education [31]~~
~~6. Regulatory Review Course [32]~~
~~7~~5. Continuing Education Courses [36]
~~8~~6. Samples – Audit, Review or Compilation [38]
~~9~~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 [~~15-24~~16-27]
2. Restitution [~~26~~29]
3. Compliance with Citation Abatement Order and/or Fine

If warranted:

1. Probation Monitoring Costs [~~27~~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]

~~California Code of Regulations~~ 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.

Section 5050	**Section 5056**	**Section 5072**
Section 5051	**Section 5058**	**Section 5088**
Section 5055	**Section 5071**	

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~~section 5122 provides that "Whenever in the judgment of the board, ~~(~~or with its approval~~, in~~ the ~~judgment of the~~ enforcement advisory committee~~)~~, any person has engaged, or is about to engage, in any acts or practices that ~~which~~ 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 ~~such~~ other order that may be appropriate shall be granted by the court." This section applies to licensees and unlicensed persons.

~~VIII~~IX. MODEL ORDERS

LICENSEES

1. **Revocation** - Single Cause:

   _____License No._____issued
   (Ex: Certified Public Accountant) (Ex: 00000)

   to ~~respondent~~Respondent _____is revoked.
   (Name)

2. **Revocation** - Multiple Causes**:**

   _____License No._____issued to ~~respondent~~Respondent _____is revoked pursuant to Determination(s) of Issues_____separately and for all of them.

3. **Suspension:**

   _____License No._____issued to ~~respondent~~Respondent _____is suspended for _____. During the period of suspension the ~~respondent~~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~~section 5051.

4. **Standard Stay Order:**

   However,_____(revocation/suspension)_____ is stayed and ~~respondent~~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 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

~~5~~6. Grant petition without restrictions on the license:

Upon satisfaction of all statutory and regulatory requirements for the issuance of a license, ~~The~~ the petition for reinstatement filed by _____ is hereby granted and Petitioner's certificate shall be fully restored.

~~6~~7. Grant petition and place license on probation:

Upon satisfaction of all statutory and regulatory requirements for issuance of a license, ~~The~~ 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):*

~~7~~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~~/Enrolled Agents~~ 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):*

~~8~~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: ~~Business and Professions Code~~ BPC section 5115 also allows a person to file a petition for a reduction in penalty.

PETITION FOR REVOCATION OF PROBATION

~~9~~10. Revocation of Probation:

Certified Public Accountant Certificate No. _____, heretofore issued to Respondent _____, is revoked.

~~10~~11. Continuance of Probation:

However, revocation is stayed and ~~respondent~~Respondent is placed on probation for a period of years upon the following terms and conditions:

APPLICANTS

~~11~~12. Grant application without restrictions on the license:

The application of ~~respondent~~Respondent _____ for initial licensure is hereby granted and a license shall be issued to ~~respondent~~Respondent upon successful completion of all licensing requirements including payment of all fees.

~~12~~13. Grant application and place license on probation:

The application of ~~respondent~~Respondent _____ for initial licensure is hereby granted and a license shall be issued to ~~respondent~~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~~Respondent's license placed on probation for a period of _____ years on the following conditions:

~~13~~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~~/Enrolled Agents~~ 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, 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):*

~~14~~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)

~~15~~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.

~~16~~17. Cost Reimbursement

Respondent shall reimburse the ~~Board~~ CBA $_____for its investigation and prosecution costs. The payment shall be made within __ days/months of the date the ~~Board's~~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].

~~17~~18. Submit Written Reports

Respondent shall submit, within 10 days of completion of the quarter, written reports to the ~~Board~~ California Board of Accountancy (CBA) on a form obtained from the ~~Board~~ CBA. The ~~respondent~~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~~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 ~~Board~~ CBA or its representatives.

~~18~~19. Personal Appearances

Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the ~~Board~~ California Board of Accountancy or its designated representatives, provided such notification is accomplished in a timely manner.

~~19~~20. Comply With Probation

Respondent shall fully comply with the terms and conditions of the probation imposed by the ~~Board~~ California Board of Accountancy (CBA) and shall cooperate fully with representatives of the ~~California Board of Accountancy~~ CBA in its monitoring and investigation of the ~~respondent's~~Respondent's compliance with probation terms and conditions.

~~20~~21. Practice Investigation

Respondent shall be subject to, and shall permit, a practice investigation of the ~~respondent's~~Respondent's professional practice. Such a practice investigation shall be conducted by representatives of the ~~Board~~ California Board of Accountancy, provided notification of such review is accomplished in a timely manner.

~~21~~22. Comply With Citations

Respondent shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

~~22~~23. Tolling of Probation for Out-of-State Residence/Practice

In the event ~~respondent~~Respondent should leave California to reside or practice outside this state, ~~respondent~~Respondent must notify the ~~Board~~ 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 ~~Board~~ 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.

~~23~~24. Violation of Probation

If ~~respondent~~Respondent violates probation in any respect, the ~~Board~~ California Board of Accountancy (CBA), after giving ~~respondent~~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~~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~~section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

~~24~~25. Completion of Probation

Upon successful completion of probation, ~~respondent's~~Respondent's license will be fully restored, unless the California Board of Accountancy has ordered that Respondent's license be permanently restricted or limited even after probation has been completed.

~~25~~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.

~~26~~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)

~~25~~28. Supervised Practice

Within ~~thirty~~ 30 days of the effective date of this decision, ~~respondent~~Respondent shall submit to the ~~Board~~ 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.

~~26~~29. Restitution

Respondent shall make restitution to _____ in the amount of $_____ and shall provide the ~~Board~~ California Board of Accountancy with a written release from _____ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

~~27~~30. Probation Monitoring Costs

Respondent shall pay all costs associated with probation monitoring as determined by the ~~CBA~~ 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.

~~28~~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.

~~29~~32. Engagement Letters

Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the ~~Board~~ California Board of Accountancy or its designee upon request.

~~30~~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 ~~Board~~ California Board of Accountancy or its designee upon reasonable notice.

~~31. Ethics Continuing Education~~

~~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 (within a given period of time or prior to the resumption of practice). Courses must be a minimum of one hour as described in California Code of Regulations section 88.2, (Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

~~If respondent fails to complete said courses within the time 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 no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.~~

~~32. Regulatory Review Course~~

~~Respondent shall complete a CBA-approved course on the provisions of the California Accountancy Act and the California Board of Accountancy Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations (within a given period of time or prior to resumption of practice). 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. The course shall be (a minimum of) two hours.~~

~~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 no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.~~

~~33~~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, ~~certified peer reviewer~~ at ~~respondent's~~Respondent's expense. ~~The review shall evaluate the respondent's and his/her firm's system of quality control, including, it's organizational structure, the policies and procedures established by the firm, and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements.~~ 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.
~~Upon completion of the peer review, respondent shall submit a copy of the report with the reviewer's conclusions and findings to the Board.~~

Condition 38 shall be used whenever Condition 34 is used.

~~34~~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. ~~- e.g., within 180 days of the effective date of the decision or within 180 days of completion of educational program, etc., or Prior to the resumption of practice. (Exam will be passed Prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

If ~~respondent~~Respondent fails to pass said examination within the time period provided ~~or within two attempts~~, ~~respondent~~Respondent shall so notify the ~~Board~~ California Board of Accountancy (CBA) and shall cease practice until ~~respondent~~Respondent ~~takes~~ 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 ~~no later than 100 days prior to the termination of probation~~ shall constitute a violation of probation.

~~35. Enrolled Agents Exam~~

~~Respondent shall take and pass the enrolled agents exam (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

~~If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said examination, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation 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). ~~This shall be in addition to continuing education requirements for relicensing.~~

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 ~~Board~~ California Board of Accountancy (CBA), including during any period of suspension. If the license is expired at the time the ~~Board~~ 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~~Respondent undertakes an audit, review or compilation engagement, the ~~respondent~~Respondent shall submit to the ~~Board~~ 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~~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 ~~Board~~ California Board of Accountancy (CBA) or its designee in which ~~respondent~~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~~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~~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 ~~Board~~ 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~~Respondent shall comply with procedures provided by the California Board of Accountancy or its designee regarding notification to, and management of, clients.

43. Administrative Penalty

Respondent shall pay to the ~~Board~~ California Board of Accountancy 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 ~~Board~~CBA's decision is final.

44. Medical Treatment

Respondent shall undergo and continue treatment by a licensed physician of ~~respondent's~~Respondent's choice and approved by the ~~Board~~ 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 ~~Board~~ 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~~Respondent is physically fit to practice.

45. Psychotherapist

Respondent shall undergo and continue treatment by a licensed psychotherapist of ~~respondent's~~Respondent's choice and approved by ~~Board~~ the California Board of Accountancy (CBA) or its designee until the treating psychotherapist certifies in writing in a report to the ~~Board~~ CBA or its designee that treatment is no longer necessary. Respondent shall have the treating psychotherapist submit reports to the ~~Board~~CBA at intervals determined by the ~~Board~~CBA or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the ~~Board~~CBA of its determination that ~~respondent~~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 ~~Board~~ 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~~Respondent, within a reasonable period of time as determined by the ~~Board~~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~~Respondent must attend support groups, (e.g. Narcotics Anonymous, Alcoholic Anonymous etc.), as directed by the ~~Board~~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 ~~Board~~ 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 ~~Board~~ 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~~Respondent may have physical or mental ailment(s) or conditions(s) which contributed to the violation or when the same are alleged by ~~respondent~~Respondent to be a contributing factor to the violation(s).

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item I.K.
July 23, 2020

Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations, Sections 87 – Basic Requirements; 88 – Programs Which Qualify; 88.1 – Provider Requirements; 88.2 – Program Measurements; 89 – Control and Reporting; and 90 – Exceptions and Extensions

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to discuss and possibly act to initiate a rulemaking to amend its continuing education (CE) regulations to provide increased conformity with national CE standards, which were recently updated and took effect December 2019 (**Attachment 1**).

Consumer Protection Objectives

The proposed revisions provide a range of learning options and increase flexibility in professional education which allows the licensee to maintain competency and a currency of knowledge when providing services to consumers.

Action(s) Needed

The CBA is being asked to approve the proposed regulatory text to CBA Regulations sections 87, 88, 88.1, 88.2, 89, and 90, and direct staff to initiate the rulemaking process.

Background

At its July 2019 meeting, the CBA considered an exposure draft issued jointly by the American Institute of CPAs (AICPA) and National Association of State Boards of Accountancy (NASBA) to *The Statement on Standards for Continuing Professional Education (CPE) Programs (Standards)*. Among the most significant of the proposed changes was the addition of an adaptive learning self-study program.

After review of the exposure draft, the CBA issued a comment letter expressing its support of a full exploration of all new methodologies designed to enhance the knowledge and competency of licensees. In the letter, the CBA noted that once the final *Standards* took effect, it would review and consider the changes that may be appropriate for incorporation into CBA Regulations.

Comments

California is unique from other states, in that, rather than pre-approve CE providers or programs, the CBA requires licensees to select appropriate programs from CE providers that conform to the minimum program requirements outlined in Article 12 of the CBA Regulations. The only exception is the two-hour Board-approved Regulatory Review course that licensees are required to complete once every six years. Although many of the CE program requirements outlined in Article 12 of the CBA Regulations mirror the *Standards*, the CBA maintains independence in the establishment of minimum program requirements for acceptable CE in California.

The CBA is in the process of adopting regulations as a result of the prior revisions to the *Standards* that took effect in 2016. The changes that occurred to the *Standards* in 2016 were much more comprehensive and included new methodologies – namely Nano and Blended Learning – and new areas of technical fields of study – business law, economic, management services, and statistics. The rulemaking package effectuating the changes from modifications to the 2016 *Standards* is pending at the Department of Consumer Affairs.

The revisions to the *Standards* that took effect in 2019 are not as comprehensive; however, they do add one new additional learning methodology – Adaptive Learning Self-Study – make minor changes to the language to Nano and Blended Learning methodologies, and add an additional educational tool for self-study programs termed "content reinforcement tools."

<u>Adaptive Learning Self-Study (Article I (Definitions), page 1 and Standard No. S17-09 through S17-17, pages 22-24)</u>
The definition of adaptive learning self-study program has been added for increased flexibility. The *Standards* defines the adaptive learning self-study program as a program that uses a computer algorithm or other predictive analytics tools to orchestrate interaction with the learner and deliver customized learning activities to assist the learner in meeting the course's stated learning objectives. CE credit for an adaptive learning self-study program must be determined based on the methodology detailed in the *Standards*.

<u>Nano Learning Program (Article I (Definitions), page 2)</u>
Nano learning was previously defined as a tutorial program. The language in the *Standards* was revised to remove the term tutorial from the definition. Nano learning has be redefined as 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.

Blended Learning Program (Article I (Definitions), page 1 and Standard No. S11-11-03.1, page 15)
Blended Learning is defined as an educational program incorporating different learning or instructional delivery methods. The *Standards* include revisions include both asynchronous and synchronous learning activities to clarify the varying levels of guidance in this learning method. These programs must use instructional methods that clearly define learning objectives and guide the participant through a program of learning. Pre-program, post program and/or homework assignments should enhance the learning program experience and must relate to the defined learning objectives of the program.

Blended Learning is a type of instructional design providing a connection between online and off-line environments. Furthermore, blended learning allows increased student-to-student, and student-to-teacher collaboration that is personalized with control centered to the learner.

Content Reinforcement Tools (Article 1 (Definitions), page 1 and Standard No. S9-02 and 03, pages 11 and 12).
According to the *Standards*, Content Reinforcement Tools are "[t]ools 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."

Presently, self-study programs evaluative feedback and reinforcement feedback related to questions asked during the duration of the course. For purposes of the CBA Regulations:

- Evaluative 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
- Reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.

CBA Regulations
In **Attachment 2**, staff have incorporated the necessary changes to establish a new learning methodology for Adaptive Learning Self Study and minor changes to Nano and Blended Learning. Additionally, staff have made some minor changes to the regulatory language to improve clarity and consistency.

As the language from revisions arising for changes to the *Standards* that took effect in 2016 are still pending, these are noted in the single underline and strike through. For the new changes being considered for changes to the *Standards* that took effect in 2019, these are noted in double underline and double strike through, including any changes additionally made for clarity and consistency.

Next Steps
Provided the CBA agrees with the proposed revisions and initiates a rulemaking, staff will prepare the necessary materials for submission to the various agencies. At a future date, the CBA will hold a public hearing and adopt any final text.

As an additional step, staff would like to inform the CBA that a project will be initiated to perform an in-depth review of the CBA Regulations related to CE. The purpose is to retool the format and structure of the regulations to create more consistency with the *Standards*.

As the *Standards* continue to expand and retool, the present structure used within the CBA Regulations makes it more challenging to effectively incorporate proposed amendments. As new methodologies are being considered and added, and as modifications to the existing methodologies evolves, it is proven cumbersome to effectively incorporate the changes while maintaining a degree of readability and clarity.

As staff progress on the project, it will work with CBA Leadership on when best to place on the agenda for future CBA consideration.

Fiscal/Economic Impact Considerations

There will likely be fiscal and economic impacts; however, at this time they are unknown. The fiscal impacts will likely be minor and absorbable as the costs would be mostly upfront to adjust materials associated with the CBA's information on CE. As for economic impacts, there will be upfront costs for providers that seek to develop any new programs to comply with the CBA Regulations; however, there will also be a benefit as they will have increased offerings for licensees to select.

Recommendation

Staff recommend that the CBA make a motion to:

- approve the amended regulatory text for CBA Regulations section 87, 88, 88.1, 88.2, 89, and 90,
- direct staff to submit the text 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 submit the rulemaking materials to the Office of Administrative Law for publication in *The California Regulatory Notice Register*.

Attachments

1. *The Statement on Standards for Continuing Professional Education (CPE) Programs*, December 2019
2. Proposed Regulatory Language to Title 16, California Code of Regulations Sections 87, 88, 88.1, 88.2, 89, and 90

The Statement on Standards for Continuing Professional Education (CPE) Programs

Red-line of the 2016 Standards

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 ~~2012~~2016.

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. ~~The Working Group meets quarterly, and scheduled meeting dates are posted on the NASBA website at www.nasbaregistry.org.~~ 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 ~~when~~ 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.[1]

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 ~~and enhance~~or improve their professional competence.

3. The continuing development of professional competence involves a program of lifelong educational activities. Continuing p~~P~~rofessional e~~E~~ducation (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 ~~utilizing~~ 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.

[1] 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 ~~and/~~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 ~~incorporating~~ incorporates ~~multiple learning formats~~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 ~~and~~ 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 ~~(Standards)~~. ~~This term may include associations of CPAs, whether formal or informal, as well as employers who offer in-house 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.

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Evaluative feedback. Specific response to incorrect answers to questions in self study programs.

Group Internet based program. Individual participation in synchronous learning with real-~~-~~time interaction of an instructor or subject matter expert and built-in processes for attendance and interactivity.

Group live program. 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.

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 ~~methods~~strategies. ~~Delivery s~~Strategies such as but not limited to case studies, computer-assisted learning, lectures, group ~~participation~~interaction, programmed instruction, and use of audiovisual aids~~, or work groups employed in~~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 ~~an area~~area 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 ~~methods~~ strategies and allocating time to various subjects.

Nano learning program. A ~~tutorial~~ program designed to permit a participant to learn a given subject in a ~~10-minute time frame~~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 ~~at least three~~ 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 educational program 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 group program in which participants engage simultaneously in learning activit~~y(~~ies~~)~~.

~~**Tutorial.** A method of transferring knowledge that is more interactive and specific than a book, lecture, or article. A tutorial seeks to teach by example and supply the information to complete a certain task.~~

Word count formula. A method, detailed under S17-05 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~~, or both,~~ their professional competence.[2]

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.

CPA~~'~~s' 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, 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

[2] The terms "should" and "must" are intended to convey specific meanings within the context of this ~~Joint~~ 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 ~~and enhancement~~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 ~~and enhancement~~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~~, or both,~~ 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~~ 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~~ a statement from the writer supporting the number of CPE hours claimed~~, and~~
  - ~~The~~ the name and contact information of the ~~independent~~ 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 ~~the~~ 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 ~~if~~ 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 I~~i~~ntermediate, A~~a~~dvanced or U~~u~~pdate 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 B~~b~~asic and O~~o~~verview, prerequisite education or experience and advance preparation, if any, must be noted, ~~if any,~~ otherwise, state "none" in the course announcement or descriptive materials.

Standard No. 4. CPE program sponsors must ~~use~~ employ activities, materials, and delivery systems that are current, ~~technically~~ 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 ~~an individual with~~a subject matter expert~~ise~~ 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 ~~a~~ subject matter expert(s). Learning activities must be developed by ~~individuals or teams having expertise in the~~ subject matter expert(s). ~~Expertise may be demonstrated through practical experience or education, or both.~~

Standard No. 5. CPE program sponsors of group, self study, nano learning, and blended learning programs must ensure that learning activities are reviewed by ~~qualified persons~~content reviewers other than those who developed the programs to assure that the program is ~~technically~~ 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. When it is impractical to review certain programs in advance, such as lectures given only once, greater reliance should be placed on the recognized professional competence of the instructor~~s~~ or presenter~~s~~. ~~Using independent reviewing organizations familiar with these Standards may enhance quality assurance.~~

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 maintain the author/developer and content reviewer documentation from that sponsor ~~in order~~ 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 ~~qualified individual~~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 ~~methods~~ 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) and not by the technology used in program delivery. Group live examples include but are not limited to: classroom setting with a real time instructor, participation in a group setting and calling in to a teleconference, and participation in a group setting and watching a 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 ~~methods~~ 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) and not by the technology used in program delivery. Group Internet based examples include but are not limited to: participation in a webcast individually, participation in a broadcast of a group live presentation 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 ~~use~~ employ instructional ~~methods~~ 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 ~~at the end of each learning activity~~ throughout the program in sufficient intervals to allow the participant the opportunity to evaluate the material that needs to be re-studied. ~~If objective type questions are used, a~~At least three review questions or other content reinforcement tools with score responses per CPE credit must be included. ~~or two review questions i~~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, ~~Simulations and other innovative tools~~ 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. ~~If~~ When review questions, such as the multiple choice method ~~is~~ 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. ~~If~~ When other content reinforcement tools, such as drag-and-drop, rank order, or matching ~~questions~~ activities, are used, then it is permissible to provide single feedback to explain the correct response. ~~Simulations and o~~Other ~~innovative~~ 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 provide evaluative and reinforcement feedback. ~~or review questions that~~

~~do not meet the evaluative and reinforcement feedback requirements are allowed as review questions, other than when using the multiple choice method. Noncompliant questions are not included in the number of review questions required per CPE credit.~~ 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

- ~~utilizes~~ 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 ~~utilize~~ 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 ~~written~~ 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 ~~use~~ employ instructional ~~methods~~ 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

- ~~utilizes~~ 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 ~~utilize~~ uses 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 ~~use~~ employ instructional ~~methods~~ 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 ~~learning or~~ instructional ~~methods~~ 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); ~~different scheduling (synchronous or asynchronous);~~ or different levels of guidance (for example, a program led by an individual, instructor or subject matter expert ~~led~~, 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 ~~is a group program~~are synchronous learning activities. If the primary components of the blended learning program ~~is a group 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 ~~is an~~are asynchronous learning activities~~y~~. If the primary components of the blended learning program ~~is an~~are asynchronous learning activities~~y~~, 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 ~~for~~ 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 ~~methods~~ 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 ~~methods~~ 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 ~~each program session~~the overall program, including self study and nano learning programs~~,~~. Sponsors may elect to solicit evaluations for each session within an overall program. Evaluations ~~to~~ 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.
- ~~individual~~ 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 ~~methods~~ strategies employed are appropriate for the learning activities.

S15-01. Assess instructional ~~method~~ strategy in context of program presentation. CPE program sponsors must assess the instructional ~~methods~~ strategies employed for the learning activities to determine ~~if~~ whether the delivery is appropriate and effective.

S15-02. Facilities and technology appropriateness. Learning activities must be presented in a manner consistent with the ~~descriptive and technical~~ program materials provided. Integral aspects ~~in~~ 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 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.

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. 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

S16-04. Small group viewing of group Internet based programs. In situations in 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. 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

S16-06. 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.

S16-07. 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.

S16-08. 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.

[(# of words/180) + actual audio/video duration time + (# of questions × 1.85)] /50 = 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).

[actual audio/video duration time + (# of questions × 1.85)] /50 = 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 of 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 achievement of the 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 perquestion. 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.

[(# of words/180) = actual audio/video duration time + (# of questions x 1.85)] /50 = 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 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. ~~However, one-fifth (0.2 credit) CPE credit is t~~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. ~~Technical~~ 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.

S20-02. Presenting a program. The CPA claiming CPE credits should refer to respective state board requirements.

S20-03. ~~Technical~~ Content reviewer CPE credit parameters. ~~Technical~~ 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 ~~technical~~ 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 ~~from independent party~~. 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 ~~an independent party~~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 and contact information**
- **Participant's name**
- **Course title**
- ~~**Course field of study**~~
- **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 ~~technical~~ 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 ~~independent~~ 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 program, 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 reasons for justification.

S24-04. Maintenance of documentation of instructions and information to participants regarding the components ~~comprising~~ 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.

S24-05. 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~~s~~:

Unless otherwise established by state licensing bodies or other professional organizations, these Standards are to be effective on ~~September~~ December 31, ~~2016~~2019. ~~, provided however that:~~

- ~~CPE program sponsors have until December 31, 2016 to comply with the Standards for programs currently under development.~~
- ~~The Standards must be implemented at the next CPE program review or revision date for all other programs.~~

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment 2

Proposed Regulatory Language –
Title 16, California Code of Regulations
Sections 87, 88, 88.1, 88.2, 89, and 90

§ 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, <u>business law, economics, management services, statistics</u>, 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 nontechnical 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<u>.</u> 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. If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.
(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) 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) or (d).
(f) 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: Sections 5010 and 5027, Business and Professions Code. Reference: Sections 5026 and 5027, Business and Professions Code.

§ 88 – Programs 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) Nano Learning Programs: Programs ~~that enable~~ enabling a licensee to learn a given subject containing a minimum of one learning objective in a minimum of 10-minutes and less than 20 minutes ~~time frame based on duration of the program~~ including the test, through the use of electronic media and without interaction with a live instructor. A nano learning program is not a live or group internet-based program. Nano learning 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(d), and Section 88.2(d);
(3) continuing education credits are not awarded in the following subjects: ethics as defined in Section 87(b), prevention, detection and/or reporting of fraud affecting financial statements as defined in Section 87(e), or a regulatory review course as defined in Section 87.8;
(4) the program is completed within one year from the date of purchase or enrollment in the program; and
(5) the licensee receives a 100 percent score on a test given to the participants prior to issuance of the continuing education credit.
(g) Blended Learning Program: Programs ~~incorporating multiple learning formats~~ including both asynchronous and synchronous learning, different ~~multiple~~ instructional strategies~~methods~~, ~~multiple~~ different instructional delivery methods, ~~different scheduling (synchronous or asynchronous)~~, or different levels of guidance, and ~~must~~ that 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 continuing education hours. For the purposes of this subsection, “synchronous” means a program in which participants engage simultaneously in instructional methods and “asynchronous” means a program in which participants have control over the time, place and pace of learning. Blended learning programs are qualifying provided:
(1) the program is based upon material specifically developed for instructional use;
(2) the program meets the requirements of Section 88(a), Section 88.1(e), and Section 88.2(e);
(3) if the primary components of the blended learning program ~~scheduling is a group internet-based or live presentation~~ are synchronous learning activities, then continuing education hours for pre-program, post-program, and homework assignments cannot constitute more than 25 percent of the total continuing education hours awarded for the blended learning program; and~~,~~
(4) if the primary components of the blended learning program ~~scheduling~~ are ~~is~~ asynchronous, then the program must use a test to demonstrate achievement of the learning objectives of the program that measures no less than 75 percent of the learning objectives for the program. The test must be completed during or after the program with a cumulative passing score before issuing continuing education hours for the course.
(~~f~~h) 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~~i) Credit may be allowed by the Board on an hour-for-segments 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~~i) The maximum credit allowed under subsection (~~g~~i) shall not exceed ~~25~~ 50 percent of the renewal period requirement.
(~~i~~k) 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: Sections 5010 and 5027, Business and Professions Code. Reference: Sections 5026 and 5027, Business and Professions Code.

§ 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 or adaptive learning 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 and Adaptive Learning Self-Study
In order to qualify as acceptable continuing education under Section 88(d) the provider of a self-study or adaptive learning 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.
(d) Nano Learning
In order to qualify as acceptable continuing education under Section 88(f) the provider of a nano learning 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, and
(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(d). 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.
(e) Blended Learning
In order to qualify as acceptable continuing education under Section 88(g) the provider of a blended learning 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, and
(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(e). 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: Sections 5010 and 5027, Business and Professions Code. Reference: Sections 5026 and 5027, Business and Professions Code.

§ 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~~10 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 10-minute segments (one fifth of a 50-minute class hour), or 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~~10 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 10-minute segments (one fifth of a 50-minute class hour), or 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 Group Internet-Based Program (Webcast) under Section 88.1(b).
(c) Self-Study and Adaptive Learning 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 by ~~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; the pre-testing for self-study shall be performed by a minimum of three current and active certified public accountants, and the pre-testing for adaptive learning self-study shall be performed by a minimum of seven certified public accountants. 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~~10-minute segment (one fifth of a 50-minute class hour) or 25-minute segments (one-half of a 50-minute class hour) 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~~10-minute segment (one fifth of a 50-minute class hour) or 25-minute segments (one-half of a 50-minute class hour) when the total minutes of the program are not equally divisible by 50. Additionally, for adaptive learning self-study, the continuing education credit 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. All potential paths must be documented. For example, if an adaptive learning self-study program has nine potential paths a learner can 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.

(2) A minimum of one-half hour of continuing education credit must be initially awarded, but after the first half hour credit has been earned, credits may be awarded in 10-minute segments (one fifth hour of a 50-minute class hour), or 25-minute segments (one-half hour of a 50-minute class hour).

(~~2~~3) Clearly define lesson objectives and manage the participant through the learning process by requiring frequent participant response to questions or other content reinforcement tools that test for understanding of the material presented~~,~~.

(A) When using questions, the program must provide ~~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.

(B) Other content reinforcement tools are tools used within the overall learning activity to reinforce learning and influence behavior throughout the learning or at the end of the learning.

(i) When using other content reinforcement tools that include drag-and-drop, rank order, or matching activities, it is permissible to provide single feedback to explain the correct response.

(ii) When using other content reinforcement tools that guide participants through structured decisions it is allowable to provide feedback at irregular intervals or at the end of the learning experience, and single feedback is permissible.

(~~3~~4) 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~~5) Require a passing score on a test given at the conclusion of the course. The test shall not include true/false type questions.

(~~5~~6) Meet the provider requirements for self-study or adaptive learning self-study under Section 88.1(c).

(d) Nano Learning

In order to qualify as acceptable continuing education under Section 88(f) a nano learning presentation program must:

(1) Require a passing score of 100 percent on a test consisting of at least two questions. The test shall not include true/false type questions,

(2) Grant continuing education hours in a 10-minute segment (one fifth of a 50-minute class hour), based on duration of the program including the test,
(3) Meet the provider requirements for nano learning under Section 88.1(d).
(e) Blended Learning Program
In order to qualify as acceptable continuing education under Section 88(g), a blended learning program must:
(1) Calculate continuing education credit using at least one of the following methods:
(A) Measure by actual program length in 50-minute class hours. For a program composed of several segments, the sum of the segments, in increments not less than 10 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 10-minute segments (one fifth of a 50-minute class hour), or 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.
(B) Demonstrate an average completion time, measured in 50-minute continuing education hours, by pre-testing the documentation from a minimum of three licensed certified public accountants in good standing and possessing the appropriate level of knowledge in the subject matter and 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 10-minute segments (one fifth of a 50-minute class hour) or 25-minute segments (one-half of a 50-minute class hour) credit when the total minutes of the program are not equally divisible by 50. For the purposes of this subsection, “good standing” means a license to practice public accountancy that is current, active and unrestricted.
(C) Demonstrate 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 10-minute segments (one fifth of a 50-minute class hour) or 25-minute segments (one-half of a 50-minute class hour) when the total minutes of the program are not equally divisible by 50.
(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) A minimum of one hour of continuing education credit must be initially awarded, but after the first hour credit has been earned, credits may be awarded in 10-minute segments (one fifth of a 50-minute class hour) or 25-minute segments (one-half of a 50-minute class hour). Credits awarded in 10-minute segments for a nano learning program shall comply with Section 88(f)(3).

(4) Meet the provider requirements for blended learning under Section 88.1(e).

NOTE: Authority: Sections 5010 and 5027, Business and Professions Code. Reference: Sections 5026 and 5027, Business and Professions Code.

§ 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, adaptive learning self-study, live presentation, ~~or~~ Group Internet-Based Program (Webcast), Nano Learning Program or Blended Learning Program.

(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 or adaptive learning 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).
(7) Verification by a program provider representative, such as a signature or seal.
(e) If continuing education credit is claimed for completing a nano learning program, 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)
(7) Verification by a program provider representative, such as a signature or seal.
(f) If continuing education credit is claimed for completing a blended learning program, 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)
(7) Verification by a program provider representative, such as a signature or seal.
(~~e~~g) 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~~h) 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~~i) 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~~j) 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~~k) 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~~l) 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~~m) 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~~n) 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: Sections 5010 and 5027, Business and Professions Code. Reference: Section 5027, Business and Professions Code.

§ 90 – Exceptions and Extensions
(a) A renewal applicant may be granted either an extension of time to complete continuing education requirements or an exception from continuing education requirements. Extensions or exceptions may be granted by the Board for the following causes:

(1) Reasons of health, certified by a medical doctor, which prevent compliance by the licensee;
(2) Service of the licensee on extended active duty with the Armed Forces of the United States;
(3) Other good cause.
(b) No extension or exception shall be made solely because of age.
(c) Willful failure of a licensee to complete applicable continuing education within a specified extension of time shall constitute cause for disciplinary action pursuant to section 5100(g) of the Accountancy Act.
(d) A renewal applicant who has met the requirement of Section 87(a) and becomes subject to continuing education pursuant to Section 87(c), (d) or (e) during the last 6 months of a two-year license renewal period shall be granted, upon request, an extension of time of up to 6 months in which to complete the continuing education required by Section 87(c), (d) or (e). Continuing education completed pursuant to this extension shall be part of the 80 hours of continuing education required under Section 87(a) for the next two-year renewal period. However, it shall not be part of the 24 hours of continuing education required under Section 87(c) or (d) or the ~~8~~ four hours of continuing education required under Section 87(e) for the next two-year renewal period.

NOTE: Authority: Section 5010 and 5027, Business and Professions Code. Reference: Sections 5028 and 5100(g), Business and Professions Code.

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item I.L.
July 23, 2020

California Board of Accountancy 2020 Legislative Tracking Chart

Note: Bills that have been amended and no longer relate to the CBA have been identified below and will subsequently be removed from the tracking chart

Bill#	Author	Topic	Version	CBA Position	Location/Status (As of July 7, 2020)
AB 613	Low	Dentists: Clinical Laboratories: License Examinations.	6/29/2020		No Longer Applicable to the CBA
AB 802	Stone, Mark	Reports to the Legislature: Statewide Open Data Portal	6/4/2019	Watch	Senate Appropriations Committee (**Suspense File – Held in Committee**)
AB 1140	Stone, Mark	Public Employees' Retirement System: Contracting Agencies: Consolidation.	6/18/2020		No Longer Applicable to the CBA
AB 1343	Eggman	School Employees: Social Workers	6/29/2020		No Longer Applicable to the CBA
AB 1525	Jones-Sawyer	Cannabis: Financial Institutions	1/16/2020	Support	Senate Banking and Financial Institutions Committee

Bill#	**Author**	**Topic**	**Version**	**CBA Position**	**Location/Status (As of July 7, 2020)**
SB 51	Hertzberg	Financial Institutions: Cannabis	9/5/2019	Support	Assembly Floor – Inactive File
SB 53	Wilk	Open Meetings	3/5/2019	Oppose	Assembly Appropriations Committee – Suspense File – Held in Committee (**Not Moving Forward, Per Author's Staff**)

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 802

Subject:	Reports to the Legislature: Statewide Open Data Portal.	**CBA Position**:	**WATCH**
		Author:	Stone
Version:	June 4, 2019	**Sponsor**:	Author
Status:	Senate Appropriations Committee – Suspense File		

Summary

Assembly Bill (AB) 802 (**Attachment 1**) would require state and local agencies to submit all reports electronically, rather than printed copies, to the Secretary of the Senate, Chief Clerk of the Assembly, and Legislative Counsel. Further, the bill states that certain reports shall be provided electronically to legislative committees.

AB 802 also requires the California Department of Technology (CDT) to establish and maintain a statewide open data portal and requires agencies, as specified, to post data to that open data portal.

Recommendation

Maintain Watch Position. Staff recommend the California Board of Accountancy (CBA) maintain its Watch position on AB 802. This bill has not been amended since last discussed at a CBA meeting.

Background

According to the author (**Attachment 2**), state and local agencies are tasked by the Legislature to produce oversight and informational reports that are used to inform policy decisions.

Existing law requires state agencies to submit reports to the Legislature in three forms: to the Secretary of the Senate (printed copy), Chief Clerk of the Assembly (electronic copy), and Legislative Counsel (electronic or printed copy). Currently, state agencies must also provide electronic copies of the summary directly to each member of the appropriate house or houses of the Legislature.

Open Data Portal

The Open Data portal, maintained by CDT, is a repository and portal for departments and citizens to explore open data and its potential to improve collaboration, analysis and decision-making. Open data is public data collected by the state through its routine business activities and published in a format that is easy to search and download. While several state agencies host their own open data portals, data.ca.gov was

designed specifically to host open data from more than one agency. The process is currently underway to link each of these existing state portals, so that all of the state's open data sets can be searched from a single site.

Analysis

AB 802 would update state and local agency report submission requirements so that they are exclusively delivered electronically to designated legislative officials, and committees, as specified. The bill also requires a state agency to include in its report a summary of its contents, not to exceed one page in length, an internet address where the report can be downloaded, and a telephone number for ordering hard copies. Currently, the CBA delivers both electronic and hard copies of its reports to the Legislature.

The bill requires CDT to, on or before January 1, 2021, create an open data portal that is accessible to the public. The bill sets forth certain requirements for the open data portal.

AB 802 also requires state agencies to post data from a published report, as specified, to the open data portal. To comply with this requirement, the CBA may require the assistance of the Department of Consumer Affairs' Office of Information Services.

The bill only requires the publishing of data "to the extent the data is otherwise subject to public disclosure under state and federal law."

Fiscal Estimate

The fiscal impact to the CBA is unknown, but likely minor and absorbable. The bill would lead to minor savings to the CBA's print/delivery costs, but may increase staff workload related to the preparation and submission of data to a state open data portal.

Support/Opposition

Support: None on file.

Opposition: None on file.

Effective/Operative Date

January 1, 2021.

Related Bills

None.

Attachments

1. AB 802
2. AB 802 Fact Sheet

AMENDED IN SENATE JUNE 4, 2019

AMENDED IN ASSEMBLY APRIL 10, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL No. 802

Introduced by Assembly Member Mark Stone

February 20, 2019

An act to amend Sections 9795 and 10242.5 ~~of~~ *of, and to add Chapter 7.7 (commencing with Section 11795) to Part 1 of Division 3 of Title 2 of,* the Government Code, relating to ~~the Legislature.~~ *state government.*

LEGISLATIVE COUNSEL'S DIGEST

AB 802, as amended, Mark Stone. Reports to the ~~Legislature.~~ *Legislature: Statewide Open Data Portal.*

Existing law requires a report that is required or requested by law to be submitted by a state or local agency to the Members of either house of the Legislature generally to instead be submitted as a printed copy to the Secretary of the Senate, as an electronic copy to the Chief Clerk of the Assembly, and as an electronic or printed copy to the Legislative Counsel. Existing law requires a state agency to provide an electronic copy of the summary of its report directly to each Member of the appropriate house of the Legislature. Existing law requires a state agency post its report on the agency's internet website and to include in the report the internet website where the report can be downloaded. Existing law requires the Legislative Counsel to make available on an internet website an electronic list of all reports that state and local agencies are required or requested by law to prepare and file with the Governor or the Legislature, and to include in the list any hyperlink to a report provided by a state or local agency.

This bill would require state and local agencies to submit all reports to the Secretary of the Senate, the Chief Clerk of the Assembly, and the Legislative Counsel electronically, rather than submitting a printed copy, and would eliminate the requirement that state agencies separately submit the summary of the report directly to Members of the Legislature. ~~For reports involving data collection or analysis, the bill would require a state agency to post the datasets used to generate the report on an open data repository internet website, as specified, at the time the report is posted.~~

This bill would make a report that is required or requested by law to be submitted by a state or local agency to a committee of either or both houses of the Legislature subject to these provisions, including the requirements that the report be submitted electronically and included in the electronic list prepared by the Legislative Counsel.

Existing law establishes the Department of Technology within the Government Operations Agency, which is supervised by the Director of Technology. Existing law authorizes the director and the department to exercise various powers in creating and managing the information technology policy of the state.

This bill would require the Department of Technology to establish and maintain a statewide open data portal. For state agency reports involving data collection or analysis, the bill would require the state agency to post the datasets used to generate the report on the statewide open data portal. The bill would authorize local agencies to post datasets on the portal, and would authorize state agencies to post datasets not already required to be posted on the portal.

By imposing new duties on local agencies, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. Section 9795 of the Government Code is amended to read:

9795. (a) (1) A report required or requested by law to be submitted by a state or local agency to the Members of either house of the Legislature generally, shall instead be submitted electronically to the Secretary of the Senate, the Chief Clerk of the Assembly, and the Legislative Counsel. A report required or requested by law to be submitted by a state or local agency to a committee of either or both houses of the Legislature shall be submitted electronically to the committee; the Secretary of the Senate or the Chief Clerk of the Assembly, or both the Secretary of the Senate and the Chief Clerk of the Assembly, as applicable; and the Legislative Counsel.

(2) Each report described in paragraph (1) shall include a summary of its contents, not to exceed one page in length. Notice of receipt of the report shall also be recorded in the journal of the appropriate house or houses of the Legislature by the secretary or clerk of that house.

(3) In addition to and as part of the information made available to the public in electronic form pursuant to Section 10248, the Legislative Counsel shall make available a list of the reports submitted by state and local agencies, as specified in paragraph (1). If the Legislative Counsel receives a request from a member of the public for a report contained in the list, the Legislative Counsel is not required to provide a copy of the report and may refer the requester to the state or local agency, as the case may be, that authored the report, or to the California State Library as the final repository of public information.

(b) A report shall not be distributed to a Member of the Legislature unless specifically requested by that Member.

(c) Compliance with subdivision (a) shall be deemed to be full compliance with subdivision (c) of Section 10242.5.

(d) (1) A state agency report and summary subject to this section shall include an internet website where the report can be downloaded and a telephone number to call to order a hard copy of the report. A report submitted by a state agency subject to this section shall also be posted on the agency's internet website.

(2) For ~~a~~ *any* state agency report subject to this section involving the collection or analysis of data, the datasets used to generate the report shall be posted on the ~~state~~ *statewide* open data ~~repository available at the internet website data.ca.gov, or another central open data repository designated by the Government Operations Agency for this purpose,~~ *portal established and maintained pursuant to Chapter 7.7 (commencing with Section 11795) of Part 1 of Division 3* at the time the report is ~~posted,~~ *posted on the agency's internet website,* but only to the extent these datasets are otherwise subject to public disclosure under state and federal law. All datasets shall be posted in a machine-readable format.

~~(e) For purposes of this section, "report" includes any study or audit.~~

(e) For purposes of this section, the following definitions apply:

(1) "Agency" includes any city, county, special district, department, board, bureau, or commission, including any task force or other similar body that is created by statute or resolution. "Agency" does not include the University of California.

(2) "Data" has the same meaning as set forth in Section 11795.

(3) "Dataset" has the same meaning as set forth in Section 11795.

(4) "Machine-readable format" has the same meaning as set forth in Section 11795.

(5) "Report" includes any study or audit.

(6) "Statewide open data portal" has the same meaning as set forth in Section 11795.

SEC. 2. Section 10242.5 of the Government Code is amended to read:

10242.5. (a) The Legislative Counsel shall annually prepare, publish, and maintain an electronic list of all reports that state and local agencies are required or requested by law to prepare and file with the Governor, the Legislature, or a committee of either or both houses of the Legislature, or any combination thereof, in the future or within the preceding year. The list shall include all of the following information:

(1) The name of the agency that is required or requested to prepare and file the report.

(2) The name of the committee of either or both houses of the Legislature with which the report was filed, if applicable.

(3) A brief description of the subject of the report.

(4) The date on which the report is to be completed and filed.

(5) The date on which the report was filed with the Legislative Counsel.

(b) The Legislative Counsel shall make the list of reports available to the public on an internet website and shall annually provide to each Member of the Legislature a hyperlink to the internet website whereby the list can be accessed.

(c) (1) Each state and local agency that is required or requested by law to prepare a report described in subdivision (a) shall file an electronic copy of the report with the Legislative Counsel. If the report is posted on an internet website, the agency filing the electronic copy shall provide to the Legislative Counsel a hyperlink whereby the report may be accessed.

(2) The Legislative Counsel shall include, on the internet website it maintains for purposes of this section, any hyperlinks provided by state and local agencies pursuant to paragraph (1).

(d) As used in this section:

(1) "Agency" includes any city, county, special district, department, board, bureau, or commission, including any task force or other similar body that is created by statute or resolution. "Agency" does not include the University of California.

(2) "Report" includes any study or audit.

(e) The Legislative Counsel shall update the list required by subdivision (a) by removing duplicate reports from the list. The Legislative Counsel shall also remove reports from the list as directed by Section 4 of Chapter 7 of the Statutes of 2010, or a subsequent statute that further requires the Legislative Counsel to remove reports included in the list.

SEC. 3. Chapter 7.7 (commencing with Section 11795) is added to Part 1 of Division 3 of Title 2 of the Government Code, to read:

CHAPTER 7.7. STATEWIDE OPEN DATA PORTAL

11795. For purposes of this chapter, the following definitions apply:

(a) "Agency" includes any city, county, special district, department, board, bureau, or commission, including any task force or other similar body that is created by statute or resolution. "Agency" does not include the University of California.

(b) "Data" means any recorded information regardless of form or the media on which it is recorded.

(c) "Dataset" means a collection of related data that is collected, created, or maintained by or on behalf of an agency that records measurements, transactions, or determinations related to the mission or function of that agency, is not the product of analysis or interpretation other than calculation, and remains presented in a way that has not been substantively altered since it was obtained or recorded.

(d) "Machine-readable format," when used with respect to data, means data in a format that can be easily processed by a computer without human intervention while ensuring no semantic meaning is lost, and excludes document-based formats in which information is presented sequentially without defined fields.

(e) "Statewide open data portal" means a centralized data internet website with the ability to display and export data published from agencies.

11795.1. (a) (1) On or before January 1, 2021, the Department of Technology shall create a statewide open data portal that is accessible to the public. The Department of Technology may use data.ca.gov to satisfy the requirements of this subdivision.

(2) The statewide open data portal shall include a link to the internet website of any agency that publishes its data on that website.

(b) (1) Pursuant to Section 9795, for any state agency report involving the collection or analysis of data, the state agency shall post the datasets used to generate the report on the statewide open data portal established and maintained pursuant to this chapter at the time the report is posted on the state agency's internet website, but only to the extent these datasets are otherwise subject to public disclosure under state and federal law.

(2) A local agency may post any of its datasets, and a state agency may post any of its datasets that are not subject to paragraph (1), on the statewide open data portal, but only to the extent these datasets are otherwise subject to public disclosure under state and federal law.

(c) (1) All datasets shall be posted in a machine-readable format.

(2) All datasets and other information posted on the statewide open data portal shall comply with all applicable laws, including

the federal Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191).

(d) (1) On or before October 1, 2020, the Department of Technology, in collaboration with the Government Operations Agency, shall create a community of practice dedicated to the following objectives:

(A) Developing and recommending statewide governance and policy regarding data standards, data storage, and data privacy.

(B) Fostering a culture of data use by enabling and encouraging agencies to safely and securely share data to collaborate on common issues and related programs.

(C) Developing programs, and evaluating and enhancing existing programs, to provide training on data management and open data practices.

(D) Employing and analyzing operational data to improve open data practices and online infrastructure supporting the publication of government data.

(2) The Department of Technology may use the existing community of practice, CalData, to satisfy the requirements of this subdivision.

(e) The Department of Technology shall, in consultation and collaboration with the community of practice established pursuant to subdivision (d), maintain the statewide open data portal established pursuant to subdivision (a) and shall update the statewide open data portal, as needed, to maintain and improve its utility.

11795.2. (a) This chapter does not affect the obligation of an agency to provide any notice or information to the public pursuant to any other law.

(b) An action taken pursuant to this chapter shall not be deemed to alter or relinquish any copyright or other proprietary interest or entitlement of the State of California relating to any of the information made available pursuant to this chapter.

~~SEC. 3.~~

SEC. 4. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made

pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.

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AB 802 (Stone): Electronic Access to Legislative Reports

SUMMARY

State and local agencies are tasked by the Legislature to produce oversight and informational reports, but the policies for submitting these reports need to be updated to simplify submission and increase public access. AB 802 will ensure that agency reports can be submitted electronically, will require that datasets used to produce reports be made publically available through a statewide open data repository, and will codify the maintenance of that repository.

BACKGROUND

The Legislature often requests that state and local agencies submit reports to inform policy decisions. These reports provide crucial oversight to ensure effective implementation of programs such as the Cap-and-Trade program and Medi-Cal.

Though preparation of these reports is funded by California taxpayers, data used to produce agency reports are rarely accessible to the public. In addition to increasing transparency and accountability, public data repositories help government agencies, researchers, and private-sector innovators by revealing new possibilities for research and by streamlining data collection and distribution efforts. California currently operates a statewide open data portal, **data.ca.gov**, for publishing government datasets, but provisions for the maintenance of this repository are not yet codified in statute.

EXISTING POLICY

Section 9795 of the Government Code outlines procedures for submitting legislative reports. Adopted in 1996, Section 9795 simplified the submission process by requiring that reports go only to the Secretary of the Senate, the Chief Clerk of the Assembly, and Legislative Counsel, rather than to each legislator individually. While the Chief Clerk of the Assembly allows only electronic submissions, submissions to the Secretary of the Senate must be in print, and Legislative Counsel permits electronic or print submissions.

To modernize government operations, California has demonstrated a commitment to facilitating open online access to government datasets. In 2015, the California Government Operations Agency developed **data.ca.gov**, an online portal where agencies can voluntarily post data for public use. **Data.ca.gov** now hosts a growing collection of over 2,500 datasets. This year, detailed guidelines were released for open access publication of government datasets to facilitate contributions to data.ca.gov by state agencies (**handbook.data.ca.gov**).

Similar federal efforts have expanded open access to datasets compiled by government agencies. The OPEN Government Data Act, a measure with broad bipartisan support that was signed into law on January 14, 2019, requires federal agency datasets to be listed on the agency's website in standardized, non-proprietary formats.

