

**CALIFORNIA BOARD OF ACCOUNTANCY**

2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.dca.ca.gov/cba>



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

**MINUTES OF THE
 May 20, 2005
 BOARD MEETING**

The Westin Horton Plaza
 910 Broadway Circle
 San Diego, CA 92101
 Telephone: (619) 238-2600
 Facsimile: (619) 239-0509

I. Call to Order.

President Renata M. Sos called the meeting to order at 8:55 a.m. on Friday, May 20, 2005, at the Westin Horton Plaza in San Diego and ALJ James Ahler and the Board heard Agenda Item XI.A. The Board then convened into closed session at 9:30 a.m. to deliberate and consider Agenda Items XI.B.-F. The Board reconvened into open session at 10:27 a.m. and adjourned at 12:45 p.m.

Board MembersMay 20, 2005

Renata M. Sos, President	8:55 a.m. to 12:45 p.m.
Ronald Blanc, Vice President	8:57 a.m. to 12:45 p.m.
Sally Flowers, Secretary-Treasurer	Absent
Richard Charney	8:55 a.m. to 12:45 p.m.
Ruben Davila	Absent
Donald Driftmier	8:55 a.m. to 12:45 p.m.
Charles Drott	Absent
Sara Heintz	Absent
Gail Hillebrand	8:55 a.m. to 12:45 p.m.
Thomas Iino	Absent
Clifton Johnson	8:55 a.m. to 12:45 p.m.
Olga Martinez	8:55 a.m. to 12:45 p.m.
David Swartz	8:55 a.m. to 12:45 p.m.
Stuart Waldman	8:55 a.m. to 12:45 p.m.

Staff and Legal Counsel

Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Michael Granen, Deputy Attorney General, Board Liaison
Greg Newington, Chief, Enforcement Program
LaVonne Powell, Legal Counsel
Michele Santaga, Enforcement Analyst
Theresa Siepert, Executive Analyst
Carol Sigmann, Executive Officer
Liza Walker, Regulation Analyst
Jeanne Werner, Deputy Attorney General, Board Liaison
Aronna Wong, Legislation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Qualifications Committee
Harish Khanna, Chair, Administrative Committee

Other Participants

Tom Chenowith
Julie D'Angelo Fellmeth, Center for Public Interest Law (CPIL)
Mike Duffey, Ernst & Young LLP
Bill Gage, Chief Consultant, Senate Business, Professions & Economic
Development Committee
Kenneth Hansen, KPMG LLP
Richard Robinson, Big 4 Accounting Firms
Hal Schultz, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)

II. Board Minutes.

A. Draft Board Minutes of the March 18, 2005, Board Meeting.

The draft Board minutes of the March 18, 2005, Board meeting were adopted on the Consent Agenda. (See Agenda Item XII.B.)

III. Report of the President.

A. Update on the Strategic Plan Progress.

Ms. Sos reported that staff are currently working on recommended modifications to the Board's Strategic Plan. She and Mr. Blanc will be attending a workshop at the Board office on July 27, 2005, to review the draft and make final edits. Ms. Sos noted that the revised Strategic Plan

and unanimously carried to no longer "watch" SB 412.

- c. SB 503 Figueroa – California State Library (Formerly Agency Secretaries).

Mr. Waldman reported that the Legislative Committee recommended that the Board continue to "watch" this bill. The Board concurred with the Committee's recommendation.

- d. SB 1022 Campbell – Limited Liability Companies.

Mr. Waldman reported that the Legislative Committee recommended that the Board continue to "watch" this bill. The Board concurred with the Committee's recommendation.

- 7. Consideration of Impact of SB 1262 (Sher, Chapter 919, Statutes of 2004).

Mr. Waldman reported that the Legislative Committee also discussed SB 1262 by Senator Sher, enacted last year. Legislative Committee member Mr. Driftmier expressed concern that this bill has made it more difficult for nonprofit organizations to operate. It has increased their cost because they must now incur the cost of outside audits, new corporate governance requirements, and the cost of liability insurance coverage. These increased costs means there are less funds available for the nonprofit's intent. It has also made it more difficult to find qualified volunteer Board members.

Mr. Waldman indicated that it was further noted that the \$2 million threshold is too low and possibly should be increased to \$10 million. Legislative Committee members concurred that these are important concerns. Mr. Waldman reported that since this is not an action item, there is no recommendation at this time.

Mr. Driftmier indicated that he believed that it was important for consumers to understand the problems this law has created for charitable organizations. He appreciated the opportunity to discuss this before the Board. Mr. Waldman requested CalCPA to communicate to its members to assist the Board in determining the seriousness of the issue.

- 8. Update on Regulations.

(See Attachment 6.)

- 9. Regulation Hearing.

Ms. Powell indicated that the date was May 20, 2005, and she was conducting a regulatory hearing for the California Board of Accountancy. The purpose of this hearing was for the public to provide any oral and written comments relating to the proposed regulations. These proposed regulations will add Sections 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, and 35.1, and amend Sections 70 and 98 of the California Code of Regulations. **(See Attachment 7.)** She asked if there is anyone present that would like to submit a written or oral comment. Seeing none, Ms. Powell closed the regulatory hearing.

- a. Adopt Sections 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, and 35.1 and Amend Section 70 of Title 16 of the California Code of Regulations Related to Practice Privilege.

Ms. Wong reported that staff had additional amendments that were provided in the May 10, 2005, memo in the agenda packet **(see Attachment 8)**.

Ms. Hillebrand indicated that these revisions all either reflect prior decisions of the Practice Privilege Task Force and were approved by the Board or are fully consistent with those decisions. Ms. Sos noted that the changes also reflect the incredible attention to detail that the staff have devoted to this project and she indicated her appreciation for their work.

It was moved by Ms. Hillebrand, seconded by Mr. Blanc, and unanimously carried to adopt the proposed Sections 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, and 35.1 and to adopt the proposed amendments to Section 70 with the additional revised language in Agenda Item VIII.D.9.a. The motion included issuing a 15-day re-notice and delegating the authority to the Executive Officer to finalize the adoption of the changes if no negative comments are received.

- b. Amend Section 98 of Title 16 of the California Code of Regulations Related to the Disciplinary Guidelines.

It was moved by Ms. Hillebrand, seconded by Mr. Blanc, and unanimously carried to adopt the amendments to Section 98 as proposed.

E. Enforcement Program Oversight Committee (EPOC).

1. Minutes of the March 17, 2005, EPOC Meeting.

to suggest that it is acceptable to provide members of the public less than full information unless they know what questions to ask. If someone has been disciplined, it is relevant information for the public and they will no longer be provided that information unless they know what to ask.

Mr. Newington clarified that the Board currently has two vehicles by which to volunteer information to consumers, License Lookup and the reception phone area. Both locations prominently communicate the disclosure that the information provided is limited to a period of seven years with the exception of the specific items that Mr. Swartz reported on. Mr. Newington noted that the total volume of long-term probationers is approximately six and several have probation extended due to monetary reasons and payment terms, and not necessarily the egregious nature of the discipline.

It was moved by Mr. Swartz, seconded by Mr. Johnson, and carried to adopt staffs' recommendation. Ms. Hillebrand and Mr. Waldman were opposed.

F. Practice Privilege Task Force (PPTF) (Formerly the Uniform Accountancy Act Task Force – UAA TF).

1. Minutes of the March 17, 2005, Practice Privilege Task Force Meeting.

The minutes of the March 17, 2005, Practice Privilege Task Force meeting were adopted on the Consent Agenda. (See Agenda Item XII.B.)

2. Report on the May 19, 2005, Practice Privilege Task Force Meeting.

Ms. Hillebrand reported that at the last Board meeting, the Task Force developed a recommendation to ask NASBA to maintain a public list of the various obligations and requirements different states impose for practice privilege. Staff made that request and NASBA has indicated its intent to make that information available to practitioners across the country.

3. Adoption of Appendix 1 to the Practice Privilege Notification Form.

Ms. Hillebrand reported that the Practice Privilege is available to two categories of licensees of other states. One option is for licensees who are licensed in a state that NASBA has deemed to be substantially equivalent. The current list of 46 states is provided as Appendix 1. **(See Attachment 11.)** Ms. Hillebrand indicated that the Task Force recommended that the Board adopt this list of

substantially equivalent states, and to further delegate to the Executive Officer the responsibility to update this list as changes occur.

It was moved by Mr. Driftmier, seconded by Mr. Swartz, and unanimously carried to adopt NASBA's current list of substantially equivalent states and to delegate the responsibility to the Executive Officer to revise the list as necessary.

4. Consideration of an Approach to Address Issuance of Reports Under the Name of Non-Registered Firms.

Ms. Hillebrand reported that at the last Board meeting, an issue surfaced regarding whether an individual holding a practice privilege would be entitled to sign on behalf of their firm. A firm must be registered in California in order to serve California clients on behalf of the firm. Ms. Hillebrand indicated that the Task Force appointed Ms. Sos and herself to work with staff to evaluate whether there was a solution that would not create more problems than it solved.

Ms. Hillebrand noted that there were a number of very serious issues that were considered by the working group. They noted that registered firms have a variety of obligations and it would be inappropriate for these obligations to be waived simply because the individual held the practice privilege.

However, it was recognized that there is a potentially significant problem for out-of-state tax practitioners who are serving clients that need to file a California tax return. She indicated that the working group chose to recommend to the Task Force and the Board a very limited exception to the requirement to hold a license, practice privilege, or firm registration. The exception would apply to tax returns for natural persons and estate tax returns for persons who were clients at the time of the individual's death. Preparation of those types of returns would not require the practitioner to hold a license or a practice privilege and would not require the firm to hold a California registration if:

- * The individual or firm does not physically enter California to practice public accountancy pursuant to Section 5051,
- * Does not solicit California clients, and
- * Does not assert or imply that the individual or firm is licensed or registered to practice public accountancy in California.

Ms. Hillebrand noted that the Task Force recommended the

following change to the language in proposed Section 5054:

- ✳ On line three, remove the word "individual," and add the following after "California residents:" "or estate tax returns for the estate of natural persons who were clients at the time of death."

Ms. Hillebrand reported that the Task Force unanimously recommended this language to the Board, however, she wanted to disclose that after the Task Force meeting she received a note from Mr. Iino, who could not attend the Board meeting, indicating that upon further reflection, he would favor expanding the exception to make it broader than just for natural persons. Ms. Hillebrand indicated that this would be inconsistent with the action taken by the Task Force and with the idea that any exception should be as narrowly crafted as possible.

Ms. Sos indicated that the reason that this exception is one that the Task Force is comfortable with is because 99 percent of the comments that the Board has received from the profession and the public is related to this issue. There is a need because of a prior relationship between the practitioner and the client. This very narrow exception is in response to real evidence of potentially unintended burdens that would otherwise be created.

Ms. Hillebrand noted that this is being presented to the Board in the form of a recommendation for a statutory change. Staff advised the Task Force that if this exception is approved today, there is a possibility that the change may be in place with the same effective date as the beginning of Practice Privilege.

Ms. Hillebrand reported that there may be a need for an additional Task Force meeting to work on some Q&As in September if the legislation passes. Ms. Hillebrand thanked the former Chair, the Task Force members, other Board members who contributed when permitted under the Open Meeting Act, and all of the members of the public and the profession who were helpful to the work of the Task Force.

Ms. Sigmann indicated that she had spoken with the consultants from the Senate Business and Professions Committee and they had indicated that there could be a means by which to get this language into statute by the time Practice Privilege is implemented.

It was moved by Mr. Driftmier, seconded by Mr. Swartz, and unanimously carried to adopt the Task Force's recommendation with the changes noted above. (See



CALIFORNIA BOARD OF ACCOUNTANCY

2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.dca.ca.gov/cba>



Practice Privilege TF Agenda Item I
 May 19, 2005

Board Agenda Item VIII.F.1.
 May 20, 2005

**PRACTICE PRIVILEGE TASK FORCE
 MINUTES OF THE MEETING
 March 17, 2005**

DRAFT

Sheraton Delfina
 530 W. Pico Blvd.
 Santa Monica, CA 90405

CALL TO ORDER

Gail Hillebrand, Chair, called the meeting of the Practice Privilege Task Force to order at 8:36 a.m. and welcomed the participants. Ms. Hillebrand indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, when a quorum of the Board is present at this meeting (eight members of the Board), Board members who are not serving on the Task Force must attend as observers only.

