



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 PUBLIC MEETING NOTICE FOR THE MOBILITY STAKEHOLDER GROUP (MSG),
 COMMITTEE ON PROFESSIONAL CONDUCT (CPC), ENFORCEMENT PROGRAM
 OVERSIGHT COMMITTEE (EPOC), LEGISLATIVE COMMITTEE (LC), STRATEGIC
 PLANNING COMMITTEE (SPC), AND CBA MEETINGS**

-
- DATE:** Thursday, November 20, 2014 **MSG MEETING**
TIME: 9:00 a.m.
- DATE:** Thursday, November 20, 2014 **CPC MEETING**
TIME: 10:00 a.m. or upon adjournment
 of the MSG Meeting
- DATE:** Thursday, November 20, 2014 **EPOC MEETING**
TIME: 10:30 a.m. or upon adjournment
 of the CPC Meeting
- DATE:** Thursday, November 20, 2014 **LC MEETING**
TIME: 10:45 a.m. or upon adjournment
 of the EPOC Meeting
- DATE:** Thursday, November 20, 2014 **SPC MEETING**
TIME: 11:00 a.m. or upon adjournment
 of the LC Meeting
- DATE:** Thursday, November 20, 2014 **CBA MEETING**
TIME: 11:30 a.m. to 5:00 p.m.
- DATE:** Friday, November 21, 2014 **CBA MEETING**
TIME: 9:00 a.m. to 12:00 p.m.
- PLACE:** **Hilton Pasadena**
168 South Los Robles Avenue
Pasadena, CA 91101
Telephone: (626) 577-1000
Fax: (626) 584-3148

Enclosed for your information is a copy of the agendas for the MSG, CPC, EPOC, LC, SPC, and CBA meetings on November 20-21, 2014. For further information regarding these meetings, please contact:

Corey Riordan, Board Relations Analyst
(916) 561-1716 or cfriordan@cba.ca.gov
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

An electronic copy of this notice can be found at <http://www.dca.ca.gov/cba/calendar.shtml>

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Corey Riordan at (916) 561-1718, or email cfriordan@cba.ca.gov, or send a written request to the CBA Office at 2000 Evergreen Street, Ste. 250, Sacramento, CA 95815. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 MOBILITY STAKEHOLDER GROUP (MSG)**

**MSG MEETING
 AGENDA**

**Thursday, November 20, 2014
 9:00 a.m.**

**Hilton Pasadena
 168 South Los Robles Avenue
 Pasadena, CA 91101
 (626) 577-1000**

	<u>CBA Item #</u>
Roll Call and Call to Order (Katrina Salazar, Chair).	
I. Approval of Minutes.	
A. Minutes of the July 23, 2014 MSG Meeting.	XI.D.
B. Minutes of the July 24, 2014 Joint CBA and MSG Meeting.	XI.C.
II. The MSG Decision Matrix – A Summary of Previous Decisions Made by the MSG (Written Report Only).	X.A.2.
III. Practice Privilege – Information and Statistics for Licensing and Enforcement Division and Website Usage (Written Report Only).	X.A.3.
IV. Discussion Regarding Defining Stakeholders and Summary of Stakeholder Objectives Pursuant to Business and Professions Code (BPC) Section 5096.21(e) (Matthew Stanley, Licensing Manager).	X.A.4.
V. Discussion Regarding the Consumer Protection Provisions of BPC Sections 5096 and 5096.1 (Matthew Stanley).	X.A.5.
VI. Discussion Regarding the Mobility Stakeholder Group Annual Report (Matthew Stanley).	X.A.6.
VII. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting (Matthew Stanley).	X.A.7.
VIII. Public Comments.*	
Adjournment	

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the MSG are open to the public.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the MSG prior to the MSG taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the MSG. Individuals may appear before the MSG to discuss items not on the agenda; however, the MSG can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a).)

CBA members who are not members of the MSG may be attending the meeting. However, if a majority of members of the full CBA are present at the MSG meeting, members who are not MSG members may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 COMMITTEE ON PROFESSIONAL CONDUCT (CPC)**

**CPC MEETING
 AGENDA**

**Thursday, November 20, 2014
 10:00 a.m.**

Or Upon Adjournment of the Mobility Stakeholder Group Meeting

**Hilton Pasadena
 168 South Los Robles Avenue
 Pasadena, CA 91101
 (626) 577-1000**

Roll Call and Call to Order (**Jose Campos, Chair**).

CBA Item #

- | | | |
|------|---|--------|
| I. | Approve Minutes of the September 18, 2014 CPC Meeting. | XI.E. |
| II. | Review of the CPA License Renewal Requirements, Including Continuing Education, and Timeline of Recent Changes (Dominic Franzella, Licensing Chief). | X.B.2. |
| III. | Public Comments.* | |
| IV. | Agenda Items for Next Meeting. | |

Adjournment

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the CPC are open to the public.

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CBA members who are not members of the CPC may be attending the meeting. However, if a majority of members of the full board are present at the CPC meeting, members who are not CPC members may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC)**

**EPOC MEETING
 AGENDA**

**Thursday, November 20, 2014
 10:30 a.m.**

Or Upon Adjournment of the Committee on Professional Conduct Meeting

**Hilton Pasadena
 168 South Los Robles Avenue
 Pasadena, CA 91101
 (626) 577-1000**

	<u>CBA Item #</u>
Roll Call and Call to Order (Alicia Berhow, Chair).	
I. Approve Minutes of the May 29, 2014 EPOC Meeting.	XI.F.
II. Consideration of Proposed Legislative Language to Allow the CBA to Restrict a License Outside of Probation (Vincent Johnston, Enforcement Manager).	X.C.2.
III. Public Comments.*	
IV. Agenda Items for Next Meeting.	
Adjournment	

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the EPOC are open to the public.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the EPOC prior to the EPOC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the EPOC. Individuals may appear before the EPOC to discuss items not on the agenda; however, the EPOC can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a).)

CBA members who are not members of the EPOC may be attending the meeting. However, if a majority of members of the full board are present at the EPOC meeting, members who are not EPOC members may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 LEGISLATIVE COMMITTEE (LC)**

**LC MEETING
 AGENDA**

**Thursday, November 20, 2014
 10:45 a.m.**

Or Upon Adjournment of the Enforcement Program Oversight Committee Meeting

**Hilton Pasadena
 168 South Los Robles Avenue
 Pasadena, CA 91101
 (626) 577-1000**

	<u>CBA Item #</u>
Roll Call and Call to Order (Larry Kaplan, Chair).	
I. Approve Minutes of the July 24, 2014 LC Meeting.	XI.G.
II. Consideration of Legislative Proposal to Amend Business and Professions Code Section 5070.1 Regarding Retired Status (Dominic Franzella, Licensing Chief).	X.D.2.
III. Public Comments.*	
IV. Agenda Items for Next Meeting.	
Adjournment	

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the LC are open to the public.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the LC prior to the LC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the LC. Individuals may appear before the LC to discuss items not on the agenda; however, the LC can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a).)

CBA members who are not members of the LC may be attending the meeting. However, if a majority of members of the full board are present at the LC meeting, members who are not LC members may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 STRATEGIC PLANNING COMMITTEE (SPC)**

**SPC MEETING
 AGENDA**

**Thursday, November 20, 2014
 11:00 a.m.**

Or Upon Adjournment of the Legislative Committee Meeting

**Hilton Pasadena
 168 South Los Robles Avenue
 Pasadena, CA 91101
 (626) 577-1000**

Roll Call and Call to Order (**Leslie LaManna, Chair**).

CBA Item #

I. Update on the Progress of the 2013-2015 Strategic Plan Goals and Objectives (**Deanne Pearce, Assistant Executive Officer**).

X.E.2.

II. Public Comments.*

III. Agenda Items for Next Meeting.

Adjournment

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meeting Act, all meetings of the SPC are open to the public.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the SPC prior to the SPC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the SPC. Individuals may appear before the SPC to discuss items not on the agenda; however, the SPC can take no official action on these items at the time of the same meeting. (Government Code section 11125.7(a).)

CBA members who are not members of the SPC may be attending the meeting. However, if a majority of members of the full board are present at the SPC meeting, members who are not SPC members may attend the meeting only as observers.



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DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

CBA MEETING
AGENDA

November 20, 2014
11:30 a.m. – 5:00 p.m.

November 21, 2014
9:00 a.m. – 12:00 p.m.

Hilton Pasadena
168 South Los Robles
Pasadena, CA 91101
Telephone: (626) 577-1000
Fax: (626) 584-3148

Important Notice to the Public

All times indicated, other than those identified as “time certain,” are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the CBA President. Agenda items scheduled for a particular day may be moved to an earlier day to facilitate the CBA’s business.

Thursday,
November 20, 2014

11:30 a.m.–
11:40 a.m.

- Roll Call and Call to Order (**Michael Savoy, President**).
- I. Report of the President (**Michael Savoy**).
- A. Report of the National Association of State Boards of Accountancy 107th Annual Meeting.
- B. Discussion and Approval of the Peer Review Report to the Legislature (**Patti Bowers, Executive Officer**).
- C. 2015 CBA Member Committee Interest Survey (**Corey Riordan, Board Relations Analyst**).
- D. DCA Director’s Report (**DCA Representative**).

11:40 a.m. –
11:55 a.m.

- II. Report of the Vice President (**Jose Campos**).
 - A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee (EAC).
 - B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee (QC).
 - C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee (PROC).

11:55 a.m. –
12:30 p.m.

- III. Report of the Secretary/Treasurer (**Katrina Salazar**).
 - A. Discussion of Governor’s Budget.
 - B. Fiscal Year 2014-2015 First Quarter Financial Statement.
 - C. Discussion on Title 16 California Code of Regulations Section 70, Regarding Fees and the CBA Reserve.

12:30 p.m. –
1:30 p.m.

Lunch

Time Certain
1:30 p.m.

- IV. Petition Hearings.
 - A. Hee Yong Park – Petition for Reinstatement of Surrendered Certificate.
 - V. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Petition for Reinstatement of Surrendered Certificate).

2:30 p.m. –
2:40 p.m.

- VI. Report of the Executive Officer (EO) (**Patti Bowers**).
 - A. Update on the Relocation of the CBA’s Office.
 - B. Update on Staffing.
 - C. Presentation of CBA Annual Report for Fiscal Year 2013-2014 (**Deanne Pearce, Assistant Executive Officer**).
 - D. Update on the CBA 2013–2015 Communications and Outreach Plan (Written Report Only).

2:40 p.m. –
2:50 p.m.

- VII. Report of the Licensing Chief (**Dominic Franzella**).
 - A. Report on Licensing Division Activity.

2:50 p.m. –
3:05 p.m.

VIII. Report of the Enforcement Chief (**Rafael Ixta**).

A. Enforcement Activity Report.

3:05 p.m. –
3:10 p.m.

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

A. Enforcement Advisory Committee (EAC) (**Cheryl Gerhardt, Chair**).

1. Report of the October 23, 2014 EAC Meeting.

B. Qualifications Committee (QC) (**Maurice Eckley, Chair**).

No Report.

C. Peer Review Oversight Committee (PROC) (**Robert Lee, Chair**).

No Report.

3:10 p.m. –
4:10 p.m.

X. Committee Reports/Group Report.

A. Mobility Stakeholder Group (MSG) (**Katrina Salazar**).

1. Report of the November 20, 2014 MSG Meeting.

2. The MSG Decision Matrix – A Summary of Previous Decisions Made by the MSG (Written Report Only).

3. Practice Privilege – Information and Statistics for Licensing and Enforcement Division and Website Usage (Written Report Only).

4. Discussion Regarding Defining Stakeholders and Summary of Stakeholder Objectives Pursuant to Business and Professions Code Section 5096.21(e).

5. Discussion Regarding the Consumer Protection Provisions of Business and Professions Code Sections 5096 and 5096.1.

6. Discussion Regarding the Mobility Stakeholder Group Annual Report.

7. Discussion Regarding Proposed Agenda Items for the Next MSG Meeting.

B. Committee on Professional Conduct (CPC) (**Jose Campos**).

1. Report of the November 20, 2014 CPC Meeting.
2. Review of the CPA License Renewal Requirements, Including Continuing Education, and Timeline of Recent Changes.

C. Enforcement Program Oversight Committee.

1. Report of the November 20, 2014 EPOC Meeting.
2. Consideration of Proposed Legislative Language to Allow the CBA to Restrict a License Outside of Probation.

D. Legislative Committee (LC).

1. Report of the November 20, 2014 LC Meeting.
2. Consideration of Legislative Proposal to Amend Business and Professions Code Section 5070.1 Regarding Retired Status.

E. Strategic Planning Committee (SPC) (**Leslie LaManna**).

1. Report of the November 20, 2014 SPC Meeting.
2. Update on the Progress of the 2013-2015 Strategic Plan Goals and Objectives.

**4:10 p.m. –
4:15 p.m.**

XI. Acceptance of Minutes.

- A. Draft Minutes of the July 24, 2014 CBA Meeting.
- B. Draft Minutes of the September 18-19, 2014 CBA Meeting.
- C. Draft Minutes of the July 24, 2014 Joint CBA & MSG Meeting.
- D. Minutes of the July 23, 2014 MSG Meeting.
- E. Minutes of the September 18, 2014 CPC Meeting.
- F. Minutes of the May 29, 2014 EPOC Meeting.
- G. Minutes of the July 24, 2014 LC Meeting.
- H. Minutes of the July 10, 2014 EAC Meeting.

**4:15 pm. –
4:20 p.m.**

XII. Other Business.

- A. American Institute of Certified Public Accountants (AICPA).
- B. National Association of State Boards of Accountancy (NASBA).
 - 1. Update on NASBA Committees.
 - a. Accountancy Licensee Database Task Force
(**Patti Bowers**).
 - 2. Proposed Responses to NASBA Focus Questions
(**Corey Riordan**).

4:20 p.m. –
4:40 p.m.

- XIII. Officer Elections.
 - A. Secretary-Treasurer.
 - B. Vice-President.
 - C. President.

4:40 p.m. –
4:45 p.m.

- XIV. Closing Business.
 - A. Public Comments.*
 - B. Agenda Items for Future CBA Meetings.
 - C. Press Release Focus (**Deanne Pearce, Assistant Executive Officer**).

**Friday,
November 21, 2014
9:00 a.m.**

- XV. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Decision after Non-Adoption).
- XVI. Closed Session. Pursuant to Government Code Section 11126(e), the CBA Will Meet In Closed Session to Receive Advice from Counsel on Litigation (*David Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2014-00751855-CU-BT-CJC*).

Action may be taken on any item on the agenda. The time and order of agenda items are subject to change at the discretion of the CBA President and may be taken out of order.

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

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the CBA prior to the CBA taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the CBA, but the CBA President may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the CBA to discuss

items not on the agenda; however, the CBA can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).



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CBA Item I.B.
September 18-19, 2014

Discussion and Approval of the Peer Review Report to the Legislature

Presented by: Patti Bowers, Executive Officer

Date: November 3, 2014

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with its Peer Review Report to the Legislature (**Attachment 1**) and provide an opportunity to make final changes prior to the report's due date of January 1, 2015.

Action(s) Needed

The CBA will be asked for final changes it wishes to make and to approve the Peer Review Report.

Background

The Peer Review Report is due to the Legislature on January 1, 2015.

The CBA reviewed the draft Peer Review Report at its September 2014 meeting. Several comments were made at the meeting, and the suggested changes are incorporated in this final version. Based on one of the comments, a redline version (**Attachment 2**) is also being provided in order that the CBA may see the changes that were made.

Comments

There were several changes made to the report following CBA members' input. In addition, staff made further revisions including bringing all information current based on the California Society of Certified Public Accountants' (CalCPA) Annual Report for 2013 which was recently published.

The significant changes, based on CBA member feedback, are found on pages 13 and 14 of Attachment 1; however there were changes to other sections as well including the introduction and conclusion. These changes include the following:

- Revising the existing tables
- Adding a new table to show pass with deficiencies numbers
- Adding a new table to compare first time peer review results to the results of those who have undergone multiple peer reviews
- Further highlighting the educational benefits of peer review
- Clarifying that the survey was optional
- Strengthening the message that peer review protects consumers

Discussion and Approval of the CBA's Sunset Review Report

Page 2 of 2

Staff welcome any further changes that the CBA may wish to include. Specifically worded changes can be made as a part of a motion to approve the report. Should the CBA pursue broader changes, it may wish to assign a single member to work with staff on those changes and delegate final approval of the report to that member.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommend that the CBA approve the Peer Review Report and that it delegate authority to the Executive Officer to make any necessary final edits.

Attachments

1. Peer Review Report
2. Peer Review Report (red-line version)

CALIFORNIA BOARD OF ACCOUNTANCY



INFORMATION AND OVERVIEW OF THE CBA PEER REVIEW PROGRAM

PEER REVIEW REPORT
JANUARY 1, 2015

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INTRODUCTION

In 2010, the California Board of Accountancy (CBA) implemented mandatory peer review as a part of its commitment to consumer protection. Peer review is consistent with the CBA's responsibility to protect the public by ensuring that appropriate standards of competency and practice, including ethics, objectivity, and independence, are established and enforced.

The CBA believes that the data in this report supports that the mandatory peer review program is leading to improvements in the services that firms are providing to their clients. These improved services, as a result of a better understanding and conformity with professional standards, lead to greater consumer protection.

Peer review is a study, appraisal, or review of the accounting and auditing work of a firm¹ by a licensed CPA who is unaffiliated with the firm being reviewed, and is done in accordance with applicable professional standards. The goal of peer review is to promote quality in the accounting and auditing services provided by a firm, and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers.

Firms can be corporations, partnerships (general or limited liability), or sole proprietors. In an ever-changing financial climate, a peer review can give consumers an extra measure of assurance, knowing the firm they hire has successfully completed a peer review and meets the standards of the profession. To ensure the efficacy of the program, the CBA appointed a Peer Review Oversight Committee made up of CPAs experienced with the peer review process.

Consumer protection is increased in two crucial areas through peer review. First, the peer review requirement helps to monitor and educate firms to promote quality in the accounting and auditing services they provide. This goal serves the public interest and protects the consumer through an increase in the quality of the product provided to clients. Secondly, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. This consumer protection mechanism provides assurance that only qualified licensees are practicing public accounting and providing services to consumers in California. Consumer confidence increases from knowing firms must answer to verifiable standards.

Firms performing accounting and auditing services are required to undergo a peer review performed by a Board-approved peer review provider and to report the results of the peer review to the CBA. Data was collected on the Peer Review Program from its effective date through the three-year phase-in from January 1, 2010 to December 31, 2013. The data provided in this report, as required by the Legislature in California Business and Professions Code (BPC) section 5076(m)(1) with specific information as required in subsections (A)-(J), will show that the peer review requirement is consistent

¹ "Firm" means a sole proprietorship, a corporation, or a partnership.

with the CBA's mission to protect the public by ensuring only qualified persons and firms are licensed to practice public accountancy.

HISTORY AND IMPLEMENTATION OF PEER REVIEW

Seven years prior to peer review becoming law, the CBA formed a task force to evaluate mandatory peer review in California. Task force discussions and deliberations occurred in a public forum, with extensive input from members of the public, professional groups, and consumer protection advocates.

Following these deliberations, the CBA sponsored AB 138 (Hayashi) in 2009. This was the legislation that created mandatory peer review. Its provisions were drawn from the previous seven years of study on the subject that were performed by the CBA. AB 138 was signed into law by the Governor in October, 2009, and the emergency regulations authorized by the bill were in place on January 1, 2010.

AB 138 called for a report on the effect of mandatory peer review on certain small firms (defined in BPC section 5000 as firms with no more than four licensees as partners, owners, or full-time employees) and their clients that would be due to the Legislature in 2013. It also placed a sunset date on the program of January 1, 2014.

The implementing regulations called for a three-year phase-in period in order to spread the peer review workload evenly both for CBA staff and those performing the peer reviews. The first group of licensees were required to report by July 1, 2011, the second group by July 1, 2012, and the final group by July 1, 2013.

As less than half of the CBA's licensees would have undergone the process by the time the report to the Legislature would need to be written, during the 2011 sunset review process the CBA sought an extension of the reporting deadline and sunset date of the program. SB 543 (Steinberg) of 2011 removed the sunset provisions, expanded the elements of the report, and extended the reporting deadline to January 1, 2015. This report is submitted in order to comply with SB 543. The current peer review laws and regulations can be found in Appendix 1.

THE MANDATORY PEER REVIEW PROGRAM

Peer review is a study, appraisal, or review of the accounting and auditing work of a firm by a licensed CPA who is unaffiliated with the firm being reviewed, and is done in accordance with applicable professional standards. The goal of peer review is to promote quality in the accounting and auditing services provided by a firm, and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers.

The CBA only approves peer review providers that meet the stringent requirements of Division 1, Title 16, California Code of Regulations (CBA Regulations) section 48.

These include, but are not limited to, the following:

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

At this time, the CBA only recognizes the American Institute of Certified Public Accountants (AICPA) as an approved peer review program provider.² The AICPA oversees the program and the review is administered by an entity, typically a state CPA society, approved by the AICPA to perform that role. The California Society of CPAs (CalCPA) is the largest administrating entity of the AICPA peer review program in California. CalCPA administers the program in California, Arizona, and Alaska.

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

THE PROGRAM AND THE PROCESS

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

During the three-year phase-in period, many firms, which were already enrolled with the peer review program as required by AICPA membership, were able to fulfill the reporting requirement by reporting the results of a peer review completed within the

² In its regulations, the CBA allows for other peer review program providers that meet certain criteria.

previous three years. For remaining firms that were new to the process, they were required to enroll in the peer review program.

After enrolling in the program, the firm selects a peer reviewer. The firm then completes a scheduling form, providing information on its accounting and auditing practice and the identity of the selected peer reviewer, and submits it to the administering entity for approval. Once the administering entity approves the peer reviewer, the peer review is scheduled. All peer reviewers must meet stringent qualifications established by the AICPA. Every three years, the administering entity (e.g. CalCPA) reviews the qualifications of the peer reviewers.

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

Firms that perform compilations or reviews as their highest level of service undergo an Engagement Review. During an Engagement Review, a peer reviewer looks at a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with professional standards.

RATINGS

Peer review reports are given a rating of either pass, pass with deficiencies, or substandard.³ The ratings mean different things depending on whether they are given in a System Review or an Engagement Review.

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

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

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

³ The term "fail" is used by the AICPA Peer Review Program. CBA Regulations use the term "substandard." This report will use the term "substandard" in lieu of "fail."

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

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

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

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

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

ACCEPTANCE OF THE PEER REVIEW REPORT

The CBA requires that peer review administering entities appoint a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs). Members of the committee and the RABs must meet minimum qualification requirements as established by the CBA.

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

Once the RAB accepts the peer review report, the firm is required to report its peer review results to the CBA. The administering entity is required to submit all substandard peer review reports to the CBA within 60 days.

REPORTING PEER REVIEW INFORMATION TO THE CBA

CBA Regulations sections 45, 46, and 48.3 require the reporting of certain peer review information to the CBA. These reporting requirements apply to CBA licensees and Board-recognized peer review program providers.

CBA Regulations section 45 outlines the reporting requirements for all CBA licensees. All licensees are required to submit to the CBA a Peer Review Reporting Form. The form ascertains whether the licensee operates as a firm, whether the firm performed any accounting or auditing work that would require a peer review, and the results of that peer review.

During the three-year phase-in period, licensees were divided into three groups based on the last two digits of their license number and assigned a specific reporting date. Those with the last two digits being 01-33 were to report by July 1, 2011; those with 34-66 by July 1, 2012; and those with 67-00 by July 1, 2013. Reporting was done primarily through the CBA's online reporting system.

Beginning January 1, 2014, the reporting date was changed to coincide with the expiration date of the license. The Peer Review Reporting Form is now included in the licensee renewal application.

CBA Regulations section 46 outlines the document submission requirements for firms that undergo a peer review. Firms that receive a substandard peer review are required to submit a copy of the peer review report to the CBA, along with any prescribed corrective actions and documentation of steps taken to complete the corrective actions, within 45 days of the report being accepted by the Board-recognized peer review program providers. This section also requires firms that receive peer review results of pass or pass with deficiencies to submit similar information when requested by the CBA.

CBA Regulations section 48.3 outlines the peer review program provider reporting responsibilities. A provider is required to make available anything the CBA may need in order to satisfy itself of the integrity of the peer review program. This includes anything from standards, to qualifications of peer reviewers, to guidelines, to statistical data the provider may possess. The provider is also required to provide the name of any California-licensed firm that is expelled from the peer review program, and the reason for the expulsion and must do so within 30 days. In addition, the provider is required to submit a copy of all substandard peer review reports within 60 days following acceptance of the peer review report.

As an added measure to verify submitted information, the CBA reviews the license renewal application of sole proprietors who indicate that they are not subject to peer review. If the renewal application indicates that they were subject to the accounting and auditing continuing education requirement, the licensee is contacted to gather additional information about the discrepancy. It is possible to be subject to accounting and

auditing continuing education requirement but not to a peer review if the work performed was a compilation without a report.

PEER REVIEW OVERSIGHT COMMITTEE

The Legislature established the Peer Review Oversight Committee (PROC) to assure the efficacy and standards of the Peer Review Program. By providing this assurance, the PROC itself is a vital part of the consumer protection role of the Peer Review Program.

The PROC derives its authority from BPC section 5076.1. The PROC is comprised of up to seven CPAs who maintain a California license in good standing and who are authorized to practice public accountancy. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The CBA adopted the following roles and responsibilities for the PROC:

- Oversee the activities of Board-recognized peer review program providers related to how peer reviews are processed and evaluated
- Ensure Board-recognized peer review program providers are administering peer reviews in accordance with the standards adopted by the CBA
- Ensure that peer reviewers are properly qualified
- Ensure that peer reviews are being accepted in a consistent manner by Board-recognized peer review program providers
- Conduct site visits of Board-recognized peer review program providers and their peer review committees
- Review a sample of peer review reports
- Represent the CBA at Board-recognized peer review program providers peer review meetings
- Evaluate organizations that apply to become Board-recognized peer review program providers

The PROC originally met six to seven times per year as the program was being established, but currently meets four times per year. These extra meetings in the beginning were necessary for the PROC to establish its policies and procedures, developing the program and how it would execute its duties, and familiarizing itself with the AICPA Peer Review Program as the peer review provider approved by the CBA.

Since the launch of the PROC in November 2010, in addition to 20 public meetings held throughout California, PROC members attended various meetings, in person and via teleconference, providing oversight of the peer review program provider and its administering entities. These additional meetings included 20 RAB meetings, seven meetings of the CalCPA Peer Review Committee, and 14 meetings of the AICPA Peer Review Board. PROC members also attended six peer reviewer training courses and conducted three administrative site visits to the offices of CalCPA. The PROC will continue to attend such meetings to ensure that the peer review program provider continues to meet the high standards of consumer protection established by the CBA.

The PROC is one of nation's most active peer review committees, providing national leadership through its provision of assistance and resources to National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC) as part of the CAC's efforts to establish PROCs in other states.

One of the PROC's major accomplishments was developing checklists to monitor and document oversight activities. These checklists have received praise from NASBA and are being used as templates to create and improve oversight materials nation-wide. The PROC was also successful in working with NASBA's CAC to provide an appropriate level of oversight to the NPRC, including allowing state PROCs, including California's PROC, to participate in conference calls during which the CAC discusses many important topics.

Each year, the PROC presents its Annual Report to the CBA. These reports include information on various activities and accomplishments, information on the oversight functions it performs, and various statistical information. The reports for 2011, 2012, and 2013, can be found in Appendix 2.

Based on its oversight activities, the PROC has found the AICPA Peer Review Program and its administering entities, specifically CalCPA and NPRC, function effectively. Since the inception of mandatory peer review, the PROC has recommended that the CBA continue recognizing the AICPA as a peer review program provider.

DATA COLLECTED IN COMPLIANCE WITH BPC SECTION 5076(M)(1)

In order to gather the requested information, the CBA relied on three sources of information: the Peer Review Reporting Form, an optional survey, and CalCPA as the largest administering entity for the AICPA Peer Review Program. Firms that were subject to peer review reported their information on a Peer Review Reporting Form and an optional survey, which can be found in Appendix 3.

The optional survey created by the CBA that accompanied the Peer Review Reporting Form was only available to those firms that indicated that they were required to undergo a peer review. As it was an optional survey, it was not completed by every firm, and those that filled it out, did not answer every question. There were 3,737 surveys submitted out of 6,854 completed peer reviews. This sample size affords a solid basis for the conclusions reached in this report.

In an effort to clearly identify the results required by BPC section 5076, in the following pages, the specific requirements in the law will be in highlighted with the required data following each one.

The number of peer review reports completed⁴ to date. (BPC section 5076(m)(1)(A))

Since the inception of mandatory peer review, 6,854 peer reviews have been completed by California-licensed firms.

Year	Peer Review Reports Accepted
2010	1,043
2011	1,789
2012	1,906
2013	2,116
Total	6,854

The number of reports which were submitted to the board as required in subdivision (e).⁵ (BPC section 5076(m)(1)(A))

The CBA received 560 substandard peer review reports for calendar year 2010 through 2013.

⁴ The AICPA Peer Review Program uses the term “accepted” when referring to a peer review that has been completed and approved by the administering entity.

⁵ A firm issued a substandard peer review report is required to submit a copy of that report to the CBA.

Year	Peer Review Reports Accepted	Firms Receiving Substandard Reports	Percentage of Substandard Reports
2010	1,043	16	1.5%
2011	1,789	161	9.0%
2012	1,906	212	11.1%
2013	2,116	171	8.1%
TOTAL	6,854	560	8.2%

As the first mandatory reporting date was July 1, 2011, the majority of those who reported peer review results in 2010 were firms that were already undergoing peer review on a voluntary basis that had completed a peer review within the previous three years.

A similar trend can be observed with the data on pass with deficiencies as seen in the following table.

Year	Peer Review Reports Accepted	Firms Receiving Pass with Deficiencies	Percentage of Pass with Deficiencies Reports
2010	1,043	87	8.3%
2011	1,789	307	17.2%
2012	1,906	395	20.7%
2013	2,116	312	14.7%
TOTAL	6,854	1101	9.0%

This trend can be credited to the educational benefits of peer review. Those who have gone through a peer review have learned from the process and tend to perform better in subsequent reviews.

The following table, based on the voluntary survey, further demonstrates this point. It demonstrates the difference between those who complete a peer review for the first time when compared to those who have previously completed a peer review.

	First Time Peer Review		Not the First Peer Review	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Pass	634	70%	1717	89%
Pass with Deficiencies	188	21%	187	10%
Substandard	83	9%	26	1%

The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i). (BPC section 5076(m)(1)(B))

The CBA has initiated investigations on all 560 firms that received a substandard rating on their peer review report. During the course of the investigation, an Investigative Certified Public Accountant reviews the substandard peer review report to determine if there are significant departures from professional standards to warrant enforcement action by the CBA. Enforcement action may include additional continuing education courses, citation and fine, or referring the matter to the Office of the Attorney General for the filing of an Accusation. The CBA also confirms that the firm has completed any corrective action that was ordered by the administering entity and that the administering entity has accepted the corrective action.

These investigations have lead to 30 cases where there were significant departures from professional standards that warranted further investigation. These 30 investigations are currently ongoing as the scope of inquiry has expanded beyond just the peer review report to cover these firms' entire practices as well.

Finally, as the mandatory peer review reporting enters its second cycle, the CBA will consider it an aggravating factor when firms receive a second consecutive substandard peer review.

The number of firms that were recommended⁶ to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process. (BPC section 5076(m)(1)(C))

Since the inception of mandatory peer review, 1,395 firms were recommended to take corrective actions by the administering entity.

The corrective actions recommended by the administering entity are typically educational in nature with the vast majority of corrective actions being the assignment of additional continuing education.

⁶ In accordance with the AICPA Peer Review Program Handbook, it is expected that a firm will complete corrective actions in a timely manner. Therefore, the CBA considers all corrective actions to be required, not recommended.

Year	Peer Review Reports Accepted	Number of Firms with Corrective Actions Ordered	Percentage of Corrective Actions Ordered
2010	1,043	81	7.8%
2011	1,789	374	20.9%
2012	1,906	513	26.9%
2013	2,116	427	20.2%
Total	6,854	1,395	20.2%

The CBA has received notification that four firms did not complete the required corrective actions. Firms that do not complete the corrective action as prescribed by the administering entity are terminated from the AICPA Peer Review Program and are reported to the CBA. Such notices are referred to the CBA Enforcement Division for investigation.

The extent to which mandatory peer review of accounting firms enhances consumer protection. (BPC section 5076(m)(1)(D))

California's mandatory peer review of firms has enhanced consumer protection in two crucial areas.

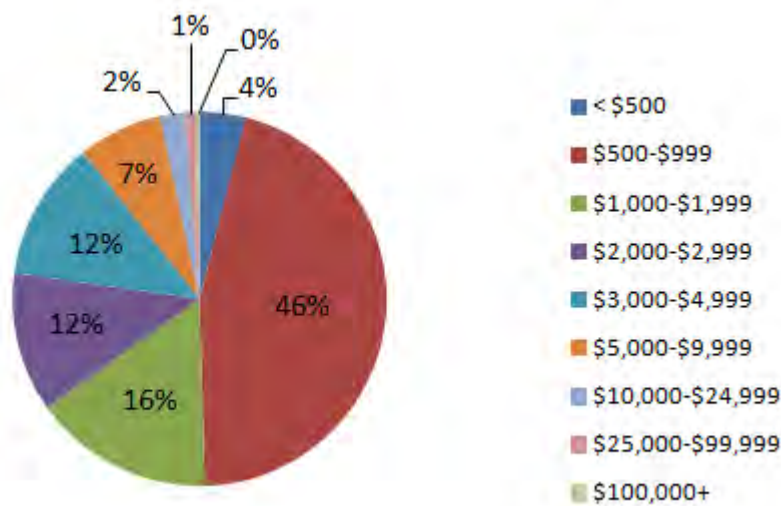
First, the peer review requirement helps to educate firms by testing their accounting and auditing services compared to professional standards. This goal serves the public interest and protects consumers through an increase in the quality of the product provided to clients. Based on the results of the optional survey, 46 percent of firms required to undergo a peer review believe the peer review helped to improve their overall service to clients. In addition, 39.5 percent of firms voluntarily made changes that improved their processes as a result of undergoing peer review. These numbers show a significant improvement in the product provided to clients and, therefore, enhanced protection of California consumers.

Secondly, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. To date, the CBA has opened 560 investigations on firms based on their substandard peer review report. Of these, 30 showed significant departures from professional standards and the investigations are still ongoing.

A peer review enhances consumer protection and builds trust in the quality and integrity of California's firms by providing firms an opportunity to improve their accounting and auditing services, and by ensuring that those with significant departures from professional standards are thoroughly investigated, which may lead to future discipline.

The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm’s clients. (BPC section 5076(m)(1)(E))

While the average amount paid was \$2,705, the median was \$1,000. The cost to firm’s undergoing a peer review was reported in a very broad range from \$100 to over \$100,000. As shown in the chart below, 46 percent of the reported costs fell between \$500 and \$1,000. An additional 40 percent fell between \$1,000 and \$5,000. The largest of firms and those doing the most complex audit work were the ones on the highest end of the range. Engagement Reviews cost noticeably less than System Reviews and are believed to be the majority of those peer reviews costing less than \$1,000.



Regardless of the cost, the vast majority of the firms, more than 90 percent, stated that they did not raise their fees to offset the cost of their peer review leading to no cost impact on clients.

Less than 10 percent of firms raised their fees, with the average increase being approximately 14 percent. The cost impact of mandatory peer review on the firms’ clients would vary depending on the percentage by which the fees were raised.

Additionally, 10 percent of firms indicated their intent to cease providing services that subject them to a peer review. Of this 10 percent of firms, 33 percent received either a substandard or pass with deficiencies peer review report. The cost impact to these firms’ clients is unknown, as it would depend on the fees at their new choice of firm.

The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting. (OCBOA) (BPC section 5076(m)(1)(H))

Survey results show that 51 percent of small firms that prepare compilations without disclosures on an OCBOA as their highest level of service believe that undergoing peer review helped to improve their overall service to clients.

Furthermore, 47 percent of small firms that prepare compilations without disclosures on an OCBOA as their highest level of service voluntarily made changes that improved their processes as a result of undergoing peer review. The percentage is dramatically higher for small firms that received a substandard report; 90 percent of these firms voluntarily made changes as a result of undergoing peer review.

The survey also shows that 26 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service and received a substandard report will cease providing the accounting and auditing services that subject them to peer review.

The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection. (BPC section 5076(m)(1)(G))

Mandatory peer review of small firms that prepare nondisclosure compiled financial statements on an OCBOA enhances consumer protection. Consumer protection is enhanced in two crucial ways. First, the peer review requirement helps to educate firms regarding the accounting and auditing services they provide. This goal serves the public interest and protects consumers through an increase in the quality of the product provided to clients. Almost 24 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service were required to make changes to their processes, and 47 percent made voluntary changes. These changes improve the product provided to the clients enhancing consumer protection. Consumer confidence increases from knowing firms meet high professional standards.

Second, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. This consumer protection mechanism provides assurance that only qualified licensees are practicing public accounting and providing services to consumers in California. The CBA opened investigations on all 78 small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service that received a substandard peer review report. In addition, the fact that 26 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service and received a substandard report will cease providing the accounting and auditing services that subject them to

peer review shows that peer review of this level of work is enhancing consumer protection.

The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
(BPC section 5076(m)(1)(I))

Almost 12 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA raised their fees. The average amount that fees were raised in this group was 23 percent while the median was 10 percent. In addition, 18 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA indicated they would cease providing these services.

