



**DEPARTMENT OF CONSUMER AFFAIRS**  
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**CBA Item VI.A.**  
**January 26-27, 2012**

**Regulation Hearing Regarding Title 16, California Code of Regulations Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71 and 87.1- Retired Status**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** January 3, 2012

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**Purpose of the Item**

Staff are providing the materials pertinent to the public hearing for the proposed rulemaking. The public hearing for this proposal will be held at the California Board of Accountancy's (CBA) January 2012 meeting.

**Action(s) Needed**

No specific action is required on this agenda item.

**Background**

At its November 2011 meeting, the CBA directed staff to initiate the rulemaking process for retired status.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on November 29, 2011 and published on December 9, 2011, thus initiating the required 45-day public comment period. January 23, 2012 will mark the end of the public comment period, and on January 27, 2012, a public hearing will be conducted on the proposed regulation. The following attachments will aid in your preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Text of Proposal (**Attachment 2**)
- Initial Statement of Reasons (**Attachment 3**)
- Public Comments (**Attachment 4**)

**Comments**

During the public hearing, CBA members may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Re-Notice will be required. Staff have not received any public comment related to this regulatory package. Any comments received after the CBA mail out date will be supplied to CBA members at the meeting. The CBA may act to adopt the proposed regulations under **CBA Agenda Item VI.A.1**. Prior to submitting the final regulation



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package to the OAL, staff will draft responses to any comments and prepare the Final Statement of Reasons for distribution to all persons who provided comments.

**Recommendation**

None

**Attachments**

Notice of Proposed Action

Text of Proposal

Initial Statement of Reasons

Public Comment Letter

## TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at Crowne Plaza Irvine, 17941 Von Karman Avenue, Irvine, CA 92614, at 9:10 a.m. on January 27, 2012. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the California Board of Accountancy at its office not later than 5:00 p.m. on January 23, 2012 or must be received by the California Board of Accountancy at the hearing. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010, 5018, 5027, 5070.1 and 5134 of the Business and Professions Code; and to implement, interpret or make specific Sections 122, 163, 5010, 5028, 5058.3, 5070.1, 5096, 5109, and 5134 of the Business and Professions Code; the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

### INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Legislation enacted in 2011 (Stats 2011, ch. 395 (AB 431)) added Section 5070.1 to the Business and Professions Code effective January 1, 2012 allowing the Board to establish, by regulation, a system for placing a license in a retired status for certified public accountants and public accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed by the Board. This proposal would implement the requirements for obtaining and maintaining such a license in a retired status. The regulatory proposal is as follows:

#### **1. Adopt New Article 2.5 in Division 1 of Title 16 of the California Code of Regulations.**

This proposal would add a new Article 2.5 to Division 1 in the California Board of Accountancy's regulations that would be entitled "Retired Status."

#### **2. Adopt Section 15 in Title 16 of the California Code of Regulations.**

This proposal would adopt Section 15 in a newly created Article 2.5 regarding retired status. This proposal would allow a licensee to apply to have their license placed in a

retired status. This new article would not prohibit a holder of a license in a retired status from receiving compensation or profits from a public accounting firm provided the licensee does not engage in the practice of public accountancy.

In addition, this proposal states that failure to maintain compliance with this new Article and Sections 5058.3 or 5070.1 of the Business and Professions Code is grounds for discipline of the retired license.

### **3. Adopt Section 15.1 in Title 16 of the California Code of Regulations.**

This proposal would require a licensee to apply for placing their license in a retired status using Form 11R-48 (11/11) which is incorporated by reference. Form 11R-48 (11-11) would include the following:

- (1) Require disclosure of the name, address of record, license number, email address (optional), personal and business telephone number;
- (2) Require disclosure of whether the applicant intends to practice public accountancy with a license in retired status;
- (3) Require disclosure of whether the applicant is aware of any pending or current enforcement action against his or her license;
- (4) Require disclosure of whether the applicant has held a license as a CPA or PA in the U.S. or its territories for a minimum of 20 total years and then require the applicant to provide the state or territory in which the license was held, the license number and the number of years the license was held;
- (5) Require disclosure of whether the applicant held a CPA or PA license in an active status for a minimum of five years;
- (6) Provide a notice regarding collection and use of personal information given on the application; and,
- (7) Require the applicant to certify his or her statements under penalty of perjury.

The proposal would require a licensee to have held a license as a certified public accountant (CPA) or public accountant (PA) in the United States or its territories for a minimum of twenty years, and that five of those years must have been in an active status as a California licensee. Failure to meet the requirements of this new Article and Section 5070.1 of the Business and Professions Code is grounds for denying the application.

The proposal would also require the applicant to pay the application fee set forth in newly proposed Section 70(i)(1).

### **4. Adopt Section 15.2 in Title 16 of the California Code of Regulations.**

This proposal would require the holder of a license in a retired status to continue to renew their license on the same renewal schedule they were on prior to being granted retired status as described in Section 5070.5 of the Business and Professions Code. It exempts a licensee with a license in a retired status from the regular renewal fee and the regular continuing education (CE) requirements.

## **5. Adopt Section 15.3 in Title 16 of the California Code of Regulations.**

This proposal would allow the holder of a license in a retired status to restore that license to an active status at the time of renewal by paying the fee set forth in newly proposed Section 70(i)(2) and complying with the CE requirements of existing Section 87 with a minimum of 20 hours of CE in the year prior to renewal and 12 hours in specific subject areas prescribed in existing Section 88(a)(1).

This proposal would allow the holder of a license in a retired status to restore that license to an active status prior to their next renewal date by paying the fee described in Section 70(i)(2) and completing the CE requirements set forth in existing Section 87.1.

## **6. Adopt Section 15.4 in Title 16 of the California Code of Regulations.**

This proposal limits the number of times a licensee may be granted retired status to two.

## **7. Amend Section 70 in Title 16 of the California Code of Regulations.**

This proposal would set the fee for application for a license to be placed in a retired status at \$100.

This proposal would set the fee for restoring a license in a retired status to an active status on a scale based on the time that has elapsed between the retired status being granted and the time the Board receives a written request for restoration and the restoration fee. The restoration fee begins at \$200 and increases by \$200 for every two years up to the maximum of \$1000.

## **8. Amend Section 71 in Title 16 of the California Code of Regulations.**

This proposal would add an application for retired status to the list of applications that can be abandoned if the applicant fails to complete the application within two years of its original submission or within one year of notification by the Board of any deficiency in the application.

## **9. Amend Section 87.1 in Title 16 of the California Code of Regulations.**

This proposal would ensure that the CE requirements for restoring a license in a retired status to active status prior to renewal are the same as those for converting a license in an inactive status to an active status prior to renewal.

## **FISCAL IMPACT ESTIMATES**

**Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State:**

This bill will create an absorbable fiscal impact to the California Board of Accountancy (CBA).

The CBA will experience a loss in renewal revenue through implementation of the retired status due to the large population of older licensees that will pursue the new option. Much of this loss in revenue will be offset by the same population paying for the \$100 retirement fees as well as delinquent licensees providing revenue in the first year when they wouldn't otherwise have done so. It is estimated that the CBA will lose approximately \$6 million in revenues during this initial 6 year period. The ongoing annual fiscal impact after this initial wave of retirements is projected to be a loss in revenues of approximately \$1 million.

Assumptions:

1. A "start date" of January 1, 2013.
2. The temporary renewal fee reduction of \$120 reverts to its original \$200 amount on July 1, 2015.
3. A licensee must have been practicing a minimum of 20 years to be eligible for the retired status.
4. Licensees who are 62 years of age or older are the population that will apply for the retired status. 50% of CBA licensees will retire upon reaching 62.
5. For each additional year of age, an additional 10% of the group will retire (or 20% of the remaining licensees who did not retire). For example, 60% of licensees 63 years of age will be retired. 70% of licensees 64 years of age will be retired.
6. All delinquent licensees age 62 or older (licensees that have no practice rights and do not pay renewal fees or complete continuing education) will opt for the retired status within the first year of implementation. The law has provisions which allow delinquent licensees to forgo paying any past renewal or delinquency fees if they opt for the retired status within the first year of implementation. Because this provision is only available for the first year, it is not expected that any delinquent licensees will opt for the retired status in subsequent years.
7. The retired status application fee will be a one-time fee of \$100.
8. Licensees who opt for the retired status would have paid renewal fees for 3 renewal cycles (6 years) had there not been an option for the retired status.

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

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

Business Impact:

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

**AND**

The following studies/relevant data were relied upon in making the above determination: The only possibility of the proposal impacting businesses is if the application or restoration fees are paid for by a business. The CBA assumes that this will be an infrequent occurrence as this is not a normal cost of doing business.

Impact on Jobs/New Businesses:

The Board has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Private Person or Business:

The cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action and that are known to the Board are insignificant.

The population of licensees choosing to apply for retired status must have been in practice for at least 20 years or more. The licensee will need to pay a one-time \$100 fee to apply for "retired" status. Should the licensee desire to practice again, payment of fees up to a maximum of \$1,000 would need to be paid. The regulation permits a licensee to retire/restore twice, however once the licensee restores for the second time, a third retirement is not permitted. It is not expected that many retired licensees will restore their license to an active status and even less would be assumed for a second restoration. Any estimate of restoration fees will be statistically insignificant.

It is assumed that the population of licensees that will be eligible for retirement will be 62 years of age or older. The CBA anticipates a huge influx of individuals to opt for the retired status; in the first year (2013), the CBA projects over 14,000 licensees will retire.

After the initial wave of retirements, it is expected that the population of licensees opting for the retired status will stabilize to approximately 2,000 annually. The one-time retirement fees of \$100 will be offset by the individuals no longer having to pay biennial renewal fees which will be \$120 in 2013, and are expected to be \$200 every two years by the time this stabilization period occurs.

Effect on Housing Costs: None  
EFFECT ON SMALL BUSINESS

The Board has determined that the proposed regulations may affect small businesses if the application or restoration fees are paid for by a business. The CBA is assuming that this will be an infrequent occurrence as this is not a normal cost of doing business.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposal described in this Notice.

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

INITIAL STATEMENT OF REASONS AND INFORMATION

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

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the initial statement of reasons, and all of the information upon which the proposal is based, including Form 11R-48 (11/11), which is incorporated by reference in this rulemaking, are available on the Board's Internet website at [http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml) and may also be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

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

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

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

## CONTACT PERSON

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

Name: Matthew Stanley  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone No.: 916-561-1792  
Fax No.: 916-263-3678  
E-Mail Address: mstanley@cba.ca.gov

The backup contact person is:

Name: Kari O'Connor  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone No.: 916-561-4311  
Fax No.: 916-263-3678  
E-Mail Address: koconnor@cba.ca.gov

Website Access: Materials regarding this proposal can be found at  
[http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml).

## PROPOSED REGULATORY LANGUAGE

Adopt Sections 15, 15.1, 15.2, 15.3 and 15.4 in Article 2.5 of Division 1 of Title 16 of the California Code of Regulations to read:

### **Article 2.5 – Retired Status**

#### **Section 15 – Retired Status**

Upon application, a licensee may request to have his/her license placed in a retired status. The holder of a license in a retired status shall not engage in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code. This section does not prohibit a holder of a license in a retired status from receiving a share of the net profits from a public accounting firm or other compensation from a public accounting firm, provided that the licensee does not otherwise engage in the practice of public accountancy.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

#### **Section 15.1 – Application for Retired Status**

(a) A licensee of the Board shall apply for a license in a retired status on the following form: Application to Have a License Placed in a Retired Status, Form 11R-48 (11/11) which is hereby incorporated by reference.

(b) For an application to be approved, a licensee applying to have his/her license placed in a retired status shall have held a license as a certified public accountant or public accountant in the United States or its territories for a minimum of twenty total years; and during those twenty years, from the Board for a minimum of five years in an active status.

(c) An applicant for placing a license in a retired status shall pay the application fee required by Section 70(i)(1).

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

#### **Section 15.2 – Renewal of a License in a Retired Status**

(a) A licensee shall renew a license in a retired status during the same time period in which a license in an active status is renewed.

(b) The fee for renewal described in Section 70(e) is not applicable at the time of renewal for a licensee renewing a license in a retired status.

(c) The continuing education requirements described in Section 87 are not applicable at the time of renewal for a licensee renewing a license in a retired status.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

### **Section 15.3 – Restoration of a License from a Retired Status to Active Status**

(a) At the time of renewal, the holder of a license in a retired status may restore his/her license to an active status by paying the fee described in Section 70(i)(2) and complying with the continuing education requirements as described in Section 87. A minimum of 20 hours of continuing education shall be completed in the one-year period immediately preceding the time of renewal, 12 hours of which must be in subject areas described in Section 88(a)(1).

(b) The holder of a license in a retired status may restore the license to an active status prior to the next renewal by paying the fee described in Section 70(i)(2) and by meeting the continuing education requirements as described in Section 87.1.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

### **Section 15.4 – Limitation on Retired Status**

A licensee may be granted a license in a retired status under this Article on no more than two separate occasions.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

Amend Sections 70 and 71 in Article 10 of Division 1 of Title 16 of the California Code of Regulations to read:

### **Section 70 – Fees**

(a) Commencing January 23, 2004, the fee to be charged each California applicant for the computer-based Uniform Certified Public Accountant Examination shall be an application fee of \$100 for issuance of the Authorization to Test to first-time applicants and an application fee of \$50 for issuance of the Authorization to Test to repeat applicants.

(b) Commencing July 1, 2001, the fee to be charged each applicant for issuance of a certified public accountant certificate shall be \$250.

(c) The fee to be charged each applicant for registration, including applicant for registration under a new name as a partnership or as a corporation, shall be \$150.

(d)(1) Commencing July 1, 2000, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200.

(2) Commencing July 1, 2011, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$120.

(3) Commencing July 1, 2015, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200 unless subsection (i) applies.

(e)(1) Commencing July 1, 2000, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200.

(2) For licenses expiring after June 30, 2011, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$120.

(3) For licenses expiring after June 30, 2015, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200 unless subsection (i) applies.

(f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.

(g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.

(h)(1) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 with an authorization to sign attest reports shall be \$100.

(2) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 without an authorization to sign attest reports shall be \$50.

(i) (1) The fee to be charged a licensee for submission of an application for a license in a retired status pursuant to Section 15.1 shall be \$100.

(2) The fee to restore a license from a retired status to an active status shall be equal to the fees accrued had the licensee been renewing in an active status, and the total shall not exceed \$1000.

(i) (j) By May 31, 2014, the Board shall conduct a review of its actual and estimated costs. Based on this review, the Board shall determine the appropriate level of fees for the initial permit to practice pursuant to subsection (d) and renewal of the permit to practice pursuant to subsection (e) in order to maintain the Board's contingent fund reserve balance at an amount equal to approximately nine months of estimated annual authorized expenditures. If the Board determines that fees of less than \$200 are indicated, the Board shall fix the fees by regulation at the indicated amounts by July 1, 2015.

Note: Authority cited: Sections 5010 and 5134, Business and Professions Code.  
Reference: Sections 122, 163, 5070.1, 5096, and 5134 Business and Professions Code.

## **Section 71 – Abandonment of the Application**

- (a) An applicant for the paper and pencil examination who fails to appear for the examination shall be deemed to have abandoned the application and shall forfeit the examination fee.
- (b) A first-time applicant for an Authorization to Test pursuant to Section 8.1 shall be deemed to have abandoned the application and shall forfeit any application fee if the applicant fails to complete the application within one year of notification by the Board of any deficiency in the application.
- (c) An application for a certificate, permit, registration, or license, including any application for renewal or retired status, shall be deemed abandoned and any application fee shall be forfeited, if the applicant fails to complete the application within two years of its original submission or within one year of notification by the Board of any deficiency in the application.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: ~~Section~~ Sections 5010, 5070.1, and 5134, Business and Professions Code.

Amend Section 87.1 in Article 12 of Division 1 of Title 16 of the California Code of Regulations to read:

**Section 87.1 – Conversion or Restoration to Active Status Prior to Renewal**

- (a) A licensee who has ~~renewed his/her~~ a license in an inactive or retired status may convert, or restore, the license to an active status prior to the next license expiration date by (1) completing 80 hours of continuing education credit as described in Section 88, to include the Ethics Continuing Education Requirement described in Section 87(b), within the 24-month period prior to converting to active status, of which a minimum of 20 hours shall be completed in the one-year period immediately preceding conversion to an active status, with a minimum of 12 hours in subject areas described in subsection (a)(1) of Section 88; (2) completing the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course; (3) applying to the Board in writing requesting to convert the license to an active status; and (4) completing any continuing education that is required pursuant to subsection (j) of Section 89. The licensee may not practice public accounting until the application for conversion of the license to an active status has been approved.
- (b) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental accounting and auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (c).
- (c) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of

the 80 hours of continuing education required to his/her license to an active status under subsection (a).

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).

(e) Once a license is converted to an active status, the licensee must complete 20 hours of continuing education as described in Section 88 for each full six month period from the date of license conversion to an active status to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of change to an active status and the next license expiration date is less than six full months, no additional continuing education is required for license renewal.

(f) Once a license is converted to an active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of governmental continuing education as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (g).

(g) Once a license is converted to an active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).

Note: Authority cited: Sections 5010 and 5027, Business and Professions Code.  
Reference: Section 5028, Business and Professions Code.

**CALIFORNIA BOARD OF ACCOUNTANCY**

**INITIAL STATEMENT OF REASONS**

Hearing Date: January 27, 2012

Subject Matter of Proposed Regulations: Retired Status

Sections Affected: Title 16, Division 1, of Article 2.5 in California Code of Regulations, Sections 15, 15.1, 15.2, 15.3, 15.4, and Sections 70, 71, and 87.1.

Legislation enacted in 2011 (Stats 2011, ch. 395 (AB 431)) added Section 5070.1 to the Business and Professions Code effective January 1, 2012 allowing the Board to establish, by regulation, a system for placing a license in a retired status for certified public accountants and public accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed by the Board. This proposal would implement the requirements for obtaining and maintaining such a license in a retired status. The regulatory proposal is as follows:

1. Adopt New Article 2.5 in Division 1 of Title 16 of the California Code of Regulations.

This proposal would add a new Article 2.5 to Division 1 in the California Board of Accountancy's regulations that would be entitled "Retired Status."

Factual Basis/Rationale:

Existing law currently has no Article in regulations governing the requirements of licensees who wish to place their licenses in a retired status. This proposal would provide for such an Article and allow the Board to organize the requirements in a manner that allows for ease-of-use and reference by licensees.

2. Adopt Section 15 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would adopt Section 15 in a newly created Article 2.5 regarding retired status. This proposal would allow a licensee to apply to have their license placed in a retired status. This new article would not prohibit a holder of a license in a retired status from receiving compensation or profits from a public accounting firm provided the licensee does not engage in the practice of public accountancy.

In addition, this proposal states that failure to maintain compliance with this new Article and Sections 5058.3 or 5070.1 of the Business and Professions Code is grounds for discipline.

### Factual Basis/Rationale:

The Board has determined that licensees must apply for retired status to ensure that the licensees meet the qualifications set forth in this proposal and in statute. Section 5070.1 of the Business and Professions Code prohibits the holder of a license in a retired status from practicing public accountancy. However, to avoid confusion regarding what the Board considers active “practice”, this proposal would specify that receiving compensation or profits from a public accounting firm is not considered active practice, provided the licensee does not engage in the practice of public accountancy, which is described in Section 5051 of the Business and Professions Code.

The Board must maintain its ability to discipline a license in a retired status as authorized by Section 5109 of the Business and Professions Code. Consequently, this proposal would specify the grounds for disciplining such a license.

### 3. Adopt Section 15.1 of Title 16 of the California Code of Regulations

#### Specific Purpose:

This proposal would require a licensee to apply for placing their license in a retired status using Form 11R-48 (11/11) which is incorporated by reference. Form 11R-48 (11-11) would include the following:

- (1) Require disclosure of the name, address of record, license number, email address (optional), personal and business telephone number;
- (2) Require disclosure of whether the applicant intends to practice public accountancy with a license in retired status;
- (3) Require disclosure of whether the applicant is aware of any pending or current enforcement action against his or her license;
- (4) Require disclosure of whether the applicant has held a license as a CPA or PA in the U.S. or its territories for a minimum of 20 total years and then require the applicant to provide the state or territory in which the license was held, the license number and the number of years the license was held;
- (5) Require disclosure of whether the applicant held a CPA or PA license in an active status for a minimum of five years;
- (6) Provide a notice regarding collection and use of personal information given on the application; and,
- (7) Require the applicant to certify his or her statements under penalty of perjury.

The proposal would require a licensee to have held a license as a certified public accountant (CPA) or public accountant (PA) in the United States or its territories for a minimum of twenty years, and that five of those years must have been in an active status as a California licensee. Failure to meet the requirements of this new Article and Section 5070.1 of the Business and Professions Code is grounds for denying the

application.

The proposal also would also require the applicant to pay the application fee set forth in proposed Section 70(i)(1).

Factual Basis/Rationale:

The Board has determined that licensees must apply for retired status to ensure that the licensees meet the qualifications set forth in this proposal and in statute. Consequently, this proposal provides that failure to meet the minimum requirements and the applicable provisions of the Accountancy Act is grounds for denial of the application. The qualifications in this proposal, twenty years in the profession including five years in California in an active status, are meant to allow those who have made a significant contribution to the practice of public accountancy, specifically in California, the option of retiring their license. This also allows for a more accurate description of a licensee's status to be reflected on the Board's website for the benefit of consumers.

The foregoing form is necessary to create a process for the Board for review of an applicant's qualifications, to implement the requirements of Section 5070.1, and to assist with providing applicants with a simple method for determining the requirements for seeking retired status from the Board. The certification and disclosure requirements also assist in ensuring accurate and complete information is being provided to the Board prior to making a decision to grant or deny retired status.

4. Adopt Section 15.2 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would require the holder of a license in a retired status to continue to renew their license on the same renewal schedule they were on prior to being granted retired status as described in Section 5070.5 of the Business and Professions Code. It exempts a licensee with a license in a retired status from the regular renewal fee and the regular CE requirements.

Factual Basis/Rationale:

The Board has determined that the holder of a license in a retired status should continue to be subject to the Board's biennial renewal cycle. The purpose was so that the Board can maintain contact with its licensees. Such a licensee would be exempt from all renewal fees and CE requirements as they are prohibited from practicing public accountancy.

5. Adopt Section 15.3 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would allow the holder of a license in a retired status to restore that license to an active status at the time of renewal by paying the fee set forth in proposed Section 70(i)(2) and complying with the CE requirements of Section 87 with a minimum of 20 hours of CE in the year prior to renewal and 12 hours in specific subject areas prescribed in existing Section 88(a)(1).

This proposal would allow the holder of a license in a retired status to restore that license to an active status prior to their next renewal date by paying the fee described in proposed Section 70(i)(2) and completing the CE requirements set forth in existing Section 87.1.

Factual Basis/Rationale:

The Board has determined that restoring a license in a retired status to an active status should be similar to converting a license in an inactive status to an active status. To that end, the proposal mirrors the conversion process except for the fee amounts and the fact that this proposal requires a fee when restoring a license outside of the renewal process.

6. Adopt Section 15.4 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal limits the number of times a licensee may be granted retired status to two.

Factual Basis/Rationale:

The Board has determined that retiring is a process to which much thought must be given as it is meant to be a permanent decision. That said, the Board also understands that situations can arise that are outside of the control of individuals. The Board decided to limit the granting of retired status to two times in order to ensure thought is given to the decision before it is made, and yet maintain some flexibility to all for the unforeseen situations.

In addition, the Board did not want the retired status used as a means of temporarily escaping renewal fees or avoiding other requirements.

7. Amend Section 70 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would set the fee for application for a license to be placed in a retired status at \$100.

This proposal would set the fee for restoring a license in a retired status to an active

status on a scale based on the time that has elapsed between the retired status being granted and the time the Board receives a written request for restoration and the restoration fee. The restoration fee begins at \$200 and increases by \$200 for every two years up to the maximum of \$1000.

Factual Basis/Rationale:

The amount of \$100 was selected as the application fee as it is half of the Board's normal renewal fee. It is intended to be the last payment made by a licensee. If however, a licensee desires to return to active status, they are to pay a restoration fee that is based on the amount of time they were retired, up to the statutory cap of \$1000. This amount is set in such a way as to discourage the use of retired status as a temporary status. In addition, the Board did not want the retired status used as a means of temporarily escaping renewal fees that are typically paid by active and inactive licensees

8. Amend Section 71 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would adds an application for retired status to the list of applications that can be abandoned if the applicant fails to complete the application within two years of its original submission or within one year of notification by the Board of any deficiency in the application.

Factual Basis/Rationale:

If a licensee does not pay the application fee or complete the application process in any way, this will allow the Board to abandon the application after waiting a fixed amount of time. This is necessary to ensure the efficient processing of applications and a fair amount of time to remedy deficiencies uncovered by the Board in the application submission.

9. Amend Section 87.1 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would ensure that the CE requirements for restoring a license in a retired status to active status prior to renewal are the same as those for converting a license in an inactive status to an active status prior to renewal.

Factual Basis/Rationale:

The Board has determined that restoring a license in a retired status to an active status should be similar to converting a license in an inactive status to an active status. This proposal makes the restoration CE requirements identical to the current inactive

conversion CE requirements.

### Underlying Data

Technical, theoretical or empirical studies or reports relied upon (if any):

- (1) Assembly Bill 431 (Stats. 2011, ch. 395)
- (2) Minutes of the May 2011 CBA Meeting.

### Business Impact

This regulation will not have a significant adverse economic impact on businesses. This initial determination is based on the following facts or evidence/documents/testimony:

The only possibility of the proposal impacting businesses is if the application or restoration fees are paid for by a business. The CBA assumes that this will be an infrequent occurrence as this is not a normal cost of doing business.

### Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

### Consideration of Alternatives

No reasonable alternative to the regulation would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

The Board considered not establishing a retired status. This was rejected because of the desire for such a status from licensees and the more accurate representation of a licensee's status on the Board's website for consumers.

RECEIVED

January 18, 2012

12 JAN 23 PM 3:00

Matthew Stanley

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

RE: Proposed Rulemaking Action pertaining to AB417 set for hearing at 9:10 a.m., January 27, 2012.

Dear Mr. Stanley:

I would like to point out what appears to be a discrepancy between the Regulatory Proposal and the assumptions listed under Fiscal Impact Estimates.

Under Section 15.1 in Title 16 of the California Code of Regulations paragraph (4) states that a licensee seeking a retired status is required to disclose whether the applicant has held a license as a CPA or PA in the U.S. for a minimum of 20 years, and under paragraph (5) whether the applicant held a CPA or PA license in an active status for a minimum of five years.

However, under the Fiscal Impact Estimates assumptions: paragraph 3 states that "A licensee must have been practicing a minimum of 20 years to be eligible for the retired status." This assumption is in direct conflict with the wording of the Regulatory Proposal described above. In other words the Regulatory Proposal states an applicant needs to have been licensed a minimum of 20 years but active only a minimum of 5 years. Since a CPA can only "practice" if in active status, the fiscal impact estimate assumption is in direct conflict by stating that an applicant must have been practicing a minimum of 20 years to be eligible for retired status.

Thank you for reviewing this matter and correcting any potential conflict or discrepancy prior to the meeting scheduled for January 27, 2012.

Sincerely,



Clyde J. Francone  
CPA license number 31898E



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**CBA Item VI.A.1.**  
**January 26-27, 2012**

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16,  
CCR Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1, and Adopt New Article 2.5  
Regarding Retired Status**

**Presented by:** Kari O'Connor, Special Projects Analyst  
**Date:** January 3, 2012

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**Purpose of the Item**

Following a public hearing, the California Board of Accountancy (CBA) may discuss and take action to adopt or modify a proposed regulation.

**Action Needed**

Possible adoption of the proposed regulation.

**Background**

After the conclusion of the hearing under **CBA Agenda Item VI.A.**, the next step in the process is that the CBA must act to formally adopt the proposed regulations (**Attachment 1**) outlined in the subject of this memorandum.

**Comments**

The CBA may decide to make changes to the proposed regulations, or it may proceed with adopting the proposal without modification.

- ***If no changes are to be made after the public comment period and hearing closes:***  
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.
- ***If substantive changes are to be made after the public comment period and hearing closes:***  
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice.

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1 and Adopt New Article 2.5 Regarding Retired Status**

Page 2 of 2

**Recommendation**

Staff recommend the following:

- Adopt the staff provided motion above related to no changes in the proposed regulations.

**Attachment**

Proposed Regulations

## **PROPOSED REGULATORY LANGUAGE**

Adopt Sections 15, 15.1, 15.2, 15.3 and 15.4 in Article 2.5 of Division 1 of Title 16 of the California Code of Regulations to read:

### **Article 2.5 – Retired Status**

#### **Section 15 – Retired Status**

Upon application, a licensee may request to have his/her license placed in a retired status. The holder of a license in a retired status shall not engage in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code. This section does not prohibit a holder of a license in a retired status from receiving a share of the net profits from a public accounting firm or other compensation from a public accounting firm, provided that the licensee does not otherwise engage in the practice of public accountancy.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

#### **Section 15.1 – Application for Retired Status**

(a) A licensee of the Board shall apply for a license in a retired status on the following form: Application to Have a License Placed in a Retired Status, Form 11R-48 (11/11) which is hereby incorporated by reference.

(b) For an application to be approved, a licensee applying to have his/her license placed in a retired status shall have held a license as a certified public accountant or public accountant in the United States or its territories for a minimum of twenty total years; and during those twenty years, from the Board for a minimum of five years in an active status.

(c) An applicant for placing a license in a retired status shall pay the application fee required by Section 70(i)(1).

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

#### **Section 15.2 – Renewal of a License in a Retired Status**

(a) A licensee shall renew a license in a retired status during the same time period in which a license in an active status is renewed.

(b) The fee for renewal described in Section 70(e) is not applicable at the time of renewal for a licensee renewing a license in a retired status.

(c) The continuing education requirements described in Section 87 are not applicable at the time of renewal for a licensee renewing a license in a retired status.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

### **Section 15.3 – Restoration of a License from a Retired Status to Active Status**

(a) At the time of renewal, the holder of a license in a retired status may restore his/her license to an active status by paying the fee described in Section 70(i)(2) and complying with the continuing education requirements as described in Section 87. A minimum of 20 hours of continuing education shall be completed in the one-year period immediately preceding the time of renewal, 12 hours of which must be in subject areas described in Section 88(a)(1).

(b) The holder of a license in a retired status may restore the license to an active status prior to the next renewal by paying the fee described in Section 70(i)(2) and by meeting the continuing education requirements as described in Section 87.1.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

### **Section 15.4 – Limitation on Retired Status**

A licensee may be granted a license in a retired status under this Article on no more than two separate occasions.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.  
Reference: Section 5070.1, Business and Professions Code.

Amend Sections 70 and 71 in Article 10 of Division 1 of Title 16 of the California Code of Regulations to read:

### **Section 70 – Fees**

(a) Commencing January 23, 2004, the fee to be charged each California applicant for the computer-based Uniform Certified Public Accountant Examination shall be an application fee of \$100 for issuance of the Authorization to Test to first-time applicants and an application fee of \$50 for issuance of the Authorization to Test to repeat applicants.

(b) Commencing July 1, 2001, the fee to be charged each applicant for issuance of a certified public accountant certificate shall be \$250.

(c) The fee to be charged each applicant for registration, including applicant for registration under a new name as a partnership or as a corporation, shall be \$150.

(d)(1) Commencing July 1, 2000, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200.

(2) Commencing July 1, 2011, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$120.

(3) Commencing July 1, 2015, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200 unless subsection (i) applies.

(e)(1) Commencing July 1, 2000, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200.

(2) For licenses expiring after June 30, 2011, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$120.

(3) For licenses expiring after June 30, 2015, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200 unless subsection (i) applies.

(f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.

(g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.

(h)(1) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 with an authorization to sign attest reports shall be \$100.

(2) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 without an authorization to sign attest reports shall be \$50.

(i) (1) The fee to be charged a licensee for submission of an application for a license in a retired status pursuant to Section 15.1 shall be \$100.

(2) The fee to restore a license from a retired status to an active status shall be equal to the fees accrued had the licensee been renewing in an active status, and the total shall not exceed \$1000.

(i) (j) By May 31, 2014, the Board shall conduct a review of its actual and estimated costs. Based on this review, the Board shall determine the appropriate level of fees for the initial permit to practice pursuant to subsection (d) and renewal of the permit to practice pursuant to subsection (e) in order to maintain the Board's contingent fund reserve balance at an amount equal to approximately nine months of estimated annual authorized expenditures. If the Board determines that fees of less than \$200 are indicated, the Board shall fix the fees by regulation at the indicated amounts by July 1, 2015.

Note: Authority cited: Sections 5010 and 5134, Business and Professions Code.  
Reference: Sections 122, 163, 5070.1, 5096, and 5134 Business and Professions Code.

## **Section 71 – Abandonment of the Application**

- (a) An applicant for the paper and pencil examination who fails to appear for the examination shall be deemed to have abandoned the application and shall forfeit the examination fee.
- (b) A first-time applicant for an Authorization to Test pursuant to Section 8.1 shall be deemed to have abandoned the application and shall forfeit any application fee if the applicant fails to complete the application within one year of notification by the Board of any deficiency in the application.
- (c) An application for a certificate, permit, registration, or license, including any application for renewal or retired status, shall be deemed abandoned and any application fee shall be forfeited, if the applicant fails to complete the application within two years of its original submission or within one year of notification by the Board of any deficiency in the application.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: ~~Section~~ Sections 5010, 5070.1, and 5134, Business and Professions Code.

Amend Section 87.1 in Article 12 of Division 1 of Title 16 of the California Code of Regulations to read:

**Section 87.1 – Conversion or Restoration to Active Status Prior to Renewal**

- (a) A licensee who has ~~renewed his/her~~ a license in an inactive or retired status may convert, or restore, the license to an active status prior to the next license expiration date by (1) completing 80 hours of continuing education credit as described in Section 88, to include the Ethics Continuing Education Requirement described in Section 87(b), within the 24-month period prior to converting to active status, of which a minimum of 20 hours shall be completed in the one-year period immediately preceding conversion to an active status, with a minimum of 12 hours in subject areas described in subsection (a)(1) of Section 88; (2) completing the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course; (3) applying to the Board in writing requesting to convert the license to an active status; and (4) completing any continuing education that is required pursuant to subsection (j) of Section 89. The licensee may not practice public accounting until the application for conversion of the license to an active status has been approved.
- (b) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental accounting and auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (c).
- (c) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of

the 80 hours of continuing education required to his/her license to an active status under subsection (a).

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).

(e) Once a license is converted to an active status, the licensee must complete 20 hours of continuing education as described in Section 88 for each full six month period from the date of license conversion to an active status to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of change to an active status and the next license expiration date is less than six full months, no additional continuing education is required for license renewal.

(f) Once a license is converted to an active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of governmental continuing education as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (g).

(g) Once a license is converted to an active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).

Note: Authority cited: Sections 5010 and 5027, Business and Professions Code.  
Reference: Section 5028, Business and Professions Code.



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**CBA Item VI.B.**  
**January 26-27, 2012**

## **Regulation Hearing Regarding Title 16, CCR Section 4-Safe Harbor**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** January 3, 2012

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### **Purpose of the Item**

Staff are providing the materials pertinent to the public hearing for the proposed rulemaking. The public hearing for this proposal will be held at the California Board of Accountancy's (CBA) January 2012 meeting.

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

No specific action is required on this agenda item.

### **Background**

At its September 2011 meeting, the CBA directed staff to initiate the rulemaking process to amend the safe harbor language.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on November 29, 2011 and published on December 9, 2011, thus initiating the required 45-day public comment period. January 23, 2012 will mark the end of the public comment period, and on January 27, 2012, a public hearing will be conducted on the proposed regulation. The following attachments will aid in your preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Text of Proposal (**Attachment 2**)
- Initial Statement of Reasons (**Attachment 3**)
- Public Comments (**Attachment 4**)

### **Comments**

During the public hearing, CBA members may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Re-Notice will be required. As of the date of this memo, staff have received three public comments relating to this regulation change. Any additional comments received after the CBA mail out date will be supplied to CBA members at the meeting. The CBA may act to adopt the proposed regulations under **CBA Agenda Item VI.B.1**. Prior to submitting the final regulation package to the OAL, staff will draft responses to any comments and prepare the Final Statement of Reasons for distribution to all persons who provided comments.

**Recommendation**

None

**Attachments**

Notice of Proposed Action

Text of Proposal

Initial Statement of Reasons

Public Comment Letter

**TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY**

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at Crowne Plaza Irvine, 17941 Von Karman Avenue, Irvine, CA 92614, at 9:00 a.m. on January 27, 2012. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the California Board of Accountancy at its office not later than 5:00 p.m. on January 23, 2012 or must be received by the California Board of Accountancy at the hearing. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Section 5010 of the Business and Professions Code; and to implement, interpret or make specific Sections 5051 and 5052 of the Business and Professions Code; the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Existing law, Business and Professions Code §5051, describes what a person might do to be deemed practicing public accountancy in California, including preparing statements, making audits, or preparing reports, all as a part of bookkeeping operations for clients. Section 5051 also provides that only certain activities are considered the practice of public accountancy when performed by persons not licensed by the Board as certified public accountants or public accountants.

Existing law, Business and Professions Code §5052, exempts from licensure any person who contracts with another person or entity for the purpose of keeping books, making trial balances, statements, making audits or preparing reports, all as a part of bookkeeping operations, provided that such trial balances, statements, or reports are not issued over the name of such person as having been prepared or examined by a certified public accountant or public accountant.

Existing law, Section 4 of Title 16 of the California Code of Regulations, provides safe harbor letters for non-licensees of the Board to use when preparing financial statements as described therein. If the safe harbor letter accompanies such financial statements, the preparer is not deemed to be practicing public accountancy in California.

## 1. Amend Section 4 Title 16 of the California Code of Regulations.

This proposal would amend the safe harbor letters in Section 4 to clarify that the preparer of the attached financial statements is not licensed, nor required to be licensed, by the Board for the preparation of the attached statements. The proposal would add additional language to the letters to further clarify that if compiled, reviewed or audited financial statements are desired, the services of a licensee of the Board would be required.

### FISCAL IMPACT ESTIMATES

#### Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State:

There would be no cost to the Board. The additional statements in the safe harbor letters are clarifying in nature and are not expected to have any fiscal impact.