SOLUTION

To modernize government operations, AB 802 will require electronic submission of all agency reports to the legislature. AB 802 will also promote transparency and the free exchange of knowledge by requiring that datasets used for these reports are publically available at the State's open data repository. Additionally, the measure will codify the **data.ca.gov** repository in statute. By streamlining report submission, facilitating open access to corresponding datasets, and codifying the State's responsibility to provide a public data repository, AB 802 will strengthen California's commitments to accountability, efficiency, and innovation.

Staff: Landon Klein ◆ landon.klein@asm.ca.gov ◆ P: (916) 319-2334 ◆ F: (916) 319-2188

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 1525

Subject:	Cannabis: Financial Institutions	**CBA Position: Support**	
Version:	January 16, 2020	**Author**:	Jones-Sawyer
Status:	Senate Banking and Financial Institutions Committee	**Sponsor**:	Author

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Summary

Assembly Bill (AB) 1525 (**Attachment 1**) states that an individual or firm that practices public accounting pursuant to Chapter 1 of Division 3 of the Business and Professions Code (BPC) "does not commit a crime under California law solely for providing professional accounting services" to persons licensed to engage in commercial cannabis activity.

Further, AB 1525 states that authorized persons or businesses do not commit a crime, under California law, if they receive deposits or provide specified transportation or financial services to persons licensed to engage in commercial cannabis activity. Provides that a licensing authority or the California Cannabis Authority is not required to disclose information beyond that necessary to facilitate commercial banking for the licensee.

In addition, under the bill, cannabis businesses may request the licensing entity to share specified data with financial institutions.

Recommendation

Maintain Support Position. Staff recommend the California Board of Accountancy (CBA) maintain its Support position on AB 1525. This bill has not been amended since the prior CBA meeting.

Background

According to the fact sheet (**Attachment 2**): "AB 1525 would create a safe harbor under state law for financial institutions and accountants that provide services to the cannabis industry."

Analysis

According to the author's staff, AB 1525 is intended to clarify that financial institutions and accountants that provide services to the cannabis industry are not committing any crimes under state law by virtue of providing financial or accounting services.

This measure would reaffirm that an individual or firm is not guilty of a crime under California law if it practices public accounting, pursuant to Chapter 1 (commencing with Section 5000) of Division 3 of the BPC also known as the Accountancy Act, by providing professional accounting services to persons licensed to engage in the commercial cannabis industry.

Additionally, this bill would provide that entities that transport cash or financial instruments on behalf of a financial institution, or provides other financial services for persons licensed to engage in commercial cannabis activity are not guilty of a crime under California law.

Provides that a person licensed to engage in the commercial cannabis industry may request, in writing, a licensing authority or the California Cannabis Authority to share the person's application, license, and other regulatory and financial information with a financial institution of the person's designation. This written request will waive any confidentiality or privilege that applies to that information.

Fiscal Estimate

The CBA's costs are unknown.

Support/Opposition

Support: California Board of Accountancy (**Attachment 3**)
California Credit Union League
California State Association of Counties
California State Treasurer
Eric Garcetti, Mayor of Los Angeles
Rural County Representatives of California
Southern California Coalition

Opposition: None on file.

Effective/Operative Date

January 1, 2021.

Related Bills

- Senate Bill (SB) 51 (Hertzberg), 2019-2020 Legislative Session. Would establish cannabis limited charter banks and cannabis limited charter credit unions to provide limited banking services to the cannabis industry. The CBA has adopted a Support position on this measure.
- SB 930 (Hertzberg), 2017-2018 Legislative Session. Would have the same impact as SB 51. (Was not approved by the Legislature)

Attachments

1. AB 1525
2. AB 1525 Fact Sheet
3. California Board of Accountancy Support Letter

AMENDED IN ASSEMBLY JANUARY 16, 2020

AMENDED IN ASSEMBLY JANUARY 6, 2020

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL No. 1525

Introduced by Assembly Member Jones-Sawyer
(Coauthor: Assembly Member Eduardo Garcia)

February 22, 2019

An act to add Chapter 24 (commencing with Section 26260) to Division 10 of the Business and Professions Code, relating to cannabis.

LEGISLATIVE COUNSEL'S DIGEST

AB 1525, as amended, Jones-Sawyer. Cannabis: financial institutions.

~~(1) Existing~~

Existing law, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), approved by the voters as Proposition 64 at the November 8, 2016, statewide general election, regulates the cultivation, distribution, transport, storage, manufacturing, testing, processing, sale, and use of marijuana for nonmedical purposes by people 21 years of age and older. The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities. MAUCRSA imposes duties on the Bureau of Cannabis Control in the Department of Consumer Affairs with respect to the creation, issuance, denial, suspension, and revocation of licenses issued for microbusinesses, transportation, storage, distribution, testing, and sale of cannabis and cannabis products pursuant to MAUCRSA. MAUCRSA requires the Department of Food and Agriculture, in consultation with the bureau, to establish a track and trace program for reporting the

movement of cannabis and cannabis products throughout the distribution chain, as provided.

This bill would provide that an entity, as defined, that receives deposits, extends credit, conducts fund transfers, transports cash or financial instruments on behalf of a financial institution, or provides other financial services, including public accounting, as provided, for a person licensed to engage in commercial cannabis activity does not commit a crime under any California law solely by virtue of receiving deposits, extending credit, conducting fund transfers, transporting cash or other financial instruments, or providing other financial services for the person. The bill would authorize a person licensed to engage in commercial cannabis activity to request, in writing, that a licensing authority or the California Cannabis Authority share the person's application, license, and other regulatory and financial information, as specified, with a financial institution of the person's designation and would require the request to include a waiver authorizing the transfer of that information and waiving any confidentiality or privilege that applies to that information. The bill would further authorize licensing authorities and the California Cannabis Authority, upon receipt of a written request and waiver as described above, to share regulatory and financial information with the designated financial institution for the purpose of facilitating commercial banking for the requesting licensee.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Chapter 24 (commencing with Section 26260) is added to Division 10 of the Business and Professions Code, to read:

Chapter 24. Information Sharing with Financial Institutions

26260. (a) An entity that receives deposits, extends credit, conducts fund transfers, transports cash or financial instruments on behalf of a financial institution, or provides other financial services for persons licensed to engage in commercial cannabis activity pursuant to this division does not commit a crime under any California law, including Chapter 10 (commencing with

Section 186.9) of Title 7 of Part 1 of the Penal Code, solely by virtue of receiving deposits, extending credit, conducting fund transfers, transporting cash or other financial instruments, or providing other financial services for the person.

(b) (1) A person licensed to engage in commercial cannabis activity pursuant to this division may request in writing a licensing authority or the California Cannabis Authority to share the person's application, license, and other regulatory and financial information with a financial institution of the person's designation. The person shall include in that written request a waiver authorizing the transfer of that information and waiving any confidentiality or privilege that applies to that information.

(2) Notwithstanding any other law that might proscribe the disclosure of application, licensee, and other regulatory and financial information, upon receipt of a written request and waiver pursuant to paragraph (1), a licensing authority and the California Cannabis Authority may share application, licensee, and other regulatory and financial information with the financial institution designated by the licensee in that request for the purpose of facilitating commercial banking for that licensee.

(c) For purposes of this ~~section:~~ *section, all of the following definitions apply:*

(1) "Application, licensee, and other regulatory and financial information" includes, but is not limited to, both information in the track and trace system established pursuant to Sections 26067 and 26068 and information in the California Cannabis Authority's data platform.

(2) "Entity" means a licensee defined in Section 185 of the Financial Code, an armored car service licensed by the Department of the California Highway Patrol pursuant to Section 2510 of the Vehicle Code that has been contracted by a financial institution, or a person providing financial services to persons licensed to engage in commercial cannabis activity pursuant to this division.

(3) "Financial institutions" means any of the following:

(A) A bank, trust company, or industrial loan company doing business under the authority of, or in accordance with, a license, certificate, or charter issued by the United States or any state, district, territory, or commonwealth of the United States that is authorized to transact business in this state.

(B) A federally chartered savings and loan association, federal savings bank, or federal credit union that is authorized to transact business in this state.

(C) A savings and loan association, savings bank, or credit union organized under the laws of this or any other state that is authorized to transact business in this state.

(D) A licensee defined pursuant to Section 185 of the Financial Code.

(4) "Firm" has the same meaning as in Section 5035.1.

(d) ~~A certified public accountant or certified public accounting~~ *An individual or* firm, ~~which~~ *that* practices public accounting pursuant to Chapter 1 (commencing with Section 5000) of Division 3, does not commit a crime under California law solely for providing professional accounting services as specified to persons licensed to engage in commercial cannabis activity pursuant to this division.

(e) Nothing in this section shall be construed to require the disclosure of information by a licensing authority or the California Cannabis Authority beyond which is reasonably necessary to facilitate commercial banking for the licensee making a request pursuant to this section. Nothing in this section shall be construed to authorize the disclosure of confidential or privileged information, nor waive a licensee's rights to assert confidentiality or privilege, except to a financial institution as provided herein and except as reasonably necessary to facilitate commercial banking for the licensee making the request.

REVISIONS:

Heading—Line 2.

O

Reginald Byron Jones-Sawyer, Sr.
59th Assembly District

Attachment 2

AB 1525 – Banking Cannabis Businesses

SUMMARY

AB 1525 would create a safe harbor under state law for financial institutions and accountants that provide services to the cannabis industry.

In order to increase overall access to banking, this bill would also require cannabis businesses to share their track-and-trace data with banks to facilitate the ability of financial institutions to comply with due diligence reporting requirements to federal regulating agencies.

BACKGROUND

Despite the robust cannabis industry in California and several other states, cannabis remains illegal at the federal level under the Controlled Substances Act. This classification has resulted in limited access to banking services for the cannabis industry because all financial institutions are heavily regulated by the federal government.

In 2013, the Department of Justice issued the Cole Memorandum to protect cannabis businesses operating legally under their own state laws, from federal prosecution. The following year, the Financial Crimes Enforcement Network (FinCEN) issued guidance for financial institutions to provide services to the cannabis industry based on the Cole Memo. The FinCEN guidance clarified that financial institutions could service the cannabis industry but had to comply with due diligence reporting obligations related to suspicious activity. The guidance requires that financial institutions file suspicious activity reports (SARs) for cannabis businesses based solely on the fact that these businesses deal with a controlled substance.

Having to comply with these costly and burdensome reporting requirements is a disincentive for banks to provide services to cannabis businesses. In these reports, financial institutions need to ensure that a business does not violate any state law or any federal priority. According to a recent FinCEN report, only 486 banks and credit unions in the nation are currently banking cannabis businesses.

Providing financial institutions with access to a cannabis licensee's track-and-trace information can expedite the burdensome and costly task of filing SARs. Track-and-trace information tracks all cannabis products from cultivation to sale. This information verifies that every transaction associated with the product was lawful under state law for the purpose of filing SARs for a cannabis business.

THIS BILL

AB 1525 clarifies that financial institutions and accountants that provide services to the cannabis industry are not committing any crimes under state law by virtue of providing financial or accounting services.

This bill also requires commercial cannabis licensees to allow cannabis license authorities to share the business' track-and-trace data with financial institutions.

CONTACT

Debby Marroquin
Legislative Assistant
Office of Assemblymember Reginald Jones-Sawyer
(916) 319-2059
Debby.Marroquin@asm.ca.gov

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment 3

June 29, 2020

The Honorable Reginald Jones-Sawyer, Sr.
State Capitol, Room 2117
Sacramento, CA 95814

Bill: **AB 1525**
Position: **Support**

Dear Assemblymember Jones-Sawyer:

Thank you for the opportunity to collaborate with your office on recent amendments to Assembly Bill (AB) 1525 to address the California Board of Accountancy's (CBA) request in our October 1, 2019 "Support, if Amended" position letter.

In light of the January 16, 2020 amendments to the bill, the CBA is pleased to Support AB 1525 as it would help the licensed cannabis industry obtain access to publicly regulated financial structures and related professionals under California law.

If you have questions, please contact Deanne Pearce, Assistant Executive Officer, at (916) 561-1740 or deanne.pearce@cba.ca.gov.

Sincerely,

Nancy J. Corrigan, CPA
President

c: Members, California Board of Accountancy
Patti Bowers, Executive Officer
Danielle Sires, Consultant, Assembly Committee on Business and Professions
Bill Lewis, Principal Consultant, Assembly Republican Caucus

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
SB 51

Subject:	Financial Institutions: Cannabis	**CBA Position**:	**Support**
Version:	September 5, 2019	**Author**:	Hertzberg
Status:	Assembly Floor – Inactive File	**Sponsor**:	State Treasurer, Fiona Ma, CPA

Summary

Senate Bill (SB) 51 (**Attachment 1**) would establish cannabis limited charter banks (CLCBs) and cannabis limited charter credit unions (CLCCUs) to provide limited banking services to the cannabis industry. This bill would also create the Cannabis Limited Charter Bank and Credit Union Advisory Board (Advisory Board) comprised of the State Treasurer, the State Controller, the Chief of the Bureau of Cannabis Control, and the Director of the Department of Finance (DOF).

Recommendation

Maintain Support Position. Staff recommend the CBA maintain its Support position on SB 51. The bill has not been amended since last discussed at the September 2019 CBA meeting.

Background

According to the fact sheet (**Attachment 2**), "SB 51 is an integral step toward integrating cannabis-related businesses into the California economy in a safe and transparent manner."

The Control, Regulate and Tax Adult Use of Marijuana Act of 2016, an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under the act to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. The Medicinal and Adult-Use Cannabis Regulation and Safety Act, among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities.

Analysis

SB 51 issues a number of declaratory statements from the California State Legislature (**see pages 4 and 5 of Attachment 1**) that explain the challenges presented by the current conflict between state and federal law regarding cannabis.

The bill provides for the licensure and regulation of CLCBs and CLCCUs for the purpose of providing limited banking services, as defined, to cannabis businesses. The

bill would require a person who desires to be licensed as a CLCB or CLCCU to submit an application to the Department of Business Oversight (DBO), and would require that person to elect to form under either California's banking or credit union laws. The bill would authorize the DBO to charge an applicant for a cannabis limited charter bank or credit union license a reasonable fee.

SB 51 would authorize CLCBs and CLCCUs to accept and maintain cash deposits and issue special purpose checks that may only be used for the following:

- To pay fees or taxes to the state or a local jurisdiction
- To pay rent on property associated with the account holder's cannabis business
- To pay vendors located in California for expenses related to goods and services associated with the account holder's cannabis business
- To purchase bonds or interest-bearing notes or warrants backed by the full faith and credit of the state, or bonds or warrants of local jurisdictions

These special purpose checks must include the following text on each check:

> "This check is issued by [insert name of bank] and may only be deposited or cashed at this cannabis limited charter bank or credit union or another cannabis limited charter bank or credit union that agrees to accept the check."

Furthermore, the bill states that this program would become inoperative under either of the following conditions:

- The federal government, by legislative or executive action, removes cannabis and cannabis-related substances from the schedule of controlled substances, as defined in the Controlled Substances Act (21 U.S.C. Sec. 812; 21 C.F.R. 1308).
- The federal government enacts legislation that establishes protections for depository institutions that provide financial services to cannabis-related legitimate businesses.

If the program becomes inoperative, DBO shall provide guidance for the orderly resolution of all CLCBs or CLCCUs licensed pursuant to this program. The resolution may involve, but is not limited to, conversion to a state bank, conversion to a state credit union, or a sale or merger. CLCBs or CLCCUs may not, generally, convert to a federal bank, federal credit union, or another type of business entity.

States legislative intent that banks and other financial institutions support and maintain good faith relationships with banks doing business with properly licensed cannabis businesses in this state.

<u>Advisory Board Established</u>

The Advisory Board created by SB 51 would be comprised of the State Treasurer, the State Controller, and the Chief of the Bureau of Cannabis Control. The DOF Director shall serve as an ex officio, nonvoting member.

The Advisory Board shall bear general responsibility to ensure the program provides a safe and efficient way to pay state and local taxes, pay rent associated with an account holder's cannabis business, and furthers other programmatic goals. The Advisory Board shall receive enforcement reports from DBO, meet at least once a year in a noticed and public meeting, and provide recommendations to the Governor and Legislature regarding related legislative or administrative actions.

Further, the Advisory Board shall provide guidance and education to registered broker-dealers and licensed investment advisors on how to accommodate CLCB and CLCCU account holders who wish to purchase bonds or interest-bearing notes or warrants authorized by SB 51.

Fiscal Estimate

According to the Assembly Appropriations Committee analysis, the bill would create ongoing costs to DBO in the range of $2 million each year to adopt emergency regulations, process applications, conduct examinations, and enforce the provisions of the bill. Further, the bill would create unknown, but likely modest costs to the State Treasurer, State Controller, and Bureau of Cannabis Control for additional workload related to the Advisory Board.

There are no costs to the CBA associated with this bill.

Support/Opposition

Support: California State Treasurer, Fiona Ma, CPA (Sponsor)
California Board of Accountancy (**Attachment 3**)
California Cannabis Industry Association
City of Sacramento
City of Santa Monica
Rural County Representatives of California
(partial list)

Opposition: Alliance Financial Network Inc.
Eagle Forum of California
Siskiyou County Sheriff's Office

Effective/Operative Date

This bill takes effect immediately upon approval of the Governor.

Related Bill

- SB 930 (Hertzberg), 2017-2018 Legislative Session. Would have had the same impact as SB 51. (Was not approved by the Legislature)

Attachments

1. SB 51
2. SB 51 Fact sheet
3. California Board of Accountancy Support Letter

AMENDED IN ASSEMBLY SEPTEMBER 5, 2019

AMENDED IN ASSEMBLY JUNE 13, 2019

AMENDED IN SENATE APRIL 29, 2019

AMENDED IN SENATE MARCH 25, 2019

SENATE BILL No. 51

Introduced by Senator Hertzberg
(Principal coauthor: Assembly Member Bonta)
(Coauthors: Senators Bradford, Galgiani, Moorlach, Wieckowski, and Wiener)
(Coauthors: Assembly Members Jones-Sawyer, Lackey, McCarty, and Gonzalez)

December 4, 2018

An act to amend Sections 99, 185, 301, 329, 1003, 1100, 14001.1, and 14101 of, and to add Division 2.5 (commencing with Section 11000) to, the Financial Code, relating to financial institutions, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 51, as amended, Hertzberg. Financial institutions: cannabis.

(1) Existing law, the Financial Institutions Law, regulates the activities of various financial entities, including commercial banks, industrial banks, trust companies, credit unions, and savings and loan associations. The Banking Law defines and regulates state banks and commits the enforcement of banking laws to the Commissioner of Business Oversight. The California Credit Union Law provides for the licensure and regulation of credit unions by the Commissioner of Business Oversight and makes a willful violation of that law a crime.

The Control, Regulate and Tax Adult Use of Marijuana Act, an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under the act to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. The Medicinal and Adult-Use Cannabis Regulation and Safety Act, among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities.

This bill would create the Cannabis Limited Charter Banking and Credit Union Law, to be administered by the Commissioner of Business Oversight and the Department of Business Oversight. The bill would create the Cannabis Limited Charter Bank and Credit Union Advisory Board and specify its composition, to include the Treasurer, the Controller, and the Chief of the Bureau of Cannabis Control, and commit to it the general responsibility for ensuring that this law functions in a safe and efficient way. The bill would prescribe the powers and duties of the board, including reviewing department enforcement reports, holding meetings that would be open to public comment, and issuing its own recommendations, which would be submitted to the Legislature and the Governor. The board would also be required to provide guidance on specified investment activities.

The bill would provide for the licensure and regulation of cannabis limited charter banks and credit unions for the purpose of providing banking services, as defined, to cannabis businesses. The bill would require a person who desires to be licensed as a cannabis limited charter bank or credit union to submit an application to the department, and would require that person to elect to form under either the Banking Law or the California Credit Union Law. The bill would authorize the department to charge an applicant for a cannabis limited charter bank or credit union license a reasonable fee. The bill would require a licensee to comply with all requirements in the Financial Institutions Law, and either the Banking Law or the California Credit Union Law, as applicable, except to the extent that any requirement of those laws are inconsistent with a provision of the Cannabis Limited Charter Banking and Credit Union Law. By expanding the application of the California Credit Union Law, a willful violation of which is a crime, the bill would impose a state-mandated local program. The bill would require a cannabis limited charter bank or credit union to adopt policies and practices to achieve the principles and goals outlined in the federal Bank Secrecy Act and cooperate with the federal Financial Crimes

Enforcement Network. The bill would prohibit a cannabis limited charter bank or credit union from engaging in banking activity with any other financial institution that lacks a limited purpose charter issued under these provisions.

This bill would authorize a cannabis limited charter bank or credit union to issue to an account holder special purpose checks that would be valid for only specified purposes. The bill would authorize a cannabis limited charter bank or credit union to cash the checks it has issued, including those presented by parties that are not account holders, as specified. The bill would permit these checks to be used for the payment of state and local fees and taxes, payment of rent on property leased by, or on behalf of, the account holder's cannabis business, payment of vendors physically located in California, as specified, and the purchase of state and local bonds, as specified. The bill would provide that a person or entity is not required to accept these checks. The bill would require a cannabis limited charter bank or credit union to obtain and maintain insurance at all times that it is engaged in business, subject to certain requirements including that the insurance be in an amount acceptable to the commissioner. The bill would authorize a cannabis limited charter bank or credit union to charge fees for its banking services, and would require, in these circumstances, that each limited charter bank and credit union conspicuously post on its internet website the types of fees and their amounts, as specified. The bill would authorize a cannabis limited charter bank or credit union to enter into an agreement with another licensee to form a banking network, subject to the approval of the commissioner, to facilitate the provision of cannabis banking services.

The bill would require the Department of Business Oversight to adopt emergency regulations and would prohibit the department from issuing a license for these purposes prior to July 1, 2020, except as specified.

The bill would make the Cannabis Limited Charter Banking and Credit Union Law inoperative if the federal government removes cannabis and cannabis-related substances from the federal schedule of controlled substances or enacts legislation that establishes protections for depository institutions that provide financial services to cannabis-related legitimate businesses. The bill would also require the department, if either of these events occur, to post notice of the occurrence on its internet website, send notice to both the Secretary of State and the Office of Legislative Counsel, and provide guidance for the orderly resolution of all cannabis limited charter banks or credit

unions licensed, as specified. The bill would require each cannabis limited charter bank or credit union to resolve within one year in accordance with specified requirements and would authorize the department to take certain actions to carry out those provisions.

The bill would make other conforming changes and would also make a statement of legislative findings.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ⅔. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

SECTION 1. *(a)* The Legislature finds and declares:

~~(a)~~

(1) In November 2016, California voters passed Proposition 64, the Control, Regulate and Tax Adult Use of Marijuana Act, authorizing recreational use of marijuana subject to specified limits. Medicinal cannabis use has been legal under California law since 1996 with the passage of Proposition 215, the Compassionate Use Act of 1996.

~~(b)~~

(2) Since 1996, a network of producers, distributors, and dispensaries have developed in California to serve the needs of the medical cannabis community. All of these businesses are expected to expand, and new businesses are expected to join them, in order to serve recreational cannabis users.

~~(c)~~

(3) Cannabis remains illegal under federal law. The United States Drug Enforcement Administration classifies cannabis as a Schedule I drug. As a result, the majority of financial institutions that take deposits, including banks, thrifts, and credit unions, do not serve cannabis businesses. This status precludes cannabis-related businesses from depositing income in, or engaging in other banking-related activities with, federally insured and

regulated financial institutions and from using a federal clearinghouse to process their payments.

~~(d)~~

(4) Since most financial institutions will not serve cannabis businesses because of the conflict of federal law with state law, these businesses are unable to open and use checking accounts, make or receive electronic payments, or accept credit or debit cards.

~~(e)~~

(5) While income from the sale of cannabis products is considered ill-gotten gains by the federal government, that income is still taxable. The Internal Revenue Service specifically states in Publication 525, Taxable and Nontaxable Income, that "Income from illegal activities, such as money from dealing illegal drugs, must be included in your income on Form 1040, line 21, or on Schedule C or Schedule C-EZ (Form 1040) if from your self-employment activity."

~~(f)~~

(6) The need for banking services for the cannabis industry is at an all-time high, given that the industry is now expected to generate more than $8,000,000,000 in revenue annually.

~~(g)~~

(7) The lack of banking services has created both regulatory and public safety issues. State and local governments must be able to audit and perform accounting and other accountability functions affecting cannabis-related businesses. This is made significantly more difficult when the majority of transactions are completed with cash.

~~(h)~~

(8) With financial services unavailable to cannabis businesses, these businesses are less able to pay taxes and follow California regulations governing cannabis.

~~(i)~~

(9) Additionally, the lack of access to financial services has created public safety issues for businesses that need to pay high security costs to safeguard their income and their employees, who risk being robbed when managing and transporting cash.

~~(j)~~

(10) California voters have spoken in support of the new cannabis laws. Without a change in law regarding financial

services, businesses providing services that are lawful under state law may elect to remain underground and not become regulated, tax-paying California businesses, as the voters intended.

~~(k)~~

(11) In furtherance of the will of the voters, the California government has a responsibility to enact appropriate implementing legislation for Proposition 64. The current conflict with federal law creates a significant problem requiring legislative attention. The state has a duty to provide a mechanism to help these lawful businesses to gain access to banking services that is consistent with the will of California voters.

(b) It is the intent of the Legislature that banks and other financial institutions support and maintain good faith relationships with banks doing business with properly licensed cannabis businesses in this state.

SEC. 2. Section 99 of the Financial Code is amended to read:

99. This division, Division 1.1 (commencing with Section 1000), Division 1.2 (commencing with Section 2000), Division 1.6 (commencing with Section 4800), Division 2 (commencing with Section 5000), Division 2.5 (commencing with Section 11000), Division 5 (commencing with Section 14000), Division 7 (commencing with Section 18000), and Division 15 (commencing with Section 31000) shall be known, and may be cited, as the "Financial Institutions Law."

SEC. 3. Section 185 of the Financial Code is amended to read:

185. "Licensee" has the following meanings:

(a) Any bank authorized by the commissioner pursuant to Section 1042 to transact banking or trust business.

(b) Any industrial bank authorized by the commissioner pursuant to Section 1042 to transact industrial banking business.

(c) Any trust company authorized by the commissioner pursuant to Section 1042 to transact trust business.

(d) Any foreign (other nation) bank that is licensed under Article 2 (commencing with Section 1780) of Chapter 20 or under Article 3 (commencing with Section 1800) of Chapter 20.

(e) Any person licensed by the commissioner as a money transmitter pursuant to Division 1.2 (commencing with Section 2000).

(f) Any person authorized by the commissioner to conduct the business of a savings association pursuant to Division 2 (commencing with Section 5000).

(g) Any credit union authorized by the commissioner to conduct business pursuant to Section 14154.

(h) Any foreign (other state) credit union licensed by the commissioner to conduct business pursuant to Chapter 11 (commencing with Section 16000) of Division 5.

(i) Any foreign (other nation) credit union licensed by the commissioner to conduct business pursuant to Chapter 12 (commencing with Section 16500) of Division 5.

(j) Any industrial loan company authorized by the commissioner to conduct insurance premium finance business pursuant to Division 7 (commencing with Section 18000).

(k) Any corporation licensed by the commissioner as a business and industrial development corporation pursuant to Section 31154.

(*l*) Any cannabis limited charter bank or credit union authorized by the commissioner to conduct banking services pursuant to Division 2.5 (commencing with Section 11000).

SEC. 4. Section 301 of the Financial Code is amended to read:

301. (a) This chapter is applicable to this division, Division 1.1 (commencing with Section 1000), Division 1.2 (commencing with Section 2000), Division 1.6 (commencing with Section 4800), Division 2.5 (commencing with Section 11000), Division 5 (commencing with Section 14000), Division 7 (commencing with Section 18000), and Division 15 (commencing with Section 31000).

(b) Except as provided in subdivision (c), this article, and Articles 2 (commencing with Section 320) and 3 (commencing with Section 350) are applicable to the administration of laws by the Division of Corporations.

(c) Sections 329, 330, 332, 335, 336, 357, 378, 379, and 381 are not applicable to the Division of Corporations.

SEC. 5. Section 329 of the Financial Code is amended to read:

329. (a) For purposes of this section, the following definitions apply:

(1) “Applicable law” means:

(A) With respect to any bank, Division 1.6 (commencing with Section 4800), and any of the following provisions:

(i) Article 6 (commencing with Section 405) of Chapter 3.

(ii) Article 3 (commencing with Section 1130) of Chapter 5 of Division 1.1.

(iii) Chapter 6 (commencing with Section 1200) of Division 1.1.

(iv) Chapter 10 (commencing with Section 1320) of Division 1.1.

(v) Chapter 14 (commencing with Section 1460) of Division 1.1.

(vi) Article 1 (commencing with Section 1530) of Chapter 15 of Division 1.1.

(vii) Chapter 16 (commencing with Section 1550) of Division 1.1.

(viii) Chapter 20 (commencing with Section 1750) of Division 1.1.

(ix) Section 456.

(x) Section 457.

(xi) Section 459.

(xii) Section 460.

(xiii) Section 461.

(xiv) Section 1331.

(xv) Chapter 21 (commencing with Section 1850) of Division 1.1.

(xvi) Chapter 18 (commencing with Section 1660) of Division 1.1.

(xvii) Chapter 19 (commencing with Section 1670) of Division 1.1.

(B) With respect to any savings association, any provision of Division 1.6 (commencing with Section 4800) and Division 2 (commencing with Section 5000).

(C) With respect to any insurance premium finance agency, any provision of Division 7 (commencing with Section 18000).

(D) With respect to any business and industrial development corporation, any provision of Division 15 (commencing with Section 31000).

(E) With respect to any credit union, any of the following provisions:

(i) Section 14252.

(ii) Section 14253.

(iii) Section 14255.

(iv) Article 4 (commencing with Section 14350) of Chapter 3 of Division 5.

(v) Section 14401.

(vi) Section 14404.

(vii) Section 14408, only as that section applies to gifts to directors, volunteers, and employees, and the related family or business interests of the directors, volunteers, and employees.

(viii) Section 14409.

(ix) Section 14410.

(x) Article 5 (commencing with Section 14600) of Chapter 4 of Division 5.

(xi) Article 6 (commencing with Section 14650) of Chapter 4 of Division 5, excluding subdivision (a) of Section 14651.

(xii) Section 14803.

(xiii) Section 14851.

(xiv) Section 14858.

(xv) Section 14860.

(xvi) Section 14861.

(xvii) Section 14863.

(F) With respect to any money transmitter, any provision of Division 1.2 (commencing with Section 2000).

(G) With respect to any cannabis limited charter bank or credit union, any provision of Division 2.5 (commencing with Section 11000).

(2) "Licensee" means any bank, savings association, credit union, trust company, cannabis limited charter bank or credit union, money transmitter, insurance premium finance agency, or business and industrial development corporation that is authorized by the commissioner to conduct business in this state.

(b) Notwithstanding any other provision of this code that applies to a licensee or a subsidiary of a licensee, after notice and an opportunity to be heard, the commissioner may, by order that shall include findings of fact which incorporates a determination made in accordance with subdivision (e), levy civil penalties against any licensee or any subsidiary of a licensee who has violated any provision of applicable law, any order issued by the commissioner, any written agreement between the commissioner and the licensee or subsidiary of the licensee, or any condition of any approval issued by the commissioner. The commissioner shall have the sole

authority to bring any action with respect to a violation of applicable law subject to a penalty imposed under this section.

Except as provided in paragraphs (1) and (2), any penalty imposed by the commissioner may not exceed one thousand dollars ($1,000) per day, provided that the aggregate penalty of all offenses in any one action against any licensee or subsidiary of a licensee shall not exceed fifty thousand dollars ($50,000).

(1) If the commissioner determines that any licensee or subsidiary of the licensee has recklessly violated any applicable law, any order issued by the commissioner, any provision of any written agreement between the commissioner and the licensee or subsidiary, or any condition of any approval issued by the commissioner, the commissioner may impose a penalty not to exceed five thousand dollars ($5,000) per day, provided that the aggregate penalty of all offenses in an action against any licensee or subsidiary of a licensee shall not exceed seventy-five thousand dollars ($75,000).

(2) If the commissioner determines that any licensee or subsidiary of the licensee has knowingly violated any applicable law, any order issued by the commissioner, any provision of any written agreement between the commissioner and the licensee or subsidiary, or any condition of any approval issued by the commissioner, the commissioner may impose a penalty not to exceed ten thousand dollars ($10,000) per day, provided that the aggregate penalty of all offenses in an action against any licensee or subsidiary of a licensee shall not exceed 1 percent of the total assets of the licensee or subsidiary of a licensee subject to the penalty.

(c) Nothing in this section shall be construed to impair or impede the commissioner from pursuing any other administrative action allowed by law.

(d) Nothing in this section shall be construed to impair or impede the commissioner from bringing an action in court to enforce any law or order the commissioner has issued, including orders issued under this section. Nothing in this section shall be construed to impair or impede the commissioner from seeking any other damages or injunction allowed by law.

(e) In determining the amount and the appropriateness of initiating a civil money penalty under subdivision (b), the commissioner shall consider all of the following:

(1) Evidence that the violation or practice or breach of duty was intentional or was committed with a disregard of the law or with a disregard of the consequences to the institution.

(2) The duration and frequency of the violations, practices, or breaches of duties.

(3) The continuation of the violations, practices, or breaches of duty after the licensee or subsidiary of the licensee was notified, or, alternatively, its immediate cessation and correction.

(4) The failure to cooperate with the commissioner in effecting early resolution of the problem.

(5) Evidence of concealment of the violation, practice, or breach of duty or, alternatively, voluntary disclosure of the violation, practice, or breach of duty.

(6) Any threat of loss, actual loss, or other harm to the institution, including harm to the public confidence in the institution, and the degree of that harm.

(7) Evidence that a licensee or subsidiary of a licensee received financial gain or other benefit as a result of the violation, practice, or breach of duty.

(8) Evidence of any restitution paid by a licensee or subsidiary of a licensee of losses resulting from the violation, practice, or breach of duty.

(9) History of prior violations, practices, or breaches of duty, particularly where they are similar to the actions under consideration.

(10) Previous criticism of the institution for similar actions.

(11) Presence or absence of a compliance program and its effectiveness.

(12) Tendency to engage in violations of law, unsafe or unsound financial institutions practices, or breaches of duties.

(13) The existence of agreements, commitments, orders, or conditions imposed in writing intended to prevent the violation, practice, or breach of duty.

(14) Whether the violation, practice, or breach of duty causes quantifiable, economic benefit or loss to the licensee or the subsidiary of the licensee. In those cases, removal of the benefit or recompense of the loss usually will be insufficient, by itself, to promote compliance with the applicable law, order, or written agreement. The penalty amount should reflect a remedial purpose and should provide a deterrent to future misconduct.

(15) Other factors as the commissioner may, in their opinion, consider relevant to assessing the penalty or establishing the amount of the penalty.

(f) The amounts collected under this section shall be deposited in the appropriate fund of the department. For purposes of this subdivision, the term "appropriate fund" means the fund to which the annual assessments of fined licensees, or the parent licensee of the fined subsidiary, are credited.

SEC. 6. Section 1003 of the Financial Code is amended to read:

1003. Except where explicitly stated or the context provides otherwise, this division is applicable to the following:

(a) All corporations engaging in commercial banking, industrial banking, or the trust business.

(b) All national banking associations authorized to transact business in this state to the extent that the provisions of this division are not inconsistent with and do not infringe paramount federal laws governing national banking associations.

(c) All cannabis limited charter banks that elect to form under this division to the extent that the provisions of this division are not inconsistent with Division 2.5 (commencing with Section 11000).

(d) All other corporations that subject themselves to the special provisions and sections of this division.

(e) All other persons, associations, copartnerships, or corporations who, by violating any of its provisions, become subject to the penalties provided for in this division.

SEC. 7. Section 1100 of the Financial Code is amended to read:

1100. The articles of each bank shall contain the applicable one of the following statements:

(a) In case the bank is, or is proposed to be, a commercial bank not authorized to engage in trust business, that the purpose of the corporation is to engage in commercial banking business and any other lawful activities which are not, by applicable laws or regulations, prohibited to a commercial bank.

(b) In case the bank is, or is proposed to be, a commercial bank authorized to engage in trust business, that the purpose of the corporation is to engage in commercial banking business and trust business and any other lawful activities which are not, by applicable laws or regulations, prohibited to a commercial bank authorized to engage in trust business.

(c) In case the bank is, or is proposed to be, an industrial bank not authorized to engage in trust business, that the purpose of the corporation is to engage in industrial banking business and any other lawful activities which are not, by applicable laws or regulations, prohibited to an industrial bank.

(d) In case the bank is, or is proposed to be, an industrial bank authorized to engage in trust business, that the purpose of the corporation is to engage in industrial banking business and trust business and any other lawful activities which are not, by applicable laws or regulations, prohibited to an industrial bank authorized to engage in trust business.

(e) In case the bank is, or is proposed to be, a trust company (other than a commercial bank authorized to engage in trust business), that the purpose of the corporation is to engage in trust business and any other lawful activities which are not, by applicable laws or regulations, prohibited to a trust company.

(f) In case the bank is, or is proposed to be, a cannabis limited charter bank, that the purpose of the corporation is to engage in the business of providing limited banking services to cannabis businesses under Division 2.5 (commencing with Section 11000). This subdivision shall become inoperative if Division 2.5 (commencing with Section 11000) becomes inoperative pursuant to Section 11101.

SEC. 8. Division 2.5 (commencing with Section 11000) is added to the Financial Code, to read:

DIVISION 2.5. CANNABIS LIMITED CHARTER BANKING AND CREDIT UNION LAW

Chapter 1. General Provisions

Article 1. Short Title and Construction

11000. This division is known, and may be cited, as the Cannabis Limited Charter Banking and Credit Union Law.

Article 2. Definitions

11005. For purposes of this chapter:

(a) "Applicant" means a person or entity that submits an application to be licensed by the state to provide banking services to a cannabis business pursuant to this division.

(b) "Banking services" means the provision of depository services with respect to cash or other funds and the issuance and acceptance of special purpose checks, including the acceptance and maintenance of deposit proceeds, consistent with the requirements and limitations provided by this chapter.

(c) "Board" means the Cannabis Limited Charter Bank and Credit Union Advisory Board.

(d) "Cannabis business" means a person licensed to engage in commercial cannabis activity under Division 10 (commencing with Section 26000) of the Business and Professions Code. The term "cannabis business" also includes an ancillary business or profession that serves a person licensed to engage in commercial cannabis activity under Division 10 (commencing with Section 26000) of the Business and Professions Code.

(e) "Cannabis limited charter bank or credit union" means a person that receives a license following the approval of an application pursuant to Chapter 3 (commencing with Section 11040).

(f) "Commissioner" means the Commissioner of Business Oversight.

(g) "Department" means the Department of Business Oversight.

(h) "Licensee" means a cannabis limited charter bank or credit union.

Chapter 2. Administration

Article 1. The Cannabis Limited Charter Bank and Credit Union Advisory Board

11010. (a) There is hereby created the Cannabis Limited Charter Bank and Credit Union Advisory Board. The board shall be comprised of the Treasurer, the Controller, and the Chief of the Bureau of Cannabis Control. The Director of Finance shall serve as an ex officio, nonvoting member. Board members shall not be compensated for their services.

(b) The board shall be generally responsible for ensuring that the Cannabis Limited Charter Banking and Credit Union Law

provides a safe and efficient way to pay state and local taxes and fees, to pay rent associated with the account holder's cannabis business, to issue special purpose checks, and legally invest in California's economy, while reducing burdens placed on local government that result from collecting and managing large sums of cash.

11011. In light of the particular challenges arising from cannabis business activities, the department shall submit reports of enforcement activities to the board for review annually or as the board may require. The board shall meet once a year, or more often as needed, at the board's discretion, to review enforcement activity reports from the department. These meetings shall be noticed and open to public comment. The board shall evaluate the reports and the comments of the public and draft recommended actions to be taken legislatively or administratively, which shall be submitted to the Legislature and Governor. Recommendations provided to the Legislature shall be submitted in compliance with Section 9795 of the Government Code.

11012. The board shall provide guidance and education to registered broker-dealers and licensed investment advisors on how to accommodate account holders of cannabis limited charter banks and credit unions in purchasing, holding, and selling any of the investments described in paragraph (4) of subdivision (b) of Section 11050.

Article 2. Licensing

11020. (a) A person may act as a cannabis limited charter bank or credit union after obtaining a license pursuant to this division.

(b) A cannabis limited charter bank or credit union license is not transferable or assignable.

11021. A licensee shall comply with all requirements of the Financial Institutions Law (Division 1 (commencing with Section 99)) and either the Banking Law (Division 1.1 (commencing with Section 1000)) or the California Credit Union Law (Division 5 (commencing with Section 14000)), as applicable, except to the extent that any requirement of those laws are inconsistent with a provision of this division, in which case the provisions of this division shall prevail.

11025. A cannabis limited charter bank or credit union shall adopt policies and practices that allow it to achieve the principles and goals outlined in the federal Bank Secrecy Act (31 U.S.C. Sec. 5311) and cooperate with the federal Financial Crimes Enforcement Network.

11026. The department shall adopt emergency regulations pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code to implement this division. The adoption of these regulations is deemed to be an emergency and necessary for the immediate preservation of the public peace, health, or safety.

11027. (a) Except as provided in subdivision (b), the department shall not issue a license under this chapter before July 1, 2020.

(b) Notwithstanding subdivision (a), the department may issue a license under this chapter before July 1, 2020, if the following conditions are met:

(1) The regulations required by Section 11026 have been adopted.

(2) The Commissioner of Business Oversight makes a written finding that the requirement in paragraph (1) has been met and the department is prepared to issue licenses, consistent with the regulations required by Section 11026, and posts the written finding on the department's internet website.

Chapter 3. Application

11040. An applicant that desires to be licensed to act as a cannabis limited charter bank or credit union pursuant to this division shall submit a completed application to the department in a form prescribed by the commissioner that satisfies the requirements of this chapter. An applicant that desires to be licensed to act as a limited charter bank or credit union pursuant to this division shall elect to form under either the Banking Law (Division 1.1 (commencing with Section 1000)) or the California Credit Union Law (Division 5 (commencing with Section 14000)), and shall comply with all requirements imposed by those laws, as applicable, except to the extent any requirement of those laws is inconsistent with the provisions of this chapter. The name of a cannabis limited charter bank shall include the ending "cannabis

limited charter bank" or the abbreviation "C.L.C.B." or "CLCB." The name of a cannabis credit union shall include the ending "cannabis credit union" or the abbreviation "C.C.U." or "CCU."

11042. The department may charge an applicant a reasonable fee for a cannabis limited charter bank or credit union license, not to exceed the costs of regulation.

Chapter 4. Authorizations

11050. (a) A cannabis limited charter bank or credit union may issue to an account holder special purpose checks that shall be valid for only the purposes specified in subdivision (b). The following text shall be printed on each check in at least 12-point type, with the name of the issuing bank included: "This check is issued by [insert name of bank] and may only be deposited or cashed at this cannabis limited charter bank or credit union or another cannabis limited charter bank or credit union that agrees to accept the check."

(b) Subject to the limitations of subdivision (d), a special purpose check issued by a cannabis limited charter bank or credit union may only be used for the following purposes:

(1) To pay fees or taxes to the state or a local jurisdiction.

(2) To pay rent on property that is leased by, or on behalf of, the account holder's cannabis business.

(3) To pay a vendor that is physically located in California for expenses related to goods and services associated with the account holder's cannabis business.

(4) To purchase the following:

(A) Bonds, interest-bearing notes, or interest-bearing warrants of this state for which the faith and credit of this state are pledged for the payment of principal and interest.

(B) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, California water district, California water storage district, irrigation district in the state, municipal utility district, or school district of this state.

(c) Subject to the limitations of subdivision (d), state and local government offices are authorized to accept a special purpose check issued by a cannabis limited charter bank or credit union.

(d) An individual or entity, private or public, is not required to accept a special purpose check issued by a cannabis limited charter bank or credit union pursuant to this section.

(e) A cannabis limited charter bank or credit union is authorized to cash a special purpose check presented to it by a person or entity that is not an account holder, if that limited charter bank or credit union previously issued that special purpose check to an account holder, and the check was used for one of the authorized purposes specified in subdivision (b).

11052. A cannabis limited charter bank or credit union shall obtain and maintain private insurance in an amount acceptable to the commissioner for the cannabis depository institution and its assets at all times while it is engaged in banking services. Private insurance shall not be unsatisfactory to the commissioner. In seeking and retaining private insurance, a cannabis limited charter bank or credit union may do all things and assume and discharge all obligations required of it that are not in conflict with state law.

11054. A cannabis limited charter bank or credit union may enter into an agreement with one or more other limited charter licensees in order to form a banking network. That agreement shall be subject to the approval of the commissioner. The network shall be for the purpose of assisting each other in providing services to cannabis businesses and each other. A network of this type shall not include any institution that is not a licensee under this division.

11056. A cannabis limited charter bank or credit union may provide accounts to people and entities other than cannabis businesses, pursuant to rules that may be adopted by the commissioner.

11058. A cannabis limited charter bank or credit union may charge fees for the banking services that it provides. Each cannabis limited charter bank and credit union that charges fees shall conspicuously post on its internet website the types of fees, and the amounts of fees, it charges for its services, in a format intended to provide transparency.

Chapter 5. Prohibited Practices

11100. (a) A cannabis limited charter bank or credit union shall not engage in banking activity with any other financial

institution that lacks a limited purpose charter issued under this division.

(b) A cannabis limited charter bank or credit union shall not engage in any activity under Division 1.1 (commencing with Section 1000) or Division 5 (commencing with Section 14000) other than activity required to accept deposits and perform actions described in Chapter 4.

(c) Except as otherwise specified in Section 11101, only a cannabis limited charter bank may merge with one or more cannabis limited charter banks. The provisions of Article 1 (commencing with Section 4880) of Chapter 4 of Division 1.6 applicable to mergers between California state banks shall apply to the merger.

(d) Except as otherwise specified in Section 11101, only a credit union licensed to provide services to cannabis businesses may merge with one or more credit unions licensed to provide services to cannabis businesses. The provisions of Article 1 (commencing with Section 15200) of Chapter 9 of Division 5 shall apply to the merger.

(e) Except as otherwise specified in Section 11101, a cannabis limited charter bank or credit union shall not be eligible to convert to a federal bank or federal credit union or to another type of business entity.

Chapter 6. Operative Conditions

11101. (a) This division shall become inoperative if either of the following occurs, whichever occurs first:

(1) The federal government, by legislative or executive action, removes cannabis and cannabis-related substances from the schedule of controlled substances, as defined in the Controlled Substances Act (21 U.S.C. Sec. 812; 21 C.F.R. 1308).

(2) The federal government enacts legislation that establishes protections for depository institutions that provide financial services to cannabis-related legitimate businesses.

(b) Within 30 days of the occurrence of either event set forth in paragraph (1) or (2) of subdivision (a), the department shall do both of the following:

(1) Post notice of that occurrence on the homepage of its internet website, and send notice to both the Secretary of State and the

Office of Legislative Counsel. The notice shall specify the date that this division shall become inoperative, which shall be one calendar year following the effective date of the events specified in paragraph (1) or (2) of subdivision (a).

(2) Provide guidance for the orderly resolution of all cannabis limited charter banks or credit unions licensed pursuant to this division. The resolution may involve, but is not limited to, voluntary liquidation of a cannabis limited charter bank pursuant to Division 1 (commencing with Section 99) the merger, dissolution, or conversion of a cannabis limited charter credit union pursuant to Division 5 (commencing with Section 14000), or a sale, merger, or conversion of a cannabis limited charter bank pursuant to Division 1.6 (commencing with Section 4800).

(c) A cannabis limited charter bank or credit union shall have up to one calendar year to orderly resolve in a manner acceptable to applicable state and federal regulators.

(d) Notwithstanding subdivision (c), a cannabis limited charter bank or credit union shall comply with all applicable sections of this code and the Corporations Code regarding filings with the Secretary of State.

(e) If an existing cannabis limited charter bank or credit union licensed pursuant to this division fails in good faith to comply with subdivision (c), the department may take any action under this code it deems necessary, including signing documents on behalf of the cannabis limited charter bank or credit union, to carry out the purposes of this section.

SEC. 9. Section 14001.1 of the Financial Code is amended to read:

14001.1. This division is applicable to any person, other than a federal credit union engaging in the business of a credit union in this state. For purposes of this division, “person” shall have the meaning set forth in Section 5065 of the Corporations Code. This division also is applicable to any credit union that elects to form under this division to engage in providing credit union services to cannabis businesses except to the extent that the provisions of this division are inconsistent with Division 2.5 (commencing with Section 11000).

SEC. 10. Section 14101 of the Financial Code is amended to read:

14101. The articles of incorporation of every credit union shall set forth the following:

(a) The name of the corporation, which shall include the phrase "credit union."

(b) (1) The following statement:

The purpose of the corporation is to engage in credit union business and any other lawful activities which are not prohibited to a credit union by applicable laws or regulations.

(2) In the case of a corporation formed under this part that is subject to the Cannabis Limited Charter Banking and Credit Union Law, in addition to the statement required under paragraph (1), the articles shall set forth a statement that the specific purpose of the corporation is to engage in providing limited credit union services to cannabis businesses under Division 2.5 (commencing with Section 11000). This paragraph shall become inoperative if Division 2.5 (commencing with Section 11000) becomes inoperative pursuant to Section 11101.