While these changes due to peer review may financially affect entities employing these firms in the short term, in the long term, the product received by these clients will be improved. In addition, the improved product provides greater assurance of consumer protection.

A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.
(BPC section 5076(m)(1)(J))

The previously mentioned data clearly illustrates that those performing this level of service are making changes, including ceasing to perform these services. The preparation of nondisclosure compiled financial statements on an OCBOA should continue to be a part of the mandatory peer review program.

A recommendation as to whether the mandatory peer review program should continue. (BPC section 5076(m)(1)(F))

The data supports that the CBA's mandatory peer review program is clearly leading to improvements in the services that firms are providing to their clients. Improved services, as a result of a better understanding and conformity with professional standards, lead to greater consumer protection.

In addition, the peer review program is just beginning its second three-year cycle when firms will undergo a second mandatory peer review. The peer review results of those who were previously in the peer review program voluntarily showed a rate of substandard peer review reports at 1.5 percent. It is assumed that the majority of those who were voluntarily in the peer review program had undergone more than one peer

review. Based on these assumptions, the CBA expects that this second cycle will show improvement in the quality of services through a lower rate of substandard peer review reports.

The CBA's mission statement, developed to support its legislative mandate in BPC section 5000.1, is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. The mandatory peer review program is an excellent tool in assisting the CBA to fulfill this mission.

CONCLUSION

Professional standards are designed to deliver accuracy and quality of accounting and auditing engagements. Products and services provided to consumers must meet these specific, but ever-changing, standards. The education provided through peer review better equips firms to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems to ensure that work products meet these professional standards.

Peer review promotes knowledge, providing firms with an opportunity to learn new or better ways to improve services, up-to-date methods and practices, and an educational opportunity to learn best-practice techniques. Peer review can also give consumers an extra measure of assurance, knowing the firm they hire has successfully completed a peer review and meets the profession's standards.

Consumer protection is increased through monitoring and educating firms to promote quality in the accounting and auditing services they provide, as well as through potential enforcement actions against firms receiving substandard peer reviews. Consumer confidence increases from knowing firms must answer to verifiable standards.

The mandatory peer review program is protecting the consumers of California through a better understanding and conformity with professional standards. The result is improved work product that accounting firms provide to their clients and those who rely on the work product.

Mandatory peer review is an important tool in the CBA's mission to protect consumers by ensuring that only qualified licensees are practicing public accounting and providing services to consumers in California. It helps to build trust in the quality and integrity of California's Certified Public Accountants.

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CALIFORNIA BUSINESS & PROFESSIONS CODE
DIVISION 3. Professions and Vocations Generally

Appendix 1

SECTION 5076. (a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) "Accounting and auditing practice" includes any services that were performed in the prior three years using professional standards defined by the board in regulations.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.

(d) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.

(e) A firm issued a substandard peer review report, as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.

(f) (1) A board-recognized peer review program provider shall file a copy with the board of all substandard peer review reports issued to California-licensed firms. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is filed with the board. These reports may be filed with the board electronically.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 5076.1. (a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

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

- (1) In connection with disciplinary proceedings of the board.
 - (2) In connection with legal proceedings in which the board is a party.
 - (3) In response to an official inquiry by a federal or state governmental regulatory agency.
 - (4) In compliance with a subpoena or summons enforceable by court order.
 - (5) As otherwise specifically required by law.
- (c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

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

CALIFORNIA CODE OF REGULATIONS
TITLE 16. Professional and Vocational Regulations
DIVISION 1. Board of Accountancy Regulations
ARTICLE 6. Peer Review

Effective April 8, 2013

§ 38. Purpose of this Article.

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

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

Reference: Sections 5076 and 5076.1, Business and Professions Code.

§ 39. Definitions.

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

(a) Accounting and Auditing Practice: Any services that are performed using the following professional standards: Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARS), Statements on Standards on Attestation Engagements (SSAEs), Government Auditing Standards, and audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB).

(b) Peer Review Report: A report issued to the peer reviewed firm which documents the findings and conclusions reached by a qualified peer reviewer and issued in accordance with Section 48(b) of this Article.

(c) Pass Peer Review Report: A report issued to the peer reviewed firm in accordance with either Section 48(b)(1)(A) or 48(b)(2)(A) of this Article.

(d) Pass With Deficiencies Peer Review Report: A report issued to the peer reviewed firm in accordance with either Section 48(b)(1)(B) or 48(b)(2)(B) of this Article.

(e) Substandard Peer Review Report: A report issued to the peer reviewed firm under either Section 48(b)(1)(C) or 48(b)(2)(C) of this Article.

(f) Peer Reviewer: A certified public accountant holding a valid and active license to practice public accounting in good standing issued by this state or some other state who (1) maintains a currency of knowledge in professional standards governing accounting and auditing engagements, (2) meets the qualifications of Section 48(c) of this Article, and (3) is unaffiliated with the firm being reviewed.

(g) Peer Review Team: One or more individuals who collectively conduct a peer review, at least one of whom is a qualified peer reviewer.

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

§ 40. Enrollment and Participation.

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

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

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

§ 41. Firm Responsibilities.

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

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

§ 42. Exclusions.

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

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

(2) Firms, which as their highest level of work, perform only compilations where no report is issued in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).

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

§ 43. Extensions.

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

(b) If the extension granted extends past the firm's reporting date, the firm shall notify the Board of the extension and provide proof of the extension. The firm shall report the results of the peer review to the Board on form PR-1(Rev. 1/12), as referenced in Section 45, within 45 days of the peer review report being accepted by a Board-recognized peer review program.

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

§ 44. Notification of Expulsion.

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

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

§ 45. Reporting to the Board.

(a) Beginning on January 1, 2014, at the time of renewal, a licensee shall report to the Board specific peer review information as required on Form PR-1 (Rev. 1/12), which is hereby incorporated by reference.

(b) Prior to January 1, 2014, the date for existing California licensees to report peer review results, on the form indicated in subsection (a), shall be based on the licensee'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 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. Failure to submit a completed Form PR-1 (Rev. 1/12) shall be grounds for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Note: Authority cited: Sections 5010 and 5076, Business and Professions Code. Reference: Sections 5076 and 5100, Business and Professions Code.

§ 46. Document Submission Requirements.

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

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

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

(2) If the firm received a peer review report issued under Section 48(b)(1)(B) or (b)(2)(B) it shall submit the copy of peer review report including any materials documenting the prescription of remedial or corrective actions imposed by a Board-recognized peer

review program provider. In addition, a firm shall also submit any materials, if available, documenting completion of any or all of the prescribed remedial or corrective actions.

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

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

§ 47. Peer Review Oversight Committee.

(a) The Peer Review Oversight Committee shall be comprised of not more than seven licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the Board.

(b) No member of the committee shall be a current member or employee of the Board.

(c) The committee shall hold meetings as necessary in order to conduct business and shall report to the Board regarding the effectiveness of mandatory peer review. This shall include an annual report to the Board regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.

(d) The committee is authorized to request from a Board-recognized peer review program provider those materials necessary to perform its review.

(e) Should a Board-recognized peer review program provider fail to respond to any request, the committee shall refer the matter to the Board.

(f) The committee shall review and recommend to the Board for approval peer review program provider applications for recognition by the Board.

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

§ 48. Minimum Requirements for a Peer Review Program.

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

(a) Peer Review Types

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

(1) For firms performing engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards, examinations of prospective financial statements under the Statements on Standards on Attestation Engagements (SSAEs), or audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), the firm shall undergo a peer review designed to test the firm's system of quality control. The scope of the peer review shall be such that it provides a peer reviewer with a

reasonable assurance that a firm's system of quality control was designed in accordance with professional standards and was complied with by a firm's personnel.

(2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.

(b) Peer Review Report Issuance

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

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

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

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

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

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

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

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

(c) Peer Reviewer Qualifications

A peer review program shall include minimum qualifications for an individual to qualify as a peer reviewer. The qualifications shall, at a minimum, include the following:

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

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

(3) Maintain a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed.

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

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

(d) Planning and Performing Peer Reviews

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

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

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

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

such that the firm has reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.

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

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

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

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

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

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

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

(B) Establish and perform procedures for ensuring that reviews are performed and reported on in accordance with the program's established standards for performing and reporting on peer reviews.

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

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

(E) Establish guidelines for prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in a firm's peer review report.⁴⁰

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) Each member of the committee shall comply with all confidentiality requirements. The peer review program provider shall annually require its committee members to sign a statement acknowledging their appointments and the responsibilities and obligations of their appointments.

Note: Authority Cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 48.1. Board-Recognition of the American Institute of Certified Public Accountants, Inc. Peer Review Program.

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

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

§ 48.2. Applying to Become a Board-Recognized Peer Review Program.

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

Note: Authority Cited: Sections 5010 and 5076, Business and Professions Code. Reference: Section 5076, Business and Professions Code.

§ 48.3. Board-Recognized Peer Review Program Provider Reporting Responsibilities.

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

- (1) Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms.
- (2) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the quality of reviewers' working papers in connection with the acceptance of reviews.
- (3) Statistical data maintained by the Board-recognized peer review program provider related to its role in the administration of peer reviews.
- (4) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the qualifications of its reviewers.

(5) Sufficient documents to conduct sample reviews of peer reviews accepted by the Board-recognized peer review program provider. These may include, but are not limited to,; the report; reviewer working papers prepared or reviewed by the Board-recognized peer review program's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, including, but not limited to, the imposition of required remedial or corrective actions;; the monitoring procedures applied;; and the results.

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

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

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

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

§ 48.4. Reconsideration of a Denied Applicant.

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

whichever is later. The appeal shall contain the following information:

(1) The name and business address of the provider making the appeal.

(2) The action being appealed and the date of any written notification by the Board.

(3) A summary of the basis for the request for an informal hearing, including any information which the provider believes was not given adequate consideration by the Board.

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

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

§ 48.5. Withdrawal of Board Recognition.

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

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

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

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

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

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

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

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

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

Reference: Section 5076, Business and Professions Code.

§ 48.6. Records of Proceedings.

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

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

Reference: Section 5076, Business and Professions Code.



CALIFORNIA BOARD OF ACCOUNTANCY
PEER REVIEW OVERSIGHT COMMITTEE
2011 Annual Report



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I. Message from the Committee Chair

I am pleased to present the Peer Review Oversight Committee's (PROC) 2011 Annual Report. We have made significant progress on our assignment to establish a peer review oversight process with the ultimate goal of making recommendations to the California Board of Accountancy (CBA) to ensure the effectiveness of mandatory peer review.

Since my initial planning session with CBA staff in October 2010 and the first committee meeting held in November 2010, I have reported our activities to you at each CBA meeting. Our first few meetings focused on understanding the administration of the peer review process, the various bodies involved in the process, including the program provider and the administering entity, and our roles and responsibilities. This process was necessary in order to gain a foothold and establish ourselves as an operating committee.

In 2011, members provided oversight at sixteen peer review events, including peer review board and committee meetings, report acceptance body meetings, and a peer reviewer training course all directed by the program provider and administering entity. In order to document these activities, the committee developed checklists for event monitoring. The checklists we developed were created using information gathered from states with active oversight committees, which we revised to meet California's unique needs. The checklists we have developed have received praise from the National Association of State Boards of Accountancy and are being used as templates to create and improve oversight materials nation-wide.

The PROC has also provided input to the CBA on three American Institute of Certified Public Accountants' (AICPA) exposure drafts, and developed a PROC Procedures Manual which outlines the roles and responsibilities of the committee and defines how and when oversight activities are to be performed.

While the majority of 2011 was spent acquainting ourselves with the process, we have already faced challenges and identified several potential future issues to address. The matter concerning the conflicts of interest involving committee members has been largely resolved, whereas work is still being done on the oversight of the National Peer Review Committee (NPRC) and the ability to access peer review documents. These issues are discussed in more detail in the report.

Although we still have work ahead of us, we believe we are progressing well to achieve the CBA objectives for our Committee, as you will see presented within this report.

In closing, I want to thank the CBA members for their vision and guidance which enabled the PROC to accomplish so much in its first year. I would also like to thank PROC members for their contributions to our Committee's accomplishments. I also want to add that the PROC has enjoyed an excellent working relationship with the CBA staff, and that they have been a tremendous support to the committee and our goals and objectives.

Nancy J. Corrigan, CPA
Committee Chair

II. Background

In 2009, the CBA sponsored Assembly Bill 138 (AB 138) implementing mandatory peer review. AB 138 was signed by Governor Arnold Schwarzenegger and became effective on January 1, 2010, requiring all California licensed firms providing accounting and auditing services, including sole proprietorships, to undergo a peer review once every three years as a condition of license renewal. At the time the legislation passed, 41 other jurisdictions had already implemented a peer review requirement.

On January 1, 2010, emergency regulations became effective to implement, interpret and make specific peer review requirements. On June 30, 2010, Division 1, Title 16, California Code of Regulations (CCR), Article 6, Sections 39 through 48.6, were adopted as permanent peer review regulations.

Peer review is defined as the study of a firm's accounting and auditing practice by an independent Certified Public Accountant (CPA) using professional standards, the purpose of which is to promote quality in the accounting and auditing services provided by CPAs.

III. PROC Responsibilities

The PROC derives its authority from Section 5076.1 of the Business and Professions Code (B&P). The PROC is comprised of seven CPAs of this state who maintain a license in good standing and who are authorized to practice public accountancy. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The CBA, at its January 2008 meeting, adopted the following roles and responsibilities for the PROC:

- Oversee the activities of Board-recognized peer review program providers (Providers) related to how peer reviews are processed and evaluated
- Ensure Providers are administering peer reviews in accordance with the standards adopted by the CBA
- Ensure that peer reviewers are properly qualified
- Ensure that peer reviews are being accepted in a consistent manner by Providers
- Conduct site visits of Providers and their peer review committees
- Review a sample of peer review reports
- Represent the CBA at Providers' peer review meetings
- Evaluate organizations that apply to become Board-recognized Providers

IV. Committee Members

The PROC is comprised of seven members, all of whom must possess and maintain a valid and active license to practice public accountancy issued by the CBA. Members are appointed to two-year terms and may serve a maximum of four consecutive terms.

<u>Current members:</u>	<u>Term Expiration Date:</u>
Nancy Corrigan, CPA, Chair	August 13, 2012
Katherine Allanson, CPA	August 31, 2012
Gary Bong, CPA	July 28, 2012
T. Ki Lam, CPA	August 19, 2012
Robert Lee, CPA	July 28, 2012
Sherry McCoy, CPA	August 19, 2012
Seid Sadat, CPA	July 28, 2012

V. Legislation and Regulations

On October 3, 2011, Senate Bill (SB) 543 made the following changes to B&P Code Sections 5076 and 5076.1:

- Removed the January 1, 2014 sunset date, making mandatory peer review and the PROC permanent.
- Changed the date of the report that is due to the Governor and Legislature regarding peer review requirements to January 1, 2015.
- Added additional reporting requirements in the report to the Governor and Legislature. A detailed list of the items to be included in the report can be found in Section VII – Peer Review Voluntary Survey.

These changes were operative on January 1, 2012.

On January 20, 2011, the CBA adopted regulations adding Sections 38, 47, and 48.4 to Article 6, Title 16, CCR. These sections address the purpose of the Article, further defined the PROC, and provide an appeal process for peer review program provider applicants who are denied Board recognition.

On May 25, 2011, the CBA adopted regulations modifying Section 48.3 which requires a Board-recognized peer review program provider to provide the CBA with copies of substandard peer review reports issued to California licensed firms within 60 days from the acceptance date.

VI. Reporting Requirements

Pursuant to B&P Code, Section 5076(n)(1), as amended on October 3, 2011 by SB 543, the CBA is required to provide the Legislature and Governor with a report regarding the peer review requirements that include, without limitation:

- The number of peer review reports completed to date and the number of substandard peer review reports which were submitted to the board.
- The number of enforcement actions that were initiated as a result of an investigation of a failed peer review report.
- The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.
- The extent to which mandatory peer review of accounting firms enhances consumer protection.
- The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.
- A recommendation as to whether the mandatory peer review program should continue.
- The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.
- The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.
- The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
- A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

VII. Statistics

The following statistics provide perspective on the size of the peer review program in California.

With the implementation of mandatory peer review, all licensees are required to submit a Peer Review Reporting Form (Form PR-1(1/10)) to the CBA. Licensees with a license number ending in 01-33 had a reporting date of July 1, 2011, licensees with a license number ending in 34-66 have a reporting date of July 1, 2012, and licensees with a license number ending in 67-00 have a reporting date of July 1, 2013.

Using information collected on the Peer Review Reporting Form, the following table illustrates the number of firms required to undergo a peer review, firms not required to undergo peer review, and licensees that do not operate as firms.

Peer Review Reporting Forms Received by the CBA*						
License Ends In	Reporting Date	Firms Requiring Peer Review	Firms Not Requiring Peer Review	Licensees Not Operating as a Firm	Total	Licensees That Have Not Reported
01-33	July 1, 2011	2,099	4,105	15,014	21,218	1,701
34-66	July 1, 2012	591	1,848	6,846	9,285	10,884
Total		2,690	5,953	21,860	30,503	12,585

* Data as of January 9, 2012.

The data in the following table reflects the number of peer review reports accepted by the California Society of Certified Public Accountants (CalCPA) in 2010 and 2011.

Peer Review Reports Accepted by the CalCPA*			
Type of Review	2010	2011	Total
System	413	406	819
Engagement	535	870	1,405
Total	948	1,276	2,224

*Data received from CalCPA as of February 21, 2012.

VIII. Peer Review Voluntary Survey

In order gather information on the impact of mandatory peer review, the CBA developed a voluntary survey for firms to complete as they submit their Online Peer Review Reporting Form. The survey went live on the CBA website on December 9, 2010. The PROC will continue to use the results of this ongoing survey to ensure the effectiveness of mandatory peer review.

For the purpose of analysis, preliminary survey results (**Appendix A**) were divided into two groups: (1) firms that have not undergone a peer review in the past, and (2) firms that have previously been peer reviewed. Although not all licensees answered all the survey questions, between 1,025 and 1,150 responses were received for each question. In general, the results revealed:

- **CORRECTIVE ACTION ORDERED**
Less than 25% of the firms were required to take corrective action, with the most common action being continuing professional education.
- **VOLUNTARY ACTION TAKEN**
Approximately half of the firms responding made voluntary changes to improve their processes.

- **FEES**
Fewer than 10% of the firms increased fees to offset the cost of undergoing a peer review. The average increase for firms that raised fees was 12%.
- **OCBOA**
A large majority of the firms have workload consisting of 25% or less OCBOA engagements.
- **IMPROVED SERVICES**
70% of the firms believe that undergoing a peer review has helped improve service to clients.
- **CLIENT NOTIFICATION**
50% of the firms intend to notify clients that they have undergone a peer review.
- **MARKETING**
31% of the firms will use peer review as a marketing tool.
- **CESSATION OF SERVICES:**
8% of the firms will cease providing accounting and auditing services to eliminate the need for a future peer review.

Of the 174 general comments received as part of the survey, 30% were supportive of mandatory peer review whereas 52% were not supportive.

IX. Board-recognized Peer Review Program Providers

a. American Institute of CPAs (AICPA)

The AICPA is currently the only Board-recognized Peer Review Program Provider. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in CCR Section 48. Further, the CBA accepts all AICPA-approved organizations authorized to administer the AICPA Peer Review Program. At present, there are 42 administering entities. The PROC has the authority to request information and materials from all organizations; however, its 2011 oversight responsibilities focused on the CalCPA.

The AICPA's Peer Review Board (PRB) is responsible for maintaining, furthering and governing the activities of the AICPA's Peer Review Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity.

The Peer Review Program provides for a triennial review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System reviews are designed for firms that perform audits or other similar engagements. Engagement reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail must perform corrective actions.

i. California Society of CPAs (CalCPA)

CalCPA administers the AICPA Peer Review Program in California. As the administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's *Standards*. The CalCPA Peer Review Committee (PRC) monitors the administration, acceptance, and completion of peer reviews. The PRC delegates a portion of the report acceptance function to Report Acceptance Bodies (RABs).

ii. National Peer Review Committee

The AICPA also administers a peer review program through the National Peer Review Committee for firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) or perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB.

X. Activities and Accomplishments

The PROC held its first meeting in November 2010. This being the inaugural year of operations of the PROC, there were many challenges that the PROC faced. Despite those challenges, the PROC had a very productive year. Following are the salient activities and accomplishments during the inaugural year.

a. Committee Meetings

The PROC holds meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

The PROC held eight meetings as follows:

- November 9, 2010 – Sacramento
- January 20, 2011 – San Jose
- March 4, 2011 – Ontario
- May 6, 2011 – Oakland
- July 8, 2011 – Sacramento
- August 30, 2011 – Los Angeles
- October 27, 2011 – San Jose
- December 9, 2011 – Irvine

The PROC Chair has attended all CBA meetings to report on PROC activities.

b. Administrative Functions

i. PROC Procedures Manual

The PROC developed the PROC Procedures Manual (**Appendix B**) which outlines specific procedures and processes to fulfill its duties.

ii. Oversight Checklists

The PROC developed several oversight checklists which serve to document the members' findings and conclusions after each oversight activity. Members submit the completed checklists to the CBA for future reference.

The following checklists were created to track oversight activities:

- Summary of Peer Review Committee Meeting
- Summary of Peer Review Subcommittee Meeting
- Summary of Administrative Site Visit
- Summary of Peer Reviewer Training

The checklists are part of the PROC Procedures Manual (**Appendix B**).

Additional checklists will be developed if deemed necessary.

iii. Exposure Drafts

The PROC has reviewed and prepared responses on behalf of the CBA for the following AICPA Exposure Drafts:

- Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Education (CPE) Programs, June 1, 2010
- Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Peer Reviews of Compilations Performed Under SSARS 19, January 31, 2011
- Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews: Performing and Reporting on Reviews of Quality Control Materials, August 22, 2011

c. Program Oversight

The PROC is charged with providing oversight of all Board-recognized peer review program providers to ensure that peer reviews are being administered in accordance with the standards adopted by the CBA.

From November 2010 through December 2011, the PROC performed several activities to assess the effectiveness of the AICPA's Peer Review Program and the CalCPA as the administering entity and report acceptance body.

i. Meetings

A. AICPA Peer Review Board

The AICPA PRB is responsible for maintaining, furthering and governing the activities of the Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity. The PRB holds four meetings per year. Two to three PROC members participated in each of the following PRB meetings via teleconference:

- January 21, 2011
- May 3, 2011
- August 10, 2011
- October 6, 2011

B. CalCPA Peer Review Committee

The CalCPA Peer Review Committee is responsible for ensuring that the peer review program is performed in accordance with the standards and guidance issued by the AICPA's PRB. The PRC meets in person twice a year. PROC members observe how the PRC executes its duties in the meeting to determine whether or not this aspect of the peer review process is operating effectively in the State of California.

Two PROC members attended each of the following PRC meetings:

- June 2-3, 2011 – Laguna Beach
- October 20-21, 2011 – Desert Springs

C. CalCPA Report Acceptance Body

The CalCPA holds multiple RAB meetings per year. The RAB meetings generally occur via conference call. RAB members review and present the peer review reports subject to discussion on a general call. PROC members observe how the RAB executes its duties in the meeting to determine whether the peer review process is operating effectively in the state of California.

One to three PROC members participated in each of the following RAB meetings via teleconference:

- February 23, 2011
- June 2, 2011

- June 15, 2011
- July 7, 2011
- July 26, 2011
- August 25, 2011
- September 20, 2011
- October 20, 2011
- December 13, 2011

D. National Association of State Boards of Accountancy PROC Summit

The National Association of State Boards of Accountancy (NASBA) held a Peer Review Oversight Committee Summit in North Carolina on August 16, 2011. The purpose of the Summit was to promote peer review oversight and assist peer review committees from state boards of accountancy.

Due to travel restrictions, the PROC Chair did not receive approval from the Department of Consumer Affairs to attend the Summit. At NASBA's request, the PROC sent its draft oversight checklists to be shared with other states' committees. At the Summit, California's PROC was complimented on the materials it has developed.

The PROC sent a follow-up letter to NASBA suggesting that future Summits be held on a regular basis and be available via teleconference and webcast.

ii. Administrative Site Visit

The PROC is charged with conducting, at a minimum, an annual Administrative Site visit of all Providers. The visit will be to determine if the provider is administering peer reviews in accordance with the standards adopted by the CBA.

Two PROC members have conducted a preliminary visit of the CalCPA's administrative office to document processes and procedures. The official administrative visit is scheduled for February 16, 2012.

iii. Peer Reviewer Training

The PROC is responsible for ensuring that Providers develop a training program designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

The CalCPA Education Foundation offers two peer reviewer trainings per year. A two-day course for new peer reviewers and a one-day refresher course are each offered once a year. Three PROC members attended the two-day training course *How to Conduct a Review Under the AICPA Practice-Monitoring Program* on July 18-19, 2011 in Los Angeles.

iv. Sample Reviews

The PROC is in the process of developing a system for sampling peer review reports. The first review will be completed in February 16, 2012 in conjunction with the administrative site visit.

v. Approval of Board-recognized Peer Review Program Providers

At such time that the CBA receives an Application to Become a Board-recognized Peer Review Program Provider, the PROC will review the application and documentation and determine if the program meets the requirements outlined in Title 16, CCR Section 48. Based on the review, the PROC will provide a recommendation to the CBA that the application be approved or denied.

vi. Withdrawal of Board Recognition of a Peer Review Program Provider

The PROC has not made any recommendations to the CBA concerning the withdrawal of Board recognition of a peer review program provider.

XI. Findings

Based on PROC members' attendance at the various peer review bodies' meetings cited in this report, the PROC offers the following findings to the CBA.

AICPA Peer Review Board

The PROC found the AICPA PRB meetings to be informative, efficient and structured. PROC members were invited to participate at regular intervals throughout the meetings. The PRB was diligent with regard to their responsibility for the peer review process and ensuring that the process is integrated with changes to professional standards. The PRB appears devoted to the quality of peer reviewers and how the AICPA could enhance this quality for the overall good of CPA firms.

CalCPA Peer Review Committee

PROC members were impressed with the CalCPA PRC members' technical expertise. The PRC deals with issues such as interpreting standards and applying consistency as the standards change and evolve. The PRC maintains a running list of recurring peer review deficiencies that they monitor and gauge, as well as monitoring the performance of peer reviewers.

CalCPA Report Acceptance Body

Through participation in nine RAB meetings, PROC members found RAB members professional and able to effectively discuss issues and arrive at well thought out conclusions.

CalCPA Peer Reviewer Training

PROC members found the course to be informative and effective. The presenter had a practical approach and spent an ample amount of time going through specific cases and explaining why certain decisions were made. It was noted that, although the course is marketed to new peer reviewers, the course seemed to be designed for more experienced peer reviewers. Although the presenter used advanced terminology, she was always willing to answer questions and provide further explanation.

XII. Conclusions and Recommendations

Based on its oversight activities, the PROC concluded that the American Institute of CPAs and its administering entity, the California Society of CPAs, function effectively as a peer review program provider. The PROC recommends that the CBA continue to recognize the American Institute of Certified Public Accountants as a peer review program provider.

Notwithstanding, the PROC offers the following recommendations to improve the program and facilitate future oversight efforts:

- a. As a result of the 2010 requirement for mandatory peer review, the demand on existing qualified peer reviewers has increased dramatically. As a result, there is a significant need to increase the number of qualified peer reviewers.

We recommend that the CBA continue to promote and encourage CPAs to consider developing the skills required to become peer reviewers in support of our profession and the benefit of the public.

- b. Currently, the CBA's record retention policies for enforcement matters require documents to be retained for six to twelve years. Our understanding is that this requirement extends to records that the PROC might obtain during its monitoring activities, including reports and client files submitted to RABs for review. The AICPA Peer Review Program, as administered by the CalCPA, requires that all client and peer review records be destroyed within 120 days for purposes of client confidentiality. Consequently, the CBA document retention policy prevents the PROC from monitoring the peer review report acceptance process to the level currently desired.

We recommend that the CBA review its document retention policy to determine if it would be appropriate to assign a 120 day document retention period to RAB meeting documents for purposes of PROC oversight.

XIII. Future Considerations

a. National Peer Review Committee

The NPRC is one of the forty two administering entities of the AICPA Peer Review Program. It administers peer reviews for AICPA firms required to be registered with and inspected by the PCAOB, or performing audits of non-SEC issuers pursuant to the standards of the PCAOB.

The NASBA's Compliance Assurance Committee (CAC) is charged with exploring, developing and implementing opportunities for state boards to become uniformly involved in standard setting and oversight of mandatory peer review or other compliance assurance review programs. The CAC is currently developing a report to state boards on the process of oversight for the NPRC.

Upon receipt of the CAC's report, the PROC will determine how best the PROC will provide oversight to the NPRC.

b. Length of Peer Review Process

The CalCPA currently estimates the length of time to complete the entire peer review process at 2-7 months. The PROC intends to study the process to determine if the duration can be reduced.

**California Board of Accountancy
Peer Review Survey Results**

December 9, 2010 - December 28, 2011

Was your recent peer review the first time you have undergone a peer review?			
	ENG	SYS	Total
Yes (1st Time Peer Reviewed)	222	77	299
No (Previously Peer Reviewed)	535	316	851
Total	757	393	1150

Was your firm required to take any corrective action as a result of undergoing peer review?			
	Yes	No	Total
1st Time Peer Reviewed	67	223	290
Previously Peer Reviewed	109	721	830
Total	176	944	1120

Type of Correction Ordered	Previously Peer Reviewed	
	1st Time Peer Reviewed	Previously Peer Reviewed
CPE	32	45
Accelerated Review	2	0
Additional Inspections/Reviews	10	18
Update Library	12	13
Strengthen Staff	7	13
Submission of Additional Materials	6	18
Other	16	17

Has your firm voluntarily made any changes that improved its processes as a result of undergoing a peer review?			
	Yes	No	Total
1st Time Peer Reviewed	151	128	279
Previously Peer Reviewed	398	388	786
Total	549	516	1065

Voluntary Changes Made	Previously Peer Reviewed	
	1st Time Peer Reviewed	Previously Peer Reviewed
CPE	35	121
Update Library	42	114
Strengthen Staff	22	130
Other	44	103

Did you raise your fees to offset the cost of your peer review?				
	Yes	No	Total	Average Increase
1st Time Peer Reviewed	42	235	277	15%
Previously Peer Reviewed	39	729	768	10%
Total	81	964	1045	

Do you believe that undergoing peer review has helped to improve your overall service to your clients?			
	Yes	No	Total
1st Time Peer Reviewed	164	103	267
Previously Peer Reviewed	541	221	762
Total	705	324	1029

Do you, or will you, voluntarily notify clients that you have undergone peer review?			
	Yes	No	Total
1st Time Peer Reviewed	135	131	266
Previously Peer Reviewed	380	381	761
Total	515	512	1027

Do you, or will you, use peer review as a marketing tool to potential clients?			
	Yes	No	Total
1st Time Peer Reviewed	65	207	272
Previously Peer Reviewed	260	510	770
Total	325	717	1042

To eliminate the need for a future peer review, will you cease providing the services which trigger a mandatory peer review under the law?			
	Yes	No	Total
1st Time Peer Reviewed	39	230	269
Previously Peer Reviewed	47	709	756
Total	86	939	1025

What percentage of your workload during the three years encompassing your recent peer review was spent on compilations without disclosure using other comprehensive basis of accounting (OCBOA)?						
	0%	1-25%	26-50%	51-75%	76-99%	100%
1st Time Peer Reviewed	83	128	11	8	10	13
Percentage	33%	50%	4%	3%	4%	5%
Previously Peer Reviewed	160	460	50	16	24	8
Percentage	22%	64%	7%	2%	3%	1%

What percentage of your workload during the three years encompassing your recent peer review was spent on compilations without disclosure using other comprehensive basis of accounting (OCBOA)?

	0%	1-25%	26-50%	51-75%	76-99%	100%	Total
1st Time Peer Reviewed	83	128	11	8	10	13	253
Percentage	33%	50%	4%	3%	4%	5%	
Previously Peer Reviewed	160	460	50	16	24	8	718
Percentage	22%	64%	7%	2%	3%	1%	

CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE
PROCEDURES MANUAL



December 2011

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SECTION I - INTRODUCTION

This procedure manual contains guidance assembled by the California Board of Accountancy's (CBA) Peer Review Oversight Committee (PROC) to be used by the PROC and the CBA in its peer review oversight roles and responsibilities as described herein. The peer review process utilizes a significant number of terms and acronyms which have been presented in a glossary (APPENDIX A). In addition, to provide a visual aid for the PROC's place in the peer review process, an organizational structure chart is included (APPENDIX B).

A. AUTHORITY

The PROC derives its authority from Section 5076.1 of the Business and Professions Code (B&P) as follows: The CBA shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The composition and function of the PROC is further defined in Title 16 California Code of Regulations (CCR) Section 47.

B. PURPOSE

The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review. (B&P §5076.1)

C. MEMBERSHIP

The PROC shall be comprised of not more than seven (7) licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the CBA. No member of the committee shall be a current member or employee of the CBA. (B&P §5076.1(a), CCR §47)

All members of the PROC, at a minimum, must:

- Be a California-licensed CPA with an active license to practice in good standing in this state, with the authority to sign attest reports.
- Be currently active in the practice of public accounting in the accounting and auditing function of a firm enrolled in the AICPA Peer Review Program as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.
- Regularly sign attest reports and have extensive experience in performing accounting and auditing engagements.
- Have completed the 24-hour Accounting and Auditing and eight-hour Fraud continuing education requirements for license renewal, as prescribed by Section 87 of the Accountancy Regulations.
- Be associated with a firm, or all firms if associated with multiple firms, that received a report with the peer review rating of pass for its most recent peer review.
- Have extensive knowledge of the AICPA's *Standards for Performing and Reporting on Peer Reviews*.

D. TENURE

PROC members shall be appointed to two-year terms and may serve a maximum of four (4) consecutive terms. (B&P §5076.1)

E. CONFIDENTIALITY

All PROC members shall sign a confidentiality letter.

Any information obtained by the PROC in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

- In connection with disciplinary proceedings of the CBA
- In connection with legal proceedings in which the CBA is a party
- In response to an official inquiry by a federal or state governmental regulatory agency
- In compliance with a subpoena or summons enforceable by court order
- As otherwise specifically required by law

All PROC members are required to sign a confidentiality letter (APPENDIX C).

F. CONFLICTS OF INTEREST

PROC members shall not participate in any discussions with respect to a reviewed firm when the member lacks independence as defined by Title 16 California Code of Regulations Section 65 or has a conflict of interest.

PROC members are allowed to conduct peer reviews as self-employed individuals, employees of a firm, or as an owner/partner of a firm. However, if any decisions involving the peer reviewed firm come before the PROC, the PROC member would have to disqualify himself/herself from all of the issues/decisions before the PROC.

Members are required to file the Fair Political Practices Commission's Form 700 upon appointment, annually, and upon leaving office. Members of the PROC are designated as Disclosure Category 4, which means that they must report:

All interests in real property and investments and business positions in, and any income, including gifts, loans and travel payments from, a business entity, professional association or individual where the business entity, professional association or individual's profession is regulated by or offers programs or courses qualifying for licensing or continuing education credit by the official's or employee's license agency.

If any PROC member receives any income, gifts, loans, or travel payments from any person or entity (as defined by the Act) regulated by the CBA, he or she must disclose the financial interest on the Form 700. This would be true even if such person or entity is not regulated in any manner by the PROC since Disclosure Category 4 requires disclosure when the regulation stems from the "official's or employee's licensing agency." A PROC member would be deemed to have a financial interest in a decision if certain financial limits are met.

G. TRAVEL REIMBURSEMENT

Each PROC member shall be reimbursed for traveling and other reasonable expenses necessarily incurred in the performance of duties. (B&P §103)

General guidelines for travel reimbursement will be provided at the time of appointment.

H. COMPENSATION

Each PROC member shall receive a per diem of one hundred dollars (\$100) for each day actually spent in the discharge of official duties. (B&P §103)

SECTION II – GENERAL COMMITTEE MEETING INFORMATION

A. MEETINGS

The PROC shall hold meetings as necessary in order to conduct business and shall report to the CBA regarding the effectiveness of mandatory peer review. This shall include the PROC Chair attending CBA meetings to report on the activities of the PROC. The PROC shall also prepare an annual report to the CBA regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight. (CCR §47(c))

B. OPEN/CLOSED SESSION

PROC meetings may include both open and closed sessions.

C. QUORUM

Before any action may be taken on agenda items, a quorum must be present at the meeting. Therefore, attendance by PROC members is critical. A majority of the PROC membership shall constitute a quorum.

D. ATTENDANCE BY MEMBERS

PROC members are expected to attend all regularly scheduled meetings of the PROC as well as assigned meetings of peer review program providers. A member who is absent from two consecutive PROC meetings will be subject to review by the Chair. Upon recommendation to the CBA, the member may be dismissed.

E. ATTENDANCE BY OTHERS

PROC meetings may be attended by CBA members as well as the general public. Members of the general public are only allowed to attend the open session portion of the meeting.

To ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full California Board of Accountancy (CBA) are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

F. STAFF

CBA staff will be available prior to and during all PROC meetings to provide the following:

- Meeting room arrangements
- Travel arrangements
- Coordination of meeting materials
- Record meeting proceedings
- General support to members

SECTION III – ROLES AND RESPONSIBILITIES

A. ROLES & RESPONSIBILITIES

The PROC shall evaluate the responsibilities adopted for the PROC by the CBA to determine if the responsibilities are sufficient for the PROC to fulfill its purpose. Any recommendations for changes to the PROC's responsibilities shall be presented to the CBA for consideration and approval. Broadly stated, the PROC shall have the following roles and responsibilities (the specific oversight duty(ies) used to accomplish these goals are listed below each item):

- Oversee the activities of Board-recognized peer review program providers (Provider) related to how peer reviews are processed and evaluated
 - Administrative Site Visits
 - Peer Review Committee Meetings
 - Peer Review Subcommittee Meetings
- Ensure the Provider is administering peer reviews in accordance with the standards adopted by the CBA
 - Administrative Site Visits
 - Peer Review Committee Meetings
 - Peer Review Subcommittee Meetings
- Ensure that peer reviewers are properly qualified
 - Administrative Site Visits
 - Peer Review Committee Meetings
 - Peer Review Subcommittee Meetings
 - Peer Reviewer Training
- Ensure that peer reviews are being accepted in a consistent manner by the Provider
 - Peer Review Subcommittee Meetings
- Conduct site visits of the Provider and their peer review committees
 - Administrative Site Visit
 - Peer Review Committee Meetings
 - Peer Review Subcommittee Meetings
- Review sampling of peer review reports
 - Review Sampling of Peer Reviews
- Represent the CBA at Provider's peer review meetings
 - Administrative Site Visit
 - Peer Review Committee Meetings
 - Peer Review Subcommittee Meetings
- Evaluate organizations outside the AICPA structure that desire to administer peer reviews in California.
 - Evaluation of Board-Recognized Peer Review Program Providers

The PROC shall develop a more detailed plan for performing and completing the above roles and responsibilities as outlined in the manual. This plan shall be reviewed with the CBA on a routine basis and updated as appropriate to enable the PROC to fulfill its purpose. Documents resulting from the PROC's program shall be considered drafts until approved as final by the PROC and the CBA. Final documents shall be subject to the retention schedule in place at the CBA.

SECTION IV – PROC FUNCTIONS

The PROC oversight duties will include the following.

A. OVERSIGHT OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS

1. Administrative Site Visits

The PROC shall conduct, at a minimum, an annual administrative site visit of all Providers. The visit will be to determine if the Provider is administering peer reviews in accordance with the standards adopted by the CBA.

Each PROC member performing an administrative site visit shall complete a “Summary of Administrative Site Visit” checklist (APPENDIX D) and submit to the CBA office within thirty (30) days of the administrative site visit.

2. Peer Review Committee Meetings

The PROC shall attend all peer review committee meetings conducted by a Provider to monitor that the Provider is adhering to the minimum standards set forth by the CBA.

Each PROC member attending a peer review committee meeting shall complete a “Summary of Peer Review Committee Meeting” checklist (APPENDIX E) and submit to the CBA office within thirty (30) days of the peer review committee meeting.

3. Peer Review Subcommittee Meetings (Report Acceptance Bodies)

The PROC shall attend at least four meetings per year of any peer review subcommittee created by a Provider for the purposes of accepting peer review reports. These meetings are commonly referred to as “Report Acceptance Body (RAB)” meetings. The PROC will monitor to ensure that peer reviews are performed and reported on in accordance with the Provider’s established standards.

Each PROC member attending a subcommittee meeting shall complete a “Summary of Peer Review Subcommittee Meeting” checklist (APPENDIX F) and submit to the CBA office within thirty (30) days of the peer review subcommittee meeting.

4. Sample Reviews

The PROC shall conduct reviews of peer reviews accepted by a Provider on a sample basis. The review may include, but is not limited to, the peer review report; reviewers’ working papers prepared or reviewed by the Provider’s peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, the imposition of required remedial or corrective actions, the monitoring procedures applied, and the results.

Sample reviews may be conducted during the Administrative Site Visit.

Each PROC member conducting a sample review of peer reviews shall complete a “Summary of Sample Reviews” checklist (APPENDIX G) and submit to the CBA office within thirty (30) days of the completion of the review.

5. Peer Reviewer Training

The PROC shall attend, on a regular basis, peer review training courses offered by a Provider. The PROC shall monitor the Provider's training program to ensure that the program is designed to maintain or increase peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

Each PROC member attending a subcommittee meeting shall complete a "Summary of Peer Reviewer Training" checklist (APPENDIX H) and submit to the CBA office within thirty (30) days of the peer reviewer training course.

6. Statistics

The PROC shall collect statistical monitoring and reporting data on a regular basis; such data should be in a mutually agreed upon format to be prepared by the Provider, and shall include, but not be limited to, the following:

- Types (system vs. engagement) and numbers of reviews in process
- Types (system vs. engagement) and numbers of reviews completed by month, and cumulatively for the annual reporting period
- Types (system vs. engagement) and numbers of reviews receiving a pass, pass with deficiencies, or fail rating
- Extensions requested and status (granted, denied, and completed)
- Corrective action matters (various types: overdue peer review reports, disagreements pending resolution, etc.)
- Delinquent reviews
- Firms expelled from the program

If not included in the statistical data reports, the PROC shall obtain a written outline of the administering entity's risk assessment process in conducting its peer review program activities.

B. EVALUATION OF BOARD-RECOGNIZED PEER REVIEW PROGRAM PROVIDERS

The PROC shall review any *Application to Become A Board-Recognized Peer Review Program Provider (01/10)* (APPENDIX I) received by the CBA. The PROC shall recommend approval or denial to the CBA based on the applicant's evidence that its peer review program is comprised of a set of standards for performing, reporting on, and administering peer reviews and contain all the components outlined in Title 16, California Code of Regulations Section 48.

C. WITHDRAWAL OF BOARD RECOGNITION OF A PEER REVIEW PROGRAM PROVIDER

The PROC is authorized to request from a Provider those materials necessary to perform its review. The PROC shall refer to the CBA any Board-recognized peer review program provider that fails to respond to any request.

D. ANNUAL REPORT TO THE CALIFORNIA BOARD OF ACCOUNTANCY

The PROC shall report to the CBA regarding the effectiveness of mandatory peer review. This shall include an annual report to the CBA regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.

E. DOCUMENTATION OF OVERSIGHT ACTIVITIES

All PROC members shall document their attendance at or participation in peer review oversight activities using the following checklists:

1. Summary of Administrative Site Visit
2. Summary of Peer Review Committee Meeting
3. Summary of Report Acceptance Body Meeting
4. Summary of Random Sampling of Peer Reviews
5. Summary of Peer Reviewer Training

All checklists should be signed by the PROC member and submitted to the CBA office within thirty (30) days of the oversight activity.

Checklists will be maintained by the CBA office in accordance with the Records Retention Policy.

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A

Accountants' Database	Former AICPA Library database covering 1974-1991 literature which as was merged into the Accounting and Tax Database in 1992.
Accountants' Index	Index to the accounting literature, including books and journal articles, published by the AICPA Library Services Team from 1920-1991. Reprints are available from UMI (University Microfilms Inc.).
Accounting & Tax Database	An online database covering the accounting literature produced by UMI and available since 1992 on the Knight-Ridder Dialog service, File 485. It includes the AICPA Library's Accountants Database and AICPA Library catalog records from 1992-1999 for books and pamphlets added to the AICPA Library.
Accounting and Review Services Committee (ARSC)	AICPA committee whose objective is to develop, on a continuing basis, procedures and standards of reporting by CPAs on the types of accounting and review services a CPA may render in connection with unaudited financial statements, as well as unaudited financial information of an entity that is not required to file financial statements with a regulatory agency in connection with the sale or trading of its securities in a public market.
Accounting Principles Board (APB)	Standards-setting body for accounting principles that issued its opinions from November 1962 to June 1973. Succeeded by Financial Accounting Standards Board.
Accounting Standards Executive Committee (AcSEC)	AICPA committee whose objective is to determine Institute technical policies regarding financial accounting and reporting standards. As a senior technical committee, it is authorized to make public statements, without clearance from Council or the Board of Directors, on matters related to its area of practice.
Accredited in Business Valuation (ABV)	Credential in business valuation awarded by the AICPA to those who have met prescribed requirements and passed an examination.
Adverse Opinion	Auditor's opinion which states that financial statements do not fairly present the financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.
Agreed Upon Procedures	Specific procedures agreed to by a CPA, a client and (usually) a specified third party. The report states what was done and what was found. Additionally, the use of the report is restricted to only those parties who agreed to the procedures.
AICPA Board of Directors	Executive Committee of Council which directs Institute activities between Council meetings. It is comprised of 23 members.
AICPA Council	AICPA governing body which determines Institute procedures and policies. It comprises of approximately 260 members representing every state and four U.S. territories.

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AICPA InfoBytes	Online library of CPE materials developed by the AICPA as a subscription service. Provides members with more than 1200 hours of continuing profession courses for an annual fee.
AICPA On Line	The AICPA's Web site on the Internet. The Web address is http://www.aicpa.org .
AICPA Personal Liability Umbrella Security Plan (AICPA PLUS)	AICPA insurance plan which provides members and their families with up to \$5 million personal liability coverage.
American Accounting Association (AAA)	National professional association for those involved in accounting education in higher education.
Association to Advance Collegiate Business Schools (AACBS)	Recognized agency that accredits academic programs. The Website address is: http://www.aacsb.edu/
American Society of Association Executives (ASAE)	National organization of managers of all types of trade and professional associations.
American Taxation Association (ATA)	This is the national professional association for tax professors in higher education.
American Tort Reform Association (ATRA)	Coalition of associations, nonprofit organization, consumer advocates, businesses, and professionals whose purpose is to restore fairness, balance, and predictability to the nation's civil justice system.
Analytical Review Procedures	Substantive tests of financial information made by a study and comparison of relationships among data.
Application Service Provider (ASP)	An entity that provides software functionality across the Internet or private networks on a rental, leased or pay-as-you-go basis.
Association for Accounting Administration	Founded on January 1, 1984, to enable accounting firm administrators to communicate with one another and provide each other with the benefits to everyone's experiences in what was a new and emerging profession.
Association of Government Accountants (AGA)	National organization of CPAs and others involved in governmental accounting and auditing at all levels.
Assurance Services	Services which improve the quality of information, or its context, for decision-makers.
Assurance Services Executive Committee	This committee is responsible for identifying, developing, and communicating new assurance opportunities for the membership.

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(ASEC)	Moreover, if measurement criteria or more detailed performance guidance is required to deliver a particular service, the Committee, or one of its task forces, will develop such criteria or guidance, working cooperatively with other senior technical committees or bodies with specialized expertise in the subject area as necessary and appropriate.
Attestation Standards (AT)	The attestation standards enable practitioners to examine or review non-financial statement information and to perform and report on the results of those engagements in accordance with professional standards.
Audit and Accounting Guides	Materials which provide CPAs with authoritative guidance regarding accounting and auditing of entities in specialized industries or other specialized areas.
Audit Risk	The risk that an auditor will unknowingly fail to appropriately modify his/her opinion on financial statements that are materially misstated.
Audit Risk Alerts	Annual updates alerting auditors to current economic, regulatory, and professional developments in various industries. These include <i>Compilation and Review Alerts</i> , and approximately 18 industry-specific alerts.
Audit Sampling	The application of an audit procedure to less than 100 percent of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of the balance or class.
Auditing Committee Effectiveness Center (AudCommCtr)	A key element in the corporate governance process of any organization is its audit committee. As its role expands, making the audit committee as effective and efficient as possible becomes critical. The battle for financial statement integrity and reliability depends on balancing the pressures of multiple stakeholders, including management, regulators, investors and the public interest. Guidance and tools are presented to make audit committee best practices actionable.
Audit Committee Matching System (ACMS)	This system was built for two reasons— for our members to provide them with opportunities to serve on boards of directors, and as a public service to provide a list of qualified, credentialed candidates to serve on boards of directors and presumably the audit committees of those boards
Auditing Procedure Studies (APS)	Studies which inform practitioners of developments and advances in auditing procedures to provide practical assistance regarding auditing procedures.
Auditing Standards Board (ASB)	Board authorized by the AICPA to promulgate auditing and attest standards, quality control standards procedures, and implementation guidance for AICPA members performing such services. It comprises of 19 members. As a senior technical committee, it is authorized to make public statements, without clearance from Council or the Board of Directors, on matters related to its area of practice.

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B

Beta Alpha Psi (BAP)	The premier professional accounting and business information fraternity which recognizes academic excellence and complements members' formal education by providing for interaction among students, faculty and professionals.
Big Four	Traditionally, the four largest CPA firms in the world. They are: PricewaterhouseCoopers; Deloitte & Touche LLP; Ernst & Young LLP; and KPMG.
Board of Examiners (BOE)	An executive committee of the AICPA with overall responsibility for preparing and grading the Uniform CPA examination.
Business and Industry Executive Committee (BIEC)	The AICPA committee charged with representing and advocating the needs of members in business and industry.
Business Valuation (BV)	Refers to the discipline involving a process by which a supportable opinion is derived about the worth of a business or individual assets or liabilities.

C

Canadian Institute of Chartered Accountants (CICA)	The national membership organization of Chartered Accountants of Canada, which works closely with the AICPA on several initiatives of common interest, including, but not limited to WebTrust, SysTrust, Eldercare, Performance Views and Continuous Assurance.
Cascade	The cascade of Sarbanes-Oxley Act (SOX) is the extension of provisions contained in SOX that apply only to SEC registrants and their auditors to private companies and not for profit organizations and their CPA firms.
Center for Investment Advisory Services (CIAS)	A center developed by the AICPA to provide tools and helps to train our members and enable them to provide investment advisory services to their clients.
Center for Public Company Audit Firms (CPCAF)	A center developed by the AICPA to provide support to member firms that audit or are interested in auditing public companies with education, communication, representation and other means. Succeeded by Public Company Auditors Forum effective January 1, 2006.
Center for Public Company Audit Firms Peer Review Committee (PRC)	AICPA committee whose objective is to enhance the quality of accounting and auditing engagements by enrolled AICPA firms by conducting and administering a peer review program for firms' non-SEC issuer practices to co-exist with the Public Company Accounting Oversight Board's inspection of firms' SEC issuer practices.

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Certified Association Executive (CAE)	Designation conferred by the American Society of Association Executives following a course of study designed to enhance all around competency in the field of association management. Several AICPA staff members hold the designation.
Certified Information System Auditor (CISA)	A professional credential offered by Information Systems Audit and Control Association (ISACA) certifying expertise in information system auditing. The CISA is earned through a combination of experience and successful completion of an exam, offered annually in 11 languages.
Certified Information Security Manager (CISM)	A credential specifically geared toward experienced information security managers and those who have information security management responsibilities. CISM is designed to provide executive management with assurance that those earning the designation have the required knowledge and ability to provide effective security management and consulting. It is business-oriented and focuses on information risk management while addressing management, design and technical security issues at a conceptual level. While its central focus is security management, all those in the IS profession with security experience will certainly find value in CISM.
Certified Information Technology Professional (CITP)	Credential in information technology awarded by the AICPA to CPAs who have met experience, life long learning and examination requirements. CITPs are involved in information strategic planning, implementation, management, and business strategies for information systems.
Certified Internal Auditor (CIA)	An international certification awarded by the Institute of Internal Auditors (IIA) that reflects competence in the principles and practices of internal auditing.
Certified Management Accountant (CMA)	Title bestowed by the Institute of Management Accountants (IMA) on persons meeting certain basic requirements, principally an examination covering economic theory, financial management, cost accounting, etc.
Certified Public Accountant (CPA)	A credential conferred by a state or similar governmental jurisdiction that authorized the holder to practice as a certified public accountant in that jurisdiction.
Certified Public Accountants' Society Executives Association (CPA/SEA)	Independent organization of state CPA society chief executive officers.
Chief Financial Officer (CFO)	The individual in an organization with overall responsibility for accounting, treasury, financial management, financial reporting, finance and related functions. This position reports to the CEO and depending on the size of the organization, it could have many additional responsibilities. The CFO should be the right hand of the CEO, collaborating on strategy and business growth, while at the same

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	time bringing ensuring compliance and conservatism. Sometimes called the VP-Finance or similar title.
CFO Act	The Chief Financial Officers' Act of 1990 which created chief financial officer positions in the major federal department and agencies to oversee the government's management of funds and improve its federal financial responsibility.
Chartered Accountant (CA)	Professional accounting designation used in the United Kingdom, Canada and several other countries.
Committee-Appointed Review Team (CART)	A team appointed by the entity administering the AICPA Peer Review Program (Program) to conduct a CPA firms' peer review engagement or repeat review. CART reviews are not available for systems reviews or for firms in the Center for Public Company Audit Firms Peer Review Program.
Competency Self-Assessment Tool (CAT)	A Web-based tool designed to allow CPAs and other users to assess their knowledge, skills and abilities in four broad competency categories: Leadership Qualities, Personal Attributes, Broad Business Perspective and Functional Expertise, and then develop a learning plan to close any competency gaps identified.
Compilation	Information presented in the form of financial statements that is the representation of management without the accountant undertaking to express any assurance on the statements.
Computer based Test (CBT)	Term sometimes used to refer to the Uniform CPA Examination. The Uniform CPA Examination is delivered in a computerized format, almost year-round, at test centers across the United States. Go to www.cpa-exam.org for information about the CPA Examination, applying, and scheduling.
Computerized Accounting Tool Services (CASTA)	Series of software tools for CPAs used in providing accounting and auditing services to clients.
Congressional Budget Office (CBO)	Federal government agency responsible for providing Congress with basic budget data and analysis of alternative fiscal, budgetary, and programmatic policy issues. It was established by the Congressional Budget Act of 1974.
Congressional Record (Cong. Rec.)	The written record of the daily proceedings of the U.S. Senate and House of Representatives. It is published whenever either Chamber of Congress is in session, or it includes the debates in both chambers on legislation before those bodies, a list of bills introduced and any comments regarding those measures, and a list of committee hearings.
Congressional Research Services (CRS)	The research branch of Congress, working out of the Library of congress.

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<p style="text-align: center;">Consulting Services (CS)</p>	<p>Consulting Services provided by CPA firms in addition to the traditional audit, accounting, and tax services (e.g. systems work, production planning). The AICPA CS Team provides educational and technical guidance to firms and private sector employees who offer consulting services to clients or employers.</p>
<p style="text-align: center;">Continuing Professional Education (CPE) Advisory Committee</p>	<p>CPE Advisory Committee aids the AICPA by providing experience and observations of AICPA members as they relate to education, training, professional transformation and career enhancement. Committee lends expertise in strategic planning, feedback on major decisions and forward-looking suggestions.</p>
<p style="text-align: center;">Continuing Professional Education (CPE) Now called Professional Development</p>	<p>An integral part of the life-long learning required for the CPA to provide competent service to the public. The set of activities that enables accounting professionals to maintain and increase their professional competence.</p>
<p style="text-align: center;">Core Competency Framework for Entry into the Accounting Profession</p>	<p>This Framework is an online resource that educators can utilize to develop or reform curricula to support the development of a set of competencies, consistent with the findings of the CPA Vision. It defines core functional, personal and broad business perspective competencies that all students are expected to have upon entry into the broadly envisioned accounting profession. Soon to be incorporated into the Framework is a database of learning strategies that academics can utilize to develop requisite competencies. In addition, the Framework will provide an automated evaluation process that academics can follow to establish academic goals and priorities regarding competency development and to design and assess circular effectiveness.</p>
<p style="text-align: center;">Cost Accounting Standards Board (CASB)</p>	<p>The five-member federal government body responsible for setting cost accounting standards for all government contractors.</p>
<p style="text-align: center;">CPA2Biz</p>	<p>Accounting profession's vertical portal to provide tools, support and opportunities, online & offline, to enable CPAs to enhance customer relationships & expand their portfolio of product and service offerings.</p>
<p style="text-align: center;">CPA iPack</p>	<p>A package of materials designed to introduce high school/college students to accounting concepts and career opportunities in the profession. The package includes the award winning 'Takin' Care of Business' video, the Education Handbook of lesson plans, a career guide and related materials.</p>
<p style="text-align: center;">CPE Wizard</p>	<p>In MSP, this is the web application that allows members to manage their CPE credits earned. This application is a tool that allows members to track CPE registered for and attended (group study, online, other self-study, etc). It tracks course information, credit earned, and sponsor.</p>

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Customer Relationship Management (CRM)	A business management system that involves all aspects of interaction an organization has with its customer or member, including all marketing, communications, sales and service related activities. The overall objective of CRM effort is to develop a 360 degree view of a member/customer.
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D

Dialog	Owned by Thomson, Dialog is a comprehensive service with over 450 databases from a broad range of disciplines.
Disclaimer of Opinion	Auditor's statement in which he (she) does not express an opinion on financial statements.
Disclosure	The material matters relating to the form, arrangement, and content of financial statements that are "disclosed" during the presentation of financial statements in accordance with generally accepted accounting principles, or, if applicable with OCBOA.
Discussion Leader's Guide (DLG)	For use by CPE instructors, this guide provides the necessary written information for a successful presentation.
Discussion Memorandum (DM)	Document sometimes issued for public comment to assist an authoritative body in formulating an exposure draft.

E

Educational Competency Assessment Site (ECAS)	A web-based tool to help accounting educators and program administrators integrate the skills-based competencies defined in the AICPA Core Competency Framework for Entry into the Accounting Profession.
ElderCare Services	A host of financial and non-financial services targeted at older adults and their family members to help those older adults maintain their independence for as long as possible and to provide peace of mind for their family members.
Elijah Watt Sells Award	Award presented to those CPA candidates who take all four sections of the Uniform CPA Examination at one time and receive the three highest combined grades.
Emerging Issues Task Force	The EITF was designed to promulgate implementation guidance within the framework of existing authoritative literature to reduce diversity in practice on a timely basis. The EITF was designed to minimize the need for the FASB to spend time and effort addressing narrow implementation, application, or other emerging issues that can be analyzed within existing GAAP.

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Employee Benefit Plan Audit Quality Center (EBP AQC)	An AICPA firm membership Center with the objective of enhancing the quality of audits of employee benefit plans subject to ERISA.
Employee Retirement Income Security Act of 1974 (ERISA)	A federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans. ERISA requires plans to provide participants with plan information including important information about plan features and funding; and requires plans to prepare financial reports and have annual audits generally for plans with more than 100 participants.
Engagement Reviews under the AICPA Peer Review Program	Peer review for firms that only perform services under SSARS and/or services under the SSAEs not included in system reviews have peer reviews called engagement reviews. The objectives of an engagement review are to provide the reviewer with a reasonable basis for expressing limited assurance that: a. the financial statements or information and the related accountant's report on the accounting and review engagements and attestation engagements submitted for review conform in all material respects with the requirements of professional standards in all material respects and b. the reviewed firm's documentation conforms with the requirements of SSARS and the SSAEs applicable to those engagements in all material respects.
Enhanced Business Reporting (EBR)	Enhanced Business Reporting is comprised of voluntary, globally recognized guidelines for providing richer disclosure of business information, allowing companies to better communicate current and expected performance while giving the investment community and other stakeholders the information they need to make better decisions. This includes financial statements, key performance indicators based on industry-specific definitions, and company-specific information about strategy, plans, opportunities and risks.
Enrolled Agent	A tax practitioner who, by passing an examination given by the U.S. Treasury Department, can represent taxpayers before the Internal Revenue Service.
Enterprise Resource Planning (ERP)	A business management system that integrates all facets of the business to the related financial reporting functionality. Software applications have emerged to help business managers implement ERP in business activities such as planning, manufacturing, sales, marketing, inventory control, order tracking, and finance. ERP attempts to integrate all departments and functions across a company to create a single software program that runs off one database.
Evaluation Task Force (ETF)	Peer Review Committee members from the Center for Public Company Audit Firms Peer Review Committee that discuss and accept peer review reports and other peer review related documents for firms enrolled in the Center for Public Company Audit Firms Peer Review Program.

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Evidential Matter	Audit materials supporting the financial statements consisting of the underlying accounting data and all corroborating information available to the auditor.
Examinations Committee (EC)	A standing committee of NASBA which investigates and makes recommendations to boards of accountancy regarding all aspects of the Uniform CPA Examination.
Examinations Review Board (ERB)	A standing committee of NASBA which provides a comprehensive audit of the preparation, grading, security, and administration of the exam.
Exposure Draft (ED)	Document issued by the AICPA, Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), Federal Accounting Standards Advisory Board (FASAB), or other authority to invite public comment before a final accounting, auditing, or administrative standard, policy or procedure pronouncement is issued.
Extensible Business Reporting Language (XBRL)	Formerly code named XFRML, XBRL is a freely available electronic language for financial reporting. It is an XML-based framework that provides the financial community a standards-based method to prepare, publish in a variety of formats, reliably extract and automatically exchange financial statements of publicly held companies and the information they contain. XBRL is not about establishing new accounting standards but enhancing the usability of the ones that we have through the digital language of business. XBRL will not require additional disclosure from companies to outside audiences.

F

Federal Accounting Standards Advisory Board (FASAB)	Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to federal government entities.
Federal Deposit Insurance Corporation (FDIC)	Independent agency that provides insurance coverage for deposits in both banks (through the Bank Insurance Fund) and savings institutions (through the Savings Association Insurance Fund) and conducts periodic examinations of state-chartered banks that are not members of the Federal Reserve System.
Federal Register (F.R.)	The principal document containing administrative agency law, including proposed and final regulations. It is issued daily.
Federal Reserve System – Board of Governors	Regulates state member banks, bank holding companies and financial services companies.

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(Fed or FRB)	
Federal Trade Commission (FTC)	Regulates the profession with regard to privacy for tax preparers, tax planners, and financial planners.
Federation of Schools of Accountancy (FSA)	The organization of accredited accounting graduate programs that is dedicated to enhancing, through collegiate education, the capabilities and performance of those entering the accounting profession.
Financial Accounting Foundation (FAF)	Independent, private-sector organization whose trustees appoint the members, provide funds, and exercise general oversight of the Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), and their respective advisory councils.
Financial Accounting Standards (FAS)	Official promulgations by the Financial Accounting Standards Board and, if not superseded, part of generally accepted accounting principles.
Financial Accounting Standards Advisory Council (FASAC)	The primary function of FASAC is to advise the Board on issues related to projects on the Board's agenda, possible new agenda items, project priorities, procedural matters that may require the attention of the FASB, and other matters as requested by the chairman of the FASB. FASAC meetings provide the Board with an opportunity to obtain and discuss the views of a very diverse group of individuals from varied business and professional backgrounds.
Financial Accounting Standards Board (FASB)	Independent, private, non-government group which is authorized by the accounting profession to establish generally accepted accounting principles in the U.S.
Financial Executives International (FEI)	Professional association for financial executives whose objective is to maintain a position of national leadership on issues affecting corporate financial management, and to provide those services that will best meet the professional needs of its members.
Financial Planning Association (FPA)	The membership organization for the financial planning community, created when the Institute of Certified Financial Planners (ICFP) and the International Association for Financial Planning (IAFP) unified on January 1, 2000. Members include individuals and companies who have contributed to building the financial planning profession and all those who champion the financial planning process.
Financial Statements	The presentation of financial data, including accompanying notes derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a comprehensive basis of accounting.
Firm-on-Firm Team Review (FOF)	A peer review team formed by a CPA firm engaged to conduct the peer review of another CPA firm.

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Flexible Life Insurance	Term Life Insurance issued through AICPA Insurance Trust. Includes Group Variable Universal Life options.
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G

Government Accountability Office (GAO)	Independent, non-partisan agency which assists Congress in investigating and reporting on government's effectiveness in using public funds.
Generally Accepted Accounting Principles (GAAP)	Uniform minimum standards of and guidelines to financial accounting and reporting. Currently, the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB) and the Federal Accounting Standards Advisory are authorized to establish these principles.
Generally Accepted Auditing Standards (GAAS)	Standards governing the conduct of external audits by CPAs, as determined by the Auditing Standards Board (ASB) of the AICPA.
Generation Skipping Transfer Tax (GSTT)	This is a tax on estate tax transfers, generally through trusts that are intended to avoid estate taxes. There is a \$1 million exemption, but the taxpayer has to elect to allocate it to a transfer, and this is hard to do when it is uncertain what the future value of the transfer will be. The result has been liability for practitioners for failing to elect to allocate some of the exemption to the transfer.
Government Audit Quality Center (GAQC)	An AICPA firm membership Center with objective of enhancing the quality of audits of entities subject to GAGAS.
Government Auditing Standards, a.k.a Generally Accepted Government Auditing Standards (GAGAS)	Commonly referred to as the "Yellow Book," it contains standards for audits of government organizations, programs, activities, and functions, and of governmental funds received by contractors, nonprofit organizations, and other non-government organizations. Revisions are issued as required by the Comptroller General of the U.S.
Government Finance Officers Association (GFOA)	Private, nonprofit organization which has actively supported the advancement of governmental accounting, auditing, and financial reporting since 1906.
Governmental Accounting Standards (GAS)	Official promulgations by the Governmental Accounting Standards Board (GASB) and, if not superseded, part of generally accepted accounting principles applicable to state and local governmental entities.
Governmental Accounting Standards	Group authorized by the accounting profession to establish generally accepted accounting principles (GAAP) applicable to state and local

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Board (GASB)	governmental entities.
Governmental Performance and Accountability Committee (GPAC)	The AICPA Government Performance and Accountability Committee (GPAC) represents CPAs working in all levels of federal, state and local government. It also serves the public who depend on CPAs to help ensure government accountability. The mission of the GPAC is to 1) promote greater government accountability and the integrity of government operations, information and information systems, 2) promote and encourage increased participation and involvement by CPAs in government within the AICPA, 3) enhance the professional image and value of CPAs in government, 4) provide advice and counsel to the Institute on the needs of CPAs in government, and 5) serve as a conduit for communications among CPAs in government, the Institute and other professional organizations.

I

Independence Standards Board (ISB)	Independent standard setter which was formed by the AICPA and the SEC to revise, interpret, and maintain the independence standards that apply to public company auditors. Existed from 1998 to 2001.
In-depth Interview Guide (IDI)	Provides Team AICPA employees with a tool to use in obtaining comparable, first-hand data on their member constituents' needs.
Information Systems Audit and Control Association (ISACA)	An international organization that aspires to global leadership in IT governance, control and assurance by providing its constituents education, a technical/managerial journal, professional certification, conferences, standards and original research.
Information Technology Executive Committee (ITEC)	An AICPA committee organized to research, monitor, assess, educate, and communicate the impact of technology developments on business solutions; to enhance the quality of information technology services provided by members; to achieve recognition that the CPA is the preeminent trusted professional to provide business solutions by applying information technology; and to enable all members to provide value to their clients and their employers through effective application of current, emerging and future information technologies.
Information Technology Membership Section	Voluntary AICPA membership section for CPA specialist in information technology.
Inspector General (IG)	Individuals charged with conducting and supervising audits and investigations relating to the programs and operations of their departments or agencies, and reporting on these semiannually to Congress and the chief executive of their department or agency. Such offices were established in most federal cabinet-level departments and larger agencies by the Inspector General Act of 1978.

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Institute of Internal Auditors (IIA)	An international organization that provides certification, education, research, and technological guidance for internal audit practitioners.
Institute of Management Accountants (IMA)	National membership organization of CPAs and others involved in accounting, financial and data processing work for industry, commerce and government. Issues the designation Certified Management Accountant (CMA).
Instructor Dependent (ID)	CPE group-study courses led by faculty scheduled by the AICPA.
Interactive Data Extraction and Analysis (IDEA)	EDP audit tool that allows the transfer and analysis of information from other computers.
Internal Revenue Bulletin (IRB)	Authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the IRS, and for publishing Treasury decisions, executive orders, tax conventions, legislation, court decisions, and other items of general interest. It is published weekly.
International Accounting Standards Board (IASB)	An organization whose members represent 153 accounting bodies in 112 countries. The group is dedicated to bringing about the harmonization of international accounting standards.
International Association for Financial Planning (IAFP)	Trade association for individual financial planners and product sponsors.
International Auditing and Assurance Standards Board (IAASB)	The committee authorized by the IFAC to issue International Standards on Auditing (ISAs) and guidance.
International Federation of Accountants (IFAC)	Global organization for the accountancy profession representing 158 accounting organizations in 118 countries. Encourages high-quality practices by the worlds' accountants. Sponsors World Congress of Accountants every five years.
International Innovation Network (IIN)	A group of Institutes located in 17 different countries meeting to exchange ideas and best practices related to innovation. These areas (or "innovation") include new service lines, new products, new education, etc. Countries involved in this network include the US (AICPA), Canada, England and Wales, Ireland, Scotland, France, Germany, Argentina, Israel, Japan, Netherlands, Denmark, Sweden, Hong Kong, Australia, New Zealand, Spain, Italy and others.

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International Organization of Securities Commissions (IOSCO)	Currently has 135 member agencies working to ensure better regulation of the markets on the domestic and international level.
International Public Sector Accounting Standards (IPSAS)	Issued by the International Public Sector Accounting Standards Board, these standards set out the requirements for financial reporting by governments and others in public sector organizations.
International Public Sector Accounting Standards Board (IPSASB)	This Board focuses on the accounting and financial reporting needs of national, regional and local governments, related governmental agencies, and the constituencies they serve. It addresses these needs by issuing and promoting benchmark guidance, conducting educational and research programs, and facilitating the exchange of information among accountants and those who work in the public sector or rely on its work.
International Qualification Examination (IQEX)	Examination prepared by the AICPA for use by state boards of accountancy to measure the professional competence, in a U.S. context, of Canadian and Australian Chartered Accountants, Australian CPAs and Mexican Contadores Publicos Certificados who desire a CPA certificate. Only a limited number of states use IQEX.
Issuer	The term "issuer" means an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C.78c)). The securities of which are registered under section 12 of that Act (15 U.S.C.78l), or that is required to file reports under section 15(d) (15 U.S.C 78o (d)), or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933 (15 U.S.C. 77a et seq.) and that it has not withdrawn.
Issues Papers	Materials which provide information on financial accounting and reporting issues that the Institute believes the Financial Accounting Standards Board (FASB) or Governmental Accounting Standards Board (GASB) should consider and on which those organizations should provide guidance.

J

Joint Ethics Enforcement Program (JEEP)

Program of cooperation between the AICPA and the state CPA societies in the enforcement of the Code of Professional Conduct.

Joint Trial Board (JTB)

An AICPA Board, which provides for uniform enforcement of professional standards by adjudicating disciplinary charges against AICPA and state society members. It comprises of at least 36 members.

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K

Knowledge Management (KM)	The process of connecting people to people and people to information to create competitive advantage.
KnowledgeNET (K-Net)	The AICPA's Web-based technology platform for information and knowledge sharing.

L

Letters of Comment (LOC)– Peer Review	<p>For system reviews within the AICPA Peer Review Program, comments and recommendations issued by the review team if there are matters that the review team believes resulted in conditions being created in which there was more than a remote possibility that the firm would not conform with professional standards on accounting and auditing engagements in all material respects, but were not of such significance to cause the report to be modified or adverse.</p> <p>For engagement reviews within the AICPA Peer Review Program, comments and recommendation issued by the review team if there are departures from professional standards that are not deemed to be significant but that should be considered by the reviewed firm in evaluating the quality control policies and procedures over its accounting practice.</p>
Letters of Response (LOR) – Peer Review	A written response from the reviewed firm addressed to the entity administering the Peer Review Program which describes the actions taken or planned by the reviewed firm with respect to each matter in the letter of comments.
LEXIS	Computer-assisted legal research service which offers access to several other services, including the National Accounting Automated Research System (NAARS) and NEXIS.
Limited Liability Company (LLC)	A form of organization that may be treated as a partnership for federal tax purposes and that has limited liability protection for the owners at the state level. The entity may be subject to state franchise tax as a corporation.
Limited Liability Partnership (LLP)	A form of organization in which the individual partners are protected from the liabilities of the other partners. These entities are considered partnerships for both federal and state tax purposes.
Litigation Services (LS)	Any professional guidance non-lawyers provide to lawyers in the litigation process. Such assistance may include the quantification of damages, analysis of business facts and the provision of expert testimony.

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M

Management of an Accounting Practice (MAP)	AICPA team that assists small firms and sole proprietors in improving the management and administration of their practices.
Member Solutions Partnership (MSP)	A system that encompasses the development and deployment of functionality for enterprise resource planning (ERP), association and customer/member relationship management (CRM) features, and human resource management (HRMS) utilizing Oracle E-Business Suite 11i system.
Minority Initiatives Committee	The AICPA committee that works to actively integrate minorities into the accounting profession to become CPAs and enhance their upward mobility.

N

National Association of State Auditors, Comptrollers and Treasurers (NASACT)	An organization for state officials who deal with the financial management of state government. NASACT's membership is comprised of officials who have been elected or appointed to the office of state auditor, state comptroller or state treasurer in the fifty states, the District of Columbia, and U.S. territories.
National Accreditation Commission (NAC)	Senior AICPA committee that recommends and implements specialization/certification programs for CPAs and oversees existing accreditation programs.
National Association of State Boards of Accountancy (NASBA)	National organization representing the 54 state licensing boards/agencies which regulate the CPA profession in all states and four U.S. territories.
National Automated Accounting Research System (NAARS)	Computerized database for researching annual reports of corporations and governmental entities, and authoritative and semi-authoritative accounting and auditing promulgations of the AICPA, Financial Accounting Standards Board (FASB), Securities and Exchange Commission (SEC), etc.
National Council of Governmental Accounting (NCGA)	Private sector standard-setting body for governmental accounting, auditing, and financial reporting from 1968 until 1984, when the Governmental Accounting Standards Board (GASB) was established.
National Credit Union Administration (NCUA)	Regulates all credit unions and insures credit union deposits up to \$100,000.