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

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

#### Business Impact:

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

**AND**

The following studies/relevant data were relied upon in making the above determination: The Board does not believe that this regulatory proposal will have a significant adverse economic impact on businesses as it simply adds two sentences to an already prescribed safe harbor letter.

#### Impact on Jobs/New Businesses:

The Board has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

#### Cost Impact on Representative Private Person or Business:

The cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action and that are known to the Board are insignificant.

Effect on Housing Costs: None

#### EFFECT ON SMALL BUSINESS

The Board has determined that the proposed regulations may affect small businesses.

#### CONSIDERATION OF ALTERNATIVES

The Board must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposal described in this Notice.

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

#### INITIAL STATEMENT OF REASONS AND INFORMATION

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

#### TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the initial statement of reasons are available on the Board's Internet Web site at [http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml) and may also be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

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

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

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

#### CONTACT PERSON

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

Name:	Matthew Stanley
Address:	California Board of Accountancy

2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone No.: 916-561-1792  
Fax No.: 916-263-3678  
E-Mail Address: mstanley@cba.ca.gov

The backup contact person is:

Name: Kari O'Connor  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone No.: 916-561-4311  
Fax No.: 916-263-3678  
E-Mail Address: koconnor@cba.ca.gov

Web site Access: Materials regarding this proposal can be found at  
[http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml).

## PROPOSED REGULATORY LANGUAGE

### Section 4. Safe Harbor Language.

A person who is not licensed by the California Board of Accountancy, and who prepares a financial report in a form substantially the same as that set forth in subsection (a) or (b) below, shall not be deemed to be engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code.

(a) "I [we] have prepared the accompanying financial statements of [name of entity] as of [time period] for the [period] then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management [owners].

I [we] have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.

I [We] am [are] not licensed, nor required to be licensed, by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."

(b) "We [I] have prepared the accompanying statement of assets, liabilities and equity for [name of company] as of [month-day-year], together with the related statements of revenue, expense, [and cash flow] for the year [or month] then ended on the income tax basis of accounting.

The preparation of financial statements on the income tax basis of accounting is limited to presenting information that is the representation of management [the owners]. We [I] have not audited nor reviewed the accompanying statements. Accordingly, we [I] do not express an opinion or any other form of assurance on them.

Management has [The owners have] elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenues, expenses [and cash flow]. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We [I] are [am] not licensed, nor required to be licensed, by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."

Note: Authority cited: Sections 5010, Business and Professions Code. Reference: Sections 5051 and 5052, Business and Professions Code.

**CALIFORNIA BOARD OF ACCOUNTANCY**

**INITIAL STATEMENT OF REASONS**

Hearing Date: January 27, 2012

Subject Matter of Proposed Regulations: Safe Harbor

Sections Affected:

1. Amend Section 4 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would amend the safe harbor letters in Section 4 to clarify that the preparer of the attached financial statements is not licensed, nor required to be licensed, by the Board for the preparation of the attached statements. The proposal would add additional language to the letters to further clarify that if compiled, reviewed or audited financial statements are desired, the services of a licensee of the Board would be required.

Factual Basis/Rationale:

With the implementation of the Board's Peer Review program in 2010, a certified public accountant (CPA) who compiles financial statements is subject to a peer review every three years. A non-licensee of the Board, however, may prepare financial statements without undergoing a peer review as long as a Section 4 safe harbor letter accompanies such statements. The Board was concerned that the average consumer may not understand the difference between a financial statement compiled by a CPA, and a financial statement prepared by a non-licensee. The Board determined that modifying the Section 4 safe harbor letters to establish the differences would better protect consumers of these services.

Underlying Data

Technical, theoretical or empirical studies or reports relied upon (if any):

None

Business Impact

This regulation will not have a significant adverse economic impact on businesses. This initial determination is based on the following facts or evidence/documents/testimony:

The Board does not believe that this regulatory proposal will have a significant adverse economic impact on businesses as it simply adds two sentences to an already prescribed safe harbor letter.

#### Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

#### Consideration of Alternatives

No reasonable alternative to the regulation would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

The Board considered not modifying the safe harbor letters. This was deemed to be insufficient in fulfilling the Board's highest priority of protecting the public.

RECEIVED

*Marie Estes Pratt E. A.*  
*Bookkeeping & Income Tax Service*

Attachment 4

11 DEC -7 PM 2:43

100 E. El Roblar  
Ojai, California 93023  
(805) 646-5645  
Fax (805) 646-5615

CALIFORNIA BOARD  
OF ACCOUNTANCY

Matthew Stanley, Regulation Analyst  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832

Reference: California Board of Accountancy & Safe Harbor Language for Financial Statement Preparation.

The California Board of Accountancy voted to revise a portion of the Safe Harbor Language with regard to Financial Statement Preparation to read: "We are not licensed by the California Board of Accountancy for the preparation of these financial statements". We are especially concerned about a proposal to require an additional sentence: "If compiled, reviewed or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."

Our clients know we are not CPA's and know what they "desire." We have no issue with the statement that "I am not licensed by the Board..." However, the additional sentence is essentially requiring individuals not licensed by the Board to advertise your services. This is unfair and is contrary to the Safe Harbor Language approved by the California Supreme Court in 1992 in the *Bonnie Moore* case. The current Safe Harbor Language is not broken.

The revised language is negative and mandates us to provide free advertising and referrals for California CPA's. Furthermore, it confuses clients into believing that a regulated individual - a CPA - is required even when non-regulated accounting services are "desired." We as tax professionals and Non-Licensed Accountants do not provide services regulated or licensed by the CBA, but by changing the Safe Harbor language you are trying to regulate us.

Very truly yours,

*Marie Pratt*

RECEIVED

12 JAN -9 PM 2: 05

CALIFORNIA BOARD  
OF ACCOUNTANCY

Matthew Stanley, Regulation Analyst  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832

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Very truly yours,

*Christine R. Perbogat EA*  
#59217

Very truly yours,

*Christine R. Perbogat*

RECEIVED

Martin, Ketterling & Associates

2299 E. Main St. #8, Ventura, CA 93001 12 JAN - 3 PM 4: Phone: 805-653-7362 Fax: 805-653-1991

CALIFORNIA BOARD  
OF ACCOUNTANCY

December 28, 2011

Matthew Stanley, Regulation Analyst  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832

Reference: California Board of Accountancy & Safe Harbor Language for Financial Statement Preparation.

Dear Mr. Stanley,

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Our clients know we are not CPA's and know what they "desire." We have no issue with the statement that "I am not licensed by the Board..." However, the additional sentence is essentially requiring individuals not licensed by the Board to advertise your services. This is unfair and is contrary to the Safe Harbor Language approved by the California Supreme Court in 1992 in the Bonnie Moore case. The current Safe Harbor Language is not broken.

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Thank you for your consideration in this matter.

Sincerely,



Vickie L. Sorlie, EA

**Item VI.B.**  
**Attachment 4**  
**\*Additional Attachment**

**From:** j deleon [mailto:deleon95820@yahoo.com]  
**Sent:** Sunday, January 22, 2012 2:25 PM  
**To:** outreach@cba.ca.gov; enforcementinfo@cba.ca.gov  
**Subject:** RE: California Board of Accountancy & Safe Harbor Language for Financial

January 20, 2012

Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832

Attn: Matthew Stanley, Regulation Analyst

RE: California Board of Accountancy & Safe Harbor Language for Financial Statement Preparation.

Dear Mr. Stanley,

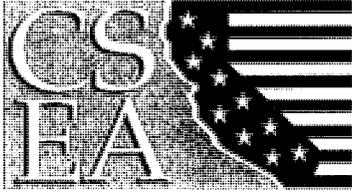
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Our clients know we are not CPAs and they know what they "desire." We have no issue with the statement that "I am not licensed by the Board..." However, the additional sentence is essentially requiring individuals not licensed by the Board to advertise the services of licensees. This is unfair and contrary to the decision by the California Supreme Court in 1992 in the *Bonnie Moore* case. The current Safe Harbor Language is in line with the Supreme Court decision; it is not broken and does not need to be fixed.

The revised language is negative and mandates us to provide free advertising and referrals for California CPAs. Furthermore, it confuses clients into believing that a regulated individual – a CPA – is required even when non-regulated accounting services are "desired." We as tax professionals and non-licensed accountants do not provide services regulated or licensed by the CBA, but by changing the safe harbor language you are trying to regulate us.

Very truly yours,

Mr. Deleon  
Sacramento, CA 95820



California Society of Enrolled Agents

California Society of Enrolled Agents  
3200 Ramos Circle  
Sacramento, CA 95827-2513

Tel: 916-366-6646  
Fax: 916-366-6674  
[www.csea.org](http://www.csea.org)

January 18, 2012

Matthew Stanley  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

Submitted by Email:  
[mstanley@cba.ca.gov](mailto:mstanley@cba.ca.gov)

Re: CBA's Proposed Safe Harbor Regulation Changes

Dear Mr. Stanley,

We are writing in response to the California Board of Accountancy's (CBA) proposed regulatory changes to California Code of Regulations, Title 16, Division 1, Section 4 – the safe harbor language used by non-licensees when preparing financial statements.

The California Society of Enrolled Agents (CSEA) and its members are strong advocates of consumer protection and believe consumers have a right to understand the difference between a CPA and non-CPA financial statement preparer. We have supported the use of the safe harbor language for the preparation of financial statements by non-licensees that was negotiated by CBA, CSEA and others a decade ago.

In direct contrast to the CBA, we believe the proposed language change will potentially confuse consumers and have an adverse impact on small businesses. Consumers may interpret the additional language to mean that the person who currently prepares their financial statements is less qualified than they actually are. This could diminish the trust they have in someone who has accurately and professionally provided this service in the past and it may also adversely impact their future business.

As noted by the CBA attorney present at the September 22, 2011 Board meeting where this language change was approved, the California Supreme Court strongly favors small businesses and will protect them from unnecessary actions that threaten them. The CBA presented no evidence of confusion by consumers or abuse by non-licensees when they approved the language changes. Their rationale based on the implementation of Peer Review is spurious in that it does not create any greater risk that there will be more confusion by consumers or abuse by non-licensees. If CPAs choose to market their services differently as a result of Peer Review, that is their choice.

We appreciate the opportunity to respond to the CBA's proposed changes to the safe harbor language used by non-licensees. We share the goal of providing consumers with clarity about the services they engage, and believe the current safe harbor language that has successfully served us all for many years supports that shared goal.



*The Tax Professionals*

Please do not hesitate to contact me at (916) 366-6646 or [svanyi@csea.org](mailto:svanyi@csea.org) if you wish to discuss this matter further.

Sincerely,

A handwritten signature in black ink, appearing to read "Scarlett D. Vanyi". The signature is written in a cursive, flowing style.

Scarlett D. Vanyi, CAE  
Executive Vice President

RECEIVED

12 JAN 23 PM 3:44

CALIFORNIA BOARD  
OF ACCOUNTANCY

**QUALITY TAX & FINANCIAL SERVICES INC.**

**9829 CAMPO ROAD, CASA DE ORO**

**SPRING VALLEY, CA. 91977**

**619/668-6830; fax 619/668-0098**

**email:Richard@qualitytaxfinancial.com**

**January 18, 2012**

**Department of Consumer Affairs**

**California Board of Accountancy**

**2000 Evergreen Street, Suite 250**

**Sacramento CA 95815-3832**

**Attn: Matthew Stanley, Regulation Analyst**

**RE: California Board of Accountancy & Safe Harbor Language for Financial Statement Preparation.**

**Dear Mr. Stanley:**

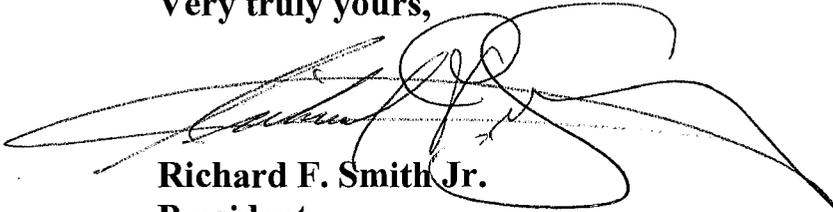
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**Our clients know we are not CPAs and they know what they "desire." We have no issue with the statement that "I am not licensed by the Board..." However, the additional sentence is essentially requiring individuals not licensed by the Board to advertise the services of licensees. This is unfair and contrary to the decision by the California Supreme Court in 1992 in the *Bonnie Moore* case. The current Safe Harbor Language is in line with the Supreme Court decision; it is not broken and does not need to be fixed.**

**The revised language is negative and mandates us to provide free advertising and referrals for California CPAs. Furthermore, it confuses clients into believing that a regulated individual – a CPA – is required even**

when non-regulated accounting services are "desired." We as tax professionals and non-licensed accountants do not provide services regulated or licensed by the CBA, but by changing the safe harbor language you are trying to regulate us.

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard F. Smith Jr.", written over a horizontal line. The signature is stylized with large loops and a long horizontal stroke extending to the left.

**Richard F. Smith Jr.**  
**President**

RECEIVED

12 JAN 23 PM 3:45

CALIFORNIA BOARD  
OF ACCOUNTANCY

**BRECKENRIDGE BOOKKEEPING & TAX SERVICE.**

**7951 UNIVERSITY AVENUE**

**LA MESA, CA. 91942**

**619/461-0300**

**email-richardfsmith91941@yahoo..com**

January 20, 2012

Department of Consumer Affairs

California Board of Accountancy

2000 Evergreen Street, Suite 250

Sacramento CA 95815-3832

Attn: Matthew Stanley, Regulation Analyst

RE: California Board of Accountancy & Safe Harbor Language for Financial Statement Preparation.

Dear Mr. Stanley:

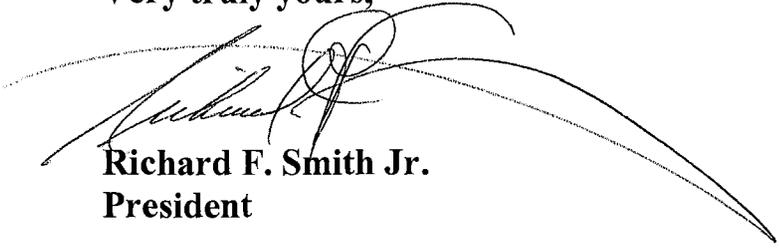
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Very truly yours,



**Richard F. Smith Jr.**  
**President**



RECEIVED

12 JAN 23 PM 2:46

CALIFORNIA BOARD  
OF ACCOUNTANCY

January 18, 2012

Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832  
Attn: Matthew Stanley, Regulation Analyst

RE: Changes to the California Board of Accountancy Safe Harbor Language

Dear Mr. Stanley,

I take great exception to the additions to the safe harbor language being promulgated by the Board of Accountancy. The statements are irrelevant, unnecessary and contrary to the California Supreme Court decision in the Bonnie Moore case.

The first statement to be added says "I am not licensed or required to be licensed by the California Board of Accountancy." This is factual, but irrelevant. The Bonnie Moore case clearly established that the preparation of financial statements does not require a license. Because the safe harbor letter only covers the preparation of financial statements, which does not require a license, the mention of a license is unnecessary.

The second statement to be added says "If compiled, reviewed or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required." The current safe harbor letter clearly states "I have not audited or reviewed the accompanying financial statements..." so the user is already aware that the financial statements have been prepared but not reviewed or audited. There is no reason to assume the client wants anything more than the financial statements that were requested and prepared. Therefore the added statement is unnecessary.

The Bonnie Moore case revolved around the use of the words "accounting" and "accountant." The Court ruled that a disclaimer must accompany the use of these words by an unlicensed person, and it provided two examples of wording that



would satisfy the disclaimer: "I am not licensed by the Board of Accountancy" and "The services provided do not require a state license." An example implies that other wording could also be acceptable. However, the Board of Accountancy has chosen one of the Court's examples and mandated its use, even where the words "accountant" and "accounting" have not been used. This is clearly beyond the scope of the Court's decision and contrary to its intent. Thus it is unacceptable and should not be permitted.

Thank you for your consideration.

Sincerely yours,

A handwritten signature in black ink, appearing to be "Dima Brodskiy". The signature is fluid and cursive, with a large initial "D".

Dima Brodskiy, Enrolled Agent

RECEIVED

January 18, 2012

12 JAN 23 PM 3:43

Department of Consumer Affairs  
CALIFORNIA BOARD  
OF ACCOUNTANCY  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832  
Attn: Matthew Stanley, Regulation Analyst

RE: California Board of Accountancy & Safe Harbor Language for Financial Statement Preparation.

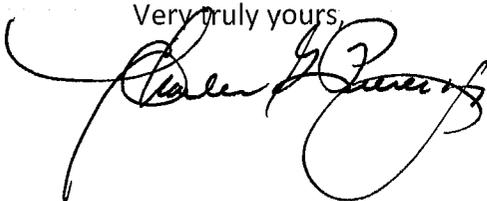
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The revised language is negative and mandates us to provide free advertising and referrals for California CPAs. Furthermore, it confuses clients into believing that a regulated individual – a CPA – is required even when non-regulated accounting services are "desired." We as tax professionals and non-licensed accountants do not provide services regulated or licensed by the CBA, but by changing the safe harbor language you are trying to regulate us.

Very truly yours,



RECEIVED

Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832  
Attn: Matthew Stanley, Regulation

12 JAN 23 PM 3:25

CALIFORNIA BOARD  
OF ACCOUNTANCY

January 20, 2012

RE: Changes to the California Board of Accountancy Safe Harbor Language

Dear Mr. Stanley,

I too take great exception to the additions to the safe harbor language being promulgated by the Board of Accountancy. The statements are irrelevant, unnecessary and contrary to the California Supreme Court decision in the *Bonnie Moore* case.

The first statement to be added states "I am not licensed or required to be licensed by the California Board of Accountancy." While it is factual, it is not relevant. The *Bonnie Moore* case clearly established that the preparation of financial statements does not require a license.

Because the safe harbor letter only covers the preparation of financial statements, which does not require a license, the mention of a license is unnecessary.

The second statement to be added states "If compiled, reviewed or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."

The current safe harbor letter clearly states "I have not audited or reviewed the accompanying financial statements..." so the user is already aware that the financial statements have been prepared but not reviewed or audited.

There is no reason to assume the client wants anything more than the financial statements that were requested and prepared. Therefore the added statement is unnecessary.

The *Bonnie Moore* case revolved around the use of the words "accounting" and "accountant." The Court ruled that a disclaimer must accompany the use of these words by an unlicensed person, and it provided two examples of wording that would satisfy the disclaimer: "I am not licensed by the Board of Accountancy" and "The services provided do not require a state license."

Further examples imply that other wording could also be acceptable. However, the Board of Accountancy has chosen just one of the Court's examples and mandated its use, even where the words "accountant" and "accounting" have not been used.

This is clearly beyond the scope of the Court's decision and contrary to its intent. Thus it is unacceptable and should not be permitted.

Thank you for your attention to and your consideration of this matter.

Sincerely yours,

  
Seth Samuel Ellis

REAL EQUITY PLANNING SOLUTIONS {REPS}

P.O. Box 1940

SAN ANSELMO, CA 94979

415-485-0858 Land Line

415-299-1919 Cell

S.S.Sam@comcast.net



**HAYS CONSULTING, INC.**  
"Your Tax Professionals"

RECEIVED  
12 JAN 23 PM 3:45  
CALIFORNIA BOARD  
OF ACCOUNTANCY

10319 Los Alamitos Boulevard  
Los Alamitos, CA 90720-2100  
(866) 890-HAYS or (562) 626-8190

Charles K. Hays, EA., ATA, ATP

January 18, 2012

Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832  
Attn: Matthew Stanley, Regulation Analyst

RE: Changes to the California Board of Accountancy Safe Harbor Language

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Thank you for your consideration.

Sincerely yours,

RECEIVED

12 JAN 23 PM 3:47

January 20, 2012

CALIFORNIA BOARD OF ACCOUNTANCY

# RIGHT WAY

TAX & BOOKKEEPING SERVICE

Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832  
Attn: Matthew Stanley, Regulation Analyst

RE: Changes to the California Board of Accountancy Safe Harbor Language

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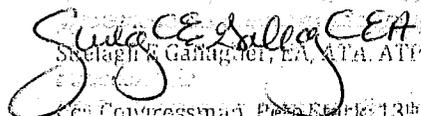
The first statement to be added says "I am not licensed or required to be licensed by the California Board of Accountancy." This is factual, but irrelevant. The *Bonnie Moore* case clearly established that the preparation of financial statements does not require a license. Because the safe harbor letter only covers the preparation of financial statements, which does not require a license, the mention of a license is unnecessary.

The second statement to be added says "If compiled, reviewed or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required." The current safe harbor letter clearly states "I have not audited or reviewed the accompanying financial statements..." so the user is already aware that the financial statements have been prepared but not reviewed or audited. There is no reason to assume the client wants anything more than the financial statements that were requested and prepared. Therefore the added statement is unnecessary.

The *Bonnie Moore* case revolved around the use of the words "accounting" and "accountant." The Court ruled that a disclaimer must accompany the use of these words by an unlicensed person, and it provided two examples of wording that would satisfy the disclaimer: "I am not licensed by the Board of Accountancy" and "The services provided do not require a state license." An example implies that other wording could be acceptable. However, the Board of Accountancy has chosen one of the Court's examples and mandated its use, even where the words "accountant" and "accounting" have not been used. This is clearly beyond the scope of the Courts decision and contrary to its intent. This is unacceptable and should not be permitted.

Thank you for your consideration.

Sincerely yours,

  
Shelagh Gallagher, EA, ATA, ATF  
CC: Congressman, Pete Stark, 13<sup>th</sup> District of California

Shelagh Gallagher, EA

RECEIVED

January 18, 2012

12 JAN 23 PM 3:44

Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832  
Attn: Matthew Stanley, Regulation Analyst

CALIFORNIA BOARD  
OF ACCOUNTANCY

RE: California Board of Accountancy & Safe Harbor Language for Financial Statement Preparation.

Dear Mr. Stanley,

The California Board of Accountancy voted to add a section to the safe harbor language with regard to financial statement preparation to read: "We [I] are [am] not licensed nor required to be licensed by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."

Our clients know we are not CPAs and they know what they "desire." We have no issue with the statement that "I am not licensed by the Board..." However, the additional sentence is essentially requiring individuals not licensed by the Board to advertise the services of licensees. This is unfair and contrary to the decision by the California Supreme Court in 1992 in the *Bonnie Moore* case. The current Safe Harbor Language is in line with the Supreme Court decision; it is not broken and does not need to be fixed.

The revised language is negative and mandates us to provide free advertising and referrals for California CPAs. Furthermore, it confuses clients into believing that a regulated individual – a CPA – is required even when non-regulated accounting services are "desired." We as tax professionals and non-licensed accountants do not provide services regulated or licensed by the CBA, but by changing the safe harbor language you are trying to regulate us.

Very truly yours,

*Melvin Alon, EA*

RECEIVED

January 18, 2012

12 JAN 23 PM 3:16

CALIFORNIA BOARD  
OF ACCOUNTANCY  
Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832  
Attn: Matthew Stanley, Regulation Analyst

RE: Changes to the California Board of Accountancy Safe Harbor Language

Dear Mr. Stanley,

I take great exception to the additions to the safe harbor language being promulgated by the Board of Accountancy. The statements are irrelevant, unnecessary and contrary to the California Supreme Court decision in the *Bonnie Moore* case.

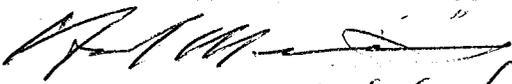
The first statement to be added says "I am not licensed or required to be licensed by the California Board of Accountancy." This is factual, but irrelevant. The *Bonnie Moore* case clearly established that the preparation of financial statements does not require a license. Because the safe harbor letter only covers the preparation of financial statements, which does not require a license, the mention of a license is unnecessary.

The second statement to be added says "If compiled, reviewed or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required." The current safe harbor letter clearly states "I have not audited or reviewed the accompanying financial statements..." so the user is already aware that the financial statements have been prepared but not reviewed or audited. There is no reason to assume the client wants anything more than the financial statements that were requested and prepared. Therefore the added statement is unnecessary.

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Thank you for your consideration.

Sincerely yours,

  
HERB Minnich  
151 87<sup>th</sup> ST. #15  
DALY C. TR. CA 94015  
(650) 991-3211

RECEIVED

January 18, 2012

12 JAN 23 PM 3:14

CALIFORNIA BOARD  
OF ACCOUNTANCY

Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento CA 95815-3832  
Attn: Matthew Stanley, Regulation Analyst

RE: California Board of Accountancy & Safe Harbor Language for Financial  
Statement Preparation.

Dear Mr. Stanley,

The California Board of Accountancy voted to add a section to the safe harbor language with regard to financial statement preparation to read: "We [I] are [am] not licensed nor required to be licensed by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."

Our clients know we are not CPAs and they know what they "desire." We have no issue with the statement that "I am not licensed by the Board..." However, the additional sentence is essentially requiring individuals not licensed by the Board to advertise the services of licensees. This is unfair and contrary to the decision by the California Supreme Court in 1992 in the *Bonnie Moore* case. The current Safe Harbor Language is in line with the Supreme Court decision; it is not broken and does not need to be fixed.

The revised language is negative and mandates us to provide free advertising and referrals for California CPAs. Furthermore, it confuses clients into believing that a regulated individual – a CPA – is required even when non-regulated accounting services are "desired." We as tax professionals and non-licensed accountants do not provide services regulated or licensed by the CBA, but by changing the safe harbor language you are trying to regulate us.

Very truly yours,

  
HERB Minnichhofen  
151 87<sup>th</sup> ST. #15  
DALY CITY, CA 94015  
(650) 991-3211

# Keay Financial, Inc.

2021 Sperry Avenue #20 • Ventura, CA 93003  
805-654-9600 • 800-228-4770  
Fax 805-654-9605  
www.keayfinancial.net

RECEIVED  
12 JAN 23 PM 2:36  
CALIFORNIA BOARD  
OF ACCOUNTANCY

January 20, 2012

Department of Consumer Affairs  
California Board of Accountants  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

Attention: Matthew Stanley, Regulation Analyst

Dear Mr. Stanley:

I take great exception to the addition in the safe harbor language being promulgated by the Board of Accountancy. The statements are irrelevant, unnecessary, and contrary to the California Supreme Court decision in the *Bonnie Moore* case.

The first statement to be added states "I am not licensed or required to be licensed by the California Board of Accountancy." This is factual but irrelevant. The *Bonnie Moore* case clearly established that the preparation of financial statements does not require a license. Because the safe harbor letter only covers the preparation of financial statements, the mention of a license is unnecessary.

The second statement to be added states "If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required." The current safe harbor letter clearly states: "I have not audited or reviewed the accompanying financial statements...." so the user is already aware that the financial statements have been prepared but not reviewed or audited. There is no reason to assume the client wants anything more than the financial statements which were requested and prepared – so the added statement is again unnecessary.

The *Bonnie Moore* case revolved around the use of the words "accounting" and "accountant." The Court ruled that a disclaimer must accompany the use of these words by an unlicensed person, and it provided two examples of wording that would satisfy the disclaimer: "I am not licensed by the Board of Accountancy" and "the services provided do not require a state license." An example implies that other wording could also be acceptable. However, the Board of Accountancy has chosen one of the Court's examples and mandated its use, even where the words "accountant" and "accounting" have not been used. This is clearly beyond the scope of the Court's decision and contrary to its intent. Thus, it is unacceptable and should not be permitted.

Thank you for your consideration .

Sincerely,  
  
Diane Keay

DANIEL J. LEVY, INC.

3403 HALL LANE  
LAFAYETTE, CA 94549-3903

(925) 283-7210  
FAX (925) 283-0172

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12 JAN 23 PM 3: 21

CALIFORNIA BOARD  
OF ACCOUNTANCY

January 20, 2012

Mr. Matthew Stanley  
Department of Consumer Affairs  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

Re: California Board of Accountancy & Safe Harbor Language  
for Financial Statement Preparation

Dear Mr. Stanley:

I am an Enrolled Agent with a Bachelors Degree in Accounting and a Masters Degree in Taxation. I have been a practicing tax accountant in California for 35 years. It is my understanding that the California Board of Accountancy (CBA) voted to add a section to the safe harbor language with regard to financial statement preparation to read "We [I] are [am] not licensed nor required to be licensed by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required". **I am appalled and upset that such an unnecessary requirement may be placed upon me.** In my opinion, the proposed statements are contrary to the decision by the California Supreme Court in the *Bonnie Moore* case.

All of my clients are small businesses. My clients do not need compiled, reviewed or audited financial statements. My clients know I am not a CPA. I do not provide services that are regulated or licensed by the California Board of Accountancy and if the safe harbor language is changed then I would begin to be regulated by the CBA. In addition, the revised language would confuse the public by the implication that a regulated individual (a CPA) is required when this is not correct.

Thank you.

Sincerely,



Daniel J. Levy  
Enrolled Agent

DJL:hs



**DEPARTMENT OF CONSUMER AFFAIRS**  
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.cba.ca.gov>



**CBA Item VI.B.1.**  
**January 26-27, 2012**

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16,**  
**CCR Section 4—Safe Harbor Language**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** January 3, 2012

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**Purpose of the Item**

Following a public hearing, the California Board of Accountancy (CBA) may discuss and take action to adopt or modify a proposed regulation.

**Action Needed**

Possible adoption and/or modification of proposed regulation.

**Background**

After the conclusion of the hearing under, the next step in the process is that the CBA must act to formally adopt the proposed regulations (**Attachment 1**) outlined in the subject of this memorandum.

**Comments**

Staff received three public comments (**CBA Agenda Item VI.B, Attachment 4**) expressing concern that the following language be required on prepared Financial Statements: "If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required." The commenter believes this sentence is negative, and amounts to free advertising for California CPAs.

The CBA may decide to make changes to the proposed regulations, or it may proceed with adopting the proposal without modification.

- **If no changes are to be made after the public comment period and hearing closes:**  
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.
- **If substantive changes are to be made after the public comment period and hearing closes:**

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16,  
CCR Section 4—Safe Harbor**

**Page 2 of 2**

Motion: Direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice.

**Recommendation**

Staff recommend the following:

- Adopt the staff provided motion above related to no changes in the proposed regulations.

**Attachment**

Proposed Regulations

## PROPOSED REGULATORY LANGUAGE

### Section 4. Safe Harbor Language.

A person who is not licensed by the California Board of Accountancy, and who prepares a financial report in a form substantially the same as that set forth in subsection (a) or (b) below, shall not be deemed to be engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code.

(a) "I [we] have prepared the accompanying financial statements of [name of entity] as of [time period] for the [period] then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management [owners].

I [we] have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them.

I [We] am [are] not licensed, nor required to be licensed, by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."

(b) "We [I] have prepared the accompanying statement of assets, liabilities and equity for [name of company] as of [month-day-year], together with the related statements of revenue, expense, [and cash flow] for the year [or month] then ended on the income tax basis of accounting.

The preparation of financial statements on the income tax basis of accounting is limited to presenting information that is the representation of management [the owners]. We [I] have not audited nor reviewed the accompanying statements. Accordingly, we [I] do not express an opinion or any other form of assurance on them.

Management has [The owners have] elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenues, expenses [and cash flow]. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We [I] are [am] not licensed, nor required to be licensed, by the California Board of Accountancy for the preparation of these financial statements. If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required."

Note: Authority cited: Sections 5010, Business and Professions Code. Reference: Sections 5051 and 5052, Business and Professions Code.



**DEPARTMENT OF CONSUMER AFFAIRS**  
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.cba.ca.gov>



**CBA Item VI.C.**  
**January 26-27, 2012**

## **Regulation Hearing Regarding Title 16, CCR Section 37.5-Fingerprinting and Disclosure Requirements**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** December 23, 2011

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### **Purpose of the Item**

Staff are providing the materials pertinent to the public hearing for the proposed rulemaking. The public hearing for this proposal will be held at the California Board of Accountancy's (CBA) January 2012 meeting.

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

No specific action is required for this agenda item.

### **Background**

At its November 2011 meeting, the CBA directed staff to initiate the rulemaking process to require fingerprinting for licensees who do not currently have fingerprints on file with the Department of Justice.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on November 29, 2011 and published on December 9, 2011, thus initiating the required 45-day public comment period. January 23, 2012 will mark the end of the public comment period, and on January 27, 2012, a public hearing will be conducted on the proposed regulation. The following attachments will aid in your preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Text of Proposal (**Attachment 2**)
- Initial Statement of Reasons (**Attachment 3**)
- Public Comment (**Attachment 4**)

### **Comments**

During the public hearing, CBA members may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Re-Notice will be required. As of the date of this memo, staff have received one public comment in relation to this regulatory package. Any comments received after the CBA mail out date will be supplied to CBA members at the meeting. The CBA may act to adopt the proposed regulations under **CBA Agenda Item VI.C.1**. Prior to submitting the final regulation package to the OAL, staff will draft responses to any comments and

**Regulation Hearing Regarding Title 16, CCR Section 37.5-Fingerprinting and Disclosure Requirements**

Page 2 of 2

prepare the Final Statement of Reasons for distribution to all persons who provided comments.

**Recommendation**

None

**Attachments**

Notice of Proposed Action

Text of Proposal

Initial Statement of Reasons

Public Comment Letter

## TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at Crowne Plaza Irvine, 17941 Von Karman Avenue, Irvine, CA 92614, at 9:05 a.m. on January 27, 2012. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the California Board of Accountancy at its office not later than 5:00 p.m. on January 23, 2012 or must be received by the California Board of Accountancy at the hearing. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 144, 462, and 5010 of the Business and Professions Code; and to implement, interpret or make specific Sections 144, 462, 490, 5063, 5070.1, 5070.5, and 5100 of the Business and Professions Code, and Sections 11105(b)(10) and 11105(e) of the Penal Code; the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

### INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Existing law, Business and Professions Code Section 144, mandates that the Board require applicants to submit a full set of fingerprints for the purpose of conducting a criminal history record check. Section 144 further authorizes the Board to obtain and receive criminal history information from the Department of Justice (DOJ) and the United States Federal Bureau of Investigation (FBI).

In addition, existing law in Business and Professions Code Section 5063 requires licensees to disclose certain information, including convictions and license or practice discipline.

#### **1. Adopt Section 37.5 Title 16 of the California Code of Regulations.**

Before Section 144 of the Business and Professions Code became effective, a certified public accountant or public accountant licensed prior to January 1, 1998 was not routinely required to submit fingerprints to the Board for purposes of securing a background check by the United States Federal Bureau of Investigation (FBI). This proposed regulation would require all Board licensees for whom an electronic record of his or her fingerprints does not exist in the DOJ's criminal offender record identification

database to successfully complete a state and federal level criminal offender record information search conducted through the DOJ prior to renewing after June 30, 2014. Requiring all licensed certified public accountants and public accountants to submit fingerprints for processing during their next renewal will ensure that the Board receives timely notification of any arrest(s) or conviction(s) from the DOJ in the future in furtherance of its mandate to protect the public.

This proposal would clarify which applicants, other than initial licensing applicants, must submit fingerprints. Applicants renewing in an inactive or retired status, or, actively serving in the U.S. military would be exempt from this requirement. Specifically, it requires, after June 30, 2014, the following licensees to submit fingerprints:

- A licensee applying for renewal as a certified public accountant or public accountant who has not previously submitted fingerprints as a condition of licensure.
- A licensee applying for renewal as a certified public accountant or public accountant for whom an electronic record of the licensee's fingerprints does not exist in the DOJ's criminal offender record identification database (CORI).
- A licensee petitioning the Board for reinstatement of a revoked or surrendered license.
- A licensee returning a license to an active status from an inactive or retired status or following active duty in the United States military.

Following being fingerprinted and a successful CORI search, this regulatory proposal would require licensees to retain either a receipt showing that he or she has electronically transmitted his or her fingerprint images to DOJ, or for those licensees who did not use an electronic fingerprinting system, a receipt evidencing that the licensees or registrants fingerprints were taken and submitted to the Board.. An applicant for renewal would also be required to pay the actual costs of compliance.

The proposal would also require applicants for renewal to disclose the following on the renewal form:

- whether the applicant has submitted fingerprints as required by this proposal;
- whether the applicant has been convicted of any violation of law omitting traffic infractions under \$1,000 not involving alcohol, dangerous drugs or controlled substances; and,
- whether the applicant has had a certificate or right to practice cancelled, revoked or suspended by any other state or foreign body.

Should an applicant for renewal fail to provide the information required by this proposal, the application will be rendered incomplete and the license will not be renewed until the requirements are met.

## FISCAL IMPACT ESTIMATES

### Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State:

Should this proposal go into effect, the CBA will notify all 27,716 active pre-1998

licensees of the fingerprinting requirement. This notification and fingerprinting process will occur over a three fiscal year time frame beginning July 1, 2014 and ending June 30, 2017. It has been determined that it will be necessary for the Licensing Division to request, via BCP, one analyst and two technical staff members on a 2-year limited-term basis. The three additional staff members will assist with the intake, fingerprint verification, and enforcement referrals for this population of licensees. The CBA will be requesting position authority as well as expenditure authority for salary, wages and benefits through FY 2014-15 and FY 2015-16 BCPs for these costs and workload. Consequently, the fiscal impact to the CBA by fiscal year is detailed below.

- FY 2014-15 \$145,434
- FY 2015-16 \$201,633
- FY 2016-17 \$78,399

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

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

Business Impact:

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

## **AND**

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

Of the approximately 27,716 licensees who may be subject to this proposal, 25,509 of them are in-state. In-state licensees are fingerprinted via locally established California live-scan facilities and pay a one-time “rolling” administrative fee that varies by location from \$0 to \$40.00. Each location is permitted to establish its own fee structure but the overall average amount is \$25.00 and this amount is assumed in the calculation. Additionally, a one-time fee of \$51.00 is paid. Consequently a total one-time payment of \$76.00 is assumed per licensee.

California licensees whose address of record is out-of-state (the remaining 2,207 licensees) must submit two inked fingerprint card hardcopies paying a one-time \$51.00 fee. Other out-of-state state jurisdictions set their own administration fees and are comparable to those of California. Consequently, an average \$25.00 rolling fee will also be assumed in this calculation. Although live-scan is available in other states, it is not interconnected with California’s system therefore licensees must submit inked hardcopies. Any additional

postage/shipping fees to send the hardcopies to the CBA are the responsibility of the licensee. A total one-time payment of \$76.00 is assumed per licensee.