Present:

Gail Hillebrand, Chair
 Sally Flowers
 Thomas Iino
 Hal Schultz
 Renata Sos

Staff and Legal Counsel

Mary Crocker, Assistant Executive Officer
 Patti Franz, Licensing Manager
 Michael Granen, Deputy Attorney General
 Greg Newington, Chief, Enforcement Program
 LaVonne Powell, Legal Counsel
 Michelle Santaga, Enforcement Analyst
 Carol Sigmann, Executive Officer
 Liza Walker, Regulation Analyst
 Jeannie Werner, Deputy Attorney General
 Aronna Wong, Legislation Coordinator

Other Participants

Michael Duffey, Ernst and Young LLP
 Del Exeter, Society of California Accountants

Harish Khanna, Chair, Administrative Committee
Richard Robinson, Richard Robinson and Associates
Jeannie Tindel, California Society of Certified Public Accountants
Sarah Weber, Center for Public Interest Law

Board Members Observing

Richard Charney
Donald Driftmier
Cliff Johnson

I. Minutes of the January 20, 2005, Meeting

It was moved by Mr. Iino, seconded by Ms. Sos, and unanimously carried to approve the minutes of the January 20, 2005, meeting.

II. Consideration of Q&As Related to Practice Privilege.

Ms. Franz reported that questions were provided to staff at the request of the Chair at the meeting and developed by staff based on previous Task Force discussions. She explained that staff met to discuss the draft questions and prepare the answers provided to the Task Force (see Attachment 1).

Ms. Franz asked the Task Force members to review the questions and answers and provide comments. She explained that there were five various categories: General Inquiries, Requirements for Signing Attest Reports, Servicing of Clients, Safe Harbor Provisions, and Firm Licensure in California. Ms. Franz added that she would read each question under each category and provide an opportunity for the Task Force members to comment on the answer.

Mr. Schultz suggested the second sentence in the answer to Question 4 under General Inquiries be edited to read "*You will have the option of either submitting the Notification Form on-line or downloading the form from the Web site for submission through the mail.*" Mr. Duffey also suggested that the answer to Question 4 indicate that submission of faxed Notification Forms will also be acceptable for practice privilege. Ms. Wong explained that the regulations would need to be updated to include that information as well.

Ms. Sos suggested that the answer to Question 5 be more explicit in assisting an individual in locating the list of states that are currently deemed substantially equivalent by the Board. She also added that the second bullet of the practice privilege requirements should include the full process that an individual must complete to be deemed substantially equivalent by CredentialNet.

Ms. Hillebrand suggested that the second bullet of Question 5 be edited to read "*You must hold a valid, current license, certificate, or permit to practice public accountancy from another state and meet one of the following requirements.*"

Ms. Sos suggested the following edits to the answer to Question 10:

- *"You are required to reply to a Board request in a timely manner [cross reference to Section 5096(e)(5)], which may extend beyond the expiration of your practice privilege."*
- Include the wording *"The Notification Form must be completed in its entirety."*

Ms. Wong added that if the individual has a disqualifying condition, submission of additional documentation will be required prior to commencing practice in California under the practice privilege.

During the review of Question 11, Ms. Powell asked Ms. Franz whether there is a consequence if a licensee allows his or her license to lapse. Ms. Franz responded that a license that is not renewed for five consecutive years is cancelled. She explained the reissuance process that an individual must comply with to obtain a license to practice public accountancy in California after the previous license has cancelled. Ms. Powell indicated that she thought the answer to Question 11 should indicate that there is a consequence if a licensee allows the license to lapse.

Ms. Sos suggested that the individual should contact the Board before making the decision regarding whether to allow the license to lapse and practice under a practice privilege. Ms. Franz suggested the answer to Question 11 could direct the licensee to review the information related to the consequences, such as the Licensee Handbook, on the Board's Web site. She indicated that if the individual were unable to determine the consequences from the Handbook, he or she could contact Board staff. Ms. Sos agreed that Ms. Franz's idea was better than trying to spell out all of the possible scenarios in the Q&As. Ms. Franz suggested that Question 11 be edited to read *"I am licensed in California and in Texas. My principal place of business is not in California. Can I practice public accountancy in California under practice privilege if my California license is inactive, delinquent, or cancelled?"* After discussion, Ms. Hillebrand agreed that the wording proposed by Ms. Franz would be clearer.

Mr. Iino suggested that the word *"other"* be removed from the answer to Question 11. Ms. Hillebrand agreed, and the last sentence of the answer was edited to read *"and meet all requirements to obtain and maintain California practice privilege."*

Ms. Hillebrand suggested that Question 2 under Requirements for Signing Attest Reports include the same language as Question 10 under General Inquiries.

After Ms. Franz read Question 1 under Servicing of Clients, Mr. Schultz suggested that *"Through the mail"* should be struck from Question 1 under Servicing of Clients to alleviate confusion that the use of the Internet, or some other sort of manner of not physically entering California, would not apply.

Mr. Granen stated that he did not have an issue with the answer to Question 1 under Servicing of Clients, except the statement regarding the firm registration. He commented that if an individual is licensed and comes into California to do work – whether an inventory observation or a tax return, and that person signs on behalf of the firm or the inventory is done and incorporated into an audit issued under the firm name – the firm should not be required to register. He stated that he thought it would be going too far to say the firm itself would have to be registered if the only way the firm sets foot in California is through the individual holding a practice privilege.

Mr. Newington stated that staff struggled with these issues. The intent was to establish a bright-line test related to practice privilege. He explained that, as staff went through the various scenarios, the test was if the individual physically comes into California to perform the activities in subdivisions (a) – (f) of Section 5051 or services California clients from outside the state, this is practicing public accountancy in California.

Mr. Newington added that as staff considered these scenarios, staff noted that the firm was signing the engagement or the tax return. He asked if a firm from another state sends in personnel who are not CPAs, which is allowed, who would the Board hold accountable for the work other than the firm? He summed it up by stating that if a firm practices public accountancy through its agent – either a licensed or unlicensed individual – physically entering California or through servicing California clients, this is practicing public accountancy as defined in Section 5051 and the firm needs to be registered. He added that he understood that the answers would be controversial and may make it difficult for small firms to practice in California due to the partner or shareholder licensure requirement for firm registration.

Ms. Hillebrand stated that the reason for the discussion is to remind people that the firm requirements will still apply regardless of what the individual is doing under the practice privilege. Mr. Newington agreed, and stated that staff will receive calls regarding the requirements for both individuals and firms and need clear guidance in order to be prepared to respond to inquiries.

Mr. Granen indicated that if firms will be required to register in California, it will not be economical for small firms to perform audits in California. For that reason, he stated he thought there was good reason to take another approach. He expressed the view that if a firm is not coming into the state other than through an agent with a valid practice privilege that the firm should not be required to register. He explained that that approach would put small firms in the same position as the large firms that are already registered in California.

Ms. Hillebrand stated that she disagreed with this interpretation of the current law because the law does not include a practice privilege equivalent for firms. She stated that in her opinion the answer to the question is accurate based upon the current statute.

After discussion, Ms. Hillebrand indicated that the policy issue before the Task Force relates to the fact that the practice privilege statute does not create a privilege for firms. This means an individual who holds a practice privilege cannot come into California on behalf of an out-of-state firm. Further, for an out-of-state firm to register in California a partner or shareholder needs to obtain a California license. Mr. Lino commented that if one works for a firm, he cannot conceive of signing as an individual. He explained that the signatures are almost always entirely signed in the name of the firm. Mr. Newington indicated he believed this was a significant issue.

Ms. Hillebrand asked Mr. Newington whether he had any indication of how many firms currently practicing in California under the temporary provision do not have a California licensee as a partner or shareholder. Mr. Newington responded that he was sure some firms are practicing under the temporary provision, but that the volume was hard to quantify. He stated that based upon the telephone calls he has received from out-of-state practitioners regarding California practice privilege, the tax issue is of much more concern than the audit inventory issue.

Ms. Sos inquired if a practice privilege holder comes in and signs an attest report on behalf of the firm, is there a concern regarding the Board's jurisdiction if the firm is not registered? Mr. Granen indicated that if the firm is not registered in California, there is no registration to revoke or discipline. Mr. Newington stated that he believed the Board does have jurisdiction over the firm and its agents, either licensed or unlicensed. As with other instances of unlicensed practice, the Board could issue a citation or pursue a misdemeanor violation.

Participants then discussed potential solutions to the problem they had identified. Mr. Newington suggested that a potential fix would be to include a practice privilege for firms. He explained that if that solution were provided, the issues being discussed by the Task Force would be addressed. Mr. Granen suggested the Board could adopt the policy that if the firm's practice in California is limited only to the activities of the practice privilege holder who is coming into the state, then that would be acceptable. Ms. Hillebrand invited discussion on Mr. Granen's proposal indicating if the firm's only activities in California are undertaken by a person holding a practice privilege, then the firm would not be required to register. Ms. Crocker stated that this approach would constrain a firm's ability to send a nonlicensee to California. This should really be a business decision by the firm and not a decision based on regulatory requirements. Ms. Hillebrand suggested that any proposal which might allow firms to register with a practice privilege holder would require further investigation. Ms. Sos indicated she did not believe it was appropriate to allow firms to register with only practice privilege holders and no California licensee. The practice privilege concept was developed only for individuals so that qualified out-of-state CPAs can practice in California temporarily.

After further discussion, Ms. Hillebrand identified the following issues for future Task Force consideration: 1) If an agent of a firm is coming into California to practice public accountancy, should that firm be required to register? 2) Should a firm be able to register in California with a practice privilege holder in lieu of a California licensee as a

partner or shareholder? 3) Would such a firm have the same limitations and restrictions as an individual practice privilege holder? She asked staff to look at the identified issues and provide the pros and cons of pursuing such a statutory change. Ms. Hillebrand explained she wanted staff to explore whether it is possible to create a limited form of firm registration that would be available to firms that have a practice privilege holder, and the potential negative consequences of doing so. This limited form of firm registration would be designed to permit the firm to practice public accountancy in California in a manner similar to the practice privilege holders.

Ms. Powell asked the Task Force to consider whether there would be anything that would be taken away except for the individual's practice privilege in the event there was any disciplinary action against the firm. Mr. Granen responded that he thought it would be easy to craft a limited firm practice privilege that could be taken away in those instances.

Ms. Franz asked whether the firms as well as the individual practice privilege holders would show up on the Web site. Ms. Hillebrand responded that this also needed to be explored and to make sure that any limited firm practice privilege which might be considered would not cause more of a problem than it solved. Ms. Hillebrand further stated she wanted this to be carefully thought out before developing any recommendation about going before the Legislature again.

Ms. Crocker asked the Task Force to identify which problem they were attempting to address:

- Firms would be sending staff to California and, by doing so, create a situation in which firms that are not registered in California would be practicing public accounting unlawfully; or
- Firms would be sending unlicensed individuals or individuals who do not acknowledge they are CPAs to avoid obtaining practice privileges.

Ms. Crocker also requested clarification from the Task Force whether staff should proceed with the current development of the database and procedure development for implementation of practice privilege although a major policy issue was identified at the meeting. She explained that the database for practice privilege is not currently being built to include anything related to firm registration and asked whether staff should proceed with the current development. She explained that the time frames are tight as the effective date is January 1, 2006. Ms. Hillebrand responded that she did not want staff to pause in the implementation process while this policy issue is being researched.

Ms. Hillebrand stated that she believed there is a fair amount of work that needed to be completed by staff in researching the policy issues identified. Ms. Sos suggested that a sub-Task Force, including herself and Ms. Hillebrand, would work with staff on the policy issues related to the firm registration to determine whether there is a solution that creates fewer problems than it solves.

The Task Force then returned to consideration of the Q&As as a whole.

Mr. Schultz commented that the answer to Question 6 under Servicing of Clients was incorrect as it refers to the engagement partner, who may not be doing the inventory observation in California. After discussion, it was suggested by Ms. Hillebrand that the answer be edited to read *"Yes, if you or any other person physically enters California to practice public accountancy, that person is required to obtain a California practice privilege or a California CPA license."*

It was moved by Ms. Sos, seconded by Ms. Flowers, and unanimously carried to approve the Q&As related to Practice Privilege with the changes noted above. Ms. Sos thanked staff for their hard work in developing the Q&As for the Practice Privilege Task Force.

III. Consideration of What Practice Privilege Information Should be Available on the Board's Web Site.

Ms. Franz reported on the items that staff were proposing to be placed on the Board's Web site specifically for practice privilege holders. She stated each of the bullets provide descriptions of those items, including proposed definitions (Attachment 2).

She identified one change that she would like the Task Force to consider regarding the Practice Privilege Status for the Web site. She explained that within the agenda item there is one status, "Clear." Her suggestion was to include "Administrative Suspension" and "Revoked" as statuses on the Web site, instead of under "Disciplinary Actions." She added that under "Disciplinary Actions" there would be an indicator either "Y" or "N." Ms. Hillebrand stated that it would be helpful to have "Administrative Suspension" and "Revoked" also as a status along with "Clear." Ms. Franz also asked the Task Force to consider if the practice privilege status was reflected as Administrative Suspension, should the "Y" indicator be reflected under "Disciplinary Actions." Ms. Powell responded that the "Disciplinary Actions" field should be populated with the "Y" indicator if the practice privilege status is "Administrative Suspension."