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<p>National Society of Accountants (Formerly known as National Society of Public Accountants)</p>	<p>National association for individuals with an interest in the accounting profession. Although membership is open to CPAs, the majority of this organization's members are licensed public accountants and unlicensed accountants.</p>
<p>Negative Assurance</p>	<p>An accountant's statement which says that as a result of specified procedures, nothing came to his (her) attention that caused him (her) to believe that specified matters did not meet a specified standard.</p>
<p>NEXIS</p>	<p>Full-text research and information service with a database of more than 160 U.S. and overseas general, business, and news information sources.</p>
<p>Nonissuer</p>	<p>Entities not subject to the Sarbanes-Oxley Act of 2002 or the rules of the SEC.</p>
<p>North American Securities Administrators Association (NASAA)</p>	<p>National association of individuals who administer securities laws of the states and the Canadian provinces.</p>

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O

Office of Management and Budget (OMB)	Federal government agency responsible for assisting the President in preparing the budget and formulating the fiscal program of the U.S. government, among other things. Also responsible for overseeing audits performed under single audit set and OMB circular A-133, audits of states, local governments and non-profits organizations.
Office of the Comptroller of the Currency (OCC)	A bureau of the U.S. Treasury Department designed to safeguard bank operations and the public interest through its general supervision over the operations of national banks.
Office of Thrift Supervision (OTS)	A bureau of the Department of the Treasury that charters federal savings institutions and serves as primary regulator for federal and state chartered savings institutions that belong to the Savings Institutions Insurance Fund (SIIF).
Organization for Economic Cooperation and Development (OCED)	An organization of major industrialized countries to advance economic development around the world through cooperation and sharing of information.
Other Comprehensive Basis of Accounting (OCBOA)	A basis of accounting, other than GAAP, that an entity uses to report its assets, liabilities, equity, revenues and expenses. Examples of OCBOA include income tax basis and cash basis of accounting.

P

Peer Review	An evaluation of whether a CPA firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality controls standards established by the AICPA and whether the CPA firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of conforming with professional standards or a review of the firms' accounting reports and financial statements to determine conformity with professional standards, applicable to those engagements in all material respects. Peer reviews are performed in accordance with standards established by the AICPA Peer Review Board for firms enrolled in the AICPA Peer Review Program, and by the Center for Public Company Audit Firms Peer Review Committee for firms enrolled in the Center for Public Company Audit Firms Peer Review Program. Also see Engagement, Report and System Reviews (under the AICPA Peer Review Program) and Peer Reviews under the Center for Public Company Audit Firms Peer Review Program.
Peer Review Board (PRB)	The executive committee having senior status with authority to establish, conduct and administer the AICPA Peer Review Program in

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	cooperation with administering entities. Its objective is to enhance the quality of accounting and auditing engagements by CPA firms by establishing and conducting, in cooperation with the state CPA societies, a peer review program for AICPA and state CPA society members engaged in the practice of public accounting.
Peer Review Committees (PRC)	AICPA committees (both the Private Companies Practice Section and the Securities and Exchange Commission Practice Section have this committee) responsible for ensuring that member firms of the Division for CPA Firms maintain their practices in conformity with quality control standards of the AICPA and comply with Division membership requirements.
Peer Review Programs (PRP)	Practice monitoring programs in which peer reviews are conducted. The AICPA has two peer review programs: the AICPA Peer Review Program and the Center for Public Audit Firms Peer Review Program (CPCAF PRP).
Peer Reviews Under the Center for Public Company Audit Firms Peer Review Program	A system and compliance oriented peer review with the objectives of evaluating whether; 1) The reviewed firm's system of quality control for its accounting and auditing practice applicable to private companies non-SEC issuers has been designed to meet the requirements of the Quality Control Standards established by the AICPA, 2) the reviewed firm's quality control policies and procedures applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards. A firm's accounting and auditing practice applicable to public companies SEC issuers is not reviewed in a Center for Public Company Audit Firms peer review since the Public Company Accounting Oversight Board is responsible for inspecting that portion of a firm's accounting and auditing practice in accordance with PCAOB requirements.
Performance View	This service identifies critical success factors that lead to measures that can be tracked over time. These measures are then used to assess progress in achieving specific targets linked to an entity's vision and performance.
Personal Financial Planning (PFP)	Process of addressing a client's financial concerns in the context of his (her) overall financial situation. The AICPA PFP Team provides support to members with a special interest in advising clients on the planning and management of their personal finances.
Personal Financial Planning Section	Voluntary AICPA membership section for CPA specialists in personal financial planning.
Personal Financial Specialist (PFS)	Credential in personal financial planning awarded by AICPA to those who have met practice requirements and passed an examination.
Political Action Committee (PAC)	Group of individuals with common interests and political goals that is organized to provide information and financial support to candidates for elective offices. For the Institute, this is called the AICPA PAC.

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Practice Bulletin	Information communicating the views of the Accounting Standards Executive Committee on certain narrow accounting issues.
Pre-certification Education Executive Committee (PcEEC)	The AICPA committee that recommends education policy to the Board and provides assistance to the academic community in preparing students for entry into the profession and supports the recruitment of talented students into the profession.
Private Company Financial Reporting	An initiative of the AICPA to determine if, and where, privately-held companies have a need for different accounting standards than publicly-traded companies, and if so, to work to create those standards. This initiative is currently focused on working collaboratively with the FASB to meet the needs of companies, users of financial reporting and the CPAs who serve these clients.
Private Companies Practice Section (PCPS)	One of two sections of the AICPA Division for CPA Firms that primarily serves local and regional CPA firms with non-public clients.
Professional Accountants in Business Committee (PAIB)	The Professional Accountants in Business (PAIB) Committee serves IFAC member bodies and the more than one million professional accountants worldwide who work in commerce, industry, the public sector, education, and the not-for-profit sector. Its aim is to enhance the profession by encouraging and facilitating the global development and exchange of knowledge and best practices. It also works to build public awareness of the value of professional accountants. The PAIB Committee was formerly called the Financial and Management Accounting Committee.
Professional Ethics Executive Committee (PEEC)	To develop standards of ethics, promote understanding and voluntary compliance with such standards, establish and present charges of violations of the standards and the AICPA's bylaws to the Joint Trial Board for disciplinary action in cooperation with State Societies under the Joint Ethics Enforcement Program (JEEP), improve the profession's enforcement procedures, coordinate the subcommittees of the Professional Ethics Division, and promote the efficiency and effectiveness of JEEP Program.
Public Company Accounting Oversight Board (PCAOB)	The PCAOB is a private-sector, non-profit corporation, created by the <u>Sarbanes-Oxley Act of 2002</u> , to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports.
Public Company Auditors' Forum	Technical and educational resource and public policy voice for U.S. audit firms that are registered with PCAOB.
Public Accountant (PA)	Generic term for persons/firms which practice public accounting but are not CPAs. Some states license public accountants.
Public Entity	Any entity that: (a) trades securities in a public market either on a stock exchange or in the over-the-counter market; (b) makes a filing

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	with a regulatory agency in preparation for the sale of any classes of its securities in a public market; (c) is a subsidiary, corporate joint venture, or other entity controlled by either (a) or (b).
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Q

Qualified Opinion	Auditor's opinion which states that, except for the effects of the matter to which a qualification relates, the financial statements fairly present financial position, results of operations, cash flows in conformity with generally accepted accounting principles.
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R

Racketeer Influenced and Corrupt Organizations Act (RICO)	Congressional statute enacted in 1970 to deal with organized crime's infiltration of legitimate business. Some states also have RICO statutes.
Registered Investment Adviser (RIA)	According to the Securities and Exchange Commission, an individual registered under the Investment Advisers Act of 1940, who, for compensation, engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing, or selling securities.
Regulatory Accounting Principles (RAP)	The term regulatory accounting principles denotes the requirements or methods of accounting and reporting specified by regulatory agencies for supervisory reporting purposes. The AICPA encourages consistency between GAAP and RAP.
Report Acceptance Body (RAB)	Peer Review Committee members from approved state CPA society administering entities that discuss and accept peer review reports and other peer review related documents for firms enrolled in the AICPA Peer Review Program.
Report Reviews Under the AICPA Peer Review Program	A peer review where the objective is to enable the reviewed firm to enhance the overall quality of its compilation engagements that omit substantially all disclosure. To accomplish this objective, the reviewer provides comments and recommendations based on whether the submitted financial statements and related accountant's reports appear to conform with the requirements of professional standards in all material respects. A report review does not provide the reviewer with a basis for expressing an opinion on the firm's system of quality control for its accounting practice.
Revenue Procedure	A published official statement of the IRS regarding a matter of federal tax procedure, published by the National Office of the IRS.

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Revenue Ruling	A published official interpretation of the tax law by the National Office of the IRS. Rulings are often based on replies to request for rulings by taxpayers.
Review	Performing inquiry and analytical procedures that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with GAAP or, if applicable, with OCBOA.
Risk Advisory Services	Services designed to identify, assess and manage risks of an entity and measure and monitor the risk management strategies implemented by that entity.

S

Securities and Exchange Commission (SEC)	Agency of the federal government that regulates the public trading of securities. The SEC has the authority to establish accounting and auditing regulations but defers to the Financial Accounting Standards Board and the Public Company Accounting Oversight Board.
Senior Technical Committee	Any AICPA committee authorized to make public statements on matters relating to its area of practice without having to get clearance from AICPA Council or the Board of Directors. (See pages 1-2 for a list of AICPA senior technical committees).
Shared Services LLC	A joint venture between the AICPA and the State Society Network Inc. to take advantage of operational cost efficiencies among the similar organizations that serve CPAs.
Statement of Position (SOP)	Statements which provide guidance on practice or industry financial accounting or reporting problems until the Financial Accounting Standards Board or Governmental Accounting Standards Board provides standards in those areas. They are also intended to influence the establishment of such standards, and to update, revise, or clarify audit and accounting guides or provide freestanding guidance.
Statements of Federal Financial Accounting Standards (SFFAS)	Official promulgations by the Federal Accounting Standards Advisory Board (FASAB) and, if not superseded, part of generally accepted accounting principles applicable to federal governmental entities.
Statements of Tax Policy	Statements which present the thinking of the AICPA's Taxation Team on questions of broad tax policy and are designed to aid in the development of federal tax legislation.
Statements on Auditing Standards (SAS)	Statements issued by the Auditing Standards Board to provide CPAs with guidance regarding the application of Generally Accepted Auditing Standards (GAAS).

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Statements on Standards for Accountants' Services on Prospective Financial Information (SSASPF)	Statements issued by the Auditing Standards Board to provide guidance to accountants concerning performance and reporting for engagements to examine, compile, or apply agreed-upon procedures to prospective financial statements.
Statements on Standards for Accounting and Review Services (SSARS)	Statements issued by the Accounting and Review Services Committee to provide CPAs with guidance regarding reporting on the unaudited financial statements or other unaudited financial information of nonpublic entities.
Statements on Standards for Attestation Engagements (SSAE)	Statements issued by the Auditing Standards Board, Accounting and Review Services Committee, or the Management Advisory Services Executive Committee to provide guidance to CPAs engaged to perform attest services.
Statements on Standards for Consulting Services (SSCS)	Statements which provides behavioral standards for the conduct of consulting services. The SSCS includes the General Standards found in Rule 201 of the AICPA Code of Professional Conduct plus three additional standards found in Rule 203, including Client Interest, Understanding with the Client and Communication with the Client.
Statements on Standards for Tax Services (SSTS)	Tax behavioral standards that are binding under the AICPA Code of Professional Conduct.
Substantial Equivalency	Substantial Equivalency is a concept that provides greater ease of mobility across state lines for CPAs both in person and electronically. Under this concept, if a CPA has a license in good standing from a state that utilizes CPA certification criteria that are essentially those outlined in the UAA, then the CPA would be qualified to practice in that state without a reciprocal license.
Successor Auditor	An auditor who has accepted an engagement or an auditor who has been invited to make a proposal for an engagement from an entity changing auditors.
System Reviews Under the AICPA Peer Review Program	Peer review for firms that perform engagements under the SASs Government Auditing Standards or examinations of prospective financial statements under the SSAEs have peer reviews called system reviews. A system review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review: a) the reviewed firm's system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA and b) the reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of conforming with professional standards.

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SysTrust	Service to provide assurance on the reliability of a system. The service results in an examination level report on whether an entity's system meets the SysTrust principles of Availability, Maintainability, Integrity and Security and their underlying criteria.
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T

Tax Executive Committee	AICPA senior technical committee responsible for formulating and articulating technical and policy positions of the AICPA in tax matters.
Team Captain (TC)	The individual responsible for supervising and conducting a system peer review, communicating the review team's findings to the reviewed firm and to the entity administering the peer review, and preparing the report and, if applicable, the letter of comment on the system review.
Team Member (TM)	Members of a peer review team in addition to the team captain.
Technical Bulletin (TB)	Information issued by the Financial Accounting Standards Board which provides timely guidance on certain financial accounting and reporting problems.
Technical Hotline	Toll-free telephone service for use by AICPA members that provides non-authoritative technical assistance on accounting and financial reporting issues, and auditing, attestation, review, and compilation engagements.
Technical Information for Practitioners Series (TIPS)	Non-authoritative practice aids provided for CPAs.
Technical Issues Committee (TIC)	AICPA committee of the PCPS whose objective is to monitor technical developments that could have a significant effect on private companies and the CPA firms that serve them and, when necessary, submit comments and recommendations in support of the interest of these firms.
Technical Resource Panels (TRPs)	Member groups that are smaller than committees and that are charged with watching specific technical areas. When an issue arises, the panel forms a task force to do the actual work.
Transaction Trail	Chains of evidence provided through coding, cross references, and documentation connecting accounting balances and other summary results with original transactions and calculations.
Trend Monitoring System	Operation by the Strategic Planning Team that identifies emerging issues and trends with potential impact on the Institute and the profession.

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U

Uniform Accountancy Act (UAA)	The Uniform Accountancy Act is a single comprehensive piece of model legislation that seeks to eliminate differing requirements on issues including CPA certification, reciprocity, and temporary practice by promoting uniformity in state accountancy licensing laws. Uniformity would be achieved by adopting the UAA in place of existing laws in the 55 American licensing jurisdictions. The AICPA and the National Association of State Boards of Accountancy (NASBA) published the first joint model bill, later renamed the Uniform Accountancy Act (UAA), in 1984.
Unqualified Opinion	An auditor's opinion which states that the financial statements present fairly, in all material respects, financial position, results of operations, cash flows in conformity with generally accepted accounting principles.

V

Vision	CPAs are the trusted professionals who enable people and organizations to shape their future. Combining insight with integrity, CPAs deliver value by communicating the total picture with clarity and objectivity, translating complex information into critical knowledge, anticipating and creating opportunities, and designing pathways that transform vision into reality.
Vision Team	Internal staff cross-functional team that studied profession's visions and recommended organizational changes within the AICPA based on its view of future.
Virtual Grassroots Panel (VGP)	The VGP is an online group of diverse members from various segments of the profession who provide input and feedback – via online polls – to the Institute's leadership, its Strategic Planning Committee, state societies and others regarding current events in the accounting profession, AICPA initiatives, emerging opportunities and threats, and most importantly, "forward-looking" items for the profession.

W

WebTrust

Services to provide assurance on online businesses. These services result in examination level attestation reports on whether an entity meets applicable WebTrust Principles and Criteria. The Principles and Criteria address matters such as privacy, security, availability, confidentiality, consumer redress for complaints, and business practices.

Work/Life and Women's Initiatives Executive

This executive committee of the AICPA promotes within the accounting profession a work environment that provides opportunities for the

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Committee (WLWIEC) · successful integration of personal and professional lives and the advancement of women to positions of leadership.

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QUICK REFERENCE OF ACRONYMS AND ABBREVIATIONS

A

AAA	American Accounting Association
AAA	Association of Accounting Administrators
AAA-CPA	American Association of Attorney-Certified Public Accountants
AACBS	Association to Advance Collegiate Business Schools
AAFI	Associated Accounting Firms International
AAHCPA	American Association of Hispanic CPAs
ABA	American Bar Association
ABV	Accredited in Business Valuation
ACA	Accreditation Council for Accountancy
AudCommCtr	Audit Committee Effectiveness Center
ACMS	Audit Committee Matching System
AcSEC	Accounting Standards Executive Committee
ADAPSO	Association of Data Processing Service Organizations
AECC	Accounting Education Change Commission
AFA	Accounting Firms Associated, Inc.
AGA	Association of Government Accountants
AGFM	Association of Government Financial Managers
AGI	Accounting Group International
AICPA	American Institute of Certified Public Accountants
AICPA PAC	AICPA Political Action Committee
AICPA PLUS	AICPA Personal Liability Umbrella Security Plan
AITF	Audit Issues Task Force
AMA	American Management Association
APB	Accounting Principles Board
APG	Audit Program Generator
APS	Auditing Procedure Studies
AR	Advance Reading
ARA	Accounting Research Association
ARAF	Association Regional Accounting Firms
ARIA	Accounting Researchers International Association
ARSC	Accounting and Review Services Committee
ASAE	American Society of Association Executives
ASB	Auditing Standards Board
ASEC	Assurance Services Executive Committee
ASP	Application Service Provider
ASWA	American Society of Women Accountants
AT	Attestation Standards
ATA	American Taxation Association
ATB	Accountants Trial Balance
ATRA	American Tort Reform Association
AWSCPA	American Woman's Society of Certified Public Accountants

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B

BAP	Beta Alpha Psi
BIEC	Business and Industry Executive Committee
BOE	Board of Examiners
BV	Business Valuation

C

CA	Chartered Accountants
CAE	Certified Association Executive
CAI	Computer-Assisted Instruction
CAPA	Federation of Accounting Institutions in East Asia
CART	Committee-Appointed Review Team
CASB	Cost Accounting Standards Board
CAT	Competency Self-Assessment Tool
CATS	Computerized Accounting Tool Series
CBO	Congressional Budget Office
CBT	Computer Based Testing
CCH	Commerce Clearing House
CD	Certificate of Deposit
CFP	Certified Financial Planner
CGFM	Certified Government Financial Manager
CIA	Certified Internal Auditor
CIAS	Center for Investment Advisory Services
CICA	Canadian Institute of Chartered Accountants
CISA	Certified Information System Auditor
CISM	Certified Information Security Manager from ISACA
CITP	Certified Information Technology Professional
CMA	Certified Management Accountant
CPA	Certified Public Accountant
CPA/SEA	Certified Public Accountants' Society Executives Association
CPA2BIZ	Profession's Vertical Portal
CPE	Continuing Professional Education
CRS	Congressional Research Service
CSI	Computer Security Institute

D

D & T	Deloitte & Touche LLP
DCAA	Defense Contract Audit Agency
DLG	Discussion Leader's Guide
DM	Discussion Memorandum

E

E&Y	Ernst & Young LLP
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EA	Enrolled Agent
EBP AQC	Employee Benefit Plan Audit Quality Center
EBR	Enhanced Business Reporting
EC	Examination Committee
ECAS	Educational Competency Assessment Site
ECSAFA	Federation of Accounting Institutions in Africa
ED	Exposure Draft
EDMAX	Educational Management Exchange
EDPAA	EDP Auditors Association
EDPAF	EDP Auditors Foundation
EITF	Emerging Issues Task Force
ERB	Examination Review Board
ERISA	Employee Retirement Income Security Act of 1974
ESCORP	Examination Services Corporation
ETF	Evaluation Task Force

F

FAE	Foundation for Accounting Education
FAF	Financial Accounting Foundation
FAS	Financial Accounting Standards
FASAB	Federal Accounting Standards Advisory Board
FASAC	Financial Accounting Standards Advisory Council
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
Fed	Federal Reserve System – Board of Governors
FEE	Federation of Accounting Institutions in Europe
FEI	Financial Executives International
FERF	Financial Executives Research Foundation
FGAA	Federal Government Accountant's Association
FICA	Federal Insurance Contributions Act
FOF	Firm-on-Firm Review
FPA	Financial Planning Association
FR	Federal Register
FSA	Federation of Schools of Accountancy
FTC	Federal Trade Commission

G

GAAFR	Governmental Accounting, Auditing, and Financial Reporting
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GAS	Governmental Accounting Standards
GASB	Governmental Accounting Standards Board
GASBOC	Governmental Accounting Standards Board Organizing Committee
GAQB	Government Audit Quality Center
GFOA	Government Finance Officers Association

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS**

GPAC	Governmental Performance and Accountability Committee
GSTT	Generation Skipping Transfer Tax

H

HFMA	Health Care Financial Management Association
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I

IA	International Affiliation of Independent Accounting Firms
IAA	Inter-American Accounting Association
IAASB	International Auditing And Assurance Standards Board
IAFP	International Association for Financial Planning
LAG	International Auditing Guidelines
IAHA	International Association of Hospitality Accountants
IAI	Independent Accountants International
IAPC	International Auditing Practices Committee (is now IAASB)
IASB	International Accounting Standards Board
ICFP	Institute for Certified Financial Planners
ID	Instructor Dependent
IDEA	Interactive Data Extraction and Analysis
IDI	In-depth Interview
IFAC	International Federation of Accountants
IFAD	International Federation for Accountancy Development
IGAF	International Group of Accounting Firms
IGS	Inspector Generals
IIA	Institute of Internal Auditors
IMA	Institute of Management Accountants
INCFO	Institute of Newspaper Controllers and Finance Officers
IOSCO	International Organization of Securities Commission
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
IQAB	International Qualifications Appraisal Board
IQEX	International Qualification Examination
IRB	Internal Revenue Bulletin
IRS	Internal Revenue Service
ISAs	International Standards on Auditing
ISACA	Information Systems Audit and Control Association
ISB	Independence Standards Board
ISC	International Steering Committee
ISC	International Strategy Committee
ITEC	Information Technology Executive Committee

J

JEEP	Joint Ethics Enforcement Plan
JTB	Joint Trial Board

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS**

K

KPMG	KPMG
KM	Knowledge Management
KNET	KnowledgeNet

L

LLC	Limited Liability Company
LLP	Limited Liability Partnership
LOC	Letters of Comment
LOR	Letters of Response
LPR	Business Law and Professional Responsibilities
LS	Litigation Services

M

MAP	Management of an Accounting Practice
MCS	Management Consulting Services
MSP	Member Solutions Partnership

N

NAAACPA	National Association of Asian American Certified Public Accountants
NAAI	National Association of Accountants in Insolvency's
NAARS	National Automated Accounting Research System
NABA	National Association of Black Accountants
NAC	National Accreditation Commission
NAFC	National Accounting and Finance Council
NASAA	North American Securities Administrators Association
NASACT	National Association of State Auditors, Comptrollers and Treasurers
NASBA	National Association of State Boards of Accountancy
NCCPAP	National Conference of CPA Practitioners
NCUA	National Credit Union Administration
NSA	National Society of Accountants
NSAC	National Society of Accountants for Cooperatives

O

OCBOA	Other Comprehensive Basis of Accounting
OCC	Office of the Comptroller of the Currency
OECD	Organization for Economic Cooperation and Development
OMB	Office of Management and Budget
OTS	Office of Thrift Supervision

P

PA	Public Accountant
PAC	Political Action Committee

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS**

PAIB	Professional Accountants in Business Committee of IFAC
PAR	Public Accounting Report
PCAF	Public Company Auditors' Forum
PCAOB	Public Company Accounting Oversight Board
PCAF	Public Company Auditors' Forum
PcEEC	Pre-certification Education Executive Committee
PCPS	Private Companies Practice Section
PEEC	Professional Ethics Executive Committee
PFP	Personal Financial Planning
PFS	Personal Financial Specialist
PM	Participant's Manual
POB	Public Oversight Board
PPI	Producers Price Index
PRB	Peer Review Board
PRC	Center for Public Company Audit Firms Peer Review Committee
PRP	Peer Review Programs
PRC	Peer Review Committee
PWC	PricewaterhouseCoopers

Q

QC	Quality Control
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R

RAB	Report Acceptance Body
RAP	Regulatory Accounting Principles
RFP	Request for Proposal
RIA	Registered Investment Adviser
RICO	Racketeer Influenced and Corrupt Organizations Act

S

SAS	Statements on Auditing Standards
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SECPS*	Securities and Exchange Commission Practice Section (* no longer in existence)
SFFAS	Statements of Federal Financial Accounting Standards
SIA	Society of Insurance Accountants
SOP	Statement of Position
SS	State Society
SSAE	Statements on Standards for Attestation Engagements
SSARS	Statements on Standards for Accounting and Review Services
SSCS	Statements on Standards for Consulting Services
SSLLC	Shared Services LLC
SSMAS	Statements on Standards for Management Advisory Services
SSTS	Statements on Standards for Tax Services

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GLOSSARY OF TERMS, ACRONYMS, AND ABBREVIATIONS**

T

TB	Technical Bulletin
TC	Team Captain
TIC	Technical Issues Committee
TIPS	Technical Information for Practitioners Series
TM	Team Member
TRPs	Technical Resource Panels

U

UAA	Uniform Accountancy Act
UEC	Union Europeene des Experts Comptables Economiques et Financiers
UMI	University Microfilms, Inc. Of Ann Arbor, MI
USTC	United States Tax Court

V

VAI	Video-Assisted Instruction
VGP	Virtual Grassroots Panel
VTPR	Voluntary Tax Practice Review

W

WLWIEC	Work/Life and Women's Initiatives Executive Committee
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X

XBRL	Extensible Business Reporting Language
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Peer Review Oversight Committee

Summary of Administrative Site Visit

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

Date of Visit: _____

Name of Peer Review Program Provider: _____

PROC Members Performing Visit:

1. List program staff interviewed as part of the oversight visits:

Name:	Title:		
PEER REVIEW TYPES	YES	NO	N/A
1. Does the Provider have a review designed to test a firm's system of quality control for firms performing engagements under SASs, SSAEs, or audits of non-SEC issuers performed pursuant to the standards of the PCAOB?			
2. Does the Provider have a review designed to test a cross-section of a firm's engagements to assess whether they were performed in conformity with applicable professional standards for firms performing engagements under SSARS or SSAEs not encompassed in #1 above?			

Comments:

PEER REVIEW REPORT ISSUANCE	YES	NO	N/A
1. For each type of review above, does the Provider issue the following type of peer review reports:			
a. Pass? System of quality control was suitably designed, or engagements were performed in conformity with applicable professional standards.			
b. Pass with Deficiencies? System of quality control was suitably designed with the exception of a certain deficiency, or engagements were performed in conformity with applicable professional standards with the exception of a certain deficiency.			
c. Substandard? System of control is not suitably designed, or engagements were not performed in conformity with applicable professional standards.			
Comments:			
PEER REVIEWER QUALIFICATIONS	YES	NO	N/A
1. Has the Provider established minimum qualifications for an individual to qualify as a peer reviewer, to include:			
a. Having a valid and active license in good standing to practice public accounting by this state or another state?			
b. Being actively involved in practicing at a supervisory level in a firm's accounting and auditing practice?			
c. Maintaining a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed?			
d. Furnishing his/her qualifications to be a reviewer, including recent industry experience?			
e. Association with a firm that has received a peer review report with a rating of pass or pass with deficiencies as part of the firm's last peer review?			
Comments:			

PLANNING AND PERFORMING PEER REVIEWS	YES	NO	N/A
1. For system reviews, does the Provider have minimum guidelines and/or standards to ensure that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include:			
a. Obtaining the results of a firm's prior peer review (if applicable)?			
b. Obtaining a sufficient understanding of the nature and extent of a firm's accounting and auditing practice?			
c. Obtaining a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm?			
d. Selecting a representative cross-section of a firm's engagement?			
2. For engagement reviews, does the Provider have minimum guidelines and/or standards to ensure that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include:			
a. Selecting a representative cross-section of a firm's accounting and auditing engagements to include at a minimum one engagement for each partner, shareholder, owner, principal, or licensee authorized to issue reports?			
Comments:			
PLAN OF ADMINISTRATION AND ACCEPTING PEER REVIEWS	YES	NO	N/A
1. Does the Provider have the following:			
a. A Peer Review Committee?			
b. A Peer Review Subcommittee, if necessary?			
c. A knowledgeable staff for the operation of the program?			
2. Has the Provider established procedures/guidelines for:			
a. Ensuring that reviews are performed and reported in accordance with the program's established standards for performing and reporting on peer reviews?			
b. Communicating to firms participating in the peer review program the latest developments in peer review standards and the most common findings in peer reviews conducted by the provider?			
c. An adjudication process designed to resolve any disagreement(s) which may arise out of the performance of a peer review, and resolve matters which may lead to the dismissal of a firm from the provider?			
d. Prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in the firm's peer review report?			

PLAN OF ADMINISTRATION AND ACCEPTING PEER REVIEWS (cont)	YES	NO	N/A
e. Ensuring adequate peer reviewers to perform peer reviews?			
f. Ensuring the pool of peer reviewers have a breadth of knowledge related to industry experience.			
g. Ensuring the qualifications of peer reviewers?			
h. Evaluating a peer reviewer's performance on peer reviews?			
3. Has the Provider established a training program(s) designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews?			
4. Does the Provider ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and the peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge?			
5. Does the Provider require the maintenance of records of peer reviews conducted under the Program, including at minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review?			
Comments:			
COMPOSITION OF THE PEER REVIEW COMMITTEE (PRC)	YES	NO	N/A
1. Do the PRC members meet the peer reviewer qualification requirements as outlined in the Peer Reviewer Qualifications section above?			
2. In determining the size of the PRC, did the Provider consider the requirement for a broad industry experience and the likelihood that some members will need to recuse themselves from some reviews as a result of the member's close association to the firm or having performed the review?			
3. Is any PRC member currently serving as a member of the CBA?			
4. Do PRC members comply with all confidentiality requirements by annually signing a statement acknowledging their appointments and the responsibilities and obligations of their appointments?			
Comments:			

REPORTING RESPONSIBILITIES	YES	NO	N/A
1. Has the Provider made available, at a minimum, the following:			
a. Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms?			
b. Information concerning the extent to which the Program has reviewed the quality of the reviewers' working papers in connection with the acceptance of reviews?			
c. Statistical data maintained by the Program related to its role in the administration of peer reviews?			
d. Information concerning the extent to which the Program has reviewed the qualifications of its reviewers?			
e. Sufficient documents to conduct sample reviews of peer reviews accepted by the Program? These may include, at minimum, the report; reviewer working papers prepared or reviewed by the Program's PRC in association with the acceptance of the review; and materials concerning the acceptance of the review, the imposition of required remedial or corrective actions, the monitoring procedures applied, and the results.			
2. Has the Provider made available, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provided the reason for expulsion?			
a. If so, was the CBA notified within 30 days of notification of the firm's expulsion?			
Comments:			
SUMMARY			
1. Based upon a walkthrough, rate the administrative staff's knowledge of the Provider's program: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations			

SUMMARY (cont)

2. Were any specific issues identified and discussed?

3. Has the Provider demonstrated improvement from any prior oversight visit?

4. Does the Provider administer peer reviews in accordance with the standards adopted by the CBA?

Meets Expectations Does Not Meet Expectations*

Comments:

The above checklist was prepared by:

Print Name

Signature

*A rating of "No" or "Does Not Meet Expectations" requires a comment.



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Peer Review Oversight Committee

Summary of Peer Review Committee Meeting

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes selected Peer Review Committee (PRC) meetings as further described in the PROC's operating guidelines. The PRC meetings occur several times a year. PRC members are provided with the agenda and other meeting materials subject to discussion at the meeting and often cover appropriate handling of issues observed or encountered during peer reviews, to ensure consistency of treatment amongst peer reviewers. The objective of this aspect of PROC oversight is to observe how the PRC executes its duties in the meeting and determine whether or not this aspect of the peer review process is operating effectively in the state of California. These matters are then summarized and reported to the California Board of Accountancy (CBA) as part of the PROC reporting.

Please note, PRC meetings generally include break-out sessions for 3 or 4 separate Report Acceptance Body (RAB) meetings; in these instances, the PROC member should refer to the Subcommittee Meeting checklist.

Date of Meeting: _____

Name of Peer Review Program Provider: _____

Evaluation of General Meeting Process	YES	NO	N/A
1. Does it appear that the meeting has been adequately planned? Have members been provided an agenda and supporting materials in sufficient time to review and contribute to the meeting?			
2. Do the members appear prepared for the meeting? Does it appear that the members have reviewed the materials provided prior to attending the meeting?			
3. Are there a required minimum number of committee members present?			
4. Do the members appear knowledgeable about their responsibilities?			
5. Are technical reviewers available during the meeting to address issues as they arise?			
6. Do technical reviewers appear knowledgeable about their responsibilities?			
7. Were any specific problems or issues discussed?			
8. When issues arise in RAB meetings that cannot be resolved by the RAB, are all PRC members asked to discuss their position?			
9. Do the members consider how the AICPA National Peer Review Group or how other states handle the issues being discussed?			
10. Does it appear that appropriate decisions made regarding:			
Monitoring issues.			
Scope of the review.			
Revisions to review documents.			

Evaluation of General Meeting Process (cont)	YES	NO	N/A
Corrective or monitoring actions.			
Requests for extension.			
Conclusions on problem review.			
EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION	YES	NO	N/A
11. Does the Committee consider technical reviewers' recommendations and then come to its own decision?			
12. Has the Committee agreed to take any action on the problems or issues raised?			
13. Please comment on the Committee's knowledge of acceptance procedures and corrective/monitoring actions: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
14. Does the Committee discuss the performance of Team Captains?			
15. Does the Committee provide adequate feedback to Team Captains when performance issues are identified?			
16. Does the Committee's feedback to Team Captains aid in improving the peer review program?			
17. Do the Committee members believe sufficient guidance is provided by the program and the various manuals and procedure documents?			
18. In what areas do committee members believe additional guidance is needed:			
19. Has the Committee demonstrated improvement from any prior oversight visit report?			
20. At the conclusion of the meeting discuss your findings with the organization's Peer Review Committee Chair and Program Director: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
21. Comments:			

The above checklist was prepared by:

Print Name

Signature

* A rating of "No" or "Does Not Meet Expectations" requires a comment.



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Peer Review Oversight Committee

Summary of Peer Review Subcommittee Meeting
 (Report Acceptance Body Meeting)

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes selected Report Acceptance Body (RAB) meetings as further described in the PROC's operating guidelines. The RAB meetings generally occur via conference call. RAB members are provided with the materials needed to review and present the peer reports subject to discussion on a general call; however, given the oversight nature of the PROC, such materials are not distributed to PROC members. Rather, the objective of this aspect of PROC oversight is to observe how the RAB executes its duties in the meeting and determine whether or not this aspect of the peer review process is operating effectively in the state of California. These matters are then summarized and reported to the California Board of Accountancy as part of the PROC reporting.

Date of Meeting: _____

Name of Peer Review Program Provider: _____

Number of reports discussed at the meeting: _____

EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION	YES	NO	N/A
1. Do the RAB members appear knowledgeable about their responsibilities?			
2. Do the RAB members resolve inconsistencies and disagreements before accepting the reports?			
3. If inconsistencies and disagreements are not resolved, are alternative courses of action agreed to (including but not limited to further research of the unresolved matters with discussion planned to occur at a future meeting)?			
4. Are RAB members knowledgeable about:			
The technical aspects of their reviews, both peer review standards as well as general audit and accounting standards.			
Critical peer review issues and risk considerations (focus matters).			
Industry specific issues (i.e. requirements of ERISA, Governmental Standards/Regulations, etc.)			
The differences in matters, findings, deficiencies and significant deficiencies.			
Appropriate types of reports.			
Circumstances for requiring revisions to review documents.			

EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION (cont)	YES	NO	N/A
Appropriateness of recommended corrective or monitoring actions.			
5. Based upon your observations, were the Committee's discussions and their conclusions on the reviews presented reasonable?			
6. Comments regarding the overall evaluation of the technical aspects of the meeting content and discussion:			
EVALUATION OF THE GENERAL MEETING PROCESS	YES	NO	N/A
7. Was sufficient time allowed for discussion of each report or matter?			
8. Were there a required minimum number of committee members present?			
9. Was the nature of the discussion appropriate and were recommendations for courses of action reasonable for the reports discussed? (consider recommendations for education, discipline, etc.)			
10. Do members appear to have a good rapport with one another and openly/candidly provide feedback for the report discussions?			
11. Were any specific problems or issues discussed?			
12. Comments regarding the overall evaluation of general meeting process:			
CONCLUSION			
13. Rate the meeting as to its effectiveness for its role in the peer review process: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
14. Other comments, if any:			

The above checklist was prepared by:

Print Name

Signature

* A rating of "No" or "Does Not Meet Expectations" requires a comment.

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PEER REVIEW PROGRAM PROVIDER CONTACT INFORMATION

Please provide all requested information listed below. The public contact information will be posted on the Board's Web site with the list of Board-recognized peer review program providers. Please send written notification to the Board if there are changes to any contact information.

PUBLIC CONTACT INFORMATION

Name of Organization: _____

Address: _____

City: _____ **State:** _____ **Zip Code:** _____

Telephone Number: () _____ **Fax Number:** () _____

Toll-Free Number (if available): () _____

Web site address (if available): _____

Name and title of contact person to be placed on approval list: _____

The information in the gray-shaded box below is for Board use only, and will not be placed on the Board's Web site.

Contact Information	Internal Use Only
Name: _____	
Telephone Number: () _____	E-mail Address: _____
Address where correspondence should be sent: _____	
City: _____	State: _____ Zip Code: _____



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PEER REVIEW PROGRAM PROVIDER CERTIFICATION AND COMPLIANCE AGREEMENT

This agreement must be signed and returned with all materials evidencing compliance with Section 48 of the California Board of Accountancy Regulations.