FY 2014-15 licensees still active that were licensed prior to 1998:

In-state: \$1,938,684 - (25,509 licensees x \$76.00)

Out-of-state: \$167,732 - (2,207 licensees x \$76.00)

**Total: \$2,106,416**

Impact on Jobs/New Businesses:

The Board has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Private Person or Business:

The cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action and that are known to the Board are \$76.00 per licensee.

Effect on Housing Costs: None

EFFECT ON SMALL BUSINESS

The Board has determined that the proposed regulations may affect small businesses. The CBA has identified approximately 27,716 active licensees who may be subject to the fingerprinting portion of the proposal. The CBA does not track statistics relating to sole proprietorships and therefore cannot identify business impacts. It could be assumed that if a licensee working for a firm chooses to pass the fingerprinting expenses on as a business expense, this could be correlated as a business impact. It should be noted that of the 27,716 active licensees identified, some will be employed in sole proprietorships and others with companies and corporations.

While all applicants for renewal will need to disclose certain information on the renewal form under this proposal, there are no costs associated with doing so other than as it relates to fingerprinting. Additionally, there are approximately 750 vendors statewide, including small businesses, which provide fingerprinting services. However, there should be little or no initial or ongoing cost impact upon the vendors because they are already equipped to provide the services.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposal described in this Notice.

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

### INITIAL STATEMENT OF REASONS AND INFORMATION

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

### TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the initial statement of reasons are available on the Board's Internet Web site at [http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml) and may also be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

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

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

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

### CONTACT PERSON

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

Name:	Matthew Stanley
Address:	California Board of Accountancy 2000 Evergreen Street, Suite 250 Sacramento, CA 95815
Telephone No.:	916-561-1792
Fax No.:	916-263-3678
E-Mail Address:	mstanley@cba.ca.gov

The backup contact person is:

Name:	Kari O'Connor
Address:	California Board of Accountancy 2000 Evergreen Street, Suite 250 Sacramento, CA 95815
Telephone No.:	916-561-4311
Fax No.:	916-263-3678
E-Mail Address:	koconnor@cba.ca.gov

Web site Access: Materials regarding this proposal can be found at  
[http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml).

**PROPOSED REGULATORY LANGUAGE**

Adopt Section 37.5 in Article 5 of Division 1 of Title 16 of the California Code of Regulations to read:

**Section 37.5 - Fingerprinting and Disclosure Requirements.**

(a) A licensee applying for renewal as a certified public accountant or public accountant who has not previously submitted fingerprints as a condition of licensure or for whom an electronic record of the licensee's fingerprints does not exist in the Department of Justice's criminal offender record identification database shall successfully complete a state and federal level criminal offender record information search conducted through the Department of Justice by the licensee's renewal date that occurs after June 30, 2014.

(1) A licensee shall retain for at least three years as evidence of having complied with subdivision (a) either a receipt showing that he or she has electronically transmitted his or her fingerprint images to the Department of Justice or, for those who did not use an electronic fingerprint system, a receipt evidencing that his or her fingerprints were recorded and submitted to the board.

(2) An applicant for renewal shall pay the actual cost of compliance with subdivision (a).

(3) As a condition of petitioning the board for reinstatement of a revoked or surrendered license, an applicant shall have complied with subdivision (a).

(4) The board shall waive the requirements of this section if the license is renewed in an inactive or retired status or if the licensee is actively serving in the United States military. The board shall not return a license to active status until the licensee has complied with subdivision (a).

(b) As a condition of renewal, a certified public accountant or public accountant licensee shall disclose on the renewal form whether he or she has submitted a record of fingerprints in compliance with subsection (a).

(c) As a condition of renewal, an applicant for renewal as a certified public accountant or public accountant shall disclose on the renewal form whether he or she has been convicted, as defined in Section 490 of the Business and Professions Code, of any violation of the law in this or any other state, the United States, or other country, omitting traffic infractions under \$1000 not involving alcohol, dangerous drugs, or controlled substances.

(d) As a condition of renewal, an applicant for renewal as a certified public accountant or public accountant shall disclose on the renewal form whether he or she has

experienced the cancellation, revocation, suspension of a certificate or right to practice by any other state or foreign body.

(e) Failure to provide all of the information required by this section renders an application for renewal incomplete and the license will not be renewed until the licensee demonstrates compliance with all requirements.

Note: Authority cited: Sections 144, 462, and 5010, Business and Professions Code. Reference: Sections 144, 462, 490, 5063, 5070.5, and 5100, Business and Professions Code; and Sections 11105(b)(10) and 11105(e), Penal Code.

**CALIFORNIA BOARD OF ACCOUNTANCY**

**INITIAL STATEMENT OF REASONS**

Hearing Date: January 27, 2012

Subject Matter of Proposed Regulations: Fingerprinting and Disclosure Requirements

Sections Affected:

1. Adopt Section 37.5 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would clarify which applicants, other than initial licensing applicants, must submit fingerprints. Applicants renewing in an inactive or retired status, or, actively serving in the U.S. military would be exempt from this requirement. Specifically, it requires, after June 30, 2014, the following licensees to submit fingerprints:

- (1) A licensee applying for renewal as a certified public accountant or public accountant who has not previously submitted fingerprints as a condition of licensure.
- (2) A licensee applying for renewal as a certified public accountant or public accountant for whom an electronic record of the licensee's fingerprints does not exist in the DOJ's criminal offender record identification database (CORI).
- (3) A licensee petitioning the Board for reinstatement of a revoked or surrendered license.
- (4) A licensee returning a license to an active status from an inactive or retired status or following active duty in the United States military.

Following being fingerprinted and a successful CORI search, this regulatory proposal would require licensees to retain either a receipt showing that he or she has electronically transmitted his or her fingerprint images to DOJ, or for those licensees who did not use an electronic fingerprinting system, a receipt evidencing that the licensee's or registrant's fingerprints were taken and submitted to the Board. An applicant for renewal would also be required to pay the actual costs of compliance.

The proposal would also require applicants for renewal to disclose the following on the renewal form:

- (1) whether the applicant has submitted fingerprints as required by this proposal;
- (2) whether the applicant has been convicted of any violation of law omitting traffic infractions under \$1,000 not involving alcohol, dangerous drugs or controlled substances; and,
- (3) whether the applicant has had a certificate or right to practice cancelled, revoked or suspended by any other state or foreign body.

Should an applicant for renewal fail to provide the information required by this proposal, the application will be rendered incomplete and the license will not be renewed until the requirements are met.

#### Factual Basis/Rationale:

Business and Professions Code section 5000.1 states that the “protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.” The purpose of the proposed regulatory changes is to ensure that the Board upholds its mandate to protect the public in accordance with section 5000.1. In order to protect the public from unethical and unprofessional practitioners, it is necessary for the Board to be informed of past and current criminal convictions that are substantially related to the qualifications, functions, or duties of their profession for which they are licensed. Business and Professions Code Section 5100 authorizes the board to revoke, suspend, or refuse to renew any permit or certificate for unprofessional conduct, including the conviction of any crime substantially related to the qualifications, functions and duties of a certified public accountant or public accountant. In order to fully implement the Board’s authority to discipline a license that has been convicted of a crime substantially related to the qualifications, functions, or duties of their profession, the Board must receive all information related to those criminal convictions.

The Board has 68,901 licensees who were issued their license prior to January 1998, when the Board began requiring fingerprints at the time of license issuance. Since that time many of these licensees have ceased practice for one reason or another, but a substantial number of the Board’s licensees remain outside of the current fingerprinting process. The fingerprinting requirement ensures an accurate criminal history record check is performed in order to best protect the public which is the Board’s highest priority. This proposal will extend the fingerprinting requirement to those who are already licensed thus extending the protection of the public by ensuring that the Board receives timely notification of any arrests or convictions concerning all of its licensees from the DOJ in the future.

In addition, the disclosure of conviction and license or practice discipline will also further the protection of the public by providing the Board with an additional source of information from the licensee regarding conduct which may be substantially related to the practice of public accountancy.

#### Underlying Data

Technical, theoretical or empirical studies or reports relied upon (if any):  
Minutes of the September 22, 2011 CBA Meeting

#### Business Impact

This regulation will not have a significant adverse economic impact on businesses. This initial determination is based on the following facts or evidence/documents/testimony:

Of the approximately 27,716 licensees who may be subject to this proposal, 25,509 of them are in-state. In-state licensees are fingerprinted via locally established California live-scan facilities and pay a one-time "rolling" administrative fee that varies by location from \$0 to \$40.00. Each location is permitted to establish its own fee structure but the overall average amount is \$25.00 and this amount is assumed in the calculation. Additionally, a one-time fee of \$51.00 is paid. Consequently a total one-time payment of \$76.00 is assumed per licensee.

California licensees whose address of record is out-of-state (the remaining 2,207 licensees) must submit two inked fingerprint card hardcopies paying a one-time \$51.00 fee. Other out-of-state state jurisdictions set their own administration fees and are comparable to those of California. Consequently, an average \$25.00 rolling fee will also be assumed in this calculation. Although live-scan is available in other states, it is not interconnected with California's system therefore licensees must submit inked hardcopies. Any additional postage/shipping fees to send the hardcopies to the CBA are the responsibility of the licensee. A total one-time payment of \$76.00 is assumed per licensee.

FY 2014-15 licensees still active that were licensed prior to 1998:

In-state: \$1,938,684 - (25,509 licensees x \$76.00)  
Out-of-state: \$167,732 - (2,207 licensees x \$76.00)

**Total: \$2,106,416**

#### Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

#### Consideration of Alternatives

No reasonable alternative to the regulation would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

The Board considered not instituting the fingerprint requirement for those already licensed. This was deemed to be unacceptable in light of the Board's highest priority of protecting the public.

**Matthew Stanley**

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**From:** Brad Gai [bgai@rina.com]  
**Sent:** Tuesday, December 06, 2011 8:40 AM  
**To:** 'mstanley@cba.ca.gov'  
**Subject:** Proposed Fingerprinting Regulation

Hello Mathew,

I have a couple of questions for you.

I had to submit fingerprints when I first received my CPA certificate in CA in 1978. I thought every CPA had to submit fingerprints, but this proposed regulation indicates that was not required before 1998. I had to submit fingerprints to the Department of Real Estate this past year. I am also licensed by that department.

Does the department of consumer affairs have my fingerprints on file from 1978?

If so, would this regulation apply to me? (I did not read any exceptions or exemptions in the text)

Does the CBA have access to the fingerprints I submitted to the Department of Real Estate this past year or can I do something to help with access?

Can those fingerprints do double duty for both departments?

I understand the need to keep offenders out of the profession and maintain the public's safety. I favor this also. The "cost" of having fingerprinting done is not just the out of pocket cost, there is time required in locating a facility and making appointments, etc. I don't want to have to duplicate my efforts if access to my fingerprints are available to the department.

Thank you for your response.

Brad Gai

**Brad Gai, Stockholder**

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**CBA Item VI.C.1.**  
**January 26-27, 2012**

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16**  
**CCR Section 37.5- Fingerprinting and Disclosure Requirements**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** December 23, 2011

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**Purpose of the Item**

Following a public hearing, the California Board of Accountancy (CBA) may discuss and take action to adopt or modify a proposed regulation.

**Action Needed**

Possible adoption and/or modification of proposed regulation.

**Background**

After the conclusion of the hearing under **CBA Agenda Item VI.C.**, the next step in the process is that the CBA must act to formally adopt the proposed regulations outlined in the subject of this memorandum.

**Comments**

Staff would like to request that the change shown to the date on the attached document in double-strikethrough and double-underline (**Attachment 1**) be adopted to meet the Department of Finance's (DOF) requirement that a regulation which requires a Budget Change Proposal (BCP) be submitted simultaneously with that BCP. By moving the operative date to January 1, 2014, this means that the BCP for fiscal year 2013-14 can be submitted in 2012 to coincide with this regulation's submission to DOF.

Additionally, staff received one public comment with questions regarding the clarity of the proposed regulations. No other public comments were received regarding the clarity of these regulations.

The CBA may decide to make changes to the proposed regulations based on any comments received or staff recommendations, or it may proceed with adopting the proposal without modification.

- **If no changes are to be made after the public comment period and hearing closes:**

Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Sections 37.5-Fingerprinting and Disclosure Requirements**

Page 2 of 2

changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

- ***If substantive changes are to be made after the public comment period and hearing closes:***

Motion: Direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice.

**Recommendation**

Staff recommend the following:

- Adopt a motion to incorporate the staff recommended date change; and
- Adopt the staff provided motion above related to making substantive changes.

**Attachment**

Proposed Modifications

**PROPOSED REGULATORY LANGUAGE**

Adopt Section 37.5 in Article 5 of Division 1 of Title 16 of the California Code of Regulations to read:

**Section 37.5 - Fingerprinting Requirements.**

(a) A licensee applying for renewal who has not previously submitted fingerprints as a condition of licensure or for whom an electronic record of the licensee's fingerprints does not exist in the Department of Justice's criminal offender record identification database shall successfully complete a state and federal level criminal offender record information search conducted through the Department of Justice by the licensee's renewal date that occurs after ~~June 30, 2014~~ December 31, 2013.

(1) A licensee shall retain for at least three years as evidence of having complied with subdivision (a) either a receipt showing that he or she has electronically transmitted his or her fingerprint images to the Department of Justice or, for those who did not use an electronic fingerprint system, a receipt evidencing that his or her fingerprints were recorded and submitted to the board.

(2) An applicant for renewal shall pay the actual cost of compliance with subdivision (a).

(3) As a condition of petitioning the board for reinstatement of a revoked or surrendered license, an applicant shall have complied with subdivision (a).

(4) The board shall waive the requirements of this section if the license is renewed in an inactive or retired status or if the licensee is actively serving in the United States military. The board shall not return a license to active status until the licensee has complied with subdivision (a).

(b) Failure to provide all of the information required by this section renders an application for renewal incomplete and the license will not be renewed until the licensee demonstrates compliance with all requirements.

Note: Authority cited: Sections 144, 462, and 5010, Business and Professions Code. Reference: Sections 144, 462, 490, 5070.5, and 5100, Business and Professions Code; and Sections 11105(b)(10) and 11105(e), Penal Code.



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**CBA Item VII.B.**  
January 26-27, 2012

### **Update on CBA 2010-2012 Strategic Plan**

**Presented by:** Dan Rich, CBA Staff

**Date:** December 20, 2011

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#### **Purpose of the Item**

To keep CBA members informed of strategic planning efforts and activities.

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

No specific action is required on this agenda item.

#### **Background**

The CBA has entered the final year of its current three-year strategic plan, development of which began in January 2009 when the CBA appointed a Strategic Plan Task Force (Task Force), comprised of four CBA members and staff, charged with developing a new strategic plan to guide CBA activities from 2010 through 2012. Following a review of the Mission, Vision, Core Values & Guiding Principles, and Goals & Objectives from the 2005 – 2010 Strategic Plan, the Task Force developed new Mission and Vision statements, and Goals & Objectives, while leaving the Core Values & Guiding Principles intact. The Task Force efforts resulted in the development of the CBA 2010-2012 Strategic Plan, which was adopted by the CBA July 2009.

Members are being provided the “current status” (**Attachment I**) of each of the 45 Objectives contained in the CBA 2010-2012 Strategic Plan. Objectives that have been “achieved” are so noted in the attachment. The remaining Objectives, noted on the attachment as “in process” may well comprise the starting point for development of the next strategic plan, which is anticipated to cover the period 2013-2015. At the January 2012 Executive Leadership Roundtable, staff recommended that development of the CBA 2013-2015 Strategic Plan should again be charged to a task force, once again comprised of CBA members and CBA staff.

#### **Comments**

None

#### **Recommendation**

Staff has no recommendation on this item.

Attachment; CBA 2010-2012 Strategic Plan Update

Objectives	Current Status
1.1 Recruit effective leadership for the Enforcement Program	Achieved.
1.2 Evaluate the outcome of the Enforcement study and implement recommendations as appropriate	Achieved. Due to passage of Executive Order S-09-09 issued in June 2009, which required that state agencies stop contract spending, it became necessary to limit the scope of the Enforcement Study that was initiated in April 2009. Still, strategies suggested in the study related to utilization of analytical staff for non-technical investigations, and utilization of part-time technical investigators have been incorporated into the Enforcement Program – the latter accomplished through use of outside consultants used on an “as needed” basis.
1.3 Achieve salary parity for Investigative CPA staff to ensure success in hiring and retention efforts	In process. SEIU 1000, the union that represents Investigative CPAs is presently in discussions with the Department of Personnel Administration (DPA) with regards to the salary parity issue. However, changes to the Investigative CPA examination and implementing a tele-work option for new technical investigators has led to a significant increase in the pool of interested candidates and recent successes in finding qualified candidates.
1.4 Achieve an Investigative CPA staffing level to adequately address workload demands	Achieved. Anticipate hiring of 3 Investigative CPAs in January 2012, as well as the shift of non-investigative workload to 5+ analysts.
1.5 Continue to interface with other accounting regulatory agencies to assist CBA's enforcement responsibilities	Achieved. Attended NASBA Legal Conference in March 2011; networking with NASBA and other state boards; referring enforcement matters to local and District Attorney's; and working with the SEC and the US Attorney's Office.
1.6 Expand field work by Investigative CPAs	Achieved. “In-person” probation monitoring meetings, practice investigations and hiring of investigative staff remotely throughout California.
1.7 Increase licensees' awareness of the consequences of unprofessional conduct	Achieved. Initiated “At A Glance” series of articles in the UPDATE publication.
1.8 Educate CPAs about reportable events responsibilities	Achieved. Article published in Spring 2011 UPDATE, Issue 66. Two tasks on hold pending legislative passage of modified reporting requirements, to be effective January 1, 2012, are: (1) post the modified legislative change on CBA website that exempts reporting of restatements that are included in any report filed with the SEC and (2) discussion with Licensing Division regarding including reportable events information with licensure approval letter.
1.9 Seek to remove or extend the sunset date on the Practice Privilege Program	Achieved. Sunset date for the Practice Privilege article was repealed by SB 819 of 2009.

Objectives	Current Status
2.1 Respond to all inquiries within a reasonable time frame	Achieved. Staff continues to strive to answer all telephone calls live, return voicemails on the same day, and respond to e-mails within a one-day turnaround time. Managers within the Licensing Division, which handles the most inquiries, have implemented unit calendars identifying various staff members assigned to telephone and e-mail responsibilities.
2.2 Maintain a secure and relevant website that provides enhanced and interactive features	Achieved. Staff continually verifies access to and usability of various website utility programs; created CBA Enews utility to allow greater access for stakeholders; added a link on the website to the CBA Facebook and Twitter pages; created and posted the Peer Review Database and Peer Review Reporting Form.
2.3 Explore the use of technology to enhance customer service	Achieved. Increased usage of Facebook and Twitter has enhanced external customer service. An intranet community wall post has enhanced internal customer service. Several more options for using technology are in process.
2.4 Continue enhancing customer service through use of survey tools	Achieved. A survey was developed and provided to staff seeking input regarding the working environment at the CBA. The survey was launched in 2011 for a period of 6 months. During the survey, results were reviewed by senior management and then provided to both management and staff. As a result of the survey, improvements were made in areas such as staff communication, timely performance appraisals, staff recognition and opportunities for staff training.

Objectives	Current Status
3.1 Achieve reasonable timeframes for processing license renewal applications	In process. Completed baseline evaluations in the Renewal and Continuing Competency Unit, and are monitoring quarterly the timeframes for license renewal processing. Staff will continue to review the timeframes and are developing processes and procedures to improve timeframes. It's anticipated that the credit card payment option tied to BreEZe should create positive impact in terms of reducing processing timeframe. In the interim, staff is using internal resources and has worked on two Saturdays in November and December 2011 to address the large volume of renewal applications that are pending review and additional Saturday overtime work is being scheduled in 2012.
3.2 Define "principle place of business" for practice privilege holders in the regulations	In process. Principal place of business definition has been drafted and is currently in the surname review process, for discussion at the March 2012 CBA meeting. CBA members to provide guidance regarding further actions in this area, in terms of possible regulatory changes.
3.3 Provide the option for online application for licensure and license renewal	In process. DCA to implement online application for licensure for all Consumer Affairs' boards and bureaus in conjunction with development and deployment of BreEZe. The CBA is targeted to transition to the BreEZe system in late 2013.
3.4 Accept credit card payments	In process. DCA to implement credit card processing for all Consumer Affairs' boards and bureaus in conjunction with development and deployment of BreEZe. The CBA is targeted to transition to the BreEZe system in late 2013.

Objectives	Current Status
4.1 Ensure that all CBA communications are current	Achieved. Coordinated and updated the CBA website with new/edited content, providing consumers with the most accurate information. All CBA handbooks are updated; latest Update #67 is published; CBA calendar contains latest events and supportive materials; new web pages for new licensure requirements and CBA Regulations have been created; pending accusations and enforcement actions have been disclosed. E-News subscriptions have almost tripled, and E-News announcements have become a common method for Outreach.
4.2 Transition the CBA's Website to the standards of the State Portal architecture and functionality	In process. Attend Web Master User Group Meetings presented by the Office of Technology Services; maintain and update html and css programming code; revise all Acrobat PDFs on the CBA website to pass accessibility (400 completed to-date); and continue to look for solutions that may present a more usable interface with the consumer.
4.3 Increase the CBA's visibility and reputation with the Legislature	Achieved. Make regular contact, in accordance with legislative calendar, in order to stay apprised of issues impacting the CBA or the profession; conduct "Meet and Greet" meetings with Business and Professions Committee members at the start of every legislative session; meet with author or staff of CBA sponsored legislation to stay apprised of the status of bills; write letters communicating positions following CBA meetings at which positions are taken.
4.4 Develop a communication plan that increases and prioritizes outreach efforts and focuses on key messages	Achieved. Created 2010-2012 CBA Communications & Outreach Plan
4.5 Increase transparency of CBA's activities	Achieved. Began webcasting all CBA meetings in January 2010. Using social media to update followers regarding CBA activities and driving them to CBA website and webcast meetings makes CBA more accessible.
4.6 Evaluate options for delivering agenda materials	Achieved. Options have been assessed and plans are in place to affect electronic delivery of agenda materials to interested parties. Purchase of electronic readers for CBA member use is currently on hold, awaiting State & Consumer Services Agency approval to move forward with the concept of paperless meetings.
4.7 Develop and maintain brochures promoting consumer protection	Achieved. New Consumer Protection Booklet is in production, with creation of new materials planned.

Objectives	Current Status
5.1 Proactively work with the American Institute of Certified Public Accountants (AICPA), National Association of State Boards of Accountancy (NASBA), and Prometric on behalf of CPA Examination candidates to resolve issues in a fair and expeditious manner	Achieved. Reinstated the Uniform CPA Examination Site Visits program. Staff plan on having all site visits completed by April 2012. Respond to annual surveys received from NASBA and the AICPA regarding administration of the Uniform CPA Examination. Completed tri-party contract with NASBA and Prometric related to administration of the Uniform CPA Examination for 2010-2012.
5.2 Establish a policy for Board Member participation in national committees	Achieved. Adopted in the CBA Member Guidelines & Procedures Manual, a policy that the CBA encourages its members to participate in national committees, including those of the AICPA and NASBA.
5.3 Monitor national association activities and respond as appropriate	Achieved. Staff monitors all national associates for exposure drafts that are open for comment, and disseminates that information to CBA members via the Executive Officer Monthly report. Staff then responds as appropriate. Staff also routinely responds to NASBA focus questions, and the Executive Officer attends the NASBA annual meeting when possible.

Objectives	Current Status
<p>6.1 Develop a process improvement plan for each program with target dates for implementation</p>	<p>Enforcement Division: Implemented significant process improvements including creation of the Non-technical Investigations Unit; revising the recruitment examination for Investigative CPAs; hiring Investigative CPA to work remotely; and implementing the DCA's Consumer Protection Enforcement Initiatives.</p> <p>Licensing Division: Score posting process for examination applicants was automated, resulting in expedited score release for applicants and reduced staff time to finalize the scores. Payment intake process was streamlined, shortening the approval time for initial and repeat examination candidates. License approval process was revised resulting in a shorter turnaround time for license issuance. Licensing Division Managers were rotated for purposes of cross-training, succession planning and to expose staff and management to new program areas and management styles.</p>
<p>6.2 Include appropriate representation from all divisions when developing new policies, rules, or regulations</p>	<p>Achieved. This issue was the topic of discussion at manager and senior manager meetings. Protocols are now followed to ensure that manager representation from all divisions is present during meetings underpinning development of new policies, rules and regulations. Further, the surname process utilized when developing new regulations and policies has been expanded to ensure managers from each division have opportunity to review and provide input.</p>
<p>6.3 Review and refine the CBA's organizational structure as necessary</p>	<p>Achieved. Created the Non-Technical Unit in the Enforcement Division; drafted a reorganization plan for Licensing Division, including movement of Peer Review, Practice Privilege and Continuing Education audit functions to the Enforcement Division.</p>
<p>6.4 Maintain a plan to ensure that the CBA has adequate staffing and skill levels in response to employee retirement and attrition</p>	<p>Achieved. Presented to the CBA a multi-phase Workforce and Succession plan for CBA Senior Staff and Supervisors. Complete Workforce and Succession plan distributed to all CBA members with January 2012 Executive Officer Monthly Report.</p>
<p>6.5 Redesign CBA's existing workspace to enhance organization cohesiveness and productivity</p>	<p>Achieved. Facility remodel completed with installation of donated modular furniture from DCA Division of Investigations.</p>
<p>6.6 Evaluate CBA internal document review process</p>	<p>In process. Created project management team to research and propose solutions to management. Team is presently in the process of establishing discussion meetings to consider alternatives and possible improvements to current process.</p>

Objectives	Current Status
7.1 Implement mandatory peer review in California	Achieved. Passage of AB 138, Statutes of 2009.
7.2 Educate licensees about the peer review process	Achieved. Developed Peer Review Brochure and posted to the CBA website; published various articles in UPDATE regarding peer review legislation; posted news releases regarding peer review; ran radio spots regarding peer review; developed web page related to peer review for licensees; developed two sets of FAQs and posted to the CBA website; sent letter to all impacted licensees informing them of their peer review reporting requirement; drafted a reminder, final notice, and deficiency letter to all impacted licensees; updated licensee handbook with information on peer review; updating the renewal forms and initial licensing forms to include peer review information.
7.3 Explore the feasibility of conducting educational workshops in various regions of the state	Achieved. Contacted multiple colleges to perform outreach to students; contacted the Franchise Tax Board and Board of Equalization for outreach opportunities. Contacts led to educational presentations by staff at some colleges until travel by state employees was restricted. Educational outreach at that time shifted to holding open houses in conjunction with CBA meetings.
7.4 Review general accounting experience requirements for licensure and revise regulation as warranted	Achieved. The CBA reviewed the general experience requirements for CPA licensure at the September 2010 CBA meeting and made no recommendations for changes.

Objectives	Current Status
<p>8.1 Apply best practices to safeguard the confidentiality, integrity, and availability of CBA information assets</p>	<p>Achieved. Redundancies have been incorporated into the network architecture where more servers, traditionally a physical piece of equipment, have been virtualized. This enables servers having specific functionality to share drive space, memory, and processor time with other servers on common physical host machines. This solution facilitates the use of mirrored, hot-swap servers for failure contingencies. Physical server failure planning has normally required redundant equipment and results in comparatively longer down time that reduces availability of information services. This configuration also enables the creation of hidden networks that are accessible only by appointed connections, therefore avoiding hacking attacks and unauthorized data access.</p>
<p>8.2 Pursue integration of all internal CBA databases</p>	<p>In process. Working with DCA staff to migrate all relevant internal CBA databases into BreEZe. Presently defining database fields and documenting databases to facilitate incorporation into BreEZe. Certain other program-specific databases will be migrated to web-based applications but be maintained as stand-alone solutions.</p>
<p>8.3 Plan for consolidation with DCA's IT systems</p>	<p>In process. Subsequent to development of this objective, the State of CA embarked on a wide-spread integration program for information technology systems. Presently, staff is working with DCA and the Office of Technology Services to transition all mission critical CBA systems to secured locations, as mandated by AB 2408, Statutes of 2009. This bill requires a transition of mission-critical and public-facing applications to Tier III data centers, and closure of all other existing server rooms by June 2013. Transition to California Email Systems (CES) is presently underway, with the DCA being part of a pilot project to launch a single email system for all California state agencies. It is anticipated that the CBA will be fully transitioned to CES by the end of January 2012.</p>
<p>8.4 Transition to electronic data storage</p>	<p>In process. DCA to implement electronic data storage (EDS) system for all DCA boards and bureaus in conjunction with development and deployment of BreEZe. Activities and research into a CBA-specific solution have abated to benefit from cost effectiveness, efficiencies and uniformity gained from participating in the department-wide EDS system.</p>

Objectives	Current Status	
<b>Goal 9: Promote staff development and retention</b>		
9.1 Promote Staff Development & Retention	Veronica	Achieved. Created CBA 2012-2014 Workforce & Succession Plan
9.2 Design a process for cross-training for operational and promotional opportunities	Veronica	Achieved. Management's commitment to cross-training staff is reflected in the CBA 2012-2014 Workforce under the planning strategy "Knowledge Management". Cross-training has consistently been employed by CBA managers to affect efficiencies and continuity of work processes at this agency, and was recently evidenced in the rotation of three managers in the Licensing Division.
9.3 Hold an annual staff conference for individual development and team building	Veronica	Achieved. Held a team building session (FISH Philosophy) facilitated by DCA. Efforts towards individual development and team building to continue.
9.4 Develop and implement a staff recognition program	Veronica	Achieved. Created CBA Leadership Award of Excellence and CBA Manager Distinguished Service Award to be presented annually to two staff members; created an employee appreciation quarterly theme.



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**CBA Item VII.C**

January 26-27, 2012

### Update on CBA 2010-2012 Communications & Outreach Plan

**Presented by:** Lauren Hersh, Information & Planning Manager

**Date:** December 29, 2012

#### Purpose of the Item

To keep CBA members informed of communications and outreach efforts and activities.

#### Action(s) Needed

No specific action is required on this agenda item.

#### Background

As requested by the CBA, staff is providing regular updates regarding the communications and outreach activities which have taken place since the last CBA meeting.

#### E-News

E-News subscriptions have increased by more than 1,700 subscriptions since the last report. The largest increase was notably Exam Applicants, followed by California Licensees and those requesting the delivery of UPDATE via E-News. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

List Name	External	Internal	Total
California Licensee	5,230	43	5,273
Consumer Interest	2,510	48	2,558
Examination Applicant	1,878	38	1,916
Licensing Applicant	2,155	41	2,196
Out-of-State Licensee	1,321	36	1,357
Statutory/Regulatory	4,253	50	4,303
CBA Meeting Info & Agenda Materials	1,735	28	1,763
UPDATE Publication	2,018	8	2,026
<b>Total subscriptions</b>	<b>21,100</b>	<b>292</b>	<b>21,392</b>

### UPDATE

The Winter 2012 edition of UPDATE is currently in review and scheduled to be posted on the CBA website and distributed via E-News February 16. Hard copy mail-out is scheduled for March. At this writing, approximately 560 licensees and interested parties have “opted-in” to receive a hard copy of UPDATE by mail, however staff expects that number to increase once more licensees have received the Fall 2011 UPDATE displaying the banner reminding them they need to “opt-in” in order to continue receiving a hard copy of UPDATE.

### Media Relations

The Information & Planning Manager has been “re-tooling” media relations through use of social media, particularly through Twitter and LinkedIn. More than 20 broadcast/print journalists and editors are following the CBA through these channels, including those at national media outlets and professional publications.

### Social media

The CBA is strengthening its brand by creating community and serving as an online resource for stakeholders through social media. Staff has determined several interest communities currently following the CBA via facebook and Twitter, listed below by frequency of activity:

- Exam candidates
- Students
- Early career professionals

Staff seeks to respond to issues that are currently generating conversation while also driving followers to new content relevant to their interests. The content includes articles and information generated by the CBA, but also references articles and information dealing with professional standards and issues made available through statewide and national professional organizations and their publications.

Following rapid growth early in the fourth quarter of 2011, social media growth slowed down considerably during the holiday season. Staff expects activity to increase again during the first quarter of 2012.

At this writing, the CBA has more than 1150 facebook fans. Through the power of social “compound interest,” that translates into more than 307,666 people who have read our posts on facebook over the last four weeks. Twitter growth continues as well, with more than 600 Twitter followers and 15 lists.

### Staff Outreach Committee (OC)

The OC has been working to maximize outreach within the limitations imposed by purchasing and travel restrictions. As a result, the focus has been on utilizing technology to continue outreach. Recently completed and current projects are:

- Development of a peer review webinar in response to requests for outreach presentations.
- Script development for additional YouTube videos for posting to the CBA website and YouTube channel.
- The Peer Review video is now available on the CBA website.

**Comments**

None

**Recommendation**

Staff has no recommendation on this item.

**CALIFORNIA BOARD OF ACCOUNTANCY  
LICENSING DIVISION REPORT  
OCTOBER 2011 – DECEMBER 2011**

CBA Item VIII.A.  
January 26 – 27, 2012

<b>EXAMINATION</b>	<b>October</b>	<b>November</b>	<b>December</b>
<b>CPA Examination Applications Received</b>			
First-time Sitter	480	288	447
Repeat Sitter	1,401	1,042	1,908
<b>CPA Examination Applications Processed</b>			
First-time Sitter	581	499	488
Repeat Sitter	2,094	1,000	2,038
<b>Processing Time Frames</b>			
First-time Sitter	21	18	20
Repeat Sitter	8	6	6
<b>INITIAL LICENSING</b>			
<b>CPA Licensure Applications Received</b>			
CPA	359	273	317
Partnership	9	14	14
Corporation	10	16	17
Fictitious Name Permit (Registration)	12	12	14
<b>Processing Time Frames</b>			
CPA	14	11	14
Partnership	10	10	8
Corporation	10	10	8
Fictitious Name Permit (Registration)	10	10	8
<b>Applicants Licensed Under</b>			
Pathway 0	1	2	0
Pathway 1A	38	45	29
Pathway 1G	38	43	29
Pathway 2A	73	61	53
Pathway 2G	99	130	55

**CALIFORNIA BOARD OF ACCOUNTANCY  
LICENSING DIVISION REPORT  
OCTOBER 2011 – DECEMBER 2011**

<b>RENEWAL AND CONTINUING COMPETENCY</b>	<b>October</b>	<b>November</b>	<b>December</b>
<b>Total Number of Licensees</b>			
CPA	82,882	83,124	83,254
PA	130	129	129
Partnership	1,489	1,492	1,491
Corporation	3,833	3,844	3,851
<b>Licenses Renewed</b>			
CPA	3,198	2,879	2,928
PA	2	1	3
Partnership	38	73	64
Corporation	107	111	94
<b>CE Worksheet Review</b>			
CPA/PA Applications Reviewed	2,027	4,650	4,818
Deficient Applications Identified	80	373	477
Compliance Responses Received <i>(Including Requests for Inactive Status)</i>	52	163	23
Enforcement Referrals	0	0	0
Outstanding Deficiencies <i>(Including Abandonment)</i>	28	210	454
<b>PRACTICE PRIVILEGE</b>			
<b>Notifications Received</b>			
Hardcopy	27	40	70
Electronic	142	156	200
<b>Disqualifying Conditions Received</b>			
Approved	0	3	3
Denied	0	0	1
Pending	8	5	5
<b>Practice Privilege Suspension Orders</b>			
Notice of Intent to Suspend	12	7	5
Administrative Suspension Order	1	3	1

**CALIFORNIA BOARD OF ACCOUNTANCY  
LICENSING DIVISION REPORT  
OCTOBER 2011 – DECEMBER 2011**

**DIVISION AND UNIT ACTIVITIES**

**Examination Unit**

The Examination Unit recently consolidated the Uniform CPA Examination Handbooks for first-time applicants and repeat applicants into one handbook. Staff also made significant edits to reflect updated material such as the streamlining of the score release process. The revised handbook was posted to the website in mid December.

During the October/November testing window, the National Association of State Boards of Accountancy (NASBA) reported scored under a new release schedule. NASBA released scores following the first month of the testing window, with subsequent score releases every two weeks for the remainder of the window. The new timeline allowed more predictability and frequency than previous release schedules.

NASBA has begun providing preliminary information regarding international delivery of the Uniform CPA Examination (iExam). The CBA will take up the topic of iExam at its March 2012 meeting.

**Initial Licensing Unit**

Information regarding accessing **UPDATE** online, subscribing to the CBA's e-mail notification service, and information regarding the peer review requirements for license renewal were added to the CPA approval letter, issued to new licensees, in December.

A live Facebook event, "Understanding the Steps to California CPA Licensure" was held on December 1, 2011. Approximately 42 individuals participated and staff has determined this type of outreach to be a useful and inexpensive tool.

The CPA Licensing Applicant Handbook has been updated and is presently going through an internal review. Once finalized, the updated handbook will be posted to the CBA website.

**Renewal and Continuing Competency Unit**

The increase in the number of applications reviewed and deficiencies identified was a result of overtime work performed with the assistance from other staff within the CBA.

The Renewal and Continuing Competency Unit is revising the CPA/PA license renewal application to reflect the new annual 20 hour minimum CE requirement. The revised application is undergoing internal review and will then proceed for legal review.

The recently revised License Renewal Handbook can now be accessed on the CBA website. The handbook includes updated information regarding CE requirements, such as ethics education, regulatory review, and the new minimum annual CE requirement.

**CALIFORNIA BOARD OF ACCOUNTANCY  
LICENSING DIVISION REPORT  
OCTOBER 2011 – DECEMBER 2011**

Staff is actively working with four additional Regulatory Review Course providers to amend their course materials to be in compliance with the course content requirements, and five more courses are pending initial review.

**Practice Privilege Unit**

The California Practice Privilege Handbook was recently updated and is now available on the CBA website.

**COMMITTEE NEWS**

**CPA Qualifications Committee**

At the January 25, 2012, CPA Qualifications Committee (QC) meeting, members will continue the discussion related to the development of a training plan to be utilized by members as it relates to CBA Regulation Section 69 and personal appearance reviews before the committee. The purpose of the peer training is to establish and document best practices related to interview format and procedures for current and new members. Discussions related to the development of a training plan will continue to take place at future QC meetings and CBA members will be kept apprised at future meetings.

At the October 2011 meeting, QC members requested that staff draft educational articles for the **UPDATE** related to the Section 69 process and completion of the Certificate of Attest Experience form by employers. These articles will be placed in future issues of the **UPDATE** throughout 2012.