Ms. Sos also stated that she believed the Administrative Suspension was a gray area and expressed concern regarding whether an individual who clears up the Administrative Suspension in a timely manner should have the "Y" indicator placed in the Disciplinary Action field.

Ms. Werner suggested changing the title of the field "Disciplinary Actions" to *"Enforcement actions other than citations."* Ms. Franz suggested that there be a definition that indicates what enforcement actions include, and another definition that indicates what enforcement actions do not include. Ms. Hillebrand agreed that would be helpful.

It was moved by Mr. Schultz, seconded by Mr. Iino, and unanimously carried to approve the information on the Board's Web Site for California Practice Privilege with the changes noted above.

Ms. Franz asked the Task Force to determine whether historical information related to practice privilege holders should be included on the Web site. She added that the status on the Web site is the status as of the date the consumer visits the Board's Web site. However, a consumer could submit a request in writing for all of the information regarding the individual's license, including periods the license was delinquent or whether there were any disciplinary actions taken against the license. Ms. Sos stated that a license is on-going whereas a practice privilege is for one year. She provided a scenario in which an individual has a practice privilege for one year, does not re-notify the Board, and returns after two years. She asked whether the information remains in the database. Ms. Franz stated that this issue is before the Task Force for consideration.

After further discussion, it was moved by Ms. Sos, seconded by Mr. Iino, and unanimously carried that the information on the Board's Web Site for California Practice Privilege include historical information.

IV. Consideration of Practice Privilege Communication and Outreach Plan.

Ms. Crocker reported on the Communication and Outreach Plan developed for the implementation of California Practice Privilege (Attachment 3). Ms. Sos suggested that a very visual item be included on the Board's home page of the Web site pertaining to the California practice privileges.

Ms. Hillebrand suggested that a line item should be added in the Communication and Outreach Plan related to communications for any future policy issues or changes, such as the firm registration issue identified at this meeting.

Ms. Tindel suggested that the Communication and Outreach Plan include a line item to encourage NASBA to develop a central registry for all states which CPAs nationwide can visit for information regarding each state's practice privilege requirements. She explained that licensees are finding it difficult to determine the requirements for each state and are having to call the state boards directly. Ms. Crocker agreed that the Communication and Outreach Plan will include a line item to encourage NASBA to provide information to CPAs nationwide about the requirements of the various states with respect to practice privilege and a line item for any future policy issues or changes.

It was then moved by Ms. Sos, seconded by Ms. Flowers, and unanimously carried to approve the Practice Privilege Communication and Outreach Plan as indicated above.

V. Consideration of Draft Instructions for Notification Form.

Before the discussion regarding the draft instructions, the Task Force discussed the language of Question 2 under the Qualification Requirements of the Notification Form for clarification purposes. Mr. Granen suggested that Question 2 under Qualification Requirements be edited to read *"My principal place of business is not in California, and I do not have an office in California other than through a firm that is registered in California and of which I am an employee or an employee/owner."* Ms. Franz also added that a line for licensee name and practice privilege unique identifier number should be added to Attachment X. **It was moved by Mr. Iino, seconded by Ms. Flowers, and unanimously carried to approve the suggested edits to the Notification Form.**

Ms. Franz reported on the draft instructions provided to the Task Force for its consideration (Attachment 4). Ms. Franz explained that there may be a need for future modifications to the instructions during the development of the database.

She stated that the instructions were divided into two sections: "General Practice Privilege Information" and "Completing Your California Practice Privilege Notification Form." She explained that the second section was divided into five categories to match the form. Ms. Franz suggested that a sentence be added to the instructions under "Disqualifying Conditions" that states *"If you check 'Y' to any of the disqualifying conditions on the Notification Form, then you must complete the information requested below. You are not automatically authorized to practice public accountancy in California unless you are so notified by the Board."* Ms. Sos suggested that the word "automatically" be removed from the first sentence under the heading Disqualifying Conditions. Ms. Franz also added that a statement will be included in the instructions that faxed copies of the Notification Form will be accepted for practice privilege.

It was moved by Ms. Flowers, seconded by Mr. Schultz, and unanimously carried to approve the draft instructions subject to further augmentation related to the on-line Notification Form and with the edits noted above.

VI. Comments from Members of the Public.

Members of the public provided comments during the course of the meeting.

There being no further business, the meeting was adjourned at 11:40 a.m.

Attachment 1

Memorandum

Practice Privilege TF Agenda Item II.
March 17, 2005

Board Agenda Item VIII.F.3.
March 18, 2005

To : Practice Privilege Task Force Members
Board Members

Date : March 8, 2005

Telephone : (916) 561-1740
Facsimile : (916) 263-3676
E-mail : pfranz@cba.ca.gov

From : Patti L. Franz
Licensing Manager 

Subject : Q&As Related to California Practice Privilege

Provided for consideration and action by the Task Force and Board are the following Q&As developed by staff related to the practice privilege provisions. It is anticipated the following Q&As will be placed on the Board's Web site in accordance with the Communication and Outreach plan provided for consideration at this Task Force meeting.

Introductory Narrative for Q&As

Legislation was signed into law in 2004 providing the California Board of Accountancy (Board) with the California practice privilege provision. The practice privilege provisions will go into effect on January 1, 2006. The practice privilege will allow cross-border practice under which a qualified out-of-state Certified Public Accountant (CPA) may temporarily practice public accountancy in California without having to obtain a California CPA license.

To qualify for a practice privilege, an out-of-state CPA will be required to notify the Board of the intent to practice public accountancy in California, swear under penalty of perjury that the requirements for a California practice privilege have been met, and agree to follow California law and be subject to the full force of the Board's enforcement and disciplinary powers.

The *Notification and Agreement to Conditions for the Privilege to Practice Public Accounting in California Pursuant to California Business and Professions Code Section 5096 and Title 16, Division 1, Article 4 of the California Code of Regulations Form* (Notification Form) and instructions will be available on the Board's Web site on our Forms/Publications Page for on-line submission and for downloading purposes. Once available, you may also contact the Board's Practice Privilege Unit at pracprivinfo@cba.ca.gov or telephone (916) 561-XXXX to request that a form be mailed to you.

The practice privilege expires one year from the date of on-line submission or mailing of the hardcopy Notification Form. The fee required for a California practice privilege is \$100 and must be received by the Board within 30 days of Notification Form submission.

General Inquiries

1. ***Q: When will the California practice privilege provision go into effect?***

A: The California practice privilege provision will become effective on January 1, 2006.

2. ***Q: Where can I find the statutes and regulations regarding practice privilege?***

A: Sections 5096 through 5096.11 of the California Business and Professions Code (Accountancy Act) and Sections 26 through 35.1 of Title 16 of the California Code of Regulations (Accountancy Regulations) will be available on the Board's Web site at www.dca.ca.gov/cba or from the Practice Privilege Unit at (916) 561-XXXX.

3. ***Q: Where can I locate the practice privilege Notification Form?***

A: The practice privilege Notification Form will be available on the Board's Web site at www.dca.ca.gov/cba on our Forms/Publications Page or from the Practice Privilege Unit at pracprivinfo@cba.ca.gov or from the Practice Privilege Unit at telephone (916) 561-XXXX.

4. ***Q: How can I submit the Notification Form?***

A: The practice privilege Notification Form will be available on the Board's Web site at www.dca.ca.gov/cba on the Forms/Publications Page. You will either have the option of submitting the Notification Form on-line or downloading the form from the Web site for submission through the mail.

Once the form is submitted on-line or mailed, the practice privilege expires one year from the submission date. The fee required for a California practice privilege is \$100 and must be received by the Board within 30 days of Notification Form submission.

5. **Q: What requirements must I fulfill for a practice privilege in California?**

A: To be eligible for a California practice privilege:

1. Your principal place of business cannot be located in California.
2. You must hold a valid, current license, certificate, or permit from another state and meet one of the following requirements:
 - Hold a current, valid license, certificate, or permit from a state determined by the Board to have education, examination, and experience requirements for licensure substantially equivalent to the requirements in Section 5093 of the California Accountancy Act (see Appendix 1 of the Notification Form). **OR**;
 - Possess education, examination, and experience qualifications that have been determined by the Board to be substantially equivalent to the qualifications under Section 5093 of the California Accountancy Act. **OR**;
 - Have continually practiced public accountancy as a CPA under a current, valid license issued by any state for four of the last ten years.
3. If you have any of the disqualifying conditions identified on the practice privilege Notification Form, you may not practice public accountancy in California until you receive Board approval.

6. **Q: I am a CPA but am not licensed in a state that is deemed substantially equivalent in Appendix 1 of the Notification Form. What options do I have to qualify for a California practice privilege?**

A:

1. Have continually practiced public accountancy as a CPA under a current, valid license issued by any state for four of the last ten years. **OR**;
2. Submit documents reflecting successful passage of the CPA examination, college transcripts and documents reflecting completion of experience to the National Association of State Boards of Accountancy's (NASBA) CredentialNet. CredentialNet will evaluate your licensure information and determine equivalency. Information regarding CredentialNet can be found on NASBA's Web site at www.nasba.org.

If deemed substantially equivalent, a file number will be given to you. At the time you submit your Notification Form to the Board, you will be required to provide your NASBA CredentialNet file number.

3/11/05
JSE

7. ***Q: I am an out-of-state CPA who is applying for licensure in California. Do I have practice rights in California as my application is being processed?***

A: No, you do not have practice rights as a CPA in California.

In order to have practice rights while the Board is processing your California licensure application, you will be required to submit the practice privilege Notification Form as well as the \$100 notification fee. The notification fee must be received by the Board within 30 days of your Notification Form submission. Your practice privilege will be terminated at the time your California CPA license is issued by the Board.

8. ***Q: As an out-of-state CPA, is there a limit to the number of times I can submit the practice privilege Notification Form as opposed to applying for California licensure?***

A: The statute and regulations pertaining to practice privilege do not identify a limitation to the number of times you can submit the Notification Form for a practice privilege.

9. ***Q: Can I open a California office and practice full or part-time there under a practice privilege?***

A: No. Pursuant to Section 5096(e)(3) of the California Accountancy Act, a practice privilege holder cannot provide public accountancy services in California from any office located in this state, except as an employee of a firm registered in this state or in the client's office.

10. ***Q: What documentation must I provide for a California practice privilege?***

A: You are not required to submit documentation with the practice privilege Notification Form. However, the Board has the authority to request documentation from you and verify any of the information you provide on the Notification Form.

11. ***Q: I am licensed in California and in Texas. My principal place of business is not in California. Can I practice public accountancy in California under practice privilege and allow my California license to lapse?***

A: Yes, you can allow your California CPA license to lapse and practice under the practice privilege as long as you have a valid, current CPA license in another state and meet all other requirements to obtain a California practice privilege.

12. ***Q: I am a California CPA and prepare tax returns for a few clients in other states. Do other states require a practice privilege in order to continue to serve these clients?***

A: The requirements to practice public accountancy vary from state to state. It is your responsibility to comply with the laws and requirements of any jurisdiction in which you practice. Therefore, it is suggested you contact the relevant state board(s) to determine what is required. Unauthorized practice in another state can be cause for discipline against your California license.

Requirements for Signing Attest Reports

1. ***Q: What experience must I fulfill before I sign an attest report under a California practice privilege?***

A: You may not sign an attest report unless you have completed 500 hours of experience in attest services as described in Section 5095 of the California Accountancy Act. Qualifying experience is that which has enabled you to demonstrate an understanding of the requirements of planning and conducting an audit with minimum supervision that results in opinions on full disclosure financial statements.

2. ***Q: What documentation must I provide to be able to sign an attest report in California under the practice privilege?***

A: You are not required to submit any documentation with the practice privilege Notification Form. However, the Board has the authority to request documentation from you and verify any of the information you have submitted on the Notification Form, including whether you have fulfilled the attest experience requirement to sign an attest report in California prior to the issuance of the practice privilege.

Servicing of Clients

1. ***Q: I'm a CPA in another state and do not plan to be in California. Through the mail, I do only one tax return for a California client. Do I need a California practice privilege?***

A: Yes, in order to provide public accounting services to clients who reside in California you will be required to obtain a California practice privilege or obtain a California CPA license. Preparing tax returns as a CPA is a service that falls within the definition of the practice of public accountancy contained in Section 5051 of the California Accountancy Act.