I certify that the statements, answers, and representations in this agreement, the application material, and any supplemental statements, are true and accurate, including the following:

1. I have read Article 6 of the California Board of Accountancy Regulations specifying the requirements for receiving Board recognition to administer peer reviews in California and agree to comply with requirements pertaining to providers, provider recognition and minimum requirements.
2. I authorize the California Board of Accountancy and its Peer Review Oversight Committee to review relevant records to ensure compliance with the requirements of Article 6.
3. I certify that the supplemental materials accompanying the application are designed in compliance with Section 48 of the California Board of Accountancy Regulations, and authorize the Board or its designee to review the materials to ensure compliance.
4. As the provider, I agree to be the responsible party for all administered peer reviews.
5. I agree to comply with the provisions of Section 17500 of the Business and Professions Code, Division 7, Part 3, Chapter 1, regarding false or misleading advertising.
6. I am the program provider representative authorized to sign this Certification and Compliance Agreement.

Peer Review Program Provider

Authorized Signature

Date

Print or Type Name

Position

Company



CALIFORNIA BOARD OF ACCOUNTANCY
PEER REVIEW OVERSIGHT COMMITTEE
2012 Annual Report



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I. Message from the Committee Chair

It is with pleasure that I present the 2012 Annual Report of the Peer Review Oversight Committee (PROC) as our second report to the California Board of Accountancy (CBA). The PROC has continued to make significant progress in establishing a peer review oversight process, with the goal of making recommendations to the CBA to ensure the effectiveness of mandatory peer review.

During our second year as a committee, I reported our activities to you at each CBA meeting. During the past year, the PROC has further developed its knowledge with respect to the administration of the peer review process, the various bodies involved with the process, including the program provider and administering entities, and its roles and responsibilities related thereto as a committee.

In 2012, members provided oversight at fifteen peer review events, including peer review board and committee meetings, report acceptance body meetings, peer reviewer training courses sponsored by the program provider, and performed an administrative site visit of the program provider's administering entity. In performing these oversight activities, we used checklists and other materials developed during our first year, along with checklists more recently adopted, that document our oversight procedures. Our goal is to continue to improve upon these processes going forward. All oversight activities were performed under the revised roles and responsibilities for the PROC pursuant to Section 5076.1 of the Business and Professions Code.

During 2012, the PROC also arranged for presentations by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC). These presentations assisted the PROC in understanding the extent of the AICPA and the CAC's processes for oversight of the NPRC. Once the PROC completes gathering information, it will make a determination on the best way to provide oversight of the California firms who peer review with the NPRC. We anticipate having an oversight process in place in 2013.

With the majority of our learning curve behind us, the PROC was able to concentrate on more oversight activities during 2012. Additionally, this enabled the PROC to reduce the number of committee meetings from six in 2012 to four in 2013.

To further strengthen the infrastructure of the PROC and allow for succession planning, the PROC appointed a Vice Chair position, rotated out two members as of December 31, 2012, and will be appointing two new members in early 2013. The staggered terms will enable the committee to maintain continuity of knowledge of peer review oversight activities into the future.

In closing, I want to thank the CBA members for their direction in supporting the PROC and its accomplishments in its second year. I also want to thank the PROC members for their continuing contributions to our Committee and our many accomplishments. I further appreciate the working relationship and continued support from the CBA staff in assisting the PROC with accomplishing its goals.

Nancy J. Corrigan, CPA
Committee Chair

II. Background

In 2009, the CBA sponsored Assembly Bill 138 (AB 138) implementing mandatory peer review. AB 138 was signed by Governor Arnold Schwarzenegger and became effective on January 1, 2010, requiring all California licensed firms providing accounting and auditing services, including sole proprietorships, to undergo a peer review once every three years as a condition of license renewal.

Peer review is defined as the study of a firm's accounting and auditing practice by an independent Certified Public Accountant (CPA) using professional standards, the purpose of which is to promote quality in the accounting and auditing services provided by CPAs.

III. PROC Responsibilities

The PROC derives its authority from Section 5076.1 of the Business and Professions Code (B&P). The PROC is comprised of seven CPAs who maintain a California license in good standing and who are authorized to practice public accountancy. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The CBA, at its July 26, 2012 meeting, adopted the following revised roles and responsibilities for the PROC:

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations (CCR) Section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.
 - Attend, on a regular basis, peer reviewer training courses.
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.

IV. Committee Members

The PROC is comprised of seven members, all of whom must possess and maintain a valid and active license to practice public accountancy issued by the CBA. Members are appointed to two-year terms and may serve a maximum of four consecutive terms.

<u>Current members:</u>	<u>Term Expiration Date:</u>
Nancy Corrigan, CPA, Chair	May 24, 2013
Robert Lee, CPA, Vice Chair	May 24, 2013
Katherine Allanson, CPA	May 24, 2013
Gary Bong, CPA	December 31, 2012
T. Ki Lam, CPA	December 31, 2012
Sherry McCoy, CPA	May 24, 2013
Seid Sadat, CPA	May 24, 2013

V. Regulations

On July 26, 2012, the CBA adopted regulations modifying Title 16, CCR, Sections 40 and 45. The proposed changes would replace the initial phase-in reporting dates with the requirement that licensees report specific peer review information on the Peer Review Reporting Form at the time of renewal. The proposed language also clarifies that any firm that performs specific services for the first time, whether it is newly licensed or simply new to performing those services, must complete a peer review within 18 months of the date it completes those services.

The rulemaking package is currently moving through the approval process. It is anticipated that the package will be provided to the Office of Administrative Law no later than July 2013 and once approved would become effective on January 1, 2014.

VI. Reporting Requirements

Pursuant to Business and Professions Code (B&P), Section 5076(n)(1), as amended on October 3, 2011 by Senate Bill 543, the CBA is required to provide the Legislature and Governor with a report regarding the peer review requirements that include, without limitation:

- The number of peer review reports completed to date and the number of substandard peer review reports which were submitted to the board.
- The number of enforcement actions that were initiated as a result of an investigation of a failed peer review report.
- The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.
- The extent to which mandatory peer review of accounting firms enhances consumer protection.
- The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.
- A recommendation as to whether the mandatory peer review program should continue.

- The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.
- The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.
- The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
- A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

In keeping with its purpose, the PROC is available to assist the CBA in any way necessary in preparing the report that is due to the Legislature and Governor on January 1, 2015.

VII. Statistics

The following statistics provide perspective on the size of the peer review program in California.

With the implementation of mandatory peer review, all licensees are required to submit a Peer Review Reporting Form (Form PR-1(1/10)) to the CBA. Licensees with a license number ending in 01-33 had a reporting date of July 1, 2011, licensees with a license number ending in 34-66 had a reporting date of July 1, 2012, and licensees with a license number ending in 67-00 have a reporting date of July 1, 2013.

Using information collected on the Peer Review Reporting Form, the following table illustrates the number of firms required to undergo a peer review, firms not required to undergo peer review, and licensees that do not operate as firms.

Peer Review Reporting Forms Received by the CBA*						
License Ends In	Reporting Date	Firms Requiring Peer Review	Firms Not Requiring Peer Review	Licensees Not Operating as a Firm	Total	Licensees That Have Not Reported
01-33	July 1, 2011	2,454	4,254	15,628	22,336	717
34-66	July 1, 2012	1,801	3,837	12,577	18,215	1,953
67-00	July 1, 2013	704	2,076	7,779	10,559	10,395
Total		4,959	10,167	35,984	51,110	13,065

* Data as of January 15, 2013.

The data in the following table reflects the number of peer review reports accepted by the California Society of Certified Public Accountants (CalCPA) in 2010, 2011, and 2012.

Peer Review Reports Accepted by the CalCPA*				
Type of Review	2010	2011	2012	Total
System	413	406	648	1,467
Engagement	535	870	1,253	2,658
Total	948	1,276	1,901	4,125

*Data received from CalCPA as of December 31, 2012.

VIII. Peer Review Voluntary Survey

In order to gather information on the impact of mandatory peer review, the CBA developed a voluntary survey for firms to complete as they submit their Online Peer Review Reporting Form. The survey went live on the CBA website on December 9, 2010. The PROC will continue to use the results of this ongoing survey to ensure the effectiveness of mandatory peer review.

For the purpose of analysis, preliminary survey results (**Appendix A**) were divided into two groups: (1) firms that have not undergone a peer review in the past, and (2) firms that have previously been peer reviewed. Although not all licensees answered all the survey questions, between 1,817 and 2,030 responses were received for each question. In general, the results revealed:

- **CORRECTIVE ACTION ORDERED**
Less than 20 percent of the firms were required to take corrective action, with the most common action being continuing professional education.
- **VOLUNTARY ACTION TAKEN**
Approximately half of the firms responding made voluntary changes to improve their processes.
- **FEES**
Fewer than 10 percent of the firms increased fees to offset the cost of undergoing a peer review. The average increase for firms that raised fees was 12 percent.
- **OTHER COMPREHENSIVE BASIS OF ACCOUNTING (OCBOA)**
A large majority of the firms have workload consisting of 25 percent or less OCBOA engagements.
- **IMPROVED SERVICES**
Approximately 70 percent of the firms believe that undergoing a peer review has helped improve service to clients.
- **CLIENT NOTIFICATION**
Fifty percent of the firms intend to notify clients that they have undergone a peer review.
- **MARKETING**
Thirty percent of the firms will use peer review as a marketing tool.
- **CESSATION OF SERVICES**
Nine percent of the firms will cease providing accounting and auditing services to eliminate the need for a future peer review.

Of the 342 general comments received as part of the survey, 103 were supportive of mandatory peer review whereas 199 were not supportive, and 40 were neutral.

IX. Board-recognized Peer Review Program Providers

a. American Institute of CPAs (AICPA)

The AICPA is currently the only Board-recognized Peer Review Program Provider. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in CCR Section 48. Further, the CBA accepts all AICPA-approved organizations authorized to administer the AICPA Peer Review Program. At present, there are 42 administering entities. The PROC has the authority to request information and materials from all organizations.

The AICPA's Peer Review Board (PRB) is responsible for maintaining, furthering and governing the activities of the AICPA's Peer Review Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity.

The Peer Review Program provides for a triennial review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System reviews are designed for firms that perform audits or other similar engagements. Engagement reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail must perform corrective actions.

i. California Society of CPAs (CalCPA)

CalCPA administers the AICPA Peer Review Program in California. As the administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's *Standards*. The CalCPA Peer Review Committee (PRC) monitors the administration, acceptance, and completion of peer reviews. The PRC delegates a portion of the report acceptance function to Report Acceptance Bodies (RABs).

ii. National Peer Review Committee (NPRC)

The AICPA also administers a peer review program through the National Peer Review Committee for firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) or perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB.

iii. Other State Societies

California-licensed accountancy firms with their main office located in another state are required to have their peer review administered by AICPA's administering entity for that state. In most cases, the administering entity is the state society in that state.

X. Activities and Accomplishments

Following are the salient activities and accomplishments during the PROC's second year.

a. Administrative Functions

i. Committee Meetings

The PROC holds meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

The PROC held six meetings as follows:

- February 10, 2012 – Sacramento
- April 20, 2012 – Glendale
- June 15, 2012 – San Jose
- August 24, 2012 – Sacramento
- October 19, 2012 – Burbank
- December 4, 2012 – Sacramento

The PROC Chair summarized the PROC meetings in written reports that were presented at each CBA meeting.

ii. PROC Procedures Manual

The PROC updated its Procedures Manual which outlines specific procedures and processes to fulfill its duties. Updates include the PROC's revised roles and responsibilities, information regarding conflicts of interest, and newly created oversight checklists.

iii. Oversight Checklists

The PROC developed two additional oversight checklists which serve to document the members' findings and conclusions after specific oversight activity. Members submit the completed checklists to the CBA for future reference.

The following two checklists were created to track oversight activities:

- Summary of Peer Reviewer Training Course (**Appendix B**)
- Summary of Peer Review Board Meeting (**Appendix C**)

Checklists previously developed include:

- Summary of Peer Review Committee Meeting
- Summary of Peer Review Subcommittee Meeting
- Summary of Administrative Site Visit

The checklists are part of the PROC Procedures Manual. Additional checklists will be developed if deemed necessary.

iv. Appointment of PROC Vice Chair

At the request of the CBA, the PROC established a Vice Chair position to address concerns regarding succession planning. Robert Lee, CPA, was appointed Vice Chair by the CBA.

v. Approval of Board-recognized Peer Review Program Providers

At such time that the CBA receives an Application to Become a Board-recognized Peer Review Program Provider, the PROC will review the application and documentation and determine if the program meets the requirements outlined in Title 16, CCR Section 48. Based on the review, the PROC will provide a recommendation to the CBA that the application be approved or denied.

The PROC created a checklist to evaluate applications (**Appendix D**).

vi. Withdrawal of Board Recognition of a Peer Review Program Provider

The PROC has not made any recommendations to the CBA concerning the withdrawal of Board recognition of a peer review program provider.

b. Program Oversight

The PROC is charged with providing oversight of all Board-recognized peer review program providers to ensure that peer reviews are being administered in accordance with the standards adopted by the CBA.

During 2012, the PROC performed several activities to assess the effectiveness of the AICPA's Peer Review Program and its administering entities, the CalCPA and the NPRC.

i. AICPA

A. AICPA Peer Review Board

The AICPA PRB is responsible for maintaining, furthering and governing the activities of the Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity. The PRB holds four meetings per year. PROC members observed each of the following PRB meetings via teleconference:

- January 20, 2012
- May 8, 2012
- August 8, 2012
- October 9, 2012

ii. CalCPA

A. Peer Review Committee

The CalCPA Peer Review Committee is responsible for ensuring that the peer review program is performed in accordance with the standards and guidance issued by the AICPA's PRB. The PRC meets in person twice a year. PROC members observe how the PRC executes its duties in the meeting to determine whether or not this aspect of the peer review process is operating effectively in the State of California.

PROC members attended each of the following PRC meetings:

- April 26, 2012 – San Mateo
- November 15-16, 2012 – Yountville

B. Report Acceptance Body

The CalCPA holds multiple RAB meetings per year. The RAB meetings generally occur via conference call. RAB members review and present the peer review reports subject to discussion on a general call. PROC members observe how the RAB executes its duties in the meeting to determine whether the peer review process is operating effectively in the state of California.

PROC members observed each of the following RAB meetings via teleconference or in person:

- January 5, 2012 – teleconference
- January 24, 2012 – in person
- March 6, 2012 – teleconference
- May 17, 2012 – teleconference
- July 24, 2012 – teleconference
- November 15, 2012 – in person

C. Administrative Site Visit

The PROC is charged with conducting, at a minimum, an annual Administrative Site visit of all Providers. The visit will be to determine if the provider is administering peer reviews in accordance with the standards adopted by the CBA.

On February 16, 2012, the PROC reviewed the CalCPA's administration of the AICPA's Peer Review Program as part of the oversight program for the CBA. As an administering entity, CalCPA is responsible for administering the AICPA Peer Review Program in compliance with the AICPA *Standards for Performing and Reporting on Peer Reviews*, interpretations, and other guidance established by the board. The PROC's responsibility is to determine whether the peer review program complies with the Minimum Requirements for a Peer Review Program, pursuant to Title 16, CCR, Section 48.

The following procedures were performed as part of the PROC's responsibilities:

- Read correspondence and other available documentation from other oversight activities performed at CalCPA;
- Reviewed the Report Acceptance Body assignment binder;
- Used the PRISM system-generated reports provided by CalCPA to select a sample of peer review reports and associated files for review;
- Discussed peer reviewer qualifications process with CalCPA personnel and selected one peer reviewer for resume inspection;
- Obtained a listing of extensions to evaluate consistency of reasons for extension with policies of CalCPA.

Based on the results of the procedures performed, the PROC concluded that the CalCPA has complied with the Minimum Requirements for a Peer Review Program.

D. Sample Reviews

The PROC developed a system for sampling peer review reports. The first review was completed on February 16, 2012, in conjunction with the administrative site visit.

E. Peer Reviewer Training

The PROC is responsible for ensuring that peer review providers develop a training program designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

The CalCPA Education Foundation offers two peer reviewer trainings per year. A two-day course for new peer reviewers and a one-day refresher course are each offered once a year. PROC members attended the one-day training course *AICPA's Advanced Workshop: Practical Guidance for Peer Reviewers* on May 23, 2012, and the two-day training course *How to Conduct a Review Under the AICPA Practice-Monitoring Program* on June 27-28, 2012.

iii. NPRC

A. Annual Monitoring Report

The PROC reviewed the NASBA CAC first annual monitoring report of the NPRC. This report is the product of an agreement between NASBA and the AICPA to provide a mechanism by which the operations of the NPRC could be monitored and reported on by the CAC.

B. AICPA Presentation

The PROC arranged a presentation by Jim Brackens, Vice President, Ethics & Practice Quality, AICPA, which included the various aspects of the AICPA's oversight of the NPRC.

C. CAC Presentation

The PROC arranged a presentation by Janice Gray, Chair of NASBA's CAC, which included information on the CAC's oversight of the NPRC.

The PROC sent a letter to the CAC requesting information necessary for the PROC to better understand the CAC's oversight process of the NPRC. The PROC requested the following information:

- Copies of CAC oversight reports;
- Copies of third-party reviewer reports;
- Oversight statistics annually;
- A calendar of events to include CAC oversight activities, scheduling of third-party reviews and administrative site visits, report development activities, etc.

The PROC continues to work with the CAC to develop a process to provide adequate oversight to the NPRC.

IV. Other State Societies

The PROC is aware that California-licensed firms are having their peer reviews performed by AICPA administering entities other than CalCPA and NPRC, and will be exploring options for monitoring and ensuring these administering entities are given sufficient oversight.

XI. Findings

Based on PROC members' attendance at the various peer review bodies' meetings cited in this report, the PROC offers the following findings to the CBA.

AICPA

The PROC found the AICPA PRB meetings to be informative, efficient and structured. PROC members were invited to ask questions at regular intervals throughout the meetings. The PRB was diligent with regard to their responsibility for the peer review process and ensuring that the process is integrated with changes to professional standards. The PRB appears devoted to the quality of peer reviewers and how the AICPA could enhance this quality for the overall good of CPA firms.

CalCPA

PROC members were impressed with the CalCPA PRC members' technical expertise. The PRC deals with issues such as interpreting standards and applying consistency as the standards change and evolve. The PRC maintains a running list of recurring peer review deficiencies that they monitor and gauge, as well as monitoring the performance of peer reviewers.

Through participation in six RAB meetings, PROC members found RAB members professional and able to effectively discuss issues and arrive at well thought out conclusions.

PROC members found the peer reviewers courses to be informative and effective. The presenter had a practical approach and spent an ample amount of time going through specific cases and explaining why certain decisions were made. It was noted that, although the course is marketed to new peer reviewers, the course seemed to be designed for more experienced peer reviewers. Although the presenter used advanced terminology, she was always willing to answer questions and provide further explanation.

NPRC

In 2012, PROC members began researching and developing an understanding of the NPRC, including the oversight provided by AICPA and NASBA's CAC. The PROC will continue to research oversight of the NPRC and development of an oversight plan in 2013.

XII. Conclusions

Based on its oversight activities, the PROC concluded that the AICPA and its administering entities, CalCPA and NPRC, function effectively as a peer review program provider. The PROC recommends that the CBA continue to recognize the American Institute of Certified Public Accountants as a peer review program provider.

California Board of Accountancy
Peer Review
Preliminary Voluntary Survey Results
December 9, 2010 - September 18, 2012

Appendix A

Was your recent peer review the first time you have undergone a peer review?			
	ENG	SYS	Total
Yes (1st Time Peer Reviewed)	423	133	556
No (Previously Peer Reviewed)	909	565	1474
Total	1332	698	2030

Was your firm required to take any corrective action as a result of undergoing peer review?			
	Yes	No	Total
1st Time Peer Reviewed	148	401	549
Previously Peer Reviewed	178	1259	1437
Total	326	1660	1986

Type of Correction Ordered	1st Time Peer Reviewed	Previously Peer Reviewed
CPE	90	87
Accelerated Review	2	2
Additional Inspections/Reviews	25	31
Update Library	30	27
Strengthen Staff	8	21
Submission of Additional Materials	12	27
Other	27	39

Has your firm voluntarily made any changes that improved its processes as a result of undergoing a peer review?			
	Yes	No	Total
1st Time Peer Reviewed	295	226	521
Previously Peer Reviewed	703	683	1386
Total	998	909	1907

Voluntary Changes Made	1st Time Peer Reviewed	Previously Peer Reviewed
CPE	130	276
Update Library	136	226
Strengthen Staff	51	249
Other	84	197

Did you raise your fees to offset the cost of your peer review?				
	Yes	No	Total	Average Increase
1st Time Peer Reviewed	85	431	516	16.5%
Previously Peer Reviewed	76	1261	1337	9%
Total	161	1692	1853	

Do you believe that undergoing peer review has helped to improve your overall service to your clients?			
	Yes	No	Total
1st Time Peer Reviewed	280	218	498
Previously Peer Reviewed	931	388	1319
Total	1211	606	1817

Do you, or will you, voluntarily notify clients that you have undergone peer review?			
	Yes	No	Total
1st Time Peer Reviewed	238	260	498
Previously Peer Reviewed	657	667	1324
Total	895	927	1822

Do you, or will you, use peer review as a marketing tool to potential clients?			
	Yes	No	Total
1st Time Peer Reviewed	111	395	506
Previously Peer Reviewed	439	894	1333
Total	550	1289	1839

To eliminate the need for a future peer review, will you cease providing the services which trigger a mandatory peer review under the law?			
	Yes	No	Total
1st Time Peer Reviewed	84	419	503
Previously Peer Reviewed	83	1237	1320
Total	167	1656	1823

What percentage of your workload during the three years encompassing your recent peer review was spent on compilations without disclosure using other comprehensive basis of accounting (OCBOA)?						
	0%	1-25%	26-50%	51-75%	76-99%	100%
1st Time Peer Reviewed	152	242	22	14	16	22
Percentage	32%	52%	5%	3%	3%	5%
Previously Peer Reviewed	288	792	80	36	38	11
Percentage	23%	63.5%	6.5%	3%	3%	1%

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Peer Review Oversight Committee

APPENDIX B

Summary of Peer Reviewer Training Course

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes training provided to new and experienced peer reviewers as further described in the PROC's Procedure Manual. Peer reviewer training is provided throughout the United States; however, in California, training is generally provided twice each year, one class for new peer reviewers currently 16 hours over 2 days, and one class for experienced peer reviewers currently 8 hours on one day. Both classes are conducted with live instruction. Participants are provided with the materials upon arrival at the training location. The objective of this aspect of PROC oversight is to observe how the peer reviewers are trained and determine whether or not this aspect of the peer review process is operating effectively in the state of California.

Course Date: _____

Name of Peer Reviewer Training: _____

Name of Instructor: _____

EVALUATION OF THE TECHNICAL ASPECTS OF THE TRAINING CONTENT	YES	NO	N/A
1. Does the instructor appear knowledgeable about:			
The technical aspects of their reviews, both peer review standards as well as general audit and accounting standards.			
Critical peer review issues and risk considerations (focus matters).			
Industry specific issues (i.e. requirements of ERISA, Governmental Standards/Regulations, etc.).			
The differences in matters, findings, deficiencies and significant deficiencies.			
Appropriate types of reports.			
Circumstances for requiring revisions to review documents.			
2. Is the subject matter covered relevant to conducting peer reviews?			
3. Did the course achieve the training objectives?			
4. Comments regarding the overall evaluation of the technical aspects of the peer reviewer training:			

EVALUATION OF THE TRAINING PROCESS	YES	NO	N/A
5. Does the instructor keep the class engaged and involved in discussions?			
6. Does the instructor respond to questions from participants accurately and respectfully?			
7. Is sufficient time allowed for material covered and experience level of participants?			
8. Are the instructors' presentations skills effective for this course?			
9. Are the training materials relevant to the subject matter?			
10. Are the training materials useful/organized as a reference guide to peer reviewers?			
11. Comments regarding the overall evaluation of general training process:			
CONCLUSION			
12. Rate the training as to its effectiveness for its role in the peer review process: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
13. Other comments, if any:			

The above summary was prepared by:

Print Name

Signature

* A rating of "No" or "Does Not Meet Expectations" requires a comment.



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Peer Review Oversight Committee

APPENDIX C

Peer Review Board Meeting Checklist

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) observes selected Peer Review Board (PRB) meetings as further described in the PROC's Procedures Manual. The PRB meetings generally occur via conference call. PRB members are provided with the materials needed to review and prepare for discussions on a general call; however, given the oversight nature of the PROC, such materials are not distributed to PROC members. Rather, the objective of this aspect of PROC oversight is to observe how the PRB executes its duties in the meeting and determine whether or not this aspect of the peer review process is operating effectively in the state of California. These matters are then summarized and reported to the California Board of Accountancy as part of the PROC reporting.

Date of Meeting: _____

Name of Peer Review Program Provider: _____

EVALUATION OF THE TECHNICAL ASPECTS OF THE MEETING CONTENT AND DISCUSSION	YES	NO	N/A
1. Do the PRB members appear knowledgeable about their responsibilities?			
2. Are PRB members knowledgeable about:			
The technical aspects of both peer review standards as well as general audit and accounting standards.			
Critical peer review issues and risk considerations (focus matters).			
Challenges facing peer reviewers.			
Challenges facing CPA firms being peer reviewed.			
Appropriateness of recommended corrective or monitoring actions.			
The need to providing CPAs an appropriate balance of education and discipline.			
3. Based upon your observations, were the PRB's discussions and actions taken reasonable in the circumstances?			
4. Comments regarding the overall evaluation of the technical aspects of the meeting content and discussion:			

EVALUATION OF THE GENERAL MEETING PROCESS	YES	NO	N/A
5. Was sufficient time allowed for discussion of each matter?			
6. Were there a required minimum number of PRB members present to take action?			
7. Was the nature of the discussion appropriate?			
8. Do members appear to have a good rapport with one another? Are members respectful of each other, i.e., are members' ideas given appropriate consideration?			
9. Comments regarding the overall evaluation of general meeting process:			
CONCLUSION			
10. Rate the meeting as to its effectiveness for its role in the peer review process: <input type="checkbox"/> Meets Expectations <input type="checkbox"/> Does Not Meet Expectations*			
11. Other comments, if any:			

The above checklist was prepared by:

Print Name

Signature

* A rating of "No" or "Does Not Meet Expectations" requires a comment.



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Peer Review Oversight Committee

APPENDIX D

Peer Review Program Provider Checklist

Purpose: Pursuant to Title 16, California Code of Regulations (CCR), Section 48.2, prior to receiving California Board of Accountancy (CBA) recognition to perform peer reviews in California, a peer review program provider shall submit an *Application to Become a Board-Recognized Peer Review Program* (1/10). With the application, the firm shall submit materials evidencing the program meets the requirements outlined in Section 48. Pursuant to CCR Section 47(f), the Peer Review Oversight Committee (PROC) shall review and recommend to the CBA for approval of peer review program provider applications for recognition by the CBA.

Name of Organization _____

Address _____

City _____ State _____ Zip Code _____

Telephone Number _____ Fax Number _____

Contact Person: _____

Title 16, California Code of Regulations, Section 48

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

(a) Peer Review Types

Y	N
----------	----------

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

/ / / / /	/ / / / /
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(1) For firms performing engagements under the Statements on Auditing Standards (SASs), Government Auditing Standards, examinations of prospective financial statements under the Statements on Standards on Attestation Engagements (SSAEs), or audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB), the firm shall undergo a peer review designed to test the firm's system of quality control. The scope of the peer review shall be such that it provides a peer reviewer with a reasonable assurance that a firm's system of quality control was designed in accordance with professional standards and was complied with by the firm's personnel.

--	--

(2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.

--	--

(b) Peer Review Report Issuance	Y	N
(1) For firms undergoing peer reviews pursuant to subsection (a)(1), one of the following three types of peer review reports shall be issued:	/ / / / /	/ / / / /
(A) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel, which provides the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.		
(B) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control was suitably designed and complied with by the firm's personnel with the exception of a certain deficiency or deficiencies that are described in the report. The deficiencies are such that the firm's design of or compliance with its system could create a situation in which the firm would have less than reasonable assurance of performing and/or reporting on engagements in conformity with applicable professional standards.		
(C) A peer review report indicating that a peer reviewer or peer review team concluded that a firm's system of quality control is not suitably designed or complied with by the firm's personnel, and thus, does not provide the firm with reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.		
(2) For firms undergoing peer reviews pursuant to subsection (a)(2), one of the following three types of peer review reports shall be issued:	/ / / / /	/ / / / /
(A) A peer review report indicating that a peer reviewer or peer review team concluded that there was no evidence which would cause the peer reviewer to believe that the engagements performed by the firm were not performed in conformity with applicable professional standards.		
(B) A peer review report indicating that a peer reviewer or peer review team concluded that, with the exception of a certain deficiency or deficiencies, nothing would cause the peer reviewer to believe that the engagements performed by the firm and submitted for review were not performed in conformity with applicable professional standards. The deficiencies identified were such that the peer reviewer concluded they were material to the understanding of the report or financial statements or represented omission of critical procedures required by applicable professional standards.		
(C) A peer review report indicating that a peer reviewer or peer review team concluded that the engagements reviewed were not performed and/or reported on in conformity with applicable professional standards. In issuing such report, the peer reviewer shall assess both the significance of the deficiencies identified and the pervasiveness of the deficiencies.		
(c) Peer Reviewer Qualifications	Y	N
Has the Provider established minimum qualifications for an individual to qualify as a peer reviewer, to include:	/ / / / /	/ / / / /
(1) Have a valid and active license in good standing to practice public accounting issued by this state or other state.		
(2) Be actively involved and practicing at a supervisory level in a firm's accounting and auditing practice.		
(3) Maintain a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed.		
(4) Provide the Board-recognized peer review program provider with his/her qualifications to be a reviewer, including recent industry experience.		

(5) Be associated with a firm that has received a peer review report issued in accordance with subsection (b)(1)(A) or (b)(2)(A) of this section or has received a peer review rating of pass or unmodified as part of the American Institute of Certified Public Accountants Peer Review Program as part of the firm's last peer review.		
(d) Planning and Performing Peer Reviews	Y	N
A peer review program shall include minimum qualifications for an individual to qualify as a peer reviewer. The qualifications shall, at a minimum, include the following:		
(1) For peer reviews performed in accordance with subsection (a)(1) of this section, a peer review program's guidelines and/or standards shall include the following:		
(A) Ensuring that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include the following: (i) obtain the results of a firm's prior peer review (if applicable), (ii) obtain sufficient understanding of the nature and extent of a firm's accounting and auditing practice, (iii) obtain a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm, and (iv) select a representative cross-section of a firm's engagements.		
(B) In performing a peer review, the peer reviewer or peer review team shall test the reviewed engagements while assessing the adequacy of and compliance with a firm's system of quality control. The peer review is intended to provide the peer reviewer or peer review team with reasonable basis for expressing an opinion as to whether a firm's system of quality control is suitably designed and complied with by a firm's personnel such that the firm has reasonable assurance of performing and reporting on engagements in conformity with applicable professional standards.		
(2) For peer reviews performed in accordance with subsection (a)(2) of this section, a peer review program's guidelines and/or standards shall include the following:		
(A) Ensuring that prior to performing a peer review, a peer reviewer or peer review team select a representative cross-section of a firm's accounting and auditing engagements to include at a minimum one engagement for each partner, shareholder, owner, principal, or licensee authorized to issue reports.		
(B) In performing a peer review, the peer reviewer or peer review team shall review the selected engagements to determine if the engagements were performed in conformity with the applicable professional standards.		
(3) Nothing in a peer review program provider's guidelines and/or standards shall prohibit a peer reviewer or peer review team from disclosing pertinent peer review-related information regarding a firm to a subsequent peer reviewer.		
(e) Plan of Administration and Accepting Peer Review Reports	Y	N
(1) The administration plan shall clearly outline the manner in which the peer review program provider intends on administering peer reviews and shall, at a minimum, include the following:		
(A) Identify a peer review committee, and if necessary subcommittees, and employ knowledgeable staff for the operation of the review program as needed.		
(B) Establish and perform procedures for ensuring that reviews are performed and reported on in accordance with the program's established standards for performing and reporting on peer reviews.		

(C) Establish a program to communicate to firms participating in the peer review program the latest developments in peer review standards and the most common findings in peer reviews conducted by the Board-recognized peer review program provider.		
(D) Establish and document procedures for an adjudication process designed to resolve any disagreement(s) which may arise out of the performance of a peer review, and resolve matters which may lead to the dismissal of a firm from the provider's peer review program.		
(E) Establish guidelines for prescribing remedial or corrective actions designed to assure correction of the deficiencies identified in a firm's peer review report.		
(F) Establish guidelines for monitoring the prescribed remedial and corrective actions to determine compliance by the reviewed firm.		
(G) Establish and document procedures for ensuring adequate peer reviewers to perform peer reviews. This shall include ensuring a breadth of knowledge related to industry experience.		
(H) Establish and document procedures to ensure the qualifications of peer reviewers and to evaluate a peer reviewer's performance on peer reviews.		
(I) Establish a training program or training programs designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.		
(J) Establish and document procedures to ensure that a firm requiring a peer review selects a peer reviewer with similar practice experience and industry knowledge, and peer reviewer is performing a peer review for a firm with which the reviewer has similar practice experience and industry knowledge.		
(K) Require the maintenance of records of peer reviews conducted under the program. Such records shall include, at a minimum, written records of all firms enrolled in the peer review program and documents required for submission under Section 46, with these documents to be retained until the completion of a firm's subsequent peer review.		
(L) Provide to the Board's Peer Review Oversight Committee access to all materials and documents required for the administration of peer reviews.		
(2) As required by subsection (e)(1)(A) of this section, the peer review program provider shall establish a peer review committee to assist in the review and acceptance of peer review reports. The peer review program provider's committee shall:		
(A) Meet regularly to consider and accept peer review reports.		
(B) Assist the peer review program provider in resolving instances in which there is a lack of cooperation and agreement between a peer reviewer and/or reviewed firm in accordance with the peer review program's adjudication process.		
(C) Make a final determination on a peer review report pursuant to subdivision (b).		
(f) Composition of the Peer Review Committee (PRC)	Y	N
(1) All committee members shall meet the peer reviewer qualification requirements established in Section 48(c).		
(2) In determining the size of the committee, consideration shall be given to the requirement for broad industry experience, and the likelihood that some members will need to recuse themselves from some reviews as a result of the member's close association to the firm or having performed the review.		
(3) No committee member may concurrently serve as a member of the Board.		



CALIFORNIA BOARD OF ACCOUNTANCY
PEER REVIEW OVERSIGHT COMMITTEE
2013 Annual Report



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I. Message from the Committee Chair

I am proud to present the 2013 Annual Report of the Peer Review Oversight Committee (PROC) to the California Board of Accountancy (CBA). As we wrap up our third year, I am pleased to report that the PROC has again made significant progress in providing oversight to California's mandatory peer review program.

One of our most crucial goals was achieved this year. We were successful in working with the National Association of State Boards of Accountancy (NASBA) Compliance Assurance Committee (CAC) to provide an appropriate level of oversight to the National Peer Review Committee (NPRC). The NPRC administers peer reviews to the largest accounting firms in the country who also have significant impact on the public interest. So it was a huge accomplishment to learn that the leadership of NASBA agreed to allow State PROCs to participate in conference calls conducted by the CAC during which the CAC will discuss many important topics of interest to the PROC, including oversight of the NPRC. This oversight is necessary to ensure that the NPRC is administering peer reviews in accordance with the standards set by the American Institute of Certified Public Accountants (AICPA).

The PROC also implemented a procedure for providing oversight to AICPA's administering entities in other states that administer peer reviews to California-licensed accounting firms. This year the PROC reviewed the AICPA's oversight reports for Nevada, Oregon, Texas, and New York; each of these states administered at least ten peer reviews to California-licensed firms.

Of course, the PROC continues to provide a comprehensive level of oversight to the California Society of Certified Public Accountants (CalCPA), the administering entity responsible for administering peer reviews to the vast majority of accounting firms in California.

In summary, the PROC has now installed processes and procedures to oversight administering entities which accept peer reviews of California firms, regardless if the administering entity is located in-state, out-of-state, or in a nation-wide basis. This far reaching objective was established at the onset of the PROC. It is extremely fulfilling to me and the PROC members to reach this milestone.

As always, I would like to thank the CBA members for the continued direction and support of the PROC and its mission. I would like to thank the PROC members for another year of dedication and resolve; we would not have made these significant strides without their unending commitment.

Nancy J. Corrigan, CPA
Committee Chair

II. Background

In 2009, the CBA sponsored Assembly Bill 138 (AB 138) implementing mandatory peer review. AB 138 was signed by Governor Arnold Schwarzenegger and became effective on January 1, 2010, requiring all California licensed firms providing accounting and auditing services, including sole proprietorships, to undergo a peer review once every three years as a condition of license renewal. Effective January 1, 2012, Senate Bill 543 removed the sunset language concerning mandatory peer review, making mandatory peer review permanent in California.

Peer review is defined as the study of a firm's accounting and auditing practice by an independent Certified Public Accountant (CPA) using professional standards, the purpose of which is to promote quality in the accounting and auditing services provided by CPAs.

As of July 2013, 51 licensing jurisdictions in the United States have made participation in a practice-monitoring program mandatory for licensure. Programs in four of these jurisdictions will go into effect in or after 2014.

III. PROC Responsibilities

The PROC derives its authority from Business and Professions Code (BPC) section 5076.1. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The roles and responsibilities of the PROC are:

- Hold meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensure that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations (CCR) section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.
 - Attend, on a regular basis, peer reviewer training courses.
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.