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**CBA Item VIII.B.**  
January 26-27, 2012

**Report on Activities Related to the New Educational Requirements for CPA  
Licensure Set to Take Effect January 1, 2014**

**Presented by:** Dominic Franzella, Licensing Manager  
**Date:** January 3, 2012

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**PURPOSE OF THE ITEM**

Staff is providing this item in an ongoing effort to keep members informed on activities being undertaken related to the new educational requirements for licensure set to take effect January 1, 2014.

**ACTION(S) NEEDED**

No specific CBA action is required for this agenda item.

**BACKGROUND**

Staff first began reporting on completed and proposed activities regarding the new educational requirements for licensure to members at the November 2011 meeting. Provided below are updates regarding these activities.

**OVERVIEW OF ACTIVITIES**

**Accounting Study Regulations**

At the November 2011 meeting, the CBA adopted regulatory language for the 20 units of accounting study. At the meeting, members slightly amended the originally noticed text, which subsequently required a 15-day re-notice for the revised text.<sup>1</sup> Staff initiated the 15-day re-notice period by posting the revised text to the CBA website on December 1, 2011. Staff received one comment on the revised text (**Attachment 1**).

With the 15-day re-notice period now expired (December 16, 2011), staff will complete the final steps for the rulemaking file and anticipate submitting the completed file to the Department of Consumer Affairs (DCA) in early to mid February. The submission of the file to DCA begins the standard review process all CBA-related rulemaking files take prior to submission to the Office of Administrative Law (OAL), which makes the final determination on all regulations. Once DCA completes its review, it will send the file to the Secretary of the State and Consumer Services Agency (SCSA) for approval.

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<sup>1</sup> The language change adopted by the CBA requires that any internship/independent study units used for the 20 units of accounting study be completed in accounting or business-related subjects.

## **Report on Activities Related to the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014**

Page 2 of 3

Finally, SCSA will send the file to the DOF. With the exception of DCA, which has a self-imposed 30-day review time, neither SCSA nor DOF have a required (either by the APA or self-imposed) time in which to complete their respective reviews.

As always, staff plans for a full one-year period to complete the rulemaking file. Therefore, staff anticipates that OAL will render a decision on the rulemaking file by September 2012.

### **CBA Website**

Staff recently updated information on the website to reflect the revised language the CBA approved for the 20 units of accounting study. The information on the new licensure webpage provides interested parties the ability to view the 20 units of accounting study or 10 units of ethic study independently, or in a one-stop document outlining all of the educational requirements for CPA licensure beginning January 1, 2014.

### **Social Media**

Staff conducted a second Facebook Event on December 1, 2011. The event, titled "Understanding the Steps to California CPA Licensure," was marketed not only to people interested in the new educational requirements but also to those who sought to better understand the present licensure requirements. All told, 42 individuals took time to view the question and answer session.

Staff anticipates holding future events, as they provide us a quick and inexpensive way to supply information and answer questions on the new educational requirements.

### **UPDATE and Other Print Media**

At the last CBA meeting, members raised concern whether groups outside of California were sufficiently aware of the upcoming educational changes. Staff has begun development of a template article to circulate to various media outlets regarding the new licensure requirements. The article focuses on the following topics:

- Enhancement of consumer protection
- Strong foundation to ethics training to begin the practice of public accountancy in California
- California will be one of only few states to mandate ethics education as part of applicant's educational requirements
- Strong push to the CBA website for up-to-date information

Staff will focus on the national outlets such as the National Association of State Boards of Accountancy, American Institute of Certified Public Accountants, and the American Accounting Association in an effort to get the message out to potential California CPA applicants earning education out of state.

## **Report on Activities Related to the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014**

Page 3 of 3

### **CBA Open House**

As previously mentioned at the November 2011 CBA meeting and highlighted in the Executive Officer Report, the CBA will conduct its first Open House on January 25, 2012. The Open House is titled "Providing the Keys to Understanding the New Educational Requirements for CPA Licensure Taking Effect January 1, 2014." For this event, staff invited 111 college/university faculty members in the southern California region. Provided in **Attachment 2** is the agenda for the Open House. Staff will report on the outcome of the Open House at the upcoming meeting. The CBA will conduct future Open Houses in February and March.

### **COMMENTS**

None

### **RECOMMENDATION**

Although no recommendation is required for this agenda item, as always, staff would value any feedback members may have on the above activities, as well as any ideas they believe would assist in getting the message out regarding the new licensure requirements.

### **ATTACHMENTS**

1. Comment Received on Modified Text
2. Agenda for January 25, 2012 CBA Open House

Marsha L. Lauck  
Assistant Accounting Professor  
Simpson University  
2211 College View Drive  
Redding, CA 96003

December 1, 2011

Mr. Matthew Stanley  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815-3832

Dear Mr. Stanley:

I am taking this opportunity to comment on the proposed modification to the text of Sections 11 and 11.1 in Title 16 California Code of Regulations.

I am unclear on the purpose of establishing limits on the units of Independent Study and Internships accepted under the education requirements for Accounting Study. If there are no limits on independent study within 58 of the units (Accounting Subjects, Business-related Subjects or Ethics Study), how will you apply that standard assuming the independent study units relate to a valid accounting or business class?

I am employed by a small university in Northern California. More than 40% of our students are transfers from junior colleges and we may require that they take classes through independent study when they are "off track". Some of our classes are only offered every other year. For this reason, many of our students will take accounting classes or upper level business classes as independent study. How will I know that those applying the regulations assign those independent study classes to "Subjects" and not "Accounting Study"?

We require an internship for each accounting major and it is an option for business administration majors. We are unable to offer a Master of Accountancy. For this reason, we encourage our 5-year accounting majors to double major in business administration. Will you count each of the internships as units within their subject area (Accounting and Business) or will the internships fall into "Accounting Study" and be subject to the 4-unit limitation?

In the "Applicants Handbook for the Uniform CPA Exam" on page 13 accounting subjects are defined more broadly to include information systems courses: "In addition to those subjects already listed, accounting courses include, but are not limited to courses in Assurance, Attestation, Bookkeeping, Cost (Cost Analysis, Costing), Peachtree, QuickBooks, and CPA Review courses taken at a recognized school..." Will you honor the broader definition and permit accounting systems courses and review courses as part of "Accounting Subjects"?

Thank you for your consideration. I am new to my position and to California and therefore may have missed something.

Sincerely,



Marsha L. Lauck  
Simpson University



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## CALIFORNIA BOARD OF ACCOUNTANCY

ATTACHMENT 2

### OPEN HOUSE

## PROVIDING THE KEYS TO UNDERSTANDING THE NEW LICENSURE REQUIREMENTS SET TO TAKE EFFECT JANUARY 1, 2014

CROWNE PLAZA IRVINE  
 JANUARY 25, 2012  
 4:00-6:00PM

#### AGENDA

<b>4:00PM</b>	MEET & GREET	CBA MEMBERS & STAFF
<b>4:15PM</b>	WELCOME & INTRODUCTIONS	MARSHAL OLDMAN, ESQ., CBA PRESIDENT
<b>4:20PM</b>	REMARKS FROM THE CBA ASSISTANT EXECUTIVE OFFICER	DEANNE PEARCE, ASSISTANT EXECUTIVE OFFICER
<b>4:30PM</b>	PRESENTATION ON THE NEW EDUCATIONAL REQUIREMENTS FOR LICENSURE	DOMINIC FRANZELLA, LICENSING MANAGER
<b>5:15PM</b>	QUESTION & ANSWER SESSION	ATTENDEES
<b>5:50PM</b>	CLOSING REMARKS	MARSHAL OLDMAN, ESQ., CBA PRESIDENT



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CALIFORNIA BOARD OF ACCOUNTANCY  
CITATION AND FINE ACTIVITY REPORT  
FOR THE PERIOD 7/1/11 THRU 12/28/11

CBA Item IX.B

**VIOLATION ANALYSIS**

January 26-27, 2012

RULE		AVERAGE FINE AMOUNT	TOTAL FINES /CITATIONS ISSUED	TOTAL FINES ASSESSED	APPEALS RECEIVED
	<b>ACCOUNTANCY RULES AND REGULATIONS</b>				
3	NOTIFICATION OF CHANGE OF ADDRESS	\$100	2	\$200	
52	RESPONSE TO BOARD INQUIRY	\$286	7	\$2,000	1
63	ADVERTISING				1
87	CE BASIC REQUIREMENTS	\$417	3	\$1,250	1
87.8	CE REGULATORY REVIEW COURSE	\$250	1	\$250	
89	CE CONTROL AND REPORTING	\$250	1	\$250	
93	UNEXPIRED LICENSES	\$375	2	\$750	1
	<b>BUSINESS AND PROFESSIONS CODE SECTION</b>				
5037/68	OWNERSHIP OF ACCOUNTANTS' WORKPAPERS	\$1,000	1	\$1,000	
5050	PRACTICE WITHOUT A VALID PERMIT	\$750	2	\$1,500	1
5060	NAME OF FIRM	\$250	2	\$500	1
5070.6	RENEWAL OF EXPIRED PERMITS	\$0	1	\$0	
5100c	DISCIPLINE IN GENERAL- DISHONESTY, FRAUD, GROSS NEGLIGENCE, REPEATED ACTS	\$750	2	\$1,500	
<b>TOTALS</b>			<b>24</b>	<b>\$9,200</b>	<b>6</b>

**RECONCILIATION OF FINES OUTSTANDING 7/1/11 - 12/28/11**

Balance at 7/1/11	\$53,451
Fines Assessed 7/1/11 - 12/28/11	\$9,200
Reinstated - Revoked License	\$1,200
Appeal Adjustments 7/1/11 - 12/28/11	
Withdrawn Violations (1 violation, 1 case)	(\$250)
Modified Citations (1 violation, 1 case)	(\$250)
Remain As Issued Citations (4 violations, 2 case)	\$0
Collections 7/1/11 - 12/28/11	(\$10,751)
<b>Fines Outstanding at 12/28/11</b>	<b>\$52,600</b>

**COMPOSITION OF FINES OUTSTANDING**

Fine Added to License Renewal Fee/B & P 125.9 (71 violations, 34 cases)	\$52,600
AG Referral (Citation Appealed/Non Compliance) (0 violations, 0 cases)	\$0
Issued/Pending Receipt of Fine (0 violations, 0 cases)	\$0
Installment Payments (0 violations, 0 cases)	\$0
Appeal Request Pending Review (0 violations, 0 cases)	\$0
<b>Total Fines Outstanding at 12/28/11</b>	<b>\$52,600</b>

**CALIFORNIA BOARD OF ACCOUNTANCY  
REPORTABLE EVENTS RECEIVED  
07/01/11 – 12/20/11**

Felony Conviction – 5063(a)(1)(A)	1
Criminal Conviction – 5063(a)(1)(B)	0
Criminal Conviction – 5063(a)(1)(C)	0
Cancellation, Revocation, Suspension of Right to Practice by Other State or Foreign Country – 5063(a)(2)	1
Cancellation, Revocation, Suspension of Right to Practice before any governmental body or agency – 5063(a)(3)	1
Restatements – 5063(b)(1) <ul style="list-style-type: none"> <li>• Governmental – 34</li> <li>• Non Profit – 1</li> <li>• SEC Registrant – 8</li> </ul>	43
Civil Action Settlement – 5063(b)(2)	5
Civil Action Arbitration Award – 5063(b)(2)	1
SEC Investigation – 5063(b)(3)	1
Wells Submission – 5063(b)(4)	0
PCAOB Investigation – 5063(b)(5)	2
Civil Action Judgement – 5063(c)(1)(2)(3)(4)(5)	2
Reporting by Courts – 5063.1	0
Reporting by Insurers – 5063.2	11
<b>TOTAL REPORTABLE EVENTS RECEIVED 07/01/11 TO 12/20/11</b>	<b>68</b>



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**CBA Item IX.D.**  
 January 26-27, 2012

## Update on Peer Review Implementation

**Presented by:** Rafael Ixta, Chief, Enforcement Division

**Date:** December 29, 2011

### Purpose of the Item

Staff is providing this memorandum highlighting actions that have occurred in the peer review program since the November 2011 California Board of Accountancy (CBA) meeting.

### Action Needed

No specific action is required on this agenda item.

### Background

#### **Peer Review Survey**

The CBA has received 1,601 peer review surveys since the survey went live on the CBA's website in December 2010. This is an increase of 103 since the November meeting. The voluntary survey will assist the CBA in collecting information from sole proprietors and small firms to prepare the report that is due to the Legislature and the Governor.

#### **Reporting Statistics**

As of December 20, 2011, 30,338 peer review reporting forms have been submitted to the CBA from licensees in the first two groups of the phase-in period. The reporting forms are categorized as follows:

##### Licenses Ending in 01-33

Peer Review Required	2,083
Peer Review Not Required (firms)	4,103
Peer Review Not Applicable (non-firms)	15,000

##### Licenses Ending in 34-66

Peer Review Required	571
Peer Review Not Required (firms)	1,816
Peer Review Not Applicable (non-firms)	6,765

### **Telephone & Email Statistics**

The statistics for contacts concerning peer review are as follows.

Method of Contact:	Jul	Aug	Sep	Oct	Nov
Telephone	743	627	809	239	180
E-mail	284	346	134	67	40

### **Correspondence to Licensees Regarding Peer Review Reporting**

Staff is currently preparing to send approximately 11,000 reminder letters to licensees who are required to report peer review information by July 1, 2012. The letters are scheduled to be sent in January 2012.

### **Citations**

Staff is currently preparing to send approximately 1,500 citations to licensees who did not submit a Peer Review Reporting Form by the July 1, 2011 deadline.

### **Verification Procedures**

Staff is currently verifying information on Peer Review Reporting Forms that were submitted by the July 1, 2011 deadline.

The first group being reviewed includes corporations and partnerships that reported they are not subject to peer review. The sample size for this group is 5% which includes 45 corporations and 19 partnerships.

The second group to be reviewed will include CPAs who reported that they are operating as firms, but not subject to peer review. Due to the large number of CPAs, the sample size for this group will be 2%; approximately 400 forms.

The verification process will include cross-referencing information in the CBA licensing and enforcement databases, reviewing the licensee's most recent license renewal application, and reviewing internet and social media advertisements.

### **Comments**

None

### **Recommendation**

None

### **Attachment**

None



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**CBA Item IX.E.**  
January 26 - 27, 2012

## **Discussion Regarding Options for Using Administrative Penalties in Disciplinary Cases**

**Presented by:** Rafael Ixta, Chief, Enforcement Division

**Date:** December 23, 2011

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### **Purpose of the Item**

To inform CBA members whether licensees can be required to fund scholarships, donate funds, or provide free continuing education to licensees in a stipulated settlement in lieu of imposing administrative penalties. This issue was deliberated by CBA members at the July 21, 2011 CBA meeting.

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

See recommendation.

### **Background**

Specific questions posed to the DCA Legal Office are noted below along with the legal counsel's responses:

1. Q: Can the CBA require a licensee to establish a scholarship fund, donate funds, or provide CE at no cost to those attending?

*A: Government Code section 11415.60 permits a state agency, including the CBA, to enter into stipulations that would not otherwise be authorized by the agency's laws, provided that it does not violate state or federal law as follows: "The terms of a settlement may not be contrary to statute or regulation, except that the settlement may include sanctions the agency would otherwise lack power to impose." Therefore, the CBA could consider entering into stipulations that would not violate the law or the public policy of the state.*

*Government Code section 19990 provides that a state officer may not engage in any "employment, activity, or enterprise which is clearly inconsistent, incompatible, in conflict with, or inimical to his or her duties as a state officer or employee...Activities and enterprises deemed to fall in these categories shall include:... (a) Using the prestige or influence of the state or the appointing authority for the officer's or employee's private gain or advantage or the private gain of another...(b) Using state time, facilities, equipment, or supplies for private gain or advantage." Section 19990 also mandates that state agencies develop policies setting forth prohibitions and*

## **Discussion Regarding Options for Using Administrative Penalties or Other Administrative Remedies in Disciplinary Cases**

### **Page 2 of 3**

*providing examples of these types of prohibited activities. These rules are set forth more thoroughly in the DCA's Incompatible Work Activities Policy OHR-10-01 and the Governor's Executive Order No. 66-2 "Standards of Ethical Conduct" for gubernatorial appointees.*

*With the foregoing in mind, our office recommends that any stipulation not include any provision for an activity that would directly benefit any one individual or class of individuals and the proposed administrative condition or sanction should be connected to some concrete public benefit. For instance, the requirements to fund a community outreach event or public service announcement about accounting practices would directly benefit the public in general, but no individual or class of individuals in particular. However, activities that would benefit a particular person (scholarship fund for specified individuals or donate funds to a nonprofit corporation) or class of persons (provide free CE to licensees) would probably violate the prohibitions of Section 19990 and state policy governing incompatible work activities and would not be legally permissible.*

2. Q: Can any of the above be prohibited by the California Constitution, Article 16, section 6, or any other state or federal statute, as a "gift of public funds"?

*A: Article 16, section 6 prohibits, in part, the Legislature from having the "power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever..."*

*As long as the foregoing statute and state policies are adhered to it should not be prohibited provided that no funds collected from the licensee are paid directly to the Board by the disciplined licensee. If the funds are paid directly to the Board by the licensee and then used by the Board for the financial gain of any vendor there could be arguments about "gifting" in violation of the California Constitution (state contracting law issues would also have to be considered). All funding for such activities should be paid directly by the licensee to any vendors for a particular purpose and benefitting the public in general to avoid potential "gifting" arguments.*

### **Comments**

Based on the above, activities that benefit the general public and are not contrary to statute or regulation may be included as a condition of probation. Furthermore, to avoid "gifting" issues, all funding for such activities should be paid directly by the licensee to the vendors.

The Manual of Disciplinary Guidelines and Model Disciplinary Orders, contains "Community Services - Free Services" as an optional condition of probation. The text of this condition is:

*"Respondent shall participate in a community service program as directed by the Board or its designee in which respondent provides free professional services on a regular basis to a community or charitable facility or agency, amounting to a minimum \_\_\_ hours. Such services to begin no later than \_\_\_ days. Respondent*

## **Discussion Regarding Options for Using Administrative Penalties or Other Administrative Remedies in Disciplinary Cases**

**Page 3 of 3**

*shall submit proof of compliance with this requirement to the Board. Respondent is entirely responsible for his or her performance in the program and the Board assumes neither expressed nor implied responsibility for respondent's performance nor for the product or services rendered."*

### **Recommendation**

For stipulated settlements, the above paragraph may be modified consistent with any public benefit activity imposed as a condition of probation. For proposed decisions, the CBA members may direct staff to revise the above paragraph for inclusion in the next edition of the Manual of Disciplinary Guidelines and Model Disciplinary Orders. The revised paragraph will be available to administrative law judges as an optional condition of probation.



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**CBA Item IX.F**  
**January 26-27, 2012**

**RESULTS OF 1<sup>ST</sup> QUARTER**  
**PERFORMANCE MEASURES REPORT TO DCA**

**Presented By:** Rafael Ixta, Enforcement Chief

**Date:** December 22, 2011

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**Purpose of the Item**

As part of the Department of Consumer Affairs' (DCA) commitment to consumer protection and its ongoing efforts to better serve consumers and licensees, the DCA is improving its enforcement business function.

The attached table displays a list of the performance measures that have been established by the DCA, the CBA target for each of these measures and the results from the CBA's Performance Measures Report for the first quarter (July 1, 2011 – September 30, 2011).

**Action(s) Needed**

No specific action is required on this agenda item.

**Background**

Beginning on July 1, 2010, the DCA began collecting enforcement performance measures from each board and bureau. A set of eight measures was developed along with guidelines for setting targets for these measurements, which the DCA began reporting publicly in October 2010.

**Comments**

None

**Recommendations**

None

**Attachment**

**RESULTS FROM THE DCA  
PERFORMANCE MEASURES REPORT  
July 1, 2011 – September 30, 2011**

DCA Performance Measure	DCA Target	CBA Target	1 <sup>st</sup> Quarter Results	Comments
PM 1; Number of Complaints and Convictions Received	Will vary by program	N/A	224	
PM 2; Average number of days to complete complaint intake	Set by program	10 days	5 days	
PM 3; Average number of days to complete closed cases not resulting in formal discipline	Set by program	180 days	149 days	
PM 4; Average number of days to complete investigations resulting in formal discipline	12-18 months	540 days	947 days	
PM 5; Average cost of intake and investigation for complaints not resulting in formal discipline	TBD	N/A	N/A	DCA is no longer tracking this performance measure.
PM 6; Consumer satisfaction with the services received during the enforcement process	Will vary by program	80 % Satisfaction	Not available this quarter due to low number of responses received.	DCA is not currently tracking this performance measure due to the low volume received. Boards and Bureaus are distributing pre-printed survey cards with all case closure letters in an effort to increase responses.
PM 7; Average number of days from the date a probation monitor is assigned to the date the monitor makes contact	Set by program	5 days	2 days	
PM 8; Average number of days from the time a violation is reported to the program to the time the probation monitor responds	Set by program	15 days	4 days	



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CPC Item II  
January 26, 2012

CBA Item X.B.2.  
January 26-27, 2012

**Discussion on Title 16, CCR Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application, Section 87 – Basic Requirements, Section 87.1 – Conversion to Active Status Prior to Renewal, and Section 88 – Programs Which Qualify**

**Presented by:** Kris Rose, Licensing Manager

**Date:** January 3, 2012

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**Purpose of the Item**

This agenda item is designed to provide information to members on the present Certified Public Accountant (CPA) continuing education (CE) requirements for entry or reentry into the practice of public accountancy to determine whether the requirements should be amended to achieve consistency. Also provided for members' review and reference are the requirements for active status license renewal (**Attachment 1**) and conversion from an inactive to active status license (**Attachment 2**) prior to renewal<sup>1</sup> to determine if revisions are needed.

**Action(s) Needed**

Policy decisions are needed, which will be used to amend the affected regulations.

**Background**

At the January 2011 CPA Qualifications Committee (QC) meeting, members reviewed the education requirements for reissuance of a cancelled license and for applicants with experience obtained five years prior to application (stale dated) to determine if the requirements need amending. Members discussed the 48 hour requirement and whether requirements should be placed on each subject area (for example: 16 hours of auditing standards) to ensure applicants for CPA licensure obtained an adequate amount of education in the appropriate subject areas to ensure consumer protection.

Prior to 2008, an applicant seeking reissuance of a cancelled CPA license was required to complete 120 hours of CE. The basis for the reduction in hours from 120 to 48 was to keep the requirements consistent with the requirements for an applicant who was applying for CPA licensure with stale dated experience. Applicants with stale dated experience are required to complete 48 hours of CE as identified in Sections 12(d) and 12.5(f) of the CBA Regulations (**Attachment 3**).

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<sup>1</sup> The requirements for restoration of a retired license will be the same as conversion of an inactive license to active status prior to renewal. This decision was made by members at the November 2011 CBA meeting.

**Discussion on Title 16, CCR Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application, Section 87 – Basic Requirements, Section 87.1 – Conversion to Active Status Prior to Renewal, and Section 88 – Programs Which Qualify**  
**Page 2 of 4**

Provided below is an overview of the present education requirements for reissuance of a cancelled<sup>2</sup> CPA license and for applicants with stale dated experience.

Applicants must meet one of the following CE requirements prior to license reissuance:

For the authority to sign reports on attest engagements, applicants must complete 48 hours of CE in:

- Financial accounting standards
- Auditing standards
- Compilation and review
- Other comprehensive basis of accounting

For a certificate that will not authorize signing attest reports, applicants must complete 48 hours of CE in:

- General accounting
- Other comprehensive basis of accounting

The reissued certificate will permit the CPA to perform the same services as did the cancelled certificate except that a CPA whose cancelled certificate authorized signing reports on attest engagements may choose to have a certificate reissued that does not provide this authorization.

QC Recommendation to the CBA

Following discussions at the January 2011 QC meeting, members agreed that the requirements for reissuance and for applicants with stale dated experience should be similar to the requirements for licensees renewing a license in active status or for licensees who are converting a license from inactive to active status prior to renewal; specifically, that the hourly CE requirement should be increased from 48 to 80 hours. The QC further agreed that the subject area requirements and hours should be further defined.

At the May 2011 CBA meeting the Chair of the QC made the following recommendation to modify the CE requirements for reissuance and for applicants with stale dated experience:

- Eighty hours of CE to be completed in either the two years prior to application for reissuance, or as prescribed by the CBA

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<sup>2</sup> A licensee that allows their license to expire has a period of five years from the expiration date to renew the license or the license is canceled.

**Discussion on Title 16, CCR Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application, Section 87 – Basic Requirements, Section 87.1 – Conversion to Active Status Prior to Renewal, and Section 88 – Programs Which Qualify**

Page 3 of 4

- 20 of the 80 hours be completed in the one year period immediately preceding application for reissuance, of which 12 hours must be completed in technical subject matter
- CE must meet the same requirements as the CE necessary for CPA license renewal, including required hours in technical subject matter

To obtain the authority to sign reports on attest engagements, 56 of the 80 hours must be in the following subject areas:

- 16 hours in Financial Accounting Standards
- 16 hours in Auditing Standards
- 8 hours in Compilation and Review
- 8 hours in Other Comprehensive Basis of Accounting
- 8 hours in the detection and/or reporting of fraud in financial statements

At that meeting the CBA members discussed whether or not specific course requirements should be required especially since peer review is in place to oversee that the work performed by licensees conforms to professional standards. It was requested at that time that this agenda item be combined with a review of the requirements for inactive to active conversion and to determine if changes need to be made to ensure consistency.

CBA Policy Decisions Needed

As the members review the present requirements and recommendations by the QC, the following policy decisions are needed to assist staff in modifying the regulatory language.

*Should the CE requirements for reissuance of a cancelled license be increased?*

The number of CE hours for reissuance of a cancelled license is set at 48, compared to the 80 hours required for active status license renewal. Individuals who have a cancelled license may not have been practicing public accountancy and therefore the need to bring their knowledge current on various standards should be considered. For consistency and to ensure consumer protection, it would seem that 80 hours would be appropriate.

*Should the CE requirements for applicants applying for CPA licensure with stale dated experience be increased?*

The number of CE hours for applicants with experience obtained five years prior to application is 48 compared to the 80 hours required for active status license renewal. Applicants who obtained experience five or more years prior to CPA licensure need to bring their knowledge current on various standards and an increase should be considered. For consistency and to ensure consumer protection, it would seem that 80 hours would be appropriate.

**Discussion on Title 16, CCR Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application, Section 87 – Basic Requirements, Section 87.1 – Conversion to Active Status Prior to Renewal, and Section 88 – Programs Which Qualify**  
**Page 4 of 4**

*Should the subject areas of CE for either or both reissuance and stale dated experience be amended and more clearly defined?*

Staff are seeking guidance from the members regarding whether the subject areas, as identified on page 3, need amending and whether specific hourly requirements should be placed on the identified subject areas.

*Should the CE requirements for active status renewal be amended?*

The CE requirements for active status license were most recently reviewed and updated in January 2010 based on the recommendations of the Ethics Education and Licensing Task Force. As a result of these recommendations, the CE requirements for active renewal were amended to include a minimum of four hours of ethics education every two years, a two-hour Board-approved regulatory review course every six years, and a minimum of 20 hours of CE to be completed during each year of the two-year renewal period with a minimum of 12 hours in technical subject matter. **(See Attachment 1)**

*Should the CE requirements for converting a CPA license from inactive to active status prior to renewal be amended?*

The requirements for converting a CPA license from inactive to active status were updated in January 2010 to include completion of the four hours of ethics education, completion of 20 hours of CE in the year prior to applying for the conversion, with 12 hours in technical subject matter, and the completion of a Board-approved regulatory review course (if subject).

**Recommendation**

The underlying issue for discussion is whether all CE requirements should be somewhat consistent regardless of the method of entry or reentry into the practice of public accountancy. Staff and the QC recommend that to ensure consumer protection, any person entering or re-entering the practice of public accountancy should be required to complete 80 hours of CE.

To further assist members in their discussions and deliberations, staff has provided a sampling of other State Boards of Accountancy CE requirements **(Attachment 4)**.

Based on the policy directions provided by the CBA at this meeting, staff can begin working on revising the amended language and provide modified language for CBA member review at the March 2012 meeting.



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## Attachment 1

### 87. Basic Requirements.

#### (a) 80 Hours.

As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of qualifying continuing education as described in Section 88 in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section 89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status after December 31, 2011, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in subject areas as described in Section 88(a)(1).

(b) Ethics Continuing Education Requirement A licensee renewing a license in an active status after December 31, 2009 shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in course subject matter specified pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Courses must be a minimum of one hour as described in Section 88.2.

#### (c) Government Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Accounting and Auditing Continuing Education Requirement. A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the

80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.

(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

(f) New Licensees.

(1) A licensee receiving an initial license shall be required to complete 20 hours of continuing education as described in Section 88, for each full six month interval in the initial license period as a condition of renewing a license in an active status.

(2) A licensee engaged in governmental auditing, as described in subsection (c), at any time during the initial license period shall complete six hours of governmental continuing education, as described in subsection (c), as part of each 20 hours of continuing education required for renewing the license in an active status. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (f)(3).

(3) A licensee who provides audit, review, compilation, or attestation services, as described in subsection (d), at any time during the initial license period shall complete six hours of accounting and auditing continuing education, as described in subsection (d), as part of each 20 hours of continuing education required for renewing the license in an active status.

(4) If the initial license period is less than six full months, there is no continuing education required for renewing the license in an active status.

(g) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

**NOTE:** Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5026, 5027, 5028 and 5051, Business and professions Code.

## **88. Programs Which Qualify.**

(a) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is

the obligation of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his/her professional competence.

(1) Licensees shall complete a minimum of 50 percent of the required continuing education hours in the following subject areas: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in Section 87(b), regulatory review as defined in Section 87.8, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

(2) Licensees may claim no more than 50 percent of the required number of continuing education hours in the following subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(3) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(4) A formal program of learning is an instructional activity that meets the requirements of Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.

(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.

(1) Professional development programs of national and state accounting organizations.

(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.

(3) University or college courses:

(i) Credit courses -each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.

(ii) Non credit courses -each classroom hour will equal one qualifying hour.

(4) Other formal educational programs provided the program meets the required standards.

(c) Group Internet-Based Programs (Webcast): Programs that enable a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location are qualifying, provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1 and Section 88.2.

(d) Formal correspondence or other individual study programs are qualifying provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1, and Section 88.2, and the licensee receives a passing score. Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the Certified Financial Planner™ Certification Examination or the Certified Management Accountant examination qualify as acceptable continuing education if the modules meet

the above requirements.

(e) The credit as an instructor, discussion leader, or speaker will be allowed for any meeting or program provided that the session is one which would meet the continuing education requirements set forth in Section 88(a), Section 88.1, and Section 88.2. The credit allowed an instructor, discussion leader, or a speaker will be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour taught. The maximum credit for such preparation and teaching will not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

(f) Credit may be allowed by the Board for the following activities:

(1) Writing published articles and books provided the publisher is not under the control of the licensee, and the article and/or book would contribute to his/her professional competence.

(2) Writing instructional materials for any continuing education program which meets the requirements of Section 88(a), Section 88.1, and Section 88.2,

(3) Writing questions for the Uniform Certified Public Accountant Examination. The maximum credit allowed under this subsection (subsection f) shall not exceed 25 percent of the renewal period requirement.

**NOTE:** Authority cited: Section 5027, Business and Professions Code. Reference: Section 5027, Business and Professions Code.



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## Attachment 2

### 87.1. Conversion to Active Status Prior to Renewal.

(a) A licensee who has renewed his/her license in an inactive status may convert the license to an active status prior to the next license expiration date by (1) completing 80 hours of continuing education credit as described in Section 88, to include the Ethics Continuing Education Requirement described in Section 87(b), within the 24-month period prior to converting to active status, of which a minimum of 20 hours shall be completed in the one-year period immediately preceding conversion to an active status, with a minimum of 12 hours in subject areas described in subsection (a)(1) of Section 88; (2) completing the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course; (3) applying to the Board in writing requesting to convert the license to an active status; and (4) completing any continuing education that is required pursuant to subsection (j) of Section 89. The licensee may not practice public accounting until the application for conversion of the license to an active status has been approved.

(b) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental accounting and auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (c).

(c) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of the 80 hours of continuing education required to his/her license to an active status under subsection (a).

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).

(e) Once a license is converted to an active status, the licensee must complete 20 hours of continuing education as described in Section 88 for each full six month period from the date of license conversion to an active status to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of change to an active status and the next license expiration date is less than six full months, no additional continuing education is required for

license renewal.

(f) Once a license is converted to an active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of governmental continuing education as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (g).

(g) Once a license is converted to an active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).

**NOTE:** Authority cited: Sections 5010 and 5027, Business and Professions Code.  
Reference: Section 5028, Business and Professions Code.



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### Attachment 3

#### **12(d). General Experience Required Under Business and Professions Code Section 5092 and 5093.**

(d) An applicant who is applying under Section 5092 or Section 5093 of the Business and Professions Code with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include general accounting, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.

#### **12.5(f). Attest Experience Under Business and Professions Code Section 5095.**

(f) The applicant who is applying with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include financial accounting standards, auditing standards, compilation and review, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.



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## Attachment 4

### CONTINUING EDUCATION REQUIREMENTS FOR OTHER STATE BOARDS OF ACCOUNTANCY

#### Arizona

80 hours every two years if the individual is in public practice, with 38 hours in technical areas (Accounting, Auditing, Tax, Management Advisory, Business Law or any combination thereof) and the remainder of the hours may fall into the Other category. 60 hours if the individual is in industry, with 28 hours in technical areas.

Four hours of Board-approved ethics during the two-year period immediately preceding registration renewal. The 4-hour requirement shall include a minimum of 1 hour of each of the following: Ethics related to the practice of accounting including the American Institute of Certified Public Accountants Professional Code of Conduct; and, Board statutes and administrative rules.

#### Florida

80 hours every two years of continuing professional education credits with at least 20 hours in accounting and auditing and 4 hours of a board approved ethics course and no more than 20 hours in behavioral subjects.

#### New York

Renew triennially based on date of issuance and birth month with a minimum of 40 contact hours per year of acceptable formal continuing education in any of the recognized subject areas, or complete a minimum of 24 contact hours per year of acceptable formal continuing education concentrated in one subject area. Four of the required hours must be in Ethics. Approved subject areas are: Accounting; Auditing; Taxation; Advisory Services; Specialized Knowledge and Applications related to specialized industries; and Ethics.

#### Ohio

The basic continuing professional education requirement to **obtain** or **renew** the Ohio permit is 120 credits over a three-year period. New CPAs holding the Ohio permit are required to report 40 credits over a two-year period. A new CPA licensed in 2011, for example, will have a continuing education reporting period of January 1, 2011 through December 31, 2012 and a requirement of 40 credits.

The following Ohio permit holders must earn 24 CPE credits in accounting or auditing:

- CPAs or PAs who work on financial reporting engagements

- CPAs or PAs who perform financial reporting work outside public accounting while using the CPA designation ("regulated services").

The following Ohio permit holders must earn 24 CPE credits in taxation:

- CPAs or PAs who work on taxation engagements or provide tax advice to clients.
- CPAs or PAs who perform tax work outside public accounting while using the CPA designation ("regulated services").

All CPAs holding the Ohio permit must take 3 credits in professional standards and responsibilities ("PSR") each reporting period. CPE sponsors that wish to present courses in Ohio professional standards and responsibilities must register with the Board and submit all course materials to the Board for review and approval.

A licensee may claim PSR credit for programs in the following four areas if the course is approved and documentation is retained: (1) the Ohio accountancy law and rules, (2) the accountancy law and rules of another state, (3) professional ethics for CPAs, or (4) ethical philosophy.

### **Oregon**

Each biennial renewal period, certified public accountants and public accountants shall report satisfactory evidence of having completed 80 hours of CPE. At least 24 of the required 80 hours of CPE shall be completed in each year of the renewal period. Four hours of Professional Conduct & Ethics is required each renewal period.

### **Texas**

120 hours of CE every 3 years with a minimum of 20 per year. A four-hour board approved ethics course must be taken every two years.

### **Washington**

An individual licensed to practice must complete a total of 120 CPE hours every three years, including 4 CPE credit hours in an approved Washington ethics and regulations course. The total 120 CPE hours requirement is limited to no more than 24 CPE credit hours in nontechnical subject areas. All qualifying CPE hours must be taken after the date the initial CPA license was issued



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**CPC Item III.**      **CBA Item X.B.3.**  
January 26, 2012      January 26-27, 2012

**Discussion on Initiating a Rulemaking to Amend Title 16, CCR Sections 87(e) and 87.1(d) – Eight-Hour Fraud Continuing Education Requirement**

**Presented by:** Matthew Stanley, Legislation/Regulation Analyst

**Date:** December 23, 2011

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**Purpose of the Item**

Staff is providing members with proposed regulatory language for reducing the fraud continuing education (CE) requirement from eight to four hours.

**Action(s) Needed**

The California Board of Accountancy (CBA) will be asked to provide input and approve the draft regulations and direct staff to initiate the rulemaking process.

**Background**

At its November 2011 meeting, the CBA directed staff to draft regulatory language to reduce the fraud CE requirement from eight hours to four hours. In addition, it requested that staff develop language to ensure the currency and relevance of the course content in order to keep the course fresh. It was pointed out during the meeting that the reduction in CE hours is justified due to the fact that many schools now include fraud detection as a part of their curriculum.

**Comments**

The proposed language (**Attachment 1**) reduces the number of hours of fraud CE from eight to four. In addition, it states that a licensee must take their fraud CE from a provider who maintains the currency of the course. This requirement was put on the licensee rather than the course provider as the CBA has no authority over course providers.

For your information, the full, original language of the affected sections is attached. (**Attachment 2**).

**Recommendation**

Staff recommends that the CBA approve the draft regulations and direct staff to initiate the rulemaking process.

**Attachment**

Proposed Regulatory Language  
Current Text of CBA Regulation Sections 87 and 87.1

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**Attachment 1****Proposed Regulatory Language**

87.

(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) of this section shall also complete an additional ~~eight~~ four hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements. Continuing education required by this subsection shall be obtained from providers using materials that are current; and any description of the course shall contain a publication, revision, or review date indicating that the course has been reviewed within the last two years to verify the currency of the content. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

87.1

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional ~~eight~~ four hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).