If tax returns are prepared in the name of a firm, the firm would also need to be registered in California. You can visit the Board's Web site at www.dca.ca.gov/cba to review the firm registration requirements and obtain the application.

2. ***Q: I'm a CPA in another state. One of my clients retired and moved to California. Do I need a practice privilege to continue to prepare that client's tax return?***

A: Yes, in order to provide public accounting services to clients who reside in California you will be required to obtain a California practice privilege or obtain a California CPA license. Preparing tax returns as a CPA is a service that falls within the definition of the practice of public accountancy contained in Section 5051 of the California Accountancy Act.

If tax returns are prepared in the name of a firm, the firm would also need to be registered in California. You can visit the Board's Web site at www.dca.ca.gov/cba to review the firm registration requirements and obtain the application.

3. ***Q: I will be performing work in California on an audit engagement on a contract basis for another CPA who is a sole proprietor and is not licensed in California. Who will need to be licensed or obtain a practice privilege?***

A: The non-California CPA responsible for the audit would need to obtain a California practice privilege or California CPA license. If you as the contracted individual hold out (identify yourself) as a CPA while performing work on the audit, you also would need to obtain a California practice privilege or California CPA license.

4. ***Q: I am a Utah CPA who prepares state tax returns filed with the California Franchise Tax Board for my Utah resident clients. Do I need a practice privilege after December 31, 2005?***

A: No. However, you would need to obtain a California practice privilege or obtain a California CPA license to practice public accountancy as defined in Section 5051 of the California Accountancy Act if you intend to service clients who reside in California.

5. ***Q: If I need to conduct part of my audit work in California for a client principally based in Florida, do I need to secure a practice privilege under the new requirements?***

A: Yes, in order to physically enter California to practice public accountancy as defined in Section 5051 of the California Accountancy Act you need to obtain a California practice privilege or obtain a California CPA license.

If the audit report will be issued under the name of the firm, the firm would need to be registered in California. You can visit the Board's Web site at www.dca.ca.gov/cba to review the firm registration requirements and obtain the application.

6. ***Q: My client's primary business operation is located in California. However, their administrative office is located in Washington. I have been engaged to conduct an audit. All the work will be done in Washington, except for the inventory observation. Do I, as the engagement partner, need to obtain practice privilege?***

A: Yes, if you physically enter California to practice public accountancy as defined in Section 5051 of the California Accountancy Act you will be required to obtain a California practice privilege or California CPA license. Audit services, including inventory observation, fall within the definition of the practice of public accountancy.

The firm would also need to be registered in California. You can visit the Board's Web site at www.dca.ca.gov/cba to review the firm registration requirements and obtain the application.

7. ***Q: I am an out-of-state CPA who performs peer reviews for California accountancy firms. Would I be required to obtain a California practice privilege?***

A: No, you would not be required to obtain a California practice privilege. Performing a peer review for a California accountancy firm is not a service that falls within the definition of the practice of public accountancy contained in Section 5051 of the California Accountancy Act.

Safe Harbor Provision

1. ***Q: When am I required to notify the Board that I'm practicing public accountancy in California under the practice privilege?***

A: Notice is required on or before beginning practice. However, there will be no penalty if the notice is given within five business days of commencing practice. The safe-harbor provision for this short delay in the notice is only effective through December 31, 2007. Because the notification requirements for practice privilege are new, the Board will permit a five-business day safe-harbor period for notification for the first two years. This will allow time for licensees to become familiar with the practice privilege requirements.

If the Notification Form is submitted after practice began in California, even if it is submitted within the five-day safe-harbor period, you will be required to provide a reason why the notice was not submitted prior to the date practice began in California.

190 7
120 10
100 10

Firm Licensure in California

1. ***Q: I work for a CPA firm that is licensed in the State of Maryland. We have an opportunity to do audit work in California. We would be sending one CPA to California to perform the audit work for one week. The audit report will be issued in Maryland under the firm name. Does the CPA who is coming to California need a practice privilege? What type of license does the firm need?***

A: Yes, notice is required to commence practice of public accountancy in California. In order to practice public accountancy as defined in Section 5051 of the Accountancy Act in California or service clients who reside in California the non-California CPA who is performing the audit work in California will be required to obtain California practice privilege or obtain a California CPA license.

In addition, the firm would need to be registered with the California Board of Accountancy. You can visit the Board's Web site at www.dca.ca.gov/cba to review the firm registration requirements and obtain the application.

Attachment 2

Memorandum

Practice Privilege TF Agenda Item III.
March 17, 2005

Board Agenda Item VIII.F.4.
March 18, 2005

To : Practice Privilege Task Force Members
Board Members

Date : March 8, 2005

Telephone : (916) 561-1740

Facsimile : (916) 263-3676

E-mail : pfranz@cba.ca.gov

From : Patti L. Franz,
Licensing Manager



Subject : Information Available on the Board's Web Site for California Practice Privilege

For consumer information purposes, a look-up feature will be available on the Board's Web License Lookup related to the individuals who submit notifications for the California Practice Privilege.

Currently, the Board maintains the following licensure information for California CPAs/PAs on the Web License Lookup (Attachment 1):

- Licensee Name.
- License Type.
- License Number.
- License Status.
- Experience Completed (attest or general).
- License Expiration Date.
- License Issuance Date.
- Address of Record.
- City.
- State.
- Zip.
- County.
- Whether there have been any Disciplinary Actions.

Currently, the Board captures the following information on License Lookup for individuals who are licensed in another state but are applying for licensure in California and have temporary practice rights (Attachment 2):

- Licensee Name.
- State of Licensure.
- License Number.
- Contact Information for State of Licensure.

Below is information for Task Force consideration specific to information reflected on the Board's Web site for individuals who submit Notification Forms for the California practice privilege:

- Licensee Name.
- Practice Privilege Unique Identifier.
- Practice Privilege Status.
- Address of Record.
- Attest Authority Requested – Y/N.
- Practice Privilege Issuance Date.
- Practice Privilege Expiration Date.
- Whether there have been any Disciplinary Actions in California.
- State of Licensure (Identified in Item 3 on the Notification Form).
- License Number from State of Licensure.
- Contact Information for State of Licensure.

▪ **Practice Privilege Unique Identifier**

It is anticipated the Practice Privilege Database will issue a unique identifier to individuals who submit notification for California practice privilege. Once issued, the unique identifier will remain the same each time the individual submits a new Notification Form.

▪ **Practice Privilege Status**

An explanation of the proposed status and definition is provided below for consideration and approval. The proposed definition language below is similar to the language currently used for the Web License Lookup. (Attachment 3.)

CLEAR – reflected for individuals who submit their Notification Form either hardcopy or on-line without any disqualifying conditions, so long as the \$100 fee is received within 30 days of submission.

Definition for Web site: The practice privilege is current and valid. The practice privilege holder can engage in the practice of public accountancy in California prior to the practice privilege expiration date.

▪ **Attest Authority Requested**

This information is currently reflected on the Board's Web site for individuals who are licensed in California. It is proposed that this field also be available for practice privilege holders and be populated with either a "Y" or "N" based on how the item is completed by the practice privilege holder on the Notification Form. This information will assist consumers in determining the types of services the practice privilege holder can perform in California on their behalf.

Definition for Web site (if “Y”): The practice privilege holder certified to meeting California’s 500-hour attest experience requirement prior to signing attest reports and has authority to perform the full range of accounting services, including signing attest reports on attest engagements.

Definition for Web site (if “N”): The practice privilege holder did not certify to meeting California’s 500-hour attest experience and therefore is **not authorized to sign reports on attest engagements**. This licensee can perform all other accounting services and may also participate in attest engagements.

- **Disciplinary Actions**

The following statuses are being proposed for use on the License Lookup regarding disciplinary actions for practice privilege holders:

ADMINISTRATIVE SUSPENSION – this status code would be reflected on the Board’s Web site if the practice privilege is administratively suspended.

Definition for Web site: The practice privilege holder is not authorized to practice public accountancy in California. Please contact the Board for further information.

REVOKED – this status code would be reflected when the Board has taken disciplinary action to revoke a California practice privilege.

Definition for Web site: The practice privilege holder is no longer authorized to practice public accountancy in California as a result of a disciplinary action.

- **Practice Privilege Issuance Date**

This field will provide the consumer with the date when the practice privilege was issued. It is anticipated this date will be the date the notification was submitted on-line or hardcopy, provided the notification fee is received timely and there are no disqualifying conditions identified during the notification process.

- **Practice Privilege Expiration Date**

This field will provide the consumer the date on which the practice privilege will expire. If the individual does not submit a subsequent Notification Form once the practice privilege has expired, it is anticipated that the practice privilege information will automatically be removed from the License Lookup.

- **Contact Information for State of Licensure and License Number**

The link, along with the license number, will provide the consumer with the information necessary to verify the status of the individuals’ license, if available.

Outstanding Issue

Will the License Lookup feature regarding practice privilege include historical information for each practice privilege granted? For instance, will past discipline be available on-line? Will the Web site provide information indicating what prior years each individual held a practice privilege?

This issue must be decided before the Board's Information Technology staff can begin development of the Practice Privilege Database.

I will be available at the meeting to answer any questions the Task Force or Board members may have.

Attachments

CALIFORNIA BOARD OF ACCOUNTANCY

Licensee Name: AMY KATHLEEN SMITH
License Type: Certified Public Accountant
License Number: 75868
License Status: CLEAR Definition
Experience Completed: A Definition
Expiration Date: June 30, 2005
Issue Date: July 17, 1998
Address: 1040 MAIN ST # 204
O'DOWD FRANKLIN & RABANAL LLP
City: NAPA
State: CA
Zip: 94559
County: NAPA
Disciplinary Actions: No

No records returned

Disclaimer

All information provided by the Department of Consumer Affairs on this web page, and on its other web pages and internet sites, is made available to provide immediate access for the convenience of interested persons. While the Department believes the information to be reliable, human or mechanical error remains a possibility, as does delay in the posting or updating of information. Therefore, the Department makes no guarantee as to the accuracy, completeness, timeliness, currency, or correct sequencing of the information. Neither the Department, nor any of the sources of the information, shall be responsible for any errors or omissions, or for the use or results obtained from the use of this information. Other specific cautionary notices may be included on other web pages maintained by the Department. All access to and use of this web page and any other web page or internet site of the Department is governed by the Disclaimers and Conditions for Access and Use as set forth at California Department of Consumer Affairs' Disclaimer Information and Use Information.

[Back](#)



California Board of Accountancy

Out-of-State CPAs with Temporary Practice Rights in California

Under Section 5088 of the Business and Professions Code (Accountancy Act), a CPA who is licensed in another state and applies to the California Board of Accountancy for licensure under the provisions of Section 5087 has temporary practice rights to perform the same accounting services as a California licensee until the application is granted or rejected if the applicant:

- Possesses a valid and unrevoked CPA license; and
- Provides evidence of completion of 80 hours of continuing education within the 24 months prior to the application filing date.

Below is a list of out-of-state licensees with temporary practice rights in California.

A - L ► M - Z

Licensee's Name	State of Licensure	License No.	Contact Information for State of Licensure
Abdelmegied, Mohamed	Colorado	21368	Colorado State Board of Accountancy 1560 Broadway Suite 1340 Denver, CO 80202 Phone: 303-894-7800 Fax: 303-894-7802 Web: www.dora.state.co.us/accountants
Albero, Joseph M.	New York	069673	New York State Board for Public Accountancy State Education Department Division of Professional Licensing Services 89 Washington Avenue, 2nd Fl. East Mezzanine Albany, NY 12234-1000 Phone: 518-474-3817 ext. 160 Fax: 518-474-6375 Web: www.op.nysed.gov/cpa.htm
Aleskovsky, Michael	Texas	076951	Texas State Board of Public Accountancy 333 Guadalupe, Tower III, Suite 900 Austin, TX 78701-3900 Phone: 512-305-7800 Fax: 512-305-7854 Web: www.tsbpa.state.tx.us
Anzai, Ronald A.	Hawaii	2914	Hawaii Board of Public Accountancy Department of Commerce & Consumer Affairs P.O. Box 3469 335 Merchant Street (96813) Honolulu, HI 96801-3469 Phone: 808-586-2696 Fax: 808-586-2689 Web: www.hawaii.gov/dcca/pvl/areas_accountancy.html
Baer, David R.	Oklahoma	60	Oklahoma Accountancy Board 4545 Lincoln Blvd., Suite 165 Oklahoma City, OK 73105-3413 Phone: 405-521-2397 Fax: 405-521-3118 Web: www.oab.state.ok.us
Bakker, Christie J.	Washington	18036	Washington State Board of Accountancy P.O. Box 9131 Olympia, WA 98507-9131 Phone: 360-753-2585 Fax: 360-664-9190 Web: www.cpaboard.wa.gov
Ballard, Glenn C.	Georgia	019203	Georgia State Board of Accountancy 237 Coliseum Drive Macon, GA 31217-3858 Phone: 478-207-1400 Fax: 478-207-1410 Web: www.sos.state.ga.us/plb/accountancy/
Banks, James W.	Virginia	7368	Virginia Board of Accountancy 3600 West Broad Street Suite 378 Richmond, VA 23230-4916 Phone: 804-367-8505 Fax: 804-367-2174



California Board of Accountancy

What's
NEW


Table of
Contents


License
Lookup


Comments/
Complaints


Contact
Us


Forms/
Publications


UPDATE


Links/
Resources

About the Board

Board Calendar

Of importance to the
CONSUMER

Of importance to the
LICENSEE

Of importance to
FIRMS

Of importance to the
CPA EXAM
Applicant

Of importance to the
LICENSING
Applicant

Accountancy Act
and Regulations

FAQs



HOME

Search

Web License Status Lookup

To begin a new search choose:

Individual Licenses
or
Licensed Firms
or
Out-of-State Licensees
with temporary California Practice Rights

Web License Status Lookup Information

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
- Status
- Experience Completed
- Expiration Date
- Issue Date
- Address of Record
- Actions ("yes" or "no")*

** If a "yes" appears in Actions, please click on "Details" under the Accusations Filed/Disciplinary Actions heading for further information.*

The information available through this search is public information pursuant to California Code of Regulations, Title 16, Article 1, Section 3 - Notification of Change of Address and the California Public Records Act.