IV. Committee Members

The PROC is comprised of seven members, all of whom must possess and maintain a valid and active license to practice public accountancy issued by the CBA. Members are appointed to two-year terms and may serve a maximum of four consecutive terms.

In 2012, five of the seven PROC members were reappointed to the PROC for their second term. In order to address succession planning concerns, to create varying member term expiration dates, and to all allow new members to be appointed to the PROC, two members were rotated from the PROC. Further, the position of Vice Chair was created and Robert Lee was appointed. His term as the Vice Chair expired on December 31, 2013, and Sherry McCoy was appointed Vice Chair effective January 1, 2014. Nancy Corrigan was reappointed as the Chair for another year. Jeffrey DeLyser was appointed to the PROC on March 21, 2013.

<u>Current members:</u>	<u>Term Expiration Date:</u>
Nancy J. Corrigan, CPA, Chair, 2nd	May 24, 2015
Robert Lee, CPA, Vice Chair, 2nd	May 24, 2015
Katherine Allanson, CPA, 2nd	May 24, 2015
Jeffrey DeLyser, CPA, 1st	March 21, 2015
Sherry McCoy, CPA, 2nd	May 24, 2015
Seid Sadat, CPA, 2nd	May 24, 2015
Vacant	

V. Legislation and Regulations

Effective January 1, 2013, BPC section 5076 was amended to allow licensees to renew their license into an inactive status without having a peer review. A peer review is required prior to the licensee converting or renewing back to an active status.

Effective January 1, 2014, Title 16, California Code of Regulations (CCR) sections 40 and 45 were amended requiring licensees to report specific peer review information on the Peer Review Reporting Form at the time of license renewal. The revised language also clarifies that any firm that performs specific services for the first time, whether it is newly licensed or simply new to performing those services, must complete a peer review within 18 months of the date it completes those services.

The three-year phase in period for peer review reporting ended on July 1, 2013, which was the deadline for the last group of licensees to submit the Peer Review Reporting Form. As noted above, beginning in 2014, Peer Review Reporting Forms will be submitted with the licensee's license renewal application.

VI. Reporting Requirements

Pursuant to BPC section 5076(n)(1), the CBA is required to provide the Legislature and Governor with a report regarding the peer review requirements that include, without limitation:

- The number of peer review reports completed to date and the number of substandard peer review reports which were submitted to the board.
- The number of enforcement actions that were initiated as a result of an investigation of a failed peer review report.
- The number of firms that were recommended to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process.
- The extent to which mandatory peer review of accounting firms enhances consumer protection.
- The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients.
- A recommendation as to whether the mandatory peer review program should continue.
- The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.
- The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting.
- The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
- A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.

In keeping with its purpose, the PROC is willing to assist the CBA in any way necessary in preparing the report that is due to the Legislature and Governor on January 1, 2015. CBA staff will commence drafting the report in calendar year 2014.

VII. Statistics

The following statistics provide perspective on the size of the peer review program in California.

With the implementation of mandatory peer review, all licensees are required to submit a Peer Review Reporting Form (Form PR-1(1/12)) to the CBA on the following schedule:

- Licensees with a license number ending in 01-33 by July 1, 2011;
- Licensees with a license number ending in 34-66 by July 1, 2012;
- Licensees with a license number ending in 67-00 by July 1, 2013.

The chart below displays information gathered by the CBA during the three-year phase in period. Licensees used the Peer Review Report Form to self-report whether or not they operate as a firm, and if so, whether the firm is subject to peer review.

Peer Review Reporting Forms Received by the CBA*						
License Ends In	Reporting Date	Firms Requiring Peer Review	Firms Not Requiring Peer Review	Licensees Not Operating as a Firm	Total	Licensees That Have Not Reported
01-33	July 1, 2011	2,605	4,301	15,757	22,663	51
34-66	July 1, 2012	2,144	4,006	13,122	19,272	101
67-00	July 1, 2013	1,993	3,882	14,043	19,918	1,046
Total		6,742	12,189	42,922	61,853	1,198

* Data as of December 31, 2013.

As mentioned on page 3, Section V, the three-year phase in implementation period ended on July 1, 2013, and the information depicted in the above table will no longer be available. Instead, licensees will report their peer review information at the time of license renewal.

The data in the following table reflects the number of peer review reports accepted by the CalCPA in 2011, 2012, and 2013. The CalCPA administers the largest portion of peer reviews to California-licensed firms.

Type of Review	Peer Review Reports Accepted by the CalCPA*			
	2011	2012	2013	Total
System	406	648	517	1,571
Engagement	870	1,253	1,184	3,307
Total	1,276	1,901	1,701	4,878

*Data received from CalCPA as of December 31, 2013.

The table does not include statistics for peer reviews accepted by the NPRC or out-of-state administering entities.

VIII. Peer Review Voluntary Survey

In order to gather information on the impact of mandatory peer review, the CBA developed a voluntary survey for firms to complete as they submit their Online Peer Review Reporting Form. The survey went live on the CBA website on December 9, 2010. The PROC established a task force comprised of two PROC members to review the survey comments collected through September 18, 2012. The task force reviewed 339 surveys submitted by peer review firms largely in response to the following survey questions:

- Do you believe that undergoing peer review has helped to improve your overall service to your clients?
- Do you, or will you, use peer review as a marketing tool to potential clients?
- To eliminate the need for future peer review, will you cease providing the services which trigger a mandatory peer review under the law?
- Do you have any additional comments on the peer review process?

At the June 21, 2013 PROC meeting, the task force submitted their report (**Appendix A**) and made the following recommendations:

1. Provide more education on the benefits of peer review.
2. Provide more education on the concept that a CPA's primary objective is to protect the public interest.
3. Provide a simple chart showing the chronology of the peer review process.
4. CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with firms.

The recommendations of the task force were implemented by revising existing CBA publications and creating an easy to follow flow chart of the peer review process to post to the CBA website (**Appendix B**).

IX. Board-recognized Peer Review Program Providers

a. AICPA

The AICPA is currently the only Board-recognized Peer Review Program Provider. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in CCR section 48. Further, the CBA accepts all AICPA-approved entities authorized to administer the AICPA Peer Review Program. At present, there are 42 administering entities.

The Peer Review Program provides for a triennial review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System reviews are designed for firms that perform audits or other similar engagements. Engagement reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail must perform corrective actions.

i. CalCPA

CalCPA administers the AICPA Peer Review Program in California. As the administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's *Standards*. The CalCPA Peer Review Committee (PRC) monitors the administration, acceptance, and completion of peer reviews.

ii. NPRC

The AICPA also administers a peer review program through the NPRC firms required to be registered with and inspected by the Public Company Accounting Oversight Board (PCAOB) or perform audits of non-Securities and Exchange Commission (SEC) issuers pursuant to the standards of the PCAOB. The NASBA CAC provides oversight of the NPRC.

iii. Other State Societies

California-licensed accountancy firms with their main office located in another state are required to have their peer review administered by AICPA's administering entity for that state. In most cases, the administering entity is the state CPA society in that state.

X. Activities and Accomplishments

Following are the salient activities and accomplishments of the PROC during 2013.

a. Administrative Functions

i. Committee Meetings

The PROC holds meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

The PROC held four meetings as follows:

- February 22, 2013 – Glendale
- June 21, 2013 – Sacramento
- August 23, 2013 – Ontario
- November 1, 2013 – Sacramento

The PROC Chair attended six CBA meetings to report on PROC activities, one of which was prepared by and reported on by the PROC Vice Chair.

ii. PROC Procedures Manual

The PROC updated its Procedures Manual which outlines specific procedures and processes to fulfill its duties. Updates include procedures for providing oversight of other states' peer review programs, an updated copy of the AICPA's Glossary of Terms, Acronyms, and Abbreviations, a revised organizational chart, the removal of the Summary of Sample Reviews checklist, and the addition of the Summary of Oversight of Out-of-State Administering Entities checklist.

iii. Oversight Checklists

The PROC developed oversight checklists which serve to document the members' findings and conclusions after specific oversight activity. Members submit the completed checklists to the CBA for future reference.

The following new checklist was created to track oversight activities:

- Summary of Oversight of Out-of-State Peer Review Administering Entity (**Appendix C**)

Checklists previously developed include:

- Summary of Peer Review Committee Meeting
- Summary of Peer Review Subcommittee Meeting
- Summary of Administrative Site Visit
- Summary of Peer Reviewer Training Course
- Peer Review Board Meeting Checklist
- Peer Review Program Provider Checklist

The checklists are part of the PROC Procedures Manual. Additional checklists will be developed if deemed necessary.

iv. Approval of Board-recognized Peer Review Program Providers

At such time that the CBA receives an Application to Become a Board-recognized Peer Review Program Provider, the PROC will review the application and documentation and determine if the program meets the requirements outlined in Title 16, CCR section 48. Based on the review, the PROC will provide a recommendation to the CBA that the application be approved or denied.

The Peer Review Program Provider Checklist is used to evaluate applications.

v. Withdrawal of Board Recognition of a Peer Review Program Provider

The PROC has not made any recommendations to the CBA concerning the withdrawal of Board recognition of a peer review program provider.

b. Program Oversight

The PROC is charged with providing oversight of all Board-recognized peer review program providers to ensure that peer reviews are being administered in accordance with the standards adopted by the CBA.

During 2013, the PROC performed several activities to assess the effectiveness of the AICPA's Peer Review Program and its administering entities in California, the CalCPA and the NPRC.

i. AICPA

A. AICPA Peer Review Board

The AICPA PRB is responsible for maintaining, furthering and governing the activities of the Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity. The PRB holds four meetings per year.

During 2013, one to two PROC members observed three of the four PRB meetings:

- January 25, 2013 – in person
- May 7, 2013 – conference call
- August 14, 2013 – conference call

ii. CalCPA

A. Peer Review Committee

The CalCPA Peer Review Committee is responsible for ensuring that the peer review program is performed in accordance with the standards and guidance issued by the AICPA's PRB. The PRC meets in person twice a year. PROC members observe how the PRC executes its duties in the meeting to determine whether or not this aspect of the peer review process is operating effectively in the State of California.

During 2013, two PROC members attended each of the following PRC meetings:

- May 9-10, 2013 – San Diego
- November 21-22, 2013 – Yountville

B. Report Acceptance Body (RAB)

The CalCPA holds multiple RAB meetings per year. The RAB meetings generally occur via conference call. RAB members review and present the peer review reports subject to discussion on a general call. PROC members observe how the RAB executes its duties in the meeting to determine whether the peer review process is operating effectively in the state of California.

During 2013, one to two PROC members observed each of the following RAB meetings via teleconference or in person:

- May 9, 2013 – in person
- August 21, 2013 – conference call
- September 24, 2013 – conference call
- November 22, 2013 – in person

C. Administrative Site Visit

The PROC is charged with conducting, at a minimum, an annual Administrative Site Visit of each Provider to determine if the Provider is administering peer reviews in accordance with the standards adopted by the CBA.

On May 15-16, 2013, the PROC reviewed the CalCPA's administration of the AICPA's Peer Review Program as part of the oversight program for the CBA. As an administering entity, CalCPA is responsible for administering the AICPA Peer Review Program in compliance with the AICPA *Standards for Performing and Reporting on Peer Reviews*, interpretations, and other guidance established by the board. The PROC's responsibility is to determine whether the peer review program complies with the Minimum Requirements for a Peer Review Program, pursuant to Title 16, CCR, section 48.

The following procedures were performed as part of the PROC's oversight responsibilities:

- Reviewed policies and procedures utilized by CalCPA to govern its peer review program process;
- Read correspondence and other available documentation from other oversight activities performed at CalCPA;
- Reviewed the Report Acceptance Body assignment binder;
- Selected a sample of peer review reports and associated files for review;

- Discussed the peer review committee member and individual peer reviewer qualifications process with CalCPA personnel and select a sample for inspection of resumes and other documentation.

Based on the results of the procedures performed, the PROC concluded that the CalCPA has complied with the Minimum Requirements for a Peer Review Program.

D. Sample Reviews

This oversight activity was completed on May 15-16, 2013, in conjunction with the administrative site visit.

E. Peer Reviewer Training

The PROC is responsible for ensuring that peer review providers develop a training program designed to maintain or increase a peer reviewer's currency of knowledge related to performing and reporting on peer reviews.

The CalCPA Education Foundation offers two types of peer reviewer trainings. A two-day course for new peer reviewers and a one-day refresher course are offered each year.

During 2013, PROC members attended the one-day training course *AICPA's Advanced Workshop: Practical Guidance for Peer Reviewers* on May 8, 2013 and July 25, 2013.

F. CalCPA Annual Report on Oversight

The AICPA requires that each administering entity perform oversight of their peer review program every other year, alternating with the year that AICPA conducts its oversight visit. CalCPA's Peer Review Administrative Committee (PRAC) monitors the oversight process. Each member of the PRAC has been approved by the Council of CalCPA and has current audit experience.

The PROC reviewed the CalCPA Peer Review Program Annual Report on Oversight for Calendar Year 2011. The oversight report summarizes the results of the mandated oversight of 2% of all reviews processed during the year, and verification of the resumes and continuing professional education of one third of peer reviewers. For peer reviews conducted in 2011, 13 system reviews and 12 engagement reviews were subject to the oversight process. Sixty-one of 129 peer reviewer's resumes were verified by CalCPA.

G. AICPA Oversight Visit Report of CalCPA

The AICPA conducted an oversight visit of CalCPA on November 14-16, 2012. The AICPA Oversight Visit Report was issued on November 16, 2012, and accepted by the AICPA PRB Oversight Task Force on May 6, 2013. The next oversight visit will be conducted in 2014.

The PROC reviewed the report which concluded that CalCPA has complied with the administrative procedures and standards in all material respects as established by the board.

iii. NPRC

A. Third-Party Administrative Oversight Visit

The PROC reviewed the report of the third-party Administrative Oversight Visit to the NPRC conducted by the accounting firm of Ray, Foley, Hensley & Company, PLLC, on September 25-26, 2012. The purpose of the administrative oversight visit is to ensure that the AICPA Peer Review Program is being administered in accordance with guidance as issued by the AICPA Peer Review Board. The PROC also reviewed the AICPA's written response to the oversight visit report.

B. Compliance Assurance Committee (CAC)

The NASBA CAC provides oversight of the NPRC.

The PROC has continued to work with the CAC to develop a process to provide oversight to the NPRC, including participation in CAC conference calls.

The CAC agreed to provide the PROC with a copy of its second Annual Oversight Report, and the Annual Oversight Report on the AICPA Peer Review Program for the NPRC. The PROC will review these reports once they are received from the CAC. The CAC is also exploring options for allowing PROC members to observe CAC meetings.

iv. Other State Societies

Most California-licensed firms use CalCPA or NPRC to administer their peer reviews. There are some California-licensed firms that have their peer reviews administered by AICPA administering entities other than CalCPA and NPRC, meaning out-of-state CPA societies.

The PROC will review the AICPA oversight visit report and the state PROC's annual report, if available, for a selection of out-of-state administrative entities each year. All AICPA Oversight Visit Reports are reviewed and accepted by the AICPA PRB Oversight Task Force (OTF)

In 2013, the PROC reviewed the most recent AICPA Oversight Visit Reports for Nevada, Oregon, Texas, and New York, as follows:

- Nevada Society of CPAs:
 - Oversight Visit Report, September 21, 2012
 - Accepted by AICPA PRB OTF, January 24, 2013
- Oregon Society of CPAs
 - Oversight Visit Report, September 28, 2012
 - Accepted by AICPA PRB OTF, January 24, 2013
- New York State Society of CPAs:
 - Oversight Visit Report, September 12, 2012
 - Accepted by AICPA PRB OTF, May 6, 2013
- Texas Society of CPAs:
 - Oversight Visit Report, December 9, 2011
 - Accepted by AICPA PRB OTF, May 7, 2012

c. Other Activities

i. NASBA PROC Summit

The PROC Summit is a conference held by the NASBA CAC every other year to support and promote Peer Review Oversight as a critical and valuable practice for all Boards of Accountancy. The conference is intended to assist Boards in learning how to establish a new PROC and also share experiences among existing PROCs to help each Board be more effective with Peer Review Oversight. Sessions and content are formed based on the most requested information by Accountancy Board Members and PROC Members considering the goals and objectives of the CAC. The first NASBA PROC Summit was held in 2011. The PROC did not participate in the NASBA PROC Summit due to out-of-state travel restrictions.

The second NASBA PROC Summit was held on July 10, 2013 in Nashville, TN. The PROC Vice Chair participated via webcast. Additionally, the PROC submitted an issue paper on how failed peer reviews are treated by the CBA and submitted 13 questions for consideration and discussion by the CAC and participants of the Summit.

XI. Findings

Based on PROC members' attendance at the various peer review bodies' meetings cited in this report, the PROC offers the following findings to the CBA.

AICPA

The PROC found the AICPA PRB to have well-prepared materials, and good communication of meeting expectations as well as administration of peer review standards and processes. The PRB is a very high level technical group that is extremely knowledgeable and focused in dealing with peer review issues.

CalCPA

The PROC found the CalCPA PRC met expectations concerning knowledge of peer review acceptance procedures and corrective/monitoring actions.

Through participation in four RAB meetings, the PROC was impressed with how RAB members discussed the issues and came to conclusions. It was also noted that RAB members commented on technical and procedural matters for further discussion at the semi-annual PRC meetings.

NPRC

In 2013, the PROC was successful in working with the CAC to develop a process for providing an appropriate level of oversight to the NPRC. Beginning in 2014, the PROC will participate in CAC meetings in addition to reviewing annual oversight and administrative sight visit reports prepared by the AICPA and the CAC.

XII. Conclusions

Based on its oversight activities, the PROC concluded that the AICPA Peer Review Program, including its administering entities, CalCPA and NPRC, function effectively. The PROC recommends that the CBA continue to recognize the American Institute of Certified Public Accountants as a peer review program provider.

**Report of the Task Force of the
Peer Review Oversight Committee
Summary of Voluntary Peer Review Survey Comments
Submitted from December 9, 2010 to September 18, 2012**

Following is a summary of the comments that were submitted for the period from December 9, 2010 to September 18, 2012 from the peer review voluntary surveys. These comments were maintained on a confidential basis by CBA staff and were presented in a numbered list format to the PROC sub-committee for review and summarization for the purpose of determining whether the peer review process can be improved as a result of the survey comments submitted by peer reviewed firms. There were 339 comments that were listed from the survey that were largely in response to the following survey questions:

- Do you believe that undergoing peer review has helped to improve your overall service to your clients? (Survey question 7)
- Do you, or will you, use peer review as a marketing tool to potential clients? (Survey question 9)
- To eliminate the need for future peer review, will you cease providing the services which trigger a mandatory peer review under the law? (Survey question 10)
- Do you have any additional comments on the peer review process? (Survey question 11)

The tabulation of the responses to these questions is complicated in that many of them covered multiple questions in their responses; however the PROC task force attempted to identify the salient topic of the response in including it within the tabulation. We identified nine categories of responses with their respective tabulations as follows:

(1) The profession has too many disclosure requirements and continuing education requirements along with the peer review requirement; the professional standards are overly burdensome.	6
(2) The peer review process is overly time consuming, costly, and a burden on small firms.	77
(3) The peer review process is educational, helpful and a necessity to maintain the quality of firms practicing in public accounting.	116
(4) The administration process over peer reviews, knowing who to contact, making the arrangements, due dates, having data requested by the administering entity and the peer reviewer and who to respond to with the final report, was very confusing.	35
(5) The peer review process is required too frequently for firms and should be extended over a longer period of time (five years, etc.)	8
(6) If firms perform no audits, perform only compilations without disclosure or just a few compilations with disclosure, they should be exempt from peer review.	41
(7) The process from having the peer review to being accepted is too long.	4
(8) The peer review process is not helpful, does not mean anything to clients, has no positive influence on clients, is punitive to the firms and of no benefit to the firms or their clients.	45
(9) Other.	<u>7</u>
Total responses	<u>339</u>

Report of the Task Force of the Peer Review Oversight Committee
Summary of Voluntary Peer Review Survey Comments
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Please note that category numbers 2 and 6 could be combined as they generally pertain to the time requirement and the cost of completing a peer review even if category 6 responders did not specifically mention the time or cost factor.

Additional Comments

- Numerous responding indicated that even with peer review they see substandard work when they obtain a new client, thus there is no benefit to the peer review process.
- Numerous responding did not see the impact that a few compilations have on the public (clients, bankers, etc.) and saw no risk to performing a few engagements and being exempt from peer review. They saw no value given the small practice that they have. Some believe that since they are retired or work part-time, they should not have to undergo peer review.
- Numerous responding saw no benefit to the process, and high cost, if they are only occasionally preparing financial statements without disclosures.
- Many small firm responders blame larger firms for getting their own clients and their own firms into trouble and then creating the peer review process for all firms.
- Many responding plan to reduce their practice to avoid the cost of the peer review process.
- Several responses indicated that to pay both a peer reviewer and the administering entity was unfair, with the total cost many times being all of their profits or a large percentage of what they bill the client. Many are unable to pass the cost to the client.
- Several responses compared CPAs to other professions (doctors and lawyers) who do not have similar requirements, indicating that the peer review process is punitive rather than educational. Some indicated that CPAs do not need to be regulated by the government.
- Several responded that the additional 24-hour continuing education required should be sufficient and that a peer review on top of this is excessive.

Recommendations of the Task Force

- (1) Provide more education on the benefits of peer review, including (a) the promotion of quality and consistency between CPA firms, (b) the educational benefits to smaller firms, and (c) the benefit of peer review as a marketing tool.
- (2) Provide more education on the concept that a CPA's primary objective is to protect the public interest. To do this CPAs need to understand that they need to promote an environment whereby the public is protected by this primary objective, and that peer review and the regulations that we practice by are designed to ensure this.
- (3) Provide a simple chart showing the chronology of the beginning of the peer review process, who administers it and how it became to be self-policing. This is important to resolve the mystery that seems to surround peer review and its development and current process.

Report of the Task Force of the Peer Review Oversight Committee
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- (4) CalCPA should continue to remind peer reviewers about the best approach to the peer review process when working with the firms and that it is not to be punitive in nature. Comments from firms on the voluntary survey should be shared with the peer reviewers to facilitate this process.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**Are You Required to Get a Peer Review?**

You need a peer review if you perform any accounting and auditing services using the following professional standards:

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

The peer review must be accepted within 18 months after the first engagement or three years since your last peer review.

To enroll for a peer review, contact:
California Society of Certified Public Accountants (CalCPA)
at (650) 522-3094 (www.calcpa.org), or
National Peer Review Committee (NPRC)
at (919) 402-4502, press 2 (PRSupport@aicpa.org)

CalCPA/NPRC will work with you to select a peer reviewer and schedule the peer review.

Once the peer review is completed, you are required to report the results of your peer review on the Peer Review Reporting Form (PR-1) Form to the California Board of Accountancy (CBA).

Report your peer review results by submitting the PR-1 form to the CBA with your license renewal application.

Questions? Contact the CBA's Peer Review Unit at (916) 561-1706 or visit the website at www.cba.ca.gov.

* Firms, which as their highest level of work, perform only compilations where no report is issued in accordance with the provision of SSARS are not required to undergo peer review.



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Peer Review Oversight Committee

Summary of Oversight of Out-of-State Peer Review Administering Entity

Purpose: As part of its oversight activities, the Peer Review Oversight Committee (PROC) is entrusted to ensure that peer reviews are conducted in accordance with standards established by the California Board of Accountancy (CBA) and administered by the Board-recognized peer review program provider (Provider). Consistent with its legislative mandate, the PROC provides oversight of the Provider's out-of-state administering entities if those entities accept peer review reports pursuant to Business and Professional Code Section 5076 and CBA Regulations Sections 38-48.6. In conducting its oversight, the PROC may review oversight reports prepared by the Provider. These matters are then summarized and reported to the CBA as part of the PROC reporting.

Date: _____

Name of State/Administering Entity: _____

Evaluation of Provider Oversight Report	YES	NO	N/A
1. Did the Provider perform oversight of the Administering Entity (AE) of this state? If so, what is the date of the oversight?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Is there a report available from the Provider?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Were there any findings of concern? If yes, please list:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Were there any recommendations from the Provider? If yes, please list:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Did the AE disagree with any of the recommendations? If yes, please list:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Were there any specific problems or issues? If yes, please list:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. Did the AE address issues/recommendations identified in the previous oversight report?

If yes, please explain:

--	--	--

CONCLUSION

1. Does the AE administer peer reviews in accordance with the standards established by the CBA?

Meets Expectations

Does Not Meet Expectations*

Comments:

The above checklist was prepared by:

Print Name

Signature

* A rating of "Does Not Meet Expectations" requires a comment.



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PEER REVIEW REPORTING FORM 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, as defined in Section 39(a) of Title 16 of the California Code of Regulations, that require a peer review since the last license renewal? 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.)

 (If applicable, go to number 15. If not applicable, go to number 9.)

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.)

PEER REVIEW INFORMATION (continued)

10b. Did your firm submit the peer review report to the Board within the required 45-day reporting period? Yes
 No (Please attach a written explanation as to why the report was not submitted timely.)

11a. 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 (Go to question 11b.)

11b. Was the peer review administered by another organization using the American Institute of Certified Public Accountants Peer Review Program? Yes (Please provide the name of the American Institute of Certified Public Accountants administering entity.)
 No (Please provide the name of the Board-recognized peer review program that administered the peer review.)

12. 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

13. What was the cost to have the peer review performed? \$ _____

14. How much time did your firm spend preparing for the peer review? 0 days
 1-5 days
 6-10 days
 10+ days

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

Signature

Date

PERSONAL INFORMATION COLLECTION AND ACCESS

The information provided in this form will be used by the California Board of Accountancy (CBA), to determine qualifications for a Certified Public Account License. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete.

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

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

The Executive Officer of the CBA is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 210, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.



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Confidential Survey

The California Board of Accountancy (CBA) is conducting a voluntary, confidential survey of certified public accountant (CPA) firms as they submit their peer review reporting form. Please take a moment to complete this brief survey to provide the CBA with valuable information on the performance of the CBA's Peer Review Program and how it has impacted your firm. The results will be used only for aggregate statistical purposes. Individual responses are completely confidential and will not be subject to release under the Public Records Act.

Thank you for taking the time to assist the CBA in improving its peer review program. If you do not want to participate in this survey, please click the "No, Thank You" button at the bottom of this page and you will be directed to the confirmation page acknowledging receipt of your peer review information.

1. Was your recent peer review the first time you have undergone a peer review?

Yes ___ No ___

2. Which type of peer review did you undergo?

Engagement Review ___ System Review ___

3. Was your firm required to take any corrective actions as a result of undergoing peer review?

Yes ___ No ___

What did you have to do (mark all that apply)?

___ Additional CPE ___ Additional inspections or reviews
 ___ Accelerated review ___ Strengthen staff (through training or new staff)
 ___ Update Library ___ Submission of additional materials
 ___ Other (please describe) _____

4. Has your firm voluntarily made any changes that improved its processes as a result of undergoing peer review?

Yes ___ No ___

What changes did you make (mark all that apply)?

___ Additional CPE ___ Strengthen staff (through training or new staff)
 ___ Update Library ___ Other (please describe) _____

5. What percentage of your workload during the three years encompassing your recent peer review was spent on Compilations without disclosure using other comprehensive basis of accounting (OCBOA)? _____

6. Did you raise your fees to offset the cost of your peer review?

Yes ___ No ___

If so, by what percentage? _____

7. Do you believe that undergoing peer review has helped to improve your overall service to your clients?

Yes ___ No ___

8. Do you, or will you, voluntarily notify clients that you have undergone peer review?

Yes ___ No ___

9. Do you, or will you, use peer review as a marketing tool to potential clients?

Yes ___ No ___

10. To eliminate the need for a future peer review, will you cease providing the services which trigger a mandatory peer review under the law?

Yes ___ No ___

11. Do you have any additional comments on the peer review process?

CALIFORNIA BOARD OF ACCOUNTANCY



INFORMATION AND OVERVIEW OF THE CBA PEER REVIEW PROGRAM

PEER REVIEW REPORT
JANUARY 1, 2015

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INTRODUCTION

In 2010, the California Board of Accountancy (CBA) implemented mandatory peer review as a part of its commitment to consumer protection. Peer review is consistent with the CBA's responsibility to protect the public by ensuring that appropriate standards of competency and practice, including ethics, objectivity, and independence, are established and enforced.

The CBA believes that the data in this report supports that the mandatory peer review program is leading to improvements in the services that firms are providing to their clients. These improved services, as a result of a better understanding and conformity with professional standards, lead to greater consumer protection.

Peer review is a study, appraisal, or review of the accounting and auditing work of a firm¹ by a licensed CPA who is unaffiliated with the firm being reviewed, and is done in accordance with applicable professional standards. The goal of peer review is to promote quality in the accounting and auditing services provided by a firm, and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers.

Firms can be corporations, partnerships (general or limited liability), or sole proprietors. In an ever-changing financial climate, a peer review can give consumers an extra measure of assurance, knowing the firm they hire has successfully completed a peer review and meets the standards of the profession. To ensure the efficacy of the program, the CBA appointed a Peer Review Oversight Committee made up of CPAs experienced with the peer review process.

Consumer protection is increased in two crucial areas through peer review. First, the peer review requirement helps to monitor and educate firms to promote quality in the accounting and auditing services they provide. This goal serves the public interest and protects the consumer through an increase in the quality of the product provided to clients. Secondly, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. This consumer protection mechanism provides assurance that only qualified licensees are practicing public accounting and providing services to consumers in California. Consumer confidence increases from knowing firms must answer to verifiable standards.

Firms performing accounting and auditing services are required to undergo a peer review performed by a Board-approved peer review provider and to report the results of the peer review to the CBA. Data was collected on the Peer Review Program from its effective date through the three-year phase-in from January 1, 2010 to December 31, 2013. The data provided in this report, as required by the Legislature in California Business and Professions Code (BPC) section 5076(m)(1) with specific information as required in subsections (A)-(J), will show that the peer review requirement is consistent

¹ "Firm" means a sole proprietorship, a corporation, or a partnership.

with the CBA's mission to protect the public by ensuring only qualified persons and firms are licensed to practice public accountancy.

HISTORY AND IMPLEMENTATION OF PEER REVIEW

Seven years prior to peer review becoming law, the CBA formed a task force to evaluate mandatory peer review in California. Task force discussions and deliberations occurred in a public forum, with extensive input from members of the public, professional groups, and consumer protection advocates.

Following these deliberations, the CBA sponsored AB 138 (Hayashi) in 2009. This was the legislation that created mandatory peer review. Its provisions were drawn from the previous seven years of study on the subject that were performed by the CBA. AB 138 was signed into law by the Governor in October, 2009, and the emergency regulations authorized by the bill were in place on January 1, 2010.

AB 138 called for a report on the effect of mandatory peer review on certain small firms (defined in BPC section 5000 as firms with no more than four licensees as partners, owners, or full-time employees) and their clients that would be due to the Legislature in 2013. It also placed a sunset date on the program of January 1, 2014.

The implementing regulations called for a three-year phase-in period in order to spread the peer review workload evenly both for CBA staff and those performing the peer reviews. The first group of licensees were required to report by July 1, 2011, the second group by July 1, 2012, and the final group by July 1, 2013.

As less than half of the CBA's licensees would have undergone the process by the time the report to the Legislature would need to be written, during the 2011 sunset review process the CBA sought an extension of the reporting deadline and sunset date of the program. SB 543 (Steinberg) of 2011 removed the sunset provisions, expanded the elements of the report, and extended the reporting deadline to January 1, 2015. This report is submitted in order to comply with SB 543. The current peer review laws and regulations can be found in Appendix 1.

THE MANDATORY PEER REVIEW PROGRAM

Peer review is a study, appraisal, or review of the accounting and auditing work of a firm by a licensed CPA who is unaffiliated with the firm being reviewed, and is done in accordance with applicable professional standards. The goal of peer review is to promote quality in the accounting and auditing services provided by a firm, and to ensure that licensees are adhering to professional standards, thereby enhancing the products received by consumers.

The CBA only approves peer review providers that meet the stringent requirements of Division 1, Title 16, California Code of Regulations (CBA Regulations) section 48.

These include, but are not limited to, the following:

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

At this time, the CBA only recognizes the American Institute of Certified Public Accountants (AICPA) as an approved peer review program provider.² The AICPA oversees the program and the review is administered by an entity, typically a state CPA society, approved by the AICPA to perform that role. The California Society of CPAs (CalCPA) is the largest administrating entity of the AICPA peer review program in California. CalCPA administers the program in California, Arizona, and Alaska.

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

THE PROGRAM AND THE PROCESS

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

During the three-year phase-in period, many firms, which were already enrolled with the peer review program as required by AICPA membership, were able to fulfill the reporting requirement by reporting the results of a peer review completed within the

² In its regulations, the CBA allows for other peer review program providers that meet certain criteria.

previous three years. For remaining firms that were new to the process, they were required to enroll in the peer review program.

After enrolling in the program, the firm selects a peer reviewer. The firm then completes a scheduling form, providing information on its accounting and auditing practice and the identity of the selected peer reviewer, and submits it to the administering entity for approval. Once the administering entity approves the peer reviewer, the peer review is scheduled. All peer reviewers must meet stringent qualifications established by the AICPA. Every three years, the administering entity (e.g. CalCPA) reviews the qualifications of the peer reviewers.

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

Firms that perform compilations or reviews as their highest level of service undergo an Engagement Review. During an Engagement Review, a peer reviewer looks at a cross-section of a firm's engagements to assess whether the engagements were performed in conformity with professional standards.

RATINGS

Peer review reports are given a rating of either pass, pass with deficiencies, or substandard.³ The ratings mean different things depending on whether they are given in a System Review or an Engagement Review.

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

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

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

³ The term "fail" is used by the AICPA Peer Review Program. CBA Regulations use the term "substandard." This report will use the term "substandard" in lieu of "fail."

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

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

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

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

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

ACCEPTANCE OF THE PEER REVIEW REPORT

The CBA requires that peer review administering entities appoint a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs). Members of the committee and the RABs must meet minimum qualification requirements as established by the CBA.

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

Once the RAB accepts the peer review report, the firm is required to report its peer review results to the CBA. The administering entity is required to submit all substandard peer review reports to the CBA within 60 days.

REPORTING PEER REVIEW INFORMATION TO THE CBA

CBA Regulations sections 45, 46, and 48.3 require the reporting of certain peer review information to the CBA. These reporting requirements apply to CBA licensees and Board-recognized peer review program providers.

CBA Regulations section 45 outlines the reporting requirements for all CBA licensees. All licensees are required to submit to the CBA a Peer Review Reporting Form. The form ascertains whether the licensee operates as a firm, whether the firm performed any accounting or auditing work that would require a peer review, and the results of that peer review.

During the three-year phase-in period, licensees were divided into three groups based on the last two digits of their license number and assigned a specific reporting date. Those with the last two digits being 01-33 were to report by July 1, 2011; those with 34-66 by July 1, 2012; and those with 67-00 by July 1, 2013. Reporting was done primarily through the CBA's online reporting system.

Beginning January 1, 2014, the reporting date was changed to coincide with the expiration date of the license. The Peer Review Reporting Form is now included in the licensee renewal application.

CBA Regulations section 46 outlines the document submission requirements for firms that undergo a peer review. Firms that receive a substandard peer review are required to submit a copy of the peer review report to the CBA, along with any prescribed corrective actions and documentation of steps taken to complete the corrective actions, within 45 days of the report being accepted by the Board-recognized peer review program providers. This section also requires firms that receive peer review results of pass or pass with deficiencies to submit similar information when requested by the CBA.

CBA Regulations section 48.3 outlines the peer review program provider reporting responsibilities. A provider is required to make available anything the CBA may need in order to satisfy itself of the integrity of the peer review program. This includes anything from standards, to qualifications of peer reviewers, to guidelines, to statistical data the provider may possess. The provider is also required to provide the name of any California-licensed firm that is expelled from the peer review program, and the reason for the expulsion and must do so within 30 days. In addition, the provider is required to submit a copy of all substandard peer review reports within 60 days following acceptance of the peer review report.

As an added measure to verify submitted information, the CBA reviews the license renewal application of sole proprietors who indicate that they are not subject to peer review. If the renewal application indicates that they were subject to the accounting and auditing continuing education requirement, the licensee is contacted to gather additional information about the discrepancy. It is possible to be subject to accounting and

auditing continuing education requirement but not to a peer review if the work performed was a compilation without a report.

PEER REVIEW OVERSIGHT COMMITTEE

The Legislature established the Peer Review Oversight Committee (PROC) to assure the efficacy and standards of the Peer Review Program. By providing this assurance, the PROC itself is a vital part of the consumer protection role of the Peer Review Program.

The PROC derives its authority from BPC section 5076.1. The PROC is comprised of up to seven CPAs who maintain a California license in good standing and who are authorized to practice public accountancy. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The CBA adopted the following roles and responsibilities for the PROC:

- Oversee the activities of Board-recognized peer review program providers related to how peer reviews are processed and evaluated
- Ensure Board-recognized peer review program providers are administering peer reviews in accordance with the standards adopted by the CBA
- Ensure that peer reviewers are properly qualified
- Ensure that peer reviews are being accepted in a consistent manner by Board-recognized peer review program providers
- Conduct site visits of Board-recognized peer review program providers and their peer review committees
- Review a sample of peer review reports
- Represent the CBA at Board-recognized peer review program providers peer review meetings
- Evaluate organizations that apply to become Board-recognized peer review program providers

The PROC originally met six to seven times per year as the program was being established, but currently meets four times per year. These extra meetings in the beginning were necessary for the PROC to establish its policies and procedures, developing the program and how it would execute its duties, and familiarizing itself with the AICPA Peer Review Program as the peer review provider approved by the CBA.