(3) By December 31, 2003, each credit union that immediately prior to the enactment of this section was authorized to operate as a credit union shall amend its articles to comply with the provisions of paragraph (1). Notwithstanding Section 7813.5 of the Corporations Code, the amendment of the articles of a credit union as required by paragraph (1) may be adopted by approval of the board alone.

(c) The name and street address in this state of the corporation's initial agent for service of process in accordance with subdivision (b) of Section 8210 of the Corporations Code.

(d) The names and addresses of five or more persons appointed to act as initial directors.

(e) The street address of the corporation.

(f) The mailing address of the corporation, if different from the street address.

SEC. 11. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within

the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 12. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to eliminate public safety issues presented with managing and transporting cash because of the lack of access to financial services for cannabis businesses, to enable state and local governments to accurately perform accounting and other regulatory functions over the cannabis industry, and to enable cannabis businesses to comply with laws regulating the cannabis ~~industry,~~ *industry as soon as possible,* it is necessary that this bill take effect immediately.

O

Attachment 2

Senate Bill 51
Banking for the Cannabis Industry

As Introduced on December 4, 2018

SUMMARY

SB 51 creates a limited-purpose, state-chartered bank license that would be administered and regulated by the Department of Business Oversight. Privately-funded banks that receive this charter would be able to provide limited banking services to licensed cannabis and cannabis-related businesses. Under SB 51, banks could issue checks to accountholders to be used only for the following purposes:

- Pay state and local taxes and fees,
- Pay vendors from California for goods and services provided to the cannabis business,
- Pay rent, and
- Purchase state and local bonds and other debt instruments.

ISSUE

In 1996, the passage of Proposition 215 legalized the use and consumption of medical marijuana in California, and the passage of Proposition 64 legalized the recreational use of cannabis by adults as of January 2018. However, due to cannabis' federal classification as a Schedule I drug, cannabis-related businesses are not able to deposit income with federally-insured financial institutions. The cannabis industry is expected to generate between $8-20 billion annually. This is a massive industry that we can only expect will continue to grow; yet cultivation, distribution, and retail businesses alike have been forced to operate on a cash-only basis. This is not only impractical from an accounting perspective, but also presents a significant public safety issue.

During the first quarter of 2018 alone, the state collected almost $34 million in marijuana sales taxes, and the Department of Finance estimates that the state will collect $600 million in cannabis taxes in the upcoming fiscal year. However, unlike most businesses, those in the cannabis industry arrive to government offices with duffel bags of cash to fulfill their tax obligations. Standard oversight and accountability measures, like audits, become very difficult when most transactions are completed in cash. Additionally, these businesses face security risks because of the volume of cash in their possession. SB 51 is an integral step toward integrating cannabis-related businesses into the California economy in a safe and transparent manner.

SB 51 (HERTZBERG)

SB 51 allows cannabis-related businesses to open accounts and deposit income in banks that hold a limited purpose state charter created under this bill. The bill also authorizes these banks to obtain private insurance, in lieu of Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) insurance. SB 51 also creates an advisory board composed of the State Treasurer, Controller and the Chief of the Bureau of Cannabis Control as members, and the Director of the Department of Finance as an ex officio, nonvoting member. The Department of Business Oversight would be required to adopt emergency regulations and could not issue bank or credit union licenses before July 1, 2020.

Staff Contact: Alex Barnett 651-4018 or Alex.Barnett@sen.ca.gov

CALIFORNIA BOARD OF ACCOUNTANCY

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

August 13, 2019

Attachment 3

The Honorable Robert Hertzberg
State Capitol, Room 313
Sacramento, CA 95814

Bill: **SB 51**
Position: **Support**

Dear Senator Hertzberg:

At its July 25, 2019 meeting, the California Board of Accountancy (CBA) voted to take a Support position on Senate Bill (SB) 51, as amended on June 13, 2019.

SB 51 would establish cannabis limited charter banks and cannabis limited charter credit unions to provide limited banking services to the cannabis industry. This bill would also create the Cannabis Limited Charter Bank and Credit Union Advisory Board (Advisory Board) comprised of the State Treasurer, the State Controller, Chief of the Bureau of Cannabis Control, and the Director of the Department of Finance.

Since the passage of Proposition 64 of 2016, the legalization of cannabis within California, there has been a dearth of banking-related services for this industry. This deficiency of infrastructure has led to a lack of transparency and safety for those engaged in this industry. This measure would provide banking services with state regulation and oversight, enabling industry members to safely deposit their revenues, and make payments on a non-cash basis.

CBA supports SB 51 as it seeks to bring this industry into the State of California's regulated financial and accounting structures.

If you have questions, please contact Aaron Bone, Information and Planning Officer, at (916) 561-1782 or aaron.bone@cba.ca.gov.

Sincerely,

George Famalett, CPA
President

c: Members, California Board of Accountancy
Patti Bowers, Executive Officer
Assembly Appropriations Committee
Suzanne Sutton, Assembly Republican Caucus

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2028

Subject:	State Agencies: Meetings.	**Author:**	Aguiar-Curry
Version:	June 4, 2020	**Sponsor:**	California Nurses Association
Status:	Senate Governmental Organization Committee		

Summary

Assembly Bill (AB) 2028 (**Attachment 1**) would require that all writings or materials in connection with a matter subject to discussion or consideration at a meeting held pursuant to the Bagley-Keene Open Meeting Act (Act) shall be made available on the internet website, and to any person who requests the writings or materials in writing, on the same day as the dissemination of the writings and materials to members of the state body, or at least 48 hours in advance of the meeting, whichever is earlier.

The bill provides certain exceptions to these timeframes for late emerging and time-sensitive information related to legislation currently pending before the Legislature. AB 2028 prohibits a state body from distributing or discussing materials that do not comply with this requirement.

AB 2028 also requires a state body to allow a member of the public to address the body each time an agenda item appears before a state body, even if that item was already considered by a committee composed exclusively of members of the same body.

Background

<u>The Bagley-Keene Open Meeting Act</u>
The Act was created on the premise that public agencies exist to aid in the conduct of the people's business and that the proceedings of public agencies should be conducted openly so that the public may remain informed.

Whenever a state body meets, the Act requires those bodies to take certain actions prior to, during, and after a meeting, including:

- Issue a public notice at least 10 days in advance
- Prepare formal agendas
- Conduct meetings in public
- Accept public testimony
- Record the meeting
- Publish meeting minutes

Existing Notice Requirements
Presently, the Act requires a state body to publish a public meeting notice on its website, and to any person who requests it in writing, at least 10 days prior to that meeting. The notice shall include, among other items, a specific agenda for the meeting and a brief description of the items of business to be transacted or discussed in either open or closed session.

Analysis

According to the author's office (**Attachment 2**):

> AB 2028 closes loopholes in the Bagley-Keene Open Meeting Act, by requiring that supporting documents be posted online the same day materials are provided to members of the state body or 48 hours prior to a public meeting of a state agency, board, or commission, whichever is earlier, with the agenda, and requiring that the public be offered the opportunity to comment on any listed agenda item. Thankfully, aside from a few bad actors, many state agencies, commissions, and boards already exercise these best practices, even though this is not consistent with current law.

Requirement to Publish Meeting Materials 48 Hours Prior to a Meeting
The CBA consistently acts in an open and transparent manner, as required by the Act.

In addition to the 10-day public meeting notice, AB 2028 would require written materials in connection with a matter on the meeting agenda, be released to the public, as specified, the same day as they are distributed to the members of that state body. In addition, the bill requires these materials be published at least 48 hours in advance of that meeting. Meeting materials for matters to be addressed in closed session are exempt from the bill.

AB 2028 permits updated, time-sensitive materials relating to legislation currently before the Legislature to be published after the deadlines imposed in the bill, if the state body makes clear what date the new or changed materials are posted online.

Staff make every effort to publish all meeting materials online shortly after the release of the 10-day public notice and meeting agenda. Publishing the materials online involves many steps, including the creation of PDF documents and ensuring all documents meet accessibility requirements.

Under this provision, this would need to occur concurrently with the posting of the agenda and meeting notice. This will require additional internal planning to ensure this timeframe can be achieved. Further, there are circumstances where materials are revised after the proposed 48-hour window to ensure that CBA members and the public have access to the most up-to-date information on the topic at-hand. Any time this has occurred in the past, those materials are provided simultaneously to the members of the CBA and the public.

Impacts to CBA and the Public
Under this bill, the CBA will lose the ability to provide "hand-carry" materials to a CBA meeting, except as authorized by the bill (specifically items to be addressed in closed session and active legislation). This may reduce the timeliness of certain materials provided to the CBA members. In rare instances, this may lead to the potential for those items to be postponed, thereby possibly hindering the CBA's ability to make decisions on key issues and pursue its consumer protection mission.

One example of denying information which may hinder CBA decision making would be the inability to introduce comment letters to pending exposure drafts. The comment letters offer differing perspectives from which the CBA and the public could benefit in developing a response. Due to the firm deadlines of exposure draft comment periods, consideration of these comments would not be timely if deferred to a future meeting.

The bill does not prohibit new additions or changes to the initially distributed meeting materials, provided that occurs before the 48-hour deadline.

Public Comment Requirement for Agenda Items Discussed at Committee Meetings
AB 2028 requires a state body to allow public comment on each agenda item before the body, even if public comment on that same agenda item was allowed by a committee composed exclusively of members of the state body at a public meeting. Although not required by existing law, the CBA's current practice is consistent with this bill.

For example, when a CBA committee meets (*e.g.* the Committee on Professional Conduct), that committee often makes recommendations on policy changes to the full CBA for consideration. The CBA exceeds the current requirements of the Act by allowing public comment on those recommendations, even though public comment was allowed during the relevant committee meeting. Therefore, this aspect of AB 2028 would not impact CBA operations.

Recommendation
Staff recommend the CBA adopt a **Watch** position on AB 2028.

Fiscal Estimate
There are no costs to the CBA.

Support/Opposition
Support: California Nurses Association/National Nurses United (Sponsor)
California Teachers Association
California Labor Federation
California Federation of Teachers
California School Employees Association
Sonoma County Democratic Party

Opposition: Board of Behavioral Sciences

Effective/Operative Date
January 1, 2021.

Related Bills
None known.

Attachments
1. AB 2028
2. AB 2028 Fact Sheet

AMENDED IN ASSEMBLY JUNE 4, 2020

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL No. 2028

Introduced by Assembly Member Aguiar-Curry
(Coauthor: Assembly Member Gonzalez)

January 30, 2020

An act to amend Sections 11125 and 11125.7 of the Government Code, relating to public meetings.

LEGISLATIVE COUNSEL'S DIGEST

AB 2028, as amended, Aguiar-Curry. State agencies: meetings.

Existing law, the Bagley-Keene Open Meeting Act, requires that all meetings of a state body, as defined, be open and public, and that all persons be permitted to attend any meeting of a state body, except as otherwise provided in that act. Existing law requires the state body to provide notice of its meeting, including specified information and a specific agenda of the meeting, as provided, to any person who requests that notice in writing and to make that notice available on the internet at least 10 days in advance of the meeting.

This bill would, except for closed sessions, require that this notice include all writings or materials provided for the noticed meeting to a member of the state body by staff of a state agency, board, or commission, or another member of the state body, that are in connection with a matter subject to discussion or consideration at the meeting. The bill would require these writings and materials to be made available on the internet *website, and to people who so request in writing, on the same day as they are provided to members of the state body or* at least ~~10 days~~ *48 hours* in advance of the ~~meeting.~~ *meeting, whichever is earlier.* The bill would provide that a state body may only distribute or

discuss these writings or materials at a meeting of the state body if it has complied with these requirements. *The bill would except writings or materials relating to matters to be discussed in a closed session from its requirements and would authorize a state body to post and provide additional time-sensitive materials related to certain active legislation, as specified, as they become available, after the prescribed deadlines. The bill would specify that its provisions do not authorize a state body to remove writings and materials from an internet website.*

Existing law requires that a state body provide an opportunity for members of the public to directly address the body on each agenda item. Existing law exempts from this requirement, among other things, an agenda item that has already been considered by a committee composed exclusively of members of the state body at a public meeting where members of the public were afforded an opportunity to address the committee on the item.

This bill would delete this exception, thereby making the requirement to provide an opportunity to address the state body applicable to an agenda item for which the public had an opportunity to address it at a public meeting of a committee of the state body.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares the following:
2 (a) The Bagley-Keene Open Meeting Act (Article 9
3 (commencing with Section 11120) of Chapter 1 of Part 1 of
4 Division 3 of Title 2 of the Government Code) (hereafter
5 "Bagley-Keene") was intended to implement Section 3 of Article
6 I of the California Constitution, which states in part, "The people
7 have the right of access to information concerning the conduct of
8 the people's business, and, therefore, the meetings of public bodies
9 and the writings of public officials and agencies shall be open to
10 public scrutiny."
11 (b) Bagley-Keene was written to protect public meetings and
12 public notice and to ensure the transparency of actions taken by
13 state agencies, boards, and commissions.
14 (c) Californians have the right to participate in state body
15 deliberations. This includes the public's ability to comment on all
16 agenda items discussed at a meeting of the state body, regardless

of whether an item has been discussed previously in a committee of the state body.

(d) The purpose of public notice is so that state bodies give the public adequate time for review of the substance of a state body meeting and for comment.

(e) Public notice must also include any writings or materials provided by a state body's staff or by a member of the state body to other members of the state body for a noticed meeting of the body held at least 10 days prior to the meeting.

(f) Bagley-Keene affirms these rights by stating in Section 11120 of the Government Code, "The people of this state do not yield their sovereignty to the agencies which serve them. The people, in delegating authority, do not give their public servants the right to decide what is good for the people to know and what is not good for them to know. The people insist on remaining informed so that they may retain control over the instruments they have created."

SEC. 2. Section 11125 of the Government Code is amended to read:

11125. (a) The state body shall provide notice of its meeting to any person who requests that notice in writing. Notice shall be given and also made available on the internet *website* at least 10 days in advance of the meeting, and shall include the name, address, and telephone number of any person who can provide further information prior to the meeting, but need not include a list of witnesses expected to appear at the meeting. The written notice shall additionally include the address of the internet website where notices required by this article are made available.

(b) The notice of a meeting of a body that is a state body shall include a specific agenda for the meeting, containing a brief description of the items of business to be transacted or discussed in either open or closed session. A brief general description of an item generally need not exceed 20 words. A description of an item to be transacted or discussed in closed session shall include a citation of the specific statutory authority under which a closed session is being held. No item shall be added to the agenda subsequent to the provision of this notice, unless otherwise permitted by this article.

(c) (1) Except as otherwise provided in paragraph (4), any notice provided pursuant to subdivision (a) shall include all writings or materials provided for the noticed meeting to a member

of the state body by the staff of a state agency, board, or commission, or another member of the state body, that are in connection with a matter subject to discussion or consideration at the meeting.

(2) The writings or materials described in paragraph (1) shall be made available on the internet ~~at least 10 days in advance of the meeting,~~ *website,* and to any person who requests ~~that notice in writing.~~ *the writings or materials in writing, on the same day as the dissemination of the writings and materials to members of the state body, or at least 48 hours in advance of the meeting, whichever is earlier.*

(3) A state body may distribute or discuss writings or materials described in paragraph (1) at a meeting of the state body only if it has complied with this subdivision.

(4) This subdivision does not apply to writings or materials prepared for a matter to be discussed in a closed session of the state body.

(5) If the writings or materials described in paragraph (1) on an agenda for discussion at a meeting of the state body are related to legislation that is before the Legislature in a current legislative session, a state body is entitled to post online, and shall provide upon request, additional materials related to that active legislation with additional time-sensitive information as it becomes available after the deadlines in this subdivision. The state body shall make clear what date the new or changed writings or materials are posted and, when applicable, what changes have been made in materials already posted.

(6) This subdivision does not authorize state bodies to remove any of the writings or materials described in paragraph (1) from the internet website.

(d) Notice of a meeting of a state body that complies with this section shall also constitute notice of a meeting of an advisory body of that state body, provided that the business to be discussed by the advisory body is covered by the notice of the meeting of the state body, provided that the specific time and place of the advisory body's meeting is announced during the open and public state body's meeting, and provided that the advisory body's meeting is conducted within a reasonable time of, and nearby, the meeting of the state body.

(e) A person may request, and shall be provided, notice pursuant to subdivision (a) for all meetings of a state body or for a specific meeting or meetings. In addition, at the state body's discretion, a person may request, and may be provided, notice of only those meetings of a state body at which a particular subject or subjects specified in the request will be discussed.

(f) A request for notice of more than one meeting of a state body shall be subject to the provisions of Section 14911.

(g) The notice shall be made available in appropriate alternative formats, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof, upon request by any person with a disability. The notice shall include information regarding how, to whom, and by when a request for any disability-related modification or accommodation, including auxiliary aids or services may be made by a person with a disability who requires these aids or services in order to participate in the public meeting.

SEC. 3. Section 11125.7 of the Government Code is amended to read:

11125.7. (a) Except as otherwise provided in this section, the state body shall provide an opportunity for members of the public to directly address the state body on each agenda item before or during the state body's discussion or consideration of the item. Every notice for a special meeting at which action is proposed to be taken on an item shall provide an opportunity for members of the public to directly address the state body concerning that item prior to action on the item. In addition, the notice requirement of Section 11125 shall not preclude the acceptance of testimony at meetings, other than emergency meetings, from members of the public if no action is taken by the state body at the same meeting on matters brought before the body by members of the public.

(b) The state body may adopt reasonable regulations to ensure that the intent of subdivision (a) is carried out, including, but not limited to, regulations limiting the total amount of time allocated for public comment on particular issues and for each individual speaker.

(c) (1) Notwithstanding subdivision (b), when a state body limits time for public comment the state body shall provide at least twice the allotted time to a member of the public who utilizes a

translator to ensure that non-English speakers receive the same opportunity to directly address the state body.

(2) Paragraph (1) shall not apply if the state body utilizes simultaneous translation equipment in a manner that allows the state body to hear the translated public testimony simultaneously.

(d) The state body shall not prohibit public criticism of the policies, programs, or services of the state body, or of the acts or omissions of the state body. Nothing in this subdivision shall confer any privilege or protection for expression beyond that otherwise provided by law.

(e) This section is not applicable to any of the following:

(1) Closed sessions held pursuant to Section 11126.

(2) Decisions regarding proceedings held pursuant to Chapter 5 (commencing with Section 11500), relating to administrative adjudication, or to the conduct of those proceedings.

(3) Hearings conducted by the California Victim Compensation Board pursuant to Sections 13963 and 13963.1.

(4) Agenda items that involve decisions of the Public Utilities Commission regarding adjudicatory hearings held pursuant to Chapter 9 (commencing with Section 1701) of Part 1 of Division 1 of the Public Utilities Code. For all other agenda items, the commission shall provide members of the public, other than those who have already participated in the proceedings underlying the agenda item, an opportunity to directly address the commission before or during the commission's consideration of the item.

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AB 2028 – Transparency in State Public Meetings

Attachment **2**

SUMMARY

AB 2028 closes loopholes in the Bagley-Keene Open Meeting Act. This bill requires that relevant background documents be posted online the same day materials are provided to members of the state body or 48 hours prior to a public meeting of a state agency, board, or commission, whichever is earlier, instead of the agenda alone.

AB 2028 also clarifies that the public has the right to comment on any agenda item listed for that meeting, regardless of whether a committee of that state body previously discussed that item.

BACKGROUND

The Bagley-Keene Open Meeting Act of 1967 (Bagley-Keene) states: "*The people have the right of access to information concerning the conduct of the people's business, and, therefore, the meetings of public bodies and the writings of public officials and agencies shall be open to public scrutiny*." This law generally requires state bodies to publicly notice their meetings, prepare agendas, accept testimony, and conduct their meetings in public, unless specifically authorized to meet in closed session.

Under Bagley-Keene, a state body must disclose their agenda ten days prior to holding a meeting. Public disclosure of the items to be discussed and acted upon in advance of a meeting allows members of the public adequate time to review the items listed, so they can provide substantive, efficient, and informed comments during the public comment period.

This existing law also requires that a state body must provide an opportunity for members of the public to directly provide comment on each agenda item for discussion or consideration.

PROBLEM

As challenging and life-threatening emergencies such as the ongoing COVID-19 (Coronavirus) crisis and recent wildfires arise, public meetings of state bodies have shifted online and to telephone conference, highlighting the need to strengthen critical transparency requirements that provide ample time and information for public participation.

Although Bagley-Keene requires state agencies, boards, and commissions to post their agendas publically online ten days prior to a meeting, existing law does not include a similar public notice requirement for supporting documents the body will consider relating to an item on the agenda. Documents distributed to members of a state body in relation to a meeting or agenda topic are part of the public record, and are therefore public documents.

The goals of public disclosure in Bagley-Keene clearly support the requirement that relevant background information that influences board members on their actions be provided publically in advance of a meeting.

Additionally, existing law regarding public comment contains a loophole limiting the public's ability to speak on certain agenda items. Currently, Bagley-Keene does not require the option for public comment on an item, if it was discussed during a prior committee meeting of that body. However, most committees are comprised of only 2-4 members, meaning that the entire board is often not present for these discussions and the associated public comments. As a result, some board members act on an item without hearing the public's comment.

THIS BILL

AB 2028 closes loopholes in the Bagley-Keene Open Meeting Act, by requiring that supporting documents be posted online the same day materials are provided to members of the state body or 48 hours prior to a public meeting of a state agency, board, or commission, whichever is earlier, with the agenda, and requiring that the public be offered the opportunity to comment on any listed agenda item.

Thankfully, aside from a few bad actors, many state agencies, commissions, and boards already exercise these best practices, even though this is not consistent with current law.

Public engagement, especially in times of crisis, not only gives the public a platform to voice their opinions, but it also provides state entities with the opportunity to consider the perspectives of all of our state's diverse people and communities. It is critical that the public has

the ability to exercise their right to civic participation in order to enhance and instruct our leaders' decisions.

SUPPORT

California Nurses Association/National Nurses United (Sponsor)
California Teachers Association
California Labor Federation
California Federation of Teachers
California School Employees Association
Sonoma County Democratic Party

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2113

Subject:	Refugees, Asylees, and Immigrants: Professional Licensing.	**Author:**	Low
Version:	May 4, 2020	**Sponsor:**	Author
Status:	Senate Business Professions and Economic Development Committee		

Summary

Assembly Bill (AB) 2113 (**Attachment**) would require licensing boards under the Department of Consumer Affairs (DCA) to expedite the initial licensure process for an applicant who supplies satisfactory evidence to the board that they have been admitted to the United States as a refugee, granted asylum, or have a special immigrant visa, as specified. The bill specifies that nothing in the bill will be construed as changing any existing licensure requirements, and that any person applying for an expedited license must meet all statutory and regulatory licensure requirements.

Background

Presently, Business and Professions Code section 115.5 requires DCA boards to expedite the licensure process for an applicant who meet both requirements:

- Is married to, or in a domestic partnership or other legal union with, an active duty member of the Armed Forces of the United States (U.S.) assigned to a California duty station under official active duty military orders

- Holds a current license in another U.S. jurisdiction in the profession for which the applicant seeks a license from the board

Analysis

AB 2113 would require a DCA board to expedite, the initial licensure process for an applicant who supplies satisfactory evidence to the board that they have been admitted to the U.S. under specified immigration programs.

This measure would benefit the following individuals:

- **Refugees Admitted to the U.S. for Humanitarian Concerns** — Federal law establishes the number of refugees which may be admitted to the U.S. for humanitarian reasons each fiscal year, including a determination made by the President after appropriate consultation. (8 United States Code (USC) 1157)

- **Individuals Granted Asylum in the United States** — Federal law provides that any individual physically present in the United States or who arrives in the United States may apply for asylum. (8 USC 1158)

- **Those Who Hold a Special Immigrant Status** — In recent years, Congress has passed and the President has signed a number of federal laws to enable Special Immigrant Status for certain nationals of Iraq or Afghanistan who supported the actions of the U.S. or the U.S. armed forces in those countries during specified timeframes (Public Law 109-163, Public Law 110-181, and Public Law 111-8).

The bill authorizes a DCA board to adopt regulations necessary to administer these provisions.

Recommendation
Staff recommend the CBA adopt a **Watch** position on this measure.

Fiscal Estimate
There are no costs to the CBA.

Support/Opposition

Support: International Rescue Committee
California Immigrant Policy Center
National Association of Social Workers, California Chapter
Santa Barbara Women's Political Committee
Service Employees International Union State Council (SEIU)
Coalition for Humane Immigrant Rights
California Pan-Ethnic Health Network
Asian Americans Advancing Justice California
Asian Americans for Community Involvement

Opposition: None.

Effective/Operative Date
January 1, 2021.

Related Bills
AB 1904 (Block, Chapter 399, Statutes of 2012). Requires a board within the Department of Consumer Affairs to expedite the licensure process for an applicant who holds a license in the same profession or vocation in another jurisdiction and is married to, or in a legal union with, an active duty member of the Armed Forces of the United States who is assigned to a duty station in California under official active duty military orders.

Attachment
AB 2113

AMENDED IN ASSEMBLY MAY 4, 2020

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL No. 2113

Introduced by Assembly Member Low
(Coauthors: Assembly Members Carrillo, *Chiu*, Medina, ~~and Blanca Rubio)~~ *Blanca Rubio, and Gonzalez)*

February 6, 2020

An act to add Section 135.4 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 2113, as amended, Low. Refugees, asylees, and immigrants: professional licensing.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law prohibits an entity within the department from denying licensure to an applicant based upon their citizenship or immigration status.

This bill, notwithstanding any other law, would require a board within the department to expedite, and authorize it to assist, the initial licensure process for an applicant who supplies satisfactory evidence to the board that they are a refugee, have been granted political asylum, or have a special immigrant visa, as specified. The bill would authorize a board to adopt regulations necessary to administer these provisions.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 135.4 is added to the Business and Professions Code, to read:

135.4. (a) Notwithstanding any other law, a board within the department shall expedite, and may assist, the initial licensure process for an applicant who supplies satisfactory evidence to the board that they have been admitted to the United States as a refugee under Section 1157 of Title 8 of the United States Code, have been granted political asylum by the Secretary of Homeland Security or the Attorney General of the United States pursuant to Section 1158 of Title 8 of the United States Code, or they have a special immigrant visa (SIV) that has been granted a status under Section 1244 of Public Law 110-181, under Public Law 109-163, or under Section 602(b) of Title VI of Division F of Public Law 111-8.

(b) Nothing in this section shall be construed as changing existing licensure requirements. A person applying for expedited licensure under subdivision (a) shall meet all applicable statutory and regulatory licensure requirements.

~~(b)~~

(c) A board may adopt regulations necessary to administer this section.

REVISIONS:

Heading—Lines 2 and 3.

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CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2549

Subject:	Department of Consumer Affairs: Temporary Licenses.	**Author:**	Salas
Version:	May 18, 2020	**Sponsor:**	Author
Status:	Senate Business Professions and Economic Development Committee		

Summary

Assembly Bill (AB) 2549 (**Attachment 1**) adds the California Board of Accountancy (CBA) and three other boards within the Department of Consumer Affairs (DCA) to a list of boards required to issue a 12-month, temporary license to qualified applicants within 30 days. However, the bill specifies that the provisions shall not apply if a board has a process in place by which an out-of-state licensed applicant in good standing who is married to or in a legal union with an active duty member of the United States Armed Forces is able to receive expedited, temporary authorization to practice while meeting state-specific standards for a least one year.

Requires the boards to submit to the department any necessary regulations by January 1, 2022.

Background

Business and Professions Code (BPC) section 5087 authorizes the CBA, as specified, to issue a certified public accountant (CPA) license to applicants who hold a current, active, and unrestricted CPA license issued by another jurisdiction.

Pursuant to CBA Regulations section 36.1, which implements BPC section 5087, applicants licensed in another United States (U.S.) jurisdiction will be considered to have met the education, examination, and experience requirements to be issued a California CPA license if they have practiced as a licensed CPA in another state for four of the 10 years preceding the application date. Those applicants may be considered to have met the attest experience requirement if they show satisfactory evidence they have been authorized to provide attest services and was practicing in another state during the same timeframe.

Under BPC sections 5096 to 5096.22, the CBA's mobility program allows qualified out-of-state CPAs to practice public accountancy in California without obtaining a California CPA license. If a CPA otherwise qualifies to practice in this state pursuant to that program, but their principal place of business is in California, the CBA allows them to continue to practice if they submit an application for a CBA license.

Expedited Licensure for Military Spouses
Currently, under BPC section 115.5, all DCA boards shall expedite the licensure process for applicants who:

- Supply evidence satisfactory that the applicant is married to, or in a legal union with, an active duty member of the U.S. Armed Forces who is assigned to a duty station under orders; and
- Holds a current license in another state or jurisdiction in the profession or vocation for which he or she seeks a license from the board.

BPC section 115.6 currently requires nine DCA boards to issue temporary licenses to qualified applicants. Permits boards to adopt regulations to implement this requirement.

Analysis

AB 2549 would amend BPC section 115.6 to add the CBA, Dental Hygiene Board of California, the Dental Board of California, California State Board of Pharmacy, Board of Barbering and Cosmetology, Board of Psychology, Board of Occupational Therapy, and the Physical Therapy Board of California to the list of DCA boards required to issue temporary licenses.

- Provides that this temporary license provision does not apply to boards who have a process by which an out-of-state licensed applicant in good standing who is married to or in a legal union with an active duty member of the United States Armed Forces is able to receive expedited, temporary authorization to practice while meeting state-specific standards for a least one year.

- Requires these boards to submit necessary draft regulations to the department for approval by January 1, 2022. And that these regulations be adopted pursuant to the Administrative Procedures Act.

Under existing CBA statutes and regulations, Certified Public Accountants with an out-of-state license in good standing are, with minor exception, valid to engage in practice through existing mobility provisions contained in BPC 5096. This provides immediate practice rights and can continue until the individual obtains a California CPA license.

The CBA will not be subject to the bill's requirements nor will the CBA have to adopt new regulations, since the CBA already provides for expedited licensing and an authorization to practice if an applicant, meeting the specified criteria, is licensed in good-standing in another state.

Recommendation

Staff recommend the CBA adopt **Support** position on this measure.

Fiscal Estimate

CBA costs would be minor and absorbable.

Support/Opposition

Support: The American Legion, Department of California
AMVETS, Department of California
California State Commanders Veterans Council
Military Officers Association of America, California Council of Chapters
Vietnam Veterans of America, California State Council
United States Department of Defense

Opposition: None.

Effective/Operative Date

January 1, 2021.

Related Bills

AB 186 (Maienschein, Chapter 640, Statutes of 2014). Requires six specified boards and bureaus under the DCA to issue to the spouse or domestic partner of a military member on active duty and who is licensed in another state a temporary license to practice up to 12 months if he or she meets certain requirements.

Attachments

1. AB 2549
2. AB 2549 Fact Sheet

AMENDED IN ASSEMBLY MAY 18, 2020

AMENDED IN ASSEMBLY MARCH 12, 2020

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

ASSEMBLY BILL No. 2549

Introduced by Assembly Member Salas
(Coauthor: Assembly Member Gonzalez)

February 19, 2020

An act to amend Sections 115.6 and 5132 of the Business and Professions Code, relating to professions and vocations, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2549, as amended, Salas. Department of Consumer Affairs: temporary licenses.

Under existing law, the Department of Consumer Affairs, which is under the control of the Director of Consumer Affairs, is comprised of various boards, as defined, that license and regulate various professions and vocations. Existing law requires a board within the department to issue, after appropriate investigation, certain types of temporary licenses to an applicant if the applicant meets specified requirements, including that the applicant supplies evidence satisfactory to the board that the applicant is married to, or in a domestic partnership or other legal union with, an active duty member of the Armed Forces of the United States who is assigned to a duty station in this state under official active duty military orders and the applicant holds a current, active, and unrestricted license that confers upon the applicant the authority to practice, in another state, district, or territory of the United States, the profession or vocation for which the applicant seeks a temporary license from the

board. Existing law authorizes a board to adopt regulations necessary to administer these provisions.

This bill would expand that requirement to issue temporary licenses to include licenses issued by the Veterinary Medical Board, the Dental Board of California, the Dental Hygiene Board of California, the California State Board of Pharmacy, the State Board of Barbering and Cosmetology, the Board of Psychology, the California Board of Occupational Therapy, the Physical Therapy Board of California, and the California Board of Accountancy. The bill would require a board to issue a temporary license within 30 days of receiving the required documentation. The bill would specifically direct revenues from fees for temporary licenses issued by the California Board of Accountancy to be credited to the Accountancy Fund, a continuously appropriated fund. By establishing a new source of revenue for a continuously appropriated fund, the bill would make an appropriation. ~~The bill would require a temporary license to be converted to a standard license if, within 12 months of issuance, the applicant demonstrates having met all of the requirements for a standard license or submits documents demonstrating that the requirements to obtain the out-of-state license were substantially equivalent to the requirements for a standard license as determined by the board in order to protect the public.~~ The bill would require a board to ~~adopt~~ *submit to the department for approval draft* regulations necessary to administer these provisions ~~and to publish regulations on its internet website and in application materials~~ by January 1, 2022. *The bill would exempt from these provisions a board that has a process in place by which an out-of-state licensed applicant in good standing who is married to, or in a domestic partnership or other legal union with, an active duty member of the Armed Forces of the United States is able to receive expedited, temporary authorization to practice while meeting state-specific requirements for a period of at least one year.*

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 115.6 of the Business and Professions
2 Code is amended to read:
3 115.6. (a) ~~A~~ *Except as provided in subdivision (h), a* board
4 within the department shall, after appropriate investigation, issue

the following eligible temporary licenses to an applicant within 30 days of receiving the required documentation pursuant to meeting the requirements set forth in subdivision (c):

(1) Registered nurse license by the Board of Registered Nursing.

(2) Vocational nurse license issued by the Board of Vocational Nursing and Psychiatric Technicians of the State of California.

(3) Psychiatric technician license issued by the Board of Vocational Nursing and Psychiatric Technicians of the State of California.

(4) Speech-language pathologist license issued by the Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board.

(5) Audiologist license issued by the Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board.

(6) All licenses issued by the Veterinary Medical Board.

(7) All licenses issued by the Board for Professional Engineers, Land Surveyors, and Geologists.

(8) All licenses issued by the Medical Board of California.

(9) All licenses issued by the Podiatric Medical Board of California.

(10) All licenses issued by the Dental Board of California.

(11) All licenses issued by the Dental Hygiene Board of California.

(12) All licenses issued by the California State Board of Pharmacy.

(13) All licenses issued by the State Board of Barbering and Cosmetology.

(14) All licenses issued by the Board of Psychology.

(15) All licenses issued by the California Board of Occupational Therapy.

(16) All licenses issued by the Physical Therapy Board of California.

(17) All licenses issued by the California Board of Accountancy. Revenues from fees for temporary licenses issued under this paragraph shall be credited to the Accountancy Fund in accordance with Section 5132.

(b) The board may conduct an investigation of an applicant for purposes of denying or revoking a temporary license issued pursuant to this section. This investigation may include a criminal background check.

(c) An applicant seeking a temporary license pursuant to this section shall meet the following requirements:

(1) The applicant shall supply evidence satisfactory to the board that the applicant is married to, or in a domestic partnership or other legal union with, an active duty member of the Armed Forces of the United States who is assigned to a duty station in this state under official active duty military orders.

(2) The applicant shall hold a current, active, and unrestricted license that confers upon the applicant the authority to practice, in another state, district, or territory of the United States, the profession or vocation for which the applicant seeks a temporary license from the board.

(3) The applicant shall submit an application to the board that shall include a signed affidavit attesting to the fact that the applicant meets all of the requirements for the temporary license and that the information submitted in the application is accurate, to the best of the applicant's knowledge. The application shall also include written verification from the applicant's original licensing jurisdiction stating that the applicant's license is in good standing in that jurisdiction.

(4) The applicant shall not have committed an act in any jurisdiction that would have constituted grounds for denial, suspension, or revocation of the license under this code at the time the act was committed. A violation of this paragraph may be grounds for the denial or revocation of a temporary license issued by the board.

(5) The applicant shall not have been disciplined by a licensing entity in another jurisdiction and shall not be the subject of an unresolved complaint, review procedure, or disciplinary proceeding conducted by a licensing entity in another jurisdiction.

(6) The applicant shall, upon request by a board, furnish a full set of fingerprints for purposes of conducting a criminal background check.

(d) A temporary license issued pursuant to this section may be immediately terminated upon a finding that the temporary licenseholder failed to meet any of the requirements described in subdivision (c) or provided substantively inaccurate information that would affect the person's eligibility for temporary licensure. Upon termination of the temporary license, the board shall issue a notice of termination that shall require the temporary

licenseholder to immediately cease the practice of the licensed profession upon receipt.

(e) An applicant seeking a temporary license as a civil engineer, geotechnical engineer, structural engineer, land surveyor, professional geologist, professional geophysicist, certified engineering geologist, or certified hydrogeologist pursuant to this section shall successfully pass the appropriate California-specific examination or examinations required for licensure in those respective professions by the Board for Professional Engineers, Land Surveyors, and Geologists.

(f) A temporary license issued pursuant to this section shall expire 12 months after issuance, upon issuance of an expedited license pursuant to Section 115.5, a license by endorsement, or upon denial of the application for expedited licensure by the board, whichever occurs first.

~~(g) A temporary license issued pursuant to this section shall be converted to a standard license if, within 12 months of issuance, the applicant demonstrates having met all of the requirements for a standard license or submits documents demonstrating that the requirements to obtain the out-of-state license were substantially equivalent to the requirements for a standard license as determined by the board in order to protect the public.~~

~~(h)~~

(g) A board shall ~~adopt~~ *submit to the department for approval draft* regulations necessary to administer this section ~~and shall publish these regulations on its internet website and in application materials~~ by January 1, 2022. *These regulations shall be adopted 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).*

(h) This section shall not apply to a board that has a process in place by which an out-of-state licensed applicant in good standing who is married to, or in a domestic partnership or other legal union with, an active duty member of the Armed Forces of the United States is able to receive expedited, temporary authorization to practice while meeting state-specific requirements for a period of at least one year.

SEC. 2. Section 5132 of the Business and Professions Code is amended to read:

5132. (a) All moneys received by the board under this chapter from any source and for any purpose and from a temporary license issued under Section 115.6 shall be accounted for and reported monthly by the board to the Controller and at the same time the moneys shall be remitted to the State Treasury to the credit of the Accountancy Fund.

(b) The secretary-treasurer of the board shall, from time to time, but not less than once each fiscal year, prepare or have prepared on their behalf, a financial report of the Accountancy Fund that contains information that the board determines is necessary for the purposes for which the board was established.

(c) The report of the Accountancy Fund, which shall be published pursuant to Section 5008, shall include the revenues and the related costs from examination, initial licensing, license renewal, citation and fine authority, and cost recovery from enforcement actions and case settlements.

REVISIONS:

Heading—Line 2.

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Assemblymember Rudy Salas, 32nd District

ASSEMBLY BILL 2549 – MILITARY SPOUSAL LICENSING

FACT SHEET

BACKGROUND

Military families face many challenges as they navigate through deployments, relocations, and the costs associated with frequent, unexpected lifestyle changes. The financial burden of moving can be a huge setback for a military family. There may be a need for new child care services in short order, they must pay for the delivery of all their possessions, or they may have to rent vehicles. All of these costs add up quickly, and could even occur multiple times in a single year.

Worries about how to budget sudden changes puts a huge strain on military families. In 2019, the Blue Star Families' annual military family survey found that service members and their spouses ranked financial stress as their greatest concern, even over deployment. A separate 2019 report from the National Foundation for Credit Counseling found that almost 90 percent of service members and 84 percent of spouses or partners have worries about their personal finances. These worries are growing, with service members being more than twice as likely to not be able to pay all their bills on time compared to just 5 years ago.

The gender wage gap between women and men also has a significant impact on the income of military families. Women make up 93 percent of active duty military spouses, and 74 percent have children at home. The Blue Star Families' survey found that 49 percent of male military spouses worked full time, compared to only 27 percent of female military spouses. On top of this, 44 percent of male military spouses earned more than $50,000 in 2016, while only 19 percent of female military spouses earned the same or more.

ISSUE

Every financial obstacle that a military family faces is compounded when a spouse struggles to find employment. A 2017 Department of Defense survey showed that 24 percent of military spouses were unemployed, compared with 9 percent unemployment nationally. These unemployed spouses on average search for work for 4 months, meanwhile savings accounts are being drained. Employment itself is not always the issue, some military spouses suffer from underemployment as they transition into a new life in a new state.

Importantly, almost 35 percent of military spouses work in a profession that requires a license in order to be employed. The process of transferring a license or applying for a new California license can be time consuming and take months for approval, time that many military families don't have. In light of this, AB 186 (Maienschein, 2014) created a temporary license program for military spouses that allows a military spouse to quickly receive a California license that expires after 12 months or after an expedited license is issued. This program currently covers registered nursing licenses, medical licenses, veterinarian licenses, and various others.

There are, however, some professions that are left out of this program that stand to benefit many military spouses. A 2012 Department of Defense report found that jobs such as accountants, auditors, and dental assistants rank among the top occupations for military spouses, yet these licenses are not covered by the program that AB 186 created. AB 2549 expands the amount of licenses that military spouses are likely to benefit from in order to increase the efficacy of this program and ease the burdens placed on military spouses and military families.

EXISTING LAW

AB 186 (Maienschein, 2014) added Section 115.6 to the Business and Professions Code, which established a temporary licensure process for specified licensed professions for military spouses. Section 115.6 also prescribes requirements for applicants to be issued a temporary license, including holding a current, active, and unrestricted license in another jurisdiction.

THIS BILL

AB 2549 amends Sections 115.6 and 5132 of the Business and Professions Code to add registered dental assistant and registered dental assistant in extended functions licenses, and all licenses issued by the Dental Hygiene Board, the Board of Pharmacy, and the Board of Accountancy. AB 2549 also requires that revenues from fees for temporary licenses issued be credited to the Accountancy Fund. This bill will help ensure that military spouses can seamlessly become employed in some of the most commonly held jobs and continue to support their families.

FOR MORE INFORMATION

Michael Dyar
P: (916) 319-2032
F: (916) 319-2132
Michael.Dyar@asm.ca.gov

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
SB 878

Subject:	Department of Consumer Affairs: License: Application: Processing Timeframes.	**Author:**	Jones
		Sponsor:	Author
Version:	June 18, 2020		
Status:	Assembly Business and Professions Committee		

Summary

Senate Bill (SB) 878 (**Attachment 1**) would require each board within the Department of Consumer Affairs (DCA) that issues licenses to prominently display on its website, on at least a quarterly basis, the following:

1) Prominently display on its internet website one of the following: a) The current average timeframes for processing initial and renewal license applications, or b) The combined current average timeframe for processing both initial and renewal license applications.
2) Prominently display on its internet website one of the following: a) The current average timeframes for processing each license type that the board administers, or b) The combined current average timeframe for processing all license types that the board administers.

This requirement would be effective July 1, 2021.

Background

The California Board of Accountancy (CBA) was already researching ways to report current application review timeframes on the CBA website to provide additional transparency to applicants and licensees. In light of COVID-19 and increasing processing timeframes beyond the CBA's 30-day goal, providing this increased information on the website would be beneficial.

Analysis

According to the author's office (**Attachment 2**), "SB 878 will increase transparency by ensuring application processing timeframes are easily available to applicants. This bill will require all boards and bureaus within DCA to prominently display on their respective websites the current timeframe for processing initial and renewal license applications."

The author cites DCA's prior implementation of the BreEZe system including related cost overruns, in the need for SB 878. "It is crucial for licensing entities within DCA to process license applications in a timely manner so individuals can practice their profession and businesses can open their doors without unnecessary delays."

SB 878 would require the CBA to post on its website the average timeframes to process each type of application.

Recommendation
Staff recommend the CBA adopt a Support position on this measure.

Fiscal Estimate
The costs will be minor and absorbable.

Support/Opposition
Support:

American Speech-Language-Hearing Association
Borrego Springs Chamber of Commerce
California Association for Health Services At Home
California Association of Licensed Investigators
California Chiropractic Association
California Dental Hygienists Association
California Naturopathic Doctors Association
California Physical Therapy Association
California Podiatric Medical Association
California Society for Respiratory Care
La Mesa Chamber of Commerce
Occupational Therapy Association of California

Opposition: None

Effective/Operative Date
July 1, 2021.

Related Bills
None known.

Attachments
1. SB 878
2. SB 878 Fact Sheet

Attachment 1

AMENDED IN SENATE JUNE 18, 2020

SENATE BILL No. 878

Introduced by Senator Jones

January 22, 2020

An act to add Section 139.5 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

SB 878, as amended, Jones. Department of Consumer ~~Affairs Licensing: applications: wait times.~~ *Affairs: license: application: processing timeframes.*

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs.

This ~~bill~~ *bill, beginning July 1, 2021,* would require each board within the department that issues ~~licenses~~ *licenses, on at least a quarterly basis,* to prominently display *on its internet website either* the current ~~timeframe~~ *average timeframes* for processing initial and renewal license applications ~~on its internet website, as provided.~~ *or the combined current average timeframe for processing both initial and renewal license applications. The bill would also require each board to prominently display on its internet website either the current average timeframes for processing each license type that the board administers or the combined current average timeframe for processing all license types that the board administers.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 139.5 is added to the Business and Professions Code, to read:

139.5. ~~Each~~ *Beginning July 1, 2021, each* board, as defined in ~~section~~ *Section* 22, within the department that issues a license shall do both of the ~~following:~~ *following on at least a quarterly basis:*

(a) Prominently display ~~the~~ *on its internet website one of the following:*

(1) The current ~~timeframe~~ *average timeframes* for processing initial and renewal license ~~applications on its internet website.~~ *applications.*

(2) The combined current average timeframe for processing both initial and renewal license applications.

(b) ~~With respect to the information displayed on the website, specify the~~ *Prominently display on its internet website one of the following:*

(1) The current average ~~timeframe~~ *timeframes* for *processing* each license ~~category.~~ *type that the board administers.*

(2) The combined current average timeframe for processing all license types that the board administers.

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FACT SHEET

BRIAN W. JONES
Senator, 38th District

Senate Bill 878 – Increasing Transparency of Licensing Entities

SUMMARY

SB 878 requires all boards and bureaus within the Department of Consumer Affairs (DCA) to prominently display on their websites the current average timeframe for processing initial and renewal license applications.

BACKGROUND

Since 2009, DCA has been attempting to replace multiple antiquated standalone IT systems. DCA authorized an online licensing system, known as BreEZe, where applicants may check their license and application status through the board's or bureau's website. The BreEZe project was estimated to cost $28 million, and was scheduled to be fully operational by June 2014. By 2015, the project was still not fully operational, and costs were estimated to be over $100 million and rising. Today, six years after DCA's promised date of completion, BreEZe is still not fully implemented. DCA has again requested an additional $30 million over the next three years for continued support of BreEZe Maintenance and Operations. For the boards and bureaus under DCA that are not using BreEZe, DCA is also requesting $5.2 million in 2020-21 for a cost-benefit analysis process, known as "business modernization," which will supposedly determine if the board or bureau should transition to BreEZe, or if another technology platform is a better solution to meet business and technology needs. Eleven years and over $130 million later, licensees are still waiting for the BreEZe system they were promised.

PROBLEM

DCA continues to fail at full implementation of BreEZe, and now explores changing its goal entirely to "business modernization." While DCA is well over its original budget and costs continue to rise with no clear goal ahead, hard-working Californians are paying the price of unknown processing timeframes and little transparency. It is crucial for licensing entities within DCA to process license applications in a timely manner so individuals can practice their profession and businesses can open their doors without unnecessary delays. While some licensing entities provide applicants with average timeframes for processing their applications or allow applicants to check their application status, this information is not universally accessible for all license types.

SOLUTION

SB 878 will increase transparency by ensuring application processing timeframes are easily available to applicants. This bill will require all boards and bureaus within DCA to prominently display on their respective websites the current timeframe for processing initial and renewal license applications. Because timeframes may vary for individual applications based on circumstances to be considered – such as incomplete application, the need for additional documentation, etc. – SB 878 only requires the *average* timeframe for each license category.

Public access to this information will also hold boards and bureaus accountable for any delays or backlogs. Furthermore, this bill will lead to a reduction in the number of inquiries sent by applicants to the licensing entities regarding their application status, which should allow for staff to spend more time processing these applications and performing other duties.

CONTACT

Danielle Parsons
(916) 651-4038
danielle.parsons@sen.ca.gov

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item I.O.1-7.
July 23, 2020

Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring

Presented by: Deanne Pearce, Assistant Executive Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with a list of bills being monitored by staff that may eventually affect the CBA, including spot bills and certain bills regarding the regulation of the cannabis industry.

Consumer Protection Objectives

This agenda item allows the CBA to be informed of potential bills that may affect the CBA and its consumer protection mandate.

Action(s) Needed

No specific action is required on this agenda item.

Background

Legislation is often monitored which has the potential to affect the CBA or which may have a tangential impact to CBA operations. Further, the CBA has directed staff to monitor legislation related to the regulation of the cannabis industry.

"Spot bills" are also monitored by the CBA; a "spot bill" is a bill that amends a code section in a non-substantive way. However, none are currently being monitored at this time.

Comments

Staff are monitoring the following bills as they are either spot bills, legislation pertaining to the regulation of the cannabis industry, or bills that may otherwise impact the CBA. If a bill is amended in a manner that makes it relevant to the CBA, an analysis will be drafted by staff and presented to the CBA at a future meeting, along with the text of the proposed legislation.