STATUS CODE Definitions

<p>CANCELED</p>	<p>A license is canceled if not renewed within five years following its expiration date. A licensee with a canceled license may reapply as a new applicant and meet the current requirements for approval. Upon approval, a new CPA license number is issued.</p>

CLEAR	The license is current and valid. The licensee can engage in the practice of public accountancy prior to the license expiration date . IMPORTANT NOTE: If status is CLEAR, the license still could carry restrictions from a disciplinary action. Please contact the Board for further information.
CLEAR, PROBATION	The license is current and valid. The licensee can engage in the practice of public accountancy prior to the license expiration date . Additionally, the licensee has been disciplined and may have part of the disciplinary order (for example, revocation or suspension) stayed and may continue to practice under specific terms and conditions. Please contact the Board for further information.
DECEASED	Licensee is deceased.
DELINQUENT	A license is delinquent if not renewed by its expiration date.
DELINQUENT, PROBATION	A license is delinquent if not renewed by its expiration date. Additionally, the licensee has been disciplined and may have part of the disciplinary order (for example, revocation or suspension) stayed with specific terms and conditions. Please contact the Board for further information.
DENIED	The license is denied pursuant to Section 17520 of the Family Code. Any questions should be directed to the Family Support Unit at (916) 323-0884.
INACTIVE	An inactive license is current; however, the licensee is not required to meet the continuing education requirements and they may not engage in the practice of public accountancy.
INACTIVE, PROBATION	An inactive license is current; however, the licensee is not required to meet the continuing education requirements and they may not engage in the practice of public accountancy. Additionally, the licensee has been disciplined and may have part of the disciplinary order (for example, revocation or suspension) stayed with specific terms and conditions. Please contact the Board for further information.
RENEWAL IN PROCESS	A renewal application has been submitted and is being processed. Please contact the Board for further information.
RETIRED	The licensee is retired and may not engage in the practice of public accountancy.

<p>REVOKED</p>	<p>The individual, partnership, or corporation is no longer licensed as a result of a disciplinary action.</p>
<p>SURRENDERED</p>	<p>The licensee has surrendered the license. The individual, partnership, or corporation is no longer licensed. The Board, however, may impose discipline against a surrendered license in certain circumstances. Surrender also may require certain conditions be met should the former licensee ever choose to reapply for licensure.</p>
<p>SUSPENDED / DISCIPLINE, PROBATION</p>	<p>The licensee is prohibited from engaging for a specific period of time in the activities for which licensure is required. The licensee has been disciplined and may have part of the disciplinary order (for example, revocation or suspension) stayed with specific terms and conditions. Please contact the Board for further information.</p>

EXPERIENCE COMPLETED

The *Experience Completed* field reflects the type of experience the licensee completed either at the time of initial application for licensure as a CPA, or subsequent to obtaining the CPA license. The "A" designation indicates the licensee completed the experience required to perform the full range of accounting services, including signing attest reports on attest engagements. The "G" designation indicates the licensee completed the experience required, except attest experience, and therefore is not authorized to sign reports on attest engagements. This licensee can perform all other accounting services and may also participate in attest engagements.

<p style="text-align: center;">A</p>	<p>This licensee completed the experience required to perform the full range of accounting services, including signing attest reports on attest engagements.</p>
<p style="text-align: center;">G</p>	<p>This licensee completed the experience required, except attest experience, and therefore is not authorized to sign reports on attest engagements. This licensee can perform all other accounting services and may also participate in attest engagements.</p>

NOTE: The *Experience Completed* field is left blank on the Web License Lookup for firm licenses, as the designation applies only to individual licenses.

Licensees who practice public accounting in California must complete 80 hours of acceptable continuing education in the 24-month period preceding the license expiration date.

A licensee who performs substantial portions of an attest or compilation engagement is required to complete continuing education in accounting and auditing. Information about continuing education is reported to the Board at license renewal.

In all instances, it is required that licensees engage in continuing education which directly contributes to their competence as accountants. Consumers are advised to ask

the licensee for up-to-date information on the continuing education the licensee has completed.

**For more information on questions to ask,
see [Selecting a Certified Public Accountant](#) or [Public Accountant](#).**

NOTE: To return to your current search, please click your browser's BACK button.

To begin a new search choose:

**Individual Licenses
or
Licensed Firms
or
Out-of-State Licensees
with temporary California Practice Rights**



The enforcement actions provided on this Web site contain the following:

- Names of licensees for which accusations have been filed and are pending possible enforcement action.
- Summaries of decisions since July 1, 1993, for licenses revoked, surrendered, or placed on long-term probation (beyond 3 years), and
- Summaries for all other enforcement actions within the past seven years.

For more information or details of earlier enforcement actions, or information regarding possible citations and fines, please contact the CALIFORNIA BOARD OF ACCOUNTANCY by mail, e-mail, telephone, or FAX as listed below:

E-mail: enforcementinfo@cba.ca.gov
 Telephone: (916) 561-1729
 FAX: (916) 263-3673

California Board of Accountancy
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815-3832
 Attn: Enforcement Division

Please report problems encountered viewing this information or address any questions concerning this material to pagemaster@cba.ca.gov.

Page Last Updated: February 16, 2005



Attachment 3

M e m o r a n d u m

Practice Privilege Task Force Agenda Item IV.
March 17, 2005

Board Agenda Item VIII.F.5.
March 18, 2005

To : Practice Privilege Task Force Members
Board Members

Date : March 1, 2005

Telephone : (916) 561-1789

Facsimile : (916) 263-3675

E-mail : mgale@cba.ca.gov

From : Mary Gale
Communications and Planning Manager



Subject : **PROPOSED PRACTICE PRIVILEGE COMMUNICATION AND OUTREACH PLAN**

Attached please find a draft Practice Privilege Communication and Outreach Plan.

The attached matrix provides information regarding tasks, timelines, resources, and status of each task related to this project.

This plan is before you for your consideration and action.

Attachment

**PRACTICE PRIVILEGE COMMUNICATION AND OUTREACH PLAN
TASKS/TIMELINES/RESOURCES/STATUS**

TASK	TIMELINE	RESOURCES	STATUS
Write, print and issue a special mailing that includes information about Practice Privilege to Licensees (individuals and firms) and Interested Parties.	January 2005	R. Sos/M. Gale/ A. Wong/T. Dobson	Completed
Print and mail Information in UPDATE No. 57 (President's Message) including Regulation Notice.	March 2005	R. Sos/M. Gale/ A. Wong/T. Dobson	Completed 2/24/05
Post <i>UPDATE</i> with Regulation Notice on Web Site.	Feb-March 2005	M. Gale/T. Dobson/ H. Hansen	Completed
Prepare Frequently Asked Questions (FAQs) with introductory narrative/ Provide for Mailout for March 2005 Task Force and Board Meetings.	March 2005	L. Walker	Completed
Post FAQs & introductory narrative on Web Site after approval by Board. (subject to final regulations)	March 2005	M. Gale/H. Hansen	In Process
Hold Regulation Hearing at May 2005 Board Meeting. Re-Notice Regulation Language as Necessary.	May — July 2005	A. Wong	In Process
When Regulation is approved, initiate concentrated outreach: <ul style="list-style-type: none"> ▪ Write, produce, and print special mailing to all licensees (Individuals and Firms), interested parties, State Boards of Accountancy, NASBA, AICPA, Societies (all states and jurisdictions), Legislature, Persons on Board-Mailout List and other designated parties or individuals. ▪ In special mailings to State Boards and Societies, request that they convey this information to all their licensee members, and provide sample narrative for them to do so. ▪ Post Special Mailing on Web site. ▪ Post updated outreach information in the Web site's 'For the Consumer' area. 	July— August 2005	L. Walker/ M. Gale/ C. Esquivel T. Dobson H. Hansen	

TASK	TIMELINE	RESOURCES	STATUS
Notify NASBA of CBA's intention to enlist the services of NASBA's CredentialNet as necessary to enable Practice Privilege for eligible licensees.	March—May 2005	L. Walker	
Establish dedicated email box for inquiries related to Practice Privilege (pracprivinfo@cba.ca.gov).	March—May 2005	L. Walker/ D. Hansen	In Process
Develop and Test Interactive Practice Privilege Notification Form.	March- November 2005	D. Hansen	In Process
Develop and test database to interface with and capture information from Interactive Practice Privilege Notification Form.	March- December 2005	D. Hansen	In Process
Write and develop Informational Booklet to accompany Interactive Practice Privilege Notification Form.	September —October 2005	L. Walker	In Process
Rollout Interactive Practice Privilege Notification Form on Web site.	January 1, 2006	D. Hansen	
Post Informational Booklet on Web site/Create Link to Interactive Notification Form.	December 2005	M. Gale/ H. Hansen	

EDV...
 ...
 ...
 ...

Memorandum

Practice Privilege TF Agenda Item V.
March 17, 2005

Board Agenda Item VIII.F.6
March 18, 2005

To : Practice Privilege Task Force Members
Board Members

Date : March 9, 2005

Telephone : (916) 561-1740
Facsimile : (916) 263-3676
E-mail : pfranz@cba.ca.gov

From : Patti L. Franz
Licensing Manager 

Subject : Draft Instructions for Notification Form

Attached for consideration and action by the Task Force and Board are the draft instructions for the California Practice Privilege Notification Form.

In response to the direction of the Task Force at its January 20, 2005, meeting, staff included the statement "The practice privilege is not intended to be a long-term substitute for obtaining a California Certified Public Accountant (CPA) license" in the instructions.

I will be available at the meeting to answer any questions the Task Force or Board members may have.

Attachment



CALIFORNIA BOARD OF ACCOUNTANCY

2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.dca.ca.gov/cba>



General Information and Instructions for Completing Your California Practice Privilege Notification Form

These instructions are intended to assist you in completing your California Practice Privilege Notification Form (Notification Form). For additional information, please visit the Board's Web site at www.dca.ca.gov/cba to download the *California Practice Privilege Handbook* or request a paper copy of either the Notification Form or Handbook by contacting the Practice Privilege Unit at pracprivinfo@cba.ca.gov or call (916) 561-XXXX.

The practice privilege is not intended to be a long-term substitute for obtaining a California Certified Public Accountant (CPA) license. You can visit the Board's Web site at www.dca.ca.gov/cba to review the licensure requirements and obtain the application or telephone the Licensing Unit at (916) 561-1702.

General Practice Privilege Information

Practice Privilege Requirements: If you are an out-of-state CPA, not licensed in California, and you intend to come into California to offer and/or provide public accounting services OR if you intend to offer and/or provide public accounting services to a California client from a location outside of California, you must meet the following requirements for a California practice privilege:

1. Your principal place of business cannot be located in California.
2. You must hold a valid, current license, certificate, or permit from another state and meet one of the following requirements:
 - Hold a current, valid license, certificate, or permit to practice public accountancy from a state determined by the California Board of Accountancy (CBA) to have education, examination, and experience requirements for licensure substantially equivalent to the requirements in Section 5093 of the California Accountancy Act (see Appendix 1 of the Notification Form);
OR
 - Possess education, examination, and experience qualifications that have been determined by the CBA to be substantially equivalent to the qualifications under Section 5093 of the California Accountancy Act. The Board will accept individual qualification evaluations of substantial equivalency completed by the National Association of State Boards of Accountancy's (NASBA) CredentialNet. Information regarding CredentialNet can be found on NASBA's Web site at www.nasba.org.
OR
 - Have continually practiced public accountancy as a CPA under a current, valid license issued by any state for four of the last ten years.