Since the launch of the PROC in November 2010, in addition to 20 public meetings held throughout California, PROC members attended various meetings, in person and via teleconference, providing oversight of the peer review program provider and its administering entities. These additional meetings included 20 RAB meetings, seven meetings of the CalCPA Peer Review Committee, and 14 meetings of the AICPA Peer Review Board. PROC members also attended six peer reviewer training courses and conducted three administrative site visits to the offices of CalCPA. The PROC will continue to attend such meetings to ensure that the peer review program provider continues to meet the high standards of consumer protection established by the CBA.

The PROC is one of nation's most active peer review committees, providing national leadership through its provision of assistance and resources to National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC) as part of the CAC's efforts to establish PROCs in other states.

One of the PROC's major accomplishments was developing checklists to monitor and document oversight activities. These checklists have received praise from NASBA and are being used as templates to create and improve oversight materials nation-wide. The PROC was also successful in working with NASBA's CAC to provide an appropriate level of oversight to the NPRC, including allowing state PROCs, including California's PROC, to participate in conference calls during which the CAC discusses many important topics.

Each year, the PROC presents its Annual Report to the CBA. These reports include information on various activities and accomplishments, information on the oversight functions it performs, and various statistical information. The reports for 2011, 2012, and 2013, can be found in Appendix 2.

Based on its oversight activities, the PROC has found the AICPA Peer Review Program and its administering entities, specifically CalCPA and NPRC, function effectively. Since the inception of mandatory peer review, the PROC has recommended that the CBA continue recognizing the AICPA as a peer review program provider.

DATA COLLECTED IN COMPLIANCE WITH BPC SECTION 5076(M)(1)

In order to gather the requested information, the CBA relied on three sources of information: the Peer Review Reporting Form, an optional survey, and CalCPA as the largest administering entity for the AICPA Peer Review Program. Firms that were subject to peer review reported their information on a Peer Review Reporting Form and an optional survey, which can be found in Appendix 3.

The optional survey created by the CBA that accompanied the Peer Review Reporting Form was only available to those firms that indicated that they were required to undergo a peer review. As it was an optional survey, it was not completed by every firm, and those that filled it out, did not answer every question. There were 3,737 surveys submitted out of ~~6,491~~⁴6,854 completed peer reviews. This sample size affords a solid basis for the conclusions reached in this report.

In an effort to clearly identify the results required by BPC section 5076, in the following pages, the specific requirements in the law will be in highlighted with the required data following each one.

The number of peer review reports completed⁵ to date. (BPC section 5076(m)(1)(A))

Since the inception of mandatory peer review, ~~6,491~~⁴6,854 peer reviews have been completed by California-licensed firms.

Year	Peer Review Reports Accepted
2010	1,043
2011	1,789
2012	1,906
2013	Pending ⁴ <u>2,116</u>
Total	6,491 ⁴ <u>6,854</u>

⁴ ~~This number is temporary and is based on internal reports, but it is used throughout the report as a placeholder. The final number will be provided once CalCPA finalizes the 2013 statistics, which is expected in mid-October.~~

⁵ The AICPA Peer Review Program uses the term “accepted” when referring to a peer review that has been completed and approved by the administering entity.

The number of reports which were submitted to the board as required in subdivision (e).⁶ (BPC section 5076(m)(1)(A))

The CBA received ~~587~~560 substandard peer review reports for calendar year 2010 through 2013.

Year	Peer Review Reports Accepted	<u>Firms Receiving Substandard Reports</u>	Percentage of Substandard Reports
2010	1,043	16	1.5%
2011	1,789	161	9.0%
2012	1,906	212	11.1%
2013	Pending <u>2,116</u>	Pending <u>171</u>	Pending <u>8.1%</u>
TOTAL	6,491 <u>6,854</u>	587 <u>560</u>	9.0 <u>8.2%</u>

As the first mandatory reporting date was July 1, 2011, the majority of those who reported peer review results in 2010 were firms that were already undergoing peer review on a voluntary basis that had completed a peer review within the previous three years.

A similar trend can be observed with the data on pass with deficiencies as seen in the following table.

<u>Year</u>	<u>Peer Review Reports Accepted</u>	<u>Firms Receiving Pass with Deficiencies</u>	<u>Percentage of Pass with Deficiencies Reports</u>
<u>2010</u>	<u>1,043</u>	<u>87</u>	<u>8.3%</u>
<u>2011</u>	<u>1,789</u>	<u>307</u>	<u>17.2%</u>
<u>2012</u>	<u>1,906</u>	<u>395</u>	<u>20.7%</u>
<u>2013</u>	<u>2,116</u>	<u>312</u>	<u>14.7%</u>
<u>TOTAL</u>	<u>6,854</u>	<u>1101</u>	<u>9.0%</u>

This trend can be credited to the educational benefits of peer review. Those who have gone through a peer review have learned from the process and tend to perform better in subsequent reviews.

The following table, based on the voluntary survey, further demonstrates this point. It demonstrates the difference between those who complete a peer review for the first time when compared to those who have previously completed a peer review.

⁶ A firm issued a substandard peer review report is required to submit a copy of that report to the CBA.

⁷ ~~This number is temporary and is based on internal reports, but it is used throughout the report as a placeholder. The final number will be provided once CalCPA finalizes the 2013 statistics, which is expected in mid-October.~~

	First Time Peer Review		Not the First Peer Review	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
<u>Pass</u>	<u>634</u>	<u>70%</u>	<u>1717</u>	<u>89%</u>
<u>Pass with Deficiencies</u>	<u>188</u>	<u>21%</u>	<u>187</u>	<u>10%</u>
<u>Substandard</u>	<u>83</u>	<u>9%</u>	<u>26</u>	<u>1%</u>

The number of enforcement actions that were initiated as a result of an investigation conducted pursuant to subdivision (i). (BPC section 5076(m)(1)(B))

The CBA has initiated investigations on all 587-560 firms that received a substandard rating on their peer review report. During the course of the investigation, an Investigative Certified Public Accountant reviews the substandard peer review report to determine if there are significant departures from professional standards to warrant enforcement action by the CBA. Enforcement action may include additional continuing education courses, citation and fine, or referring the matter to the Office of the Attorney General for the filing of an Accusation. The CBA also confirms that the firm has completed any corrective action that was ordered by the administering entity and that the administering entity has accepted the corrective action.

These investigations have lead to 30 cases where there were significant departures from professional standards that warranted further investigation. These 30 investigations are currently ongoing as the scope of inquiry has expanded beyond just the peer review report to cover these firms' entire practices as well.

Finally, as the mandatory peer review reporting enters its second cycle, the CBA will consider it an aggravating factor when firms receive a second consecutive substandard peer review.

The number of firms that were recommended⁸ to take corrective actions to improve their practice through the mandatory peer review process, and the number of firms that took corrective actions to improve their practice following recommendations resulting from the mandatory peer review process. (BPC section 5076(m)(1)(C))

Since the inception of mandatory peer review, 4,1951,395 firms were recommended to take corrective actions by the administering entity.

The corrective actions recommended by the administering entity are typically educational in nature with the vast majority of corrective actions being the assignment of additional continuing education.

⁸ In accordance with the AICPA Peer Review Program Handbook, it is expected that a firm will complete corrective actions in a timely manner. Therefore, the CBA considers all corrective actions to be required, not recommended.

Year	Peer Review Reports Accepted	<u>Number of Firms with Corrective Actions Ordered</u>	Percentage of Corrective Actions Ordered
2010	1,043	<u>40281</u>	<u>9.87.8%</u>
2011	1,789	<u>477374</u>	<u>26.720.9%</u>
2012	1,906	<u>616513</u>	<u>32.326.9%</u>
2013	<u>Pending2,116</u>	<u>Pending427</u>	<u>Pending20.2%</u>
Total	<u>6,4916,854</u>	<u>1,395</u>	<u>20.2%</u>

The CBA has received notification that four firms did not complete the required corrective actions. Firms that do not complete the corrective action as prescribed by the administering entity are terminated from the AICPA Peer Review Program and are reported to the CBA. Such notices are referred to the CBA Enforcement Division for investigation.

The extent to which mandatory peer review of accounting firms enhances consumer protection. (BPC section 5076(m)(1)(D))

California’s mandatory peer review of firms has enhanced consumer protection in two crucial areas.

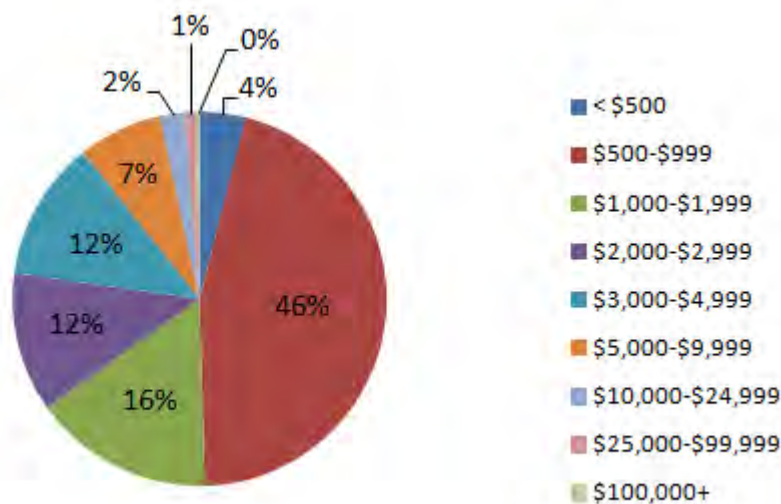
First, the peer review requirement helps to educate firms by testing their accounting and auditing services compared to professional standards. This goal serves the public interest and protects consumers through an increase in the quality of the product provided to clients. Based on the results of the optional survey results, 46 percent of firms required to undergo a peer review believe the peer review helped to improve their overall service to clients. In addition, 39.5 percent of firms voluntarily made changes that improved their processes as a result of undergoing peer review. These numbers show a significant improvement in the product provided to clients and, therefore, enhanced protection of California consumers.

Secondly, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. To date, the CBA has opened 587-560 investigations on ~~or against~~ firms based on their substandard peer review report. Of these, 30 showed significant departures from professional standards and the investigations are still ongoing.

A peer review enhances consumer protection and builds trust in the quality and integrity of California’s firms by providing firms an opportunity to improve their accounting and auditing services, and by ensuring that those with significant departures from professional standards are thoroughly investigated, which may lead to future discipline.

The cost impact on firms undergoing mandatory peer review and the cost impact of mandatory peer review on the firm's clients. (BPC section 5076(m)(1)(E))

While the average amount paid was \$2,705, the median was \$1,000. The cost to firm's undergoing a peer review was reported in a very broad range from \$100 to over \$100,000. As shown in the chart below, 46 percent of the reported costs fell between \$500 and \$1,000. An additional 40 percent fell between \$1,000 and \$5,000. The largest of firms and those doing the most complex audit work were the ones on the highest end of the range. Engagement Reviews cost noticeably less than System Reviews and are believed to be the majority of those peer reviews costing less than \$1,000.



Regardless of the cost, the vast majority of the firms, more than 90 percent, stated that they did not raise their fees to offset the cost of their peer review leading to no cost impact on clients.

Less than 10 percent of firms raised their fees, with the average increase being approximately 14 percent. The cost impact of mandatory peer review on the firms' clients would vary depending on the percentage by which the fees were raised.

Additionally, 10 percent of firms indicated their intent to cease providing services that subject them to a peer review. Of this 10 percent of firms, 33 percent received either a substandard or pass with deficiencies peer review report. The cost impact to these firms' clients is unknown, as it would depend on the fees at their new choice of firm.

The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting. (OCBOA) (BPC section 5076(m)(1)(H))

Survey results show that 51 percent of small firms that prepare compilations without disclosures on an OCBOA as their highest level of service believe that undergoing peer review helped to improve their overall service to clients.

Furthermore, 47 percent of small firms that prepare compilations without disclosures on an OCBOA as their highest level of service voluntarily made changes that improved their processes as a result of undergoing peer review. The percentage is dramatically higher for small firms that received a substandard report; 90 percent of these firms voluntarily made changes as a result of undergoing peer review.

The survey also shows that 26 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service and received a substandard report will cease providing the accounting and auditing services that subject them to peer review.

The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.
(BPC section 5076(m)(1)(G))

Mandatory peer review of small firms that prepare nondisclosure compiled financial statements on an OCBOA enhances consumer protection. Consumer protection is enhanced in two crucial ways. First, the peer review requirement helps to educate firms regarding the accounting and auditing services they provide. This goal serves the public interest and protects consumers through an increase in the quality of the product provided to clients. Almost 24 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service were required to make changes to their processes, and 47 percent made voluntary changes. These changes improve the product provided to the clients enhancing consumer protection. Consumer confidence increases from knowing firms meet high professional standards.

Second, the CBA has the authority to pursue enforcement actions against firms receiving substandard peer reviews. This consumer protection mechanism provides assurance that only qualified licensees are practicing public accounting and providing services to consumers in California. The CBA opened investigations on all 78 small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service that received a substandard peer review report. In addition, the fact that 26 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA as their highest level of service and received a substandard report will cease providing the accounting and auditing services that subject them to peer review shows that peer review of this level of work is enhancing consumer protection.

The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.
(BPC section 5076(m)(1)(I))

Almost 12 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA raised their fees. The average amount that fees were raised in this group was 23 percent while the median was 10 percent. In addition, 18 percent of small firms that prepare nondisclosure compiled financial statements on an OCBOA indicated they would cease providing these services.

While these changes due to peer review may financially affect entities employing these firms in the short term, in the long term, the product received by these clients will be improved. In addition, the improved product provides greater assurance of consumer protection.

A recommendation as to whether the preparation of nondisclosure compiled financial statements on an other comprehensive basis of accounting should continue to be a part of the mandatory peer review program.
(BPC section 5076(m)(1)(J))

The previously mentioned data clearly illustrates that those performing this level of service are making changes, including ceasing to perform these services. The preparation of nondisclosure compiled financial statements on an OCBOA should continue to be a part of the mandatory peer review program.

A recommendation as to whether the mandatory peer review program should continue. (BPC section 5076(m)(1)(F))

The data supports that the CBA's mandatory peer review program is clearly leading to improvements in the services that firms are providing to their clients. Improved services, as a result of a better understanding and conformity with professional standards, leads to greater consumer protection.

In addition, the peer review program is just beginning its second three-year cycle when firms will undergo a second mandatory peer review. The peer review results of those who were previously in the peer review program voluntarily showed a rate of substandard peer review reports at 1.5 percent. It is assumed that the majority of those who were voluntarily in the peer review program had undergone more than one peer review. Based on these assumptions, the CBA expects that this second cycle will show improvement in the quality of services through a lower rate of substandard peer review reports.

The CBA's mission statement, developed to support its legislative mandate in BPC section 5000.1, is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. The mandatory peer review program is an excellent tool in assisting the CBA to fulfill this mission.

CONCLUSION

Professional standards are designed to deliver accuracy and quality of accounting and auditing engagements. Products and services provided to consumers must meet these specific, but ever-changing, standards. The education provided through peer review better equips firms to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems to ensure that work products meet these professional standards.

Peer review promotes knowledge, providing firms with an opportunity to learn new or better ways to improve services, up-to-date methods and practices, and an educational opportunity to learn best-practice techniques. Peer review can also give consumers an extra measure of assurance, knowing the firm they hire has successfully completed a peer review and meets the profession's standards.

Consumer protection is increased through monitoring and educating firms to promote quality in the accounting and auditing services they provide, as well as through potential enforcement actions against firms receiving substandard peer reviews. Consumer confidence increases from knowing firms must answer to verifiable standards.

The mandatory peer review program is protecting the consumers of California through a better understanding and conformity with professional standards. The result is improved work product that accounting firms provide to their clients and those who rely on the work product.

Mandatory peer review is an important tool in the CBA's mission to protect consumers by ensuring that only qualified licensees are practicing public accounting and providing services to consumers in California.

~~Mandatory peer review enhances consumer protection for Californians, and~~ It helps to build trust in the quality and integrity of California's Certified Public Accountants.

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**PEER REVIEW REPORT
TO THE LEGISLATURE**

*Narrative to replace final paragraph
on pages 8-9 of the report*

Since the beginning of the peer review reporting period, the CBA has instituted proactive measures to ensure that accounting firms, including sole proprietors, are properly reporting and, if necessary, undergoing peer review. Below are the various measures the CBA has performed.

- During the initial peer review reporting phase-in period (July 1, 2011 – July 1, 2013), the CBA randomly audited accounting firms and individual licensees who indicated that they did not perform services that required a peer review to determine if, in fact, they were subject to successfully completing a peer review.
- In addition, as part of every investigation, regardless of the nature of the complaint, the CBA performs a peer review-related compliance check to ensure peer review was properly reported or if any discrepancies exist.
- Since the peer review reporting requirement transitioned to license renewal, the CBA reviews the application of sole proprietors who indicate that they are not subject to peer review to assess whether they noted they were subject to the accounting and auditing continuing education requirement, which may indicate that they were required to complete a peer review. These matters are referred to the CBA Enforcement Division for further investigation.

Some of the tools the CBA uses to assess whether discrepancies exist include reviewing websites to determine if the accounting firm or sole proprietor is advertising services that would require a peer review and requesting invoices for a certain time period to see if the accounting firm or sole proprietor billed for any accounting and auditing services. In instances where inconsistencies exist, the CBA performs additional investigations.

As a result of these proactive steps and subsequent investigations, the CBA has taken enforcement actions, including referring matters to the Office of the Attorney General for consideration, where there was a finding of failing to properly report or undergo a peer review.



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CBA Item I.C.
November 20-21, 2014

2015 CBA Member Committee Interest Survey

Presented by: Corey Riordan, Board Relations Analyst

Date: October 6, 2014

Purpose of the Item

The purpose of this agenda item is to seek California Board of Accountancy (CBA) member interest in serving on, or as a liaison to, a CBA committee in 2015.

Action(s) Needed

It is requested that CBA members who wish to be appointed or maintain current appointment to a committee, indicate such interest on the CBA Member Committee Interest Survey (**Attachment 1**) and submit it to the Board Relations Analyst, Corey Riordan, by Friday, December 5, 2014.

Background

Shortly following the annual officer elections in November, the incoming CBA President reviews the results of the surveys and determines CBA committee appointments as necessary. Appointments to the CBA committees are effective the first day of January, the following year.

Comments

The CBA has the following statutorily mandated committees, which require a CBA member to serve in a liaison capacity:

- Qualifications Committee
- Enforcement Advisory Committee

The CBA has the following standing committees, which meet regularly in conjunction with CBA meetings and requires CBA member participation in order to carry out its function:

- Committee on Professional Conduct
- Enforcement Program Oversight Committee
- Legislative Committee
- Strategic Planning Committee (*typically only used during Strategic Plan Development*)

2015 CBA Member Committee Interest Survey

Page 2 of 2

The intent of both the statutorily mandated and standing committees is to serve in an advisory capacity to the CBA. Detailed information regarding the CBA committees is included as **Attachment 2**.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachments

1. CBA Member Committee Interest Survey
2. CBA Member Guidelines and Procedures Manual, Section II.B.



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Attachment 1

CBA Member Committee Interest Survey

I, _____, would like to participate in the following committees for the upcoming year.

___ Committee on Professional Conduct (CPC)

The purpose of the CPC is to assist the CBA in consideration of issues relating to professional conduct by:

- Considering and developing recommendations on issues that apply to the practice of public accountancy and affect consumers.
- Considering, formulating, and proposing policies and procedures relating to emerging and unresolved issues.
- Reviewing selected exposure drafts and developing recommendations to present to the CBA.

___ Enforcement Program Oversight Committee (EPOC)

The purpose of the EOPC is to assist the CBA in the consideration of issues relating to professional conduct by:

- Reviewing policy issues relating to the Enforcement Program.
- Overseeing the program's compliance with CBA policies by way of performing periodic internal audits.

___ Legislative Committee (LC)

The purpose of the LC is to assist the CBA in its activities by:

- Reviewing, recommending, and advancing legislation relating to the practice of public accountancy.
- Coordinating the need for and use of CBA members to testify before the Legislature.

___ Strategic Planning Committee (SPC)

The purpose of the SPC is to assist the CBA in its activities by:

- Assisting with and overseeing the development of the CBA Strategic Plan on a triennial basis.
- Reviewing progress on completing goals and objectives outline in the CBA Strategic Plan.
- Reporting updates to the CBA on a yearly basis, on the progress of the Strategic Plan.

___ Liaison to the Enforcement Advisory Committee (EAC)

___ Liaison to the Qualifications Committee (QC)

CBA members acting as Liaisons to committees are responsible for keeping the CBA informed regarding emerging issues and policy recommendations made at the committee level. Conversely, Liaisons keep the committee informed of CBA policies and assignments. Liaisons additionally will evaluate committee chairs, vice-chairs, and members for whom they have specific knowledge of their performance, and report to the CBA President and Vice-President as required.

___ I would be interested in serving on other ad hoc committees or task forces as needed.

SECTION II.

CBA COMMITTEES AND TASK FORCES

The intent of all committees is to serve in an advisory capacity to the CBA. The Enforcement Advisory, Peer Review Oversight, Qualifications Committees, and Mobility Stakeholder Group (MSG) are statutory in nature, meaning their use is written into the Accountancy Act. All other committees are standing in nature, and may be created or dissolved at the CBA's discretion.

Each standing committee and/or task force shall have a Chairperson. The Chairperson is designated by the CBA President, and is tasked with running the committee/task force meeting. The Chair opens and closes the meeting, and counts the vote. The Chair is also responsible for coordinating with staff the creation of the minutes, and the presentation of those minutes to the CBA. CBA members who wish to attend standing committee meetings, but are not a part of the committee, may do so. However, pursuant to the Bagley-Keene Open Meetings Act, if the CBA member's presence at the committee meeting would constitute a CBA quorum, they may make no comment, vote on any agenda item, or sit at the table with the committee.

Each year at the November CBA meeting, the President shall inform CBA members that if they wish to participate on a committee for the following year, they must submit written notice to the Executive Analyst. The Executive Analyst will then compile the list of interested parties, and supply it to the President in December. The President, at their discretion, will then make appointments to CBA committees effective the first of January, the following year.

Each statutory committee shall have a Chairperson and Vice Chairperson. Recommendations for each are made by the CBA Vice President and approved by the CBA. The Chairperson is tasked with running the committee meeting, open and closing the meeting, and counting the votes. The Chair is also responsible for coordinating with staff the creation of the minutes for approval by the committee and CBA. The Vice Chairperson assists the Chairperson, when necessary, and assumes the Chairperson's functions in his or her absence. Appointments to the MSG are made by the CBA President.

Statutory committees are advisory in nature and are not policy setting committees. Prior to any statutory committee discussing or taking action on a policy related issue, the Chairperson, Vice Chairperson, or other designee should present the issue before the CBA for input and direction.

A. STATUTORY COMMITTEES (Ref. Business & Professions Code §§ 5020, 5023, 5024, and 5096.21).

1. Enforcement Advisory Committee (EAC).

a. Purpose.

To assist the CBA in an advisory nature with its enforcement activities by:

- Serving in a technical advisory capacity to the Executive Officer and the Enforcement Program. The EAC members may participate in investigative hearings along with staff investigators; counsel from the Attorney General's Office and where appropriate, outside counsel.

- In an appropriate manner, consistent with the Administrative Procedure Act, reporting its findings from any investigation or hearing to the CBA, or upon direction of the CBA, to the Executive Officer.
- Reviewing open investigations upon request by Enforcement staff and providing technical assistance.
- Reviewing closed investigations and reporting its findings and recommendations to the CBA or upon direction of the CBA, to the Executive Officer.
- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized by the CBA to consider.

b. Membership.

The EAC is comprised of up to 13 licensees.

c. Meetings/Minutes.

The EAC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Peer Review Oversight Committee (PROC)

a. Purpose.

To act as an advisory committee and assist the CBA in its oversight of the Peer Review Program by:

- Holding meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.
- Ensuring that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations Section 48:
 - Conduct an annual administrative site visit.
 - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
 - Conduct reviews of peer review reports on a sample basis.
 - Attend, on a regular basis, peer reviewer training courses.

- Evaluating any *Application to Become A Board-recognized Peer Review Provider* and recommending approval or denial to the CBA.
- Referring to the CBA any Provider that fails to respond to any request.
- Collecting and analyzing statistical monitoring and reporting data from each Provider on an annual basis.
- Preparing an Annual Report to the CBA regarding the results of its oversight.

b. Membership.

The PROC is comprised of 7 licensees.

c. Meetings/Minutes.

The PROC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Qualifications Committee (QC)

a. Purpose.

To act as an advisory committee and assist the CBA in its licensure activities by:

- Conducting work paper reviews of experience of applicants appearing before the committee.
- Interviewing employers that appear before the committee under the provision of Section 69, of the Accountancy Regulations.
- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act.

b. Membership.

The QC is comprised of 16 licensees.

c. Meetings/Minutes.

The QC meets approximately four times annually, generally for one day each meeting. An additional Section 69 review may be conducted by QC members approximately one month prior to each committee meeting for those employers not in the geographic area of the upcoming QC meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

4. Mobility Stakeholder Group.

a. Purpose.

To consider whether the provisions of the practice privilege law are consistent with the CBA's duty to protect the public, and whether the provisions of the practice privilege law satisfy the objectives of stakeholders of the accounting profession in this state, including consumers.

b. Membership.

- Two members of the CBA.
- Two representatives of the accounting profession.
- Two consumer representatives.
- One CBA enforcement staff.

c. Meetings/Minutes.

All meetings of the MSG are subject to the Bagley-Keene Open Meeting Act. The MSG chooses locations that are ADA compliant and easily accessible to the public, applicants, and licensees. The MSG will alternate its meeting locations between Northern California and Southern California to facilitate participation by the public and its licensees. The CBA also recognizes its responsibility regarding the public's concern for the judicious use of public funds when choosing meeting facilities and overnight accommodations. Minutes will be prepared from the meeting, and presented to the CBA for acceptance.

5. Other Committees.

The CBA may create and appoint other committees consisting of certified public accountants in good standing of this State or other qualified interested parties, who may but need not be members of the CBA for the purpose of making recommendations on such matters as may be specified by the CBA.

B. STANDING, AD HOC, and OTHER COMMITTEES/TASK FORCES.

1. Committee on Professional Conduct (CPC).

a. Purpose.

To assist the CBA in consideration of issues relating to professional conduct by:

- Considering and developing recommendations on issues that apply to the practice of public accountancy and affect consumers.
- Considering, formulating, and proposing policies and procedures related to emerging and unresolved issues.

- Reviewing selected exposure drafts and developing recommendations to present to the CBA.

b. Membership.

The CPC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The CPC generally meets before scheduled CBA meetings. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Enforcement Program Oversight Committee (EPOC).

a. Purpose.

To assist the CBA in the consideration of issues relating to the Enforcement Program by:

- Reviewing and proposing revisions to the CBA's *Manual of Disciplinary Guidelines and Model Disciplinary Orders*.
- Providing oversight on enforcement goals and objectives.
- Recommending proposed legislative and/or regulatory changes related to the Enforcement Program.
- Performing an internal audit of a closed and finalized enforcement case when specific concerns are raised by the CBA in a final decision, in accordance with established guidelines **(Appendix 7)**.
- Defining the responsibilities of the CBA member liaison to the Enforcement Advisory Committee.

b. Membership.

The EPOC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The EPOC generally meets before scheduled CBA meetings as deemed necessary. Meetings to review the CBA's Disciplinary Guidelines shall be held on a tri-annual basis. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Legislative Committee (LC).

a. Purpose.

To assist the CBA in its activities by:

- Reviewing, recommending, and advancing legislation relating to consumer protection and the practice of public accountancy.
- Coordinating the need for and use of CBA members to testify before the Legislature.

b. Membership.

The LC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The LC generally meets before scheduled CBA meetings. The frequency of the meetings is determined by the urgency of the issue(s) at hand and as required by the Chair. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

4. Strategic Planning Committee (SPC).

a. Purpose.

To assist the CBA in the development and implementation of the CBA Strategic Plan by:

- Assisting with and overseeing the development of the CBA Strategic Plan on a triennial basis.
- Reviewing progress on completing goals and objectives outlined in the CBA Strategic Plan.
- Reporting updates to the CBA on a yearly basis, on the progress of the Strategic Plan.

b. Membership.

- The SPC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

- The frequency of the meetings is at least once per year, or as required by the Chair. Minutes are prepared from the meeting and presented to the CBA for acceptance.

5. Task Forces.

Under the CBA's General Authority, the CBA may create Task forces, which are temporary and terminate at a prescribed time. Task forces may be comprised of CBA members,

licensees, staff, and the general public. For a list of all current task forces, refer to the latest CBA and Committee roster. **(Appendix 3)**

6. National Committees.

The CBA encourages its members to participate in national committees, including committees of the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA). Members are presented with information on committee participation and an interest form each year during the March CBA meeting. **Appendix 8** includes a link to NASBA and AICPA national committees and information on participation.



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CBA Item II.A.
November 20-21, 2014

**Recommendations For Appointment(s)/Reappointment(s) to the
Enforcement Advisory Committee**

Presented by: Jose Campos, CPA, Vice President

Date: October 6, 2014

Purpose of the Item

The purpose of this agenda item is to recommend that Katherine Allanson, CPA, (**Attachment 1**) be appointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

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

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

Additionally, I spoke with Ms. Bowers regarding Ms. Allanson's current participation on the Peer Review Oversight Committee (PROC). Ms. Bowers indicated that her contribution on PROC has benefited the CBA's mission of consumer protection. As it relates to Ms. Allanson's dual participation on both the PROC and EAC, there is no conflict with any statutory or regulatory provision, nor any CBA policy regarding member appointments. Ms. Allanson has confirmed the additional time commitment of serving on two committees will not pose a problem for her.

Recommendations For Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Page 2 of 2

Prior to making a decision to recommend Ms. Allanson for appointment to the EAC, I performed all the steps previously mentioned. I believe Ms. Allanson demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, and in consultation with Cheryl Gerhardt, Chairperson of the EAC, I recommend that Katherine Allanson be appointed for two years to the EAC, effective December 1, 2014.

Attachments

1. Curriculum Vitae of Katherine Allanson, CPA
2. Skill Matrix



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CBA Item II.A.
November 20-21, 2014

**Recommendations For Appointment(s)/Reappointment(s) to the
Enforcement Advisory Committee**

Presented by: Jose Campos, CPA, Vice President

Date: October 6, 2014

Purpose of the Item

The purpose of this agenda item is to recommend that Nancy Corrigan, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

Comments

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

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

For current members who are being reappointed, I review prior attendance records and review the evaluation that is completed annually by the present chair of the committee. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

Recommendations For Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee

Page 2 of 2

Prior to making a decision to recommend Ms. Corrigan for reappointment to the EAC, I performed all the steps previously mentioned. I believe Ms. Corrigan has exhibited a high level of professionalism during the performance of her duties and has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, and in consultation with Cheryl Gerhardt, Chairperson of the EAC, I recommend that Nancy Corrigan be reappointed for two years to the EAC, effective December 1, 2014.

Attachments

1. Curriculum Vitae of Nancy Corrigan, CPA
2. Skill Matrix



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CBA Item II.A.
November 20-21, 2014

**Recommendations For Appointments/Reappointments to the
Enforcement Advisory Committee (EAC)**

Presented by: Jose Campos, CPA, Vice President

Date: October 16, 2014

Purpose of the Item

The purpose of this agenda item is to recommend Jeffrey De Lyser, CPA, (**Attachment 1**) be appointed as Chairperson of the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates and proposes policies and procedures related to the CBA's Enforcement Program.

Comments

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

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

For current members who are being reappointed or are being recommended for a leadership role on the committee, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation.

Recommendations For Appointments/Reappointments to the Enforcement Advisory Committee

Page 2 of 2

Prior to making a decision to recommend Mr. De Lyser as Chairperson of the EAC, I performed all the steps previously mentioned. During Mr. De Lyser's three years on the EAC, he has exhibited a high level of professionalism during the performance of his duties and demonstrated he has the skills and knowledge to serve in a leadership capacity, which will allow the EAC to continue to perform its mandated activities and assist the CBA with its Enforcement Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, I recommend that Mr. De Lyser be appointed as Chairperson of the EAC, effective December 1, 2014 until December 31, 2015.

Attachments

1. Curriculum Vitae and Statement of Qualifications of Jeffrey De Lyser, CPA
2. Skill Matrix



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CBA Item II.A.
November 20-21, 2014

**Recommendations For Appointments/Reappointments to the
Enforcement Advisory Committee (EAC)**

Presented by: Jose Campos, CPA, Vice President

Date: October 16, 2014

Purpose of the Item

The purpose of this agenda item is to recommend Joseph Rosenbaum, CPA, (**Attachment 1**) be appointed as Vice-Chairperson of the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

Action Needed

It is requested that the CBA adopt the recommendation.

Background

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates and proposes policies and procedures related to the CBA's Enforcement Program.

Comments

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

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

For current members who are being reappointed or are being recommended for a leadership role on the committee, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation.

Recommendations For Appointments/Reappointments to the Enforcement Advisory Committee

Page 2 of 2

Prior to making a decision to recommend Mr. Rosenbaum as the Vice-Chairperson of the EAC, I performed all the steps previously mentioned. During Mr. Rosenbaum's two years on the EAC, I believe he has exhibited a high level of professionalism during the performance of his duties and demonstrated he has the skills and knowledge to serve in a leadership capacity, which will allow the EAC to continue to perform its mandated activities and assist the CBA with its Enforcement Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, and in consultation with Cheryl Gerhardt, Chairperson of the EAC, I recommend that Mr. Rosenbaum be appointed for one year as Vice-Chairperson of the EAC, effective December 1, 2014 until December 31, 2015.

Attachments

1. Statement of Qualifications and Curriculum Vitae of Joseph Rosenbaum, CPA
2. Skill Matrix



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CBA Item II.B.
November 20-21, 2014

**Recommendations For Appointment(s)/Reappointment(s) to the
Qualifications Committee (QC)**

Presented by: Jose Campos, CPA, Vice President

Date: October 6, 2014

Purpose of the Item

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

Action Needed

It is requested that the CBA adopt the recommendation.

Background

The QC assists the CBA in its licensure activities by reviewing the experience of applicants for licensure and making recommendations to the CBA. This responsibility includes conducting work paper reviews, with the applicant or the employer present, to verify that the responses provided are reflective of the requisite experience for licensure.

Comments

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

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

For current members who are being reappointed or are being recommended for a leadership role on the committee, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Licensing Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation.

Recommendations For Appointment(s)/Reappointment(s) to the Qualifications Committee

Page 2 of 2

Prior to making a decision to recommend Mr. Ruehl as Chairperson of the QC, I performed all the steps previously mentioned. During Mr. Ruehl's five years on the QC, I believe he has exhibited a high level of professionalism during the performance of his duties and demonstrated he has the skills and knowledge to serve in a leadership capacity, which will allow the QC to continue to perform its mandated activities and assist the CBA with its Licensure Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, I recommend that Mr. Ruehl be appointed as Chairperson of the QC, effective December 1, 2014 until December 31, 2015.

Attachments

1. Statement of Qualifications and Curriculum Vitae of Robert Ruehl, CPA
2. Skill Matrix



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CBA Item II.B.
November 20-21, 2014

**Recommendations For Appointment(s)/Reappointment(s) to the
Qualifications Committee (QC)**

Presented by: Jose Campos, CPA, Vice President

Date: October 6, 2014

Purpose of the Item

The purpose of this agenda item is to recommend that Joanna (Jenny) Bolsky, CPA, (**Attachment 1**) be appointed as Vice-Chairperson of the California Board of Accountancy (CBA) Qualifications Committee (QC).

Action Needed

It is requested that the CBA adopt the recommendation.

Background

The QC assists the CBA in its licensure activities by reviewing the experience of applicants for licensure and making recommendations to the CBA. This responsibility includes conducting work paper reviews, with the applicant or the employer present, to verify that the responses provided are reflective of the requisite experience for licensure.

Comments

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

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

For current members who are being reappointed or are being recommended for a leadership role on the committee, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, CBA Liaisons, and the Licensing Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation.

Recommendations For Appointment(s)/Reappointment(s) to the Qualifications Committee

Page 2 of 2

Prior to making a decision to recommend Ms. Bolsky as Vice-Chairperson of the QC, I performed all the steps previously mentioned. During Ms. Bolsky's three years on the QC she has exhibited a high level of professionalism during the performance of her duties and demonstrated that she has the skills and knowledge to serve in a leadership capacity, which will allow the QC to continue to perform its mandated activities and assist the CBA with its Licensure Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, and in consultation with Maurice Eckley, Chairperson of the QC, I recommend that Ms. Bolsky be appointed as Vice-Chairperson of the QC, effective December 1, 2014 until December 31, 2015.

Attachments

1. Statement of Qualifications and Curriculum Vitae of Jenny Bolsky, CPA
2. Skill Matrix



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CBA Item II.C.
November 20-21, 2014

**Recommendation For Appointment(s)/ Reappointment(s) to the
Peer Review Oversight Committee**

Presented by: Jose Campos, CPA, Vice President

Date: October 6, 2014

Purpose of the Item

The purpose of this agenda item is to recommend that Seid Sadat, CPA, (**Attachment**) be appointed as Vice-Chairperson of the California Board of Accountancy (CBA) Peer Review Oversight Committee (PROC).

Action Needed

It is requested that the California Board of Accountancy (CBA) adopt the recommendation.