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## **Attachment 2**

### **Current Regulatory Language**

#### **§ 87. Basic Requirements.**

##### **(a) 80 Hours.**

As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of qualifying continuing education as described in Section 88 in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section 89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status after December 31, 2011, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in subject areas as described in Section 88(a)(1).

##### **(b) Ethics Continuing Education Requirement**

A licensee renewing a license in an active status after December 31, 2009 shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in course subject matter specified pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Courses must be a minimum of one hour as described in Section 88.2.

##### **(c) Government Auditing Continuing Education Requirement.**

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

##### **(d) Accounting and Auditing Continuing Education Requirement.**

A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. If no report is

issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.

(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

(f) New Licensees.

(1) A licensee receiving an initial license shall be required to complete 20 hours of continuing education as described in Section 88, for each full six month interval in the initial license period as a condition of renewing a license in an active status.

(2) A licensee engaged in governmental auditing, as described in subsection (c), at any time during the initial license period shall complete six hours of governmental continuing education, as described in subsection (c), as part of each 20 hours of continuing education required for renewing the license in an active status. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (f)(3).

(3) A licensee who provides audit, review, compilation, or attestation services, as described in subsection (d), at any time during the initial license period shall complete six hours of accounting and auditing continuing education, as described in subsection (d), as part of each 20 hours of continuing education required for renewing the license in an active status.

(4) If the initial license period is less than six full months, there is no continuing education required for renewing the license in an active status.

(g) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Note: Authority cited: Section 5027, Business and Professions Code. Reference: Sections 5026, 5027, 5028 and 5051, Business and professions Code.

### **§ 87.1. Conversion to Active Status Prior to Renewal.**

(a) A licensee who has renewed his/her license in an inactive status may convert the license to an active status prior to the next license expiration date by (1) completing 80 hours of continuing education credit as described in Section 88, to include the Ethics Continuing Education Requirement described in Section 87(b), within the 24-month period prior to converting to active status, of which a minimum of 20 hours shall be completed in the one-year period immediately preceding conversion to an active status, with a minimum of 12 hours in subject areas described in subsection (a)(1) of Section 88; (2) completing the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course; (3) applying to the Board in writing requesting to convert the license to an active status; and (4) completing any continuing education that is required pursuant to subsection (j) of Section 89. The licensee may not practice public accounting until the application for conversion of the license to an active status has been approved.

(b) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental accounting and

auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (c).

(c) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of the 80 hours of continuing education required to his/her license to an active status under subsection (a).

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).

(e) Once a license is converted to an active status, the licensee must complete 20 hours of continuing education as described in Section 88 for each full six month period from the date of license conversion to an active status to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of change to an active status and the next license expiration date is less than six full months, no additional continuing education is required for license renewal.

(f) Once a license is converted to an active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of governmental continuing education as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (g).

(g) Once a license is converted to an active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).

Note: Authority cited: Sections 5010 and 5027, Business and Professions Code. Reference: Section 5028, Business and Professions Code.



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**CPC Item IV.**  
January 26, 2012

**CBA Item X.B.4.**  
January 26-27, 2012

## **Discussion on Initiating a Rulemaking to Amend Title 16, CCR Sections 40 and 45 – Peer Review**

**Presented by:** April Freeman, Peer Review Analyst  
**Date:** December 29, 2011

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### **Purpose of the Item**

The purpose of this item is to provide California Board of Accountancy (CBA) members an opportunity to discuss proposed amendments to peer review regulations.

### **Action Needed**

The CBA will be asked to approve the proposed regulations and direct staff to initiate the rulemaking process to amend Title 16, CCR Sections 40 and 45, and Form PR-1, regarding the peer review reporting requirements.

### **Background**

Effective January 1, 2010, AB 138 required accounting firms performing accounting and auditing (A&A) services to undergo a peer review once every three years as a condition of license renewal. Based on decisions made by the CBA in 2009, staff drafted regulations to implement mandatory peer review.

### **Comments**

Staff has prepared proposed regulatory language to initiate the rulemaking process for Sections 40 and 45 (**Attachment 1**) and Form PR-1 (**Attachment 2**). The proposed changes would be effective January 1, 2014. The most substantial changes are described as follows:

#### **Section 40**

- Simplifies the language to require that all firms performing A&A services have a peer review completed every three years in order to renew their license.
- Combines subsections (b) and (c) to address all firms that begin performing A&A services since their last renewal date.

#### **Section 45**

- Specifies that all licensees (not just firms) are required to report peer review information to the CBA at the time they renew their license.

- Deletes reporting dates as all reporting will be done at the time of renewal beginning January 1, 2014.
- Adds language to allow for disciplinary action against any licensee that willfully makes any false or misleading statement, in writing, regarding his/her peer review requirement. This would encompass the Form PR-1 and the renewal application.

#### Form PR-1

- Collects identifying information from the licensee prior to requesting information about the need for a peer review. This ensures the CBA staff can identify who submitted the form.
- Allows licensees to indicate the date they completed their first A&A engagement. Licensees who begin performing A&A services during their renewal period have 18 months to complete their peer review and, therefore, may not be able to report results at the time of renewal.

The proposed amendments will:

- Synchronize the peer review reporting date with the renewal period;
- Address the lack of reporting requirements beyond July 1, 2013;
- Address the lack of reporting requirements for new licensees and licensees not previously subject to peer review;
- Eliminate the unnecessary distinction between new licensees and licensees not previously subject to peer review.
- Reduce confusion as licensees are accustomed to reporting information to the CBA during their renewal process;
- Reduce staff workload by eliminating the need for notification and reminder letters separate from the renewal insert information;
- Reduce costs by eliminating separate mailings as described above;
- Clarify and improve the Form PR-1.

#### **Recommendation**

Staff recommends CBA members approve the proposed regulations and direct staff to initiate a rulemaking process for amending CCR Section 40 and 45 and Form PR-1.

#### **Attachments**

1. Propose Regulatory Language
2. Proposed Form PR-1 (1/12) and Form PR-1 (1/10)

**PROPOSED REGULATORY LANGUAGE**

**§ 40. Enrollment and Participation.**

~~(a) Commencing with the operative date prescribed by Section 45(b), a firm performing services as defined in Section 39(a) operating or maintaining an accounting and auditing practice shall have a peer review report accepted by a Board-recognized peer review program within 36 months prior to its first reporting date and have a peer review report accepted by a Board-recognized peer review program once every three years in order to renew its license.~~

~~(b) Each firm licensed after the operative date of this Article that performs services in an accounting and auditing practice shall have a peer review report accepted by a Board-recognized peer review program within 18 months of the completion of the services.~~

~~(c) Should a firm begin performing services as defined in Section 39(a) of this Article after the operative date prescribed by Section 45(b), the A firm performing services as defined in Section 39(a) for the first time shall have a peer review report accepted by a Board-recognized peer review program within 18 months of the date it completes those services. completion of the services.~~

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

**§ 45. Reporting to the Board.**

~~(a) Based on the dates identified in subsection (b), At the time of renewal, a firm licensee shall report to the Board specific peer review information as required on Form PR-1 (1/10)(1/12), which is hereby incorporated by reference.~~

~~(b) The operative date of existing California-licensed firms to begin reporting peer review results shall be based on a firm's license number according to the following schedule: for license numbers ending with 01-33 the reporting date is no later than July 1, 2011; for license numbers ending with 34-66 the reporting date is no later than July 1, 2012; for license numbers ending with 67-00 the reporting date is no later than July 1, 2013.~~

~~(c) A firm licensed after the operative date of this Article that performs accounting and auditing services or a firm not previously required to undergo a peer review shall have a peer review report accepted by a Board-recognized peer review program no later than 18 months after the completion of the services as required by Section 40. Upon the acceptance of the peer review report, the firm shall report specific peer review information to the Board on form PR 1 (1/10). A licensee's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, his/her peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.~~

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



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## PEER REVIEW REPORTING FORM

**Attachment 2**

### LICENSEE/FIRM INFORMATION

1. **Licensee/Firm Name:** \_\_\_\_\_

2. **Business Telephone #:** \_\_\_\_\_

3. **Business E-mail Address:** \_\_\_\_\_

4. **License Number:** \_\_\_\_\_

5. **License Expiration Date:** \_\_\_\_\_

6. **Does the licensee operate as an accounting firm?**

**NO** (Check one below and go to number 15.):

Employee, partner or shareholder of an accounting firm

Employee, partner or shareholder of a non-accounting firm

Employee of the government

Unemployed or retired

Other \_\_\_\_\_

**YES** (Select firm type below):

Sole Proprietorship

General Partnership

Limited Liability Partnership

Corporation

7. **Number of shareholders, partners, owners, and full-time licensees of the firm:**

1     2     3     4

5-10     11-99     100+

8a. **Has the firm performed accounting and auditing services that require a peer review since the last license renewal?**

Yes (Go to number 8b.)

NO (Go to number 15.)

8b. **If the firm completed its first accounting and auditing service within 18 months prior to the expiration date of the license, indicate the date the service was completed:**

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

\_\_\_\_\_  
 (Go to number 15)

### PEER REVIEW INFORMATION

9. **Date Last Peer Review Report Accepted:** \_\_\_\_\_

10a. **Peer Review Report Rating:**

Pass (Go to question 11a.)

Pass w/deficiencies (Go to question 11a.)

Substandard (Go to question 10b.)





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## **PEER REVIEW REPORTING FORM**

### **ACCOUNTING FIRM INFORMATION**

**Do you operate as a firm (including a sole proprietorship)?**

Yes

No (If no, please sign and date on the reverse of the form.)

**Firm Name:** \_\_\_\_\_

**License #:** \_\_\_\_\_ **Expiration Date:** \_\_\_\_\_

**Business Telephone #:** \_\_\_\_\_ **Business E-mail Address:** \_\_\_\_\_

**Firm Type (check one):**

Sole Proprietorship

General Partnership

Limited Liability Partnership

Corporation

**Number of shareholders, partners, owners, and full-time licensees of the firm:**

1     2     3     4

5-10     11-99     100+

**Did your firm perform any accounting and auditing services that require you to undergo a peer review?**

Yes

No (If no, please sign and date on the reverse of the form.)

### **PEER REVIEW INFORMATION**

**1. Date Peer Review Report Accepted:** \_\_\_\_\_

**2a. Peer Review Report Rating:**

Pass (Go to question 3.)

Pass w/deficiencies (Go to question 3.)

Substandard (Go to question 2b.)

**2b. Did your firm submit the peer review report to the Board within the required 45-day reporting period?**

Yes

No (If no, please attach a written explanation as to why the report was not submitted timely.)

**PEER REVIEW INFORMATION (continued)**

~~3a. Was the peer review administered by the California Society of Certified Public Accountants using the American Institute of Certified Public Accountants Peer Review Program?~~

- ~~Yes~~  
 ~~No (If no, see question 3b.)~~

~~3b. Was the peer review administered by another organization using the American Institute of Certified Public Accountants Peer Review Program?~~

- ~~Yes (If yes, please provide the name of the American Institute of Certified Public Accountants administering entity.)~~

- ~~No (If no, please provide the name of the Board-recognized peer review program that administered the peer review.)~~

~~4. What was the highest level of accounting and auditing service your firm provided during the three-year period encompassing your peer review?~~

- ~~Audit~~  
 ~~Review~~  
 ~~Compilations w/disclosures~~  
 ~~Compilations w/o disclosures prepared using GAAP~~  
 ~~Compilations w/o disclosures prepared using OCBOA~~

~~5. What was the cost to have the peer review performed?~~

~~\$ \_\_\_\_\_~~

~~6. How much time did your firm spend preparing for the peer review?~~

- ~~0 days~~  
 ~~1-5 days~~  
 ~~6-10 days~~  
 ~~10+ days~~

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

**Signature**

**Date**



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**LC Item II. CBA Item X.C.2.**  
January 26, 2012 January 26-27, 2012

**Discussion and Possible Action on Draft Language for Changes to  
Business and Professions Code Section 5070.1 – Retired Status**

**Presented by:** Matthew Stanley, Legislation/Regulation Analyst

**Date:** January 6, 2012

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**Purpose of the Item**

Staff is providing members with draft statutory language for a proposed change to the retired status law.

**Action(s) Needed**

The California Board of Accountancy (CBA) will be asked to decide whether to sponsor the draft language.

**Background**

In November, Assembly Member Fiona Ma, author of Assembly Bill (AB) 431, contacted the CBA to inquire if the new retired status would allow for licensees who were granted the prior CBA retired option in the mid-1990s to call themselves retired.

Staff informed Assembly Member Ma that, after that law was repealed in 1999, those licensees could no longer call themselves retired and their license was reflected as canceled. Under the provisions of Business and Professions Code Section 5070.1 (enacted by AB 431), the holder of a canceled license is not eligible to apply for retired status.

Assembly Member Ma indicated that it was her belief that the state made a commitment to those who were previously granted the retired option and she would like to amend the law to allow the state to keep that commitment. She asked if staff could draft statutory language that would achieve this goal. Additionally, she inquired whether the CBA would like to sponsor the legislation.

**Comments**

To assist Assembly Member Ma, staff drafted the statutory language (**Attachment 1**) and provided it to her in December. Staff informed her that the proposal would be presented to the CBA for a decision on whether to sponsor the legislation.

## **Discussion and Possible Action on Pending Legislation Related to Business and Professions Code Section 5070.1 - Retired Status**

Page 2 of 2

In order to address Assembly Member Ma's concern, the proposal would allow the CBA, upon successful application, to reissue in a retired status a previously canceled license to those who were granted retired status under the prior retired status program.

While that amendment may have satisfied the Assembly Member's wishes, it became clear to staff that certain other changes not only made sense, but were desirable as well. These other changes were incorporated into the draft statutory language provided to Assembly Member Ma and are as follows:

- Provide that those who were granted retired status under the previous program only need to meet the requirements that are provided in law, and are exempt from any requirements established in regulation,
- Allow the holders of any canceled license to apply for retired status, and
- Allow the holders of a delinquent license to apply for retired status.

No licensee who is granted retired status is allowed to practice public accountancy unless they go through the restoration process that is being established in the regulations to obtain an active license. This proposal does not make any changes, nor require any changes, to the regulatory proposal that is currently being considered.

### **Recommendation**

Staff recommends that the CBA sponsor the proposed language.

### **Attachment**

Draft Legislative Language



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## Attachment 1

5070.1. (a) The board may establish, by regulation, a system for the placement of a license on a retired status, upon application, for certified public accountants and public accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed by the board.

(b) No licensee with a license on a retired status shall engage in any activity for which a permit is required.

(c) The board shall deny an applicant's application for a retired status license if ~~the permit is canceled or~~ if the permit is suspended, revoked, or otherwise punitively restricted by the board or subject to disciplinary action under this chapter.

~~—(d) Beginning one year from the effective date of the regulations adopted pursuant to subdivision (a), if an applicant's permit is delinquent, the board shall deny an applicant's application for a retired status license.~~

(d)(1) Upon approval of an application for a retired status license from the holder of a license canceled pursuant to section 5070.7, the board shall reissue that license in a retired status.

(2) The holder of a canceled license that was placed in retired status between January 1, 1994 and December 31, 1998, inclusive, shall not be required to meet the qualifications established pursuant to subsection (e), but shall be subject to all the other requirements of this section.

(e) The board shall establish minimum qualifications for a retired status license.

(f) The board may exempt the holder of a retired status license from the renewal requirements described in Section 5070.5.

(g) The board shall establish minimum qualifications for the restoration of a license in a retired status to an active status. These minimum qualifications shall include, but are not limited to, continuing education and payment of a fee as provided in subdivision (h) of Section 5134.



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**CBA Item XI.A.**  
**January 26-27, 2011**

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

**DRAFT**  
**12/9/11**

**MINUTES OF THE**  
**NOVEMBER 17-18, 2011**  
**CBA MEETING**

The Sainte Claire  
 302 South Market Street  
 San Jose, CA 95113  
 Telephone: (408) 295-2000  
 Facsimile: (408) 977-0403

Roll Call and Call to Order.

President Sally Anderson called the meeting to order at 1:05 p.m. on Thursday, November 17, 2011 at the Sainte Claire Hotel in San Jose. The meeting recessed at 5:11 p.m. CBA President Anderson reconvened the meeting at 9:00 a.m. on Friday, November 18, 2011, and the meeting adjourned at 11:26 a.m.

CBA Members

November 17, 2011

Sarah (Sally) Anderson, President	1:05 p.m. to 5:11 p.m.
Marshal Oldman, Vice President	1:05 p.m. to 5:11 p.m.
Leslie LaManna, Secretary-Treasurer	1:05 p.m. to 5:11 p.m.
Diana Bell	1:05 p.m. to 5:11 p.m.
Alicia Berhow	Absent.
Michelle Brough	Absent.
Donald Driftmier	1:05 p.m. to 5:11 p.m.
Herschel Elkins	1:05 p.m. to 5:11 p.m.
Laurence (Larry) Kaplan	1:05 p.m. to 5:11 p.m.
Louise Kirkbride	1:05 p.m. to 5:11 p.m.
Kitak (K.T.) Leung	1:32 p.m. to 5:11 p.m.
Manuel Ramirez	1:05 p.m. to 5:11 p.m.
Michael Savoy	1:05 p.m. to 5:11 p.m.
David Swartz	1:05 p.m. to 5:11 p.m.
Lenora Taylor	1:05 p.m. to 5:11 p.m.

CBA Members

November 18, 2011

Sarah (Sally) Anderson, President	9:00 a.m. to 11:26 a.m.
Marshal Oldman, Vice President	9:00 a.m. to 11:26 a.m.
Leslie LaManna, Secretary-Treasurer	9:00 a.m. to 11:26 a.m.
Diana Bell	9:00 a.m. to 11:26 a.m.
Alicia Berhow	Absent.
Michelle Brough	Absent.
Donald Driftmier	9:00 a.m. to 11:26 a.m.
Herschel Elkins	9:00 a.m. to 11:26 a.m.
Laurence (Larry) Kaplan	9:00 a.m. to 11:26 a.m.
Louise Kirkbride	Absent.
Kitak (K.T.) Leung	9:00 a.m. to 11:26 a.m.
Manuel Ramirez	9:00 a.m. to 11:26 a.m.
Michael Savoy	9:00 a.m. to 11:26 a.m.
David Swartz	9:00 a.m. to 11:26 a.m.
Lenora Taylor	9:00 a.m. to 11:26 a.m.

Staff and Legal Counsel

Dan Rich, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Veronica Daniel, Board Relations Analyst  
Paul Fisher, Supervising Investigative CPA  
Dominic Franzella, Manager, Licensing Division  
Rafael Ixta, Chief, Enforcement Division  
Kari O'Connor, Special Projects Analyst  
Deanne Pearce, Chief, Licensing Division  
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)  
Carl Sonne, Deputy Attorney General, Department of Justice  
Matthew Stanley, Legislation/Regulation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)

Other Participants

Carley Bagatelos, Court Reporter  
Michael Cohn, Administrative Law Judge (ALJ), Office of Administrative Hearings  
Ed Howard, Center for Public Interest Law (CPIL)  
Michael Hurley, California Society of Certified Public Accountants (CalCPA)  
Christopher Jones, California State University (CSU), Northridge  
Cathy Jeppson, CSU, Northridge  
Janell Missy Lee, Petitioner  
Samuel Lemon, CPIL  
Linda McCrone, CalCPA

Pilar Onate-Quintana, KP Public Affairs  
Joseph Petito, The Accountants Coalition  
Jonathan Ross, KP Public Affairs  
Hal Schultz, CalCPA  
Jeannie Tindel, CalCPA

I. Report of the President.

A. 2012 CBA Member Committee Interest Survey.

Ms. Daniel requested that members submit committee interest surveys for 2012 to her attention no later than Friday, December 9, 2011.

B. Resolution for Retiring CBA Member Lenora Taylor.

**It was moved by Mr. Swartz, seconded by Ms. Kirkbride and unanimously carried by those present to adopt the resolution for retiring CBA member Lenora Taylor.**

C. Accounting Education Committee (AEC).

1. Action to Dissolve the AEC Following Submission of the Accounting Study Guidelines in July 2011.
2. Resolutions for AEC Members.

**It was moved by Mr. Ramirez, seconded by Ms. Bell and unanimously carried by those present to approve the resolution to dissolve the AEC and approve resolutions honoring the members of the AEC.**

II. Report of the Vice President.

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

**It was moved by Mr. Oldman, seconded by Ms. Taylor and unanimously carried by those present to adopt the recommendation to reappoint Mary Rose Caras to the EAC.**

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

**It was moved by Mr. Oldman, seconded by Ms. Taylor and unanimously carried by those present to adopt the recommendation to appoint Jenny Bolsky to the QC.**

III. Report of the Secretary/Treasurer.

- A. Discussion of Governor's Budget.
- B. Fiscal Year 2011-12 First Quarter Financial Report.

Ms. LaManna provided an overview of this item (**see Attachment \_\_\_**).

Mr. Ramirez inquired whether the CBA should consider a further reduction to licensing fees in efforts of triggering repayment of loans from the General Fund. Ms. LaManna stated it is anticipated that expenditures will start changing over the next quarter, and she suspects the CBA will be close to breaking even on its budget going forward. Ms. Anderson suggested that discussion on further reducing fees be tentatively placed on agenda for a future meeting. Ms. Anderson further stated that the current focus should be on recruiting to fill vacant positions.

#### IV. Report of the Executive Officer (EO).

- A. Update on Hiring Freeze Exemption Requests.

Mr. Rich stated that the hiring freeze exemption request for the Assistant Executive Officer has been approved and the CBA may move forward with recruitment. Mr. Rich stated that the CBA also received approval to hire one Office Technician and one Investigative CPA. Mr. Rich further stated that hiring freeze exemption requests are currently in process for two Investigative CPA positions and an Office Technician/Executive Officer's Secretary position.

Mr. Ixta reported on activities surrounding the recruitment and hiring for the vacant Investigative CPA positions.

Ms. Bell inquired regarding the CBA's recent successes in obtaining approvals for hiring freeze exemption requests. Mr. Rich stated there was a change to the process with the State and Consumer Services Agency (SCSA). Mr. Rich further stated that with approved workforce reduction plans in place, SCSA now has delegated authority to the DCA to approve hiring freeze exemption requests.

- B. Update on CBA 2010-2012 Communications and Outreach Plan (Written Report Only).

No comments were received for this item.

- C. Proposed Reportable Events/Conditions for Denial of CPA Licensure.

Mr. Fisher provided an overview of this item (**see Attachment \_\_\_**).

Mr. Ramirez stated that he opposes adding bankruptcy as a reportable

event. Mr. Ramirez further stated that CAMICO has requested for the CBA to consider increasing the reportable event threshold for civil action settlements or arbitration awards against the licensee relating to the practice of public accountancy and where the licensee is not insured for the full amount of award from \$30,000 to \$50,000.

CBA members further discussed the request to increase the reportable events threshold and concurred to defer the discussion to take place at a future meeting as it would require a statutory change.

Ms. Shellans stated her opinion that the CBA should not collect bankruptcy information unless there is a specific justifiable reason for requiring the reporting. Ms. Shellans further stated that the Bankruptcy Act protects licensees from disciplinary action as a result of bankruptcy.

CBA members further discussed adding bankruptcy as a reportable event and concurred to maintain the status quo.

D. Financial Accounting Foundation (FAF) Request for Comments on Plan to Establish the Private Company Standards Improvement Council.

Mr. Fisher provided an overview of this item (**see Attachment \_\_\_**).

Ms. Anderson inquired whether the CBA has commented in the past on FAF matters. Mr. Fisher stated that to his knowledge, the CBA has not commented.

Mr. Driftmier stated this matter is outside the scope of the CBA and that licensees and outside societies should comment. Mr. Swartz concurred with Mr. Driftmier's comments.

Mr. Rich stated that staff provided this item before the CBA because NASBA specifically requested for the CBA to comment regarding this matter.

Mr. Schultz stated that CalCPA's governing council voted to support the AICPA's position that there should be an independent board to set generally accepted accounting principles differences for private companies.

The CBA took no action regarding this item.

**At this time, CBA members heard agenda items VIII.A.-VIII.B., IX.A.-IX.C., X.A., X.E., XII.A.-XII.B.1.c., and XII.B.3. (see pages XXX-XXX).**

V. Open Session. Petitions for Reinstatement.

Janell Missy Lee – Petition for Reinstatement of Revoked Certificate.

Ms. Lee appeared before the CBA members to petition for the reinstatement of her revoked certificate.

ALJ Michael Cohn and the CBA members heard the petition and convened into executive closed session to deliberate the matter. ALJ Cohn will prepare the decision.

- VI. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, Proposed Decisions, and Petitions for Reinstatement).

CBA members convened into closed session at 4:20 p.m., and the meeting recessed at 5:11 p.m.

- VII. Regulation Hearing and Possible Action on Proposed Regulations.

- A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 2.8, 9.2, 11, and 11.1 – Accounting Study.

Mr. Stanley read the following statement regarding the regulation hearing into the record:

“This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider adopting regulations to specify and clarify the CBA’s requirements pertaining to accounting education.

“The CBA is contemplating this action pursuant to the authority vested by Sections 5010, 5092, 5093, 5094 and 5094.6 of the Business and Professions Code, authorizing the CBA to amend, adopt, or repeal regulations for the administration and enforcement of the Chapter 1 of Division 3 of the Business and Professions Code.

“For the record, the date today is November 18, 2011 and the time is approximately 9:01 a.m. This hearing is being held at The Sainte Claire, 302 South Market Street in San Jose, California.

“The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today’s hearing. The language of the proposed regulations has been mailed to those who requested it and has been available on the CBA’s website and upon request by other members of the public. Copies of the proposed regulations are available at the back of the room.

“If the CBA has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The

CBA shall be provided and shall consider all written comments received up until 5:00 p.m., October 31, 2011. Anyone who wishes to comment in “writing but does not want to speak today is welcome to do so. If we receive written comments on the proposed regulations, they will be acknowledged and entered into the official record of the rulemaking proceedings.

“Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify by the hearing officer. If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded. Remember, it’s not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion.

“If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the CBA an opportunity to address your comments directly when the CBA makes its final determination of its response to your comments.

“Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed.”

Mr. Howard stated that CPIL supports staff recommendation that the regulation related to internships be changed to be tethered to relevant course work and further suggested that the coursework specifically be in accounting or business and not in other subjects relative to accounting.

Ms. Tindel stated that CalCPA has no objection to Mr. Howard’s recommendation.

Mr. Jones stated that he agrees with Ms. Tindel’s and Mr. Howard’s comments and recommendations.

Mr. Stanley adjourned the regulation hearing at 9:08 a.m.

- B. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Sections 2.8, 9.2, 11, and 11.1 – Accounting Study.

Mr. Stanley provided an overview of this item (**see Attachment \_\_\_**).

**It was moved by Mr. Elkins, seconded by Mr. Swartz and unanimously carried by those present to adopt the staff recommended changes to maintain consistency with the law and to modify Section 11.1(a)(2)(D) to ensure all units are relevant to accounting study per the suggestion made by Mr. Howard. Furthermore, to direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the EO to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice.**

VIII. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Ms. Pearce provided an overview of this item (**see Attachment \_\_\_**).

Mr. Elkins inquired regarding the number of license renewal applications the CBA receives for Public Accountants (PA). Ms. Pearce reported that there are approximately 19 PA licensees.

B. Report on Activities Related to the New Educational Requirements for CPA Licensure set to Take Effect January 1, 2014.

Mr. Franzella provided an overview of this item (**see Attachment \_\_\_**).

Mr. Savoy expressed concern that the requirements are only being addressed with California students. Mr. Franzella stated that letters have been sent to several associations and interested parties in various states. Mr. Franzella further stated that staff is also working with NASBA and AICPA to extend information. Ms. Pearce stated that articles are being planned for publishing in a national journal in efforts to spread this information through media channels.

Mr. Driftmier stated that the CBA website is a great tool to use when presenting this information.

Ms. Anderson inquired whether the Frequently Asked Questions (FAQs) are periodically updated. Mr. Franzella stated that the FAQs are revised as necessary.

Ms. Anderson requested that educational presentations include information on how to satisfy the requirement for two years of experience.

Ms. Anderson suggested that the online webinars be archived for future viewing. Ms. Anderson further acknowledged a minor typo on Attachment 3.

- C. Consideration of Recognizing the Mutual Recognition Agreement Recommended by the Hong Kong Institute of CPAs and the United States International Qualifications Appraisal Board (IQAB).

Ms. Pearce provided an overview of this item (**see Attachment \_\_\_**).

Mr. Leung stated that the members of the Hong Kong Institute of CPAs are held to high standards and it is a respectable organization.

**It was moved by Mr. Oldman, seconded by Mr. Savoy and unanimously carried by those present to adopt the staff recommendation to recognize members of the Hong Kong Institute of CPAs as having satisfied the examination requirement under Section 5082.3 of the Business and Professions Code upon successful completion of the International Qualification Examination.**

- D. Grant/Deny Appeal of Uniform CPA Examination Candidate KD 122701.

Ms. Shellans provided an overview of this item (**see Attachment \_\_\_**).

Mr. Swartz stated that based on the course description, it appears that EMBA 350 – Financial Management would qualify as an accounting subject. Mr. Swartz further stated that the course description for EMBA 330 – Managerial Economics is vague as it relates to accounting.

Mr. Driftmier stated that the CBA has to make a decision based on materials and information provided by staff. Mr. Driftmier further stated it is possible that the course may have already been counted at an undergraduate level.

Ms. Shellans stated that if the CBA desires further research, this matter could be deferred back to staff and reconsidered at a future meeting.

**It was moved by Mr. Ramirez and seconded by Ms. LaManna to grant the appeal.**

After further discussion by CBA members, Ms. Taylor offered a friendly amendment to deny the appeal, but accept course EMBA 350 – Financial Management. Mr. Ramirez accepted Ms. Taylor's friendly amendment and revised his motion as follows:

**It was moved by Mr. Ramirez, seconded by Ms. LaManna and carried by those present to deny the appeal. The CBA will notify the**

**applicant of acceptance of Golden Gate University (GGU) course EMBA 350 – Financial Management as meeting the CBA’s definition for accounting subject requirements as defined by CBA Regulation Section 9.2(b); however, the CBA has denied acceptance of GGU course EMBA 330 – Managerial Economics. Mr. Savoy opposed.**

IX. Report of the Enforcement Chief.

A. Enforcement Case Activity and Aging Report.

Mr. Ixta provided an overview of this item **(see Attachment \_\_\_)**.

Mr. Ramirez inquired regarding the longest pending case. Mr. Ixta stated the longest case is from 2008 and is close to being resolved.

B. Citation and Fine Activity Report.

Mr. Ixta provided an overview of this item **(see Attachment \_\_\_)**.

No comments were received.

C. Reportable Events Report.

Mr. Ixta provided an overview of this item **(see Attachment \_\_\_)**.

Ms. Anderson inquired regarding how many reportable events turn into investigations. Mr. Ixta stated that this information is not available at this time, but will be provided as part of the Reportable Events Report for future meetings.

D. Update on Peer Review Implementation.

Mr. Ixta provided an overview of this item **(see Attachment \_\_\_)**.

Mr. Driftmier inquired whether the reminder letters are being sent to A and G licensees. Mr. Ixta stated that this information is being provided to all licensees.

Ms. Anderson inquired whether renewal applications are cross-referenced to ensure peer review is complete at time of renewal. Mr. Ixta stated that renewal staff has access to the peer review reporting information.

Ms. Pearce stated that language was added to the renewal application regarding the reporting requirement and by signing the form the licensee acknowledges the reporting requirement.

Mr. Ramirez inquired when the sample reviews will take place.

Mr. Ixta stated that the sampling will be generated by the end of the year and review will take place in the first quarter of 2012. Mr. Ixta further

stated that a report will be provided at the May meeting.

#### E. Enforcement Actions on Failed Peer Review Reports.

Mr. Ixta provided an overview of this item (**see Attachment \_\_\_**).

Mr. Ramirez stated the intent of the initial peer review reports was as an educational tool to improve the quality of audit work by firms who are first-time reporters. Mr. Ramirez inquired whether this sentiment has been carried over to the Enforcement Unit. Mr. Ixta stated that investigations are opened on all fail peer review reports and any disciplinary actions are handled on a case-by-case basis, depending on the severity of the conduct.

Mr. Ramirez inquired regarding how many of the 36 failed peer review reports were first time peer reviews. Mr. Ixta stated that staff will research this inquiry and information will be provided at a future meeting.

Mr. Savoy inquired regarding how the public will know whether a firm has failed a peer review. Mr. Ixta stated that two initiatives have been implemented to educate consumers; the Consumer Assistance Handbook has been updated urging consumers to request a peer review report from their CPA, and public radio spots have been broadcasted echoing the same message to consumers.

Ms. Anderson stated that the biggest safeguard is to educate the public to ask for peer reviews.

Mr. Elkins inquired whether there was a pattern of aspects surrounding the 36 fail peer review reports. Mr. Ixta stated that trend analysis will be performed and reported at a future meeting.

Mr. Hurley stated that if a peer reviewer identifies an audit engagement that is substandard, they are required to report the matter upstream. Mr. Hurley further stated that one of the corrective actions is to recall the report, which is how the client becomes aware of the failure.

Mr. Hurley stated that a lot of the fail reports on the compilation side are due to a failure to change reports for SSARS 19. Mr. Hurley stated that while a fail report is issued, consumers are not greatly damaged. Mr. Hurley further stated that the profession is based on people making honest mistakes, and the CBA can expect to see great improvements in the area of peer review over the next three years.

Mr. Howard stated it is premature to infer too much; however, this is a potentially rich source of finding licensees which the CBA needs to take swift action against. Mr. Howard further stated that from a management perspective it is important to ensure the Enforcement Unit is triaging

appropriately and aggressively moving to act in formal enforcement actions.

Mr. Ramirez requested that the research on the number of first-time peer reviews also include information on the scope of services provided on failed peer review reports. Ms. Anderson requested that these findings be provided in table format at the next meeting.

F. Role of the Peer Review Oversight Committee in Developing Peer Review Enforcement Guidelines.

Mr. Ixta provided an overview of this item (**see Attachment \_\_\_**).

Ms. Anderson inquired whether the PROC is testing the work of CalCPA. Mr. Ixta stated that the CBA is providing oversight to CalCPA.

Ms. Anderson recommended that over the next year or two, the CBA should reevaluate the PROC's responsibilities and processes.

X. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC).

There was no report for this item.

B. Committee on Professional Conduct (CPC).

1. Report of the November 17, 2011 CPC Meeting.
2. Discussion on Initiating a Rulemaking to Adopt Title 16, CCR Sections 15, 15.1, 15.2, 15.3, 15.4 and Amend Sections 70, 71, and 87.1 – Retired Status.

Mr. Oldman stated that after reviewing the language and clarifying that the regulations will not be duplicative of existing law, the CPC accepted the proposed language in order to hold a public hearing in January 2012.

**It was moved by Mr. Oldman, seconded by Mr. Elkins and unanimously carried by those present to adopt the CPC's recommendation to approve the proposed regulations and direct staff to initiate the rulemaking process for retired status.**

3. Discussion on Title 16, CCR Sections 87(e) and 87.1(d) – Eight-Hour Fraud Continuing Education (CE) Requirement.

Mr. Oldman stated that while the CPC was in agreement that the course content has not changed and appears repetitive; it also agreed

that the course serves a purpose of putting licensees on notice. The CPC debated incorporating the fraud requirement into the 24 hour A&A requirement, but decided that the full 24 hours is needed for its current purpose. Instead, the discussion centered on reducing the number of hours that would be required. The CPC believes that a reduction in hours would be justified as fraud is now a component of the education provided by schools, whereas it was not prior to the implementation of the eight-hour fraud requirement. Mr. Oldman further stated the CPC discussed whether the CBA could direct providers to keep the information current.

**It was moved by Mr. Oldman, seconded by Mr. Driftmier and unanimously carried by those present to adopt the CPC's recommendation to reduce the Fraud CE requirement from eight to four hours. In addition, to direct staff to draft a new course description so that providers will revise the content of courses to prevent the course from becoming stale.**

Mr. Driftmier stated the importance to note that the profession has increased standards through Statement on Auditing Standards No. 99: Consideration of Fraud in a Financial Statement Audit, commonly known as SAS 99.

4. Discussion on Initiating a Rulemaking to Adopt Title 16, CCR Section 37.5 – Fingerprinting Requirements.

Mr. Oldman stated that the CPC questioned whether traffic infractions needed to be reported to the CBA. Counsel indicated that there may be some infractions that the CBA may wish to be aware of, but that it may wish to raise the \$300 fine threshold so as to avoid being notified of infractions such as red light violations.

Mr. Oldman stated that staff indicated further changes had been made to subsection (b) to strike the word “electronic,” after the words “record of fingerprints,” add the phrase “in compliance with subsection (a),” and to strike the remainder of subsection (b) starting with “to the Department of Justice.”

**It was moved by Mr. Oldman, seconded by Mr. Elkins and unanimously carried by those present to adopt the CPC's recommendation to raise the fine threshold in Section 37.5(c) from \$300 to \$1000. In addition, to adopt the CPC's recommendation to accept the proposed language with modifications to subsection (b), and direct staff to initiate the rulemaking process in order to hold a public hearing in January 2012.**

5. Information Regarding the Collection of Email Addresses from

Licensees.

Mr. Oldman stated that staff will begin drafting language to bring to the CPC next year to require licensees to provide an email address on their application or renewal forms. In the interim, staff is pursuing several avenues to expand the voluntary collection of email addresses including adding an optional item to the licensing renewal applications.

Mr. Oldman further stated that the CPC approved staff's approach on this matter and took no action on this item.

C. Legislative Committee (LC).

There was no report for this item.

D. Peer Review Oversight Committee (PROC).

1. Report of the October 27, 2011 PROC Meeting.

Ms. Corrigan stated that at its October meeting, the PROC discussed its participation in various activities.

Ms. Corrigan stated there is currently a shortage of peer reviewers and that there is a backlog of peer reviews.

Ms. Corrigan stated that the PROC's annual report is scheduled to be presented in March. Ms. Corrigan further stated that the PROC's Procedure Manual is well on its way.

Mr. Ramirez inquired whether the running list of areas of deficiencies could be communicated to the profession. Mr. Ramirez further inquired on what initiatives can be proposed to increase the number of peer reviewers. Ms. Corrigan stated the PROC will look into these inquiries and provide a response at a future meeting.