Form Submission: Once you have completed and submitted the Notification Form you will have practice rights in California, unless you have any of the disqualifying conditions listed on the form. The form can either be submitted on-line or through the mail. Your practice privilege in California will be valid for one-year from the date of the on-line submission or, if submitted by mail, the postmark date on the envelope.



Notification Fee: You are required to submit the \$100 practice privilege notification fee, along with the Board-provided remittance form, which must be received by the CBA within 30 days of submission of the Notification Form. The check or money order should be made payable to the California Board of Accountancy.

Where to Mail the Fee: The fee, along with the Board-provided remittance form, should be mailed to the California Board of Accountancy, 2000 Evergreen Street, Suite 250, Sacramento, CA., 95815-3832.

Incomplete Forms: You are required to provide all information requested in the form. An incomplete or improperly completed Notification Form will delay your obtaining a practice privilege or result in the loss of practice rights. You will be notified in writing of any such deficiencies.

Updates to the Notification Form: You are required to notify the CBA within 30 days of any change in the information reported on the Notification Form. Failure to notify the CBA of any update(s) to your information may subject you to a fine under the California Code of Regulations, Title 16, Division 1, Section 33.

Completing Your California Practice Privilege Notification Form

Contact Information

Please provide all of the contact information requested on the Notification Form. The contact information asterisked below will be public information available on the Board's Web License Lookup. However, your telephone number, fax number, e-mail address, birthdate, and Social Security Number will not be made available to the public.

***Name:** Please provide the name you have used with the state of licensure identified in Item 3 of the Notification Form.

Prior Name(s): Please provide any prior name(s) you may have used with the state of licensure identified in Item 3 of the Notification Form.

Address of Principal Place of Business (mailing address): Please provide your address of principal place of business in the state you identified in Item 3 of the Notification Form.

***Address of Record:** Your Principal Place of Business address will be used as your address of record unless otherwise indicated. Your address of record will be available on the Board's Web License Lookup.

Telephone Number: Please provide a daytime business telephone number.

Fax Number: Please provide a daytime fax number.

Business E-mail: Please provide an e-mail address in this space only if you would like to receive communications from the Board via e-mail in lieu of mail through the U.S. Postal Service to your address of record. In certain circumstances, the Board will continue to use your address of record for its communications.

Date of Birth: Self-explanatory.

Social Security Number (SSN): Disclosure of your SSN is mandatory. Your SSN will not be made available to the public. If you fail to disclose your SSN, you will not be authorized to practice public accountancy in California under the practice privilege.

Qualification Requirements

You are required to check a box for each of the items 1 through 12. Otherwise, you will not be authorized to practice public accountancy in California under the practice privilege.

1. Self-explanatory.

2. Self-explanatory;

OR

You have submitted an application for California CPA licensure and would like to have practice rights in California while your licensure application is being processed.

3. Please provide the state of licensure, license number, date of issuance, and license expiration date for the CPA license you are using to qualify for the California practice privilege. The licensure information you provide will be reflected on the Board's Web License Lookup.

4. a. Please check this box if you are an individual who is licensed in a state that is listed in Appendix 1 of the Notification Form. The states listed in Appendix 1 of the Notification Form are deemed substantially equivalent;

OR

b. Please check this box if your qualifications have been deemed substantially equivalent by the National Association of State Boards of Accountancy's (NASBA) CredentialNet. Please provide your CredentialNet file number in the space provided;

OR

c. Please check this box if you have continually practiced public accountancy as a CPA under a valid license issued by any state for at least four of the last ten years.

5. Please check this box if you are submitting the Notification Form at or before the time you began the practice of public accountancy in California;

OR

Please check this box if you are submitting the Notification Form within five business days after you began the practice of public accountancy in California. You will also be required to provide the reason you did not provide notice on or before the date you began the practice of public accountancy in California. **This option will only be available through December 31, 2007.**

6. Please check this box if you have met all of the continuing education requirements and any exam requirements for the state of licensure that you identified in Item 3 on the Notification Form.

7. Self-explanatory.

8. Self-explanatory.

9. Self-explanatory.
10. Self-explanatory.
11. Self-explanatory.
12. Self-explanatory.

Requirements for Signing Attest Reports

You may not sign an attest report under a practice privilege unless you have 500 hours of qualifying experience in attest services in accordance with Section 5096.5 of the California Business and Professions Code. For these purposes, qualifying experience is that which has enabled you to demonstrate an understanding of the requirements of planning and conducting an audit with minimum supervision which results in opinions on full disclosure financial statements.

Please select either "Y" or "N". If you select "N", you cannot sign attest reports under this practice privilege and that information will be reflected on the Board's Web License Lookup.

Disqualifying Conditions

If you check "Y" to any of the disqualifying conditions on the Notification Form, you are not automatically authorized to practice public accountancy in California unless you are so notified by the Board.

You must mail the required documentation requested below to the attention of the Practice Privilege Unit for review. The Board will accept copies of original documents. It is suggested you retain copies for your records. Each time you submit a practice privilege Notification Form you will be required to report the disqualifying condition(s).

Please allow two to four weeks for review once all of the required documents are received. You will be notified in writing of the outcome of the Board review.

A: Convictions: In addition to completing Attachment X, you are required to provide copies of the following: a) Criminal Complaint or Indictment, b) Plea and Judgment, and c) Probation Report.

B: Discipline: In addition to completing Attachment X, you are required to provide a copy of the charging document (Citation, Accusation, etc.), and the conclusion document (Decision, Stipulation, Board or Agency Order, etc.).

C: Subject to an investigation: In addition to completing Attachment X, you are required to provide a copy of the Notice of Investigation received from the agency involved, the agency's own written Summary of Issues or Work Under Investigation, and a Summary of Investigative Actions that have occurred (Depositions, Hearings, etc.).

D: Unresolved administrative suspension or unpaid fine: You are required to provide a written explanation on Attachment X regarding the circumstances that resulted in the administrative suspension or fine and why the administrative suspension and/or fine have not been resolved.

E: Did not respond to earlier request for information from CBA: You are required to provide a written explanation on Attachment X of what was requested by CBA and why it was not supplied.

F: Board approval is required before practice may commence: You are required to provide a written explanation on Attachment X regarding the circumstances that resulted in the requirement of Board approval of a future practice privilege.

G: Civil judgement or arbitration award documents: In addition to completing Attachment X, you are required to provide the Complaint, Response to Complaint, Court Judgement, and Arbitration ruling. In addition to the documents listed, please attach a written explanation of the events that led to the dispute.

Required Additional Information

Please answer the following questions and statements.

Do you currently hold a California Practice Privilege?: Self-explanatory.

Have you ever held a California CPA/PA license?: Self-explanatory.

In addition to the state of licensure identified in Item 3, I am also authorized to practice in the following: Self-explanatory

An answer of "NO" to the following three statements will not disqualify you from the California practice privilege.

I am an associated person of a firm registered with the PCAOB: Self-explanatory.

My firm has undergone peer review within the last three years: Self-explanatory.

The state of licensure identified in Item 3 requires CE in fraud detection: Self-explanatory.

Signature: Sign and date the renewal form. Your signature, either electronic or hardcopy, is required in order for you to be granted a California practice privilege.



CALIFORNIA BOARD OF ACCOUNTANCY

2000 EVERGREEN STREET, SUITE 250

SACRAMENTO, CA 95815-3832

TELEPHONE: (916) 263-3680

FACSIMILE: (916) 263-3675

WEB ADDRESS: http://www.dca.ca.gov/cba



Practice Privilege TF Agenda Item V.
March 17, 2005

Board Agenda Item VIII.F.6.
March 18, 2005

NOTIFICATION AND AGREEMENT TO CONDITIONS FOR THE PRIVILEGE TO PRACTICE PUBLIC ACCOUNTING IN CALIFORNIA PURSUANT TO CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION 5096 AND TITLE 16, DIVISION 1, ARTICLE 4 OF THE CALIFORNIA CODE OF REGULATIONS:

Name: _____ Prior Name(s): _____

Firm Name: _____

Address of Principal Place of Business (mailing address): _____

Address of Record (if different than address above): _____

Telephone Number (business hours): _____ Fax Number (business hours): _____ Business E-mail: _____

Date Of Birth: ____/____/____ Social Security Number: _____

QUALIFICATION REQUIREMENTS:

I state as follows:

- 1. I am an individual.
2. My principal place of business is not in California, and I do not have an office in California other than through a firm that is registered in California and of which I am an employee; OR
 I have a pending application for licensure in California under Sections 5087 and 5088.
3. I qualify for a practice privilege based on my current, valid license to practice public accountancy in the following state:

State: _____ License Number: _____ Date Issued: _____ License Expiration Date: _____

- 4. a. The state of licensure identified in Item 3 is deemed substantially equivalent by the California Board of Accountancy (CBA) (see Appendix 1 for a list of substantially equivalent states); OR
 b. My individual qualifications have been determined by NASBA to be substantially equivalent (NASBA file no. _____); OR
 c. I have continually practiced public accountancy as a certified public accountant under a valid license issued by any state for 4 of the last 10 years.
5. I am submitting this notice to the CBA at or before the time I begin the practice of public accountancy in California; OR
 (This option is only available through December 31, 2007.) I am submitting this notice within five business days after I began the practice of public accountancy in California on ____/____/____. My reason(s) for not providing notice on or before that date:

6. I have met the continuing education requirements and any exam requirements for the state of licensure identified in Item 3 above.



I consent and agree to the following:

7. To comply with the laws of the State of California, including the California Accountancy Act (Business and Professions Code Section 5000 et seq., accessible at http://www.dca.ca.gov/cba/acnt_act.htm) and the regulations thereunder (accessible at <http://www.dca.ca.gov/cba/regs.htm>).
8. To the personal and subject matter jurisdiction of the CBA including, but not limited to, the following:
- a. To suspend or revoke, without prior notice or hearing and in the sole discretion of the CBA or its representatives, the privilege to practice public accounting;
 - b. To impose discipline for any violation of the California Accountancy Act or regulations thereunder and recover costs for investigation and prosecution; and
 - c. To provide information relating to a practice privilege and/or refer any additional and further discipline to the board of accountancy of any other state and/or the SEC, PCAOB or other relevant regulatory authorities.
9. To respond fully and completely to all inquiries by the CBA relating to my California practice privilege, including after the expiration of this privilege.
10. To the authority of the CBA to verify the accuracy and truthfulness of the information provided in this notification. I consent to the release of all information relevant to the CBA's inquiries now or in the future by:
- a. Contacting other state agencies;
 - b. Contacting the SEC, PCAOB or any other federal agency before which I am authorized to practice; and
 - c. Contacting NASBA.
11. In the event that any of the information in this notice changes, to provide the CBA written notice of any such change within 30 days of its occurrence.
12. To concurrently submit the fee of \$100.00.

REQUIREMENTS FOR SIGNING ATTEST REPORTS:

I wish to be able to sign an attest report under this practice privilege and, if so, I have at least 500 hours of experience in attest services: Yes No

DISQUALIFYING CONDITIONS:

Please check any of the items below that apply. *For any items checked "yes" in (A) – (G), you must provide additional information as requested in Attachment X, and you are not authorized to practice in California unless and until you receive notice from the CBA that the privilege has been granted.*

- | | | | |
|--------------------------|--------------------------|----|--|
| Y | N | A. | I have been convicted of a crime other than a minor traffic violation. |
| <input type="checkbox"/> | <input type="checkbox"/> | | |
| Y | N | B. | I have had a license, registration, permit or authority to practice a profession surrendered, denied, suspended, revoked, or otherwise disciplined or sanctioned except for the following occurrences: |
| <input type="checkbox"/> | <input type="checkbox"/> | | |
- (1) an action by a state board of accountancy in which the only sanction was a requirement that the individual complete specified continuing education courses.
 - (2) the revocation of a license or other authority to practice public accountancy, other than the license upon which the practice privilege is based, solely because of failure to complete continuing education or failure to renew.

- Y N C. I am currently the subject of an investigation, inquiry or proceeding by or before a state, federal, or local court or agency (including the PCAOB) involving my professional conduct.
- Y N D. I have an unresolved administrative suspension or an unpaid fine related to a prior California practice privilege.
- Y N E. I did not respond to a request for information from the CBA related to a prior practice privilege.
- Y N F. I have been notified by the CBA that prior Board approval is required before practice under a new practice privilege may commence.
- Y N G. I have had a judgment or arbitration award against me involving my professional conduct in the amount of \$30,000 or greater.