Cannabis-related bills:

- AB 545, Low – Cannabis: Bureau of Cannabis Control
- AB 1417, Rubio – Cannabis Advertisement and Marketing

- AB 2122, Rubio – Unlawful Cannabis Activity: Enforcement
- Senate Joint Resolution 10, Bradford – Cannabis: Federal Schedules

Other bills:

- AB 1263, Low – Contracts: Consumer Services: Consumer Complaints.
- AB 2208, Irwin – Charitable Organizations: Charitable Fundraising Platforms and Platform Charities
- SB 749, Durazo – California Public Records Act: Trade Secrets

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations at this time.

Recommendation

Staff have no recommendation on this item.

Attachment

None

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item II.A.1.
July 23, 2020

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

Presented by: Michael M. Savoy, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Kathy A. Johnson, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Consumer Protection Objectives

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

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills 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 and 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.

For current members who are being reappointed, I review prior attendance records, verify completion of mandatory trainings, and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Ms. Johnson for reappointment to the EAC, I performed all the steps previously mentioned. I believe Ms. Johnson has exhibited a high level of professionalism during the performance of her duties and has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Douglas Aguilera, CPA, Chairperson of the EAC, I recommend that Kathy A. Johnson, CPA be reappointed for two years to the EAC, until July 31, 2022.

Attachments

1. Curriculum Vitae of Kathy A. Johnson, CPA
2. California Board of Accountancy Enforcement Advisory Committee Skill Matrix

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item II.A.2.
July 23, 2020

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

Presented by: Michael M. Savoy, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that José Palma, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Consumer Protection Objectives

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

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills 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 and 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.

For current members who are being reappointed, I review prior attendance records, verify completion of mandatory trainings, and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Mr. Palma for reappointment to the EAC, I performed all the steps previously mentioned. I believe Mr. Palma has exhibited a high level of professionalism during the performance of his duties and has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Douglas Aguilera, CPA, Chairperson of the EAC, I recommend that José Palma, CPA be reappointed for two years to the EAC, until May 31, 2022.

Attachments

1. Curriculum Vitae of José Palma, CPA
2. California Board of Accountancy Enforcement Advisory Committee Skill Matrix

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item II.A.3.
July 23, 2020

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

Presented by: Michael M. Savoy, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Mehrnaz "Nasi" Raissian, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Consumer Protection Objectives

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

Action(s) Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

For all appointments to a committee, I work with the current chair to discuss knowledge and skills 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 and 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.

For current members who are being reappointed, I review prior attendance records, verify completion of mandatory trainings, and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Ms. Raissian for reappointment to the EAC, I performed all the steps previously mentioned. I believe Ms. Raissian has exhibited a high level of professionalism during the performance of her duties and has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, and in consultation with Douglas Aguilera, CPA, Chairperson of the EAC, I recommend that Mehrnaz “Nasi” Raissian, CPA be reappointed for two years to the EAC, until July 31, 2022.

Attachments

1. Curriculum Vitae of Mehrnaz “Nasi” Raissian, CPA
2. California Board of Accountancy Enforcement Advisory Committee Skill Matrix

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item II.B.1.
July 23, 2020

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

Presented by: Michael M. Savoy, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Charles W. Hester, Sr., CPA, (**Attachment 1**) be reappointed 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.

For current members who are being reappointed, I review prior attendance records, verify completion of mandatory trainings, and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, and CBA Liaisons. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Mr. Hester for reappointment to the QC, I performed all the steps previously mentioned. I believe Mr. Hester 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 Kimberly Sugiyama, CPA, Chairperson of the QC, I recommend that Charles W. Hester Sr., CPA be reappointed for two years to the QC, until March 31, 2022.

Attachments

1. Curriculum Vitae of Charles W. Hester, Sr., CPA
2. California Board of Accountancy Qualifications Committee Skill Matrix

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item II.B.2.
July 23, 2020

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

Presented by: Michael M. Savoy, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Mehrnaz "Nasi" Raissian, CPA, (**Attachment 1**) be reappointed 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.

For current members who are being reappointed, I review prior attendance records, verify completion of mandatory trainings, and review the evaluations that may have been completed by the current Chairperson and CBA Liaisons. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Ms. Raissian for reappointment to the QC, I performed all the steps previously mentioned. I believe Ms. Raissian 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 Kimberly Sugiyama, CPA, Chairperson of the QC, I recommend that Mehrnaz “Nasi” Raissian, CPA be reappointed for two years to the QC, until May 31, 2022.

Attachments

1. Curriculum Vitae of Mehrnaz “Nasi” Raissian, CPA
2. California Board of Accountancy Qualifications Committee Skill Matrix

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item II.B.3.
July 23, 2020

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

Presented by: Michael M. Savoy, CPA, Vice-President

Purpose of the Item

The purpose of this agenda item is to recommend that Kimberly Sugiyama, CPA, (**Attachment 1**) be reappointed 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.

For current members who are being reappointed, I review prior attendance records, verify completion of mandatory trainings, and review the evaluations that may have been completed by the current Vice-Chairperson and CBA Liaisons. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Ms. Sugiyama for reappointment to the QC, I performed all the steps previously mentioned. I believe Ms. Sugiyama has exhibited a high level of professionalism during the performance of her term as a member and chairperson of the QC. Additionally, Ms. Sugiyama has demonstrated the skills and knowledge to serve on the QC, which will allow the QC to assist the CBA with its Licensure Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above I recommend that Kimberly Sugiyama, CPA be reappointed for two years to the QC, until May 31, 2022.

Attachments

1. Curriculum Vitae of Kimberly Sugiyama, CPA
2. California Board of Accountancy Qualifications Committee Skill Matrix

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CBA Item II.C.1.
July 23, 2020

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

Presented by: Michael M. Savoy, CPA, Vice-President

Purpose of the Item
The purpose of this agenda item is to recommend that Alan S. Lee, CPA, (**Attachment**) be reappointed as a member to the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC).

Consumer Protection Objectives
This agenda item ensures that the CBA continues its mission of consumer protection by reappointing members that have the skills and knowledge to serve on the PROC.

Action(s) Needed
It is requested that the CBA adopt the recommendation.

Background
The PROC assists the CBA in an advisory capacity in its oversight of the Peer Review Program. The PROC ensures that Board-recognized peer review program providers administer peer reviews in accordance with standards, evaluates applications to become a Board-Recognized Peer Review Program Provider, collects and analyzes statistical monitoring and reporting data from each Peer Review Provider on an annual basis, and prepares an Annual Report to the CBA regarding the results of its oversight.

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.

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.

For current members who are being reappointed, I review prior attendance records, verify completion of mandatory trainings, and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at any time, by action of the CBA.

Prior to making a decision to recommend Mr. Lee for reappointment to the PROC, I performed all the steps previously mentioned. I believe Mr. Lee has demonstrated the skills and knowledge to serve on the PROC, which will allow the PROC to assist the CBA with its Peer Review Program.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Based on the information above, I recommend that Alan S. Lee, CPA be reappointed for two years to the PROC, until March 31, 2022.

Attachment

Curriculum Vitae of Alan S. Lee, CPA

CALIFORNIA BOARD OF ACCOUNTANCY
Secretary/Treasurer Report

MARK J. SILVERMAN, ESQ.
•
SECRETARY/TREASURER

FM 10 FINANCIAL STATEMENT FOR FISCAL YEAR 2019-20

The California Board of Accountancy (CBA) continues to work closely with the Department of Consumer Affairs (DCA) Budget Office regarding the fiscal year (FY) 2019-20 budget. The fiscal month (FM) 10 Financial Report (page 3) is based on preliminary financial figures received from DCA.

Fiscal Year End 2017-18 Information

The CBA received final year-end budget information for FY 2017-18. The FY 2017-18 column on the Financial Statement (page 3) reflects actual figures. The recent closeout is also evidenced on the Fund Condition statement (page 7) by the addition of an Adjusted Beginning Balance appearing at the start of FY 2018-19. An adjusted beginning balance includes the reversion of unused portions of appropriations for the prior year. The CBA reverted $909,000, or nearly 6.5 percent of its budget. The months in reserve has consequently been adjusted accordingly.

Revenues for FY 2017-18 totaled $10,594,127, an increase over revenues for FY 2016-17 by approximately eight percent.

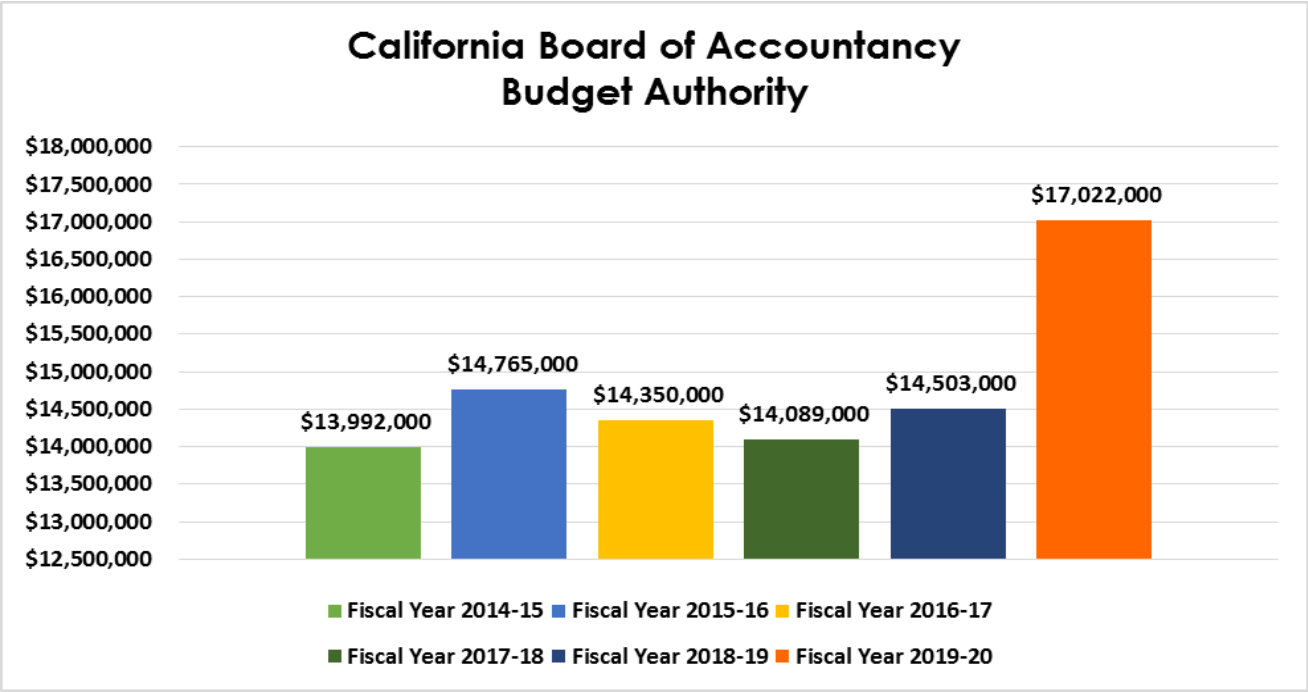
Fiscal Year End 2018-19 Information

DCA has indicated that final figures for FY 2018-19 are scheduled to be completed later this year.

BUDGET AUTHORITY

The CBA's budget for FY 2019-20 was adjusted to $17,022,000, due to augmentations in the areas of Attorney General's Office, employee compensation, retirement, and DCA Pro Rata.

The CBA's budget for FY 2020-21 was approved for a total of $17,009,000 which reflects reductions in the areas of DCA Pro Rata costs, and an increase in funding for the Attorney General's Office.



CALIFORNIA BOARD OF ACCOUNTANCY - 0704
BUDGET REPORT
FY 2019-20 EXPENDITURE PROJECTION
FISCAL MONTH 10

LINE	OBJECT DESCRIPTION	FY 2016-17 ACTUAL EXPENDITURES (MONTH 13)	FY 2017-18 ACTUAL EXPENDITURES (MONTH 13)	FY 2018-19 EXPENDITURES (Prelim FM12)	FY 2019-20 Governor's Budget	FY 2019-20 CURRENT YEAR EXPENDITURES FM 10	FY 2019-20 PERCENT SPENT	FY 2019-20 PROJECTIONS TO YEAR END
1	**PERSONNEL SERVICES**							
2	Salary & Wages (Staff)	5,198,342	5,279,405	5,266,601	**6,405,000**	4,651,157	73%	**5,676,365**
3	Statutory Exempt (EO)	125,559	136,603	136,800	**114,000**	117,990	104%	**141,588**
4	Temp Help Reg (Seasonals)	391,768	381,505	341,462	**0**	63,103	N/A	**78,000**
5	BL 12-03 Blanket	80,624	81,095	93,645	**0**	0	N/A	**0**
6	Board Member Per Diem	10,600	8,300	7,200	**10,000**	5,000	50%	**8,000**
7	Committee Members (DEC)	11,000	8,100	8,600	**11,000**	5,600	51%	**10,000**
8	Overtime	47,852	16,622	108,008	**70,000**	71,093	102%	**80,000**
9	Staff Benefits	2,954,590	3,104,415	3,131,783	**4,080,000**	2,760,448	68%	**3,367,511**
10	***TOTALS, PERSONNEL SVC***	8,820,335	9,016,047	9,094,099	**10,690,000**	**7,674,391**	**72%**	**9,361,464**
11	**OPERATING EXPENSE AND EQUIPMENT**							
12	General Expense	355,487	147,680	135,814	**145,000**	176,987	122%	**220,000**
13	Fingerprint Reports	14,184	11,418	16,703	**10,000**	11,490	115%	**13,788**
14	Minor Equipment	45,250	56,606	79,310	**75,000**	93,472	125%	**120,000**
15	Printing	418,922	209,073	159,848	**97,000**	257,120	265%	**308,544**
16	Communication	54,937	47,548	52,869	**54,000**	43,971	81%	**54,000**
17	Postage	271,611	223,176	199,073	**33,000**	44,674	135%	**210,000**
18	Insurance	93	182	31,280	**0**	226	N/A	**30,000**
19	Travel In State	183,605	107,183	70,248	**100,000**	72,092	72%	**90,000**
20	Travel, Out-of-State	4,275	4,887	4,189	**5,000**	3,107	62%	**3,107**
21	Training	37,650	11,802	24,020	**30,000**	23,660	79%	**30,000**
22	Facilities Operations	599,274	626,162	609,721	**629,000**	476,211	76%	**625,000**
23	C & P Services - Interdept.		354	1,050	**1,000**	403	40%	**403**
24	C & P Services - External	55,219	2,551	63,802	**238,000**	303,805	128%	**209,000**
25	**DEPARTMENTAL SERVICES:**							
26	OIS Pro Rata	427,936		271,000	**304,000**	253,333	83%	**304,000**
27	Administation Pro Rata	1,188,382		1,410,000	**1,760,000**	1,466,667	83%	**1,760,000**
28	DOI - ISU Pro Rata	29,436	1,651,488	47,000	**90,000**	75,000	83%	**90,000**
29	Communications Division	149,274		93,000	**108,000**	90,000	83%	**108,000**
30	PPRD Pro Rata	6,538		79,000	**64,000**	53,333	83%	**64,000**
31	**INTERAGENCY SERVICES:**							
32	Interagency Services		13,990	17,782	**1,000**	15,706	1571%	**18,818**
33	Consolidated Data Center	128,515	71,796	75,526	**42,000**	118,133	281%	**130,000**
34	DP Maintenance & Supply (IT)	55,728	41,839	50,324	**50,000**	42,218	84%	**60,000**
35	**EXAM EXPENSES:**							
36	C/P Svcs-External Expert Administrative *	173,105	54,047	110,990	**78,000**	181,037		**181,037**
37	**ENFORCEMENT:**							
38	Attorney General	1,054,876	1,027,546	884,057	**1,613,000**	1,035,901	64%	**1,285,000**
39	Office Admin. Hearings	106,822	33,458	133,960	**231,000**	120,525	52%	**130,000**
40	Court Reporters	19,703	6,217	37,035	**0**	13,051	N/A	**23,000**
41	Evidence/Witness Fees	662	11,119	2,659	**186,000**	2,393	1%	**4,000**
42	DOI - Investigations	49,509	62,360	115,000	**351,000**	292,500	83%	**351,000**
43	**MISC:**							
44	Major Equipment		17,334	32,560	**37,000**	25,310	68%	**37,000**
45	Special Items of Expense				**0**			**0**
46	Other (Vehicle Operations)	400			**0**			**0**
47	***TOTALS, OE&E***	5,431,393	4,439,817	4,807,820	**6,332,000**	5,292,325	84%	**6,459,697**
48	***TOTAL EXPENSE***	14,251,728	13,455,864	13,901,919	**17,022,000**	12,966,716	76%	**15,821,161**
49	Sched. Reimb. - External/Private	(2,115)	(3,760)		**(111,000)**			**(111,000)**
50	Sched. Reimb. - Fingerprints	(14,308)	(12,103)	(14,973)	**(185,000)**	(10,038)		**(185,000)**
51	Sched. Reimb. - Other	0						
52	Sched Interdepartmental	0						
53	Unsched. Reimb. - Other	(330,798)	(348,470)	(341,336)		(600,244)		
54	***NET APPROPRIATION***	13,904,507	13,091,530	13,545,610	**16,726,000**	12,356,434	74%	**15,525,161**
N/A	Not available							
*	Current year expenditure reflects the encumbered amount of a multi-year contract, not actual to date.					**SURPLUS/(DEFICIT):**		**7.2%**

FY 2019-20 EXPENDITURES

The FY 2019-20 FM 10 Financial Statement is based on preliminary expenditures through April 30, 2020. Preliminary expenditures as of FM 10 are at $12,966,716 or 76 percent of the FY 2019-20 budget. Based on these figures, the CBA is currently projected to end FY 2019-20 with a surplus of $1,200,839 or 7.2 percent of the entire budget.

Line items where the CBA has exceeded its allocated budget is permissible as long as total expenditures do not surpass the total budget authority of $17,022,000.

Below is information regarding key budget items.

General Expense (Line 12)
Expenditures in this category include items such as office supplies, furniture, meeting room rentals, delivery services and subscriptions. Enforcement subscriptions are annual subscriptions to online databases for accounting and tax research information, standards and for Investigative CPA continuing education. These are paid in advance for the entire fiscal year and total $51,484 for FY 2019-20.

Minor Equipment (Line 14)
The CBA has spent $93,472 for minor equipment, primarily for information technology equipment and software, including four new servers.

Printing (Line 15)
Expenditures for printing are elevated due to the cost of letters requesting email addresses, and also publishing a prior issue of UPDATE in paper format. These will decrease significantly when the transition from paper to electronic publishing of the UPDATE is completed.

Interagency Services (Line 32)
The Interagency category consists of Department of General Services pro rata charges associated with the processing of purchase orders and contracts. The Interagency line item appears elevated due to the calculation and allotment methodology. When this item was added to the budget, the allotment amount was originally $1,000. A three year average must be used in the Governor's budget in order to adjust the amount allotted. When a three year average becomes available, this item will be adjusted for an actual depiction of costs.

Exam (Line 36)
The CBA has a contract with the National Association of State Boards of Accountancy (NASBA) to provide testing accommodations for candidates of the Uniform CPA Examination. Historically, there was no dedicated budget for this contract and the funding was covered through underspending in other Operating Expense and Equipment categories. Effective July 1, 2019, the CBA obtained an augmentation of $78,000 to establish dedicated funding for this contract. The current year expenditure and projection to year end reflect the amount of the contract, $181,037. It is unlikely that this fully encumbered amount will be spent in FY 2019-20, as evidenced by expenditures for the previous two fiscal years.

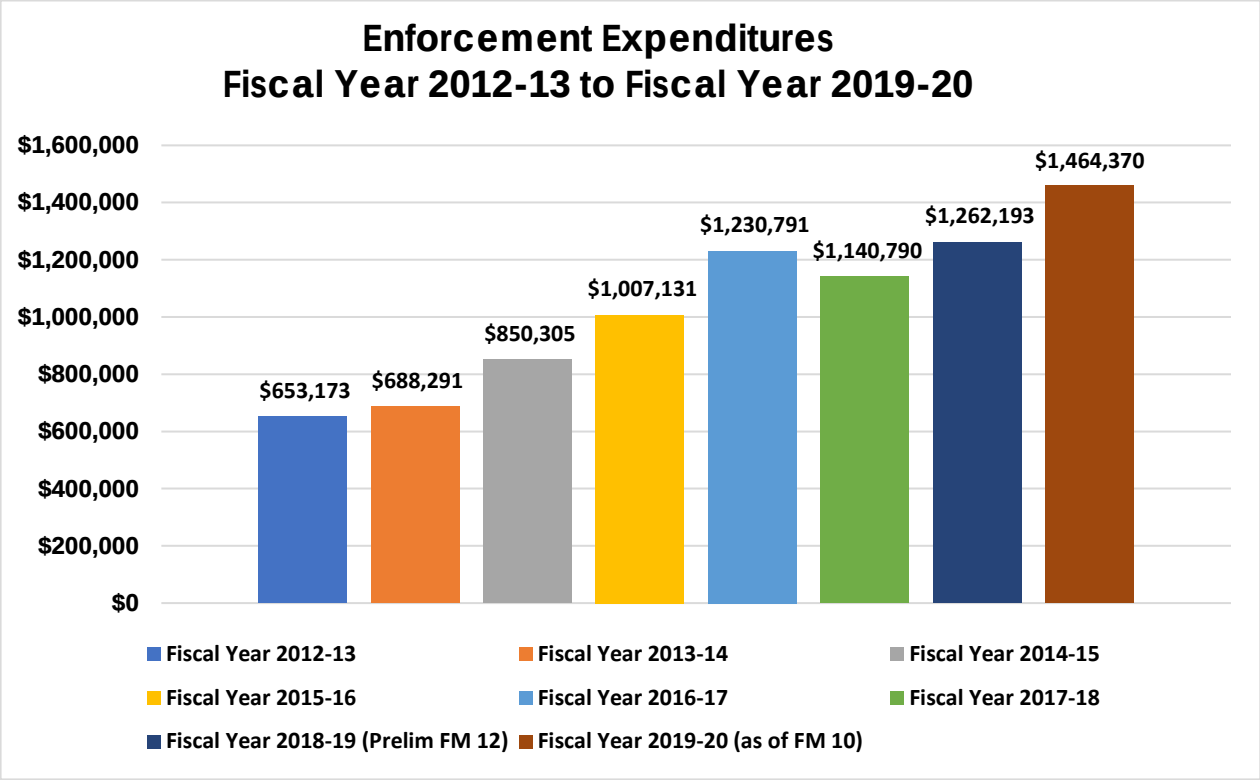
Enforcement (Lines 37-42)
Enforcement expenditures include the following:

- Attorney General
- Office of Administrative Hearings
- Court Reporters
- Evidence and Witness Fees
- DCA Division of Investigation

The projection through the end of FY 2019-20 takes into account that hourly rates for services from the Attorney General's Office increased effective September 1, 2019. DCA was able to obtain a department-wide augmentation for the increase in hourly rates. The CBA received a total of $256,000 for FY 2019-20 and $307,000 for FY 2020-21 and ongoing through this augmentation in order to offset the rate increase.

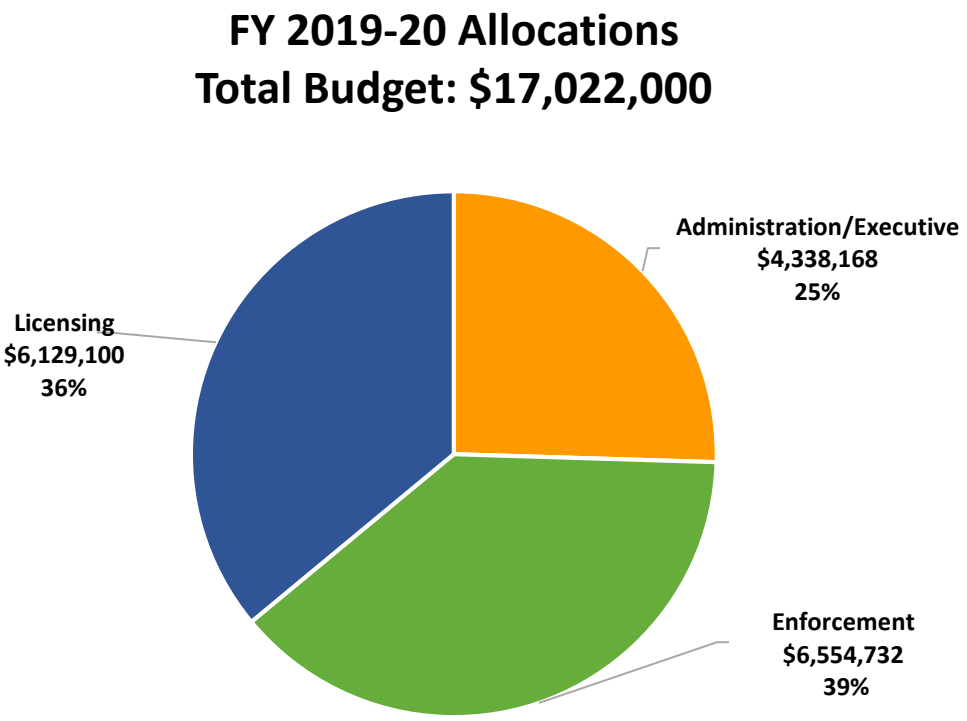
ENFORCEMENT EXPENDITURES

The following provides an overview of the CBA's Enforcement Expenditures for the prior seven fiscal years and FM 10 figures for FY 2019-20.



BUDGET ALLOCATION BY DIVISION

The chart below identifies the CBA's budget allocations based on the number of staff assigned to each Division.



CALIFORNIA BOARD OF ACCOUNTANCY FUND CONDITION

The CBA's Fund Condition statement reflects that the CBA is projected to end FY 2019-20 with 13.1 months in reserve. This figure is reflective of the receipt of final end of FY 2017-18 figures from FI$Cal. These numbers may fluctuate as DCA finalizes FY 2018-19 year-end financial reports and provides actual expenditures.

The projected revenue for FY 2019-20 and beyond is higher due to the license renewal and initial licensure fee increase to $250 that began on January 1, 2020.

0704 - California Board of Accountancy				Prepared 5/27/2020
Analysis of Fund Condition				
(Dollars in Thousands)				
Governor's Budget 2020-21			**Governor's**	
Include May Revise	**Actuals**		**Budget**	
w_$10M Loan to the GF	**PY**	**CY**	**BY**	**BY+1**
	2018-19	**2019-20**	**2020-21**	**2021-22**
BEGINNING BALANCE	$ 27,486	$ 24,201	$ 19,405	$ 8,273
Prior Year Adjustment	$ 711	$ -	$ -	$ -
Adjusted Beginning Balance	$ 28,197	$ 24,201	$ 19,405	$ 8,273
REVENUES AND TRANSFERS				
Revenues:				
4129200 Other regulatory fees	$ 147	$ 168	$ 173	$ 173
4129400 Other regulatory licenses and permits	$ 4,174	$ 4,463	$ 4,796	$ 4,796
4127400 Renewal fees	$ 5,478	$ 8,033	$ 11,169	$ 11,169
4121200 Delinquent fees	$ 202	$ 353	$ 492	$ 492
4163000 Income from surplus money investments	$ 569	$ 53	$ 56	$ 25
4171400 Escheat of unclaimed checks and warrants	$ 14	$ -	$ -	$ -
4172500 Miscellaneous revenues	$ 2	$ -	$ -	$ -
4173000 Penalty Assessments	$ 7	$ -	$ -	$ -
Totals, Revenues	$ 10,593	$ 13,070	$ 16,686	$ 16,655
Transfers to Other Funds				
GF loan per item 1111-011-0704, BA of 2020	$ -	$ -	$ -10,000	$ -
Totals, Revenues and Transfers	$ 10,593	$ 13,070	$ 6,686	$ 16,655
Totals, Resources	$ 38,790	$ 37,271	$ 26,091	$ 24,928
EXPENDITURES				
Disbursements:				
1111 Department of Consumer Affairs Regulatory Boards, Bureaus, Divisions (State Operations	$ 13,512	$ 16,726	$ 16,713	$ 15,362
8880 Financial Information System for California (State Operations)	$ 1	$ -2	$ -	$ -
9892 Supplemental Pension Payments (State Operations)	$ 179	$ 390	$ 390	$ 390
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	$ 897	$ 752	$ 715	$ 715
Total Disbursements	$ 14,589	$ 17,866	$ 17,818	$ 16,467
FUND BALANCE				
Reserve for economic uncertainties	$ 24,201	$ 19,405	$ 8,273	$ 8,461
Months in Reserve	16.3	13.1	6.0	6.2

NOTES:
A. ASSUMES WORKLOAD AND REVENUE PROJECTIONS ARE REALIZED FOR BY+1 AND ON-GOING.
B. ASSUMES APPROPRIATION GROWTH OF 3% PER YEAR IN BY+1 AND ON-GOING..
C. ASSUMES INTEREST RATE OF 1.5%

$10M loan to the State General Fund

In the event of an emergency or fiscal crisis, the State may internally borrow money at its discretion from special funds such as the CBA. The fiscal crisis that California is experiencing due to the COVID-19 pandemic has triggered the need for such internal borrowing.

The CBA is one of the DCA entities selected by the Pooled Money Investment Board to make such a General Fund loan. The CBA's loan to the general fund is $10 million and is scheduled to be repaid in FY 2024-25 or sooner if the State's economy improves. Such loans are repaid with interest.

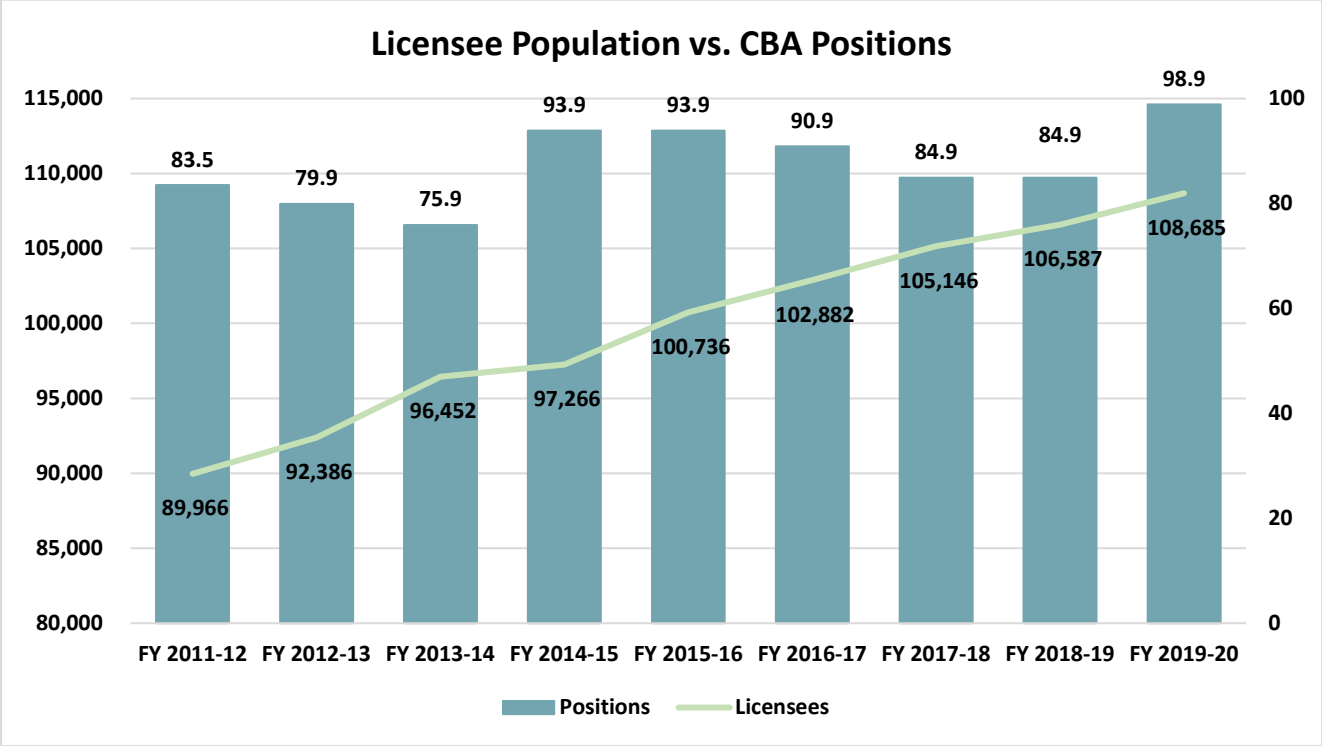
The Fund Condition statement (Page 7) illustrates how the loan to the general fund affects the CBA's reserve fund and its months in reserve. The amount of the loan is reflected under Transfers to Other Funds (-$10,000). The Revenue & Transfer Total and Resource total have been modified to compensate for the loan. The Months in Reserve at the bottom have been adjusted accordingly to 6.0 months for FY 2020-21 and to 6.2 months for FY 2021-22.

Protection exists in the event the CBA needs the early return of the loaned money. The Director of the Department of Finance can authorize the return of the General Fund loan amount should the CBA fund condition require it.

Previously, the Department of Finance issued a "Loan Obligation Report" that identified the loans to the General Fund and identified the repayment dates. Staff will monitor this and report updates as necessary.

LICENSEE POPULATION VS. STAFF LEVEL

The CBA presently has 98.9 authorized positions, which reflects the addition of 10 fulltime positions obtained through a Budget Change Proposal for FY 2019-20. Seven of these additional positions are in the Licensing Division and three are in the Enforcement Division.



GUIDE TO READING THE FINANCIAL STATEMENT

OBJECT DESCRIPTION
Provides the name of the budget category (or line item) where expenditures occur

GOVERNOR'S BUDGET
Identifies the amount "budgeted" for the corresponding line item

PERCENTAGE SPENT
Provides a percentage reference of how much of the budget for a particular line item has been spent

CALIFORNIA BOARD OF ACCOUN Y - 0704
BUDGET REPORT
FY 2019-20 EXPENDITURE PROJEC ON
FISCAL MONTH 10

		FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20			
LINE	OBJECT DESCRIPTION	ACTUAL EXPENDITURES (MONTH 13)	ACTUAL EXPENDITURES (MONTH 13)	EXPENDITURES (Prelim FM12)	Governor's Budget	CURRENT YEAR EXPENDITURES FM 10	PERCENT SPENT	PROJECTIONS TO YEAR END
1	**PERSONNEL SERVICES**							
2	Salary & Wages (Staff)	5,198,342	5,279,405	5,266,601	**6,405,000**	4,651,157	73%	**5,676,365**
3	Statutory Exempt (EO)	125,559	136,603	136,800	**114,000**	117,990	104%	**141,588**
4	Temp Help Reg (Seasonals)	391,768	381,505	341,462	**0**	63,103	N/A	**78,000**
5	BL 12-03 Blanket	80,624	81,095	93,645	**0**	0	N/A	**0**
6	Board Member Per Diem	10,600	8,300	7,200	**10,000**	5,000	50%	**8,000**
7	Committee Members (DEC)	11,000	8,100	8,600	**11,000**	5,600	51%	**10,000**
8	Overtime	47,852	16,622	108,008	**70,000**	71,093	102%	**80,000**
9	Staff Benefits	2,954,590	3,104,415	3,131,783	**4,080,000**	2,760,448	68%	**3,367,511**
10	***TOTALS, PERSONNEL SVC***	8,820,335	9,016,047	9,094,099	**10,690,000**	**7,674,391**	**72%**	**9,361,464**
11	**OPERATING EXPENSE AND EQUIPMENT**							
12	General Expense	355,487	147	135,814	**145,000**	176,987	122%	**220,000**
13	Fingerprint Reports	14,184	1	16,703	**10,000**	11,490	115%	**13,788**
14	Minor Equipment	45,250	6	79,310	**75,000**	93,472	125%	**120,000**
15	Printing	418,922	073	159,848	**97,000**	257,120	265%	**308,544**
16	Communication	54,937	548	52,869	**54,000**	43,971	81%	**54,000**
17	Postage	271,611	3,176	199,073	**33,000**	44,674	135%	**210,000**
18	Insurance	0	182	31,280	**0**	226	N/A	**30,000**
19	Travel In State	183	107,183	70,248	**100,000**	72,092	72%	**90,000**

PRIOR YEAR EXPENDITURES
This column is provided for reference and reflects the amount the CBA spent in each budget area for FY 2018-19 as of June 30, 2019

CURRENT YEAR EXPENDITURES
Identifies how much has been expended in the current fiscal year, as of April 30, 2020

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item IV.B.
July 23, 2020

Discussion and Possible Action to Recognize the Mutual Recognition Agreement Between the South African Institute of Chartered Accountants and the United States International Qualifications Appraisal Board

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) the opportunity to discuss whether to recognize the South African Institute of Chartered Accountants (SAICA) as having satisfied California's examination requirements upon successful completion of the International Qualification Examination (IQEX).

Consumer Protection Objectives

Ensuring only qualified applicants are licensed to practice public accountancy in accordance with the Accountancy Act and CBA Regulations directly relates to the CBA's consumer protection mandate.

Action(s) Needed

The CBA is being asked to recognize members of SAICA as having satisfied the examination requirement upon successful completion of IQEX.

Background

The National Association of State Boards of Accountancy (NASBA) and American Institute of Certified Public Accountants (AICPA) jointly established the International Qualifications Appraisal Board (IQAB) to act in eliminating barriers in mutual recognition of accounting qualifications between the accounting profession of the United States and accounting professions of other countries. To support this objective, IQAB negotiates a Mutual Recognition Agreement (MRA) with accountancy licensing bodies and recommends adoption of these agreements by all 55 boards of accountancy.

Prior to submitting an application for an MRA, a state board of accountancy must sponsor each out-of-country accountancy licensing body. Only the sponsoring state board can initiate the MRA process by making a formal request to IQAB to begin its evaluation process. IQAB conducts an initial screening before proceeding to a more formal process of review.

Out-of-country accountancy licensing bodies that proceed to the second stage of review must complete a detailed questionnaire and provide documentation of the procedures and requirements to become a qualified accountant with audit rights in the country of the applying body. This review is used to determine whether the accountancy body's examination, education, and experience requirements are substantially equivalent to the United States (U.S.) established CPA licensing requirements under the Uniform Accountancy Act[1]. IQAB then enters into a reciprocal MRA with each international body it assesses as substantially equivalent to UAA licensing requirements.

Members of chartered accountancy licensing bodies with MRAs that want to pursue licensure in the U.S., may take IQEX in lieu of the Uniform CPA Examination (CPA Exam) as a way to meet the examination requirement as part of the licensure process. The objective of the 4.5-hour examination is to assess the candidate's knowledge of U.S. generally accepted accounting principles, accounting standards, taxation and business law and emphasizes areas in which there are differences between U.S. and foreign accounting practice.

The CBA recognizes members from the following chartered accountancy licensing bodies approved by IQAB as having satisfied California's examination requirements upon successful completion of IQEX:

- CPA Australia
- Chartered Accountants Australia and New Zealand
- CPA Canada
- Hong Kong Institute of Certified Public Accountants
- Chartered Accountants Ireland
- Instituto Mexicano de Contadores Públicos
- Institute of Chartered Accountants of Scotland

Comments

In January 2020, IQAB entered into a new MRA with SAICA (**Attachment 1**). Generally, the CBA does not enter into reciprocity agreements. Since the authority to issue CPA licenses and certificates is established at the state level, IQAB's MRAs are advisory to the state accountancy boards and jurisdictions. Each board independently determines whether a candidate has met licensure requirements in accordance with its state laws.

Annually, the CBA receives approximately 20 applications for licensure from IQEX candidates. Although IQEX candidates are considered to have met the examination

[1] The AICPA and NASBA Uniform Accountancy Act (UAA) is an "evergreen" model licensing law developed to provide a uniform approach to regulation of the accounting profession. The UAA provides a comprehensive system for enhancing public protection, facilitating consumer choice, and supporting the efficient operation of the capital markets.

requirement, they are still required to meet the educational and experience requirements along with other licensure requirements prior to the issuance of a California license.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend that the CBA recognize members of SAICA as having satisfied the examination requirement under Business and Professions Code section 5082.3 (**Attachment 2**) upon successful completion of IQEX.

If the CBA adopts this recommendation, a letter (**Attachment 3**) will be sent to Sharon Jensen, CPA, Chair of the NASBA/AICPA IQAB, notifying her that although the CBA does not enter into reciprocity agreements, the CBA will grant recognition to members of SAICA, upon passing IQEX, as fulfilling the examination requirement for CPA licensure in California.

Attachments

1. Mutual Recognition Agreement, January 2020 – South African Institute of Chartered Accountants
2. Business and Professions Code section 5082.3 – Qualification for Examination by Foreign Applicants
3. Draft letter to Sharon Jensen, CPA, Chair, NASBA/AICPA IQAB, regarding acceptance of the IQEX for members of SAICA seeking licensure in California

Attachment 1

MUTUAL RECOGNITION AGREEMENT

Recommended by

The South African Institute of Chartered Accountants

and

International Qualifications Appraisal Board

Representing

National Association of State Boards of Accountancy

NASBA

and

American Institute of Certified Public Accountants

AICPA

MUTUAL RECOGNITION AGREEMENT

Introduction

The State Boards of Accountancy or their equivalent in each of the United States' (US) jurisdictions (State Boards), which act pursuant to their authorizing statutes, are legislatively empowered by law to protect the public interest by granting and regulating the Certified Public Accountant (CPA) credential and license to practice. The South African Institute of Chartered Accountants (SAICA) is empowered to issue the Chartered Accountant (South Africa) (CA(SA)) credential to qualified applicants. The State Boards and SAICA respectively grant the US CPA and CA(SA) credentials and either grant licenses to practice or their members have access to a license to practice.

The National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA) jointly established the International Qualifications Appraisal Board (IQAB) to:

1. Assist State Boards seeking to establish abbreviated pathways through which experienced professionals, who hold substantially equivalent foreign professional accounting credentials, may obtain a Certified Public Accountant license in their jurisdiction (US CPA credential); and
2. Enable US CPAs to obtain foreign professional accounting credentials and the right to practice through similar abbreviated pathways.

The chartered accountancy profession in South Africa receives its licence to operate through the Chartered Accountants Designation (Private) Act 67 of 1993 in terms of which chartered accountants may offer a professional service to the public on condition that they are members of SAICA. SAICA operates as a voluntary association not-for-gain and is registered in terms of the Non-profit Organisations Act 71 of 1997. Being a membership organisation, SAICA's primary role is to maintain the integrity, quality and brand of the profession, as well as serve, represent and promote the interests of its members and associates.

Believing that there are a significant number of US CPAs who desire to obtain the CA(SA) credential and become Registered Auditors in South Africa, and a significant number of CAs(SA) who desire to obtain the US CPA credential and license to practice, the IQAB and SAICA (known collectively as the "Parties") set out to evaluate each other's credential to ascertain if they are substantially equivalent and would thus allow both parties to create for qualified holders of either of the credentials an abbreviated qualification pathway.

Eligibility of Applicants Under this Agreement:

To be eligible for this agreement, candidates must affirm they are competent to perform the services offered according to the relevant professional standards[1], including having the requisite additional experience/training necessary for such work.

[1]US CPAs generally practice under standards set by the AICPA, the Financial Accounting Standards Board, the Governmental Accounting Standards Board, the Public Company Accounting Oversight Board and the International Accounting Standards Board. South African CAs(SA) who are also registered auditors (RAs) practice under the standards set by the Independent Regulatory Board for Auditors.

Basis of Review

The Parties have reviewed each other's credential requirements for entry-level qualification and maintenance of the credential. The review included a comparison of each other's education, experience, examination and other qualification requirements as well as such factors as continuing education, adherence to a code of ethics, enforcement and judicial processes, organizational structure, administrative responsibilities and other credential maintenance requirements to their own corresponding requirements.

The IQAB compared SAICA's requirements to those set out in the Uniform Accountancy Act (UAA). The UAA is a model law and not enforceable. Much of the UAA's language is used by the US jurisdictions and State Boards as they draft the laws and rules that must be followed. Each individual US jurisdiction's requirement can be found in that jurisdiction's laws and rules.

SAICA compared the UAA requirements to SAICA's Policy for the Recognition of Other Professional Bodies.

Basis of Recognition

As a result of these reviews, the Parties are satisfied that the US CPA credential and CA(SA) credential are substantially equivalent subject to the conditions set forth in this agreement and accompanying appendices.

Therefore, the Parties agree:

1. To create an abbreviated qualification pathway for eligible holders of the other's credential.
    a. A holder of a CA(SA) credential will be eligible to obtain the US CPA credential via this agreement if the holder meets the eligibility requirements set out in Appendix 1A (defined as an "eligible holder").
    b. A holder of a US CPA credential will be eligible to obtain the CA(SA) credential via this agreement if the holder meets the eligibility requirements set out in Appendix 1B (defined as an "eligible holder").

2. An eligible holder, as set out in 1 above, may obtain the other credential via the following abbreviated pathways.
    a. The abbreviated pathway to the US CPA credential for eligible holders of a CA(SA) credential is set out in Appendix 2A.
    b. The abbreviated pathway to the CA(SA) credential for eligible holders of a US CPA credential is set out in Appendix 2B.

3. To assist holders of the other's credential, who are both eligible for the abbreviated pathway, as set out in 1 above, and who successfully complete the abbreviated pathway, as set out in 2 above, to obtain licensure in their respective jurisdictions:
    a. Appendix 3A sets out the process that a CA(SA) credential holder should follow to obtain licensure in the United States.
    b. Appendix 3B sets out the process that a US CPA credential holder should follow to become a Registered Auditor (RA) in South Africa.

4. This agreement shall be in force for a period of five years from the date of last signature. This agreement may be renewed, or extended, through mutual agreement.

5. To inform the other Party, on an annual basis, of:
    a. Material changes made to the qualification requirements of their credential.
    b. Mutual recognition agreements, reciprocal membership agreements, or other similar agreements signed or renewed with other institutes or professional accountancy organizations.
    c. New or existing pathways to membership or licensure for foreign credential holders that are initiated or materially altered.
    d. Strategic alliances, joint ventures, or material relationships with other institutes or professional accountancy organizations that are initiated or materially altered.
    e. The number of members from their respective jurisdictions who have applied and/or received their credential, as well as those who have obtained a license to practice.

6. Either Party may, with 60 (sixty)-days' notice, withdraw their consent to this agreement.

7. Where personal data of an individual is required to be disclosed by one party (the **discloser**) to the other party (the **recipient**) under the terms of this Agreement, the discloser agrees to obtain and document the individual's specific, express, and written consent to the disclosure of such personal data prior to disclosing it to the recipient.

8. For the purposes of clause 7, personal data means any information relating to an identified or identifiable natural person ("**data subject**"); an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an identifier such as a name, an identification number, location data, online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that person.

On behalf of American Institute of Certified Public Accountants	On behalf of National Association of State Boards of Accountancy.
12/3/19 Date	12/13/19 Date
On behalf of NASBA/AICPA International Qualifications Appraisal Board	On behalf of The South African Institute of Chartered Accountants
12/16/19 Date	15/01/2020 Date

Appendix 1A

Eligibility Requirements for Members of The South African Institute of Chartered Accountants

A holder of the CA(SA) credential may be eligible to obtain the US CPA credential via this agreement if they are a member in good standing of SAICA and meet the additional criteria set out in each of the following sections and applicable US jurisdiction's laws and regulations.

1) Education Criteria:
The Uniform Accountancy Act (UAA) requires at least 150 semester hours of college or university education, including a baccalaureate or higher degree conferred by a college or university deemed acceptable by the State Board.

US jurisdictions' legal requirements are identical or similar to the education criteria set forth in this model law. Additionally, many US jurisdictions' laws and State Boards' rules mandate the completion of specific coursework and the satisfaction of additional education criteria for licensure. Each individual US jurisdiction's education requirements can be found in that jurisdiction's laws and rules.[2]

To meet the education criteria of the eligibility requirements of this agreement, a CA(SA) must:

1. **Hold at least a baccalaureate or higher degree; and**
2. **Have successfully completed the SAICA accredited Postgraduate Graduate qualification.**

2) Examination Criteria:
Under the UAA and under all US jurisdictions' laws and rules, passage of the Uniform CPA Examination is a necessary prerequisite for licensure as a US CPA. Each individual US jurisdiction's examination requirements can be found in that jurisdiction's laws and rules.

To meet the examination criteria of the eligibility requirements of this agreement, CAs(SA) must have successfully completed the SAICA Initial Test of Competence and the SAICA Assessment of Professional Competence.

3) Experience Criteria:
Under the UAA, US CPAs must have at least one year of experience verified by a licensee of a State Board. This experience includes providing a service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, and meeting requirements prescribed by Board rule and state law. This experience may be acceptable if it was gained through employment in government, industry, academia or public practice. Each individual US jurisdiction's experience requirements can be found in that jurisdiction's laws and rules, which are generally similar or identical to the experience criteria set forth in the model UAA.

To meet the experience criteria of the eligibility requirements of this agreement CAs(SA) must have successfully completed the SAICA Training Programme prior to

[2] To access the laws and rules of each jurisdiction visit: https://nasba.org/stateboards/.

obtaining the CA(SA) credential and an additional 12 months of relevant work experience after obtaining the CA(SA) credential. Additional specific experience requirements may be required by the State Board from which the credential is sought. Some State Boards may exercise the authority to verify such experience and will determine how such verification will be performed, including working with NASBA's Experience Verification Service.