Ms. McCrone stated that CalCPA has written articles on hot issues and when quality control standards change. Ms. McCrone stated there is also a peer review letter that is available via E-News, as well as webcast videos for peer reviewers. Ms. McCrone further stated that CalCPA is trying to educate both groups on activities and challenges surrounding peer review.

Ms. McCrone stated that she is available to assist the CBA in educating and communicating information to both peer reviewers and firms.

2. Update on Proposed Changes to the American Institute of Certified Public Accountants Standards for Performing and Reporting on Peer

Reviews: Performing and Reporting on Reviews of Quality Control Materials.

Ms. Corrigan provided an overview of this item (**see Attachment \_\_\_**).

Ms. Anderson thanked Ms. Corrigan and the PROC members for their efforts.

E. Enforcement Advisory Committee (EAC).

Report of the November 3, 2011 EAC Meeting.

Mr. Ixta stated that at the November EAC meeting, 16 closed files were reviewed and the EAC concurred with staff conclusion on all 16. Mr. Ixta further stated the EAC held four investigative hearings, one was closed with no discipline, one was closed through issuance of a citation and fine, and two were referred to the Attorney General's Office for possible issuance of an accusation.

Mr. Ixta stated there are two vacancies on the EAC.

F. Qualifications Committee (QC).

1. Report of the October 19, 2011 QC Meeting.
2. Acceptance of 2012 QC Meeting Dates.

Ms. Pearce stated that at the October QC meeting, there were 10 appearances; six were approved and two were not approved. Ms. Pearce stated there were two Section 69 appearances; one was approved and one not approved. Ms. Pearce stated the QC further discussed implementation of a peer training manual as a guideline when performing various reviews. Ms. Pearce further stated that there are a number of additional topics which the QC will discuss over the next few meetings.

**It was moved by Mr. Ramirez, seconded by Mr. Swartz and unanimously carried by those present to accept the QC report and meeting dates for 2012.**

Mr. Driftmier requested an educational presentation on the role of the QC.

XI. Acceptance of Minutes

- A. Draft Minutes of the September 1, 2011 CBA Meeting.
- B. Draft Minutes of the September 22, 2011 CBA Meeting.

- C. Minutes of the May 19, 2011 CPC Meeting.
- D. Minutes of the August 4, 2011 EAC Meeting.
- E. Minutes of the April 27, 2011 QC Meeting.
- F. Minutes of the August 30, 2011 PROC Meeting.

**It was moved by Mr. Ramirez, seconded by Ms. Bell and unanimously carried by those present to accept agenda items XI.A.-F.**

XII. Other Business.

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

There was no report for this item.

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

- 1. Update on NASBA Committees.

- a. Accountancy Licensee Database Task Force.

Ms. Anderson stated that CPAVerify is up and running and NASBA is continuing its efforts in obtaining participation from all jurisdictions.

- b. Board Relevance & Effectiveness Committee.

Mr. Oldman stated the Board Relevance & Effectiveness Committee will meet in December.

- c. Education Committee.

Mr. Driftmier stated that he was appointed to the Education Committee and there is nothing to report at this time.

- 2. Recommendation to Support Carlos Johnson for NASBA Vice Chair Nominee 2012.

**It was moved by Mr. Driftmier, seconded by Mr. Ramirez and unanimously carried by those present to direct staff to prepare and send a letter of support for Mr. Carlos Johnson as Vice Chair Nominee of NASBA**

Ms. Anderson took a moment to acknowledge Dan Rich for his service

to the CBA and wished him well on his upcoming retirement.

3. Proposed Responses to NASBA Regional Director's Focus Questions.

Mr. Rich provided an overview of this item (**see Attachment \_\_\_**).

Mr. Rich stated that staff suggests a revision to the proposed response for Questions #2 to include customer complaints.

**It was moved by Mr. Driftmier, seconded by Ms. Bell and unanimously carried by those present to adopt the proposed responses with suggested revision to NASBA Regional Directors' Focus Questions.**

XIII. Officer Elections.

A. President.

**It was moved by Mr. Swartz, seconded by Mr. Driftmier and unanimously carried by those present to elect Mr. Marshal Oldman as President of the CBA.**

B. Vice President.

**It was moved by Mr. Elkins, seconded by Mr. Swartz and unanimously carried by those present to elect Ms. Leslie LaManna as Vice President of the CBA.**

C. Secretary/Treasurer.

**It was moved by Mr. Leung, seconded by Mr. Ramirez and unanimously carried by those present to elect Mr. Michael Savoy as Secretary/Treasurer of the CBA.**

**At this time, CBA members heard agenda items XIV.B.-XIV.C.**

XIV. Closing Business.

A. Public Comments.\*

Mr. Ramirez expressed thanks to Ms. Anderson for her service as President and welcomed the newly elected CBA officers.

Ms. Taylor stated that she has enjoyed getting to know everyone at the CBA and that her experience as a CBA member has been both interesting and rewarding.

Mr. Schultz thanked Ms. Taylor, Mr. Rich and Ms. Anderson for their

service. Mr. Schultz congratulated the newly-elected CBA officers.

B. Agenda Items for Future CBA Meetings.

Mr. Ramirez requested that staff be directed to seek clarification from GGU regarding the descriptions of courses EMBA 330 and EMBA 350.

Ms. Anderson concurred with Mr. Ramirez and requested that staff provide educational information on steps for determining course acceptance.

Mr. Ramirez commented on New York adopting mobility and indicated the CBA should work towards achieving mobility for California. Mr. Oldman stated this matter is a high priority and that stakeholders are working together in efforts of resolution.

Ms. LaManna requested information regarding types of self-reporting activities that prevent applicants from obtaining a license.

Mr. Elkins requested that staff provide an informational report on the amount of time associated with accomplishing CBA directives.

C. Press Release Focus.

Recent Press Releases.

Ms. Rich stated the topics for consideration in a post-meeting press release include the officer elections and the results of the regulatory hearing.

Adjournment.

President Anderson adjourned the meeting at 11:26 a.m. on Friday, 18, 2011.

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Marshal A. Oldman, Esq., President

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Michael M. Savoy, CPA, Secretary-Treasurer

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



**DEPARTMENT OF CONSUMER AFFAIRS**  
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**CPC Item I.**                      **CBA Item XI.B.**  
January 26, 2012                      January 26-27, 2012

## COMMITTEE ON PROFESSIONAL CONDUCT MINUTES OF THE MEETING

November 17, 2011

**DRAFT**

The Sainte Claire  
302 South Market Street  
San Jose, CA 95113  
Telephone: (408) 295-2000  
Fax: (408) 977-0403

### CALL TO ORDER

Marshal Oldman, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 10:00 a.m. Mr. Oldman requested that the role be called.

#### Present

Marshal A. Oldman, Chair  
Sally Anderson  
Herschel T. Elkins  
Louise Kirkbride  
Leslie LaManna  
Michael M. Savoy  
David Swartz

#### CBA Members Observing

Donald Driftmier

#### CBA Staff and Legal Counsel

Rich Andres, Information Technology  
Veronica Daniel, Executive Analyst  
Dominic Franzella, Manager, Examination Unit  
Paul Fisher, Supervising Investigative CPA  
Rafael Ixta, Chief, Enforcement Division  
Kari O'Connor, Special Projects Analyst  
Deanne Pearce, Chief, Licensing Division  
Dan Rich, Assistant Executive Officer  
Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs  
Matthew Stanley, Legislation/Regulation Analyst

#### Other Participants

Pilar Onate-Quintana, E&Y, PWC, D&T, GT, KPMG  
Joe Petito, The Accountants Coalition

Hal Schultz, CalCPA  
Jeannie Tindel, CalCPA

I. Approve Minutes of the May 19, 2011 CPC Meeting.

**It was moved by Ms. Anderson, seconded by Mr. Swartz and unanimously carried by those present to approve the minutes of the May 19, 2011 CPC meeting.**

II. Discussion on Initiating a Rulemaking to Adopt Title 16, CCR Sections 15, 15.1, 15.2, 15.4, and Amend Sections 70, 71 and 87.1—Retired Status.

Ms. O'Connor presented proposed regulations to implement retired status resulting from the passage of AB 431.

The CPC reviewed the language and asked why language was stricken from Section 15(a). It was clarified by legal counsel that this was done to avoid any duplication of the language as required by the Office of Administrative Law. The CPC discussed whether there was a renewal fee of \$100 for a retired status license. It was clarified that the CPC previously decided that there would be no fee required for renewing a license in a retired status.

**It was moved by Mr. Elkins, seconded by Mr. Swartz and unanimously carried by those present to recommend that the California Board of Accountancy (CBA) approve the proposed regulations and direct staff to initiate a rulemaking process for retired status.**

III. Discussion on Title 16, CCR Sections 87(e) and 87.1(d)—Eight-Hour Fraud Continuing Education (CE) Requirement.

Ms. Pearce presented information regarding the current eight hour fraud CE requirement. This information included why the fraud requirement was established by the CBA in 2003.

The CPC inquired about fraud CE requirements for other states. Staff suggested that a "NASBA Quick Poll" could be sent out to obtain further information on other states' fraud CE requirement if necessary. The CPC discussed that the content of fraud courses does not change often enough, and the courses are repetitive. The CPC deliberated whether the fraud requirement should be included in the 24 hours of accounting and auditing (A&A) CE. The CPC decided that eight hours of fraud is not necessary, and it should be changed to four hours and remain a separate requirement from A&A.

**It was moved by Mr. Swartz, seconded by Ms. Anderson and unanimously carried by those present to recommend that the CBA reduce the fraud CE requirement from eight hours to four hours.**

The CPC directed staff to develop language that will urge providers to make fraud courses more meaningful, and change or update course content every two years.

IV. Discussion on Initiating a Rulemaking to Adopt Title 16, Section 37.5--Fingerprinting Requirements.

Ms. Pearce presented information regarding a fingerprint requirement for licensees. This information included proposed regulatory language for fingerprint requirements.

The CPC inquired if staff have identified how many licensees do not have a record of electronic fingerprint on file with the Department of Justice (DOJ). Staff estimates that

approximately 27,000 licensees do not have a fingerprint record on file, but once the regulations are finalized, a records match with the DOJ database will be conducted. Staff clarified that a livescan receipt will serve as proof that the licensee has complied with the fingerprint requirement. The CPC recommended changing Section 37.5(c), to increase the amount of traffic infractions that must be reported to the CBA from \$300 to \$1,000. The CPC asked about staffing and staff workloads for the fingerprint process. Staff notified members that additional staff will be requested via a budget change proposal. CPC members inquired about which types of crimes would result in denial of licensure. Staff informed the CPC that these are reviewed on a case-by-case basis by the Enforcement Unit.

**It was moved by Ms. Anderson, seconded by Mr. Swartz and unanimously carried by those present to recommend that the CBA approve the draft regulations as modified and direct staff to initiate a rulemaking process for a fingerprinting requirement.**

V. Information on the Collection of E-mail Addresses from Licensees.

Ms. Pearce presented information regarding activities to be addressed to increase the collection of e-mail address from CBA licensees.

The CPC inquired about requiring licensees to submit an e-mail address on applications. Staff and legal counsel clarified that requiring a licensee to obtain an e-mail address, keep the e-mail address current, and notify the CBA of any changes to the e-mail address would require a statutory change, and the collection of e-mail addresses from licensees on any application or form would be a regulatory change. In the interim, staff will explore making changes to forms and applications to allow a licensee or applicant to voluntarily submit an e-mail address. In an effort to increase the number of subscribers to E-news, which will increase the number of e-mail addresses on file for licensees, staff will consider including an informational insert about E-news with the renewal application. The CPC requested that staff check with other state boards to determine if they require the mandatory collection of an e-mail address from licensees.

VI. Comments from Members of the Public.

No comments were received.

VII. Agenda Items for Next Meeting.

No agenda items were identified.

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



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**LC Agenda Item I.**  
**January 26, 2012**

**CBA Agenda Item XI.C.**  
**January 26-27, 2012**

**LEGISLATIVE COMMITTEE  
 MINUTES OF THE MEETING**

**DRAFT**

July 21, 2011

Hilton Pasadena  
 168 South Los Robles Ave.  
 Pasadena, CA 91101  
 Phone: (626) 577-1000  
 Fax: (626) 584-3148

**CALL TO ORDER**

Michelle Brough, Acting Chair, called the meeting of the Legislative Committee (LC) to order at 9:01 a.m. Ms. Brough requested that the role be called.

**Present:**

Michelle Brough, Acting Chair  
 Alicia Berhow  
 Louise Kirkbride  
 Manuel Ramirez  
 Michael Savoy  
 Lenora Taylor

**CBA Members Observing:**

Sally Anderson, President  
 Donald Driftmier  
 Herschel Elkins  
 Larry Kaplan  
 Leslie LaManna  
 K. T. Leung  
 Marshal Oldman  
 David Swartz

**CBA Staff and Legal Counsel**

Patti Bowers, Executive Officer  
 Dan Rich, Assistant Executive Officer  
 Rich Andres, Information Technology  
 Veronica Daniel, Executive Analyst  
 Paul Fisher, Supervising Investigative CPA  
 Dominic Franzella, Manager, Renewal and Continuing Competency (RCC) Unit  
 Rafael Ixta, Chief, Enforcement Division  
 Deanne Pearce, Chief, Licensing Division

Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs  
Carl Sonne, Deputy Attorney General, Department of Justice  
Matthew Stanley, Legislation/Regulation Analyst

Other Participants

Nancy Corrigan, Chair, PROC  
Reuben Davila, Chair, AEC  
Kenny Denny, NASBA  
Cheryl Gerhardt, Chair, EAC  
Ed Howard, CPIL  
Pilar Onate-Quintana, KP Public Affairs  
Joe Petito, The Accountants Coalition  
Hal Schultz, CalCPA  
Jeannie Tindel, CalCPA

- I. Adoption of Draft Minutes of the May 19, 2011, Legislative Committee Meeting **(Michelle Brough, Acting Chair)**.

**It was moved by Mr. Savoy, seconded by Ms. Kirkbride, and carried to adopt the minutes of the May 19, 2011 LC Meeting; Ms. Taylor abstained.**

- II. Update on Bills on Which the CBA Has Taken a Position (AB 229, AB 675, AB 958, AB 991, AB 1193, SB 366, SB 541, SB 706) **(Matthew Stanley)**.

Mr. Stanley provided the LC with an update on several bills. He recommended the CBA maintain its position on SB 541 and SB 706. He informed the LC that AB 229 is no longer relevant to the CBA and recommended that it discontinue following the bill.

**It was moved by Ms. Taylor, seconded by Mr. Savoy, and carried unanimously to recommend that the CBA discontinue following AB 229.**

Mr. Stanley informed the LC that several other bills failed to meet legislative deadlines and were done for the year.

- III. Discussion on Status of AB 431 – Retired Status **(Matthew Stanley)**.

Mr. Stanley provided a status update on AB 431. He indicated that DCA legal counsel had provided staff with its legal objections to including a minimum age requirement in the bill.

Ms. Shellans stated that a minimum age would have an adverse impact on those who did not meet that requirement. She stated that age discrimination is illegal unless there is a legitimate State interest in doing so.

The LC discussed whether it wanted to maintain a minimum age requirement and inquired whether a minimum age and/or years served as a CPA would be legal.

Ms. Shellans indicated that it may work to use an “and/or” to make it legal.

The LC inquired how other boards and bureaus handle a retirement age. Ms. Shellans indicated that they do not use an age without a legitimate State interest.

Ms. Kirkbride stated that this may not be a problem since the CBA had decided to limit the number of times a licensee may opt for retired status.

The LC discussed what steps would need to be taken to remove the minimum age reference from the bill. Mr. Stanley indicated that staff would simply ask the author to remove it.

**It was moved by Mr. Ramirez, seconded by Ms. Taylor, and carried unanimously to recommend that the CBA direct staff to request that the author remove reference to a minimum age and time in service as a CPA from AB 431.**

IV. Reconsideration of Positions on Legislation (**Matthew Stanley**).

A. AB 410 – Regulations: narrative descriptions.

Mr. Stanley stated that this bill has been amended and is no longer applicable to the CBA.

**It was moved by Ms. Taylor, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA discontinue following AB 410.**

B. SB 103- Teleconferencing.

Mr. Stanley indicated that this bill has been amended to prohibit a member from requesting a teleconference meeting simply for convenience.

The LC discussed how easily this could still be abused. The LC took no action on this item, but directed staff to express to the author its appreciation for being willing to work on the bill and express the CBA’s reasons for its continued opposition.

C. SB 306- Safe Harbor Extension.

Mr. Stanley stated that this bill was amended to more specifically describe what qualifies as temporary and incidental practice. He further stated that the author would like to add an urgency clause to the bill.

Ms. Shellans stated that this amendment would change the scope of the CBA's jurisdiction under the Accountancy Act.

Ms. Tindel stated that it is in the CBA's authority to determine what constitutes the practice of public accountancy.

**It was moved by Mr. Ramirez, seconded by Ms. Taylor, and carried unanimously to recommend that the CBA continue to support SB 306 and support the addition of an urgency clause to SB 306.**

D. SB 543- Sunset Review.

Mr. Stanley indicated that SB 542 has been amended to no longer impact the CBA, and that its contents regarding the CBA's sunset review have been amended into SB 543.

**It was moved by Mr. Ramirez, seconded by Ms. Taylor, and carried unanimously to recommend that the CBA support SB 543 and discontinue following SB 542.**

V. Public Comments for Items Not on the Agenda.

No comments were received.

VI. Agenda Items for Next Meeting.

No agenda items were identified.

There being no further business, the meeting was adjourned at 9:37 a.m.



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**CBA Item XI.D**  
**January 26-27, 2012**

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**  
**PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**MINUTES OF THE**  
**October 27, 2011**  
**PROC MEETING**

DoubleTree by Hilton San Jose  
2050 Gateway Place  
San Jose, CA 95110  
Telephone: (408) 453-4000

PROC Members:

Nancy Corrigan, Chair  
Katherine Allanson  
Gary Bong  
T. Ki Lam  
Sherry McCoy  
Robert Lee  
Seid M. Sadat

Staff and Legal Counsel:

Rafael Ixta, Chief, Enforcement Division  
Kathy Tejada, Manager, Enforcement Division  
April Freeman, Peer Review Analyst

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:30 a.m.

II. Report of the Committee Chair.

A. Approval of August 30, 2011 Minutes.

Ms. Corrigan asked members if they had any changes or corrections to the minutes of August 30, 2011, PROC meeting. Ms. Corrigan requested that the third paragraph of Item II.C. be revised to refer to Minnesota and Texas' procedures manuals. She added that she has confirmed that Texas does not have a procedures manual.

Sherry McCoy requested that the year be added to the motion under Item II.A.

**It was motioned by Katherine Allanson, seconded by Robert Lee, and unanimously carried by those present to adopt the minutes of the August 30, 2011 PROC meeting as revised.**

B. Report on the September 22, 2011 CBA Meeting

Ms. Corrigan summarized her report to the California Board of Accountancy (CBA) at its September 22, 2011 meeting. She advised the CBA of the PROC's accomplishments. Her report also included information concerning several PROC members' attendance at a recent peer reviewer training course, the status of the PROC procedures manual, the American Institute of Certified Public Accountants' (AICPA) White Paper, and the conflicts of interest issue.

Ms. Corrigan reported to the CBA that, although she could not attend the National Association of State Boards of Accountancy's (NASBA) PROC Summit, materials developed by the CBA PROC were sent to NASBA for use during the Summit's discussions. She was proud to report that states such as Texas, who provided their materials to the CBA PROC, have shown interest in using the improved materials to upgrade their own peer review oversight processes and procedures.

Ms. Corrigan advised that the CBA approved the PROC's 2012 meeting dates and thanked PROC members for their hard work.

Ms. Corrigan also explained that the PROC was assigned to review the American Institute of Certified Public Accountants' (AICPA) Exposure Draft on Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Reviews of Quality Control Materials, to determine if comments in addition to those in the CBA's September 26, 2011 letter are necessary.

C. Report on Conflicts of Interest Issue.

Ms. Corrigan advised PROC members that the Department of Consumer Affairs (DCA) Legal Office has reviewed the duties of the PROC and determined that it is not a conflict of interest for PROC members to perform peer reviews. She reminded members that they cannot participate in any discussion involving peer reviews that they or their firm performed.

Gary Bong questioned whether there is a conflict of interest with his firm performing the audit of the CalCPA. Mr. Ixta responded that, although the question was not initially posed to DCA, he has subsequently inquired about that scenario and has been advised that it is not a conflict.

Robert Lee requested clarification as to whether a PROC member can be a firm owner/partner and be a peer reviewer.

**It was motioned by Robert Lee, seconded by Gary Bong, and unanimously carried by those present to direct staff to seek guidance from DCA Legal Office regarding whether a PROC member can be a firm owner/partner and be a peer reviewer, and whether a PROC member can be an owner/partner in a firm that audits a Board-recognized peer review program provider.**

Ms. Corrigan suggested that a representative from the DCA Legal Office attend a PROC meeting to answer any additional questions if necessary.

### III. Report on PROC Activities

#### A. Report on the October 20-21, 2011 CalCPA Peer Review Committee (PRC) Meeting.

Ms. Corrigan and Seid Sadat attended the meeting. Mr. Sadat stated that the meeting was very informative and he learned a lot, although he felt that the PRC members were subdued by the PROC's presence. He further commented that it is difficult to observe a report acceptance body (RAB) meeting without documentation. He added that states such as Kansas are able to review all relevant documents prior to a meeting. Mr. Sadat questioned if the PROC should only be observing these meetings and what should happen if a PROC member observes a problem.

Ms. Corrigan added that the PRC is technically very capable, and has a wealth of knowledge. She observed that the members try to bridge the gap between their own and AICPA's interpretation of the standards, and attempt to resolve problems with peer reviewers. Ms. Corrigan believes the PRC demonstrates concern about maintaining quality of peer reviews.

Mr. Sadat questioned CalCPA's procedures for handling underperforming peer reviewers who have numerous open engagements. Linda McCrone explained the AICPA's procedures for peer reviewer oversight and the steps of due process. She stated that if they can't get resolution, they issue a final letter advising the reviewer that they are no longer authorized to perform peer reviews. She explained that CalCPA ensures that any open engagements are reassigned to another firm or CalCPA's CART program for the completion at the original rate charged.

Members discussed, and Ms. McCrone agreed, that limiting the number of peer reviews accepted by a peer reviewer under oversight should be considered. Mr. Lee also suggested that the CBA should be notified when a peer reviewer is removed from the program.

Mr. Ixta stated that a more in depth look at how CalCPA is handling peer reviewers can be accomplished during the administrative site visit. He reminded members that the PROC's job is to look at the big picture concerning CalCPA's processes, which may lead to CalCPA modifying their procedures, timelines, etc.

Mr. Sadat emphasized the PROC's need for access to CalCPA's information and suggested staff research how other states, such as Kansas and Missouri, handle the confidentiality of such documents. Mr. Lee believes it is appropriate to inform the CBA that the confidentiality issue continues to prevent the PROC from doing its job effectively. Ms. Allanson suggested only taking temporary possession of the materials.

**It was motioned by Robert Lee, seconded by T. Ki Lam, and unanimously carried by those present to direct staff to revisit the issue of confidentiality and how California laws are limiting the PROC's ability to carry out its duties.**

Mr. Ixta clarified the difference between the PROC's objective and enforcement actions. He explained the complaint process and when accusations are filed. He reiterated that the CBA has a responsibility to identify substandard peer reviewers who continue to practice public accountancy to ensure they are competent.

B. Report on September 20, 2011 CalCPA Report Acceptance Body (RAB) Meeting.

Mr. Sadat and Ms. Allanson participated in the meeting via teleconference. Mr. Sadat restated that he needs the documentation in order to participate effectively. Ms. Allanson stated she had access to the documents at CalCPA's Glendale office.

C. Report on the October 6, 2011 AICPA's Peer Review Board (PRB) Meeting.

Mr. Lee and Ms. Allanson participated in the meeting via teleconference. Mr. Lee acknowledged that the members were very passionate. Ms. Allanson reported on the heated discussion concerning the early implementation of SSARS 19.

IV. Reports and Status of Peer Review Initial Implementation.

A. Update on Proposed Legislative Language to Extend the Sunset Date on Mandatory Peer Review.

Kathy Tejada advised members that Senate Bill 543 has been signed by the Governor making the PROC permanent.

B. Statistics of Licensees who have Reported their Peer Review Information to the CBA.

Ms. Tejada reported that as of September 27, 2011, 29,141 licensees have reported peer review information. The breakdown is as follows: 2,508 firms required to undergo peer review, 5,642 firms not required to undergo peer review, and 20,991 licensees not operating as a firm.

C. Status of Correspondence to Licensees Regarding Peer Review Reporting and Updates to License Renewal Application.

April Freeman stated that on August 12, 2011, approximately 3,800 deficiency letters were sent to licensees who were required to, but did not, report by July 1, 2011. She added that there are still about 1,500 licensees who have not reported. Mr. Ixta stated that licensees who did not report by the deadline will be issued citations with administrative fines.

Members questioned whether licensees who have not had a peer review will be able to renew their licenses. Mr. Ixta explained that the renewal form includes a statement that the licensee acknowledges that they have complied with peer review requirements. He added that if a licensee has not had a peer review, their license should not be renewed.

Staff is currently preparing reminder letters to be mailed to licensees who are required to report by July 1, 2012. These letters are expected to be mailed in January 2012.

V. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Freeman gave an overview of the PROC activity tracking sheet. She went over the tasks that are still outstanding, which include performing an administrative site visit, preparing the annual report to the CBA, developing policies for new peer review providers, and performing random samplings of peer review reports.

VI. Discussion of Materials from the August 16, 2011 National Association of State Boards of Accountancy (NASBA) PROC Summit.

Ms. Corrigan discussed additional materials that were provided from the NASBA PROC Summit, in addition to the materials provided under Item II.C. at the August 30, 2011 PROC meeting.

Mr. Ixta called attention to Washington State's application review checklist which can be used as a model when the PROC receives an application from a new peer review program provider. It was also suggested that staff contact other states to determine how they approve new program providers.

Ms. Corrigan believes that the *NASBA Compliance Assurance Committee PROC Report Review for the State of Minnesota (8/30/11 Item II.C. Attachment 6)* can assist the PROC in drafting its Annual Report to the CBA. Mr. Ixta added that the cover sheet (PROC Reports) would also be helpful.

VII. Discussion Regarding PROC Procedures Manual.

Mr. Ixta gave an overview of the changes to the draft PROC Procedures Manual and requested that the PROC move to adopt the manual.

Members suggested that the conflict of interest information, including a template of the letter signed by members, be included in the manual. They also suggested that verbiage concerning CBA staff's role be included, and that the term subcommittee be clarified to mean "report acceptance body."

VIII. Discussion of the AICPA's Exposure Draft on Proposed Revision to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Reviews of Quality Control Materials, August 22, 2011.

Ms. Corrigan explained that the CBA had done a cursory review of AICPA's Exposure Draft and sent a letter of support on September 26, 2011. However, the CBA requested that the PROC take a closer look to determine if the response drafted by CBA staff was appropriate.

Ms. Allanson explained the proposed changes addressed individuals who act as peer reviewers and also create Quality Control Materials (QCM) or training classes to meet CPE requirements. The old rules required these individuals to have a peer review, whereas the proposed change would only require a peer review for individuals creating QCM, not CPE. Ms. Allanson recommended that the PROC accept the letter originally sent to the AICPA.

**It was motioned by Katherine Allanson, seconded by Seid Sadat, and carried unanimously by those present that the September 26, 2011 letter sent to the AICPA Peer Review Program on behalf of the CBA is acceptable as issued and no further action is necessary.**

IX. Discussion Regarding the PROC's Annual Report on the CBA.

Ms. Corrigan reminded members that the goal is to have the Annual Report submitted to the CBA at the March 2012 meeting. Mr. Ixta stated that he would like to have a first draft of the report by the PROC's December 9, 2011 meeting, with the final draft being adopted at the PROC's February 2012 meeting.

Mr. Ixta requested feedback from members concerning topics that should be included under each section as follows:

- Message from the Committee Chair – Ms. Corrigan agreed that staff could prepare something generic for her to review.
- Background – Mr. Ixta suggested using information similar to the report in the August 30, 2011 Agenda Item II.C. Attachment 6.
- Goals & Objectives – Mr. Ixta suggested goals and objectives be taken from the procedure manual prepared by several PROC members.
- Committee Members & Staff – Self-explanatory.
- Legislation & Regulation – Mr. Ixta suggested preparing a chronology starting with AB138 which created mandatory peer review, emergency regulations, modified regulations, and conclude with SB543 which makes PROC permanent.
- Strategic Plan Accomplishments – Mr. Ixta explained CBA's Strategic Plan and suggested providing information on the accomplishments relating to peer review.
- Statistics – Mr. Ixta suggested using reporting statistics regarding phase I and failed peer reviews. Mr. Corrigan questioned whether those statistics are appropriate for the PROC's report. Ms. Allanson thought it provided a scope for a frame of reference.
- Oversight Activities:
  - Scope of Work – Ms. Corrigan suggested discussing all of the meetings and oversight activities that members have participated in. Some activities will still be in the planning process. Ms. Corrigan suggested clarifying IX.a.vi. concerning withdrawal of recognition of a peer review program provider.
  - Findings and Conclusions – Mr. Ixta suggested these items be left for further discussion at the next meeting.
- Preliminary Survey of Peer Review Survey Results – Mr. Ixta explained that staff will need to start compiling the data that has been submitted. Members thought a discussion of the survey questions would be beneficial.
- Public Affairs & Outreach – Mr. Ixta suggested discussing the letters that were sent, information on the website, and UPDATE articles. Mr. Lee suggested the report make the CBA aware of how much leniency needs to go into this process.
- Peer Review Reporting Database – Item may no longer be relevant.
- Future Considerations – Mr. Lee suggested that staff consider issues that need to be addressed. Ms. McCrone suggested discussing how peer review will be handled after the three year phase in period.

Staff will bring a draft report to the next meeting.

Mr. Bong questioned whether larger firms must go through peer review. Ms. McCrone explained that large firms go through peer review at the national level, administered by the National Peer Review Committee (NPRC) with oversight provided by the NASBA PROC. Mr. Ixta explained that large firms still have to report peer review information to the CBA and the CBA does get copies of the failed peer reviews. Members were concerned that the PROC is not providing oversight to the NPRC and requested that this issue be addressed.

X. Discussion Regarding Procedures for Oversight Checklists.

Mr. Ixta explained the new procedures for submission of the oversight checklists. The section includes all the checklists that have been developed to date. Members are required to submit checklists to the CBA within 30 days of the oversight activity. Checklists will be maintained by the CBA and destroyed subject to normal record retention policies.

**It was motioned by Robert Lee, seconded by Seid Sadat, and carried unanimously by those present to adopt the procedures for submission of oversight checklists.**

XI. Discussion Regarding Peer Review Program Statistics Available from CalCPA.

Ms. McCrone distributed the latest CalCPA statistics concerning peer reviews performed in 2009 and 2010. She answered questions concerning the statistics and PROC members' access to CalCPA's database. Ms. McCrone advised members to ask for the statistics they need, as navigating the database is not straightforward.

Ms. Corrigan added that she and Ms. McCoy visited the CalCPA offices on October 11, 2011 to document their procedures. During that visit, they were able to view the database and ask questions concerning its capabilities.

XII. Discussion Regarding PROC Assignments.

Ms. Corrigan gave additional information about the visit to the CalCPA office and requested feedback from members concerning the timing of the official administrative site visit. Members agreed to target February 2012.

Ms. McCrone added that AICPA's next visit to the CalCPA office is scheduled for November 2012.

XIII. Future Agenda Items.

Agenda items for future meetings:

- Discussion of Oversight of the National Peer Review Committee
- Discussion of Other States' Procedures for Approving Peer Review Program Providers
- PROC Members Reappointments
- Report on October 11, 2011 Visit to CalCPA Office

XIV. Public Comment for Items Not on the Agenda.

Ms. McCrone questioned how the Enforcement Division handles failed peer review reports. Mr. Ixta explained that once a failed report is received, either from the firm or the provider, a letter is sent to the licensee acknowledging the failed report and requesting confirmation of compliance with corrective actions. An investigation is opened to monitor compliance with corrective actions, and to determine if a violation of the Accountancy Act exists and warrants additional investigation. Mr. Ixta stated that failed peer review reports would become subject to the Public Records Act if an investigation were not opened.

Members requested a mechanism for tracking the reasons for failed peer reviews.

XV. Adjournment.

There being no further business, the meeting was adjourned at 2:52 p.m.

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Nancy Corrigan, Chair

April Freeman, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1720.



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Department of Consumer Affairs  
California Board of Accountancy

**CBA Item XI.E**  
January 26-27, 2012

Minutes of Meeting  
October 19, 2011  
CPA Qualifications Committee

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

The regularly scheduled meeting of the Certified Public Accountant Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 a.m. on October 19, 2011 by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair  
Maurice Eckley, Jr., Vice-Chair  
Gary Bong  
Michael Haas (present for closed session only)  
Charles Hester  
Alan Lee  
Kristina Mapes  
Casandra Moore Hudnall  
Robert Ruehl  
James Woyce

Staff Present

Stephanie Hoffman, Licensing Coordinator  
Deanne Pearce, Licensing Division Chief  
Kris Rose, Licensing Manager  
Vicky Thornton, Licensing Coordinator  
Liza Walker, Licensing Manager

QC Members Absent

Carlos Aguila  
Brian Cates  
Ash Shenouda  
Jeremy Smith

## I. CHAIRPERSON'S REPORT

Deanne Pearce, Licensing Division Chief, introduced Liza Walker as the new manager in the Initial Licensing Unit and discussed the transition of managers in the Licensing Division. Mr. Fausto Hinojosa, Chair and Ms. Pearce thanked Kris Rose, who is now the manager in the Renewal Unit, for her work in the Initial Licensing Unit.

A. Approval of the April 27, QC Meeting Minutes.

**It was moved by Charles Hester, seconded by Alan Lee and unanimously carried to adopt the minutes of the April 27, 2011 QC Meeting.**

B. Minutes of the May 19-20, 2011 and July 21, 2011 CBA Meeting.

Copies of the meeting minutes were included with the QC meeting material, for reference purposes.

C. Report of the September 22, 2011 CBA Meeting.

Mr. Hinojosa provided a recap of the September 22, 2011 CBA meeting. Items of interest were reported on, including:

- Ms. Sally Anderson, CBA President, presented Ms. Veronica Daniel, Board Relations Analyst, with the first annual CBA Leadership's Award of Excellence.
- Ms. Patti Bowers, Executive Officer, stated that the CBA has submitted two hiring freeze exemption requests which are under review by the Department of Finance. The exemption requests are for an Investigative CPA and a clerical position in the Administration Division.
- Ms. Lauren Hersh, the CBA Information and Planning Manager, provided an overview of the activities regarding communication and outreach which included information about the Staff Outreach Committee (OC), social media, the *UPDATE* publication, the Consumer Assistance Booklet and E-News.
- The CBA voted to initiate the process to require fingerprinting for all licensees who do not currently have fingerprints on file with the Department of Justice. Staff is performing additional research on ways of accomplishing the fingerprinting requirement.

## **II. INITIAL LICENSING UNIT REPORT**

Liza Walker provided the QC with the Initial Licensing Unit report, which included a breakdown of the number of applications received by license type, processing timeframes and the number of licenses issued under each pathway. The report also included the number of firm applications received and processing timeframes for those applications. The numbers reported were for the time period of July 2011-September 2011. A breakdown of these numbers was included with the meeting materials.

## **III. DISCUSSION AND EDUCATIONAL PRESENTATION RELATED TO CBA REGULATION SECTION 69 AND PERSONAL APPEARANCES**

Ms. Pearce provided the members with an overview of the items that have been identified for discussion at this and future QC meetings regarding the preparation of a Peer Training Manual that can be used by new members and existing members as a guideline when performing Section 69 and Personal Appearance reviews.

The items discussed at the October 19, 2011 QC meeting included the use of electronic media during personal appearances, the instructions given the employer relevant to the completion of the Certificate of Attest Experience, and the staff selection process used for a Section 69 review and personal appearance.

The members discussed the use of electronic media and possibly providing laptop computers for use by the candidates and/or projection screens to allow better viewing. The members had concerns over confidentiality issues, problems with software and the difficulties in providing the candidates with computers. The members concluded that it should be the applicant's responsibility to bring laptop computers or items necessary to enable the committee to view their workpapers electronically.

The issue concerning instructions to the employers when completing the Certificate of Attest Experience was discussed, and while the employers are provided detailed instructions with the form, the members have concerns as to whether or not the employer/supervisor is reading and understanding the instructions. Members suggested that the CBA prepare information for the UPDATE and also post FAQ's on the CBA website in order to reach out to the employer/supervisor to enable better understanding and communication. In addition, members suggested possibly working with CalCPA in having information provided to the licensees through its publications and website.

Staff provided the members with a brief description on how applicants/firms are selected for a Section 69 review. Members were informed that the selection is made on a case by case basis and the reasons vary.

Members concluded that they need to establish benchmarks for Section 69 reviews, decide on an interview format, have an introductory statement to use

when explaining to the candidate why they are being interviewed and have a goal for the interview.

Since there are a number of additional topics identified for discussion by the QC, staff will present some of these items over the course of the next few meetings to allow sufficient time for full consideration and discussion.

#### **IV. PROPOSED MEETING DATES FOR 2012**

The QC discussed future meeting dates for 2012, with the following revision:

- July 18, 2012 meeting changed to August 1, 2012

January 25, April 25 and October 24, 2012, meeting dates remain the same.

**It was moved by Ms. Mapes, seconded by Mr. Hester and unanimously carried to recommend the above proposed 2012 meeting dates, with revision, to the CBA.**

#### **V. Review Files on Individual Applicants [Closed session to review and deliberate on applicant files as authorized by Government Code Section 11126(c)(2), and Business and Professions Code Sections 5022 and 5023.]**

This agenda item was postponed until the next scheduled QC meeting due to time constraints.

#### **VI. PUBLIC COMMENT**

None.

#### **VII. AGENDA ITEMS FOR FUTURE CPA QUALIFICATIONS COMMITTEE MEETINGS**

- Approval of October 19, 2011 QC minutes.