REQUIRED ADDITIONAL INFORMATION:

Do you currently hold a California Practice Privilege? Yes No

When does it expire? _____

Have you ever held a California CPA/PA license? Yes No License number: _____

In addition to the state of licensure identified in Item 3, I am also authorized to practice in the following:

State: _____ License Number: _____ Other Authority: _____

State: _____ License Number: _____ Other Authority: _____

An answer of "no" to any of the following statements does not disqualify you from a California practice privilege.

I am an associated person of a firm registered with the PCAOB. Yes No

My firm has undergone peer review within the last three years. Yes No

The state of licensure identified in Item 3 requires CE in fraud detection. Yes No
 If yes, I have fulfilled this requirement. Yes No

I, _____, understand that any misrepresentation or omission in connection with this notification disqualifies me from the California practice privilege and is cause for termination. Further I authorize the California Board of Accountancy to act accordingly, including notifying other state or federal authorities. I certify under penalty of perjury under the laws of the State of California that the foregoing information is true and correct.

Signature: _____ Date: _____

Your privilege to practice commences with the submission of your completed notification and your fee. Your privilege expires at the end of one year.



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



ATTACHMENT X

1. If you checked "yes" to any of items A – G under disqualifying conditions, please provide explanatory details:

Blank lines for providing explanatory details for item 1.

2. If you checked "yes" to Item G under disqualifying conditions, please also provide:

Date of Judgment/ Arbitration Award: _____ Jurisdiction/Court: _____ Docket No: _____

PRIVACY STATEMENT: The information provided in this form will be used by the California Board of Accountancy to determine whether you qualify for practice privileges in California. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the form as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this form, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.

Memorandum

Practice Privilege Agenda Item II.
May 19, 2005

Board Agenda Item VIII.F.3.
May 20, 2005

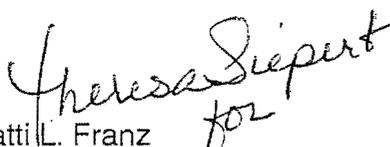
To : Practice Privilege Task Force Members
Board Members

Date : May 10, 2005

Telephone : (916) 561-1740

Facsimile : (916) 263-3676

E-mail : pfranz@cba.ca.gov

From :  for
Patti L. Franz
Licensing Manager

Subject : Consideration of Appendix 1 to the Practice Privilege Notification Form

At its meeting of September 9, 2004, the Practice Privilege Task Force considered whether to accept the National Association of State Boards of Accountancy's (NASBA) list of "substantially equivalent" states in lieu of the Board developing its own list. The purpose of Appendix 1 is to identify the states from which out-of-state licensees who hold a valid, current license qualify for a California practice privilege pursuant to Section 27(a) of the regulations (Attachment 1).

Based upon the information provided by NASBA and NASBA Vice-Chair Diane Rubin at the meeting, the Task Force recommended and the Board agreed to accept NASBA's list of substantially equivalent states for California practice privilege while continuing to monitor and add or delete states as necessary. (Attachment 2 includes September Task Force and Board meeting minutes for background information.)

The practice privilege statutes give the Board the authority to adopt NASBA's determination that a state is substantially equivalent. It is for this purpose that staff have listed the states deemed substantially equivalent by NASBA in Appendix 1 for Task Force and Board member consideration and action (Attachment 3). It is anticipated that Appendix 1 will accompany the instructions to the Practice Privilege Notification Form.

Outstanding Issue to be Discussed by the Task Force

During the preparation of this agenda item, staff identified an outstanding issue related to Appendix 1.

As additional states are either added or deleted, NASBA will update the list. The Board needs to develop a procedure that provides for a timely response when changes are necessary. One option would be for the Board to delegate the authority to the leadership of the Board or the Board's Executive Officer to consider and approve any revisions to NASBA's list.

I will be at the meeting to answer any questions the Task Force or Board members may have.

Attachments

Section 27. Qualifications for the Practice Privilege.

To be eligible for a practice privilege, an individual whose principal place of business is not in California and who holds a valid, current license to practice public accountancy issued by another state shall meet the requirements of Business and Professions Code Section 5096 including, but not limited to, satisfying one of the following:

(a) Hold a current, valid license, certificate, or permit from a state determined by the Board to have education, examination, and experience requirements for licensure substantially equivalent to the requirements in Business and Professions Code Section 5093;

(b) Possess education, examination, and experience qualifications that have been determined by the Board to be substantially equivalent to the qualifications under Business and Professions Code Section 5093. Pursuant to subdivision (b) of Business and Professions Code Section 5096, the Board accepts individual qualification evaluations of substantial equivalency by the National Association of State Boards of Accountancy's (NASBA's) CredentialNet. Prior to seeking a practice privilege under this paragraph, an individual shall apply to NASBA's CredentialNet, pay the required fee, and obtain the required substantial equivalency determination. The individual shall report the NASBA file number on the Notification Form submitted pursuant to Section 28 and shall authorize the Board to review the NASBA file upon request; or

(c) Have continually practiced public accountancy as a Certified Public Accountant under a current, valid license issued by any state for four of the last ten years.

**CALIFORNIA BOARD OF ACCOUNTANCY**

2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: <http://www.dca.ca.gov/cba>



Attachment 2

**PRACTICE PRIVILEGE TASK FORCE
MINUTES OF THE MEETING**

September 9, 2004
Hyatt Regency
1209 L Street
Sacramento, CA 95814

CALL TO ORDER

Renata Sos, Chair, called the meeting of the Practice Privilege Task Force to order at 8:40 a.m. and welcomed the participants. Ms. Sos noted that a quorum of the Board (eight members of the Board) was not present at this meeting.

Present:

Renata Sos, Chair
Sally Flowers
Gail Hillebrand
Thomas Iino
Harold Schultz
Ian Thomas (Absent)

Staff and Legal Counsel

Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Michael Granen, Deputy Attorney General
Aronna Granick, Legislation/Regulations Coordinator
Bob Miller, Legal Counsel
Greg Newington, Chief, Enforcement Program
Theresa Siepert, Executive Analyst
Carol Sigmann, Executive Officer
Liza Walker, RCC Analyst

Other Participants

Richard Charney, Board Member
Tom Chenowith
Julie D'Angelo Fellmeth, Center for Public Interest Law
Donald Driftmier, Board Member
Michael Duffey, Ernst and Young LLP

Harish Kahnna, Administrative Committee Chair
Richard Robinson, Richard Robinson and Associates
Diane Rubin, NASBA Vice Chair-Elect
Jeannie Tindel, California Society of Certified Public Accountants

Board Members Observing

Richard Charney
Donald Driftmier
Olga Martinez

I. Minutes of the July 15, 2004, Meeting.

It was moved by Ms. Hillebrand, seconded by Mr. Schultz, and unanimously carried to approve the minutes of the July 15, 2004, meeting.

II. Update on Status of Practice Privilege Legislation.

Ms. Sos reported that SB 1543 (Figueroa), the legislation containing the practice privilege provisions, was on the Governor's desk. She noted that the votes on the bill both in the Assembly and the Senate were closer than expected and many Republicans voted "no," however she believed the practice privilege provisions were not the source of their concern. Ms. Sigmann added that the Department of Consumer Affairs is finishing its analysis of the bill. It appears that the provision related to outsourcing and the Franchise Tax Board provisions in the bill are the most troubling.

III. Consideration of Whether the Board Should Accept NASBA's Designation of States as Substantially Equivalent (Subject to Board Review) or Develop its Own List.

A. Presentation by Diane Rubin of NASBA.

Ms. Sos welcomed Ms. Rubin. Ms. Sos then indicated she would like the Task Force to consider Agenda Items III and IV together. In her introductory remarks, Ms. Sos noted that the National Association of State Boards of Accountancy (NASBA) already makes determinations regarding which states are "substantially equivalent" and, through CredentialNet, performs a similar service for individuals who meet education, exam, and experience requirements substantially equivalent to the Uniform Accountancy Act (UAA).

Ms. Sos noted that the practice privilege statutes give the Board the authority, subject to its own continuous oversight and monitoring, to accept determinations made by entities such as NASBA. She indicated the issue before the Task Force is whether this is an appropriate course of action. She added that the guiding factors for this discussion are the same factors that guided the development of the practice privilege proposal: first and foremost to protect California's consumers; second to avoid unnecessary workload for staff and, for example by using resources that are already available; and also to promote uniformity across states and make the movement of qualified individuals across borders as seamless as possible.

Ms. Sos noted that after reviewing the materials that had been provided at previous Task Force meetings, it appeared to her that NASBA uses a very rigorous process to determine substantial equivalency, both for states and for individuals. She explained that Ms. Rubin was attending to help the Task Force sort through this information. Ms. Rubin was uniquely positioned to assist the Task Force because she is a former Board President and shares the Board's commitment to protection. In addition Ms. Rubin, as Vice Chair-elect of NASBA can provide a national perspective.

Ms. Rubin complimented the Task Force for its work in developing the practice privilege statutes which she described as a significant step forward beyond the temporary practice rules. She noted that practice privileges are consistent with the goal of maximizing consumer protection while at the same time having an efficient and effective cross-border procedure that encourages compliance.

Ms. Rubin explained that substantial equivalency focuses on the "3Es" of education, examination, and experience. For states, NASBA's National Appraisal Qualifications Services Board reviews a state's laws and regulations to determine if it is substantially equivalent to the UAA. This review is done on a very regular basis. Based on a recent review, Colorado had been removed from the list because it no longer has the 150 hour requirement. Also, Pennsylvania had been added.

Ms. Rubin noted that sometimes a state asks to be reviewed. For example, California requested to be reviewed because California law requires 150 hours of education at the point of licensure and not at the point of the examination. California was determined to be substantially equivalent in spite of this variation. The emphasis on "substantial" rather than "absolute" equivalency provides for consumer protection while at the same time facilitating efficient and effective cross-border practice.

Ms. Rubin indicated that the list of substantially equivalent states is available at no charge from NASBA. The alternative would be for Board staff or a Board committee to review the laws and regulations of all of the states and to repeat this review on a regular basis.

Ms. Rubin then discussed ethics and ethics education and indicated it is an important focus for NASBA even though it is not part of the substantial equivalency determination. She reported that the Education Committee of NASBA is proposing that ethics be a required component of the 150 hours of education. She also indicated that the Ethics Committee of NASBA is considering a continuing education course that will be acceptable to various state boards. She observed that most ethics courses are similar and emphasize independence which is the second Generally Accepted Auditing Standard (GAAS). She noted that questions related to independence make up a significant portion of the auditing section of the Uniform CPA Examination. Consequently, CPAs from other states are very familiar with this subject.

Ms. Rubin then explained that when making a determination of an individual's substantial equivalency, NASBA's CredentialNet conducts a very thorough review which includes reviewing college transcripts and verifying experience. She noted that CredentialNet tailors its services to the needs of a particular individual.

Ms. Rubin concluded her remarks by indicating she believed NASBA was doing a very thorough job and that its services facilitated cross-border practice while at the same time providing excellent consumer protection.

B. Discussion.

Ms. Flowers asked for more information regarding CredentialNet. Ms. Sos clarified that CredentialNet would be used by CPAs from non-substantially equivalent states who do not qualify for practice privileges under the "four of ten" rule. It is anticipated that there will not be many CPAs in this group. The CPA would provide CredentialNet with documents establishing his or her professional credentials and would pay the \$100 fee. CredentialNet's review would take approximately six to eight weeks. After being deemed substantially equivalent by CredentialNet, the CPA would make this assertion under penalty of perjury, by checking the appropriate box on the practice privilege notification form. Ms. Rubin added that CredentialNet is the only entity providing this service and that it is driven by what each state needs.

Ms. Hillebrand inquired if an ethics course becomes part of the 150-hour requirement, would ethics be required for substantial equivalency. Ms. Rubin indicated that this would be decided by the National Appraisal Qualifications Services Board. Ms. Rubin also indicated it would take time for it to become part of the curriculum at colleges.

Ms. Sos indicated that the question for the Task Force is, given that ethics are embedded in the professional standards and many states have some kind of ethics requirement, will California consumers be put at risk if CPAs from other states are permitted to practice here without meeting California's requirements. Ms. Rubin indicated she did not believe there was much risk to California's consumers since the practice privilege provisions provide greater consumer protection than the temporary practice rules they replace. Mr. Schultz agreed with Ms. Rubin, adding that a CPA practicing with a practice privilege is putting his or her home state license at risk. He noted that at a recent NASBA meeting every state appeared to have a different ethics requirement, however all states indicated ethics is a focus. He encouraged the Board to view the ethics requirements established by other state boards as valid. He further suggested that enforcing a specific California requirement would have little incremental benefit and could impede practice across borders.