4) Continuing Professional Education Criteria:

Under the UAA, compliance with continuing professional education (CPE) requirements as determined by the State Board is mandatory. Each individual US jurisdiction's requirement for CPE verification can be found in that jurisdiction's laws and rules.

To meet the CPE criteria of the eligibility requirements of this agreement, CAs(SA) must be in compliance with the Continuing Professional Development requirements of SAICA.

Exclusions:

CAs(SA) who obtained their credential by qualifying under a reciprocal agreement that SAICA may have with another professional accountancy organization are not eligible under this agreement. This includes all mutual recognition agreements, reciprocal membership agreements, and other similar agreements which SAICA may have or may have had at any time.

Appendix 1B

Eligibility for Holders of a US CPA Credential

A holder of a US CPA credential may be eligible to obtain the CA(SA) credential via this agreement if they are a licensed CPA in good standing with a State Board and meet the additional criteria set out in each of the following sections.

1) Education Criteria:
Under the SAICA By-Laws, a CA(SA) must:

1. Hold at least a baccalaureate or higher degree accredited by SAICA for this purpose
2. Have successfully completed the SAICA accredited Postgraduate Graduate qualification.

To meet the education criteria of the eligibility requirements of this agreement, US CPAs must have a baccalaureate or higher degree conferred by a college or university acceptable to a State Board and must have met the applicable semester hour requirement at the time of licensure.

2) Examination Criteria:
Under the SAICA By-Laws a CA(SA) must have successfully completed the SAICA Qualifying Examinations comprising the Initial Test of Competence (ITC) and the Assessment of Professional Competence (APC).

To meet the examination criteria of the eligibility requirements of this agreement, US CPAs must have passed the Uniform CPA Examination.

3) Experience Criteria:
Under the SAICA By-Laws, a CA(SA) must have successfully completed the SAICA Training Programme. This does not have to be audit experience.

To meet the experience criteria of the eligibility requirements of this agreement, US CPAs must have completed all relevant US state law experience requirements prior to licensure and have an additional 24 months of experience after obtaining licensure. This does not have to be audit experience, and experience in the US is acceptable to meet this requirement.

4) Continuing Professional Education Criteria:
Under the SAICA By-Laws, CAs(SA) must be in compliance with the Continuing Professional Development requirements of SAICA.

To meet the CPE criteria of the eligibility requirements of this agreement, US CPAs must be in compliance with the CPE requirements of their State Board.

Exclusions:
US CPAs who obtained their CPA credential by qualifying under a reciprocal agreement that the IQAB may have with another professional accountancy organization are not eligible under this agreement. This includes all mutual recognition agreements, reciprocal membership agreements, and other similar agreements which the IQAB may have or may have had at any time.

Appendix 2A

Abbreviated Pathway to the US CPA Credential for Eligible Holders of the CA(SA) Credential

To obtain the US CPA credential, an eligible holder of a CA(SA) credential must:

1. Pass the International Qualification Examination (IQEX); and
2. Upon successfully passing the IQEX, apply to a State Board.

To sit for the IQEX, an eligible holder must take the following steps (please note that the following list is not intended to be a comprehensive list):

1. Create an online user account[3] with NASBA.
2. Complete an application form[4].
3. Obtain a letter of good standing[5] from SAICA. This letter will confirm that that Eligible Holder has met the eligibility requirements set out in Appendix 1A and must be sent directly to NASBA by SAICA.
4. Pay the requisite fees[6].

The process for applying to a State Board differs depending upon the US jurisdiction to which an eligible holder applies. However, in general, an eligible holder must take the following steps (please note that the following list is not intended to be a comprehensive list, and licensure is fully at the discretion and direction of the State Boards and their authorizing statutes):

1. Select a State Board[7] and complete the State Board's application.
2. Request NASBA to report her/his IQEX score to the State Board.
3. Satisfy the State Board's requirements which may include:
    a) Specific educational course work.
    b) Passing an ethics exam and/or CPE course.
    c) Providing evidence of the eligible holder's good character and/or reconfirmation of some of the eligibility requirements set out in Appendix 1A.
    d) Providing evidence that the eligible holder is in compliance with the State Board CPE requirements.
    e) Paying the State Board's fees.

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[3] Registering for a user account will allow an eligible holder to apply for the examination, maintain her/his current information, view her/his scores, check her/his application status and reprint her/his Notice to Schedule. Detailed information may be found at www.nasba.org.

[4] The application form will require information which will allow NASBA to verify that the applicant has met all of the required eligibility requirements set out in Appendix 1A and information required to schedule the applicant's IQEX. Detailed information may be found within the IQEX Candidate Bulletin at www.nasba.org.

[5] A template letter of good standing with completion instructions and a form which eligible holders may send to SAICA to request its completion may be found at www.nasba.org.

[6] Fees charged for applying for the IQEX are changed periodically. A current list of fees may be found at www.nasba.org.

[7] While the AICPA and NASBA's Boards have approved this agreement, it is up to each State Board, as directed by state law, to decide if they will adopt it. A current list of State Boards which will accept applications from CAs(SA) may be found within the IQEX Candidate Bulletin at www.nasba.org.

Appendix 2B

Abbreviated Pathway to the CA(SA) Credential for Eligible Holders of a US CPA Credential

To obtain the CA(SA) credential, an eligible holder of a US CPA credential must:

1. Provide a Letter of Good Standing from a State Board. The Letter of Good Standing must be dated not more than three months prior to the date of application. This letter will confirm that the Eligible Holder has met the eligibility requirements set out in Appendix 1B and must be sent directly to SAICA by the State Board.
2. Submit an application to the SAICA Recognition Panel[8].
    a. The Panel will, by means of an interview with the applicant and evaluation of the application, evaluate whether or the applicant meets the competency requirements of the SAICA Competency Framework, in which case membership of SAICA may be granted.
    b. If the applicant does not meet the competence requirements, he/she may resubmit an application no earlier than 12 months from the original interview date. Candidates will be permitted three submissions to the SAICA Recognition Panel over six calendar years.
3. Pay the requisite fees.

[8] Details about the information to be sent to the Recognition Panel may be found at https://www.saica.co.za/Training/Training/TrainingContractAdministration/Training/QualifyingAsACASAIfYouAreAMemberOfAnot/tabid/4244/language/en-US/Default.aspx.

Appendix 3A

Process to Obtain Licensure in the US for Eligible Holders of the CA(SA) Credential

In the United States, the US CPA credential is a license to practice public accounting, issued by a US jurisdiction, valid for use in such jurisdiction.

Upon completing the abbreviated pathway and successfully applying to a State Board (as set out in Appendix 2A), the eligible holder of the CA(SA) credential may receive a CPA license in a US jurisdiction.

Once licensed, CPA licensees are under the auspices of, and subject to, all relevant federal laws and regulations, state laws, regulations, and policies. Maintenance of the license requires meeting periodic renewal requirements, including timely completion of renewal forms, continuing professional education and payment of fees. In some US jurisdictions, obtainment of a firm license, in addition to an individual license, will be necessary to legally provide certain restricted services in US jurisdictions.

Appendix 3B

Process to Obtain Licensure in South Africa for Eligible Holders of a US CPA Credential

In order to perform audits in South Africa, registration as a Registered Auditor (RA), which is regulated by the Independent Regulatory Board for Auditors (IRBA), is required. Auditing is deemed to be a specialisation which occurs after qualification as a professional accountant. Only professional accountants who have qualified through a professional body accredited by the IRBA may specialise as an RA.

Currently, SAICA is the only professional body accredited by the IRBA for admission as a RA.

Registration as an auditor in the South African context occurs as follows:

1. Registration with SAICA as a Chartered Accountant (South Africa) (as set out in Appendix 2B);
2. Successful application for admission as a Registered Auditor (RA)[9].

Together with the applicant form, applicants are required to submit a brief Curriculum Vitae (CV) detailing their professional history as well as evidence of CPD undertaken for the past three years. Applicants must also submit a brief letter explaining why they are seeking registration with the IRBA.

Applicants joining an existing firm must also submit a letter from the Senior Partner or equivalent of the firm confirming the applicant's position in the firm and their audit proficiency.

IRBA will assess the application and applicants will be required to attend an interview with the IRBA's Proficiency Assessment Panel which includes a focus on the Code of Professional Conduct, governance requirements in South Africa, and Auditing and Accounting Standards.

[9] The application for registration as a Registered Auditor is made on Form 1, which is available on IRBA's website (https://www.irba.co.za/upload/Form%201.pdf). It should be scanned and emailed to registry@irba.co.za

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment 2

Business and Professions Code
Section 5082.3 – Qualification for Examination by Foreign Applicants

5082.3
An applicant for a license as a certified public accountant may be deemed by the board to have met the examination requirements of Section 5082, 5092, or 5093 if the applicant satisfies all of the following requirements:
(a) The applicant is licensed or has comparable authority under the laws of any country to engage in the practice of public accountancy.
(b) The International Qualifications Appraisal Board jointly established by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants has determined that the standards under which the applicant was licensed or under which the applicant secured comparable authority meet its standards for admission to the International Uniform Certified Public Accountant Qualification Examination.
(c) The applicant has successfully passed the International Uniform Certified Public Accountant Qualification Examination referenced in subdivision (b).

(Amended by Stats. 2001, Ch. 718, Sec. 11. Effective January 1, 2002.)

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment 3

July 24, 2020

Sharon A. Jensen, CPA, Chair
International Qualifications Appraisal Board
150 Fourth Ave. North, Ste. 700
Nashville, TN 37219-2417

Dear Ms. Jensen:

On behalf of the California Board of Accountancy (CBA), I am responding to the announcement of the International Qualifications Appraisal Board (IQAB) regarding the Mutual Recognition Agreement (MRA) with the South African Institute of Chartered Accountants (SAICA) and the National Association of State Boards of Accountancy/American Institute of Certified Public Accountants.

The CBA considered the MRA at its July 2020 meeting. Although the CBA does not enter into reciprocity agreements, I am pleased to inform you that the CBA adopted the position that once members of SAICA have successfully completed the International Qualification Examination, they will be deemed to have satisfied the CBA's examination requirements.

Additional information regarding California's examination, education, and experience requirements may be obtained by visiting our website at www.cba.ca.gov. If you have any questions, you may contact Michelle Center, Licensing Division Chief, by telephone at (916) 561-4376 or by e-mail at Michelle.Center@cba.ca.gov.

Sincerely,

Nancy J. Corrigan, CPA
President

c: Members, California Board of Accountancy
Patti Bowers, Executive Officer
Michelle Center, Chief, Licensing Division

DRAFT

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item IV.C.
July 23, 2020

Discussion Regarding Proposed Updates to the California Board of Accountancy's Consumer Assistance Booklet and Related Website Content

Presented by: Deanne Pearce, Assistant Executive Officer

Purpose of Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to discuss and provide input to staff regarding proposed updates to the Consumer Assistance Booklet (Booklet) (**Attachment 1**) and CBA website.

Consumer Protection Objectives

Developing and maintaining relevant print and online resources helps consumers choose a certified public accountant (CPA) who is authorized and qualified to meet their needs.

Action(s) Needed

No action is required on this item; however, staff welcome additional CBA input on this item.

Background

The Booklet was developed to assist consumers understand the services offered by a CPA, provide tips on how to choose a CPA that will meet their needs, and guide them through the complaint process. The Booklet has been provided at consumer-oriented outreach events and is available on the CBA's website.

The CBA website includes a variety of resources for consumers, such as verifying the license of a CPA, advice about selecting a CPA, filing a complaint, and other useful information.

Comments

During the CBA's leadership roundtable held in January 2020, Secretary/Treasurer Silverman recommended that the Booklet be placed on a CBA meeting agenda for discussion by the CBA.

In preparing for this discussion, staff reviewed the existing Booklet (and CBA website) to explore ways to enhance the information and make the resources easier to access.

Staff, therefore, propose the following changes to the CBA website and Booklet for the CBA's consideration and feedback.

Redesigned Consumer Webpage
The number of visitors to the CBA website greatly exceed the amount of people who might receive a physical copy of any CBA resources. This is further supported by the current outreach environment, which is primarily a virtual one. With this in mind, the CBA website is expected to play an even greater role in consumer outreach.

Presently, the Consumer webpage on the CBA website consists of various helpful links and resources. To improve its functionality, staff plan to add narrative content to this webpage to guide consumers in understanding the CBA's role so they may more easily identify the resources most appropriate to their needs.

Staff will update the Consumer webpage to include certain introductory content from the Booklet that helps visitors quickly understand how the mission of the CBA relates to them. This newly added wording will also help visitors navigate through the consumer-oriented content available on the website, using helpful descriptions of those resources, so visitors can see at a glance which items are most relevant to their needs.

In addition, this updated webpage will complement a newly designed brochure for distribution at in-person events.

A Brochure to Replace the Booklet
In partnership with the Department of Consumer Affairs, staff will replace the Booklet with a brochure that discusses (in a more concise and streamlined manner) the key topics most useful to consumers, including:

- The mission of the CBA
- The role of a CPA/firm
- Selecting an appropriate CPA/firm
- Filing a complaint and the enforcement process

Further, the brochure will refer readers back to the CBA website for additional resources, including License Lookup, filing a complaint online, and various tax resources. By leveraging the resources of the CBA website, the brochure can focus on the core topics relevant to a wider audience.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

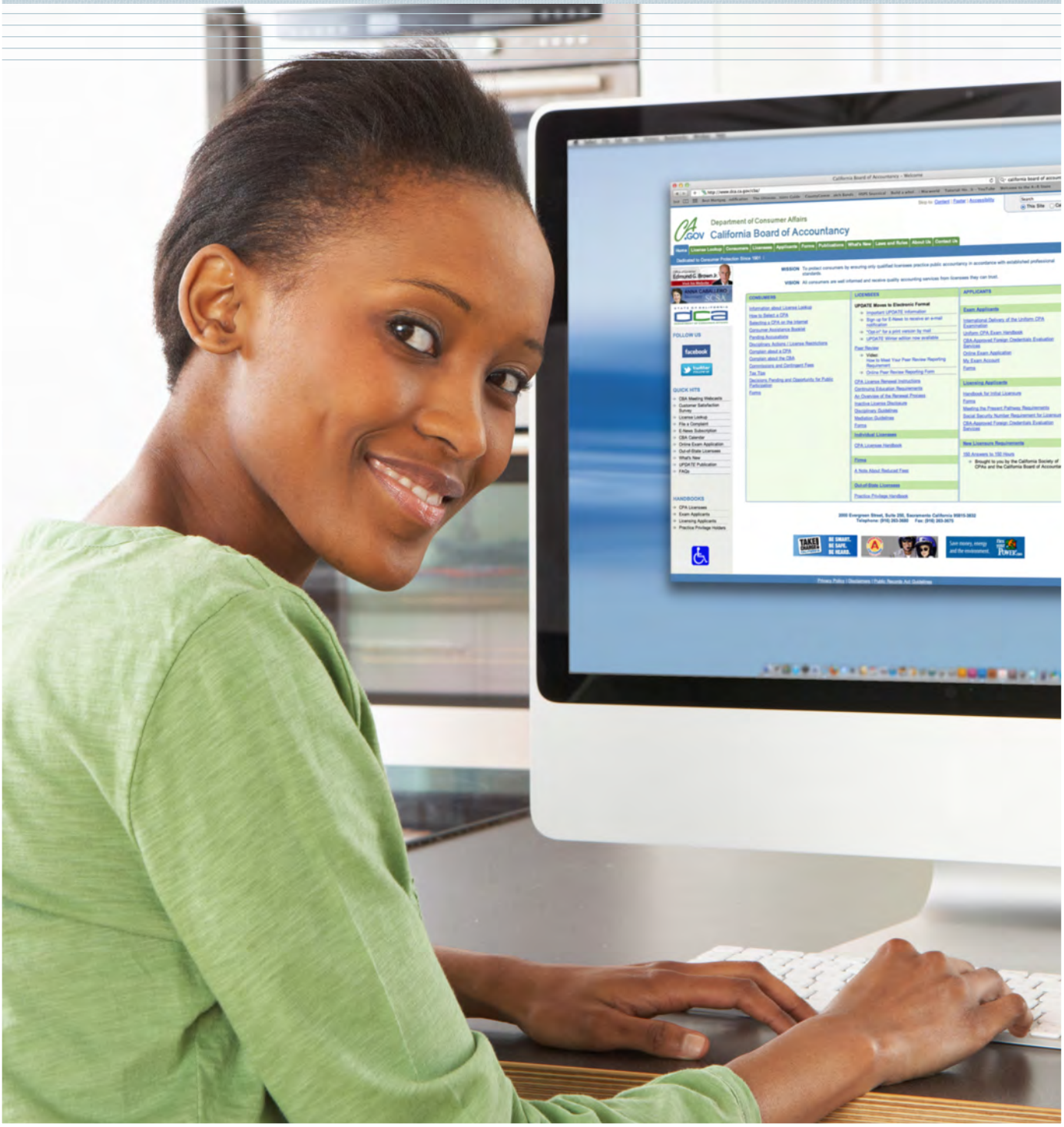
Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
Consumer Assistance Booklet

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

CONSUMER ASSISTANCE BOOKLET



The mission of the California Board of Accountancy is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. We hope you will find this booklet a helpful tool in providing information you can use to make decisions as you seek to use the services of a licensed Certified Public Accountant or licensed Public Accountant in California.

What is a CPA?

A Certified Public Accountant (CPA) is a professional who holds a state license to practice public accounting. A California-licensed CPA is a professional who has passed the Uniform Certified Public Accountant Examination and met the education and experience requirements of California state law and has been issued a license to practice public accountancy by the California Board of Accountancy (CBA). The CBA regulates the largest group of CPAs in the United States.

To maintain the ability to practice public accountancy, CPAs are required to complete continuing professional education designed to maintain or enhance their knowledge and competence.

What is a PA?

A Public Accountant (PA) is a professional who received a certificate to practice public accountancy from the CBA during the period from 1945 to 1968 under the 1945 Accountancy Act. PAs that practice public accountancy are subject to the same continuing professional education requirements, can perform the same public accountancy services, and must adhere to the same statutes and regulations as a CPA. The last PA license was issued in 1968, and as these licenses expire or are cancelled, California will no longer have licensees with the PA designation.

The information regarding CPAs provided in this booklet also applies to PAs.

Who Can Provide Public Accounting Services in California?

CPAs and PAs who hold a valid and current license issued by the CBA have the authority to provide public accounting services to California consumers.

In addition, California allows CPAs who are licensed in another state to provide public accounting services to their California clients as long as the out-of-state license is current and valid. However, an out-of-state CPA who provides an audit or review, certain types of compilations, and/or an examination of prospective financial information for an entity headquartered in California must perform those services through a registered California CPA firm.

What Services are Provided by CPAs?

CPAs can provide a wide range of accounting services, including:

Accounting and Auditing Services

Financial accounting

Audit or review of financial statements (Only a CPA with attest authority can sign reports on attest engagements. The attest report is a written communication issued by an independent accountant as to whether financial statements fairly represent the financial position and operating results of individuals, companies, nonprofits and governments), Compilations (Only a CPA can issue a compilation using the professional standards for CPAs), and Internal Controls.

Tax Services

Preparation

Planning

Representation before government agencies

Business and Management Consulting Services

- Financial analysis and planning
- Computer systems
- Business planning
- Accounting systems
- Corporate finance and governance
- Forensic accounting and litigation support

Financial Services

- Financial planning for individuals and businesses
- Investment advice and management
- Retirement planning
- Estate planning
- Business succession planning

All CPAs are authorized to perform a wide range of accounting services, including accounting, compilation preparation, management advisory, financial advisory, tax, and consulting services.

When selecting a CPA it is very important to ask what type of accounting work the CPA has experience in and typically performs. Compare the CPA's experience to your service needs.

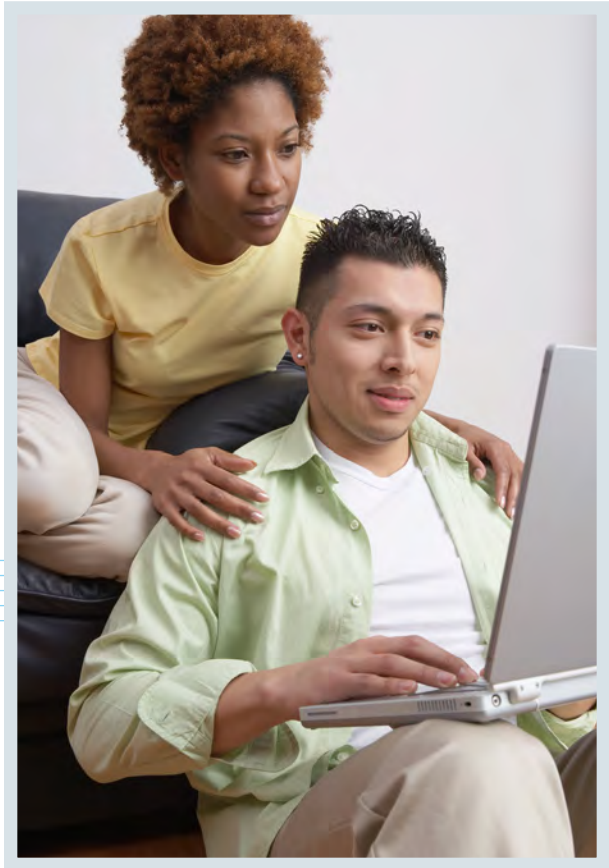
If the services you require include an audit, a review of financial statements, or an examination of prospective financial information, you need to be sure that the CPA signing the report is authorized and qualified to do so. It is important to understand that there is a distinction between a CPA who is authorized by law to sign reports on attest engagements and a CPA who is qualified to perform the work that he or she is being hired to perform; this includes signing reports on attest engagements.

AUTHORIZED means the CBA has determined that the CPA completed a portion (minimum of 500 hours) of his/her experience required for licensure in attest work.

QUALIFIED means that regardless of whether a CPA is authorized to sign reports on attest engagements, s/he complies with applicable professional standards. That requires the CPA to undertake only those professional services that s/he can reasonably complete with professional competence, including achieving a level of competence that will assure that the quality of service meets the high level of professionalism required. It is the responsibility of the CPA to evaluate whether his/her specific education, experience, and judgment are adequate to perform the services being requested. As a result, it important to ask the CPA about his/her level and number of years of experience, continuing education, and recent peer review, if any.

Who can Provide Tax Services in California?

In California, the only individuals allowed to charge a fee for preparing taxes are CPAs, PAs, Enrolled Agents, attorneys, and California Registered Tax Preparers.



How to Select a CPA

Most of us will need the advice and services of a CPA at some time in our lives, and establishing a relationship with a CPA you trust can be important to the financial health of your family, your business, or both.

Whether a CPA will be preparing your taxes, helping you create a roadmap for your financial future, keeping your books and preparing financial statements for your business, auditing your financial statements, or any number of other services a CPA can offer, selecting the best person or accounting firm for your needs is an important decision.

Here are some helpful tips to assist in making this very important hire.

1. GET RECOMMENDATIONS FROM FAMILY AND FRIENDS

Ask for recommendations from those you trust and who may have had similar accounting needs. Here are some considerations:

- Do you have a small business? Are you looking for someone to help keep your books and prepare monthly financials? Are you looking for an annual audit and periodic advice? Are there other areas in which you need a CPA's help?
- Are you looking for a CPA to assist with financial planning, estate issues, a tax return, or IRS issues?

Recommendations should be where your search begins, not ends. Once you get several recommendations, be thorough in checking out potential candidates. Be aware that in recent years there have been several high profile cases of "affinity fraud," in which an unscrupulous individual takes advantage of people connected by religion, ethnicity, group membership, or other "affinity" in order to easily gain access and trust to sizable groups of people.

2. VERIFY ON LICENSE LOOKUP

Visit www.cba.ca.gov and click on License Lookup. You can search for a California-licensed CPA or accounting firm by the name of the CPA or firm or by license number if you have it. When you search for a license status and locate a licensee, you will see the following information listed:

- Licensee/ Firm Name
- Type of License
- License Number
- License Status
- Experience Completed

The Experience Completed field reflects the type of experience the individual completed in order to obtain his/her CPA license.

If an "A" Appears: All CPAs must complete a minimum amount of experience providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. The experience may have been gained through employment in public accounting, private industry, or government.

This CPA also completed at least 500 hours of experience in attest services, the minimum amount of experience required to sign reports on attest engagements. This experience may have been completed before or after receiving his/her CPA license. This CPA may sign reports on attest engagements.

If an "G" Appears: All CPAs must complete a minimum amount of experience providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. The experience may have been gained through employment in public accounting, private industry, or government.

This CPA can perform a wide range of accounting services, including participating in attest engagements; however, the CPA may not sign reports on attest engagements.

You will also see:

- Expiration Date
- Issue Date
- Address of Record
- Disciplinary Actions/License Restrictions ("yes" or "no")
- If a "yes" appears in Disciplinary Actions/License Restrictions, please click on "Details" for further information.

License Lookup will allow you to see if the CPA or accounting firm you are considering has a current and active license, and if there have been any disciplinary actions or license restrictions.

License Lookup also allows you to verify the registration of an out-of-state CPA firm providing an audit or review, certain types of compilations, and/or an examination of prospective financial information for companies headquartered in California. Just click on Out-of-State Registered Accounting Firm in License Lookup.

A new resource for consumers desiring to check the status of a CPA practicing in other parts of the nation is CPAverify.org. This website is an online central repository of information about licensed CPAs and public accounting firms maintained by the National Association of State Boards of Accountancy (NASBA) to provide a single-search resource covering participating jurisdictions where a person or firm has been licensed. Access to the website is free and open to the public.

3. MEET THE CPA

Now that you have recommendations for CPAs that perform the type of services you may need and have determined that they hold a valid and current license, the next step is to find out if you are a good "match." Because you will be trusting someone with your financial information, being comfortable that they can meet your needs is important to a good long-term relationship. The best way to determine that is through an interview, preferably in person, but at the very least, by telephone. Please be aware that the CPA may charge a fee for an interview.

What to ask:

- What type of accounting work does the CPA have experience in and typically perform? Remember, not all CPAs provide the same range of services. Compare the CPA's experience to your service needs.
- What office hours does the CPA or accounting firm keep? Determine whether the office is open year-round; inquire if the CPA is available to take telephone inquiries.
- What type of continuing education has the CPA taken recently?
- Has the CPA been disciplined?
- Is the CPA licensed in another state? If yes, you may check with the licensing state or CPAverify.org to review the status of that license.
- If the services you require include either compiled, reviewed or audited financial statements, the CPA is required to participate in a peer review. Ask for a copy of the most recent review. A more detailed description of the peer review program appears on page 12 of this brochure.
- Does the CPA disclose any of your confidential information in connection with outsourcing any of the services to be provided?
- You may also want to ask if the CPA carries professional liability insurance. Professional liability insurance helps protect you in the event a claim is made for damages arising from a CPA's failure to perform tax or other services satisfactorily.

4. ENGAGEMENT LETTER

Before any work is done by the CPA, it is important to make certain that you receive an engagement letter regarding the purpose of the engagement and the work the CPA will perform for you. The engagement letter should include:

- The scope of the work to be performed (what the CPA will and won't do)
- Who will be performing the work, including whether the work is outsourced
- Client responsibilities
- The cost of the services
- When the work will be completed

Some final advice on selecting a CPA

The best time to choose a CPA is when you are beginning a business venture, planning for your financial well-being, or have time to meet with a CPA well before "tax season," not when you have a crisis. This approach provides you both the opportunity to gather the necessary documents and make the necessary preparations to launch a successful professional relationship.

Confidential Information

All information you provide to your CPA is confidential, and your CPA is required by law to ensure that none of your confidential information is disclosed without your permission. This includes any of your confidential information disclosed to persons or entities in connection with outsourcing any services provided by the CPA. While other persons or entities may provide you with financial services, including tax preparation, it is important to be aware that this is a regulation that pertains only to CPAs providing services in California. Only under specified circumstances, such as a subpoena in a legal proceeding or an official inquiry by a state or federal regulatory agency, are your records authorized to be disclosed without your permission.

Peer Review

A peer review is a study of an accountancy firm's accounting and auditing work by a CPA who is unaffiliated with the firm being reviewed. Peer review is required for all California-licensed firms, including sole proprietorships, which issue accounting and auditing reports that are prepared following specified professional standards. Tax practice is not required to be monitored by peer review.

A peer review provides accountancy firms with an evaluation of whether the services they provide meet applicable professional standards. It is an educational opportunity to learn best-practice techniques and improve services, so they can provide up-to-date methods and practices to consumers. Peer review also better equips firms to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems to ensure the work products meet professional standards.

There are three results from a peer review: pass, pass with deficiencies, and substandard (also referred to as fail). If the result is pass with deficiencies or substandard, the CPA must take corrective action. Ask the CPA if the proper corrective actions have been completed.

Can the CBA Help Me If I Have a Complaint?

The California Accountancy Act and the California Code of Regulations are the laws that govern the practice of public accountancy in California. It is the CBA's responsibility to investigate complaints involving violation of these laws, which may include service or work that is of poor or substandard quality and unprofessional conduct such as dishonesty, fraud, or negligence. If you have questions or concerns about the services you receive and are unable to resolve them with your CPA, we encourage you to file a complaint with the CBA. Please be aware that matters involving fees and employer/employee relations are not under the jurisdiction of the CBA.

How Do I File a Complaint?

The CBA has a complaint form to assist consumers in filing a complaint. You may file the complaint online via the CBA website, www.cba.ca.gov. Click on the "Consumers" tab. Select and click the "Complain about a CPA" text link and then select and click on "interactive version."

You may also file a complaint in letter form, or you may obtain a paper copy of the complaint form on the CBA website in the "Complain about a CPA" text link under "PDF," or by calling the CBA's Enforcement Division directly at (916) 561-1729 to have a complaint form mailed to you. The letter or complaint form and copies of supporting documents may be submitted to the CBA in person, by FAX at (916) 263-3673 or by mail to:

California Board of Accountancy

ATTN: Enforcement Division
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833

What Information Do I Need to Provide?

The information you provide will be used by the CBA to follow up on your complaint. Please provide a detailed description of your complaint, including your name and contact information, the name of the CPA, the reason for your complaint, when the problem first occurred, and a chronological summary of the facts and circumstances will assist the CBA in addressing your concerns. You will also be requested to submit a copy of any documentation (such as the engagement letter, tax forms, tax notices, audit reports, financial statements, and correspondence) to support your complaint. It is not necessary to reference specific sections of the law that you believe have been violated.

If you do not wish to identify yourself, you may remain anonymous; however, this may limit the CBA's ability to contact you or help you resolve your complaint.

What Happens When the CBA Receives a Complaint?

Within 10 days of receipt of your complaint, the CBA will send you a letter acknowledging that your complaint was received. This acknowledgement will contain an initial complaint referral number. Please reference this number in all communications with the CBA's Enforcement Division regarding your complaint.

Every complaint is reviewed by CBA staff, and you may be contacted with a request for additional information. Complaints that are outside of the CBA's jurisdiction are closed. When a complaint is closed, the complainant is notified of the reason for closure by mail.

Complaints within the jurisdiction of the CBA are assigned for investigation, and you will be advised in writing of the name and contact information of the assigned investigator. If the investigation substantiates violation of the Accountancy Act or the CBA Regulations, enforcement action against the CPA may include the issuance of a citation and fine or forwarding the investigative file to the Attorney General's Office for review and possible disciplinary action. Please be aware that California law requires the CBA to provide clear and convincing evidence in order to substantiate a disciplinary action; therefore, the investigative process can be lengthy. Once the investigation is completed, the investigator will notify you in writing of the results.

CONSUMER ASSISTANCE BOOKLET

CALIFORNIA BOARD OF ACCOUNTANCY
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833
www.cba.ca.gov

PDE_17-096

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item IV.D.
July 23, 2020

Discussion and Possible Action Regarding the California Board of Accountancy 2020 Communications and Outreach Plan

Presented by: Deanne Pearce, Assistant Executive Officer

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 draft CBA 2020 Communications and Outreach Plan (Plan) (**Attachment**).

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 Plan.

Background

Adopted last year, the CBA's 2019-2021 Strategic Plan discusses, among other topics, the role and value of outreach in relation to the CBA's consumer protection mission. Specifically, under *Goal 4: Outreach*, the CBA states its desire to provide and maintain effective and timely outreach to all CBA stakeholders.

Comments

The Plan was developed prior to the COVID-19 pandemic and staff will need to update and modify accordingly; however, the target audiences, messaging goals, and priorities continue to be a focus.

The 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 consumers choose a licensed and qualified CPA/firm
- Increased understanding among applicants and licensees of the requirements and process to obtain and maintain a license with the CBA

Target Audiences and Messaging Goals
The Plan discusses (see pages 2-4) the following target audiences and related messaging goals:

- Consumers
- Current and future applicants
- Licensees
- State government stakeholders
- Media

The Plan also discusses (see pages 4-6) the role of partnerships and the communication assets employed by the CBA to reach target audiences, including the *UPDATE* newsletter, website, and outreach events, both online and in-person (in the future).

2020 Communications Priorities
The following timeframes highlight the key actions completed and planned regarding the 2020 priorities (see pages 6-7):

First Quarter 2020

- *Redesign of the UPDATE template (complete)*
- *Release UPDATE Issue No. 90, which is the first issue to be published in a primarily-electronic manner; launch opt-in process to receive a paper copy of UPDATE (complete)*

Second Quarter 2020

- *Begin distributing information about disciplined licensees through social media*

Third Quarter 2020

- *Begin follow-up communications to licensees who have not confirmed or provided an email address to the CBA*
- *Develop list of accounting-related contacts at California colleges and universities*
- *Identify targets for online outreach opportunities for Fourth Quarter 2020 and First Quarter 2021*

Fourth Quarter 2020

- *Cal Poly Pomona outreach event via Zoom online meeting software*
- *Implement a new online publishing tool for the UPDATE newsletter*
- *Launch licensing requirement video series*
- *Launch licensee renewal email campaign*
- *Commence event and video-based outreach regarding committee recruitment (due to shifting priorities, may get pushed into 2021)*

Fiscal/Economic Impact Considerations

The CBA would have minor and absorbable travel costs to shoot videos in a studio.

Recommendation

Staff recommend that the CBA approves the Plan.

Attachment

Draft CBA 2020 Communications and Outreach Plan

CALIFORNIA BOARD OF ACCOUNTANCY

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

Attachment

DRAFT

California Board of Accountancy
2020 Communications and Outreach Plan

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 communications 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 consumers choose a licensed and qualified CPA/firm
- Increased understanding among applicants and licensees of the requirements and process to obtain and maintain a license with the CBA

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 our strategic goals.

<u>Consumers</u>
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 consumers is a broad category that 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 extremely 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:

- Awareness of the CBA and its role
    - Knowledge of the complaint and enforcement process
    - See the CBA as a trusted, supportive, and competent organization
- Understands the services provided by CPAs and accounting firms
    - Guidance to choose a CPA suitable for their needs
        - License lookup and public enforcement document searches

    - How to identify and report unlicensed activity
- Identify and cultivate positive, strategically valuable relationships with individuals who support the CBA's mission, vision, and/or policy goals

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 understand the CBA's examination, education, and experience requirements. This audience experiences significant turnover as thousands of individuals move annually from applicant to licensee or obtain their first interest in the CPA profession.

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
    - See the CBA as a trusted, supportive, and competent organization
- Understands the requirements and process to obtain and maintain a license
- Knowledge of CPA career opportunities

Licensees

This audience is comprised of the following individuals and firms:

- Active and non-active CPAs and PAs licensed by the CBA
- Accountancy 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 matters related to renewal requirements and enforcement matters.

Messaging goals for this audience:

- The CBA and its role
    - See the CBA as a trusted, supportive, and competent organization

- Understands 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 to it
    - 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; the Department of Finance; the Office of Administrative Law; the Business, Consumer Services, and Housing Agency; and the Department of Consumer Affairs) and the members and committees of the California State Legislature.

Messaging goals for this audience:

- Understands the CBA and its role
    - Sees the CBA as a trusted, supportive, and competent organization
    - Sees the CBA as appropriately sensitive/balancing needs of consumers, applicants, and licensees
    - Sees the CBA as a resource to their constituents/public
- Identify and cultivate positive, strategically valuable relationships with individuals who can support the CBA's policy goals

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 that we are unable to 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:

- Understands the CBA and its role
    - Sees the CBA as a trusted, supportive, and competent organization
    - Sees the CBA as an organization that understands their news cycle/audience and offers newsworthy stories
- Cultivate relationships with reporters/editors/producers
- News coverage that positively portrays the CBA and its mission/vision

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:

- Understands the CBA and its role
    - Sees the CBA as a trusted, supportive, and competent organization
- Partner recognizes shared goals/value to a relationship with the CBA
- Identify and cultivate positive, strategically valuable relationships with individuals who support the CBA's goals

Two current examples of key partners are the California Society of Certified Public Accountants (CalCPA) and the National Association of State Boards of Accountancy (NASBA).

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. These relationships, in particular, are critical to growing the success of the CBA's communication and outreach program.

Developing partnerships takes time and sustained effort, but can lead to significant benefits to the CBA.

<u>Partnership Potential: Educational Institutions</u>

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.

Due to the success of its student outreach events in recent years, the CBA 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.

Communication Assets

To have a successful communication and outreach program, the CBA must employ a variety of assets and tactics appropriate to the intended audience and support the desired message. An asset is a resource that the CBA has either direct or in-direct control over.

<u>Assets</u>

- CBA Members, committee members, and staff
- UPDATE newsletter
- CBA website
- Social media accounts (Facebook, Twitter, LinkedIn, YouTube)
- Email
- 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 events
- Media
    - Traditional: print, radio, television
    - Industry-specific: publications who have CPAs/firms as a primary audience
    - New/web-based: podcasts, blogs, online-only outlets
- Partnerships

2020 Priorities

To reach the CBA's identified target audiences in 2020, the CBA's communication and outreach priorities are as follows:

UPDATE Publication

Distributed to all licensees, the *UPDATE* provides information regarding recent CBA activities and important changes that impact our stakeholders and operations. Further, the CBA uses the *UPDATE* to inform readers of recent disciplinary actions.

The CBA will publish three issues of the *UPDATE* in 2020; the first in late February/early March, the second in early-to-mid July, and the third in early-to-mid November.

In addition, the CBA will deploy a redesigned look-and-feel to the *UPDATE,* incorporating more modern images to coincide with the first 2020 issue. Further, the CBA will use a new online publishing tool to enhance reader engagement as the CBA implements its electronic-distribution plans.

In-Person Outreach Events

Each year, the CBA participates in multiple in-person 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 our audiences. In 2020, the CBA will continue to join CalCPA sponsored events.

In addition, the CBA will conduct an outreach event at Cal Poly Pomona on Tuesday, October 6, 2020. Further, the CBA will contact other California colleges/universities to gauge their interest in hosting the CBA at events on their campus in 2020 and beyond. Schedule permitting, these events will include CBA members as a keynote or featured speaker.

Video-Based Outreach

In 2020, the CBA will grow the use of video in its communication and outreach efforts. In partnership with CalCPA, we will develop a video series that explains to applicants and consumers the examination, education, and experience requirements for licensure.

Further, the series will include information regarding renewal requirements, including peer review and CE. These videos will be shared with appropriate audiences and shared on social media.

Licensee Renewal Email Campaign

As the CBA continues to collect and verify email addresses for its licensees, we wish to capitalize on this new communication opportunity. Therefore, we will develop and implement a campaign to email licensees with reminders and relevant information related to their renewal requirements and deadlines. The campaign would include a series of messages sent to licensees throughout their renewal cycle, including, but not limited to, the following topics:

- 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 (most recently) YouTube social media platforms. This medium provides a newer and growing method to reach stakeholders, most commonly applicants for licensure. The CBA posts information about CBA meetings, licensing requirements, and other items of interest to stakeholders.

The CBA will begin to share information on its social media accounts about licensees who are disciplined. Following the effective date of each disciplinary order, the CBA will provide information about the cause for discipline regarding those licensees on the CBA's Facebook, Twitter, and LinkedIn accounts.

Further, the CBA will re-publish some *UPDATE* content on LinkedIn.

Communications and OUTREACH

www.cba.ca.gov July 2020

Outreach Events

San Francisco State University – January 2020

The CBA began 2020 with an outreach event held January 30, 2020 at San Francisco State University. The event, titled "Student Professional Issues Update," was sponsored by the California Society of CPAs (CalCPA). President Nancy J. Corrigan, CPA spoke on behalf of the California Board of Accountancy (CBA) and discussed the examination, education, and experience requirements for licensure. President Corrigan also provided an overview of continuing education and license renewal requirements and discussed future regulatory trends for the accounting profession. Over 100 people registered for this event, which was focused on students nearing graduation or those who recently completed their education.

CBA President Nancy J. Corrigan, CPA addressing the audience

CalCPA's David Lo with opening remarks

"Conversations and Coffee" – June 2020

On June 11, 2020, the CBA participated in a new online event sponsored by CalCPA. "Conversations and Coffee" is a series of events aimed at groups of up to 25 CalCPA members. This particular forum was specifically focused on examination and initial licensure candidates. The meeting took place through the Zoom online meeting platform, and participants posed various questions to Suzanne Gracia, Manager of the CBA's Examination Unit.

The CBA looks forward to developing and implementing new online outreach opportunities.

Cal Poly Pomona – October 2020

The CBA's next outreach event is scheduled for October 6, 2020 with students attending Cal Poly Pomona (CPP). The event will be conducted through the Zoom online meeting platform (which can accommodate hundreds of participants), since the CPP campus remains closed to all classes and events through at least the Fall 2020 semester. President Corrigan and other featured speakers and panelists will discuss the requirements for CPA licensure in California, public accounting career opportunities, and other topics of interest to students considering entering the profession. CPP and CBA staff are eager to develop an informative and engaging event for CPP students.

Licensee and Applicant Email Collection

With the approval of Assembly Bill 1521 last year, licensees and applicants are now required to provide the CBA with a current and valid email address. Earlier this year, the CBA sent a letter to inform licensees of this new requirement, including instructions on how to submit this information through the CBA website. In addition, all CBA application forms were updated to reflect this requirement. The table below shows the number of licensees with a confirmed, unconfirmed, or no email address on file with the CBA, as of June 30, 2020:

Licensees With Confirmed Email Address	20,865	19.0%
Licensees With Unconfirmed Email Address	65,560	59.7%
Licensees With No Email Address on File	23,357	21.3%
Total Licensees	109,782	100%

In July, an email will be sent to the licensees with unconfirmed email addresses requesting them to confirm their email address through the CBA's website. A letter is being prepared for distribution in late Summer/early Fall 2020 to licensees who have not provided an email address reminding them of this requirement and encouraging them to submit it through the CBA website.

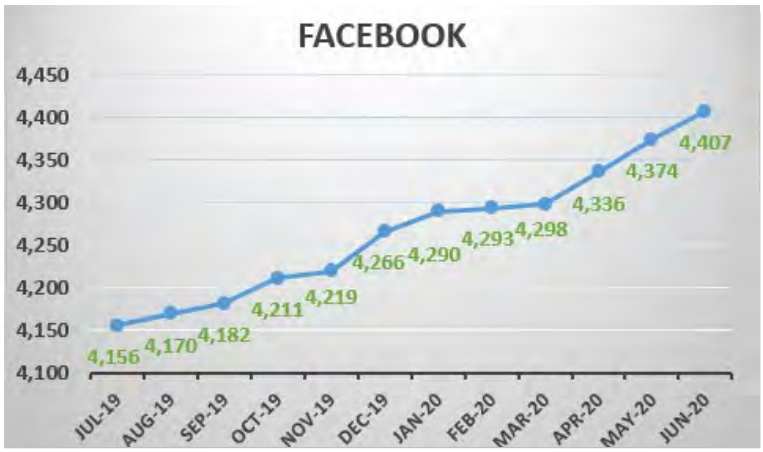
E–News

E-News Subscriptions	Total
Consumer Interest	5,141
Examination Applicant	3,245
Licensing Applicant	3,957
California Licensee	10,897
Out-of-State Licensee	2,706
Statutory/Regulatory	8,810
CBA Meeting Information & Agenda Materials	4,314
UPDATE Publication	8,773
Total Subscribers	**99,416**
Total Subscriptions	**47,843**

Social Media

Staff have increased the volume and range of CBA social media posts and continue to see steady gains in our following. All three CBA social media platforms experienced growth.

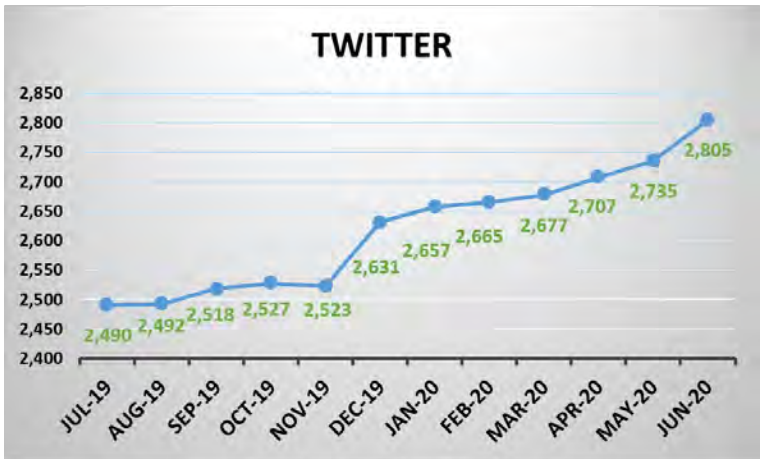
The CBA's LinkedIn account, most significantly, saw 26.4 percent quarterly and 60 percent year-to-date (YTD) growth, respectively.



Facebook

4,407 followers

+2.5 percent Q2 2020
+3.3 percent YTD



Twitter

2,805 followers

+4.8 percent Q2 2020
+6.6 percent YTD

LinkedIn

704 followers

+26.4 percent Q2 2020
+60.0 percent YTD

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item V.C.2.
July 23, 2020

Presentation and Possible Adoption of the Peer Review Oversight Committee 2019 Annual Report

Presented by: Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with the Peer Review Oversight Committee (PROC) 2019 Annual Report (**Attachment 1**).

Consumer Protection Objectives

The PROC provides the CBA with an overview of the PROC's annual oversight activities, its effectiveness, and continued effort to ensure relevance to the California Peer Review Program, which is an important component of the CBA's Consumer Protection mandate.

Action(s) Needed

The CBA is being asked to approve the PROC 2019 Annual Report.

Background

The PROC derives its authority from Business and Professions Code section 5076.1. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review. Pursuant to CBA Regulations section 47(c), the PROC is required to report to the CBA annually regarding the results of its oversight, including the scope of work, findings, and conclusions. The PROC 2019 Annual Report includes information on various activities and accomplishments, information on the oversight functions it performs, and various statistical information.

Comments

At its February 14, 2020 meeting, the PROC reviewed and approved the PROC 2019 Annual Report. Historically, the PROC has had several sections, subsections, and sub-subsections. In an effort to ensure clarity and readability of the report, the

administrative oversight functions of the PROC are now captured in three main areas of the PROC 2019 Annual Report:

1. PROC Observed Oversight Activities
2. Peer Review-Related Reports and Publications Reviewed by the PROC
3. Other PROC Oversight Activities

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

The PROC members recommend that the CBA approve the PROC 2019 Annual Report and continue to provide guidance to the PROC concerning its oversight activities.

Attachment

Peer Review Oversight Committee 2019 Annual Report

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE
2019 Annual Report

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I. MESSAGE FROM THE COMMITTEE CHAIR

I am pleased to present the California Board of Accountancy (CBA) with the Peer Review Oversight Committee's (PROC) 2019 Annual Report. I would like to thank the CBA for its continued trust in my leadership of the PROC. I would also like to extend my sincerest appreciation to Ms. Renee Graves, CPA, who served as Vice-Chair of the PROC this last year.

Over the last year, the PROC's presence as an active oversight body has continued to flourish and grow. In addition to performing its routine oversight functions, the PROC has undertaken several important initiatives to improve its oversight of the California Peer Review Program.

The PROC worked closely with the American Institute of CPAs (AICPA) to obtain statistical information related to non-conforming engagements identified in the 2017 AICPA Peer Review Program Annual Report on Oversight. Additionally, the PROC continued to work with AICPA to obtain Peer Review Population statistics and to develop a method of data collection and analysis that will provide useful information in the coming years.

PROC members reviewed and discussed the AICPA Proposed Revisions to Chapter 3 of the Peer Review Oversight Handbook and considered the National Association of State Boards of Accountancy (NASBA) proposed revisions to the Uniform Accountancy Act Model Rules, Article 7, Firm Permits to Practice, and potential impacts to the CBA's administration of its peer review program.

The PROC has endeavored to further evaluate and refine the Administrative Site Visit process used to evaluate the California Society of CPA's (CalCPA) administration of the Peer Review Program. In the coming year, the PROC will continue to work closely with AICPA and CalCPA to further streamline the Administrative Site Visit process.

I would like to thank the CBA for the opportunity to lead the PROC over this coming year and look forward to another successful year.

Sincerely,

Jeffrey De Lyser, CPA

II. THE CALIFORNIA PEER REVIEW PROGRAM

All California-licensed accounting firms, including sole proprietorships, providing accounting and auditing services are required to undergo a peer review once every three years as a condition of license renewal.