#### **VIII. CONDUCT CLOSED HEARINGS [Closed session in accordance with Government Code Section 11126(c)(2) and (f)(3), and Business and Professions Code Section 5023 to conduct closed hearings to interview individual applicants for CPA licensure].**

C11-031 - Applicant appeared and presented workpapers for her non-public accounting experience. She has 51.5 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-032 - Applicant and his employer appeared and presented workpapers for his public accounting experience. He has 52 months of experience, with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-033 - Applicant and his employer appeared and presented workpapers for his government accounting experience. He has 44.25 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-034 - Applicant appeared and presented workpapers for his non-public accounting experience. Applicant is currently licensed with general experience.

The work reviewed had no deficiencies noted, however the work papers were not complete. The workpapers did not reflect experience in the preparation of and reporting on full disclosure financial statements, nor experience and satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not he will be required to reappear with work papers for the Committee's review.

C11-035 - Applicant's employer appeared for a Section 69 review. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure with the authorization to sign attest reports.

Recommendation: Approve.

C11-036 - Applicant appeared and presented workpapers for public accounting experience. He has 57.25 months of experience, with a 24-month requirement.

The work papers presented lacked evidence of the complete audit process. Deficiencies were found in the planning and preparation of financial statements and disclosures.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not he will be required to reappear with work papers for the Committee's review.

C11-037 - Applicant and his employer appeared and presented workpapers for his non- public accounting experience. He has 24 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-038 - Applicant and her employer appeared and presented workpapers for her non-public accounting experience. She has 24 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-015 - Applicant appeared and presented workpapers for her public accounting experience. She has 49.75 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C10-041 - Applicant's employer appeared for a Section 69 review. Applicant is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was inadequate. The documentation was inadequate and did not support the firm's certification that the work demonstrates satisfactory knowledge of current standards and pronouncements.

The worksheet was not completed and the work reviewed included only one engagement. The workpapers did not reflect experience in the preparation of and reporting on full disclosure financial statements, nor experience and satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not she will be required to reappear with work papers for the Committee's review.

**The following personal appearances and Section 69 reviews took place on May 11, 2011, and are made a part of these minutes.**

C11-016 - Applicant and his employer appeared for a Section 69 review. Applicant has 54.75 months of experience with a 12-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-017 - Applicant appeared and presented workpapers for her public accounting experience. She has 35.5 months of experience with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve

C11-018 - Applicant appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure with the authorization to sign attest reports.

Recommendation: Approve

C11-019 - Applicant and her employer appeared for a Section 69 review. Applicant has 24.25 months of experience with a 24-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-020 - Applicant appeared before the committee. She has 41 months of experience with a non-public accounting employer and 20.75 months of public accounting experience with a 12-month experience requirement.

Though the applicant has a qualifying Certificate of Attest Experience from her public accounting employer, because it is stale-dated she chose to appear but failed to bring the workpapers from her non-public accounting experience.

Recommendation: Defer. Applicant must complete 48-hours of continuing education, augmenting her technical knowledge of accounting and auditing standards. Upon completion and submission of the Certificates of Completion, applicant will be approved for licensure.

**The following personal appearances and Section 69 reviews took place on June 22, 2011, and are made a part of these minutes.**

C11-021 - Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-022 - Applicant appeared and presented workpapers for her non-public accounting experience. She has 43.5 months of experience, with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

**The following personal appearances and Section 69 reviews took place on August 17, 2011, and are made a part of these minutes.**

C11-023 - Applicant appeared and presented workpapers for his non-public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure with the authorization to sign attest reports.

Recommendation: Approve.

C11-024 - Applicant and his employer appeared and presented workpapers for his non-public accounting experience. He has 39.5 months of experience, with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-025 - Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure with the authorization to sign attest reports.

Recommendation: Approve.

C11-026 - Applicant appeared and presented workpapers for his non-public accounting experience. He has 21.25 months of experience, with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-027 - Applicant and her employer/partner appeared for a Section 69 review. Applicant is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was inadequate. The documentation did not support the firm's certification that the work demonstrates satisfactory knowledge of current standards and pronouncements.

There was little or no documentation in regard to the applicant's ability/experience in planning, in the ability to prepare written explanations or comments on the work performed, or the ability to prepare full disclosure financial statements.

Recommendation: Defer. In order to satisfy the experience requirements for the authorization to sign attest reports, the applicant must obtain additional audit experience. Any new experience must be performed under the supervision of a licensee holding a valid active license to practice public accountancy who is

authorized to sign attest reports. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted. A determination will then be made as to whether she needs to reappear with work papers for the QC's review.

Firm has been placed on reappearance status.

**The following personal appearances and Section 69 reviews took place on September 28, 2011, and are made a part of these minutes.**

C11-028 - Applicant appeared and presented workpapers for his non-public accounting experience. He has 79 months of experience, with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-029 - Applicant appeared and presented workpapers for his non-public accounting experience. He has 41.5 months of experience, with a 12-month requirement.

The work papers presented lacked evidence of a complete audit process. Deficiencies were found in the planning and preparation of financial statements and disclosures.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not he will be required to reappear with work papers for the QC's review.

C11-030 - Applicant and his employer appeared for a Section 69 review. Applicant is currently licensed with general experience

The employer's understanding of the Certificate of Attest Experience was inadequate. The documentation did not support the firm's certification that the work demonstrates satisfactory knowledge of current standards and pronouncements.

The work reviewed had no deficiencies noted, however the workpapers were not complete and therefore it was determined that the applicant will need to obtain additional hours of qualifying experience and submit an updated Certificate of Attest Experience. The workpapers did not reflect experience in the preparation of and reporting on full disclosure financial statements, nor experience and

satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to sign attest reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not he will be required to reappear with work papers for the QC's review.

#### ADJOURNMENT

There being no further business to be conducted, the meeting was adjourned at 4:30 P.M. on October 19, 2011. The next meeting of the CPA Qualifications Committee will be held on January 25, 2012.

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Fausto Hinojosa, Chair

Prepared by Vicky Thornton, Licensing Coordinator



**DEPARTMENT OF CONSUMER AFFAIRS**  
CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
SACRAMENTO, CA 95815-3832  
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FACSIMILE: (916) 263-3675  
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**CBA Item XII.B.2.**  
January 26-27, 2012

## **NASBA's Request for Vice Chair Recommendations for 2012-2013**

**Presented by:** Veronica Daniel, CBA Staff

**Date:** January 5, 2012

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### **Purpose of the Item**

The National Association of State Boards of Accountancy (NASBA) Nominating Committee is requesting recommendations from all state boards for Vice Chair of NASBA for the 2012-2013 year. NASBA's cover memorandum with a list of eligible candidates is provided as **Attachment 1**. The deadline to submit recommendations is March 2, 2012.

In November 2011, the CBA voted unanimously to recommend Carlos Johnson as Vice Chair of NASBA. At this time, Walter Davenport is requesting the CBA's endorsement in support of his individual nomination. A copy of Mr. Davenport's resume is provided as **Attachment 2**. Included with Mr. Davenport's resume is an endorsement letter issued by the North Carolina State Board of Certified Public Account Examiners.

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

Should the CBA wish to recommend Mr. Davenport and/or another eligible candidate for NASBA's Vice Chair position, staff may be directed to prepare a letter indicating such and delegate the final language approval to the CBA President prior to the letter being forwarded to NASBA.

### **Background**

Each year, the NASBA Nominating Committee requests recommendations from all state boards for its Vice Chair position. The Vice Chair, in the absence of the Chair, exercises the duties and possesses all the powers of the Chair. The Vice Chair also serves as a member of the Administration and Finance Committee.

### **Comments**

None

### **Recommendation**

Staff has no recommendation regarding this item.

### **Attachment**

1. NASBA's Cover Memo and List of Eligible Candidates
2. Walter Davenport's CV/Resume and Endorsement Letter

# Committee Seeking Vice Chair Recommendations

**December 20, 2011**

The NASBA Nominating Committee is now calling for your Board's recommendation(s) for Vice Chair of NASBA for the 2012-13 year. We would be pleased if your board would discuss possible candidates and recommend one or more persons for consideration by the Nominating Committee.

Under Article IV, Section 3 of NASBA's Bylaws, to be eligible to serve as Vice Chair, an individual must have served as a Director-at-Large or Regional Director for a minimum of one year, but need not be a current member of the Board of Directors at the time of his or her election. No Past Chair is eligible for re-election. For further review of the Amended 2010 bylaws, please [click here](#).

Please mail your Board's recommendation(s) along with a bio or resume to:

Michael T. Daggett, Chair  
NASBA Nominating Committee  
150 4th Avenue North, Suite 700  
Nashville, TN 37219-2417

You may also fax such recommendation(s) to 615-880-4291 or email them to [aholt@nasba.org](mailto:aholt@nasba.org). Your recommendation(s) should be received no later than March 2, 2012. Should you have any questions, please call Anita Holt at 615-880-4202 or you may reach me at [mdaggettcpa@gmail.com](mailto:mdaggettcpa@gmail.com).

Please [click here](#) to access a listing of individuals eligible for Vice Chair to help you with the recommendation process.

As always, we thank you for your interest and participation.

Michael Daggett, CPA  
NASBA Past Chair 2010-2011

## Exhibit A

### NASBA

#### Individuals Eligible for Vice Chair Position

##### (Analysis of Board of Directors From 1995 to 2011/12)

Sheila Birch (OH) Great Lakes Regional Director 1 year, Director at Large 2 years  
Jimmy E. Burkes (MS) Southeast Regional Director 1 year  
Donald Burkett (SC) Middle Atlantic Regional Director, 3 years, Director at Large 2 years  
Gerald Burns (OR) Pacific Regional Directors 3 years, Director at Large 6 years  
Charlie Calhoun (FL) Director at Large 2 years  
Jefferson Chickering (NH) Northeast Regional Director 2 years  
Jacob J. Cohen (MD) Middle Atlantic Regional Director 3 years  
Walter C. Davenport (NC) Middle Atlantic Regional Director 1 year, Director at Large 7 years  
Ellis Dunkum (VA) Middle Atlantic Regional Director 3 years, Director at Large 3 years  
Andrew L. DuBoff (NJ) Director at Large 6 years  
David D. Duree (TX) Southwest Regional Director 1 year  
Gary Fish (IL) Great Lakes Regional Director 2 years  
Sally Flowers (CA) Pacific Regional Director 3 years, Director at Large 1 year  
Robert Fox (NY) Northeast Regional Director 3 years  
Bruce Gamett (NV) Mountain Regional Director 2 years  
Phil Gleason (MN) Central Regional Director 3 years  
Miley (Bucky) Glover (NC) Middle Atlantic Regional Director 2 years  
James W. Goad (AR) Southwest Regional Director 2 years  
Janice L. Gray (OK) Southwest Regional Director 2 years  
Princy Harrison (MS) Southeast Regional Director 3 years  
Harold Hein (CO) Director at Large 3 years  
Claireen Herting (IL) Great Lakes Regional Director 3 years  
Asa Hord (KY) Southeast Regional Director 1 year, Director at Large 3 years  
Donald Howard (MD) Director at Large 2 years  
Richard Isserman (NY) Northeast Regional Director 3 years, Director at large 4 years  
Carlos Johnson (OK) Southwest Regional Director 3 years, Director at Large 2 years  
Don Johnson (NY) Northeast Regional Director 2 years  
Raymond Johnson (OR) Pacific Regional Director 1 year  
John Katzenmeyer (OH) Great Lakes Regional Director 2 years, Director at Large 6 years  
Joe Lawrence (AL) Southeast Regional Director 1 year, Director at Large 3 years  
Telford A. Lodden (IA) Central Regional Director, 3 years  
Ted Long (OH) Great Lakes Regional Director 3 years, Director at Large 4 years  
Jimmie Lee Mason (TX) Director at Large 5 years  
Patrick O'Reilly (OH) Great Lakes Regional Director 1 year  
Kenneth Odom (AL) Southeast Regional Director 3 years, Director at Large 1 year  
Harry Parsons (NV) Mountain Regional Director, 3 years, Director at Large 2 year  
Robert A. Pearson (MO) Central Regional Director 3 years, Director at Large 3 years  
John Peck (IL) Great Lakes Regional Director 2 years  
Selwin Price (IL) Great Lakes Regional Director 1 year  
Will Pugh (TN) Southeast Regional Director 2 years, Director at Large 3 years  
Donald R. Roland (GA) Southeast Regional Director 2 years  
Leonard Sanchez (NM) Southwest Regional Director 3 years, Director at Large 3 years  
Paul Seitz (DE) Mid Atlantic Regional Director 1 year  
Robert Shackleton (CA) Pacific Regional Director 1 year  
Michael Skinner (GA) Southeast Regional Director 3 years  
Kathleen Smith (NE) Central Regional Director 2 year, Director at Large 9 years  
E. Kent Smoll (KS) Central Regional Director, 3 years, Director at Large 2 years  
Beryl Stover (MT) Mountain Regional Director 1 year

Laurie J. Tish (WA) Pacific Regional Director 3 years, Director at Large 1 year  
Kim Tredinnick (WI) Great Lakes Regional Director 2 years  
Karen F. Turner (CO) Mountain Regional Director, 2 years  
George Veily (CT) Northeast Regional Director 3 years, Director at Large 1 year  
Michael Weinshel (CT) Northeast Regional Director, 3 years  
Harris Widmer (ND) Regional Director 3 years, Director at Large 6 years  
Janice Wilson (CA) Director at Large 1 year  
Sandra R. Wilson (AK) Pacific Regional Director, 3 years

VITA

Education:

1970 Morehouse College, Atlanta, GA  
(BA – cum laude – in Business Administration)

Present Occupation:

(2008 – Present) Walter C. Davenport, CPA  
Raleigh, NC  
Consultant / Corporate Director

Past Occupations:

(1998 - 2008) Partner (retired 2008)  
Cherry, Bekaert & Holland, L.L.P.  
Certified Public Accountants and Consultants  
Raleigh, NC  
(Firm-wide Director of Not-For-Profit Industry Group with annual revenues of  
\$12 - \$15 million)

(1988 – 1997) President/CEO/Director/Shareholder  
Garrett & Davenport, P.C.  
Certified Public Accountants  
Raleigh, NC  
(Largest and oldest minority-owned CPA firm in North Carolina. Merged into  
Cherry Bekaert & Holland, L.L.P. effective January 1, 1998)

(1986 – 1988) President and Senior Vice President/Director/Shareholder  
Garrett, Sullivan, Davenport, Bowie & Grant  
Certified Public Accountants, P.A.  
Director-In-Charge, Raleigh, NC

- (1975 – 1986) Senior Vice President/Director/Shareholder  
Garrett, Sullivan & Company  
Certified Public Accountants, P.A.  
Director-In-Charge, Raleigh, NC
- (1974 – 1975) Nathan T. Garrett  
Certified Public Accountant  
Durham, NC
- (1970 – 1974) Arthur Andersen and Company  
Certified Public Accountants  
Atlanta, GA

Professional, Civic and Social Organizations:

Professional:

- American Institute of Certified Public Accountants (AICPA)
- North Carolina Association of Certified Public Accountants (NCACPA)
- Triangle Chapter of the North Carolina Association of CPAs
- AICPA – Minority Recruitment and Equal Opportunity Committee (Past)
- NCACPA – Minority Issues Committee (past)
- National Association of Black Accountants (NABA)
- National Association of State Boards of Accountancy (NASBA)
- AICPA – Board of Examiners (1999 – 2003) (2004 -- 2005)
- National Association of Corporate Directors (NACD)

Professional Licensing Board:

- (1994 – 2003) - North Carolina State Board of Certified Public Accountant Examiners  
President (1995 – 1997) (1998 – 1999)  
Vice President (1997 – 1998)  
Secretary/Treasurer (2002 – 2003)

Civic/ Boards / Committees  
(Past)

- Board of Visitors, St. Augustine's College
- Board of Directors, Raleigh Little Theatre
- Sanderson High School Board Advisory Council (Wake County Board of Education)
- Board of Directors, Wake County Education Foundation (Treasurer)
- Raleigh Convention and Civic Center Task Force
- Wake County Blue Ribbon Revenue Committee
- Board of Directors, Downtown Raleigh Development Corporation
- City of Raleigh Housing Advisory Group
- Board of Directors, Raleigh Chamber of Commerce
- Board of Directors, United Way of Wake County (Treasurer)
- Southeast Raleigh Improvement Commission
- Board of Directors – Shepard's Table Soup Kitchen

(Past – continued)

- Indigent and Uninsured Commission (Wake County)
- Board of Directors – Easter Seal Society of NC (Chairman)
- Rotary Club of Raleigh
- Finance Committee – Triangle United Way
- Board of Directors – The Hospital Alliance for Community Health
- Board of Trustees – Elizabeth City State University (Board Chairman)
- Board of Trustees -- Duke Raleigh Hospital
- Advisory Council – NC State University -- College of Management –  
Department of Accounting

Civic / Boards  
(Present)

- Raleigh City – Advisory Board – BB&T
- Board of Governors -- The University of North Carolina system
- Board of Directors –United Way of the Greater Triangle
- Board of Trustees – Blue Cross Blue Shield of North Carolina
- Board of Directors – National Association of State Boards of Accountancy
- Board of Directors – IntraHealth International, Inc
- Board of Directors – N.C. Center for Nonprofits
- Duke University Health System – Patient Advisory Council

Social:

- Alpha Phi Alpha Fraternity
- Sigma Pi Phi Fraternity
- National Association of Guardsmen – North Carolina Chapter

Honors and Awards

- (1978) Sigma Gamma Rho Sorority  
Awards and Achievements Hall of Fame Recipient  
Category – Pioneer Fields
- (1979) Outstanding Young Man of America
- (1998) North Carolina Hospital Association  
Trustee Service Award

Other Information

- Certificate of Director Education (National Association of Corporate Directors)
- One of three (3) incorporators of Garrett, Sullivan & Company, CPAs, P.A.
- One of five (5) incorporators of Garrett, Sullivan, Davenport, Bowie & Grant  
CPAs, P.A.

- Licensed CPA in North Carolina
- Member of First Baptist Church (Wilmington Street)
  - Church Treasurer ( Past )
  - Board of Trustees ( Vice Chair )
- Current Political Campaign Treasurer For:
  - (1984 – ) Citizens for Dan Blue, N.C. House of Representatives / Senate
  - (1999 – ) Citizens to Elect James West (City Council District C)  
(Wake County Commissioner)
  - (2002) Dan Blue Senate Committee (U.S. Senate)
  - (2004 – ) Jack Nichols for N.C. Senate
  - (2009 – ) Committee to Elect Harold H. Webb County Commissioner
  - (2010 – ) Nichols for County Commissioner (Wake County)
  - (2011 – ) The Judge Wanda Bryant Committee (NC Court of Appeals)
- Past Political Campaign Treasurer for 20 local, state and national campaigns



## North Carolina State Board of Certified Public Accountant Examiners

1101 Oberlin Road, Suite 104 • PO Box 12827 • Raleigh NC 27605 • (919) 733-4222 • Fax (919) 733-4209 • [www.nccpaboard.gov](http://www.nccpaboard.gov)

December 19, 2011

Michael T. Daggett, CPA  
National Association of State Boards of Accountancy  
150 Fourth Avenue North, Suite 700  
Nashville, TN 37219-2417

Dear Mr. Daggett:

As the United States' economy continues to struggle, it is more important than ever that the National Association of State Boards of Accountancy have leaders who are able to guide the state boards of accountancy through this tumultuous time for the accounting profession.

The North Carolina State Board of CPA Examiners (the Board) believes that Walter C. Davenport, CPA, has the knowledge, skills, and experience to successfully help lead NASBA into the future. Licensed as a North Carolina CPA for more than 30 years, Mr. Davenport's involvement with NASBA began during his three terms on our Board. While serving as a member of our Board, Mr. Davenport began attending NASBA's regional and annual meetings and quickly became an invaluable member of committees such as the Meeting & Events Committee, the Licensing Requirement Committee, the Administration & Finance Committee, the Examinations Committee, the Audit Committee, the Nominating Committee, the Strategic Initiatives Committee, the Compliance Assurance Committee, the CPE Advisory Committee, the CPA Licensing Examinations Committee, and the CPA Examination & Administration Committee. Mr. Davenport has served or is serving as Chair of several of these committees. In addition, Mr. Davenport has served as a Middle Atlantic Regional Director and has been a member of the Board of Directors since 2003.

Mr. Davenport is an active member of various professional organizations such as the North Carolina Association of CPAs (NCACPA), the National Association of Black Accountants (NABA), the National Association of Corporate Directors, and the American Institute of CPAs (AICPA). He was a member of the AICPA Board of Examiners from 1999 through 2005.

Michael T. Daggett, CPA

Page 2 of 2

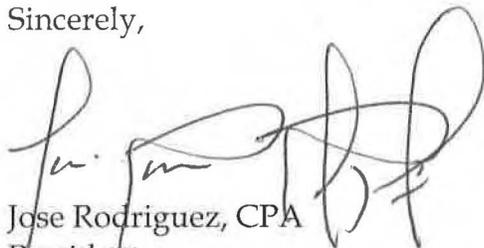
December 19, 2011

His participation in civic organizations is diverse and plentiful—he has served as everything from the treasurer of an elementary school parent-teacher organization to a member of the St. Augustine’s College Board of Visitors. Mr. Davenport has been a member of the board of directors for non-profit organizations such as the United Way, the Easter Seal Society, and the Shepherd’s Table Soup Kitchen; he has been a member of the Raleigh Convention & Civic Center Task Force, the Wake County Indigent & Uninsured Commission, the Board of Directors of Raleigh Little Theater, Elizabeth City State University Board of Trustees, the Southeast Raleigh Improvement Commission, the Board of Trustees for Duke Raleigh Hospital, and the Raleigh Chamber of Commerce. Mr. Davenport is currently serves on the BB&T Advisory Board, the Triangle United Way Board of Directors, the Blue Cross Blue Shield of North Carolina Board of Trustees, the NC Center for Non-Profits Board of Directors, the Duke University Health System Patient Advisory Council, the IntraHealth International, Inc., Board of Directors, and the University of North Carolina Board of Governors.

Mr. Davenport is also active in local and national politics; he has served as campaign treasurer or finance manager for more than 20 candidates for local and/or national office.

Mr. Davenport is an intelligent, conscientious, hardworking professional whose knowledge, skills, and insightful leadership allow him to serve, with excellence, the accounting profession at the local, state, national, and international levels. Whether he is serving on a committee or providing guidance to a client or fellow practitioner, Mr. Davenport demonstrates an incredible desire to serve the public and the accounting profession to the best of his ability. Mr. Davenport is a forward-thinking leader who will help lead NASBA and state boards of accountancy through the complex issues facing the accounting profession. It is with great pride and confidence that the North Carolina State Board of CPA Examiners recommends Walter C. Davenport, CPA, for the position of Vice Chair of NASBA.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jose Rodriguez', with a large, stylized flourish extending to the right.

Jose Rodriguez, CPA  
President

Enclosure

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**CBA Item XIII.C.**

January 26-27, 2012

**Press Release Focus**

**Presented by:** Lauren Hersh/ Information and Planning Manager

**Date:** December 29, 2011

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**Purpose of the Item**

Staff will provide suggestions for an appropriate focus for the press release to be issued following each CBA meeting. This is a dynamic analysis based on the activities of each CBA meeting.

**Action(s) Needed**

No specific action is required on this agenda item

**Background**

There have been five press releases since the November 2011 CBA meeting; one on the election of new officers, three enforcement actions, and one previewing the January 2012 CBA meeting. Additional media relations efforts were conducted directing the press to new laws becoming effective in 2012.

**Comments**

None

**Recommendation**

Staff recommendation will be made at the time of this presentation.

**Attachments**

1. California Board of Accountancy Elects New Officers
2. California Board of Accountancy to Hold Hearings on New Regulations
3. Herschel T. Elkins, Esq. Reappointed to the California Board of Accountancy
4. Enforcement Action News Release



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Attachment 1

## **NEWS RELEASE**

FOR IMMEDIATE RELEASE  
11-23-11

Contact: Lauren Hersh (916) 561-1789

### **CALIFORNIA BOARD OF ACCOUNTANCY ELECTS NEW OFFICERS**

*Approves clarification of new education regulations*

(Sacramento, CA) –The California Board of Accountancy (CBA) elected new leadership at its meeting November 18, 2011 in San Jose. Marshal Oldman, Esq., was elected president of the CBA, Ms. Leslie LaManna, CPA, as vice-president, and Mr. Michael Savoy, CPA, as secretary/treasurer.

Mr. Oldman was appointed to the California Board of Accountancy by Governor Arnold Schwarzenegger in March 2007, and has served as both secretary/treasurer and vice-president of the CBA. He previously served as chair of the Trust and Estate's Section of the Los Angeles County Bar Association, and chair of the Legislative Monitoring Committee of that section. Mr. Oldman is currently a partner in the trust and probate firm Oldman, Cooley, Sallus, Gold, Birnberg & Coleman.

Ms. LaManna was appointed to the California Board of Accountancy by Governor Arnold Schwarzenegger in January 2007. She previously served as secretary/treasurer of the CBA and president of the San Diego Chapter of the California Society of CPAs. Ms. LaManna also served as adjunct professor in accounting for the University of California, San Diego Extension. She is currently a partner in the public accounting firm of LaManna & LaManna, CPAs.

Mr. Savoy was appointed to the California Board of Accountancy by Governor Arnold Schwarzenegger in December 2010, and serves on various CBA committees. He is the immediate past chairman of the board of the Americas Region of BKR International, a member of the finance committee, executive committee and member of the board of the Los Angeles Chamber of Commerce, as well as a member of the Employee Stock Ownership Plan Association. Mr. Savoy is managing director at Gumbiner Savett Inc, and was previously a partner at Savoy & Colin.

In other business, the CBA voted to clarify a provision of the new educational requirements for CPA licensure in California, which are scheduled to take effect January 1, 2014. The CBA decided that under the new regulations, if a student has four units in internships or independent studies that they wish to apply to the new 20 unit requirement, those units must have been in accounting subjects or business subjects as specified in the CBA's existing regulations. The new language will be made available for public comment for a period of 15 days before being finalized into the regulation. Once approved by the Department of Consumer Affairs, the State and Consumer Services Agency and the Office of Administrative Law, the new language would be part of the new education requirements for obtaining a California CPA license beginning January 1, 2014.

*Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.*

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Attachment 2

## PRESS ADVISORY

January 19, 2012  
For Immediate Release

Contact: Lauren Hersh (916) 561-1789

### **CALIFORNIA BOARD OF ACCOUNTANCY TO HOLD REGULATION HEARINGS AT ITS JANUARY MEETING IN IRVINE**

SACRAMENTO- The California Board of Accountancy (CBA) will meet **Thursday, January 26, 2012, 1:00 p.m. – 5:00 p.m. and Friday, January 27, 2012, 9:00 a.m. – 1:00 p.m.** at the **Crowne Plaza Irvine, 17941 Von Karman Ave. Irvine, CA 92614.**

In addition to regular business, the CBA will hold public hearings on three sets of proposed regulations as follows:

- Regulations to create and implement a Retired Status, in accordance with a new law passed by the Legislature and signed by Governor Brown in 2011.
- Regulations requiring written notification to consumers (safe harbor letters) when non-licensees prepare a financial report. The proposed change is to require non-licensees to disclose that they are not required to be licensed by the CBA when preparing these reports.
- Regulations requiring fingerprinting of licensees for whom an electronic fingerprint record is not currently on file with the Department of Justice.

For more information on the proposed regulations, please visit  
[http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml)

Members of the press are invited to attend. Please contact Lauren Hersh @ (916) 561-1789 if you are planning to do so.

The meeting will also be webcast, available at <http://www.cba.ca.gov/webcast/> and access is also available via Twitter @ <http://twitter.com/CBAnews> and Facebook @ <https://www.facebook.com/CBAnews>.

*For immediate news updates via email, subscribe to CBA's E-News at <https://www.cba.ca.gov/forms/enews>.*

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*More information about the California Board of Accountancy is available at [www.cba.ca.gov](http://www.cba.ca.gov)*

# # #



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Attachment 3

## NEWS RELEASE

### HERSCHEL T. ELKINS, ESQ. REAPPOINTED TO THE CALIFORNIA BOARD OF ACCOUNTANCY

SACRAMENTO – The California Board of Accountancy(CBA) has announced the re-appointment of Herschel T. Elkins, ESQ. to the CBA. Mr. Elkins was appointed by the Senate Rules Committee on January 11, 2012. His term expires January 1, 2016.

Mr. Elkins was first appointed to the California Board of Accountancy by the Senate Rules Committee in September 2008, to fill the position on the CBA vacated with the retirement of Dr. Richard Charney. As such, this new term is considered his first term of office, and enables Mr. Elkins to be re-appointed at the expiration of this current term.

“Herschel has been a very engaged and valuable member of the CBA,” said CBA President Marshal Oldman. “I’m glad that we will have him as a member of the CBA for at least another four years.”

Mr. Elkins serves on various CBA Committees. He previously headed the Consumer Law Section in the California Attorney General's Office before retiring as a Special Assistant Attorney General. Mr. Elkins also served on various task forces and investigative committees on consumer protection matters and drafted many of California's consumer protection statutes.

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For immediate news updates via email, subscribe to CBA’s E-News at <https://www.cba.ca.gov/forms/enews>.

More information about the California Board of Accountancy is available at [www.cba.ca.gov](http://www.cba.ca.gov)



**California Board of Accountancy  
Enforcement Action News Release**

Sent to [jim.steinberg@inlandnewspapers.com](mailto:jim.steinberg@inlandnewspapers.com) on December 22, 2011

**Charles Oscar De Simoni, Fontana, CA (Applicant)** has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at [pbowers@cba.ca.gov](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/decisions/index\\_d.shtml#730](http://www.dca.ca.gov/cba/discipline/decisions/index_d.shtml#730)

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Sent to [smccaffrey@acnpapers.com](mailto:smccaffrey@acnpapers.com) (Virginia's Sun Gazette) on January 3, 2012

**Linh Khanh Nguyen Ho, McLean, VA (Applicant)** has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at [pbowers@cba.ca.gov](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/decisions/index\\_h.shtml#749](http://www.dca.ca.gov/cba/discipline/decisions/index_h.shtml#749)

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Sent to [business@latimes.com](mailto:business@latimes.com) on January 3, 2012

**Bolivar Eduardo Rodriguez, Playa Del Rey, CA (CPA 33631) and Stump Davis Greenberg, Accountants Inc., Playa Del Rey, CA (COR 1607)** have been disciplined by the California Board of Accountancy. Please utilize the attached links to the California Board of Accountancy's Web page to access details of these enforcement actions. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at [pbowers@cba.ca.gov](mailto:pbowers@cba.ca.gov) should you have any questions regarding these enforcement actions.

[http://www.dca.ca.gov/cba/discipline/decisions/index\\_r.shtml#543](http://www.dca.ca.gov/cba/discipline/decisions/index_r.shtml#543)  
[http://www.dca.ca.gov/cba/discipline/decisions/index\\_s.shtml#544](http://www.dca.ca.gov/cba/discipline/decisions/index_s.shtml#544)



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**CBA Item VI.A.1.**  
**January 26-27, 2012**

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16,  
CCR Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1, and Adopt New Article 2.5  
Regarding Retired Status**

**Presented by:** Kari O'Connor, Special Projects Analyst  
**Date:** January 3, 2012

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**Purpose of the Item**

Following a public hearing, the California Board of Accountancy (CBA) may discuss and take action to adopt or modify a proposed regulation.

**Action Needed**

Possible adoption of the proposed regulation.

**Background**

After the conclusion of the hearing under **CBA Agenda Item VI.A.**, the next step in the process is that the CBA must act to formally adopt the proposed regulations (**Attachment 1**) outlined in the subject of this memorandum.

**Comments**

The CBA may decide to make changes to the proposed regulations, or it may proceed with adopting the proposal without modification.

- ***If no changes are to be made after the public comment period and hearing closes:***  
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.
- ***If substantive changes are to be made after the public comment period and hearing closes:***  
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice.



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**CBA Item VI.B.**  
**January 26-27, 2012**

## **Regulation Hearing Regarding Title 16, CCR Section 4-Safe Harbor**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** January 3, 2012

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### **Purpose of the Item**

Staff are providing the materials pertinent to the public hearing for the proposed rulemaking. The public hearing for this proposal will be held at the California Board of Accountancy's (CBA) January 2012 meeting.

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

No specific action is required on this agenda item.

### **Background**

At its September 2011 meeting, the CBA directed staff to initiate the rulemaking process to amend the safe harbor language.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on November 29, 2011 and published on December 9, 2011, thus initiating the required 45-day public comment period. January 23, 2012 will mark the end of the public comment period, and on January 27, 2012, a public hearing will be conducted on the proposed regulation. The following attachments will aid in your preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Text of Proposal (**Attachment 2**)
- Initial Statement of Reasons (**Attachment 3**)
- Public Comments (**Attachment 4**)

### **Comments**

During the public hearing, CBA members may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Re-Notice will be required. As of the date of this memo, staff have received three public comments relating to this regulation change. Any additional comments received after the CBA mail out date will be supplied to CBA members at the meeting. The CBA may act to adopt the proposed regulations under **CBA Agenda Item VI.B.1**. Prior to submitting the final regulation package to the OAL, staff will draft responses to any comments and prepare the Final Statement of Reasons for distribution to all persons who provided comments.



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CBA Item VI.B.1.  
January 26-27, 2012

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16,  
CCR Section 4—Safe Harbor Language**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** January 3, 2012

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**Purpose of the Item**

Following a public hearing, the California Board of Accountancy (CBA) may discuss and take action to adopt or modify a proposed regulation.

**Action Needed**

Possible adoption and/or modification of proposed regulation.

**Background**

After the conclusion of the hearing under, the next step in the process is that the CBA must act to formally adopt the proposed regulations (**Attachment 1**) outlined in the subject of this memorandum.

**Comments**

Staff received three public comments (**CBA Agenda Item VI.B, Attachment 4**) expressing concern that the following language be required on prepared Financial Statements: "If compiled, reviewed, or audited financial statements are desired, the services of someone licensed by the California Board of Accountancy would be required." The commenter believes this sentence is negative, and amounts to free advertising for California CPAs.

The CBA may decide to make changes to the proposed regulations, or it may proceed with adopting the proposal without modification.

- **If no changes are to be made after the public comment period and hearing closes:**  
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.
- **If substantive changes are to be made after the public comment period and hearing closes:**



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**CBA Item VI.C.**  
**January 26-27, 2012**

## **Regulation Hearing Regarding Title 16, CCR Section 37.5-Fingerprinting and Disclosure Requirements**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** December 23, 2011

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### **Purpose of the Item**

Staff are providing the materials pertinent to the public hearing for the proposed rulemaking. The public hearing for this proposal will be held at the California Board of Accountancy's (CBA) January 2012 meeting.

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

No specific action is required for this agenda item.

### **Background**

At its November 2011 meeting, the CBA directed staff to initiate the rulemaking process to require fingerprinting for licensees who do not currently have fingerprints on file with the Department of Justice.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on November 29, 2011 and published on December 9, 2011, thus initiating the required 45-day public comment period. January 23, 2012 will mark the end of the public comment period, and on January 27, 2012, a public hearing will be conducted on the proposed regulation. The following attachments will aid in your preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Text of Proposal (**Attachment 2**)
- Initial Statement of Reasons (**Attachment 3**)
- Public Comment (**Attachment 4**)

### **Comments**

During the public hearing, CBA members may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Re-Notice will be required. As of the date of this memo, staff have received one public comment in relation to this regulatory package. Any comments received after the CBA mail out date will be supplied to CBA members at the meeting. The CBA may act to adopt the proposed regulations under **CBA Agenda Item VI.C.1**. Prior to submitting the final regulation package to the OAL, staff will draft responses to any comments and



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**CBA Item VI.C.1.**  
**January 26-27, 2012**

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16**  
**CCR Section 37.5- Fingerprinting and Disclosure Requirements**

**Presented by:** Kari O'Connor, Special Projects Analyst

**Date:** December 23, 2011

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**Purpose of the Item**

Following a public hearing, the California Board of Accountancy (CBA) may discuss and take action to adopt or modify a proposed regulation.

**Action Needed**

Possible adoption and/or modification of proposed regulation.

**Background**

After the conclusion of the hearing under **CBA Agenda Item VI.C.**, the next step in the process is that the CBA must act to formally adopt the proposed regulations outlined in the subject of this memorandum.

**Comments**

Staff would like to request that the change shown to the date on the attached document in double-strikethrough and double-underline (**Attachment 1**) be adopted to meet the Department of Finance's (DOF) requirement that a regulation which requires a Budget Change Proposal (BCP) be submitted simultaneously with that BCP. By moving the operative date to January 1, 2014, this means that the BCP for fiscal year 2013-14 can be submitted in 2012 to coincide with this regulation's submission to DOF.

Additionally, staff received one public comment with questions regarding the clarity of the proposed regulations. No other public comments were received regarding the clarity of these regulations.

The CBA may decide to make changes to the proposed regulations based on any comments received or staff recommendations, or it may proceed with adopting the proposal without modification.

- **If no changes are to be made after the public comment period and hearing closes:**  
Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive



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**CBA Item VII.B.**  
January 26-27, 2012

### **Update on CBA 2010-2012 Strategic Plan**

**Presented by:** Dan Rich, CBA Staff

**Date:** December 20, 2011

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#### **Purpose of the Item**

To keep CBA members informed of strategic planning efforts and activities.

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

No specific action is required on this agenda item.

#### **Background**

The CBA has entered the final year of its current three-year strategic plan, development of which began in January 2009 when the CBA appointed a Strategic Plan Task Force (Task Force), comprised of four CBA members and staff, charged with developing a new strategic plan to guide CBA activities from 2010 through 2012. Following a review of the Mission, Vision, Core Values & Guiding Principles, and Goals & Objectives from the 2005 – 2010 Strategic Plan, the Task Force developed new Mission and Vision statements, and Goals & Objectives, while leaving the Core Values & Guiding Principles intact. The Task Force efforts resulted in the development of the CBA 2010-2012 Strategic Plan, which was adopted by the CBA July 2009.

Members are being provided the “current status” (**Attachment I**) of each of the 45 Objectives contained in the CBA 2010-2012 Strategic Plan. Objectives that have been “achieved” are so noted in the attachment. The remaining Objectives, noted on the attachment as “in process” may well comprise the starting point for development of the next strategic plan, which is anticipated to cover the period 2013-2015. At the January 2012 Executive Leadership Roundtable, staff recommended that development of the CBA 2013-2015 Strategic Plan should again be charged to a task force, once again comprised of CBA members and CBA staff.