Ms. Sos thanked Ms. Rubin for her input and indicated that the question before the Task Force is whether the Board should accept states on NASBA's list as substantially equivalent for the purpose of permitting practice privileges. The second question is whether the board should accept, for purposes of permitting practice privileges, individuals from non-substantially equivalent states who have been determined to be

substantially equivalent by CredentialNet. Both decisions will be reflected in regulations.

It was moved by Ms. Flowers and seconded by Mr. Schultz to accept NASBA's determinations in both areas. It was the intent of the motion that this would be the only method through which these determinations would be made. During the discussion Ms. Hillebrand asked if the Board could request that CredentialNet consider ethics requirements in making its determinations. Ms. Sos indicated that the Board could inform CredentialNet that ethics is a priority and request that CredentialNet's review ensure that the ethics requirement in the CPA's home state has been met. Ms. Sos also indicated that it was her understanding that, consistent with the Board's obligation not to delegate its authority, the Board's acceptance of NASBA's list and credentialing program would be subject to continuous monitoring, and the Board would have the ability to add or subtract states from the list as appropriate. **After the discussion, the motion was unanimously carried.**

- IV. Consideration of Whether the Board Should Accept NASBA's Determination of an Individual's Substantial Equivalency or Use Some Other Method for Assessing the Qualifications of CPAs from Non-Substantially Equivalent States
 - A. Presentation by Diane Rubin of NASBA.
 - B. Discussion.

See Agenda Item III.

- V. Consideration of Whether There Should Be a "Safe Harbor" Period for Providing Notification to the Board.

Ms. Sos introduced this agenda item and Agenda Item VI together. She indicated that they relate to two questions: 1) When is notice due? and 2) What should the Board do when the payment is not received, is lost, or the payment check is dishonored? She noted that the statute authorizes the Board to address both issues in regulations.

With regard to whether there should be a "safe harbor" period, Ms. Sos indicated that the materials for the meeting include two memos (see Attachment ___ and ___) summarizing the arguments for and against establishing a safe harbor period. Ms. Sos indicated she would like to focus the discussion on the following issues: 1) the extent of the problem that would be created if notice were required at or before the practice begins, 2) the potential for consumer harm if practice is permitted for a specified time period before time before notification is required, 3) the risk of snaring people who have done nothing wrong if there is no safe harbor, 4) the impact of various alternatives in terms of providing an incentive for giving notice. Ms. Sos indicated she would appreciate input from the profession on these issues. Also, she encouraged the Task Force to be mindful of its general approach of not proposing regulations to address purely hypothetical situations or situations which would only impact a small percentage of the CPA population.



CALIFORNIA BOARD OF ACCOUNTANCY

2000 EVERGREEN STREET, SUITE 250
 SACRAMENTO, CA 95815-3832
 TELEPHONE: (916) 263-3680
 FACSIMILE: (916) 263-3675
 WEB ADDRESS: <http://www.dca.ca.gov/cba>



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

**MINUTES OF THE
 September 10, 2004
 BOARD MEETING**

The Hyatt Regency Hotel
 1209 L Street
 Sacramento, CA 95815
 Telephone: (916) 443-1234
 Facsimile: (916) 321-3099

I. Call to Order.

President Ian B. Thomas called the meeting to order at 8:35 a.m. on Friday, September 10, 2004, at the Hyatt Regency Hotel in Sacramento and immediately convened into closed session to consider Agenda Items X.A-E. The Board reconvened into open session at 10:10 a.m. The Board reconvened into closed session at 11:55 a.m., broke for lunch at 12:06 p.m., and reconvened at 1:30 p.m. The Board adjourned at 3:35 p.m.

Board Members

September 10, 2004

Ian B. Thomas, President	8:35 a.m. to 3:35 p.m.
Renata Sos, Vice President	8:35 a.m. to 3:35 p.m.
Stuart Waldman, Secretary-Treasurer	8:35 a.m. to 3:35 p.m.
Ronald Blanc	8:35 a.m. to 3:35 p.m.
Richard Charney	8:35 a.m. to 3:35 p.m.
Ruben Davila	Absent
Donald Driftmier	8:35 a.m. to 3:35 p.m.
Charles Drott	8:35 a.m. to 3:35 p.m.
Sally A. Flowers	8:35 a.m. to 3:35 p.m.
Sara Heintz	8:35 a.m. to 3:35 p.m.
Gail Hillebrand	8:35 a.m. to 3:35 p.m.
Thomas Iino	8:35 a.m. to 3:35 p.m.
Clifton Johnson	8:35 a.m. to 3:35 p.m.

The minutes of the July 15, 2004, Practice Privilege Task Force meeting were adopted on the Consent Agenda. (See Agenda Item XI.B.)

2. Report on the September 9, 2004, Practice Privilege Task Force Meeting.

Ms. Sos reported that the Task Force met yesterday, had a very productive meeting, and discussed the agenda items listed below. She acknowledged and thanked the Task Force, Ms. Sigmann and staff, Ms. D'Angelo Fellmeth and Mr. Robinson.

3. Update on Status of Practice Privilege Legislation.

No report was given on this agenda item.

4. Consideration of Whether the Board Should Accept NASBA's Designation of States as Substantially Equivalent (Subject to Board Review) or Develop its Own List.

Ms. Sos reported that there are three ways for an individual to qualify for a practice privilege: qualify under the "4 of 10" rule, hold a license in a "substantially equivalent" jurisdiction, or be deemed "substantially equivalent" as an individual, for example through a review by CredentialNet. Ms. Sos noted that the legislation gives the Board the authority to determine what "substantially equivalent" means and to decide whether it will make those determinations or accept the determinations made by an entity such as NASBA. Ms. Sos reported that Ms. Rubin attended the meeting to talk with the Task Force about substantial equivalency from NASBA's perspective. Ms. Sos indicated that Ms. Rubin was the incoming Vice Chair of NASBA and a former Board member. One issue of concern to the Task Force was the role of ethics requirements in the substantial equivalency determinations. Ms. Rubin indicated that ethics considerations are already embedded in the exam, experience and education requirements as well as in professional standards.

Mr. Blanc asked Ms. Sos to expand on the discussion related to ethics. Ms. Sos reported that the Uniform CPA Examination has an ethics component to it and that within the professional standards is GAAS 2, the independence standard which is one of the cornerstones of auditing standards. Ms. Sos noted that NASBA recognizes the disparity in the states, and its Education Committee is recommending to the full NASBA Board of Directors that the 150-hour education requirement in the UAA have an ethics component.

NASBA is also exploring the possibility of offering a uniform ethics course to be available in all states.

After discussion, it was moved by Mr. Driftmier, seconded by Mr. Johnson, and unanimously carried to accept NASBA's designation of states as substantially equivalent while continuing to monitor and add or subtract states as necessary. The motion also included accepting NASBA's CredentialNet certification of individuals as substantially equivalent with the flexibility to reject or deny individuals if the Board determines that they are not substantially equivalent.

5. Consideration of Whether the Board Should Accept NASBA's Determination of an Individual's Substantial Equivalency or Use Some Other Method for Assessing the Qualifications of CPAs from Non-Substantially Equivalent States.

See Agenda Item VIII.F.4.

6. Consideration of Whether There Should be a "Safe Harbor" Period for Providing Notification to the Board.

Ms. Sos reported that the practice privilege commences upon valid notification. However, issues came up as to whether there should be a period of time after practice begins and when the notification could still be submitted to the Board without penalty. Ms. Sos indicated that the Board wants to encourage compliance and notification, but also wants to ensure that no consumer harm could occur.

It was moved by Mr. Blanc, seconded by Ms. Flowers, and carried that notice is due on or before commencing to practice but there will be no penalty if the notice is given within five business days of commencing practice. This regulation will remain in effect for two years for transition purposes. There will be a question added to the notification form asking for the reason for the late notification. The form will also require the date of notification and the date the practice privilege commenced. This information will be used to assess whether the "safe harbor" period should be continued, modified, or eliminated after the two-year transition period. If a notice is submitted after the five-business day "safe harbor" period, a fine will be imposed. The amount of the fine and the process for imposing it would be the subject of further staff review and recommendation.

Appendix 1

Substantially Equivalent States

The following 46 jurisdictions have CPA licensure requirements that are deemed by the California Board of Accountancy to be substantially equivalent to California's licensure requirements. Pursuant to Section 27 of Title 16, Article 4 of the California Code of Regulations, you are authorized to practice public accountancy in California under the practice privilege provisions if you hold a valid, current license from a state identified below, unless you check "Y" to any of the disqualifying conditions on the Notification Form. Please see the instructions to the Notification Form for additional information.

Alabama*	Maine	Oklahoma
Alaska	Maryland	Oregon
Arizona	Massachusetts	Pennsylvania
Arkansas	Michigan	Rhode Island
Connecticut	Minnesota	South Carolina
District of Columbia*	Mississippi	South Dakota*
Georgia	Missouri*	Tennessee
Guam	Montana*	Texas
Hawaii	Nebraska*	Utah
Idaho	Nevada	Virginia
Illinois*	New Jersey	Washington*
Indiana	New Mexico	West Virginia*
Iowa*	New York	Wisconsin
Kansas*	North Carolina	Wyoming*
Kentucky	North Dakota	
Louisiana*	Ohio	

* Permit Holders Only

Memorandum

Practice Privilege TF Agenda Item III
May 19, 2005

Board Agenda Item VIII.F.4
May 20, 2005

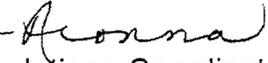
To : Practice Privilege Task Force Members
Board Members

Date : May 4, 2005

Telephone : (916) 561-1788

Facsimile : (916) 263-3674

E-mail : awong@cba.ca.gov

From : Aronna Wong - 
Legislation/Regulations Coordinator

Subject: Consideration of an Approach to Address Issuance of Reports Under
the Name of Non-Registered Firms

At the last Practice Privilege Task Force meeting, it was noted that most financial statement reports issued by licensees and most tax returns prepared by licensees are signed with the firm name. It was also noted that while the practice privilege provisions provide for cross-border practice by individuals, there are no comparable provisions for firms. Consequently, under current law, for a firm to practice public accountancy in California which would include performing activities such as reporting on financial statements or preparing tax returns for individual taxpayers or California companies, the firm would need to register with the Board.

This does not pose a problem for larger firms because most larger firms are already registered and have a presence in California. However, it can be challenging for smaller firms since these firm would have to meet all of California's ongoing registration requirements including the requirement that a partner or shareholder hold a California license.

After discussion, the Task Force concluded the issue needed further consideration and a working group consisting of Renata Sos and Gail Hillebrand was appointed to work with staff to develop a proposal for consideration at the May 2005 meetings of the Task Force and the Board.

After evaluating the possibility of a practice privilege for firms and an expedited procedure for qualifying for firm registration, the working group concluded that because of the numerous statutory requirements that tie to registered firms, neither of these two options was practical. During the discussion it was also noted that the greatest concern in this area was expressed by tax practitioners.

After discussion, it was concluded the most workable solution would be to carve out a narrow exception from the firm registration requirement. The working group began crafting its proposal by first identifying areas where no exception was possible. It was determined that any time an individual physically enters California to practice public accountancy as an agent of a firm, that individual must be affiliated with a California-registered firm. It was also determined that any time a firm performs financial statement work, there is sufficient consumer risk so that the firm must be registered with the Board.

After further deliberation, the working group concluded that an exception from the firm registration requirement would be reasonable only in those instances in which the practitioner is preparing individual tax returns, does not physically enter California, does not solicit any California clients, and does not assert or imply that the individual or firm is licensed or registered to practice public accountancy in California. It was further concluded that, for consistency, it would also be appropriate to provide an exception from the individual licensure and practice privilege requirements under the same circumstances.

Working group members noted that this approach would minimize the risk to California consumers and would also address the needs of those consumers who have recently moved to California from another state and would like to continue receiving tax return preparation services from the same public accounting professionals that prepared their tax returns in prior years.

Attached for consideration and action is draft statutory language to implement this approach.

Attachment

Proposed Business and Professions Code Section 5054.

(a) Notwithstanding any other provision of this chapter, an individual or firm holding a valid and current license, certificate, or permit to practice public accountancy from another state may prepare individual tax returns for natural persons who are California residents without obtaining a permit to practice public accountancy issued by the Board under this chapter or a practice privilege pursuant to Article 5.1 of this chapter provided that the individual or firm does not physically enter California to practice public accountancy pursuant to Section 5051, does not solicit California clients, and does not assert or imply that the individual or firm is licensed or registered to practice public accountancy in California.

(b) The Board may, by regulation, limit the number of tax returns that may be prepared pursuant to subdivision (a).