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. Consumer protection is increased in two crucial areas through peer review:

- 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 substandard peer review rating to notify the CBA. The CBA reviews the information to assess whether to pursue enforcement actions against accounting firms. This consumer protection mechanism provides assurance that only qualified licensees are practicing public accounting and providing services to consumers in California. Consumer confidence increases from knowing accounting firms must answer to verifiable standards.

III. PROC RESPONSIBILITIES

The purpose of the PROC is 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 derives its authority from Business and Professions Code section 5076.1.

The roles and responsibilities of the PROC, as defined by the CBA, are:

- 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 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
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA
- Refer to the CBA any Provider that fails 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

2019 PROC MEETING DATES

The PROC holds meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

The PROC met four times in 2019 at the CBA Office in Sacramento on the following days:

- February 15, 2019
- May 3, 2019
- August 16, 2019
- December 13, 2019

IV. PROC MEMBERS

Current Members	Term Expiration Date	Maximum Term Date
Jeffrey De Lyser, CPA, Chair	March 31, 2021	March 31, 2021
Renee Graves, CPA, Vice-Chair	November 30, 2021	November 30, 2023
Kevin Harper, CPA	March 31, 2021	March 31, 2023
Sharon Selleck, CPA	March 31, 2021	March 31, 2025
Fiona (Liang) Tam, CPA	November 30, 2021	November 30, 2025
Alan S. Lee, CPA	March 31, 2020	March 31, 2026
Iryna Oreshkova	January 31, 2021	January 31, 2027

In 2019, the PROC welcomed Ms. Oreshkova as a new member to the PROC. At the November 2019 CBA meeting, Mr. De Lyser, was re-appointed as Chair and Ms. Graves was reappointed as Vice-Chair. The PROC is actively recruiting for new members as membership terms expire.

The CBA appointed Mary M. Geong, CPA, and Katrina Salazar, CPA, as CBA member liaisons to the PROC.

V. AICPA

The AICPA Peer Review Program is currently the sole CBA-recognized Peer Review Program Provider. The AICPA oversees its program and the peer reviews are administered by an entity, typically a state CPA society, approved by the AICPA to perform that role. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in CBA Regulations section 48. Further, the CBA accepts all AICPA-approved entities authorized to administer the AICPA Peer Review Program.

The AICPA administers and monitors its peer review program through specifically assigned AICPA institutions, programs, and systems. Those monitoring tools are as follows:

- AICPA Peer Review Board
- AICPA Oversight Task Force
- AICPA Peer Review Program Administering Entities
- AICPA Peer Review Integrated Management Application (PRIMA)

VI. CALCPA

CalCPA is one of 55 state societies and is one of 32 administrative entities approved in 2019 by AICPA. CalCPA administers the AICPA Peer Review Program in California, Arizona, and Alaska. As an administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's *Standards for Performing and Reporting on Peer Reviews*.

CalCPA upholds the integrity of its peer review administration of the AICPA peer review program through use of the AICPA PRIMA system, complying with AICPA regulations, reviewing and ensuring qualifications of peer reviewers, conducting peer reviewer training, maintaining on-staff CPAs and technical reviewers, and facilitating several Report Acceptance Body meetings each year. The Peer Review Committee addresses various administrative issues at its bi-annual meetings

CalCPA technical reviewers review the technical quality of the peer review reports and findings on reviewed CPA firms and review the performance of peer reviewers. During the CalCPA Report Acceptance Body meetings, members discuss the peer reviews, conclude on the findings, discuss peer reviewer performance feedback, and determine whether each peer review completed is acceptable.

VII. NASBA COMPLIANCE ASSURANCE COMMITTEE

The NASBA Compliance Assurance Committee is charged to provide transparency in the operation of the AICPA National Peer Review Committee and to promote effective oversight of compliance with professional standards by CPAs and their firms. The focus of the NASBA Compliance Assurance Committee is to recommend a nationwide strategy promoting a mandatory program for compliance assurance acceptable to boards of accountancy.

By agreement, two spots on the National Peer Review Committee are filled by NASBA representatives. The National Peer Review Committee members representing NASBA participate in Report Acceptance Body meetings and report periodically to the NASBA Compliance Assurance Committee on whether the AICPA National Peer Review Committee has operated appropriately.

The National Peer Review Committee administers the AICPA peer review program for firms that meet the following three criteria:

- The firm is required to be registered with and subject to permanent inspection by the Public Company Accounting Oversight Board.
- The firm performs engagements under Public Company Accounting Oversight Board standards.
- The firm provides quality control materials, or is affiliated with a provider of quality control materials, that are used by firms that it peer reviews.

VIII. PROC OVERSIGHT OF THE CALIFORNIA PEER REVIEW PROGRAM

The PROC is charged with providing oversight of all CBA-recognized peer review program providers and peer review-related activities.

To ensure a comprehensive oversight of the California Peer Review Program, the PROC strategically incorporates various oversight activities that includes active participation, review of relevant peer review-related publications, highlight and inquire about findings that may have potential impacts to the California Peer Review Program, and performs continual internal updates and reviews of oversight procedures to address the evolving peer review program.

PROC OBSERVED OVERSIGHT ACTIVITIES

The PROC actively oversights and evaluates the administration of the California Peer Review Program via in-person or conference call observations of peer review-related meetings and activities. In 2019, the PROC observed the following peer review-related meetings and activities:

- AICPA Peer Review Board Meetings
- Peer Reviewer Trainings
- CalCPA Report Acceptance Body Meetings
- CalCPA Peer Review Committee Meetings
- CalCPA Administrative Site Visits

AICPA Peer Review Board Meetings

PROC members observed four AICPA Peer Review Board meetings via conference calls or review of meeting materials that took place in January, May, August, and October.

The topics covered during the meetings included: AICPA's Benchmark Model for administering entities and plans to go live in 2020; revisions to Chapter 3 of the Peer Review Oversight Handbook regarding policies and procedures for administering entities, PROC member appointments and confidentiality requirements; implementation plan for accounting firms with failed peer review reports with significant deficiencies; peer reviewer population, recruitment plans, and discontinued peer reviewers; enhanced oversight procedures to address nonconforming peer reviews; dropped accounting firms; findings for further consideration; and the Report Acceptance Body oversight handbook.

The PROC reported that all AICPA Peer Review Board meetings met CBA expectations.

Peer Reviewer Trainings

CalCPA offered both an Advanced Peer Reviewer Update and New Peer Reviewer trainings on July 10-11, 2019. Both courses are created by the AICPA and facilitated by CalCPA. The courses focused on future changes to the peer review program.

The PROC reported that the trainings met CBA expectations.

CalCPA Report Acceptance Body Meetings

PROC members observed seven Report Acceptance Body meetings either in-person or via conference calls.

The PROC consistently reported that the Report Acceptance Body members have high-level technical expertise and were engaged. PROC members were impressed at the number of reviews covered during each meeting and the knowledge that the Report Acceptance Body members have regarding the individual files, standards, and technicality of peer review overall.

The PROC concluded that each Report Acceptance Body meeting met CBA expectations.

CalCPA Peer Review Committee Meetings

PROC members attended in-person the May and November CalCPA Peer Review Committee meetings.

The PROC reported that the meetings included several Report Acceptance Body meetings and covered various topics including: AICPA's Benchmark Model for administering entities and its delayed 2019 start and reporting dates and Standards Task Force, limited PRIMA statistics, familiarity threats, findings for further consideration matters, reviewer's risk assessments, decrease in the number of peer reviews completed as a result of challenges with PRIMA, and peer reviewer qualifications and population.

The PROC reported that the meetings met CBA expectations.

CalCPA Administrative Site Visits

The Administrative Site Visit to CalCPA is the most comprehensive oversight activity performed by the PROC. The Administrative Site Visit is an in-person activity that allows the PROC to perform an in-depth oversight of the California Peer Review Program. The Administrative Site Visit oversight procedures are outlined in four PROC-developed checklists and is implemented in five phases annually to ensure key deadlines are met. The checklists are as follows:

- PROC Administrative Site Visit Work Plan Checklist
- PROC Administrative Site Visit Risk Map and Risk Mitigating Procedures Checklist
- PROC Administrative Site Visit Summary Report
- PROC Administrative Site Visit Summary Oversight Checklist

The PROC Administrative Site Visit implementation phases are listed below along with activities that took place in 2019.

Phase 1: Assignment of the two-person Administrative Site Visit team (**May**).

On May 3, 2019, the PROC assigned Ms. Graves and Ms. Selleck as subcommittee members to perform the 2019 PROC Administrative Site Visit of CalCPA.

Phase 2: Referencing the PROC Administrative Site Visit Work Plan Checklist, assigned PROC members send an initial contact letter or communicate with administering entities to arrange oversight activities and site visit, and request documents and information necessary to effectively complete the risk assessment (**May/June**).

In late July 2019, Ms. Graves and Ms. Selleck communicated with CalCPA and documented the CalCPA peer review administration process and integration with PRIMA.

Phase 3: Place on the PROC agenda an item soliciting input from PROC on risks and associated testing (**August**).

At its August 16, 2019 meeting, the PROC reviewed CalCPA's administration of the California Peer Review Program, the integration of PRIMA, risk mitigating procedures, Report Acceptance Body members and meetings, peer reviewer qualifications, and additional areas the PROC should continue to focus its oversight on.

Phase 4: Referencing the PROC Administrative Site Visit Risk Map and Risk Mitigating Procedures Checklist, assigned PROC members will conduct the administrative site visit, perform executable risk assessment procedures to determine whether the risk mitigating procedures set in-place by the administrative entity operates and functions as intended (**September/October**).

On October 24, 2019, PROC members implemented Phase 4 of the Administrative Site Visit to CalCPA.

The PROC performed the following oversight procedures during its October 24, 2019 Administrative Site Visit to CalCPA:

- Reviewed existing and new peer reviewers and their qualifications to determine if AICPA's minimum standards were met
- Completed Phase 4 by reviewing and examining key risk variables and mitigating procedures
- Interviewed key CalCPA staff, a Peer Review Committee member, and technical reviewer
- Reviewed policies and procedures used by CalCPA to govern its peer review program process
- Read correspondence and other available documentation from other oversight activities performed at CalCPA
- Reviewed a sample of peer review reports and associated files
- Discussed the peer review committee member and individual peer reviewer qualifications process with CalCPA personnel and reviewed a sample for inspection of supporting documentation
- Considered risk mitigating procedures
- Completed PROC Administrative Oversight Checklist

Phase 5: Assigned PROC members will complete the PROC Administrative Site Visit Summary Report and present findings to the PROC, and as a committee complete the Administrative Site Visit Summary Oversight Checklist (**December**).

On December 13, 2019, PROC members reported on and discussed observations from the October 24, 2019 PROC Administrative Site Visit to CalCPA, the PROC Administrative Site Visit Summary Report, and the Administrative Site Visit Summary Oversight Checklist.

The PROC concluded that the administration of the California Peer Review Program by CalCPA met CBA expectations.

NASBA Compliance Assurance Committee Meetings

The NASBA Compliance Assurance Committee met several times in 2019 including committee meetings in September and December. Additionally, select members of the NASBA Compliance Assurance Committee attended a NASBA Uniform Accountancy Act/Compliance Assurance Committee joint meeting regarding proposed changes to the Model Rules for peer review that occurred in August 2019. A joint meeting between the AICPA Oversight Task Force and the NASBA Compliance Assurance Committee occurred in September 2019. A NASBA Compliance Assurance Committee meeting open to the PROC is expected in 2020.

PEER REVIEW-RELATED REPORTS AND PUBLICATIONS REVIEWED BY THE PROC

The PROC annually reviews peer review-related reports and publications by the AICPA, CalCPA, and NASBA Compliance Assurance Committee in order to remain current with the AICPA Peer Review Program, policies, procedures, and changes that affect consumers.

The PROC reviewed the following peer review-related reports and publications in 2019:

- Results and Response Letters Regarding the Administrative Oversight of the AICPA National Peer Review Committee, Dated September 28, 2018 and November 14, 2018
- AICPA Peer Review Program, National Peer Review Committee 2017 Annual Report on Oversight, Issued November 14, 2018
- Response Letter from the AICPA Regarding Nonconforming Engagements Identified in the 2017 AICPA Peer Review Program Annual Report on Oversight, Issued October 4, 2018
- AICPA Peer Review Administering Entity Oversight Visit Results for the Pennsylvania, Illinois, Georgia, Massachusetts, Maryland, Ohio, North Carolina, and Missouri Society of CPAs

Results and Response Letters Regarding the Administrative Oversight of the AICPA National Peer Review Committee, Dated September 28, 2018 and November 14, 2018

At its May 3, 2019 meeting, the PROC discussed the Results and Response Letters Regarding the Administrative Oversight of the AICPA's National Peer Review Committee. The AICPA Oversight Task Force provides administrative oversight of the AICPA National Peer Review Committee. The AICPA Oversight Task Force report provides the PROC with valuable insight pertaining to the AICPA National Peer Review Committee administrative peer review process and provides reasonable assurance that consumer protection is a high priority.

During September 6-28, 2018, the AICPA Oversight Task Force conducted both on and off-site administrative oversight activities of the AICPA National Peer Review Committee peer review

process including: review of its administrative procedures, website information, working paper retention, technical review procedures, and oversight program.

On September 28, 2018, the AICPA Oversight Task Force issued a result letter and concluded that the National Peer Review Committee administrative peer review process was performed in a manner consistent with peer review standards. The letter noted a need for review of procedures on issuing committee decision letters to firms to provide reasonable assurance that the letters are in compliance with current wording requirements.

On November 14, 2018, James Brackens, Jr., CPA, AICPA Vice President – Ethics and Practice Quality, issued a response letter to the AICPA Oversight Task Force internal review of the AICPA National Peer Review Committee administrative procedures conducted between September 6-28, 2018.

Mr. Brackens noted that AICPA National Peer Review Committee staff were not aware of changes to the acceptance letter for firms receiving a non-passing report accepted without corrective actions since the introduction to the AICPA PRIMA. He noted that steps were taken to train staff on how to properly modify this letter when accepting these reviews in the future.

The PROC and staff concluded that the AICPA National Peer Review Committee peer review administrative procedures were performed in a manner consistent with peer review standards.

AICPA Peer Review Program, National Peer Review Committee 2017 Annual Report on Oversight, Issued November 14, 2018

At its May 3, 2019 meeting, the PROC reviewed the 2017 AICPA Peer Review Program Annual Report on Oversight, issued on November 14, 2018.

The oversight report provides statistics and information about the National Peer Review Committee's oversight process performed in 2017. As a result of the transition to the AICPA PRIMA system and technical difficulties, the 2017 AICPA National Peer Review Committee Report does not include any statistics on peer review results.

The AICPA Oversight Task Force conducted an internal review of the AICPA National Peer Review Committee administrative functions in September 2017 and an external review was conducted by the AICPA Peer Review Board in September 2018 which covers the overall AICPA National Peer Review Committee peer review process, including:

- Scheduling
- Technical Review
- Report Acceptance
- Firm Peer Review Oversight Process and Procedures including:
    - On-site oversight
    - Off-site oversight
    - Engagement oversight
    - Oversight of the peer reviews and reviewers
    - Enhanced oversight
    - Use of panels
- Administrative oversight
- Annual verification of reviewers' resumes

- Peer reviewer performance
- Peer reviews of quality control materials
- Oversight of acceptance process

The external review of the AICPA National Peer Review Committee administrative functions conducted by the AICPA Oversight Task Force recommended that procedures for issuing committee decision letters to firms should be reviewed to provide reasonable assurance that the letters are in compliance with current wording requirements.

The AICPA National Peer Review Committee responded to this finding by training staff on how to properly modify committee decision letters.

The internal review of the administrative functions of the AICPA National Peer Review Committee conducted by the AICPA Oversight Task Force noted instances when peer review documents were retained longer than allowed by the peer review standards.

The AICPA National Peer Review Committee responded to the findings by modifying its procedures to initiate deletion of all documents within 30 days of posting and noted that documents retained within the AICPA are not within its jurisdiction.

Based on the results of the oversight procedures, the AICPA Oversight Task Force concluded that for 2017, the oversight initiatives performed and objectives of the Peer Review Board Oversight Program, taken as a whole, were met.

Response Letter from the AICPA Regarding Nonconforming Engagements Identified in the 2017 AICPA Peer Review Program Annual Report on Oversight, Issued October 4, 2018

At its August 16, 2019 meeting, the PROC reviewed and discussed the response letter from AICPA regarding the number of nonconforming engagements identified in the 2017 AICPA Oversight Report. The response letter was dated July 18, 2019.

The AICPA response provided the following:

- The number of nonconforming engagements detected by peer reviewers has increased between 2014 and 2018, from 22 percent to 68 percent
- AICPA anticipates the overall audit quality to improve
- AICPA Subject Matter Experts are performing peer reviews using the same criteria as peer reviewers
- AICPA struggles to develop a consistent and comprehensive definition of nonconforming engagements and have revised several engagement checklists
- Of the total 43 nonconforming “Engagement Samples” specified in the 2017 AICPA Annual Report:
    - seven of the engagements were reviewed by California peer reviewers
    - six of the nonconforming engagements were from California firms
    - five of the 16 engagements not identified by peer reviewers were performed by California peer reviewers
- AICPA Subject Matter Experts focus solely on finding individual elements of nonconformity

The PROC acknowledged the AICPA's challenges with defining nonconforming peer review engagements. The PROC concluded that the AICPA will better define nonconforming peer review engagements once it shifts from a statistic-based to a rule-based model.

AICPA Peer Review Administering Entity Oversight Visit Results for the Pennsylvania, Illinois, Georgia, Massachusetts, Maryland, and Ohio Society of CPAs

The PROC is required to annually monitor selected out-of-state administering entities that operate under the CBA-Recognized Peer Review Program Provider, the AICPA, to ensure that they are held to the same regulatory standards in California.

During the August 17, 2019 PROC meeting, the PROC reviewed and enhanced its PROC oversight procedures of out-of-state administering entities. The enhanced procedures include a review of the current list of AICPA approved administering entities and top 20 jurisdictions (states) with high-volume of Out-of-State Firm Registrants under the current California mobility program:

- At each PROC meeting, select two out-of-state administering entities from the list of administering entities identified to have high-volumes of Out-of-State Firm Registrants
- Review available prior AICPA administering entities' oversight reports
- Complete the PROC Out-of-State Administering Entities Checklist
- Present and discuss as a committee the following items:
  - Findings
  - Recommendations
  - Develop items to include in a written inquiry to the AICPA regarding the findings and request for explanations, corrective actions, and timeframe for completion, if applicable
- Follow-up and review future published AICPA administering entities' oversight report(s) to ensure all findings have been addressed and corrected

The AICPA Oversight Report for Illinois recommended that Illinois verify information on its website for accuracy and to include direct links to peer review information on the AICPA website. The Illinois Society responded to the AICPA with corrective actions.

The AICPA Oversight Report for Maryland found that on an engagement review, the peer reviewer, technical reviewer and Report Acceptance Body treated a departure from a newer standard as a Finding for Further Consideration whereas current guidance would call it a non-conforming engagement and would result in a report deficiency. It is recommended that the technical reviewer and Report Acceptance Body should refresh themselves as to which matters would ordinarily result in a non-conforming engagement. The PROC will proceed with communication with AICPA to seek information and status of corrective actions.

The AICPA oversight report for Georgia listed several findings. The PROC will proceed with communication with AICPA to seek information and status of corrective actions.

The AICPA oversight reports for Massachusetts, Pennsylvania and Ohio resulted in no findings.

OTHER PROC OVERSIGHT ACTIVITIES

The PROC oversight activities are not limited to meeting observations and publications reviews. The CBA PROC performs further comprehensive oversight of the California Peer Review Program and, for 2019, included the following matters:

- AICPA PRIMA
- Peer Reviewer Population
- NASBA Revisions to the Uniform Accountancy Act Model Rules, Published January 2019
- AICPA Proposed Revisions to Chapter 3 of the Peer Review Oversight Handbook

AICPA PRIMA

AICPA launched PRIMA in 2017 to improve audit quality and streamline the administration of its National Peer Review Program. PRIMA is accessed by administering entities, accounting firms, peer reviewers, and state boards of accountancy. It allows users to perform self-service activities including initiating and tracking their peer review schedule, uploading and signing documents, and responding to discrepancies or matters in real-time. AICPA PRIMA allows all end users to observe and interact during the peer review process, which includes:

- Enrollment in the AICPA Peer Review Program
- Select a Peer Reviewer
- Schedule a Peer Review
- Complete the Peer Review Process
- Peer Review Committee Acceptance Review Process
- Corrective Action and Implementation Plan Process
- Decision to Confirm Review Acceptance

The CBA Enforcement Division has observed and experienced delays and missing information within the AICPA PRIMA system. Additionally, due to data discrepancies with the AICPA PRIMA system, the PROC has observed multiple year delays with peer review-related statistics.

The PROC can confirm that the data discrepancies and delays caused by PRIMA has directly delayed the publication of the following annual reports and publications oversighted by the PROC:

- 2017 AICPA Peer Review Program Annual Report on Oversight, issued on October 4, 2018
- 2017 AICPA Peer Review Program, National Peer Review Committee Annual Report on Oversight, issued on November 14, 2018
- 2015 CalCPA Peer Review Program Annual Report on Oversight, issued on October 6, 2016. The 2015 report is the last report that has been issued
- 2014-2015 NASBA Compliance Assurance Committee Oversight Report on the AICPA Peer Review Committee, issued February 29, 2016. The 2014-2015 report is the last report that has been issued

The PROC has been in communication with AICPA staff regarding the data discrepancies and have been informed that the AICPA is actively making improvements to PRIMA. The

PROC will continue to monitor the progress of PRIMA and pro-actively communicate with the AICPA regarding PRIMA-related issues.

Peer Reviewer Population

As part of the PROC responsibility to evaluate the peer reviewer population in California, the CBA and PROC sent a series of letters addressed to both the AICPA and CalCPA between May 2017 and April 2019 to request specific statistics and/or further clarification regarding the California peer reviewer population.

In May of 2019, the CBA received a written response from James Brackens, CPA, Vice President of Ethics and Practice Quality, at the AICPA, noting its limitations regarding identifying California licensed firms and opted to provide firm license information based on firm/reviewer mailing location.

During the August 16, 2019 meeting, the PROC reviewed the information and statistics provided by the AICPA, and determined it to be sufficient to initiate the California peer reviewer population monitoring and reporting framework. The findings were presented to the CBA during its September 2019 meeting. Presently, the California peer reviewer population statistics provided by AICPA is mostly informational and will become more applicable in the years to come. Evaluation of the California peer reviewer population requires analysis of data and statistical trends for both short and long-term, as the peer review operates on a three-year cycle.

Staff will continue to collect and analyze the California peer reviewer population statistics from AICPA with guidance from the PROC and incorporate peer reviewer population statistics in the 2020 PROC Annual Report for the CBA's consideration.

NASBA Revisions to the Uniform Accountancy Act Model Rules, Published January 2019

At its February 15, 2019 meeting, the PROC reviewed the NASBA Revisions to the Uniform Accountancy Act Model Rules, published January 2019. The NASBA proposed revisions to the Uniform Accountancy Act Model Rules specifically affects the following model rules under Article 7 – Firm Permits to Practice:

- 7- 2 | Notification of Firm Changes
- 7- 3 | Peer Review Definitions
- 7- 4 | Enrollment in Board-approved Peer Review Program
- 7- 5 | Submission of Peer Review Documents
- 7- 6 | Approved Peer Review Sponsoring Organizations, Programs and Peer Review Standards
- 7- 7 I Peer Review Oversight Committee
- 7- 9 | Attest Documentation and Retention
- 7- 10 | Unregistered Firm Compliance with Applicable Peer Review Documentation Requirements

The PROC discussed and considered the NASBA proposed revisions to the Uniform Accountancy Act Model Rules and potential impacts to the CBA's administration of its peer review program. The PROC and staff determined that the NASBA proposed revisions to the

Uniform Accountancy Act Model Rules did not conflict with the CBA's administration of its peer review program.

AICPA Proposed Revisions to Chapter 3 of the Peer Review Oversight Handbook

At its May 3, 2019 meeting, the PROC reviewed and discussed the AICPA Proposed Revisions to Chapter 3 of the Peer Review Oversight Handbook. The PROC concluded that the revisions were non substantive and focused on peer review information and confidentiality. The PROC further noted that the proposed revisions do not reflect the present peer review regulatory environment and do not prioritize consumer protections, which are concerns similarly expressed in comments from other boards of accountancy and NASBA. The PROC noted that boards of accountancy are qualified to select staff liaison(s) to appropriately and ethically delegate committee activities.

IX. STATISTICAL MONITORING AND REPORTING ACTIVITY

The PROC will annually provide and report on specific enhanced peer review-related statistics. Historically, the statistical information received from the AICPA has been informational only. The PROC has worked closely with the AICPA in recent years to identify and collect more comprehensive statistical information. The PROC will continue working with the AICPA and identify areas to monitor for trends and changes and provide analysis on the following data points in future annual reports:

- Types (system vs. engagement) and numbers of reviews in process
- Types (system vs. engagement) and numbers of reviews completed by month, and cumulatively for the annual reporting period
- Types (system vs. engagement) and numbers of reviews receiving a pass, pass with deficiencies, or fail rating
- Extensions requested and status (granted, denied, and completed)
- Corrective action matters (various types: overdue peer review reports, disagreements pending resolution, etc.)
- Delinquent reviews
- Firms expelled from the program

Staff reviewed the data points and identified the following areas where no statistical information is currently available and will be set aside for future monitoring upon when data becomes available:

- Types and numbers of reviews in process
- Extensions requested and status
- Delinquent reviews
- Must-select engagements

The PROC asked that staff provide statistical updates biannually, once prior to the PROC Administrative Site Visit to CalCPA and a final report to consider for inclusion in the PROC Annual Report.

The following 2018 peer review-related statistical information was provided directly from the AICPA on July 24, 2019 for presentation at the August 16, 2019 meeting:

TYPES (SYSTEM VS. ENGAGEMENT) AND NUMBERS OF REVIEWS COMPLETED BY MONTH, AND CUMULATIVELY FOR THE ANNUAL REPORTING PERIOD

i. Numbers of reviews completed by month

Source: **2015-2016 Data** – AICPA Facilitated State Board Access[1] Website. To obtain a month-to-month report of reviews accepted, including accounting firms that chose to opt out of the Facilitated State Board Access, the AICPA Facilitated State Board Access report on the numbers of reviews accepted is most appropriate

2017-2018 Data – AICPA, CBA-Recognized Peer Review Program Provider and includes accounting firms that chose to opt out of the Facilitated State Board Access

Comments: **Table 1 – The Reviews Accepted Report**
Provides the number of both system and engagement reviews accepted on a monthly basis starting from January 1, 2015 to December 31, 2018

Table 1:

California | The Reviews Accepted Report				
MONTHS	**2015[2]**	**2016[2]**	**2017**	**2018**
January	148	161	64	52
February	196	159	243	173
March	120	135	162	138
April	149	120	95	132
May	133	111	49	112
June	147	139	14	82
July	117	84	23	138
August	107	94	63	114
September	131	134	78	154
October	153	87	108	97
November	95	87	137	117
December	104	111	86	111
TOTAL	**1,600**	**1,422**	**1,122**	**1,420**

- Average number of reviews completed in California annually: 1,391

ii. Types (system vs. engagement) and numbers of reviews completed cumulatively for the annual reporting period

[1] American Institute of Certified Public Accountants Facilitated State Board Access website is a uniform system developed to ensure transparency and satisfy state boards of accountancy's peer review information submission and result requirements. Piloted in 2007, some state societies early adopted in 2008 and all societies participating by calendar year-end 2009.
[2] The total number of reviews accepted in 2015 and 2016 slightly varies from the total reflected in Tables 2-3, as the numbers provided by CalCPA were ran on different dates.

Source: **2015-2016 Data** – CalCPA Peer Review Program Annual Report on Oversight and does not include peer reviews accepted by the National Peer Review Committee or out-of-state administering entities
2017-2018 Data – AICPA, CBA-Recognized Peer Review Program Provider and includes accounting firms that chose to opt out of the Facilitated State Board Access

Comments: **Table 2** – Uses numbers reported in the CalCPA Peer Review Program Annual Report on Oversight issued in 2016 and 2017. Each report reflects numbers from the prior year, under section IV. Results of Peer Reviews Performed. The numbers reported by CalCPA includes statistics generated annually

Table 2:

California | Peer Reviews Performed During the Calendar years 2015-2018 by Types Cumulatively for Annual Reporting Period				
Type of Review	**2015**	**2016**	**2017**	**2018**
System	532	464	349	554
Engagement	1,022	938	773	866
Total	**1,554**	**1,402**	**1,122**	**1,420**

TYPES (SYSTEM VS. ENGAGEMENT) AND NUMBERS OF REVIEWS RECEIVING A PASS, PASS WITH DEFICIENCIES, OR FAIL RATING

Source: **2015-2016 Data** – CalCPA Peer Review Program Annual Report on Oversight and does not include peer reviews accepted by the National Peer Review Committee or out-of-state administering entities

2017-2018 Data – AICPA, CBA-Recognized Peer Review Program Provider and includes accounting firms that chose to opt out of the Facilitated State Board Access

Comments: **Table 3** – Uses numbers reported in the CalCPA Peer Review Program Annual Report on Oversight issued in 2016 and 2017, each report reflects numbers from the prior year, under section IV, Results of Peer Reviews Performed by Types of Peer Review and Reporting and Rating Issued

Table 4 – Using numbers from **Table 3**, it indicates relative changes in percentage for the total reporting grades, including both system and engagement reviews performed during the calendar years 2015 through 2018

Graph 1 – Percentage trend of System Reviews with pass, pass with deficiency, and failed ratings

Graph 2 – Percentage trend of Engagement Reviews with pass, pass with deficiency, and failed ratings

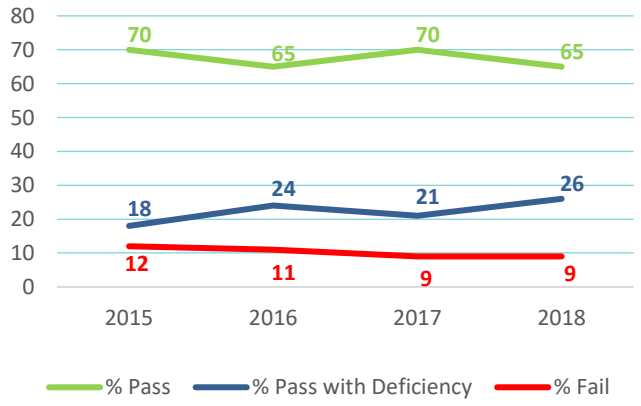
Table 3:

California | Reviews Performed by Types of Peer Review and Reporting and Rating								
Report Ratings	**2015**		**2016**		**2017**		**2018**	
	QTY	**%**	**QTY**	**%**	**QTY**	**%**	**QTY**	**%**
SYSTEM REVIEWS								
Pass	375	70%	303	65%	243	70%	358	65%
Pass with Deficiency	97	18%	110	24%	75	21%	144	26%
Failed	60	12%	51	11%	31	9%	52	9%
Total System	532		464		349		554	
ENGAGEMENT REVIEWS								
Pass	885	86%	720	77%	586	76%	639	74%
Pass with Deficiency	80	8%	110	12%	92	12%	87	10%
Failed	57	6%	108	11%	95	12%	140	16%
Total Engagement	1,022		938		773		866	
Summary Total	**1,554**		**1,402**		**1,122**		**1,420**	

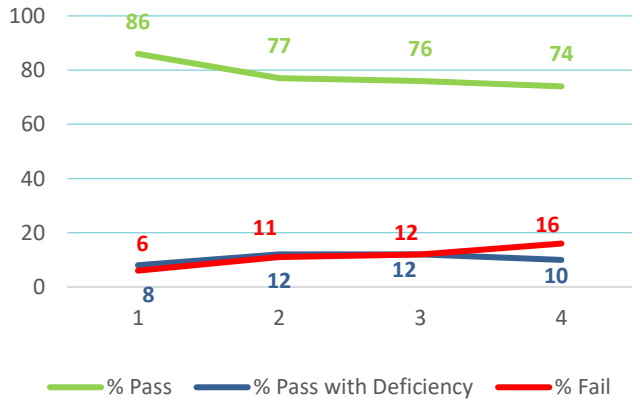
Table 4:

California | Reviews Performed by Types of Peer Review and Reporting and Rating								
Systems and Engagements	**2015**		**2016**		**2017**		**2018**	
	QTY	**%**	**QTY**	**%**	**QTY**	**%**	**QTY**	**%**
Pass	1,260	81%	1,023	73%	829	74%	997	70%
Pass with Deficiency	177	11%	220	16%	167	15%	231	16%
Failed	117	8%	159	11%	126	11%	192	14%
Summary Total	**1,554**		**1,402**		**1,122**		**1,420**	

Graph 1.a - System Reviews



Graph 1.b - Engagement Reviews



CORRECTIVE ACTION MATTERS (VARIOUS TYPES: OVERDUE PEER REVIEW REPORTS, DISAGREEMENTS PENDING RESOLUTION, ETC.)

Source: **2015-2016 Data** – CalCPA Report and does not include peer reviews accepted by the National Peer Review Committee or out-of-state administering entities

2017-2018 Data – AICPA, CBA-Recognized Peer Review Program Provider and includes accounting firms that chose to opt out of the Facilitated State Board Access

Comments: **Table 5** – Uses numbers reported in the CalCPA Reports issued in 2016 and 2017, each report reflects numbers from the prior year, under section VII. Summary of Required Follow-up Actions, with prior year numbers, identifies the types of follow-up actions that have been required.

The Peer Review Committee is authorized by the AICPA Peer Review Program Standards to decide on the need for and nature of any additional follow-up actions required as a condition of acceptance of the firm's peer review. During the report acceptance process, the Peer Review Committee evaluates the need for follow-up actions based on the nature, significance, pattern, and pervasiveness of engagement deficiencies.

The Peer Review Committee also considers the comments noted by the reviewer and the firm's response thereto. If the firm's response contains remedial actions which are comprehensive, genuine, and feasible, then the committee may decide to not recommend further follow-up actions. Follow-up actions are remedial and educational in nature and are imposed in an attempt to strengthen the performance of the firm. A review can have multiple follow-up actions.

Table 5:

California | Summary of Required Follow-up Actions Under AICPA and CalCPA Peer Review Program				
Type of Follow-up Action	**2015**	**2016**	**2017**	**2018**
Submit proof of Continuing Professional Education taken	160	235	209	283
Submit copy of monitoring report	25	4	6	23
Submit to Team Captain revisit-general	29	24	12	22
Submit to Team Captain review of subsequent engagements with work papers	73	91	66	146
No longer perform any audit engagements	40	31	30	26
TC/Outside Party Review Correction of Non-Conforming Engagements	N/A	N/A	N/A	9
TC/Outside Party to Review Quality Control Document	N/A	N/A	N/A	3
Agree to Hire TC/Outside Party to Perform Inspection	N/A	N/A	N/A	4
Agree to Pre-issuance Review by TC/Outside Party	N/A	N/A	N/A	11
Request to Have Accelerated Review	N/A	N/A	N/A	1
Submit Copy of Inspection Report to Committee	N/A	N/A	N/A	9
Other	N/A	N/A	N/A	6
Totals	**327**	**385**	**323**	**543**

FIRMS EXPELLED (TERMINATED) FROM THE PROGRAM

Source: **2015-2018 Data** – AICPA Peer Review Board firm drops and firm terminations website: https://aicpa.org/forthepublic/prfirmterm.html

Comments: **Table 6** – Accounting firms that have commenced their peer review process may be terminated by the AICPA for several of the following reasons:

- Failure to cooperate
- Consecutive failed reports
- Failure to submit a signed acknowledgement letter
- Failure to complete a corrective action
- Non-cooperation related to omission or misrepresentation of information
- Failure to correct deficiencies or significant deficiencies after consecutive correction actions
- Failure to complete its peer review after it has commenced
- Failure to complete an implementation plan

Number of firms terminated between January 1, 2015 to December 31, 2018:

Table 6:

California | Terminated Firms					
ACTION	**2015**	**2016**	**2017**	**2018**	**TOTAL**
TERMINATED	0	4	3	9	16

Firms terminated for specific reasons can appeal for reenrollment in the California Peer Review Program and be evaluated by either the administering entity or a hearing panel of the Peer Review Board.
The CBA Enforcement Division proactively initiates investigations of California-licensed accounting firms identified to have been terminated from its peer review program. Results from each investigation varies on a case-by-case basis.

X. OBSERVATIONS

Based on PROC members' 2019 oversight actions and attendance at the various peer review bodies' meetings cited in this report, the PROC offers the following findings to the CBA.

AICPA

The PROC found the AICPA Peer Review Board to give ample consideration to the quality of the profession, and exhibit a high level of technical knowledge and diligence in striving to improve the quality of the peer review program and peer reviewers through their handling of a variety of issues that the program faces. The PROC found the agenda items for the meetings to be relevant and appropriate, and that the AICPA Peer Review Board members execute their duties in a knowledgeable and professional manner understanding the importance of the peer review program to the accounting profession and the public that it serves.

CALCPA

Through participation in Peer Review Committee and Report Acceptance Body meetings, and the Administrative Site Visits, the PROC found the CalCPA to give ample consideration to the quality of the profession, and exhibit a high level of technical knowledge and diligence in striving to improve the quality of the peer review program and peer reviewers through their handling of a variety of issues. The PROC found the agenda items for the meetings to be relevant and appropriate, and the CalCPA to execute their duties in a knowledgeable and professional manner understanding the importance of the peer review program to the accounting profession and the public that it serves.

NASBA COMPLIANCE ASSURANCE COMMITTEE

The NASBA Compliance Assurance Committee met several times in 2019 including committee meetings in September and December. Additionally, select members of the NASBA Compliance Assurance Committee attended a NASBA Uniform Accountancy Act/Compliance Assurance Committee joint meeting regarding proposed changes to the Model Rules for peer review that occurred in August 2019. A joint meeting between the AICPA Oversight Task Force and the NASBA Compliance Assurance Committee occurred in September 2019. Based on reviews of reports published by the AICPA National Peer Review Committee and external and internal administrative oversight reports, as well as information provided to CBA staff by NASBA, the PROC found that NASBA has promoted transparency in the operation of the AICPA National Peer Review Committee to promote oversight of compliance with professional standards by CPAs and their firms.

XI. CONCLUSION

Based on its oversight activities, the PROC concluded that NASBA, the AICPA Peer Review Program, and its administering entity, CalCPA, functioned effectively in accordance with the peer review program standards adopted by the CBA.

CALIFORNIA BOARD OF ACCOUNTANCY
PEER REVIEW OVERSIGHT COMMITTEE 2019 Annual Report

CBA Item VI.A
July 23, 2020

California Board of Accountancy

ENFORCEMENT ACTIVITY REPORT

www.cba.ca.gov *As of May 31, 2020*

COMPLAINTS RECEIVED

The California Board of Accountancy's (CBA) Enforcement Division receives complaints from both internal and external sources. Upon receipt, staff issue complaint numbers and assign a Complaint Type (CT) based on the initial matter identified. The CT may change as the case investigation proceeds and may result in multiple violations.

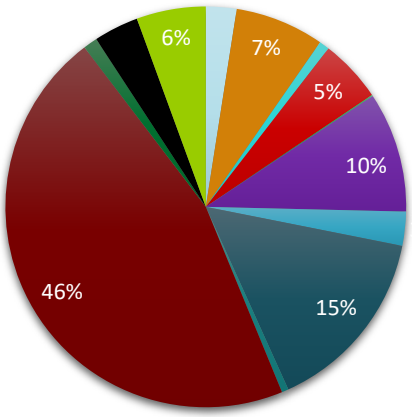
Complaints/Records of Convictions Received

FY 2019/20 (11 months of data)	***2,183 Received*** – *Internal 1,471* – *External 712*
FY 2018/19	***3,060 Received*** – *Internal 1,941* – *External 1,119*
FY 2017/18	***2,435 Received*** – *Internal 1,568* – *External 867*

- As of the fourth quarter of fiscal year (FY) 2019/20, the CBA received 2,183 complaints, with 67 percent of these complaints being internal referrals. The total number of complaints received during this time of the fiscal year has decreased by 25 percent compared to the same period in FY 2018/19, from 2,892 to 2,183.

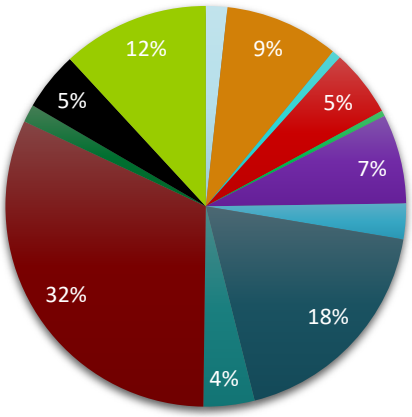
COMPLAINT TYPES RECEIVED

Fiscal Year 2019/2020



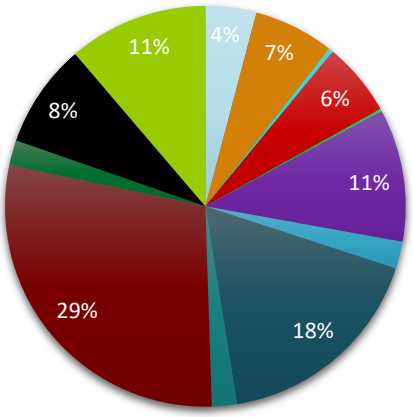
- Accountancy Licensee Database (54, 2%)
- Applications (157, 7%)
- Audit (18, 1%)
- Convictions and Subsequent Arrest (111, 5%)
- Employee Benefit Plan Audit (2, 0%)
- Other (212, 10%)
- PCAOB/SEC and Out-of-State (60, 3%)
- Peer Review Related (330, 15%)
- Renewal Deficiency (1,001, 46%)
- Reportable Events (25, 1%)
- Tax (79, 4%)
- Unlicensed Activity (122, 6%)

Fiscal Year 2018/2019



- Accountancy Licensee Database (53, 2%)
- Applications (282, 9%)
- Audit (22, 1%)
- Convictions and Subsequent Arrest (166, 6%)
- Employee Benefit Plan Audit (14, >0%)
- Other (221, 7%)
- PCAOB/SEC and Out-of-State (88, 3%)
- Peer Review Related (564, 18%)
- Practice Privilege (126, 4%)
- Renewal Deficiency (972, 32%)
- Reportable Events (44, 1%)
- Tax (145, 5%)
- Unlicensed Activity (363, 12%)

Fiscal Year 2017/2018



- Accountancy Licensee Database (100, 4%)
- Applications (158, 7%)
- Audit (9, >0%)
- Convictions and Subsequent Arrest (145, 6%)
- Employee Benefit Plan Audit (5, >0%)
- Other (261, 11%)
- PCAOB/SEC and Out-of-State (53, 2%)
- Peer Review Related (425, 18%)
- Practice Privilege (49, 2%)
- Renewal Deficiency (702, 29%)
- Reportable Events (49, 2%)
- Tax (205, 8%)
- Unlicensed Activity (274, 11%)

"Other" may include cases involving: Breach of Confidential Relationship, Advertising, Record Retention, and Fiscal Dishonesty. The volumes of these cases are low, and do not warrant individual categorization.

INVESTIGATIONS

The number of complaints assigned for investigations and closed.

Investigations	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data
Investigations Assigned	2,436	3,060	2,183
Investigations Closed	2,356	3,688	2,027
Average Days to Close	201	127	80

- The average number of days to close increased from 78 to 80, which is a small increase since the last report.

Investigations Closed	FY 2019/20 11 months of data
Total Closed FY 2019/20	2,027
Closed within 0-6 Months	1,824
Closed within 6-12 Months	155
Closed within 12-18 Months	31
Closed within 18-21 Months	3
Closed within 21-24 Months	7
Closed >24 Months	7

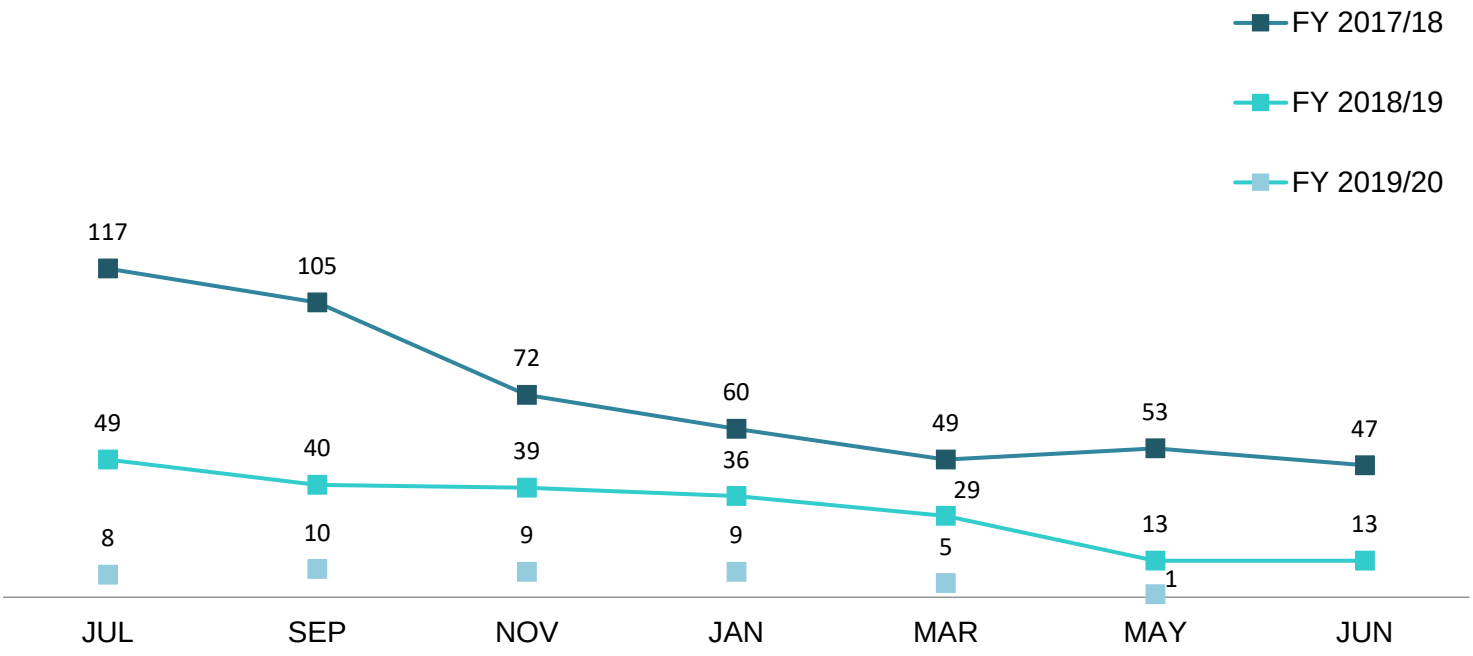
- Of the total 2,027 investigations closed during this time, staff closed 1,824 or 90 percent within six months from the initial complaint investigation date. Further, staff closed 1,979 investigations or 98 percent within one year.