#### **Comments**

None

#### **Recommendation**

Staff has no recommendation on this item.

Attachment; CBA 2010-2012 Strategic Plan Update



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**CBA Item VII.C**

January 26-27, 2012

**Update on CBA 2010-2012 Communications & Outreach Plan**

**Presented by:** Lauren Hersh, Information & Planning Manager

**Date:** December 29, 2012

**Purpose of the Item**

To keep CBA members informed of communications and outreach efforts and activities.

**Action(s) Needed**

No specific action is required on this agenda item.

**Background**

As requested by the CBA, staff is providing regular updates regarding the communications and outreach activities which have taken place since the last CBA meeting.

**E-News**

E-News subscriptions have increased by more than 1,700 subscriptions since the last report. The largest increase was notably Exam Applicants, followed by California Licensees and those requesting the delivery of UPDATE via E-News. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

<b>List Name</b>	<b>External</b>	<b>Internal</b>	<b>Total</b>
California Licensee	5,230	43	5,273
Consumer Interest	2,510	48	2,558
Examination Applicant	1,878	38	1,916
Licensing Applicant	2,155	41	2,196
Out-of-State Licensee	1,321	36	1,357
Statutory/Regulatory	4,253	50	4,303
CBA Meeting Info & Agenda Materials	1,735	28	1,763
UPDATE Publication	2,018	8	2,026
<b>Total subscriptions</b>	<b>21,100</b>	<b>292</b>	<b>21,392</b>



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**CBA Item VIII.B.**  
January 26-27, 2012

**Report on Activities Related to the New Educational Requirements for CPA  
Licensure Set to Take Effect January 1, 2014**

**Presented by:** Dominic Franzella, Licensing Manager  
**Date:** January 3, 2012

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**PURPOSE OF THE ITEM**

Staff is providing this item in an ongoing effort to keep members informed on activities being undertaken related to the new educational requirements for licensure set to take effect January 1, 2014.

**ACTION(S) NEEDED**

No specific CBA action is required for this agenda item.

**BACKGROUND**

Staff first began reporting on completed and proposed activities regarding the new educational requirements for licensure to members at the November 2011 meeting. Provided below are updates regarding these activities.

**OVERVIEW OF ACTIVITIES**

**Accounting Study Regulations**

At the November 2011 meeting, the CBA adopted regulatory language for the 20 units of accounting study. At the meeting, members slightly amended the originally noticed text, which subsequently required a 15-day re-notice for the revised text.<sup>1</sup> Staff initiated the 15-day re-notice period by posting the revised text to the CBA website on December 1, 2011. Staff received one comment on the revised text (**Attachment 1**).

With the 15-day re-notice period now expired (December 16, 2011), staff will complete the final steps for the rulemaking file and anticipate submitting the completed file to the Department of Consumer Affairs (DCA) in early to mid February. The submission of the file to DCA begins the standard review process all CBA-related rulemaking files take prior to submission to the Office of Administrative Law (OAL), which makes the final determination on all regulations. Once DCA completes its review, it will send the file to the Secretary of the State and Consumer Services Agency (SCSA) for approval.

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<sup>1</sup> The language change adopted by the CBA requires that any internship/independent study units used for the 20 units of accounting study be completed in accounting or business-related subjects.



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## CALIFORNIA BOARD OF ACCOUNTANCY

ATTACHMENT 2

### OPEN HOUSE

## PROVIDING THE KEYS TO UNDERSTANDING THE NEW LICENSURE REQUIREMENTS SET TO TAKE EFFECT JANUARY 1, 2014

CROWNE PLAZA IRVINE  
 JANUARY 25, 2012  
 4:00-6:00PM

#### AGENDA

<b>4:00PM</b>	MEET & GREET	CBA MEMBERS & STAFF
<b>4:15PM</b>	WELCOME & INTRODUCTIONS	MARSHAL OLDMAN, ESQ., CBA PRESIDENT
<b>4:20PM</b>	REMARKS FROM THE CBA ASSISTANT EXECUTIVE OFFICER	DEANNE PEARCE, ASSISTANT EXECUTIVE OFFICER
<b>4:30PM</b>	PRESENTATION ON THE NEW EDUCATIONAL REQUIREMENTS FOR LICENSURE	DOMINIC FRANZELLA, LICENSING MANAGER
<b>5:15PM</b>	QUESTION & ANSWER SESSION	ATTENDEES
<b>5:50PM</b>	CLOSING REMARKS	MARSHAL OLDMAN, ESQ., CBA PRESIDENT



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**CBA Item IX.D.**  
 January 26-27, 2012

## Update on Peer Review Implementation

**Presented by:** Rafael Ixta, Chief, Enforcement Division

**Date:** December 29, 2011

### Purpose of the Item

Staff is providing this memorandum highlighting actions that have occurred in the peer review program since the November 2011 California Board of Accountancy (CBA) meeting.

### Action Needed

No specific action is required on this agenda item.

### Background

#### **Peer Review Survey**

The CBA has received 1,601 peer review surveys since the survey went live on the CBA's website in December 2010. This is an increase of 103 since the November meeting. The voluntary survey will assist the CBA in collecting information from sole proprietors and small firms to prepare the report that is due to the Legislature and the Governor.

#### **Reporting Statistics**

As of December 20, 2011, 30,338 peer review reporting forms have been submitted to the CBA from licensees in the first two groups of the phase-in period. The reporting forms are categorized as follows:

##### Licenses Ending in 01-33

Peer Review Required	2,083
Peer Review Not Required (firms)	4,103
Peer Review Not Applicable (non-firms)	15,000

##### Licenses Ending in 34-66

Peer Review Required	571
Peer Review Not Required (firms)	1,816
Peer Review Not Applicable (non-firms)	6,765



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**CBA Item IX.E.**  
January 26 - 27, 2012

## **Discussion Regarding Options for Using Administrative Penalties in Disciplinary Cases**

**Presented by:** Rafael Ixta, Chief, Enforcement Division

**Date:** December 23, 2011

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### **Purpose of the Item**

To inform CBA members whether licensees can be required to fund scholarships, donate funds, or provide free continuing education to licensees in a stipulated settlement in lieu of imposing administrative penalties. This issue was deliberated by CBA members at the July 21, 2011 CBA meeting.

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

See recommendation.

### **Background**

Specific questions posed to the DCA Legal Office are noted below along with the legal counsel's responses:

1. Q: Can the CBA require a licensee to establish a scholarship fund, donate funds, or provide CE at no cost to those attending?

*A: Government Code section 11415.60 permits a state agency, including the CBA, to enter into stipulations that would not otherwise be authorized by the agency's laws, provided that it does not violate state or federal law as follows: "The terms of a settlement may not be contrary to statute or regulation, except that the settlement may include sanctions the agency would otherwise lack power to impose." Therefore, the CBA could consider entering into stipulations that would not violate the law or the public policy of the state.*

*Government Code section 19990 provides that a state officer may not engage in any "employment, activity, or enterprise which is clearly inconsistent, incompatible, in conflict with, or inimical to his or her duties as a state officer or employee...Activities and enterprises deemed to fall in these categories shall include:... (a) Using the prestige or influence of the state or the appointing authority for the officer's or employee's private gain or advantage or the private gain of another...(b) Using state time, facilities, equipment, or supplies for private gain or advantage." Section 19990 also mandates that state agencies develop policies setting forth prohibitions and*



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**CBA Item IX.F**  
**January 26-27, 2012**

**RESULTS OF 1<sup>ST</sup> QUARTER**  
**PERFORMANCE MEASURES REPORT TO DCA**

**Presented By:** Rafael Ixta, Enforcement Chief

**Date:** December 22, 2011

---

**Purpose of the Item**

As part of the Department of Consumer Affairs' (DCA) commitment to consumer protection and its ongoing efforts to better serve consumers and licensees, the DCA is improving its enforcement business function.

The attached table displays a list of the performance measures that have been established by the DCA, the CBA target for each of these measures and the results from the CBA's Performance Measures Report for the first quarter (July 1, 2011 – September 30, 2011).

**Action(s) Needed**

No specific action is required on this agenda item.

**Background**

Beginning on July 1, 2010, the DCA began collecting enforcement performance measures from each board and bureau. A set of eight measures was developed along with guidelines for setting targets for these measurements, which the DCA began reporting publicly in October 2010.

**Comments**

None

**Recommendations**

None

**Attachment**



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CPC Item II  
 January 26, 2012

CBA Item X.B.2.  
 January 26-27, 2012

**Discussion on Title 16, CCR Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application, Section 87 – Basic Requirements, Section 87.1 – Conversion to Active Status Prior to Renewal, and Section 88 – Programs Which Qualify**

**Presented by:** Kris Rose, Licensing Manager  
**Date:** January 3, 2012

**Purpose of the Item**

This agenda item is designed to provide information to members on the present Certified Public Accountant (CPA) continuing education (CE) requirements for entry or reentry into the practice of public accountancy to determine whether the requirements should be amended to achieve consistency. Also provided for members' review and reference are the requirements for active status license renewal (**Attachment 1**) and conversion from an inactive to active status license (**Attachment 2**) prior to renewal<sup>1</sup> to determine if revisions are needed.

**Action(s) Needed**

Policy decisions are needed, which will be used to amend the affected regulations.

**Background**

At the January 2011 CPA Qualifications Committee (QC) meeting, members reviewed the education requirements for reissuance of a cancelled license and for applicants with experience obtained five years prior to application (stale dated) to determine if the requirements need amending. Members discussed the 48 hour requirement and whether requirements should be placed on each subject area (for example: 16 hours of auditing standards) to ensure applicants for CPA licensure obtained an adequate amount of education in the appropriate subject areas to ensure consumer protection.

Prior to 2008, an applicant seeking reissuance of a cancelled CPA license was required to complete 120 hours of CE. The basis for the reduction in hours from 120 to 48 was to keep the requirements consistent with the requirements for an applicant who was applying for CPA licensure with stale dated experience. Applicants with stale dated experience are required to complete 48 hours of CE as identified in Sections 12(d) and 12.5(f) of the CBA Regulations (**Attachment 3**).

<sup>1</sup> The requirements for restoration of a retired license will be the same as conversion of an inactive license to active status prior to renewal. This decision was made by members at the November 2011 CBA meeting.



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## Attachment 1

### 87. Basic Requirements.

#### (a) 80 Hours.

As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of qualifying continuing education as described in Section 88 in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section 89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status after December 31, 2011, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in subject areas as described in Section 88(a)(1).

(b) Ethics Continuing Education Requirement A licensee renewing a license in an active status after December 31, 2009 shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in course subject matter specified pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Courses must be a minimum of one hour as described in Section 88.2.

#### (c) Government Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Accounting and Auditing Continuing Education Requirement. A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the



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## Attachment 2

### 87.1. Conversion to Active Status Prior to Renewal.

(a) A licensee who has renewed his/her license in an inactive status may convert the license to an active status prior to the next license expiration date by (1) completing 80 hours of continuing education credit as described in Section 88, to include the Ethics Continuing Education Requirement described in Section 87(b), within the 24-month period prior to converting to active status, of which a minimum of 20 hours shall be completed in the one-year period immediately preceding conversion to an active status, with a minimum of 12 hours in subject areas described in subsection (a)(1) of Section 88; (2) completing the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course; (3) applying to the Board in writing requesting to convert the license to an active status; and (4) completing any continuing education that is required pursuant to subsection (j) of Section 89. The licensee may not practice public accounting until the application for conversion of the license to an active status has been approved.

(b) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental accounting and auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (c).

(c) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of the 80 hours of continuing education required to his/her license to an active status under subsection (a).

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).

(e) Once a license is converted to an active status, the licensee must complete 20 hours of continuing education as described in Section 88 for each full six month period from the date of license conversion to an active status to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of change to an active status and the next license expiration date is less than six full months, no additional continuing education is required for



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### Attachment 3

#### **12(d). General Experience Required Under Business and Professions Code Section 5092 and 5093.**

(d) An applicant who is applying under Section 5092 or Section 5093 of the Business and Professions Code with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include general accounting, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.

#### **12.5(f). Attest Experience Under Business and Professions Code Section 5095.**

(f) The applicant who is applying with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education which shall include financial accounting standards, auditing standards, compilation and review, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.



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## Attachment 4

### CONTINUING EDUCATION REQUIREMENTS FOR OTHER STATE BOARDS OF ACCOUNTANCY

#### Arizona

80 hours every two years if the individual is in public practice, with 38 hours in technical areas (Accounting, Auditing, Tax, Management Advisory, Business Law or any combination thereof) and the remainder of the hours may fall into the Other category. 60 hours if the individual is in industry, with 28 hours in technical areas.

Four hours of Board-approved ethics during the two-year period immediately preceding registration renewal. The 4-hour requirement shall include a minimum of 1 hour of each of the following: Ethics related to the practice of accounting including the American Institute of Certified Public Accountants Professional Code of Conduct; and, Board statutes and administrative rules.

#### Florida

80 hours every two years of continuing professional education credits with at least 20 hours in accounting and auditing and 4 hours of a board approved ethics course and no more than 20 hours in behavioral subjects.

#### New York

Renew triennially based on date of issuance and birth month with a minimum of 40 contact hours per year of acceptable formal continuing education in any of the recognized subject areas, or complete a minimum of 24 contact hours per year of acceptable formal continuing education concentrated in one subject area. Four of the required hours must be in Ethics. Approved subject areas are: Accounting; Auditing; Taxation; Advisory Services; Specialized Knowledge and Applications related to specialized industries; and Ethics.

#### Ohio

The basic continuing professional education requirement to **obtain** or **renew** the Ohio permit is 120 credits over a three-year period. New CPAs holding the Ohio permit are required to report 40 credits over a two-year period. A new CPA licensed in 2011, for example, will have a continuing education reporting period of January 1, 2011 through December 31, 2012 and a requirement of 40 credits.

The following Ohio permit holders must earn 24 CPE credits in accounting or auditing:

- CPAs or PAs who work on financial reporting engagements



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**CPC Item III.**      **CBA Item X.B.3.**  
January 26, 2012      January 26-27, 2012

**Discussion on Initiating a Rulemaking to Amend Title 16, CCR Sections 87(e) and 87.1(d) – Eight-Hour Fraud Continuing Education Requirement**

**Presented by:** Matthew Stanley, Legislation/Regulation Analyst

**Date:** December 23, 2011

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**Purpose of the Item**

Staff is providing members with proposed regulatory language for reducing the fraud continuing education (CE) requirement from eight to four hours.

**Action(s) Needed**

The California Board of Accountancy (CBA) will be asked to provide input and approve the draft regulations and direct staff to initiate the rulemaking process.

**Background**

At its November 2011 meeting, the CBA directed staff to draft regulatory language to reduce the fraud CE requirement from eight hours to four hours. In addition, it requested that staff develop language to ensure the currency and relevance of the course content in order to keep the course fresh. It was pointed out during the meeting that the reduction in CE hours is justified due to the fact that many schools now include fraud detection as a part of their curriculum.

**Comments**

The proposed language (**Attachment 1**) reduces the number of hours of fraud CE from eight to four. In addition, it states that a licensee must take their fraud CE from a provider who maintains the currency of the course. This requirement was put on the licensee rather than the course provider as the CBA has no authority over course providers.

For your information, the full, original language of the affected sections is attached. (**Attachment 2**).

**Recommendation**

Staff recommends that the CBA approve the draft regulations and direct staff to initiate the rulemaking process.

**Attachment**

Proposed Regulatory Language  
Current Text of CBA Regulation Sections 87 and 87.1

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**Attachment 1****Proposed Regulatory Language**

87.

(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) of this section shall also complete an additional ~~eight~~ four hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements. Continuing education required by this subsection shall be obtained from providers using materials that are current; and any description of the course shall contain a publication, revision, or review date indicating that the course has been reviewed within the last two years to verify the currency of the content. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

87.1

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional ~~eight~~ four hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).



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## **Attachment 2**

### **Current Regulatory Language**

#### **§ 87. Basic Requirements.**

##### **(a) 80 Hours.**

As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of qualifying continuing education as described in Section 88 in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section 89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status after December 31, 2011, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in subject areas as described in Section 88(a)(1).

##### **(b) Ethics Continuing Education Requirement**

A licensee renewing a license in an active status after December 31, 2009 shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in course subject matter specified pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Courses must be a minimum of one hour as described in Section 88.2.

##### **(c) Government Auditing Continuing Education Requirement.**

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

##### **(d) Accounting and Auditing Continuing Education Requirement.**

A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. If no report is



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**CPC Item IV.**  
January 26, 2012

**CBA Item X.B.4.**  
January 26-27, 2012

## **Discussion on Initiating a Rulemaking to Amend Title 16, CCR** **Sections 40 and 45 – Peer Review**

**Presented by:** April Freeman, Peer Review Analyst  
**Date:** December 29, 2011

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### **Purpose of the Item**

The purpose of this item is to provide California Board of Accountancy (CBA) members an opportunity to discuss proposed amendments to peer review regulations.

### **Action Needed**

The CBA will be asked to approve the proposed regulations and direct staff to initiate the rulemaking process to amend Title 16, CCR Sections 40 and 45, and Form PR-1, regarding the peer review reporting requirements.

### **Background**

Effective January 1, 2010, AB 138 required accounting firms performing accounting and auditing (A&A) services to undergo a peer review once every three years as a condition of license renewal. Based on decisions made by the CBA in 2009, staff drafted regulations to implement mandatory peer review.

### **Comments**

Staff has prepared proposed regulatory language to initiate the rulemaking process for Sections 40 and 45 (**Attachment 1**) and Form PR-1 (**Attachment 2**). The proposed changes would be effective January 1, 2014. The most substantial changes are described as follows:

#### **Section 40**

- Simplifies the language to require that all firms performing A&A services have a peer review completed every three years in order to renew their license.
- Combines subsections (b) and (c) to address all firms that begin performing A&A services since their last renewal date.

#### **Section 45**

- Specifies that all licensees (not just firms) are required to report peer review information to the CBA at the time they renew their license.



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## PEER REVIEW REPORTING FORM

**Attachment 2**

### LICENSEE/FIRM INFORMATION

1. Licensee/Firm Name: \_\_\_\_\_

2. Business Telephone #: \_\_\_\_\_ 3. Business E-mail Address: \_\_\_\_\_

4. License Number: \_\_\_\_\_ 5. License Expiration Date: \_\_\_\_\_

6. Does the licensee operate as an accounting firm?

**NO** (Check one below and go to number 15.):

Employee, partner or shareholder of an accounting firm

Employee, partner or shareholder of a non-accounting firm

Employee of the government

Unemployed or retired

Other \_\_\_\_\_

**YES** (Select firm type below):

Sole Proprietorship

General Partnership

Limited Liability Partnership

Corporation

7. Number of shareholders, partners, owners, and full-time licensees of the firm:  1  2  3  4  
 5-10  11-99  100+

8a. Has the firm performed accounting and auditing services that require a peer review since the last license renewal?  Yes (Go to number 8b.)  
 NO (Go to number 15.)

8b. If the firm completed its first accounting and auditing service within 18 months prior to the expiration date of the license, indicate the date the service was completed:

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

\_\_\_\_\_  
 (Go to number 15)

### PEER REVIEW INFORMATION

9. Date Last Peer Review Report Accepted: \_\_\_\_\_

10a. Peer Review Report Rating:  Pass (Go to question 11a.)  
 Pass w/deficiencies (Go to question 11a.)  
 Substandard (Go to question 10b.)



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## PEER REVIEW REPORTING FORM

### ACCOUNTING FIRM INFORMATION

Do you operate as a firm (including a sole proprietorship)?

Yes

No (If no, please sign and date on the reverse of the form.)

Firm Name: \_\_\_\_\_

License #: \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Business Telephone #: \_\_\_\_\_ Business E-mail Address: \_\_\_\_\_

Firm Type (check one):

Sole Proprietorship

General Partnership

Limited Liability Partnership

Corporation

Number of shareholders, partners, owners, and full-time licensees of the firm:

1     2     3     4

5-10     11-99     100+

Did your firm perform any accounting and auditing services that require you to undergo a peer review?

Yes

No (If no, please sign and date on the reverse of the form.)

### PEER REVIEW INFORMATION

1. Date Peer Review Report Accepted: \_\_\_\_\_

2a. Peer Review Report Rating:

Pass (Go to question 3.)

Pass w/deficiencies (Go to question 3.)

Substandard (Go to question 2b.)

2b. Did your firm submit the peer review report to the Board within the required 45-day reporting period?

Yes

No (If no, please attach a written explanation as to why the report was not submitted timely.)



**DEPARTMENT OF CONSUMER AFFAIRS**  
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**LC Item II. CBA Item X.C.2.**  
January 26, 2012 January 26-27, 2012

**Discussion and Possible Action on Draft Language for Changes to  
Business and Professions Code Section 5070.1 – Retired Status**

**Presented by:** Matthew Stanley, Legislation/Regulation Analyst

**Date:** January 6, 2012

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**Purpose of the Item**

Staff is providing members with draft statutory language for a proposed change to the retired status law.

**Action(s) Needed**

The California Board of Accountancy (CBA) will be asked to decide whether to sponsor the draft language.

**Background**

In November, Assembly Member Fiona Ma, author of Assembly Bill (AB) 431, contacted the CBA to inquire if the new retired status would allow for licensees who were granted the prior CBA retired option in the mid-1990s to call themselves retired.

Staff informed Assembly Member Ma that, after that law was repealed in 1999, those licensees could no longer call themselves retired and their license was reflected as canceled. Under the provisions of Business and Professions Code Section 5070.1 (enacted by AB 431), the holder of a canceled license is not eligible to apply for retired status.

Assembly Member Ma indicated that it was her belief that the state made a commitment to those who were previously granted the retired option and she would like to amend the law to allow the state to keep that commitment. She asked if staff could draft statutory language that would achieve this goal. Additionally, she inquired whether the CBA would like to sponsor the legislation.

**Comments**

To assist Assembly Member Ma, staff drafted the statutory language (**Attachment 1**) and provided it to her in December. Staff informed her that the proposal would be presented to the CBA for a decision on whether to sponsor the legislation.

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**Attachment 1**

5070.1. (a) The board may establish, by regulation, a system for the placement of a license on a retired status, upon application, for certified public accountants and public accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed by the board.

(b) No licensee with a license on a retired status shall engage in any activity for which a permit is required.

(c) The board shall deny an applicant's application for a retired status license if ~~the permit is canceled or~~ if the permit is suspended, revoked, or otherwise punitively restricted by the board or subject to disciplinary action under this chapter.

~~—(d) Beginning one year from the effective date of the regulations adopted pursuant to subdivision (a), if an applicant's permit is delinquent, the board shall deny an applicant's application for a retired status license.~~

(d)(1) Upon approval of an application for a retired status license from the holder of a license canceled pursuant to section 5070.7, the board shall reissue that license in a retired status.

(2) The holder of a canceled license that was placed in retired status between January 1, 1994 and December 31, 1998, inclusive, shall not be required to meet the qualifications established pursuant to subsection (e), but shall be subject to all the other requirements of this section.

(e) The board shall establish minimum qualifications for a retired status license.

(f) The board may exempt the holder of a retired status license from the renewal requirements described in Section 5070.5.

(g) The board shall establish minimum qualifications for the restoration of a license in a retired status to an active status. These minimum qualifications shall include, but are not limited to, continuing education and payment of a fee as provided in subdivision (h) of Section 5134.



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**CBA Item XI.A.**  
**January 26-27, 2011**

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

**DRAFT**  
**12/9/11**

**MINUTES OF THE**  
**NOVEMBER 17-18, 2011**  
**CBA MEETING**

The Sainte Claire  
 302 South Market Street  
 San Jose, CA 95113  
 Telephone: (408) 295-2000  
 Facsimile: (408) 977-0403

Roll Call and Call to Order.

President Sally Anderson called the meeting to order at 1:05 p.m. on Thursday, November 17, 2011 at the Sainte Claire Hotel in San Jose. The meeting recessed at 5:11 p.m. CBA President Anderson reconvened the meeting at 9:00 a.m. on Friday, November 18, 2011, and the meeting adjourned at 11:26 a.m.

CBA Members

November 17, 2011

Sarah (Sally) Anderson, President	1:05 p.m. to 5:11 p.m.
Marshal Oldman, Vice President	1:05 p.m. to 5:11 p.m.
Leslie LaManna, Secretary-Treasurer	1:05 p.m. to 5:11 p.m.
Diana Bell	1:05 p.m. to 5:11 p.m.
Alicia Berhow	Absent.
Michelle Brough	Absent.
Donald Driftmier	1:05 p.m. to 5:11 p.m.
Herschel Elkins	1:05 p.m. to 5:11 p.m.
Laurence (Larry) Kaplan	1:05 p.m. to 5:11 p.m.
Louise Kirkbride	1:05 p.m. to 5:11 p.m.
Kitak (K.T.) Leung	1:32 p.m. to 5:11 p.m.
Manuel Ramirez	1:05 p.m. to 5:11 p.m.
Michael Savoy	1:05 p.m. to 5:11 p.m.
David Swartz	1:05 p.m. to 5:11 p.m.
Lenora Taylor	1:05 p.m. to 5:11 p.m.



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**CPC Item I.**                      **CBA Item XI.B.**  
 January 26, 2012                      January 26-27, 2012

## COMMITTEE ON PROFESSIONAL CONDUCT MINUTES OF THE MEETING

November 17, 2011

**DRAFT**

The Sainte Claire  
 302 South Market Street  
 San Jose, CA 95113  
 Telephone: (408) 295-2000  
 Fax: (408) 977-0403

### CALL TO ORDER

Marshal Oldman, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 10:00 a.m. Mr. Oldman requested that the role be called.

#### Present

Marshal A. Oldman, Chair  
 Sally Anderson  
 Herschel T. Elkins  
 Louise Kirkbride  
 Leslie LaManna  
 Michael M. Savoy  
 David Swartz

#### CBA Members Observing

Donald Driftmier

#### CBA Staff and Legal Counsel

Rich Andres, Information Technology  
 Veronica Daniel, Executive Analyst  
 Dominic Franzella, Manager, Examination Unit  
 Paul Fisher, Supervising Investigative CPA  
 Rafael Ixta, Chief, Enforcement Division  
 Kari O'Connor, Special Projects Analyst  
 Deanne Pearce, Chief, Licensing Division  
 Dan Rich, Assistant Executive Officer  
 Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs  
 Matthew Stanley, Legislation/Regulation Analyst

#### Other Participants

Pilar Onate-Quintana, E&Y, PWC, D&T, GT, KPMG  
 Joe Petito, The Accountants Coalition



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LC Agenda Item I.  
 January 26, 2012

CBA Agenda Item XI.C.  
 January 26-27, 2012

LEGISLATIVE COMMITTEE  
 MINUTES OF THE MEETING

DRAFT

July 21, 2011

Hilton Pasadena  
 168 South Los Robles Ave.  
 Pasadena, CA 91101  
 Phone: (626) 577-1000  
 Fax: (626) 584-3148

CALL TO ORDER

Michelle Brough, Acting Chair, called the meeting of the Legislative Committee (LC) to order at 9:01 a.m. Ms. Brough requested that the role be called.

Present:

Michelle Brough, Acting Chair  
 Alicia Berhow  
 Louise Kirkbride  
 Manuel Ramirez  
 Michael Savoy  
 Lenora Taylor

CBA Members Observing:

Sally Anderson, President  
 Donald Driftmier  
 Herschel Elkins  
 Larry Kaplan  
 Leslie LaManna  
 K. T. Leung  
 Marshal Oldman  
 David Swartz

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer  
 Dan Rich, Assistant Executive Officer  
 Rich Andres, Information Technology  
 Veronica Daniel, Executive Analyst  
 Paul Fisher, Supervising Investigative CPA  
 Dominic Franzella, Manager, Renewal and Continuing Competency (RCC) Unit  
 Rafael Ixta, Chief, Enforcement Division  
 Deanne Pearce, Chief, Licensing Division



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**CBA Item XI.D**  
**January 26-27, 2012**

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**  
**PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**MINUTES OF THE**  
**October 27, 2011**  
**PROC MEETING**

DoubleTree by Hilton San Jose  
2050 Gateway Place  
San Jose, CA 95110  
Telephone: (408) 453-4000

PROC Members:

Nancy Corrigan, Chair  
Katherine Allanson  
Gary Bong  
T. Ki Lam  
Sherry McCoy  
Robert Lee  
Seid M. Sadat

Staff and Legal Counsel:

Rafael Ixta, Chief, Enforcement Division  
Kathy Tejada, Manager, Enforcement Division  
April Freeman, Peer Review Analyst

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:30 a.m.

II. Report of the Committee Chair.

A. Approval of August 30, 2011 Minutes.

Ms. Corrigan asked members if they had any changes or corrections to the minutes of August 30, 2011, PROC meeting. Ms. Corrigan requested that the third paragraph of Item II.C. be revised to refer to Minnesota and Texas' procedures manuals. She added that she has confirmed that Texas does not have a procedures manual.

Sherry McCoy requested that the year be added to the motion under Item II.A.



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Department of Consumer Affairs  
California Board of Accountancy

**CBA Item XI.E**  
January 26-27, 2012

Minutes of Meeting  
October 19, 2011  
CPA Qualifications Committee

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

The regularly scheduled meeting of the Certified Public Accountant Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 a.m. on October 19, 2011 by QC Chair, Fausto Hinojosa.

#### QC Members Present

Fausto Hinojosa, Chair  
Maurice Eckley, Jr., Vice-Chair  
Gary Bong  
Michael Haas (present for closed session only)  
Charles Hester  
Alan Lee  
Kristina Mapes  
Casandra Moore Hudnall  
Robert Ruehl  
James Woyce

#### Staff Present

Stephanie Hoffman, Licensing Coordinator  
Deanne Pearce, Licensing Division Chief  
Kris Rose, Licensing Manager  
Vicky Thornton, Licensing Coordinator  
Liza Walker, Licensing Manager

#### QC Members Absent

Carlos Aguila  
Brian Cates  
Ash Shenouda  
Jeremy Smith



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**CBA Item XII.B.2.**  
January 26-27, 2012

## **NASBA's Request for Vice Chair Recommendations for 2012-2013**

**Presented by:** Veronica Daniel, CBA Staff

**Date:** January 5, 2012

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### **Purpose of the Item**

The National Association of State Boards of Accountancy (NASBA) Nominating Committee is requesting recommendations from all state boards for Vice Chair of NASBA for the 2012-2013 year. NASBA's cover memorandum with a list of eligible candidates is provided as **Attachment 1**. The deadline to submit recommendations is March 2, 2012.

In November 2011, the CBA voted unanimously to recommend Carlos Johnson as Vice Chair of NASBA. At this time, Walter Davenport is requesting the CBA's endorsement in support of his individual nomination. A copy of Mr. Davenport's resume is provided as **Attachment 2**. Included with Mr. Davenport's resume is an endorsement letter issued by the North Carolina State Board of Certified Public Account Examiners.

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

Should the CBA wish to recommend Mr. Davenport and/or another eligible candidate for NASBA's Vice Chair position, staff may be directed to prepare a letter indicating such and delegate the final language approval to the CBA President prior to the letter being forwarded to NASBA.

### **Background**

Each year, the NASBA Nominating Committee requests recommendations from all state boards for its Vice Chair position. The Vice Chair, in the absence of the Chair, exercises the duties and possesses all the powers of the Chair. The Vice Chair also serves as a member of the Administration and Finance Committee.

### **Comments**

None

### **Recommendation**

Staff has no recommendation regarding this item.

### **Attachment**

1. NASBA's Cover Memo and List of Eligible Candidates
2. Walter Davenport's CV/Resume and Endorsement Letter

# Committee Seeking Vice Chair Recommendations

**December 20, 2011**

The NASBA Nominating Committee is now calling for your Board's recommendation(s) for Vice Chair of NASBA for the 2012-13 year. We would be pleased if your board would discuss possible candidates and recommend one or more persons for consideration by the Nominating Committee.

Under Article IV, Section 3 of NASBA's Bylaws, to be eligible to serve as Vice Chair, an individual must have served as a Director-at-Large or Regional Director for a minimum of one year, but need not be a current member of the Board of Directors at the time of his or her election. No Past Chair is eligible for re-election. For further review of the Amended 2010 bylaws, please [click here](#).

Please mail your Board's recommendation(s) along with a bio or resume to:

Michael T. Daggett, Chair  
NASBA Nominating Committee  
150 4th Avenue North, Suite 700  
Nashville, TN 37219-2417

You may also fax such recommendation(s) to 615-880-4291 or email them to [aholt@nasba.org](mailto:aholt@nasba.org). Your recommendation(s) should be received no later than March 2, 2012. Should you have any questions, please call Anita Holt at 615-880-4202 or you may reach me at [mdaggettcpa@gmail.com](mailto:mdaggettcpa@gmail.com).

Please [click here](#) to access a listing of individuals eligible for Vice Chair to help you with the recommendation process.

As always, we thank you for your interest and participation.

Michael Daggett, CPA  
NASBA Past Chair 2010-2011

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**CBA Item XIII.C.**  
January 26-27, 2012

**Press Release Focus**

**Presented by:** Lauren Hersh/ Information and Planning Manager

**Date:** December 29, 2011

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**Purpose of the Item**

Staff will provide suggestions for an appropriate focus for the press release to be issued following each CBA meeting. This is a dynamic analysis based on the activities of each CBA meeting.

**Action(s) Needed**

No specific action is required on this agenda item

**Background**

There have been five press releases since the November 2011 CBA meeting; one on the election of new officers, three enforcement actions, and one previewing the January 2012 CBA meeting. Additional media relations efforts were conducted directing the press to new laws becoming effective in 2012.

**Comments**

None

**Recommendation**

Staff recommendation will be made at the time of this presentation.

**Attachments**

1. California Board of Accountancy Elects New Officers
2. California Board of Accountancy to Hold Hearings on New Regulations
3. Herschel T. Elkins, Esq. Reappointed to the California Board of Accountancy
4. Enforcement Action News Release



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Attachment 1

## **NEWS RELEASE**

FOR IMMEDIATE RELEASE  
11-23-11

Contact: Lauren Hersh (916) 561-1789

### **CALIFORNIA BOARD OF ACCOUNTANCY ELECTS NEW OFFICERS**

*Approves clarification of new education regulations*

(Sacramento, CA) –The California Board of Accountancy (CBA) elected new leadership at its meeting November 18, 2011 in San Jose. Marshal Oldman, Esq., was elected president of the CBA, Ms. Leslie LaManna, CPA, as vice-president, and Mr. Michael Savoy, CPA, as secretary/treasurer.

Mr. Oldman was appointed to the California Board of Accountancy by Governor Arnold Schwarzenegger in March 2007, and has served as both secretary/treasurer and vice-president of the CBA. He previously served as chair of the Trust and Estate's Section of the Los Angeles County Bar Association, and chair of the Legislative Monitoring Committee of that section. Mr. Oldman is currently a partner in the trust and probate firm Oldman, Cooley, Sallus, Gold, Birnberg & Coleman.

Ms. LaManna was appointed to the California Board of Accountancy by Governor Arnold Schwarzenegger in January 2007. She previously served as secretary/treasurer of the CBA and president of the San Diego Chapter of the California Society of CPAs. Ms. LaManna also served as adjunct professor in accounting for the University of California, San Diego Extension. She is currently a partner in the public accounting firm of LaManna & LaManna, CPAs.

Mr. Savoy was appointed to the California Board of Accountancy by Governor Arnold Schwarzenegger in December 2010, and serves on various CBA committees. He is the immediate past chairman of the board of the Americas Region of BKR International, a member of the finance committee, executive committee and member of the board of the Los Angeles Chamber of Commerce, as well as a member of the Employee Stock Ownership Plan Association. Mr. Savoy is managing director at Gumbiner Savett Inc, and was previously a partner at Savoy & Colin.



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Attachment 2

## PRESS ADVISORY

January 19, 2012  
For Immediate Release

Contact: Lauren Hersh (916) 561-1789

### **CALIFORNIA BOARD OF ACCOUNTANCY TO HOLD REGULATION HEARINGS AT ITS JANUARY MEETING IN IRVINE**

SACRAMENTO- The California Board of Accountancy (CBA) will meet **Thursday, January 26, 2012, 1:00 p.m. – 5:00 p.m. and Friday, January 27, 2012, 9:00 a.m. – 1:00 p.m. at the Crowne Plaza Irvine, 17941 Von Karman Ave. Irvine, CA 92614.**

In addition to regular business, the CBA will hold public hearings on three sets of proposed regulations as follows:

- Regulations to create and implement a Retired Status, in accordance with a new law passed by the Legislature and signed by Governor Brown in 2011.
- Regulations requiring written notification to consumers (safe harbor letters) when non-licensees prepare a financial report. The proposed change is to require non-licensees to disclose that they are not required to be licensed by the CBA when preparing these reports.
- Regulations requiring fingerprinting of licensees for whom an electronic fingerprint record is not currently on file with the Department of Justice.

For more information on the proposed regulations, please visit  
[http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml)

Members of the press are invited to attend. Please contact Lauren Hersh @ (916) 561-1789 if you are planning to do so.



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Attachment 3

## NEWS RELEASE

### HERSCHEL T. ELKINS, ESQ. REAPPOINTED TO THE CALIFORNIA BOARD OF ACCOUNTANCY

SACRAMENTO – The California Board of Accountancy(CBA) has announced the re-appointment of Herschel T. Elkins, ESQ. to the CBA. Mr. Elkins was appointed by the Senate Rules Committee on January 11, 2012. His term expires January 1, 2016.

Mr. Elkins was first appointed to the California Board of Accountancy by the Senate Rules Committee in September 2008, to fill the position on the CBA vacated with the retirement of Dr. Richard Charney. As such, this new term is considered his first term of office, and enables Mr. Elkins to be re-appointed at the expiration of this current term.

“Herschel has been a very engaged and valuable member of the CBA,” said CBA President Marshal Oldman. “I’m glad that we will have him as a member of the CBA for at least another four years.”

Mr. Elkins serves on various CBA Committees. He previously headed the Consumer Law Section in the California Attorney General's Office before retiring as a Special Assistant Attorney General. Mr. Elkins also served on various task forces and investigative committees on consumer protection matters and drafted many of California's consumer protection statutes.

*Created by statute in 1901, the CBA’s mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.*

For immediate news updates via email, subscribe to CBA’s E-News at <https://www.cba.ca.gov/forms/enews>.

More information about the California Board of Accountancy is available at [www.cba.ca.gov](http://www.cba.ca.gov)