INVESTIGATIONS PENDING

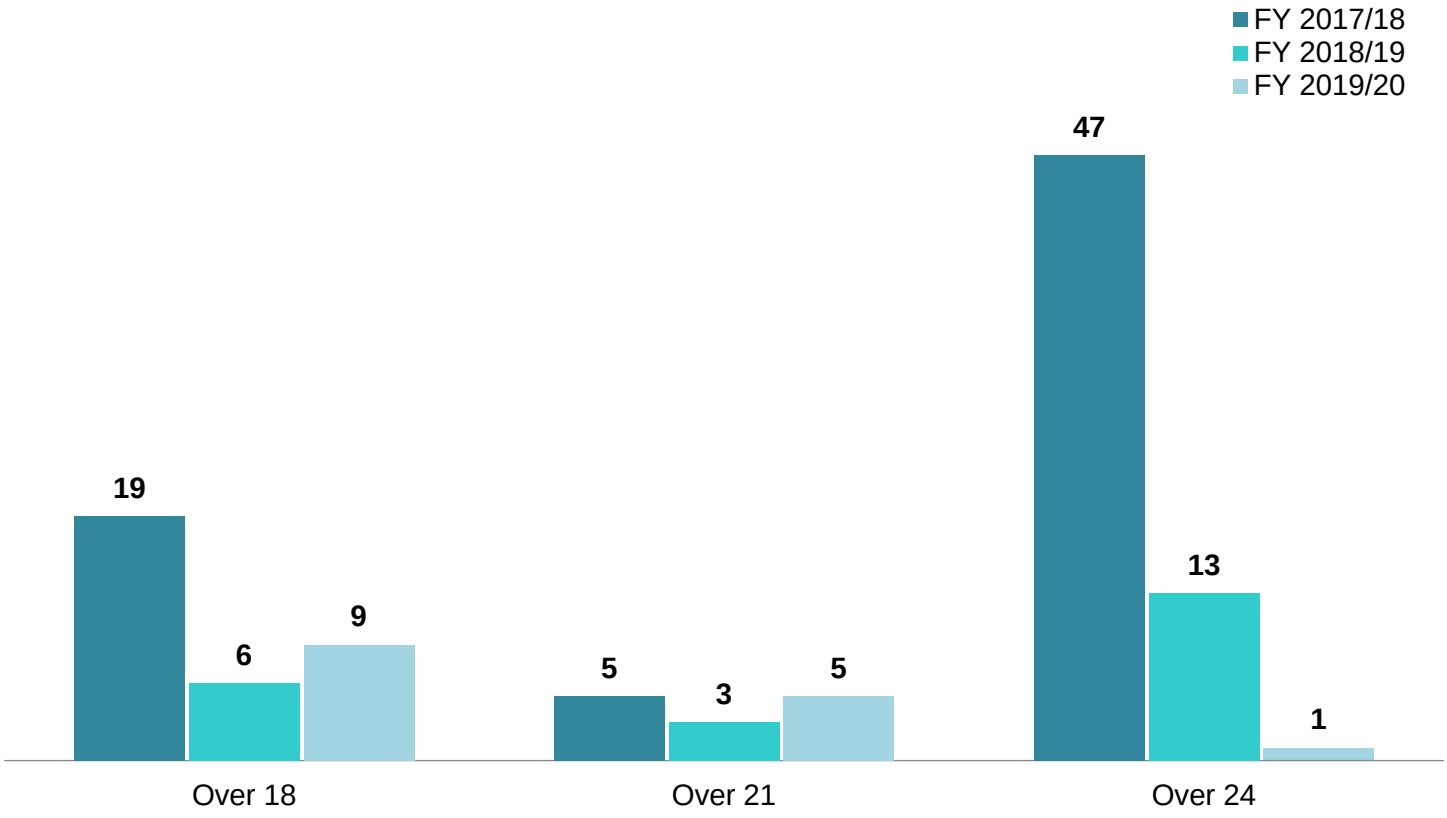
Investigations Pending	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data
Total Investigations Pending	1,172	550	741
0-6 Months	797	447	559
6-12 Months	200	64	138
12-18 Months	104	17	29
18-21 Months	19	6	9
21-24 Months	5	3	5
>24 Months	47	13	1
Average Age of Open Cases (days)	186	125	151

- Of the total 741 pending cases as of May 31, 2020, 75 percent were less than six months old and approximately 94 percent were less than one year old.
- The average age of open cases has increased by 20 percent compared to this time last fiscal year.
- Staff have made significant efforts to complete investigations for older matters. At this time last fiscal year, the number of investigations pending over 24 months was 13 while the same data point for this fiscal year shows only one investigation pending over 24 months, a 93 percent decrease.
- For the one investigation pending over 24 months, staff have completed the investigation report and staff will refer the case to the Attorney General's (AG) Office prior to the next report.

INVESTIGATIONS PENDING | OVER 24 MONTHS



INVESTIGATIONS PENDING | OVER 18, 21, and 24 MONTHS – MAY TRENDS

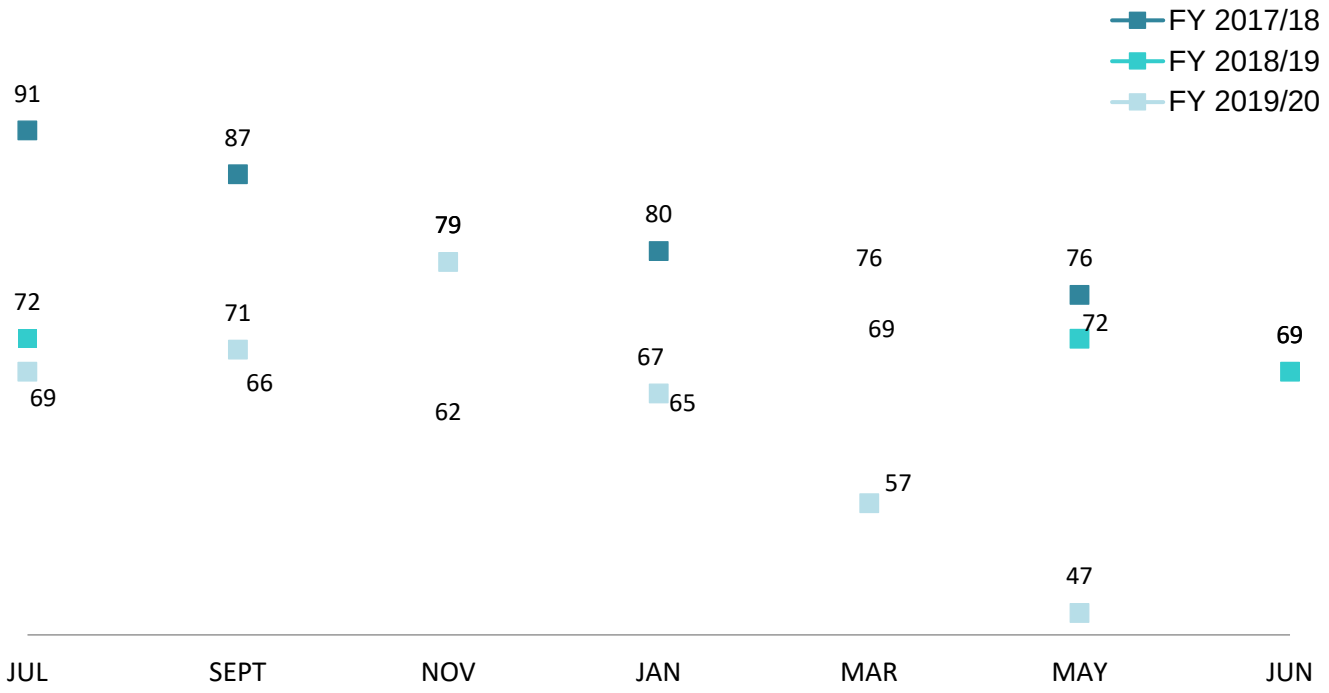


DISCIPLINE

As part of its mission of consumer protection, the CBA referred matters to the AG's Office for imposition of discipline.

Discipline	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data
Attorney General Referrals	81	79	45
Accusations Filed	73	68	51
Statement of Issues Filed	1	1	1
Petitions for Revocation Filed	6	6	3

DISCIPLINE | COMPLAINTS PENDING AT ATTORNEY GENERAL'S OFFICE



- As of May 31, 2020, there were 47 complaints pending at the AG's Office. Staff work diligently to address aging disciplinary cases by actively monitoring for the filing of a Notice of Defense (NOD). When a Respondent fails to file an NOD, staff request that the AG's Office prepare a default decision. When a Respondent files an NOD, staff work quickly to offer settlement terms and if a settlement cannot be reached, to set the matter for hearing.

DISCIPLINE | AGE of COMPLAINTS PENDING at ATTORNEY GENERAL'S OFFICE

Pending at AG	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data
Total Pending at AG's Office	69	69	47
0-6 Months	22	37	10
6-12 Months	31	23	22
12-18 Months	12	3	10
18-21 Months	2	1	3
21-24 Months	0	2	1
>24 Months	2	3	1

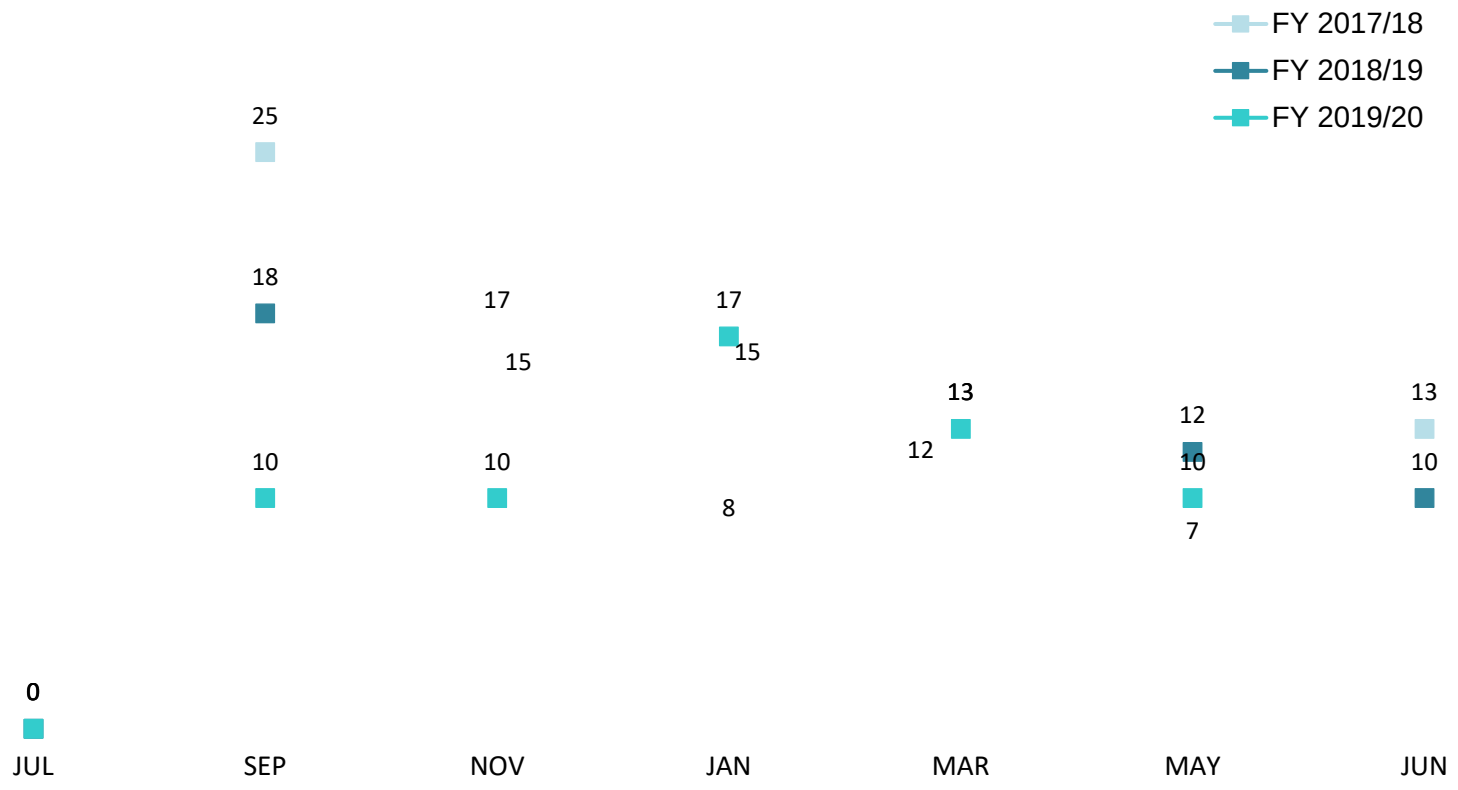
- Of the 47 cases at the AG's Office, 79 percent are less than six months old, and approximately 90 percent are less than 12 months old.
- There is one case pending at the AG's Office for more than 24 months. The current status of this case is as follows:
  - The case is set for hearing at the end of July.

DISCIPLINE | FINAL ORDERS

Disciplinary Actions	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data
Final Decision Orders	90	75	61
– *Stipulated Settlement*	68	48	48
– *Proposed Decision*	6	6	6
– *Default Decision*	16	21	7

- As of May 31, 2020, the CBA took action on 61 matters, the majority of which were through stipulated settlements.

DISCIPLINE | FINAL ORDER TREND



DISCIPLINE | COST ORDERS

Pursuant to Business and Professions Code section 5107, the Legislature authorizes the CBA to recover investigation and prosecution costs. These costs include the time spent by staff to conduct the investigation and the time spent by the AG's Office to prosecute each case.

FY 2019/20	Final Orders	Investigation & Prosecution	Total Amount Ordered
11 months of data	*38*	*$1,284,829*	*$587,808*

- Cost Recovery ordered has amounted to 46 percent of total investigation and prosecution cost.

COST RECOVERY

Cost Recovery	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data
Amount Ordered	$374,339	$321,110	$587,808
– *Number of Decisions*	56	46	38
Amount Collected	$316,621	$315,253	$226,716

- Disciplinary cases resulting in ordered cost recovery are generally the result of a licensee placed on probation. Licensees typically pay cost recovery in monthly payments throughout the term of probation. As such, the costs are paid within a two to two-and-one-half year timeframe.

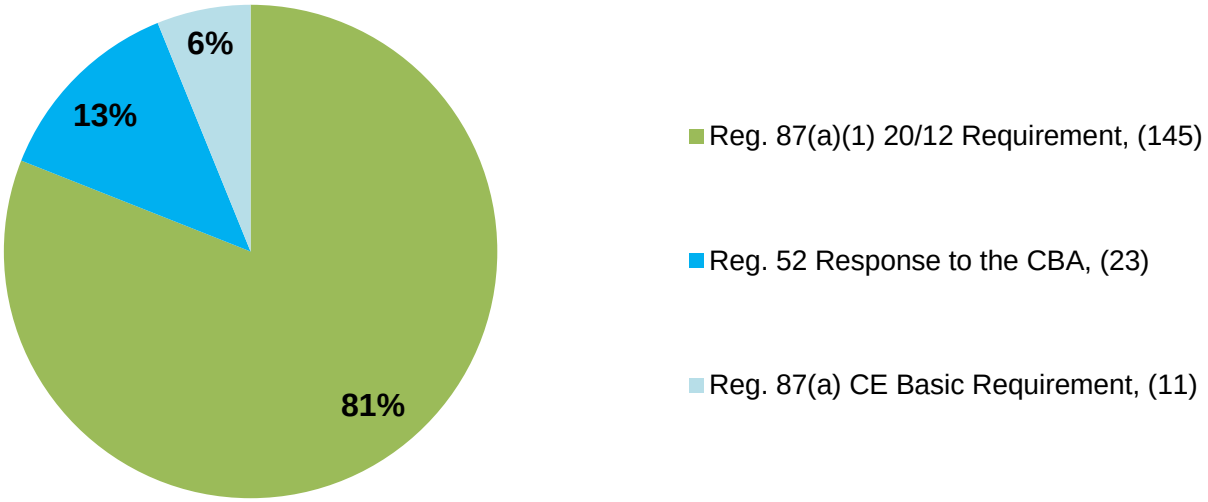
- The "Amount Collected," referenced above includes payments on cost recovery amounts ordered from both prior and current years. The "Amount Ordered," reflects only the amount ordered in FY 2019/20 and will never reconcile with the "Amount Collected."

CITATIONS AND FINES

Citations	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data
Total Citations Issued	127	517	226
Total Fines Assessed	$55,230	$155,950	$49,200
Fine Average	$435	$302	$286
Average Number of Days from Receipt of Complaint to Issuance of Citation	231	163	109

CITATIONS AND FINES | FY 2019/20 TOP 3 VIOLATIONS

11 Months of data



- The fine amount assessed varies from $100 to $5,000 and is determined on a case-by-case basis. Factors that may increase or decrease the fine amount include aggravating or mitigating circumstances, and length of time the violation occurred.
- The total number of citations issued for FY 2019/20 as of May 31, 2020 is 226. The average number of days from receipt of a complaint to issuance of a citation has decreased slightly since the last report, from 131 to 109.

UNLICENSED ACTIVITY

Complaints received and initially identified to be "Unlicensed" CTs have matters involving CPAs or firms operating with an expired license, individuals without a CPA license, or unregistered accounting firms.

Complaints Received	FY 2018/19	FY 2019/20 11 months of data
Practice without Permit	31	39
Individuals without a CPA License	133	39
Unregistered Firms	199	44
Total	**363**	**122**

Investigations	FY 2018/19	FY 2019/20 11 months of data
Investigations Pending	99	65
-Referred to Division of Investigation	20	9
Total	**119**	**74**

Outcomes	FY 2018/19	FY 2019/20 11 months of data
Citations Issued	38	15
Closed for Compliance	413	211
Referred to District Attorney / Local Law Enforcement	5	2
Total	456	228

FRANCHISE TAX BOARD | INTERCEPT PROGRAM

In FY 2015/16, the CBA began using the Franchise Tax Board (FTB) Intercept Program in an effort to collect unpaid administrative fines associated with the issuance of citations. The initial collection amount submitted to the FTB was significant and the pool of unpaid administrative fines dated back to FY 2011/12.

Between FY 2017/18 and FY 2019/20, the CBA referred to FTB, a total of $351,200 of uncollected fees associated with the issuance of citations. To date, on behalf of the CBA, the FTB retrieved $82,831 of uncollected fees, resulting in a current balance of $268,369 of uncollected fees.

FTB Intercept Program	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data	BALANCE
Referred to FTB	$14,500	$21,050	$18,500	$351,200
Collected by FTB	$10,142	$7,480	$4,872	$82,831
Uncollected				$268,369

PROBATION MONITORING

Monitoring Activity	FY 2019/20
Numbers of Licensees on Probation as of Last Report	155
New Probationers Since the Last Report	2
Number of Probationer(s) Off Probation	7
Total number of Probationers	150
Out-of-State Probationers	20
Probation Orientations Held Since Last Report	9
Total Probation Orientations Completed	39
Number of Outstanding Orientations to Complete	3
Number of Practice Investigations Completed	0
Number of Work Samples Reviewed in FY 2019/20	3
Referrals to Revoke Probation	1

- Staff anticipate completing the three outstanding probation orientations in July 2020.

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 for FY 2019/20 as of May 31, 2020 includes:

Probation Violation(s) Types	Detected
Cost Reimbursement	25
Obey All Laws	2
Submit Written Quarterly Report	48
Active License Status	3
Restricted Practice	0
Regulatory Review Course	0
Peer Review	1
Continuing Education	5

ENFORCEMENT ADVISORY COMMITTEE (EAC)

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee offers technical guidance on open investigations, participates in investigative hearings, and reviews closed investigation files. This committee is limited by statute to a membership of 13 licensees.

The EAC held a virtual meeting via WebEx on July 9, 2020. It was the first CBA or Committee meeting held using a virtual meeting. Prior to the meeting, staff, with the assistance of the Department of Consumer Affairs SOILD team, conducted two training sessions on using the WebEx software.

DIVISION HIGHLIGHTS AND RECRUITMENT EFFORTS

The Enforcement Division is recruiting for the following positions:

- Three full-time Investigative CPAs for the Technical Investigations Unit
- One full-time Associate Governmental Program Analyst for the Compliance Unit
- One full-time Associate Governmental Program Analyst for the AG Desk Unit

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item VI.B.
July 23, 2020

Discussion and Possible Action to Conduct Petition Hearings Pursuant to Business and Professions Code Section 5115 Based Solely on Written Arguments

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to discuss possible modifications to how it conducts petition hearings for the reduction of penalty and reinstatement of a license.

Consumer Protection Objectives

Ensuring the CBA maintains methods for evaluating licensees petitioning the CBA for reinstatement of a license or reduction of penalty demonstrate clear and convincing evidence or rehabilitation to safely practice is critical to supporting the CBA's mission of consumer protection.

Action(s) Needed

The CBA is being asked to determine whether to modify its process for scheduling and conducting petition hearings.

Background

Business and Professions Code (BPC) section 5115 allows a licensee to seek reinstatement of a license (because of revocation or surrender) or a reduction of penalty (licensees on probation). A Petition for Reduction of Penalty allows the petitioning licensee to request that certain terms of probation be reduced or removed, or that probation be terminated in its entirety.

The petition process begins when a licensee (Petitioner) files a Petition for Reinstatement or a Petition for Reduction of Penalty. The Petitioner may petition the CBA for reinstatement or reduction of penalty after a period of one year from the effective date of the disciplinary decision or from the date of the denial of a similar petition. The CBA may, however, specify a longer waiting period (maximum of three years) in any decision revoking a license, accepting the surrender of a license, or denying reinstatement of a license.

Staff provide notice to the Attorney General's (AG's) Office of the filing of the petition. Both the AG's Office and Petitioner are given an opportunity to present oral or written argument before the CBA. Written arguments are typically submitted prior to the hearing itself and distributed to CBA members.

Historically, the CBA conducts all of its petition hearings on the record at one of its regularly scheduled CBA meetings. Prior to the meetings, staff would work with the Petitioner on scheduling the hearing. Staff would provide upcoming meeting dates and locations, and coordinate on which meeting would work for the Petitioner to appear.

As part of its meeting materials, CBA members will receive written information (in essence, arguments) that the Petitioner seeks to submit. These generally includes the Petition Form, which often has various attachments/evidence used to substantiate a Petitioner's request. These can include additional narrative statements (often a letter), certificates of completion for any continuing education completed, letters of reference, and other various forms of documentation.

At the scheduled hearing, the Petitioner and Deputy Attorney General (DAG) are offered an opportunity to provide oral arguments on the record. The DAG represents the People of the State of California. The DAG gives a brief opening statement of the licensing history, prior discipline, information on the current petition, and presents the jurisdictional documents, including the petition, prior accusation, and prior decision and disciplinary order.

The Petitioner may have an attorney present, at the Petitioner's option and expense. The Petitioner is also offered the opportunity to give a brief opening statement. Both parties have the right to call, examine, cross-examine, and impeach witnesses, introduce exhibits, and rebut evidence. The CBA members have the opportunity to question the Petitioner during the hearing.

Petition hearings are not required to be conducted according to the technical rules of evidence and witnesses, with some exceptions. Any relevant evidence is, "admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs."[1] Hearsay evidence may be used to supplement or explain other evidence, but if objected to prior to the submission of the case (or on reconsideration), is not in itself sufficient to support a finding unless the evidence would be admissible over objection in a civil action.[2]

Staff coordinate with the Office of Administrative Hearings (OAH) to assign an Administrative Law Judge (ALJ) to preside over the hearing. The ALJ will consider

[1] Government Code section 11513, subdivision (c)
[2] Government Code section 11513, subdivision (d)

evidence for its admittance and rule on various objects raised by the parties. Also, the ALJ will draft a decision based on the CBA members' closed session discussions.

Comments

Because of COVID-19 and the subsequent State of Emergency issued by the Governor, staff have begun examining various CBA-related activities that may or likely will need to be modified to continue to operate effectively and efficiently. Many of these activities are being examined for near and long-term modifications as it remains unclear how long the effect of the pandemic may have. As these modifications to activities include how the CBA meetings will likely occur in the near- and long-term, staff are seeking CBA input on possible modifications on how it conducts petition hearings.

As noted in the Background section, CBA hearings are conducted using oral arguments, with the Petitioner supplementing the record with written arguments. With a Petitioner now possibly unwilling or unable to travel, the CBA will need to consider methods to allow a Petitioner to continue to effectively and efficiently have a petition heard by the CBA.

The method currently used, will likely continue to work to some degree for a Petitioner who has access to technology that will allow for the use of virtual (webcam and microphone) or telephonic participation. There would be learning curves for all involved in conducting petition hearings using a virtual or telephonic method, but it could be conducted in a similar manner as petition hearings are conducted today.

There will be a Petitioner who lacks the technology to participate using virtual or telephonic means, or is simply uncomfortable to participate in such a way. The CBA will need to provide a method to allow the Petitioner to have the matter submitted in a way that allows the CBA to consider the matter and render a decision. Therefore, the CBA could consider a petition based solely on written arguments submitted by both the Petitioner and DAG.

To facilitate this method, the CBA would issue a Notice of Hearing setting a petition hearing for a regularly scheduled CBA meeting. As part of the Notice of Hearing, it would include set dates for filing written arguments to be served on the parties (which would include the AG's Office) in the event that the Petitioner would prefer the CBA consider the matter via written argument.

The process would take a similar approach to briefing schedules used by the Superior Court. The Notice of Hearing would include a set day on which the Petitioner would need to serve written arguments on the parties (in this case the AG's Office) and file with the CBA. It would also include a set day that the DAG would need to serve written arguments on the Petitioner and file with the CBA. These dates would be established to allow staff to compile the written arguments for mail out to the CBA with the CBA meeting materials (two weeks prior to the meeting).

At the meeting, if the petition hearing is based on written arguments only, the CBA will convene into closed session to discuss the matter and render a decision. The CBA will provide direction to either the assigned ALJ or Department of Consumer Affairs (DCA) Legal Counsel to prepare a decision.

Provided the CBA allows for a method of a petition hearing that it reviews solely on written argument, it will require the CBA to consider the following:

- Will the parties (Petitioner and AG's Office) be provided only one submission of written arguments, or will the parties be able to offer rebuttal arguments?
    - If a rebuttal argument is offered will it be provided to the Petitioner only or both the Petitioner and DAG?

  If the CBA chooses to allow for rebuttal arguments, the Notice of Hearing will include dates that allow for an extended briefing schedule.

- For matters that are solely based on the record, would the CBA still want an ALJ to prepare the decision or have it performed by DCA Legal Counsel?

  Currently, the CBA uses an ALJ to preside over the petition hearing to consider evidence for its admittance and rule on various objections raised by the parties. Also, the ALJ drafts a decision based on the CBA members' closed session discussions.

  Given there will be no requirement to admit evidence or rule on objections, the role of the ALJ would be substantially limited, specifically, to listen to CBA discussions in closed session and prepare a decision. The law does not require the CBA to use an ALJ and could instead have DCA Legal Counsel perform this function.

If the CBA choses to establish a method for petition hearings based exclusively on written arguments, staff will begin to schedule hearings accordingly.

Fiscal/Economic Impact Considerations

Currently, OAH bills the CBA for various ALJ-related times. If the CBA conducted petitioner hearings based on written arguments only, and chose not to use the ALJ to assist in preparing the decision, the CBA will see some minimal cost savings.

Recommendation

Staff recommend that the CBA establish a protocol for allowing a Petitioner to use written arguments only for purposes of petitioning the CBA.

Attachment

None.

Licensing Activity Report
Fiscal Year 2019/20
July 1, 2019 – May 31, 2020

Licensing Division Highlights[1]

Staffing
The Licensing Division is currently recruiting to fill the following vacancies:

- Two Program Technician II
- One Staff Services Analyst

Continuous Testing for the Uniform CPA Examination
Continuous Testing for the Uniform CPA Examination (CPA Exam) will begin July 1, 2020. Under this new model, candidates will have the ability to take the CPA Exam year-round. Continuous testing will replace the existing CPA Exam Testing Window model, which only permits candidates to test during designated timeframes each calendar quarter.

Uniform CPA Examination Performance Summary
Included in this report is the National Association of State Boards of Accountancy Uniform CPA Examination Performance Summary for the second testing window of 2019. There are two parts to each quarterly report: 1) a California-specific report and 2) an all jurisdiction report. (**Attachment**)

Outreach
On June 11, 2020, Suzanne Gracia, Manager of the Examination Unit, participated in a virtual outreach event hosted by the California Society of CPAs. At the event, Suzanne answered questions from current and future licensee applicants.

Licensing Division Snapshot

Fiscal Year 2019/20
11 Months of Data

59,059 Applications Received

5,137	First Time Exam
12,220	Repeat Exam
2,887	CPA License
321	Accounting Firms
38,494	Renewal

100,162 Stakeholder Inquiries

64,989 Emails
- 31% Initial Licensure
- 23% Examination
- 46% Renewal

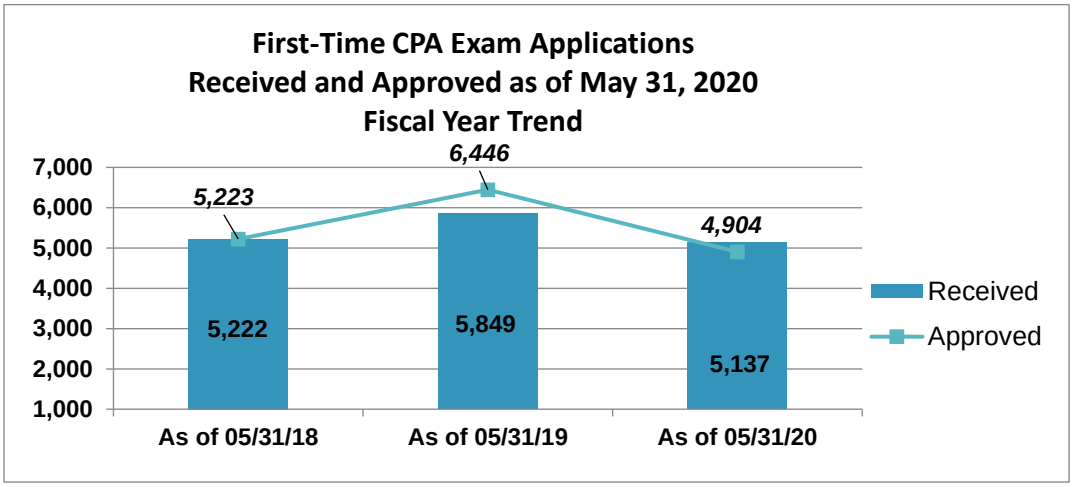
35,173 Telephone Calls
- 49% Initial Licensure
- 39% Examination
- 22% Renewal

[1] Note that this Licensing Activity Report for 2019-2020 covers a time period during the COVID-19 pandemic. This should be taken into consideration when comparing the 2019-2020 statistics with those from prior years.

Uniform CPA Examination Statistics

FY 2019/20 **(11 Months of Data)**	***17,124 Approved*** *First Time Sitter 4,904* *Repeat Sitter 12,220*
FY 2018/19	***22,669 Approved*** *-First-Time Sitter 6,927* *-Repeat Sitter 15,742*
FY 2017/18	***20,568 Approved*** *-First-Time Sitter 5,573* *-Repeat Sitter 14,995*

- As of May 31, 2020, staff identified 370 first-time applications for the CPA Exam with a deficiency where additional documentation is required from the applicant to approve the application. Among these, the most common deficiencies identified were related to transcripts not including the conferral date of a bachelor's degree or shortage of accounting units.
- The Examination Unit is processing first-time CPA Exam applications within 69 days of receipt.
- For the first eleven months of FY 2019/20, the total number of first-time applications *received* has decreased by 12 percent compared to the same period in fiscal year 2018/19, from 5,849 to 5,137.
- For the first eleven months of FY 2019/20, the total number of first-time applications approved has decreased by 24 percent compared to the same period in fiscal year 2018/19, from 6,446 to 4,904.



Initial Licensing Statistics

Individual

FY 2019/20 **11 months of data**	***2,480 Approved*** *Attest Authority 619* *General Authority 1,861*
FY 2018/19	***4,400 Approved*** *-Attest Authority 1,132* *-General Authority 3,268*
FY 2017/18	***2,187 Approved*** *-Attest Authority 578* *-General Authority 1,609*

Firms

FY 2019/20 **11 months of data**	***303 Approved*** *Corporation 143* *Partnership 39* *Fictitious Name Permit 81* *Out of State Registrations 40*
FY 2018/19	***596 Approved*** *-Corporation 279* *-Partnership 66* *-Fictitious Name Permit 169* *-Out-of-State Registrations 82*
FY 2017/18	***354 Approved*** *-Corporation 173* *-Partnership 48* *-Fictitious Name Permit 84* *-Out-of-State Registrations 49*

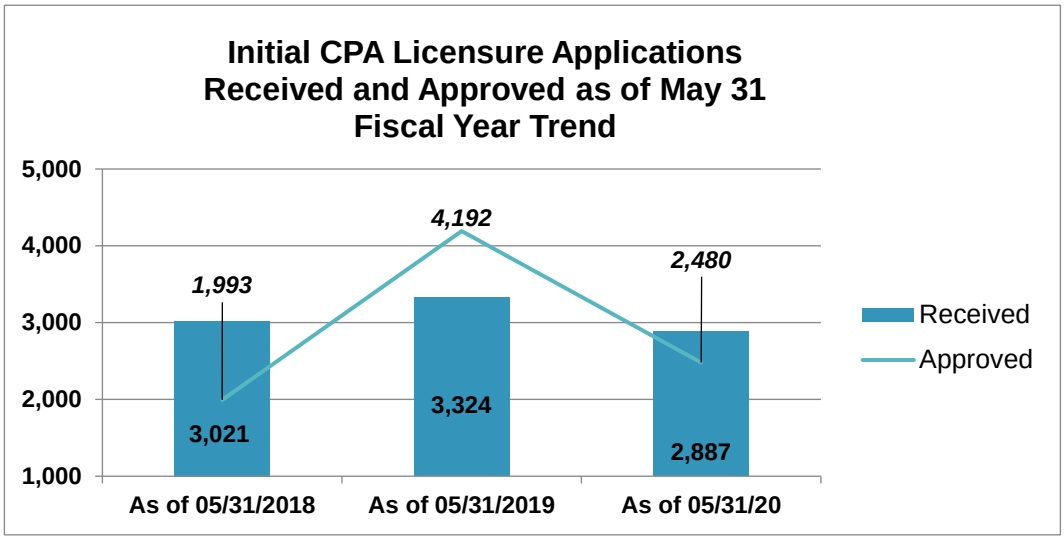
Initial Licensing Statistics (cont.)

- As of May 31, 2020, staff identified 916 applications with a deficiency where additional documentation is required from the applicant to approve the application. Among these, the most common deficiencies identified were related to an educational deficiency, and incomplete applications (*e.g.*, missing signature, unanswered questions).

- The Initial Licensing Unit is processing initial CPA license applications and accounting firm applications within 114 days of receipt. Processing is defined as an initial review of an application where applicants either receive a pre-approval notification requesting the initial license fee for issuance of a license number or a deficiency letter identifying any outstanding items.

- For the first eleven months of FY 2019/20, the total number of CPA applications *received* has decreased by nine percent compared to the same period in fiscal year 2018/19, from 3,324 to 2,887.

- For the first eleven months of FY 2019/20, the total number of CPA applications *approved* has decreased by approximately 41 percent compared to the same period in fiscal year 2018/19, from 4,192 to 2,480.



License Renewal Statistics

FY 2019/20 **11 months of data**	***43,591 Renewed*** *CPA/PA 41,209* *Accounting Firms 2,382*
FY 2018/19	***48,051 Renewed*** *CPA/PA 44,717* *Accounting Firms 3,334*
FY 2017/18	***44,943 Renewed*** *-CPA/PA 42,919* *-Accounting Firms 2,024*

Compliance Reviews	**FY 2019/20** **11 months of data**
License Renewals Reviewed	51,853
Deficient Applications	*2,422*
Compliance Processed	*555*
Continuing Education Audits[2]	385
Outstanding Audits	*68*
Compliance Processed	*114*
Enforcement Referrals	1,165

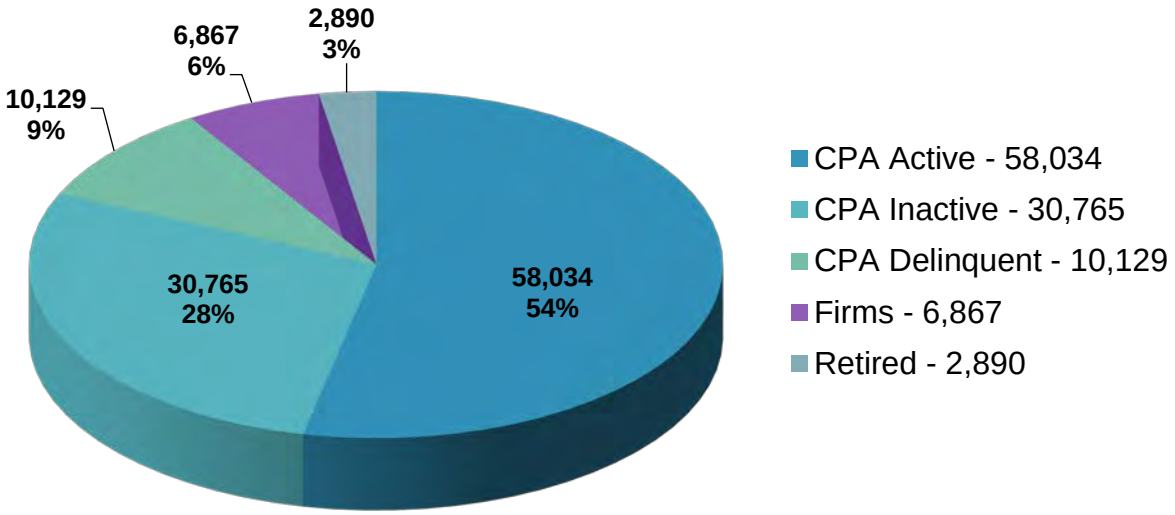
Retired	**FY 2019/20** **11 months of data**
Retired Status Received	395
Retired Status Approved	387

[2] Continuing education audits have been suspended during the COVID-19 pandemic.

Population Statistics

Population	FY 2017/18	FY 2018/19	FY 2019/20 11 months of data
CPA	96,487	97,708	98,928
Active[3]	*55,747*	*57,746*	*58,034*
Inactive	*29,952*	*30,629*	*30,765*
Delinquent[4]	*10,788*	*9,333*	*10,129*
CPA Retired	2,051	2,453	2,890
Accountancy Firms	6,843	6,426	6,867
Corporation	*4,665*	*4,358*	*4,669*
Partnership	*1,582*	*1,393*	*1,488*
Out-of-State Firm Registration	*596*	*675*	*710*
Totals	**105,381**	**106,587**	**108,685**

Population by License and Registration Type as of May 31, 2020



[3] Represents active CPAs and includes Public Accountants (PA).
[4] Delinquent consists of licensees who have not submitted their renewal form and renewals in process pending review.

Peer Review Oversight Committee (PROC) Update

The PROC derives its authority from Business and Professions Code section 5076.1. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

A PROC meeting was held on February 14, 2020, at the CBA office in Sacramento. CBA member liaison, Katrina Salazar, CPA attended and provided an overview of the CBA's activities as discussed at the January 16, 2020 CBA meeting. The PROC discussed and provided feedback regarding the approval of its December 13, 2019 meeting minutes, and discussed the PROC oversight activities for 2020. Lastly, the PROC reviewed, provided edits, and approved its 2019 PROC Annual Report.

The PROC meeting scheduled for May 8, 2020 was canceled. The next PROC meeting will be held virtually on August 14, 2020.

Qualifications Committee (QC) Update

The QC derives its authority from Section 5023 of the Business and Professions Code. QC meetings typically consist of an open session business meeting, followed by a closed session comprised of two to three subcommittees to conduct the personal appearances and Section 69 reviews. Prior to concluding the closed session, the subcommittee recommendations regarding the personal appearance/Section 69 reviews are presented before the full committee for acceptance prior to being presented for action by the Licensing Division. A subcommittee comprised of two QC members that conduct additional personal appearance and Section 69 reviews between each meeting, we refer to as "off-cycle" reviews. Off-cycle subcommittee recommendations are presented before the full QC for acceptance during closed session at its next regularly scheduled meeting.

A QC open session was held on January 22, 2020 in Burbank and an off-cycle subcommittee meeting was held on January 15, 2020 at the CBA office in Sacramento. At these meetings, there were a total of 16 Section 69 reviews and of those, 15 were recommended for approval of a CPA license, and one was deferred. During the open session, CBA member liaison, Carola Nicholson, CPA presented the report of the CBA meeting from January 16, 2020.

The QC meeting scheduled for July 22, 2020 was cancelled. Off-cycle subcommittee meetings are scheduled to take place on August 12, 2020, in a virtual setting via WebEx.

Attachment

CPA Exam Performance Summary: 2019 Q-4
California

Overall Performance

Unique Candidates	5,712
New Candidates	1,259
Total Sections	7,217
Passing 4th Section	793
Sections / Candidates	1.26
Pass Rate	49.74%
Average Score	70.49

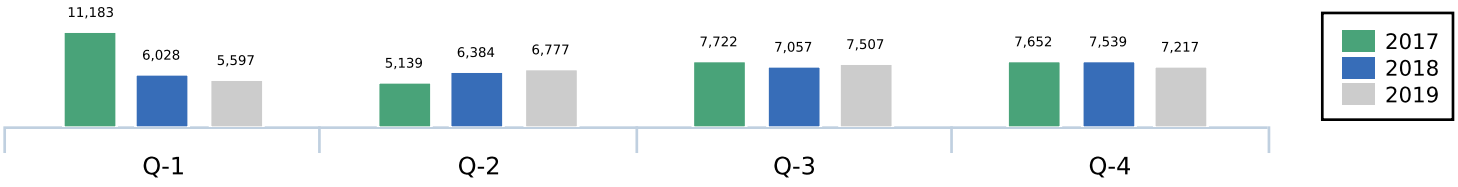
Section Performance

	Sections	Score	% Pass
First-Time	2,254	69.93	51.6%
Re-Exam	4,941	70.72	48.82%
AUD	1,889	69.99	46.96%
BEC	1,604	74.22	55.8%
FAR	2,085	67.26	42.35%
REG	1,639	71.54	56.44%

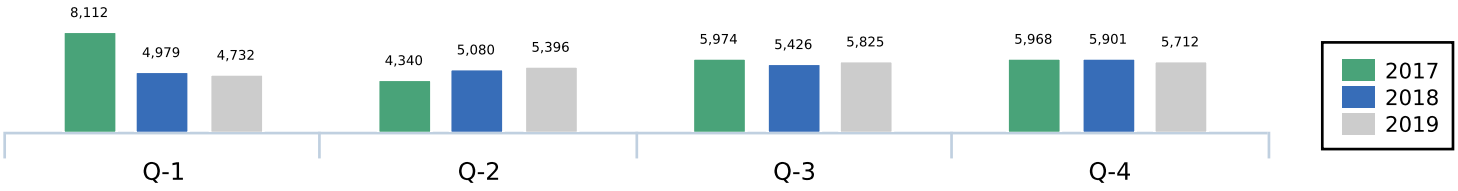
Jurisdiction Ranking

Candidates	Sections
1	1
Pass Rate	**Avg Score**
30	35

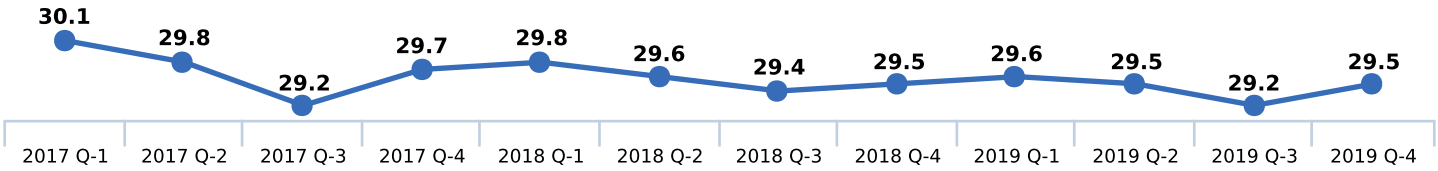
Sections



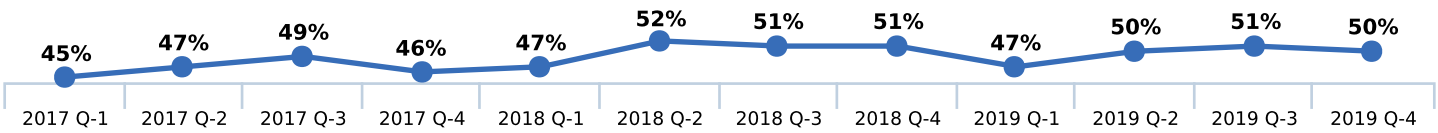
Candidates



Average Age



% Pass



CPA Exam Performance Summary: 2019 Q-4
California

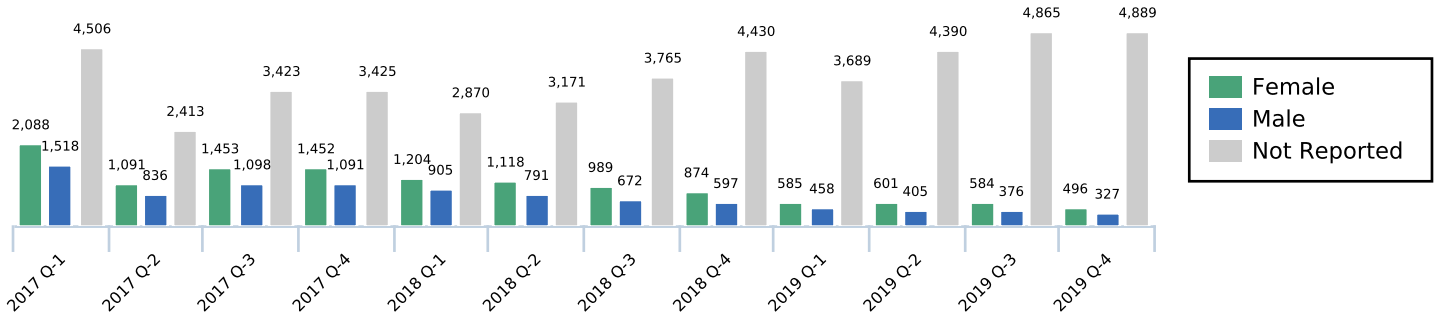
Degree Type

	Candidates	% Total
Bachelor's Degree	4,368	76.5%
Advanced Degree	1,257	22.0%
Enrolled / Other	87	1.5%

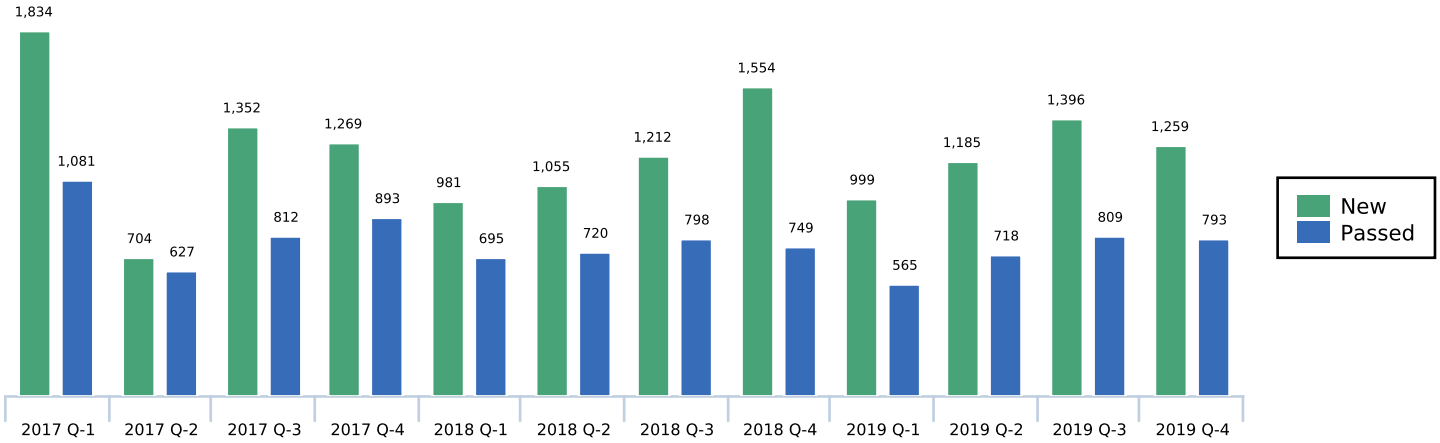
Residency

	Candidates	% Total
In-State Address	4,836	84.66%
Out-of-State Address	585	10.24%
Foreign Address	291	5.09%

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: 2019 Q-4
Overall

Overall Performance

Unique Candidates	41,114
New Candidates	8,587
Total Sections	51,704
Passing 4th Section	6,412
Sections / Candidates	1.26
Pass Rate	49.97%
Average Score	71.20

Section Performance

	Sections	Score	% Pass
First-Time	13,243	69.39	48.82%
Re-Exam	38,310	71.82	50.37%
AUD	13,574	71.00	47.89%
BEC	11,518	75.48	58.61%
FAR	14,950	67.34	40.57%
REG	11,662	72.14	55.90%

Top 3 Jurisdictions

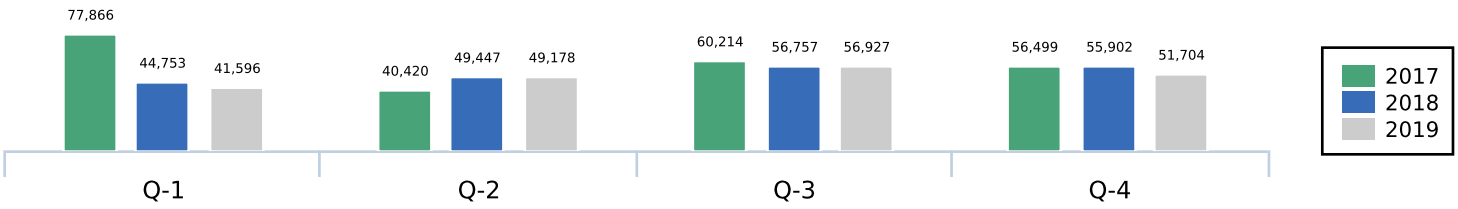
Most Candidates

1. California 5,712
2. New York 4,905
3. Texas 2,593

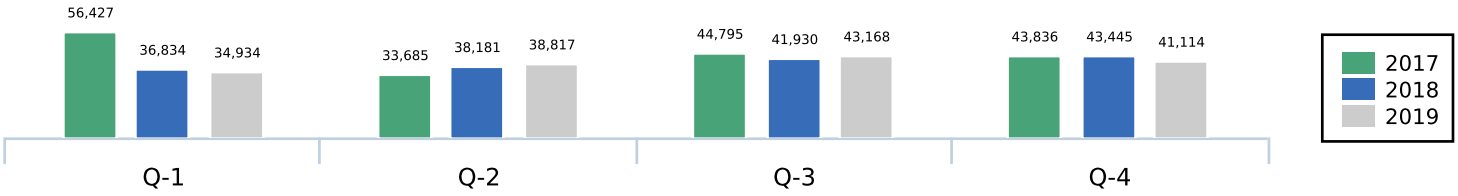
Highest Pass Rate

1. Utah 64.78%
2. Iowa 59.25%
3. Nebraska 59.07%

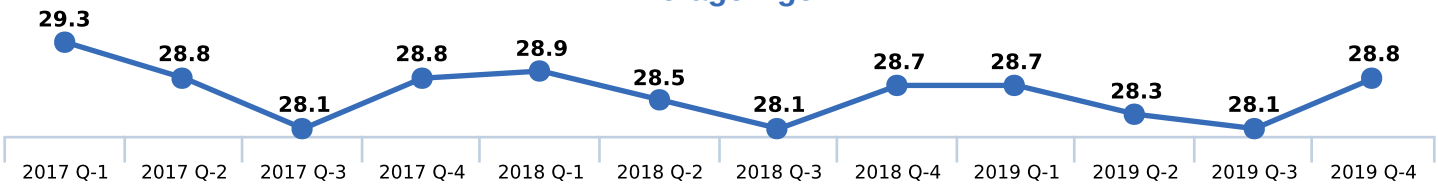
Sections



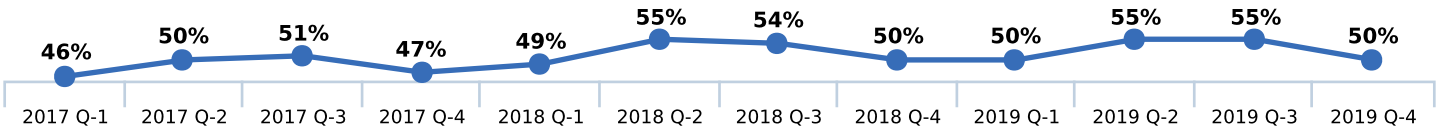
Candidates



Average Age



% Pass



CPA Exam Performance Summary: 2019 Q-4
Overall

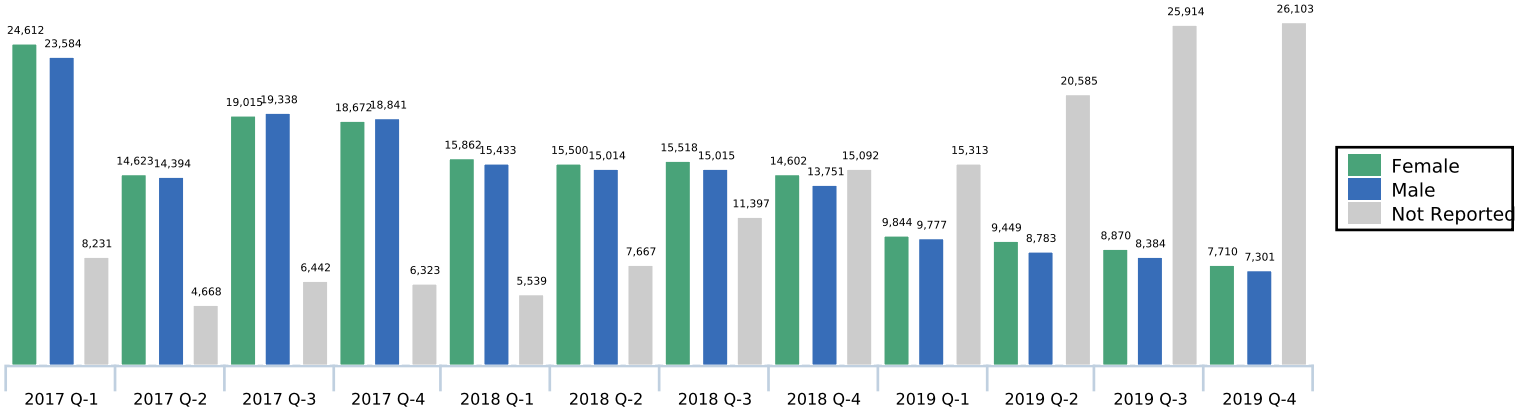
Degree Type

	Candidates	% Total
Bachelor's Degree	29,150	70.9%
Advanced Degree	8,321	20.2%
Enrolled / Other	3,643	8.9%

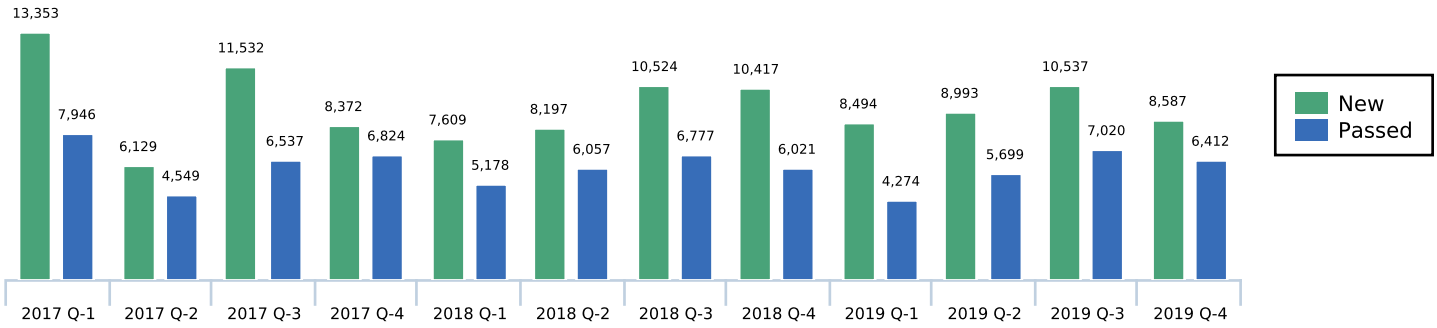
Residency

	Candidates	% Total
In-State Address	30,651	74.55%
Out-of-State Address	6,046	14.71%
Foreign Address	4,417	10.74%

Gender



New Candidates vs Candidates Passing 4th Section



Notes:

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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

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

CBA Item VIII.A.
July 23, 2020
DRAFT

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

MINUTES OF THE
January 16, 2020
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 Nancy J. Corrigan, CPA, called the meeting to order at 9:49 a.m. on Thursday, January 16, 2020 at the CBA Office in Sacramento. The CBA convened into closed session from 11:23 a.m. and recessed at 12:00 p.m. The CBA reconvened into open session from 1:30 p.m. until 2:32 p.m. The CBA reconvened into closed session from 2:36 p.m. until 3:35 p.m. The CBA reconvened into open session from 3:45 p.m. until 4:03 p.m. President Corrigan adjourned the meeting at 4:03 p.m.

CBA Members	January 16, 2020
Nancy J. Corrigan, CPA, President	9:49 a.m. to 4:03 p.m.
Michael M. Savoy, CPA, Vice-President	9:49 a.m. to 4:03 p.m.
Mark J. Silverman, Esq., Secretary/Treasurer	9:49 a.m. to 4:03 p.m.
Jose A. Campos, CPA	9:49 a.m. to 4:03 p.m.
George Famalett, CPA	Absent
Mary M. Geong, CPA	Absent
Karriann Farrell Hinds, Esq.	9:49 a.m. to 4:03 p.m.
Dan Jacobson, Esq.	Absent
Xochitl A. León	9:49 a.m. to 4:03 p.m.
Luz Molina Lopez	9:49 a.m. to 4:03 p.m.
Carola A. Nicholson, CPA	Absent
Deidre Robinson	10:09 a.m. to 4:03 p.m.
Katrina L. Salazar, CPA	Absent

Staff and Legal Counsel
Kimberly Kirchmeyer, Director, Department of Consumer Affairs (DCA)
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Christy Abate, Administrative Manager
Rich Andres, Information Technology Staff
Christine Baker, Enforcement Assistant
Aaron Bone, Information and Planning Officer
Ileana Butu, Legal Counsel, DCA
Theodore Drcar, Deputy Attorney General (DAG), Department of Justice (DOJ)
Paul Fisher, Enforcement Supervising ICPA
Dominic Franzella, Chief, Enforcement Division
Dave Hansen, Systems Administrator
Alegra Keith, Assistant Human Resources Liaison
Amir Larian, Website Analyst
Roberto Mendoza, Enforcement Analyst
Denise Murata, Enforcement Analyst
Kari O'Connor, Enforcement Manager
Shauna Palacios, Enforcement Analyst
Jason Piccione, Chief Information Officer, DCA
Rebecca Reed, Board Relations Analyst
Peter Renevitz, Legislative Analyst
Ben Simcox, CPA, Deputy Chief, Enforcement Division
Wayne Wilson, Special Projects Analyst
Melissa Winchell, Enforcement Manager

Committee Chairs and Members
Doug Aguilera, CPA, Chair, Enforcement Advisory Committee (EAC)
Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)

Other Participants
Thomas Burke, Center for Public Interest Law
Hey Jung Choi, Petitioner
Jason Fox, California Society of CPAs (CalCPA)
Sean Gavin, Administrative Law Judge, Office of Administrative Hearings
Pilar Oñate-Quintana, The Oñate Group
Jon Ross, KP Public Affairs

I. Report of the President.

A. Report of the Leadership Roundtable Meeting Regarding California Board of Accountancy Activities for 2020.

President Corrigan reported that at the Leadership Roundtable meeting, CBA Leadership reviewed the planned meeting topics for 2020. She also stated that staff provided an overview of its 2020 Project List, which included getting candidates through the examination and licensure process quicker by modernizing the transcript submittal process, seeking authorization for

candidates to take the Uniform CPA Examination (CPA Exam) prior to degree conferral, and automating the process to apply for CPA licensure.

President Corrigan stated that staff will be researching whether to recommend to the CBA to incorporate NASBA's Center for Public Trust Ethics Training into the CBA Disciplinary Guidelines and will invite a representative from NASBA to provide additional information on the training program.

President Corrigan stated that priorities for 2020 include continued discussions regarding continuing education (CE) reciprocity, internal staff cross-training, student outreach activities, expanding the CBA's consumer education efforts, and the CBA' efforts in addressing unlicensed activity.

B. Resolution for Carl W. Sonne, Senior Assistant Attorney General, Department of Justice, Former Liaison to the California Board of Accountancy.

It was moved by Mr. Silverman and seconded by Ms. León to approve the resolution for Carl W. Sonne.

Yes: Mr. Campos, Ms. Corrigan, Ms. Hinds, Ms. León, Ms. Molina Lopez, Mr. Pe, Mr. Savoy, and Mr. Silverman.

No: None.

Absent: Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Nicholson, Ms. Robinson and Ms. Salazar.

Abstain: None.

C. Presentation from Lila Mirrashidi, Deputy Secretary of the Business, Consumer Services and Housing Agency.

There was no report on this agenda item.

D. Announcement of California Board of Accountancy Leadership Award of Excellence.

President Corrigan announced that the recipients of the CBA Leadership Award of Excellence were the Information Technology (IT) Team, which included: Rich Andres, Systems Administrator, Manny Estacio, IT Analyst, David Hansen, Network Administrator, Amir Larian, Website Analyst, and Allan Taylor, Programmer Analyst.

E. Discussion and Possible Adoption of the Proposed 2021 California Board of Accountancy Meeting Dates and Locations.

It was moved by Mr. Savoy and seconded by Mr. Silverman to adopt the 2021 CBA meeting dates and locations.

Yes: Mr. Campos, Ms. Corrigan, Ms. Hinds, Ms. León, Ms. Molina Lopez, Mr. Pe, Mr. Savoy, and Mr. Silverman.

No: None.

Absent: Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Nicholson, Ms. Robinson and Ms. Salazar.

Abstain: None.

F. Announcement of the New Committee and Liaison Assignments.

This was a written report only.

G. Department of Consumer Affairs Director's Report on Departmental Activities.

Director Kirchmeyer reported on areas she will be focusing on as the newly appointed Director of DCA and include client services and satisfaction, making sure boards and bureaus work collaboratively, and data transparency.

Director Kirchmeyer stated that staff have been reviewing boards and bureau's licensing and enforcement statistics and pending regulatory packages, including the amount of time it is taking to complete regulatory packages to try and streamline internal processes at DCA's side. She stated that the DCA Legal Office has created a Regulation Unit to assist in processing rulemaking packages. She stated that staff will also be working on ways to shorten the length of time it takes to obtain fiscal reports.

Director Kirchmeyer stated that staff have developed a system called Cherwell. She stated that Cherwell is a system that will be able to track rulemaking packages and allow boards and bureaus to track where their package is within the system.

Director Kirchmeyer stated that she held a Director's Quarterly meeting in December 2019. She stated that some of the areas that were discussed included an overview of current DCA initiatives; a presentation from Lila Mirrashidi, Deputy Secretary of the Business, Consumer Services and Housing Agency regarding board appointments; and a presentation from Senior Assistant Attorney General, Carl W. Sonne regarding Assembly Bill (AB) 2138 implementation.

Director Kirchmeyer stated that any appointed or reappointed members need to take the DCA Board Member Orientation Training within one year of appointment/reappointment. She stated that members will need to complete

the electronic Form 700 – Economic Interest report by April 1, 2020. She also stated that 2019 was a required Sexual Harassment Prevention training year and if training has not been completed, to do so as soon as possible.

Director Kirchmeyer stated that DCA's Communication Division has been working to find ways to improve the interaction between the public and the boards and bureaus to assist the public in understanding how to bring concerns, comments, complaints, and other matters effectively as possible to boards and bureaus. She stated that the division created a how-to guide called *We're Listening* to assist Californians in approaching boards/bureaus with inquiries or to give feedback. She stated that the guide is available in brochure and poster format in which boards and bureaus can have available at meetings.

II. Report of the Vice-President.

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

There was no report on this agenda item.

B. Recommendations or Appointment(s)/Reappointment(s) to the Qualifications Committee.

There was no report on this agenda item.

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

There was no report on this agenda item.

III. Report of the Secretary/Treasurer.

A. Discussion the Governor's Proposed Budget for Fiscal Year 2020-21.

Secretary/Treasurer Silverman reported that the CBA's fiscal year (FY) 2019-20 budget remained set at $16,532,000. He stated that the FY 2020-21 proposed budget is $17,081,000 as released in the Governor's budget on January 10, 2020.

Secretary/Treasurer Silverman stated that in May the Governor will again review the proposed budget for FY 2020-21 and make any changes to arrive at a final figure. He stated that the Legislature must then pass the budget bill by June 15, 2020, which would give the Governor 12 days to either sign the proposed budget, or return it to the Legislature. He stated that once it is signed, the budget becomes effective on July 1, 2020.

IV. Report of the Executive Officer.

A. Update on Staffing.

Ms. Bowers reported that she is still recruiting to fill the Executive Secretary position that was vacated earlier in the year. Ms. Bowers stated that Michelle Center has been selected to fill the position of Chief in the Licensing Division.

B. Review and Approval of Proposed Changes to the California Board of Accountancy Member Guidelines and Procedures Manual.

Ms. Pearce provided an overview of the agenda item. She stated that the edits made to the manual were non-substantive to improve overall clarity.

It was moved by Ms. León and seconded by Ms. Robinson to approve the January 2020 version of the CBA Guidelines and Procedures Manual.

Yes: Mr. Campos, Ms. Corrigan, Ms. Hinds, Ms. León, Ms. Molina Lopez, Mr. Pe, Ms. Robinson, Mr. Savoy, and Mr. Silverman.

No: None.

Absent: Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Nicholson, and Ms. Salazar.

C. Update and Discussion on Communication and Outreach Activities Regarding Requirements Taking Effect January 1, 2020 Related to Assembly Bill 1521.

Mr. Bone stated that AB 1521 was the CBA's sunset review legislation that the Governor signed into law last year. He stated that AB 1521 contained three key statutory changes to support the CBA's consumer protection mission and improve our operations.

Mr. Bone stated that the first change increases the CBA's license renewal and initial licensure fees to $250. The second change requires all licensees and applicants to provide and maintain a valid email address to the CBA, if they possess one. The third change allows the CBA to publish and distribute the *UPDATE* newsletter electronically. He stated that later in January, the CBA will be distributing a letter to licensees that discusses the elements of AB 1521 and will direct licensees to the CBA's website where they may enter in or confirm their email address.

D. Update on the California Board of Accountancy's Communications and Outreach.

Mr. Bone reported that on November 22, 2019, Ms. Geong spoke at an event on the campus of Golden Gate University on the importance of mentoring, communication, and networking. He stated that State Treasurer Fiona Ma, CPA, was the featured speaker that evening, which was sponsored by Ascend, a Pan-Asian business and leadership organization.

Mr. Bone stated that on December 6, 2019, Ms. Salazar spoke at CalCPA's "From Community College to CPA" event at American River College in Sacramento. He stated that the event focused on the qualifications to sit for the CPA Exam.

Mr. Bone stated that on January 30, 2020, President Corrigan will represent the CBA at CalCPA's "Student Professional Issues Update" on the campus of San Francisco State University. He stated that topics to be discussed will include the requirements for CPA licensure, continuing education and related license renewal requirements, and future regulatory trends for the accounting profession.

Mr. Bone stated that the CBA has been invited by CalCPA to a community college event at Pasadena City College on May 8, 2020.

V. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the December 5, 2019, Enforcement Advisory Committee Meeting.

Mr. Aguilera reported that the EAC held four Investigative Hearings.

B. Qualifications Committee.

There was no report on this agenda item.

C. Peer Review Oversight Committee.

1. Report of the December 13, 2019, Peer Review Oversight Committee Meeting.

Mr. De Lyser reported that the PROC discussed and provided feedback regarding the approval of its August 16, 2019 meeting minutes, highlighted 2020 PROC activities and assignments, and assessments of its 2019 Administrative Site Visit to CalCPA. He stated that the PROC also reviewed, discussed, and provided feedback to the Draft 2019 PROC Annual Report.

VI. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of this item.

Ms. Hinds inquired on the increase of “Other” complaint types and what types of complaints are included under the “Other” category.

Mr. Franzella stated that staff will report back to the CBA regarding the types of complaints that are listed under the “Other” category of the report.

President Corrigan inquired the total number of probation violations was 42 violations or if 42 probationers had violations.

Mr. Franzella stated that 42 was the total amount of probation violations and that one probationer could have multiple violations.

President Corrigan inquired whether on when the Enforcement Division might take action against a probationer that has multiple probation violations.

Mr. Franzella stated that as a general rule, staff work to make the probation process a successful process for the probationer. He stated that staff conducts probation orientations with new probationers to review their probation terms and answer any questions the probationer may have. When reviewing probation violations, staff looks at the severity of the original discipline coupled with the type of violation that may have occurred. He stated that some violations are more problematic for the CBA. Staff works with the probationers to assist them in meeting compliance with probation violations, when possible.

VII. Report of the Licensing Chief.

A. Mr. Franzella provided an overview of this item.

Ms. León inquired on the reason there was a decrease in applications for the CPA Examination and initial license from the previous fiscal years.

Mr. Franzella stated that in the prior fiscal years staff were behind on the 30-day processing timeframes of applications. He stated that there was a big push to catch up on the processing of the older applications.

Ms. Hinds requested staff confirm at a future meeting that the influx of approved applications was due to resolving a backlog in the processing timeframes.

Mr. Campos inquired if staff are meeting operational needs or are staff still struggling with backlog and meeting the 30-day processing timeframes.

Mr. Franzella stated that at this time staff are meeting the 30-day processing timeframes. He stated that with the implementation of the business modernization, processes will be streamlined.

Ms. Bowers stated that the loss of temporary staff positions impacted the Licensing Unit. She stated that the CBA was able to obtain permanent positions, but it takes time to go through the recruitment and hiring process.

Mr. Campos inquired if the on-line renewal payment system allows for a quicker processing time of renewal applications.

Mr. Franzella stated only the payment for the renewal can be made on-line and licensees still need to submit their renewal application for review.

VIII. Meeting Minutes.

A. Adoption of the Minutes of the November 21, 2019, California Board of Accountancy Meeting.

It was moved by Ms. Robinson and seconded by Mr. Silverman to adopt the minutes of the November 21, 2019 California Board of Accountancy meeting, which included a non-substantive edit that was noted to page 20275 after the minutes were received.

Yes: Mr. Campos, Ms. Corrigan, Ms. León, Ms. Molina Lopez, Mr. Pe, Ms. Robinson, Mr. Savoy, and Mr. Silverman.

No: None.

Absent: Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Nicholson, and Ms. Salazar.

Abstain: Ms. Hinds.

B. Acceptance of the Minutes of the November 21, 2019, Committee on Professional Conduct Meeting.

C. Acceptance of the Minutes of the November 21, 2019, Legislative Committee Meeting.

D. Acceptance of the Minutes of the October 3, 2019, Enforcement Advisory Committee Meeting.

E. Acceptance of the Minutes of the August 16, 2019, Qualifications Committee Meeting.

It was moved by Ms. Robinson and seconded by Mr. Silverman to accept items VIII.B. through VIII.E.

Yes: Mr. Campos, Ms. Corrigan, Ms. León, Ms. Molina Lopez, Mr. Pe, Ms. Robinson, Mr. Savoy, and Mr. Silverman.

No: None.

Absent: Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Nicholson, and Ms. Salazar.

Abstain: Ms. Hinds.

IX. 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. State Board Committee.

There was no report on this agenda item.

B. National Association of State Boards of Accountancy.

1. Report of the National Association of State Boards of Accountancy Pacific Regional Director.

There was no report on this agenda item.

2. Report on Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Member or Staff.

a. Bylaws Committee.

There was no report on this agenda item.

b. Continuing Professional Education Committee.

President Corrigan reported that the NASBA Continuing Professional Education (CPE) Committee is a joint committee with the American

Institute of Certified Public Accountants (AICPA), which distributes the rules and regulations for CE. She stated that there is a working group that makes recommendations to the CPE Committee regarding CPE standards and revisions to the standards. She stated that the CPE Committee reviews and acts upon the recommendations. She stated that revisions were reviewed in 2019 and adopted by the end of 2019.

President Corrigan stated that the framework for the joint committee of AICPA and NASBA is to develop and present measurement and reporting of CPE programs, with the goal of developing and providing uniform rules and requirements and overseeing CPE programs provided by CPE providers. She stated that there is a national registry of CPE providers which has 2,200 members. She stated that at this time only 20 to 25 are offering nano learning. She stated that during the December 16, 2019 teleconference, the committee discussed terminology clarifications relating to nano and blended learning so AICPA and NASBA could finalize the standards. She stated that the committee discussed why so many states are opposed to nano learning. She stated that NASBA would like to reach out to various states to inquire the reason the states are opposed and to see what NASBA can do to address any concerns.

Ms. Molina Lopez inquired if California is opposed to adopting nano and blended learning.

President Corrigan stated that California is in the process of adopting of nano and blended learning.

3. Discussion and Possible Ratification of Staff Responses to the National Association of State Boards of Accountancy's Focus Questions.

   Ms. Reed reported that the purpose of this item was to provide the CBA with staff responses to the NASBA Focus Questions.

X. Petition Hearings.

A. Norman Lemont Meadows, CPA License Number 28757 – Petition for Termination of Probation.

   The CBA discussed Mr. Meadow's petition for termination of probation.

B. Hey-Jung Choi, CPA License Number 100224 – Petition for Reinstatement of Revoked Certificate.

   The CBA heard Ms. Choi's petition for reinstatement of revoked certificate, CPA license number 100224.

XI. 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.

XII. Report on the Committee on Professional Conduct, and Legislative Committee.

A. Committee on Professional Conduct.

1. Report of the January 16, 2020, Committee on Professional Conduct Meeting.

2. Discussion and Possible Action Regarding CPA Firm Mobility.

Ms. Hinds reported that the purpose of this agenda item was to provide the Committee on Professional Conduct (CPC) the opportunity to discuss and potentially take action to direct staff to develop proposed legislation that would authorize full CPA firm mobility.

There was no action on this item.

3. Discussion and Possible Action Regarding Accounting Firms Providing Attest Services with Ownership Comprised Solely of Certified Public Accountants Who Have Not Completed the Attest Experience Requirement.

Ms. Hinds reported that the purpose of this agenda item was to provide the CPC the opportunity to consider possible enhancements to requirements for licensees who have not completed the attest experience requirement who are sole owners of accounting firms that provide attest services. She stated that staff provided an overview of four areas the CBA may wish to consider to enhance consumer protection which include enhanced client notification, peer review notification, professional responsibilities for enforcement actions, and work paper retention requirements.

Mr. Savoy stated that he is opposed to creating any additional rules and regulations for something that should not be allowed. He stated that auditing services are very serious and if a firm wants to undertake these services, that firm should have a partner that specializes in auditing.

Ms. Molina Lopez inquired on the amount of firms that this regulation would affect.

Mr. Franzella stated that the CBA's information on the firm population providing these types of services is minimal on this topic. He stated that this issue came to the attention of staff recently coupled with the general shift in the population of the licensure group mostly obtaining a license

without the attest authority. He stated that some of the ideas behind the recommendation are based on observations by staff, but also be proactive measures.

Ms. Molina Lopez stated that this issue originally was brought to the Enforcement Program Oversight Committee (EPOC) for discussion and it was decided to have the CPC discuss this issue. She inquired on what the EPOC had to say regarding this issue.

Mr. Franzella stated that the EPOC's original request of staff was regarding licenses with a general license doing attest level work and how the CBA handles it. He stated that during those discussions, staff raised this as a concern. He stated that this was not an EPOC issue because it dealt more with policy.

The CPC recommended the CBA direct staff to explore possible statutory changes, regulatory changes, or both associated with requiring accounting firms to:

- **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.**

- **Require accounting firms to disclose to their peer reviewers that no owner is authorized to sign reports on attest engagements.**

- **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.**

Yes: Mr. Campos, Ms. Corrigan, Ms. Hinds, Ms. León, Ms. Molina Lopez, Mr. Pe, Ms. Robinson, and Mr. Silverman.

No: Mr. Savoy.

Absent: Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Nicholson, and Ms. Salazar.

4. Discussion and Possible Action to Initiate a Rulemaking to Amend sections of Title 16, Division 1, Article 12, California Code of Regulations Regarding Continuing Education Rules, including but not limited to Sections 80.1 – Continuing Education Requirements for Renewing an Expired License, 87 – Basic Requirements, 87.6 – Records Review Continuing Education Requirements, 87.8 – Regulatory Review Course, 87.9 – Offering a Regulatory Review Course, 88 – Programs Which Qualify, 88.1 – Provider Requirements, 88.2 – Program Measurements, 89 – Control and Reporting, and 90 – Exceptions and Extensions.

   This agenda item was deferred to a future meeting.

B. Legislative Committee.

1. Report of the January 16, 2020, Legislative Committee Meeting.

2. Overview of the California Legislative Process and the Legislative Committee's Role.

   This was a written report only.

3. Update, Discussion and Possible Action on Legislation Which the California Board of Accountancy Has Taken a Position.

   a. Assembly Bill 63 – State Government.

   b. Assembly Bill 193 – Professions and Vocations.

   c. Assembly Bill 312 – State Government: Administrative Regulations: Review.

   d. Assembly Bill 535 – Personal Income Taxes: Credit: Professional License Fees.

   e. Assembly Bill 544 – Professions and Vocations: Inactive License Fees and Accrued and Unpaid Renewal Fees.

   f. Assembly Bill 613 – Professions and Vocations: Regulatory Fees.

   g. Assembly Bill 802 – Reports to the Legislature: Statewide Open Data Portal.

   h. Assembly Bill 1140 – Tax Preparers: Disclosures.

   i. Assembly Bill 1271 – Licensing Examinations: Report.

j. Assembly Bill 1343 – Private Postsecondary Education: California Private Postsecondary Education Act of 2009.

k. Assembly Bill 1525 – Cannabis: Financial Institutions.

l. Assembly Bill 1545 – Civil Penalty Reduction Policy.

m. Senate Bill 51 – Financial Institutions: Cannabis.

n. Senate Bill 53 – Open Meetings.

Ms. Molina Lopez reported that staff noted that AB 535, related to tax credits for certain professional license fees, was approved by the Assembly Revenue and Tax Committee.

There was no action on this item.

Ms. Molina Lopez stated that AB 1525, related to CPAs, accounting firms, and those who provide financial services to the licensed cannabis industry, was approved by the Assembly Business and Professions committee and is expected to incorporate amendments requested by the CBA. She stated that once those amendments are confirmed, the CBA will move to a Support position.

There was no action on this item.

4. Legislative Items for Future Meeting. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future Legislative Committee meeting agenda and/or whether to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4.

XIII. Closing Business.

A. Public Comments.

There were no public comments.

B. Agenda Items for Future California Board of Accountancy Meetings.

There were no suggested items for a future meeting.

XIV. 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.

XV. 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. *Sam Walker and Sam Walker CPA, Inc. v. Department of Consumer Affairs, California Board of Accountancy, and the Office of Administrative Hearings*, Los Angeles County Superior Court, Case No. BS171533.

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

C. *Lowell A. Baisden v. Patti Bowers Executive Officer, Board of Accountancy, Department of Consumer Affairs, State of California, Evan J. Geilenkirchen, and Jane M. Geilenkirchen*, Fifth Appellate District Court of Appeal, Case No. F076662.

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

XVI. Closed Session. Pursuant to Government Code Section 11126(a)(1), the Board Will Meet in Closed Session to Conduct the Annual Evaluation of its Executive Officer.

President Corrigan adjourned the meeting at 4:03 p.m. on Thursday, January 16, 2020.

_____Nancy J. Corrigan, CPA, President

_____Mark J. Silverman, Esq., Secretary/Treasurer

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

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item VIII.B.
July 23, 2020

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

MINUTES OF THE
December 13, 2019
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 the meeting of the California Board of Accountancy (CBA) PROC to order at 11:00 a.m. on Friday, December 13, 2019. The meeting adjourned at 12:47 p.m.

Members

Jeffrey De Lyser, CPA, Chair	11:00 a.m. – 12:47 p.m.
Renee Graves, CPA, Vice-Chair	11:00 a.m. – 12:47 p.m.
Kevin Harper, CPA	11:00 a.m. – 12:47 p.m.
Alan Lee, CPA	11:00 a.m. – 12:47 p.m.
Iryna Oreshkova, CPA	Absent
Sharon Selleck, CPA	11:00 a.m. – 12:47 p.m.
Fiona Tam, CPA	11:00 a.m. – 12:47 p.m.

CBA Member
Mary M. Geong, CPA, CBA Member Liaison

CBA Staff
Dominic Franzella, Chief, Enforcement Division
Sarah Benedict, Manager, License Renewal/Continuing Competency Unit
Jennifer Jackson, Examination Unit Coordinator
Ben Simcox, CPA, Deputy Chief, Enforcement Division

Other Participants
Vinit Shrawagi, CPA, California Society of CPAs (CalCPA)
Mr. 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."

I. Report of the Committee Chair.

A. Approval of the August 16, 2019 Peer Review Oversight Committee Meeting Minutes.

It was moved by Mr. Harper and seconded by Mr. Lee to approve the meeting minutes as corrected.

Yes: Mr. De Lyser, Ms. Graves, Mr. Harper, Mr. Lee, Ms. Selleck, and Ms. Tam

No: None.

Abstain: None.

Absent: Ms. Oreshkova.

The motion passed.

B. Report on the September 26-27, 2019 and November 21, 2019 California Board of Accountancy Meetings.

Ms. Geong reported on both the September 26-27, 2019 and November 21, 2019 CBA Meetings. She reported that during the September 26-27, 2019 meeting, the CBA approved a proposed amendment to its regulations related to the definition of satisfactory evidence of educational documents. Specifically, the CBA adopted text which would allow the CBA to receive educational qualifications for examination and licensure provided directly from the applicant in a sealed and untampered envelope or by a secure electronic method.

Ms. Geong reported that during the November 21, 2019 CBA meeting, President Famalett introduced the new CBA member, Ariel Pe. Mr. Pe is a public member and was appointed by the Speaker of the Assembly. Additionally, the CBA elected the 2020 leadership, which includes:

- Nancy J. Corrigan, CPA, as President
- Michael M. Savoy, CPA, as Vice-President
- Mark J. Silverman, Esq., as Secretary/Treasurer

Ms. Geong further reported that the CBA reappointed Mr. De Lyser as the PROC Chair and Ms. Graves as Vice-Chair for one-year terms, effective January 1, 2020.

Ms. Geong reported that the CBA approved a proposed amendment to its regulations related to mobility/practice privilege. Specifically, the CBA adopted regulatory text and a form to be incorporated by reference. The proposed language will only be necessary should the CBA make a determination that allowing individuals from a particular state to practice remotely violates its consumer protection mandate. The CBA directed staff to initiate the rulemaking process.

She further noted the CBA approved:

- Pursuing legislation to keep applicant and licensee email addresses private
- To allow candidates to sit for the Uniform CPA Exam prior to degree conferral
- Authorization for the Secretary/Treasurer or another CBA member to preside at meetings of the CBA

II. Assignment of Future Peer Review Oversight Committee Oversight Roles, Responsibilities, Activities, and Assignments.

Mr. De Lyser presented this agenda item. He highlighted new 2020 oversight activities and requested PROC members to participate and accept new assignments for upcoming PROC oversight activities.

American Institute of Certified Public Accountants (AICPA)/NASBA/Website Updates

- Ms. Graves

CBA Meeting(s) – Mr. De Lyser

- January 16, 2020

CalCPA RAB Meeting(s)

- January 21, 2020 – Ms. Selleck
- January 23, 2020 – Mr. Lee

AICPA PRB Open Meeting

- January 30, 2020 – Mr. Harper

III. Report of the Enforcement Chief.

A. Discussion on the Draft 2019 Peer Review Oversight Committee Annual Report.

Mr. Franzella reported on this agenda item. He requested the PROC review, and advise staff of any topics, areas for inclusion, or formatting changes for the 2019 Report. He noted significant changes were made to last year's report in

an effort to streamline and re-categorize things related to onsite activities versus reports reviewed to help integrate them effectively.

Mr. Franzella reported that the report includes highlighted areas such as: peer review-related reports and publications reviewed by the PROC, results and response letters regarding the administrative oversight of the AICPA's National Peer Review Committee, and the AICPA Peer Review Program, National Peer Review Committee 2017 Annual Report on Oversight.

Mr. Harper was concerned that the statistics provided have not been analyzed, as per the role of the PROC. He noted significant fluctuations between 2015 and 2018 and suggested adding content to explain what the statistics are telling us. Rather than speculating and having the PROC draw its own conclusion, Mr. De Lyser suggested staff draft a letter to the AICPA requesting possible explanations of the factors that may be contributing to the trends.

The PROC reviewed the draft 2019 PROC Annual Report and provided feedback and edits to staff.

B. Report on the October 24, 2019 Peer Review Oversight Committee's Administrative Site Visit to the California Society of Certified Public Accountants.

Ms. Graves and Ms. Selleck presented this agenda item. Ms. Graves stated that the focus was on both a sampling of the reviews and peer review qualifications. She stated that the goal is to protect the consumers and questioned the committee's approach to provide oversight to the peer review process, in an effort to meet our mission of consumer protection.

Ms. Graves reported that the reviews covered 17 peer reviews performed by Ms. Selleck and eight peer reviewers regarding qualifications and the steps within the checklist.

Ms. Selleck explained her review selection process. Additionally, she noticed more timeliness during RAB meetings occurring later in the year, which could possibly be due to people becoming more familiar with the Peer Review Integrated Management Application (PRIMA).

Mr. Harper asked if the system is working and if we are focusing our attention on the right tasks. Ms. Graves indicated that the intention of the checklist is for new members coming on board to use as a learning reference. Ms. Graves stated she is not convinced that the checklists accomplish this and now that PRIMA is established, the process has been simplified and she believes that not all of the lists are necessary.

Mr. Harper suggested to revise and simplify the checklists. Ms. Graves expressed that the more specific the checklist is, the more difficult the task and suggested focusing more on the overall objectives.

Mr. De Lyser suggested placing this process as a future agenda item in order to investigate different options to revise the checklists. The current process for documenting requires at least one person on the team to have prior experience of completing a minimum of two to three reviews.

Ms. Selleck asked if the timing of the reviews has ever been taken into consideration. Ms. Selleck suggested randomizing the timing of the reviews in order to gather a different population of firms. Ms. Selleck suggested that more than one day be dedicated to the task, due to its importance. CalCPA staff commented that because of the AICPA login/access restrictions, making the reviews periodic over the year may be more difficult than a single visit. CalCPA staff commented that if access were to change, then two separate time periods can be considered.

IV. Closing Business

A. Public Comments for Items Not on the Agenda.

None

B. Agenda Items for Future Peer Review Oversight Committee Meetings.

Staff recorded agenda items to discuss at future PROC meeting.

V. Adjournment.

Having no further business to conduct, Mr. De Lyser adjourned the meeting at 12:47 p.m. on Friday, December 13, 2019.

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Jeffrey De Lyser, CPA, Chair

Jennifer Jackson, Examination Coordinator, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1763.

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item VIII.C.
July 23, 2020

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

MINUTES OF THE December 5, 2019 ENFORCEMENT ADVISORY COMMITTEE MEETING

Marriott Burbank Airport Hotel
2500 North Hollywood Way
Burbank, CA 91505
(818) 843-6000

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Joseph Rosenbaum, CPA, called to order the regularly scheduled meeting of the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC) at 9:00 a.m. on December 5, 2019 at the Marriott Burbank Airport Hotel.

Mr. Rosenbaum 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	
Joseph Rosenbaum, CPA, Chair	9:00 a.m. – 12:03 p.m.
Doug Aguilera, CPA, Vice-Chair	9:00 a.m. – 12:03 p.m.
William Donnelly, CPA	9:00 a.m. – 12:03 p.m.
Thomas Gilbert, CPA	9:00 a.m. – 12:03 p.m.
Jackson Johnson, CPA	Absent
Kathy Johnson, CPA	9:00 a.m. – 12:03 p.m.
Michael Johnson, CPA	9:00 a.m. – 12:03 p.m.
David Kral, CPA	9:00 a.m. – 12:03 p.m.
José Palma, CPA	9:00 a.m. – 12:03 p.m.
Nasi Raissian, CPA	9:00 a.m. – 12:03 p.m.
Jim Songey, CPA	9:00 a.m. – 12:03 p.m.
Chris Tegtmeyer, CPA	9:00 a.m. – 12:03 p.m.

CBA Member
Nancy J. Corrigan, CPA

CBA Staff and Legal Counsel
Artin T. DerOhanian, Deputy Attorney General, Department of Justice
Ted Drcar, Deputy Attorney General, Department of Justice
Paul Fisher, Supervising Investigative CPA
Gregory Francis, Investigative CPA
Dominic Franzella, Chief, Enforcement Division
Kay Lewis, Investigative CPA
Tina MacGregor, Investigative CPA
Kari O'Connor, Enforcement Manager
Dorothy Osgood, Supervising Investigative CPA
Gogi Overhoff, Investigative CPA
Nancy Rimberg, Investigative CPA
Maria Rouse, Enforcement Analyst
Ben Simcox, Deputy Chief, Enforcement Division

I. Report of the Committee Chair (**Joseph Rosenbaum, CPA**).

A. Approval of the October 3, 2019 EAC Meeting Minutes.

It was moved by Ms. Raissian and seconded by Ms. Johnson to approve the minutes of the October 3, 2019 EAC meeting.

Yes: Mr. Aguilera, Mr. M. Johnson, Ms. K. Johnson, Mr. Kral, Ms. Raissian, Mr. Rosenbaum, Mr. Songey and Mr. Tegtmeyer.

No: None.

Abstain: Mr. Donnelly, Mr. Gilbert, and Mr. Palma

Absent: Mr. J. Johnson

The motion passed.

II. Report of the CBA Liaison.

A. Report of the November 21, 2019 CBA and Committee Meetings (**Nancy J. Corrigan, CPA**).

Ms. Corrigan reported that at the November 21, 2019 meeting, President Famalett introduced new CBA member Ariel Pe who was appointed by the Speaker of the Assembly. Additionally, she announced that the CBA elected the 2020 leadership which includes: Nancy J. Corrigan, CPA, as President, Michael M. Savoy, CPA, as Vice-President, and Mark J. Silverman, Esq., as Secretary/Treasurer. She noted that the CBA appointed Douglas Aguilera, CPA, as the EAC Chair and Thomas Gilbert, CPA, as Vice-Chair for one-year terms.

Ms. Corrigan stated that CBA approved a proposed amendment to its regulations related to mobility/practice privileges adopting text authentication and a form to be incorporated by reference. Furthermore, the CBA approved the following: pursuing legislation to keep applicant and licensee email addresses private, allowing candidates to sit for the CPA Exam prior to degree conferral, and authorizing for a Secretary/Treasurer or another CBA member to preside at meetings of the CBA. Ms. Corrigan noted that the next CBA meeting will be on January 16-17, 2020 in Sacramento.

III. Report of the Enforcement Chief (**Dominic Franzella**).

A. Enforcement Activity Report (EAR).

Mr. Franzella provided an overview of this item. He reported that for the first three months of the fiscal year (FY) 2019/20, the CBA has received approximately 455 complaints. He stated that it is a 36 percent decrease from the same period for the prior year. Additionally, 593 cases have been closed and the average days to close cases has decreased. Furthermore, 90 percent of the cases were closed within the first six months of the complaint, and 99 percent were closed within one year.

Mr. Franzella stated that the CBA has referred 15 matters to the Attorney General's Office and taken disciplinary action on 10 matters in the first three months of FY 2019/20.

Mr. Franzella reported that the CBA has issued 75 citations during FY 2018/19. He noted that the average number of days from receipt of a complaint to issuance of a citation has decreased by 27 percent.

B. Report on Accusations and Final Disciplinary Orders Effective September 1, 2019 to October 31, 2019.

Mr. Franzella reported on this agenda item. Mr. Franzella noted that between September 1, 2019 to October 31, 2019, the CBA filed 10 accusations and took nine disciplinary actions.

IV. Public Comments for Items not on the Agenda.

No public comment was given.

V. Review Enforcement Files on Individual Licensees.

[Closed Session: The EAC met in closed session to review and deliberate on enforcement files as authorized by Government Code section 11126(c)(2) and Business and Professions Code section 5020.]

VI. Conduct Closed Hearings.

[The Committee met in closed session as authorized by Government Code sections 11126(c)(2) and (f)(3) and Business and Professions Code section 5020 to conduct to interviews and consider possible disciplinary action against an individual licensee or applicant prior to the filing of an accusation.]

VII. Adjournment.

The established subcommittees convened for investigative hearings from 9:23 a.m. to 12:02 p.m. The EAC general meeting reconvened as a quorum to vote on recommendations from the subcommittees at 12:02 p.m.

Having no further business to conduct, the EAC general meeting open session adjourned at approximately 12:03 p.m.

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Douglas Aguilera, CPA, Chair
Enforcement Advisory Committee

Prepared by: Denise Murata, Enforcement Analyst

CALIFORNIA BOARD OF ACCOUNTANCY

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

CBA Item VIII.D.
July 23, 2020

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

MINUTES OF THE October 23, 2019 QUALIFICATIONS COMMITTEE MEETING

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

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Kimberly Sugiyama, CPA, Qualifications Committee (QC) Chair called the meeting of the California Board of Accountancy (CBA) QC to order at 9:30 a.m. on October 23, 2019. The meeting adjourned at 2:22 p.m.

Members	
Kimberly Sugiyama, CPA, Chair	9:30 a.m. – 2:22 p.m.
Angela Honzik, CPA, Vice-Chair	9:30 a.m. – 2:22 p.m.
Joanna (Jenny) Bolsky, CPA	9:30 a.m. – 2:22 p.m.
Pradeep Budhiraja, CPA	Absent
David Evans, CPA	9:30 a.m. – 2:22 p.m.
Kristian George, CPA	9:30 a.m. – 2:22 p.m.
Charles W. Hester, Sr., CPA	9:30 a.m. – 1:32 p.m.
Brad Holsworth, CPA	Absent
Cliff Leiker, CPA	9:35 a.m. – 2:22 p.m.
José Palma, CPA	9:30 a.m. – 2:22 p.m.
Nasi Raissian, CPA	9:30 a.m. – 2:22 p.m.
Michael L. Williams, CPA	9:30 a.m. – 1:32 p.m.

CBA Member
Jose Campos, CPA

CBA Staff and Other Participants
Dominic Franzella, Enforcement Division Chief
Ben Simcox, Enforcement Deputy Chief
Aimee Hoang, Licensing Coordinator

Ms. Sugiyama welcomed the QC Members and read the following CBA Mission Statement to open the meeting:

"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."

I. Report of the Committee Chair.

Ms. Sugiyama read the resolution for QC Member Joanna Bolsky, CPA.

A. Approval of the January 23, 2019 QC Meeting Minutes.

It was moved by Ms. Bolsky and seconded by Mr. Hester to approve the minutes of the January 23, 2019 Qualification Committee minutes.

Yes: Mr. Williams, Ms. George, Mr. Hester, Ms. Honzik, Ms. Sugiyama, Ms. Bolsky, and Ms. Raissian.

No: None.

Abstain: Mr. Leiker, Mr. Palma, and Mr. Evans.

Absent: Mr. Budhiraja and Mr. Holsworth.

B. Proposed 2020 Qualifications Committee Meeting Dates.

It was moved by Mr. Evans and seconded by Ms. Raissian to approve the Proposed 2020 Qualifications Committee Meeting Dates.

Yes: Mr. Leiker, Mr. Williams, Ms. George, Mr. Hester, Mr. Palma, Ms. Honzik, Ms. Sugiyama, Ms. Bolsky, Ms. Raissian, and Mr. Evans.

No: None.

Abstain: None.

Absent: Mr. Budhiraja and Mr. Holsworth.

II. Report of the California Board of Accountancy Liaison.

A. Report on California Board of Accountancy - and Committee-Related Meeting Activities for 2019 (**Jose Campos, CPA**).

Mr. Campos stated that staff are working on developing an online initial licensing application for candidates applying for a Certified Public Accountant license.

He indicated that the Department of Consumer Affairs (DCA) Office of Professional Examination Services will be working with the CBA on evaluating the Uniform CPA Examination (CPA Exam) and Professional Ethics Examination to ensure the exams meet accepted technical and professional standards. Mr. Campos reported that with the passage of Assembly Bill 1521, the CBA's Sunset Bill, the license renewal and initial licensure fee will be set at $250 effective January 1, 2020. The CBA was also granted authority to increase the fee to $280; however, this is still undergoing review by DCA.

He further reported that staff will be working with universities with a high-volume of graduates applying for the CPA Exam to expedite the process to receive degree conferral documentation. He stated the CBA also directed staff to pursue legislative changes to allow candidates to sit for the CPA Exam before degree conferral.

Mr. Campos stated the CBA approved the proposed amended regulatory text for its regulations, Definition of Satisfactory Evidence. This would allow the CBA to receive educational qualifications for examination and licensure provided to the CBA from the applicant in sealed and untampered envelopes or by a secure electronic method from the educational institution.

Finally, Mr. Campos reported the CBA reviewed proposed legislation, took positions on new legislative bills, and continued to maintain its current position on several legislative bills. Members interested in reviewing any of the bills can visit the CBA's website.

The CBA will hold its next meeting in Sacramento on November 21, 2019.

III. Report on the Activities of the Initial Licensing Unit (**Dominic Franzella, Enforcement Division Chief**).

Mr. Franzella announced the departure of Licensing Division Chief, Gina Sanchez. He stated that the CBA is working with DCA to fill the position. In the interim, the Enforcement Division has taken responsibility for day to day oversight of the Licensing Division operations.

Mr. Franzella stated that the CBA is continuing its work on the Business Modernization and Suzanne Gracia, Licensing Manager, was redirected to the project.

Mr. Franzella stated that the CBA held multiple outreach events, where Licensing Division staff assisted attendees with questions on examination and licensure requirements and conducted transcript reviews. The most recent outreach event was held at California State Polytechnic University, Pomona (CalPoly). Nancy J. Corrigan, CPA, CBA Secretary/Treasurer and a graduate from CalPoly gave opening remarks. Another event was conducted at Chaffey Community College in

Southern California. Upcoming Outreach events will be held in December 2019 and January 2020.

Mr. Franzella reported that the goal for the Initial Licensing and Examination Unit is to process applications within 30 days of receipt. CBA staff are currently processing all applications in this timeframe and will continue to use any resources necessary to meet the goal. Mr. Franzella noted there was a 10 percent increase of applications processed from 2,187 in Fiscal Year (FY) 2017/18 to 4,400 in FY 2018/19. The increase is likely a result of resolving a backlog of applications.

Mr. Leiker inquired whether there is a shortage of CPAs in California. Mr. Franzella stated the CBA has identified a lower number of examination candidates. Further, he stated that the issue is being looked at on the national level through the National Association of State Boards of Accountancy (NASBA) and American Institute of Certified Public Accountants (AICPA) task force.

Mr. Campos added that the number of examination candidates may not be a shortage, but a reflection of fewer students entering and graduating from accounting programs, thus condensing the field of potential examination candidates and future CPA licensees. Mr. Campos further noted that this topic may be discussed at NASBA's upcoming annual meeting.

Ms. Raissian inquired about the status of the revision to the Certificate of Attest Experience. Mr. Franzella stated the proposed rulemaking documents were finished and submitted to DCA in June 2019 and are pending review from DCA.

IV. Public Comment for Items Not on the Agenda.

None.

V. Conduct Closed Hearings

[The QC met in closed session as authorized by Government Code section 11126(c)(2) and (f)(3), and BPC section 5023 to conduct closed hearings to interview individual applicants for CPA licensure.]

Adjournment at 10:02 a.m. to reconvene after closed session.

There being no further business to be conducted, the meeting was adjourned at approximately 2:22 p.m. on October 23, 2019. The next meeting of the QC will be held on January 22, 2020.

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Kimberly Sugiyama, CPA, Chair
Qualifications Committee

Prepared by: Aimee Hoang, Licensing Coordinator