Background

The PROC assists the CBA in an advisory capacity in its oversight of the Peer Review Program. The committee ensures that Board-recognized peer review program providers administer peer reviews in accordance with standards, evaluates applications to become a Board-Recognized Peer Review Program Provider, collects and analyzes statistical monitoring and reporting data from each Peer Review Provider on an annual basis, and prepares an Annual Report to the CBA regarding the results of its oversight.

Comments

For all appointments to a committee, including recommendations for Vice-Chairperson, I ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities.

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

For current members who are being reappointed or are being recommended for a leadership role on the committee, I review prior attendance records and review the evaluations that may have been completed by the current Chairperson, Vice-Chairperson, and Enforcement Chief. The evaluation requests feedback in the areas of interpersonal skills, communication, leadership, preparedness, and participation.

Prior to making a decision to recommend Mr. Sadat as Vice-Chairperson of the PROC, I performed all the steps previously mentioned. During Mr. Sadat's four years on the

Recommendation for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee

Page 2 of 2

PROC, I believe he has exhibited a high level of professionalism during the performance of his duties and demonstrated he has the skills and knowledge to serve in a leadership capacity, which will allow the PROC to continue to perform its mandated activities and assist the CBA with its Peer Review Program.

Fiscal/Economic Impact

None.

Recommendation

Based on the information above, I recommend Mr. Sadat be appointed for one year as Vice-Chairperson of the PROC, effective January 1, 2015.

Attachment

Statement of Qualifications and Curriculum Vitae of Seid Sadat, CPA



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CBA Item III.B.
November 20-21, 2014

Fiscal Year 2014-15 First Quarter Financial Statement

Presented by: Katrina Salazar, CPA, Secretary/Treasurer

Date: November 4, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the first quarter financial statement.

Action Needed

No specific action is required on this agenda item.

Background

CBA Financial statements are prepared quarterly (October, January, April, and August) and are included in CBA meeting materials. These statements provide an overview of year-to-date receipts, expenditures, and the status of the Accountancy Fund Reserve.

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff has no recommendation on this item.

Attachments

1. First Quarter Financial Statement – Narrative
2. First Quarter Financial Statement – Statistics
3. CBA Budget Allocation History
4. CBA Total Revenue and Expenditures

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2014-15
FIRST QUARTER FINANCIAL STATEMENT - NARRATIVE
(for period of 7-01-14 through 9-30-14)



DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENT

BUDGET

There have been no fiscal year (FY) 2014-15 budget changes since the FY 2013-14 Year-End Financial Statement was presented at the September 2014 meeting. The FY 2014-15 budget is currently set at \$13.4M. It is expected that there will be slight increases in the personal services budget due to salary increases for most state of California employees, including all CBA staff, and benefit/retirement rate increases. This increase will likely be reflected in the FY 2014-15 Mid-Year Financial Statement, to be presented in March 2015.

The FY 2015-16 Budget will be available on January 10, 2015, and highlights of any changes will also be reported in March 2015.

REVENUES/TOTAL RECEIPTS

The CBA collected approximately \$1.6 million in total receipts in the first quarter of FY 2014-15. Total revenues decreased by approximately 50 percent from the same period last year. This significant decrease was anticipated with the CBA entering the first year of a two-year reduction in the license renewal and initial permit, examination, and license application/registration fees. It is projected that the CBA will bring in approximately \$5.4M in receipts over the entire FY 2014-15 which will be almost \$5M less than what was received the previous year.

The penalties and fines line item reflects a significant decrease, resulting from fewer citations being issued for failing to respond to the CBA in regards to peer review. This is likely due to streamlining the peer review reporting to coincide with the license renewal date, which began in January 2014.

EXPENDITURES

Total expenditures through the first quarter reflect an approximate eight percent increase over the same period last fiscal year. Much of this increase can be attributed to higher personal services costs including a two percent salary increase. Last, 2014 rates for employer paid health insurance and retirement premiums rose significantly over 2013 levels.

Personnel costs are expected to increase even further as the remaining vacant investigative positions will be filled in November and December. Rate increases for employer paid health insurance and retirement premiums are expected again in 2015.

Most of the operating expense line items (general expense office supplies, communications, facilities costs, etc.) are expected to increase due to the additional equipment and resources necessary to provide to new staff.

**CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2014-15
FIRST QUARTER FINANCIAL STATEMENT
PAGE 2 OF 2**

Higher printing costs can be attributed to a number of CBA-specific printed materials for fingerprint and license renewal inserts. Additionally, the hardcopy UPDATE publication continues to account for a significant portion of the CBA's printing expenses. Printing costs for each UPDATE ranges between \$40,000 to \$50,000 depending on the size of the publication.

Costs in the training expense category have increased significantly as the CBA is requiring all current and new investigative staff to take a national certification course in investigation and inspection techniques and procedures. The course is also a prerequisite for enrollment into the Department of Consumer Affairs' Enforcement Academy.

Enforcement costs (Attorney General, Office of Administrative Hearings, and court reporting expenses) have risen significantly due to the larger number of investigations the CBA is able to complete with its increased staffing resources. An increasing number of investigations have also been referred to the Attorney General's Office resulting in higher costs. The CBA is also expecting to continue utilizing its consulting resources. Two expert consultant contracts have been extended through FY 2014-15 to assist in some of the more complex enforcement matters.

RESERVES

The CBA ended the first quarter with 11.1 months in reserve. First-quarter expenditures have already exceeded total revenues by approximately \$1.9M and staff project that over the course of the entire FY 2014-15, expenditures will exceed total revenues by more than \$8M. This will decrease the Accountancy Fund Reserve from approximately \$14.2M to approximately \$6.3M or 5.6 months in Reserve (MIR).

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2014-15
First Quarter Financial Statement
(for period of 7/1/14 through 9/30/14)

Attachment 2

	FY 2014-15 Received/Expended 7/01/14 - 9/30/14 (3 months) [7]	FY 2013-14 Received/Expended 7/01/13 -9/30/13 (3 months) [7]	% Change FY 2014-15 to FY 2013-14 to (A:B)	FY 2014-15 Annual Governor's Budget 7/01/14 - 6/30/15 (12 months) [8]	FY 2014-15 Receipts/Expenditures Over/Under Budget (D:A)	FY 2014-15 Annual Projections (12 months) [9]
RECEIPTS						
Revenues:						
Renewals [1]	989,021	1,855,990	-46.7%	2,816,637	-64.9%	3,151,440
Examination Fees	532,554	827,251	-35.6%	2,171,707	-75.5%	1,959,406
Licensing Fees	27,220	331,498	-91.8%	211,480	-87.1%	99,429
Miscellaneous [2]	15,172	11,059	37.2%	45,090	-66.4%	43,079
Penalties and Fines	13,225	24,700	-46.5%	187,850	-93.0%	122,762
Total Revenues	1,577,192	3,050,498	-48.3%	5,432,764	-71.0%	5,376,116
Interest	0	0	NA	0	NA	0
TOTAL NET RECEIPTS	1,577,192	3,050,498	-48.3%	5,432,764	-71.0%	5,376,116
EXPENDITURES:						
Personal Services:						
Salaries & Wages	1,153,034	1,092,528	5.5%	5,566,801	-79.3%	5,330,780
Temporary Help	89,226	76,481	16.7%	200,000	-55.4%	691,452
Total Salaries & Temp. Help	1,242,260	1,169,009	6.3%	5,766,801	-134.7%	6,022,232
Benefits						
Health Insurance	200,155	163,399	22.5%	1,037,763	-80.7%	921,601
Other Insurance and Miscellaneous	23,336	57,427	-59.4%	112,644	-79.3%	107,449
State Retirement	267,707	206,335	29.7%	1,135,344	-76.4%	1,232,640
Social Security	70,394	68,533	2.7%	397,190	-82.3%	324,125
Total Benefits [3]	561,592	495,694	13.3%	2,682,941	-318.7%	2,585,814
Total Personal Services:	1,803,852	1,664,703	8.4%	8,449,742	-78.7%	8,608,046
Operating Expenses:						
Fingerprints	11,887	10,980	8.3%	122,954	-90.3%	47,548
General Expense	60,449	40,585	48.9%	215,920	-72.0%	236,301
Printing	52,865	25,427	107.9%	95,608	-44.7%	317,190
Communications	7,224	2,351	207.3%	59,614	-87.9%	57,064
Postage	42,878	69,791	-38.6%	141,872	-69.8%	143,214
Travel	24,435	25,184	-3.0%	135,886	-82.0%	189,776
Training	18,637	5,435	242.9%	28,012	-33.5%	80,518
Facilities Operations	750,212	672,422	11.6%	642,818	16.7%	720,212
Consultant & Professional Services	34,672	7,313	374.1%	242,076	-85.7%	70,000
Departmental Services	340,616	352,873	-3.5%	1,363,516	-75.0%	1,363,516
Consolidated Data Center	19,974	14,595	36.9%	40,770	-51.0%	80,290
Data Processing	5,580	2,943	89.6%	50,103	-88.9%	45,395
Central Administrative Services	123,850	103,991	19.1%	495,398	-75.0%	495,398
Exams	68,800	137,400	-49.9%	0	NA	37,400
Enforcement	133,451	103,489	29.0%	1,463,551	-90.9%	933,991 [10]
Equipment	2,910	8,865	-67.2%	161,160	-98.2%	152,765
Total Operating Expenses:	1,698,440	1,583,644	7.2%	5,259,258	-67.7%	4,970,578
TOTAL EXPENDITURES	3,502,292	3,248,347	7.8%	13,709,000	-74.5%	13,578,624
Less Scheduled Reimbursements	11,299	5,291	113.6%	296,000	-96.2%	177,908
TOTAL NET EXPENDITURES	3,490,993	3,243,056	7.6%	13,413,000	-74.0%	13,400,716
RECEIPTS IN EXCESS OF EXPENSES	-1,913,801	-192,558		-7,980,236		-8,024,600
PLUS COST RECOVERY	28,685	33,590		0		73,795
BEGINNING RESERVES JULY 1 [4]	14,238,000	15,361,000		14,238,000		14,238,000
Total Resources	12,352,884	15,202,032		6,257,764		6,287,195
PROJECTED ENDING RESERVES	12,352,884	15,202,032	-18.7%	6,257,764		6,287,195
GENERAL FUND LOAN 2002 [5]	(6,000,000)	(6,000,000)				
GENERAL FUND LOAN 2003 [5]	(270,000)	(270,000)				
GENERAL FUND LOAN 2008 [5]	(14,000,000)	(14,000,000)				
GENERAL FUND LOAN 2010 [5]	(10,000,000)	(10,000,000)				
GENERAL FUND LOAN 2011 [5]	(1,000,000)	(1,000,000)				
MONTHS IN RESERVE (MIR) [6]	11.1	13.6		5.6		5.6

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2014-15
First Quarter Financial Statement
(for period of 7/1/14 through 9/30/14)

Footnotes:

- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes miscellaneous services to the public, dishonored check fees, certification fees, duplicate licenses, name changes, over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [3] The following line items are part of the total benefits figure:
Health Insurance - health, dental, vision.
Other insurance and Miscellaneous - worker's compensation, unemployment insurance, transit discount.
- [4] FY 2013-14 and 2014-15 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office.
- [5] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the authority for these loans. The "terms and conditions" of the loans, per the Budget Act are: "The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer." (Estimated at .389% for 2011, .515% for 2010, 2.78% for 2008, 1.64% for 2003 loan, and 2.64% for 2002). "It is the intent of the Legislature that repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan through a reduction in service or an increase in fees." Outstanding General Fund loans total \$31,270,000.
- [6] Calculation: Net projected expenditure authority for FY 2015-16 (\$13,514,000) divided by twelve months equals monthly expenditure authority (\$1,126,167). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [7] Received/Expended amounts through September 30, 2014 for FY 2014-15 and September 30, 2013 for FY 2013-14 include encumbrances, and are from DCA Budget Reports.
- [8] Figures reflect projected revenues from FY 2014-15 Workload and Revenue Statistics, expenditures are provided by the Department of Consumer Affairs Budget Office.
- [9] This column reflects CBA's annual revenue and expenditure projections for Fiscal Year 2014-15 based on three months of actual data.
- [10] Annual expenditures projected for the Enforcement line item are based only on what the CBA has spent to date. No other factors are used in determining this projection. This estimate is not indicative of the number or type of enforcement cases the CBA anticipates being involved in or is currently investigating.

NOTE: CBA Financial Reports are prepared quarterly (October, January, April, and August) and included in CBA Meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

CBA Budget Allocation History										
First Quarter FY 2014-15	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
\$ Budgeted	\$13,413,000	117,089	863,931	1,366,664	476,883	1,227,169	6,687,876	2,151,256	446,673	75,459
\$ Spent	\$3,490,993	38,368	333,241	399,679	171,239	377,156	1,299,500	636,587	177,593	57,630
Authorized Positions²	93.9	1.0	6.0	13.0	4.0	11.0	39.5	16.4	3.0	0.0

¹ Dollars spent through the first quarter ending September 30, 2014.

² 17 Enforcement positions and one Initial Licensing position were added as a result of 3 successful FY 2014-15 BCPs. 11 of the 17 Enforcement positions are limited-term and will expire in two to three years

FY 2013-14	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
\$ Budgeted	\$11,557,852	127,993	860,445	1,332,593	533,006	1,550,464	4,580,456	2,056,711	437,199	78,985
\$ Spent	\$11,518,942	69,862	886,921	1,266,414	582,303	1,592,579	3,956,921	2,218,063	834,781	111,098
Authorized Positions¹	75.9	1.0	6.0	11.0	4.0	11.0	22.5	17.4	3.0	0.0

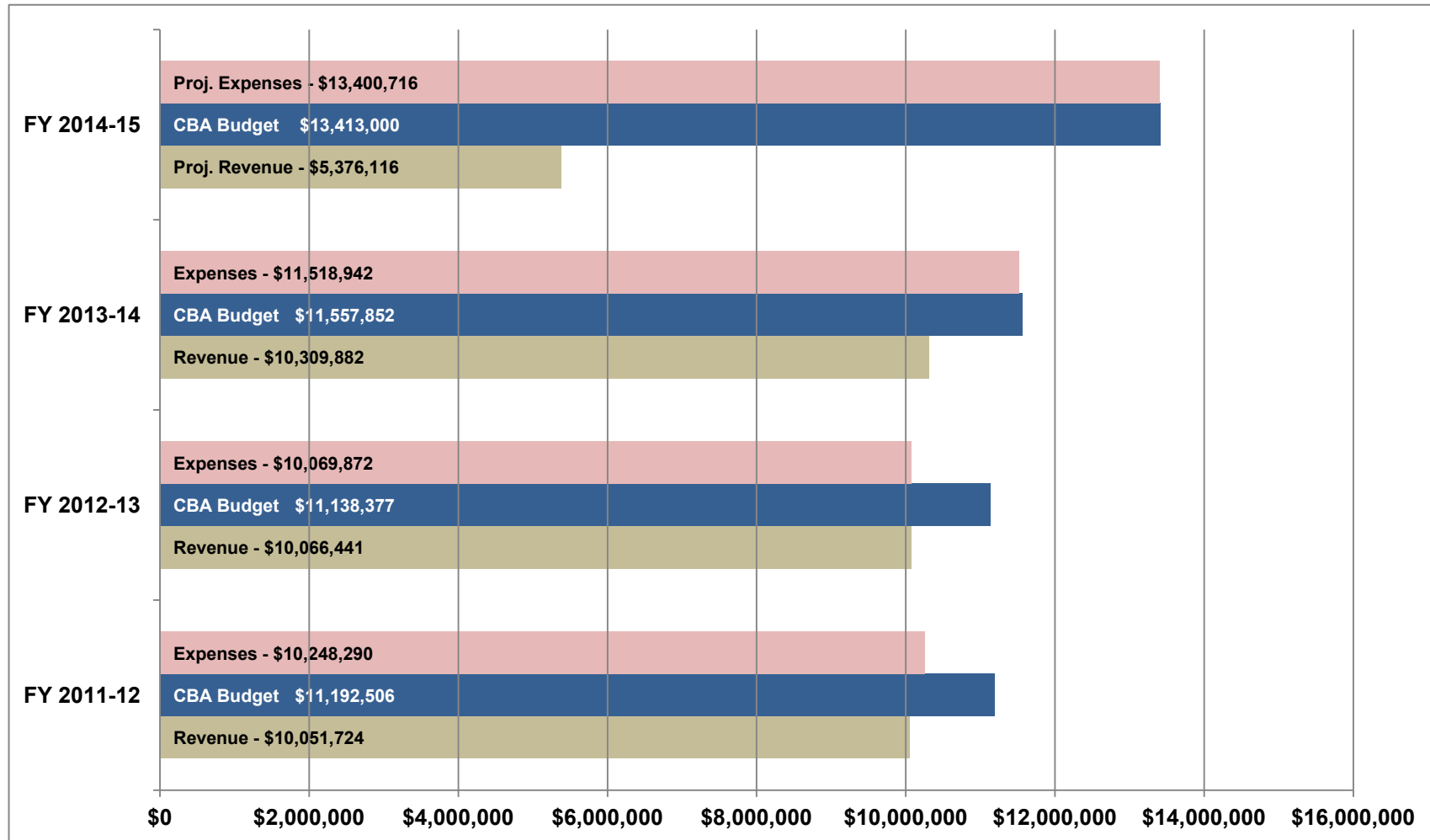
¹ Three limited-term positions expired as of June 30, 2013. One permanent Practice Privilege office assistant position was eliminated via a negative BCP.

FY 2012-13	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
\$ Budgeted	\$11,138,377	210,426	866,598	1,300,985	605,291	1,155,907	4,462,554	2,000,197	417,059	119,360
\$ Spent	\$10,069,872	173,158	811,677	1,182,577	563,050	1,299,912	3,442,237	2,129,545	470,587	122,987
Authorized Positions³	79.9	2.0	6.0	12.0	5.0	11.0	22.5	18.4	3.0	0.0

³ The elimination of salary savings required by the Department of Finance in FY 2012-13, required the CBA to eliminate 3.6 authorized positions.

FY 2011-12	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
\$ Budgeted	\$11,192,506	223,850	783,475	1,455,026	559,625	1,119,251	4,365,077	2,126,576	447,700	111,925
\$ Spent	\$10,248,290	169,721	957,906	1,217,073	555,507	1,016,342	3,552,814	2,093,066	586,124	99,736
Authorized Positions	83.5	2.0	7.0	12.0	5.0	11.0	22.5	20.0	4.0	0.0

CBA Total Revenue and Expenditures





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CBA Item III.C.
November 20-21, 2014

Discussion on Title 16, California Code of Regulations, Section 70 Regarding Fees and the CBA Reserve

Presented by: Deanne Pearce, Assistant Executive Officer
Date: October 31, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an analysis of fee levels and their impact on the Accountancy Fund Reserve (Reserve). Additionally, this fee analysis and review of expenditures and revenues is mandated to occur on or before May 31, 2015 pursuant to California Code of Regulations, section 70(j).

Action(s) Needed

The CBA will need to determine what fee increases are necessary to ensure that a sufficient Reserve level is in place so that it can perform its fiduciary responsibility to protect consumers.

Background

Prior to fiscal year (FY) 2011-12, the CBA established the biennial license renewal and initial permit fees at \$200. Beginning July 2011, the CBA reduced these fees to \$120 in an attempt to lower the Reserve as it was approaching historically high levels of around 17 months in Reserve (MIR¹). The first year of lowered renewal fees did not have the anticipated impact to the Reserve because of several unanticipated cuts in spending and hiring freezes, mandated by the Governor due to the economic downturn.

In mid- 2012, past President Marshal Oldman convened a subcommittee to review the CBA's budget and fund condition levels and make recommendations regarding whether fee reductions were necessary.

Following multiple subcommittee meetings, guidance was provided to staff on possible fee reductions for consideration by the CBA. In September 2012 staff provided the CBA with a number of fee reduction options to reduce the Reserve to a three MIR level over a gradual four-year time period. The CBA directed staff to bring back a more aggressive strategy for its consideration at the November 2012 to include a more substantial fee reduction further reducing the license renewal and initial permit fees and reducing two additional fees over a two-year period instead of four.

¹ MIR is a calculation of the number of months' of anticipated budgeted expenditures the CBA has in the Accountancy Fund Reserve.

Discussion on Title 16 California Code of Regulations, Section 70 Regarding Fees and the CBA Reserve

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The CBA's plan intended to reduce the Reserve to a three MIR level by the end of FY 2015-16 by creating a \$6M negative annual cash flow in FY 2014-15 and FY 2015-16. At that time, it was believed that the three MIR level would provide enough funding in the event the CBA needed to exercise its emergency \$2M annual contingency budget clause for litigation or enforcement activities.² During deliberations members expressed that they did not want the significant fee reductions to negatively impact the CBA's daily operations.

The fee reduction regulations were adopted by the CBA in January 2013, approved by the Office of Administrative Law in January 2014, and became effective in July 2014. Only the following three fees were reduced as any other fees would have had negligible impact on cash flow given their small amounts.

- License Renewal and Initial Permit Fees – reduced from \$120 per biennial period to \$50
- Examination Fees – reduced from \$100 for new candidates and \$50 for repeat sitters to \$50 and \$25, respectively
- Licensing Application/Registration Fees – reduced from \$250 for individual certified public accountants (CPA) and \$150 for CPA Firms to \$50 and \$30, respectively

Comments

The CBA's statutory mandate is to ensure consumer protection. Having sufficient resources (both in funding and personnel) are necessary in carrying out this mandate. Although the CBA operates within its legislatively established budget, it must maintain a sufficient Reserve should the CBA need to augment its budget. Staff are performing its due diligence in its review of the fund condition and, as will be outlined in the following information, believe the six MIR level is a more prudent level to maintain and will provide the necessary resources in future years.

Additionally, the Governor has made a commitment to repay the remaining \$25.27M in General fund loans after 2017-18, as identified in the most recent loan obligation report submitted biannually by the Department of Finance to the Legislature. This review and recommendation is being provided without relying on repayment of the 25.27M. Once repayment occurs, staff will present the CBA with further information regarding fee options.

As originally planned back in November 2012, the fee reductions were only meant to be temporary and all three fee types are set to automatically revert back to their pre-FY 2014-15 levels in July 2016 as outlined in **Attachment 5**. These levels, however, will not provide the CBA with adequate revenue levels to maintain a healthy and solvent Reserve and offset current expenditure levels.

² Section 5025.2 of the California Business and Professions Code authorizes the CBA to spend up to an additional \$2M annually in excess of its budgeted expenditure authority for urgent litigation and enforcement matters.

Discussion on Title 16 California Code of Regulations, Section 70 Regarding Fees and the CBA Reserve

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In FY 2014-15, the CBA received budget change proposal (BCP) approvals to increase its funding and position authority for the Enforcement Division. The additional positions were necessary to address mission critical functions, all focusing on the CBA's mandate of consumer protection. These increases in enforcement personnel costs were not considered when the CBA approved the fee reductions in 2012 and will lead to a larger than anticipated disparity between expenditures and revenues. Rather than a \$6M negative cash flow, staff are now projecting that there will be a negative \$8M cash flow in each of the next two fiscal years. If not for a \$6M General Fund loan repayment that will occur in FY 2015-16, the Accountancy Fund would be completely depleted and the CBA would be forced into insolvency.

Staff do not anticipate BCPs for additional personnel in the near future; however, several other factors could increase expenditure levels, further emphasizing the importance of maintaining an adequate reserve in the event the CBA needs to increase its budget through a BCP. Future increases in costs the CBA might have to consider include:

- The CBA's transition to BreEZe, which is scheduled start transition in FY 2016-17
- Enforcement overhead costs (Attorney General, Office of Administrative Hearings, court reporter, witness fees), which will likely increase given the increase in investigative staff, a larger number of cases being referred to the Attorney General's Office, and addressing the CBA's inventory of enforcement cases

Also, staff believe that the six MIR level would provide enough funding in the event it needed to exercise its emergency \$2M annual contingency budget clause for litigation or enforcement activities.

Ultimately, if the money is not in the CBA's budget or if Reserve money is not available to augment the budget through a BCP, the CBA would be prohibited from pursuing any of these activities.

Staff have prepared two fee reduction scenarios (**Scenarios 1 and 2**) that would eliminate the current and unsustainable negative cash flow the CBA is experiencing while maintaining six MIR. Staff believe a six MIR target will provide sufficient resources to allow for expenditure variances without the need to increase/decrease fees as frequently or rely on additional General Fund loan repayments. More importantly, the fee levels necessary to get to a six MIR target in both of these scenarios would align expenditures in balance with revenues.

Both scenarios maintain fees below the FY 2011-12 fee levels. The difference between the two scenarios is that Scenario 1 maintains reduced examination and licensing application fees, potentially easing entry into the accounting profession. Scenario 2 increases the examination and licensing application and registration to pre-FY 2013-14 levels.

Discussion on Title 16 California Code of Regulations, Section 70 Regarding Fees and the CBA Reserve

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Scenario 1 – Attachment 1

- Increase license renewal and initial permit fees to \$155. This would be an increase over pre-FY 2014-15 levels of \$120 but a decrease from pre-FY 2011-12 levels of \$200.
- Revert examination and licensing application/registration fees back to their pre-FY 2014-15 levels of \$100/\$50 and \$250/\$150 respectively.
- Increase target MIR to six.

Scenario 2 – Attachment 2

- Increase license renewal and initial permit fees to \$185. This would be an increase over pre-FY 2014-15 levels of \$120 but a decrease from pre-FY 2011-12 levels of \$200.
- Maintain reduced examination and licensing application registration fees of \$50/\$25 and \$50/\$30 respectively to continue assisting prospective licensees.
- Increase target MIR to six.

Although staff believe the six MIR is the more appropriate scenario to pursue to ensure sufficient Reserve levels in the future, staff have also prepared two additional fee scenarios for CBA consideration, which retain the MIR at three.

Scenario 3 – Attachment 3

- Increase license renewal and initial permit fees to \$140. This would be a slight increase over pre-FY 2014-15 levels of \$120 but a decrease from pre-FY 2011-12 levels of \$200.
- Revert examination and licensing application/registration fees back to their pre-FY 2014-15 levels of \$100/\$50 and \$250/\$150 respectively.
- Maintain a three MIR target and gradually reduce the Reserve to targeted levels by the end of FY 2019-20.

Scenario 4 – Attachment 4

- Increase license renewal and initial permit fees to \$170. This would be an increase over pre-FY 2014-15 levels of \$120 but a decrease from pre-FY 2011-12 levels of \$200.
- Maintain reduced examination and licensing application registration fees of \$50/\$25 and \$50/\$30 respectively to continue assisting prospective licensees.
- Maintain a three MIR target and gradually reduce the Reserve to targeted levels by the end of FY 2019-20.

Discussion on Title 16 California Code of Regulations, Section 70 Regarding Fees and the CBA Reserve

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Scenarios 3 and 4 will continue to target three MIR. These options create a small negative annual cash flow as the CBA is expected to already be at a six MIR level by July 2016. If projections are accurate, the CBA would likely need to consider raising fees in FY 2020-21 to correct the imbalance between expenditures and revenues or risk insolvency in the years following, prompting the need for General Fund loan repayments. Should General Fund loan repayments not be available and the CBA were placed in the position of insolvency, CBA operations would need to be suspended

Should the CBA take no action regarding the fees, they would revert back to their pre-FY 2014-15 levels as outlined below.

Automatic Fee Increases per Current Regulations – Attachment 5

- Revert license renewal and initial permit fees back to their pre-FY 2014-15 levels of \$120.
- Revert examination and licensing application/registration fees back to their pre-FY 2014-15 levels of \$100/\$50 and \$250/\$150 respectively.
- Experience a negative \$1.5 to \$2M cash flow annually and possibly deplete the Reserve by FY 2019-20 requiring the CBA to initiate another fee increase or rely on another repayment of a General Fund loan.

Fiscal/Economic Impact Considerations

Increases in fees in any of the identified scenarios will eliminate the current unsustainable state of negative cash flow and would either gradually decrease the Reserve to a three-month level by the end of FY 2019-20 or maintain Reserve levels at approximately six months through FY 2019-20 and ongoing.

Recommendation

Staff recommend that the CBA consider **Scenario 1** or **2**. This would provide the CBA a sufficient Reserve to better prepare itself for any unanticipated expenditure increases. A larger six MIR would also lessen the CBA's reliance on General Fund loan repayments as it is not known what the condition of the economy will be in the future and what might preclude the General Fund from repaying its obligations. Also, the fee increases necessary to bring the CBA to a six MIR would align expenditures with revenues which is what the CBA will eventually need to accomplish to maintain the Reserve at a balanced level.

It is important to note that none of the four scenarios listed in **Attachments 1** through **4** will result in a higher fee structure than what was charged prior to FY 2011-12. All options will provide enough funding to cover emergency litigation/enforcement expenses assuming expenditure and revenue levels do not differ from current forecasts. A decision by the CBA at the November meeting will allow for sufficient time to process the rulemaking file to increase fees to appropriate levels in July 2016.

Discussion on Title 16 California Code of Regulations, Section 70 Regarding Fees and the CBA Reserve

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Attachments

1. Scenario 1
2. Scenario 2
3. Scenario 3
4. Scenario 4
5. Fee Analysis Based on Automatic Fee Increases

California Board of Accountancy
Fund Condition Statement
(Dollars in Thousands)

Attachment 1
Scenario 1

Enter the % Increase:		Current Fees		Proposed New Fees to Start July 2016	
210%	Renewal Fee/Initial Permit Fee	\$50		\$155.00	
100%	Exam App Fee	\$50	\$25	\$100.00	\$50.00
400%	Lic App/Registration Fee	\$50	\$30	\$250.00	\$150.00

Prepared 10/28/14

	Prior Year 2013-14	Projected Current Year 2014-15	BY 2015-16	Start of Fee Increase			
				2016-17	2017-18	2018-19	2019-20
BEGINNING BALANCE	\$ 15,122	\$ 14,238	\$ 6,287	\$ 6,093	\$ 6,000	\$ 6,455	\$ 6,659
Prior Year Adjustment	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Adjusted Beginning Balance	\$ 15,361	\$ 14,238	\$ 6,287	\$ 6,093	\$ 6,000	\$ 6,455	\$ 6,659
REVENUES AND TRANSFERS							
Revenues:							
125600 Other regulatory fees	\$ 277	\$ 150	\$ 166	\$ 174	\$ 174	\$ 174	\$ 174
125700 Other regulatory licenses and permits	\$ 4,826	\$ 2,194	\$ 2,616	\$ 4,682	\$ 4,775	\$ 4,775	\$ 4,775
125800 Renewal fees	\$ 4,968	\$ 2,882	\$ 2,461	\$ 7,439	\$ 7,439	\$ 7,439	\$ 7,439
125900 Delinquent fees	\$ 199	\$ 133	\$ 80	\$ 164	\$ 206	\$ 206	\$ 206
141200 Sales of documents	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
142500 Miscellaneous services to the public	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
150300 Income from surplus money investments	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 10	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
161400 Miscellaneous revenues	\$ 2	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 10,309	\$ 5,376	\$ 5,325	\$ 12,462	\$ 12,596	\$ 12,596	\$ 12,596
Transfers from Other Funds							
F00001 GF loan repayment per Item 1120-011-0704, Loan of 2002 Interest of \$6 million loan at 2.64% through 7-1-2014			\$ 6,000				
			\$ 1,861				
Transfers to Other Funds							
T00001 GF loan per Item 1120-011-0704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 10,309	\$ 5,376	\$ 13,186	\$ 12,462	\$ 12,596	\$ 12,596	\$ 12,596
Totals, Resources	\$ 25,670	\$ 19,614	\$ 19,473	\$ 18,555	\$ 18,596	\$ 19,051	\$ 19,255
EXPENDITURES							
Disbursements:							
8860 FSCU (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0840 State Controller (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8860 Financial Information System for California (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 - FISCAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations) ^[1]	\$ 11,371	\$ 11,716	\$ 12,083	\$ 12,325	\$ 12,571	\$ 12,822	\$ 13,079
Architectural Revolving Fund (ARF)	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCPs:							
Enforcement	\$ -	\$ 940	\$ 876	\$ 660	\$ -	\$ -	\$ -
Fingerprinting	\$ -	\$ 923	\$ 851	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 11,721	\$ 13,579	\$ 13,810	\$ 12,985	\$ 12,571	\$ 12,822	\$ 13,079
Less Scheduled Reimbursements	\$ (203)	\$ (178)	\$ (296)	\$ (296)	\$ (296)	\$ (296)	\$ (296)
Total Net Expenditures	\$ 11,518	\$ 13,401	\$ 13,514	\$ 12,689	\$ 12,275	\$ 12,526	\$ 12,783
Plus Cost Recovery	\$ 86	\$ 74	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134
FUND BALANCE							
Reserve for economic uncertainties	\$ 14,238	\$ 6,287	\$ 6,093	\$ 6,000	\$ 6,455	\$ 6,659	\$ 6,606
Months in Reserve	12.7	5.6	5.8	5.9	6.2	6.3	5.9

NOTES:
[1] ASSUMES APPROPRIATION GROWTH OF 2% IN BY AND ONGOING.

California Board of Accountancy
Fund Condition Statement
(Dollars in Thousands)

Attachment 2
Scenario 2

Enter the % Increase:		Current Fees		Proposed New Fees to Start July 2016	
270%	Renewal Fee/Initial Permit Fee	\$50		\$185.00	
0%	Exam App Fee	\$50	\$25	\$50.00	\$25.00
0%	Lic App/Registration Fee	\$50	\$30	\$50.00	\$30.00

Prepared 10/28/14

	Prior Year 2013-14	Projected Current Year 2014-15	BY 2015-16	Start of Fee Increase 2016-17	2017-18	2018-19	2019-20
BEGINNING BALANCE	\$ 15,122	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,859	\$ 6,212	\$ 6,313
Prior Year Adjustment	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Adjusted Beginning Balance	\$ 15,361	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,859	\$ 6,212	\$ 6,313
REVENUES AND TRANSFERS							
Revenues:							
125600 Other regulatory fees	\$ 277	\$ 150	\$ 166	\$ 166	\$ 166	\$ 166	\$ 166
125700 Other regulatory licenses and permits	\$ 4,826	\$ 2,194	\$ 2,616	\$ 3,103	\$ 3,221	\$ 3,221	\$ 3,221
125800 Renewal fees	\$ 4,968	\$ 2,882	\$ 2,461	\$ 8,861	\$ 8,861	\$ 8,861	\$ 8,861
125900 Delinquent fees	\$ 199	\$ 133	\$ 80	\$ 188	\$ 242	\$ 242	\$ 242
141200 Sales of documents	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
142500 Miscellaneous services to the public	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
150300 Income from surplus money investments	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 10	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
161400 Miscellaneous revenues	\$ 2	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 10,309	\$ 5,376	\$ 5,325	\$ 12,321	\$ 12,494	\$ 12,494	\$ 12,494
Transfers from Other Funds							
F00001 GF loan repayment per Item 1120-011-0704, Loan of 2002 Interest of \$6 million loan at 2.64% through 7-1-2014			\$ 6,000				
			\$ 1,861				
Transfers to Other Funds							
T00001 GF loan per Item 1120-011-0704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 10,309	\$ 5,376	\$ 13,186	\$ 12,321	\$ 12,494	\$ 12,494	\$ 12,494
Totals, Resources	\$ 25,670	\$ 19,614	\$ 19,473	\$ 18,414	\$ 18,353	\$ 18,705	\$ 18,807
EXPENDITURES							
Disbursements:							
8860 FSCU (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0840 State Controller (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8860 Financial Information System for California (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 - FISCAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations) ^[1]	\$ 11,371	\$ 11,716	\$ 12,083	\$ 12,325	\$ 12,571	\$ 12,822	\$ 13,079
Architectural Revolving Fund (ARF)	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCPs:							
Enforcement	\$ -	\$ 940	\$ 876	\$ 660	\$ -	\$ -	\$ -
Fingerprinting	\$ -	\$ 923	\$ 851	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 11,721	\$ 13,579	\$ 13,810	\$ 12,985	\$ 12,571	\$ 12,822	\$ 13,079
Less Scheduled Reimbursements	\$ (203)	\$ (178)	\$ (296)	\$ (296)	\$ (296)	\$ (296)	\$ (296)
Total Net Expenditures	\$ 11,518	\$ 13,401	\$ 13,514	\$ 12,689	\$ 12,275	\$ 12,526	\$ 12,783
Plus Cost Recovery	\$ 86	\$ 74	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134
FUND BALANCE							
Reserve for economic uncertainties	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,859	\$ 6,212	\$ 6,313	\$ 6,158
Months in Reserve	12.7	5.6	5.8	5.7	6.0	5.9	5.5

NOTES:

[1] ASSUMES APPROPRIATION GROWTH OF 2% IN BY AND ONGOING.

California Board of Accountancy
Fund Condition Statement
(Dollars in Thousands)

Attachment 3
Scenario 3

Enter the % Increase:		Current Fees		Proposed New Fees to Start July 2016	
180%	Renewal Fee/Initial Permit Fee	\$50		\$140.00	
100%	Exam App Fee	\$50	\$25	\$100.00	\$50.00
400%	Lic App/Registration Fee	\$50	\$30	\$250.00	\$150.00

Prepared 10/28/14

	Prior Year 2013-14	Projected Current Year 2014-15	BY 2015-16	Start of Fee Increase 2016-17	2017-18	2018-19	2019-20
BEGINNING BALANCE	\$ 15,122	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,223	\$ 4,881	\$ 4,288
Prior Year Adjustment	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Adjusted Beginning Balance	\$ 15,361	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,223	\$ 4,881	\$ 4,288
REVENUES AND TRANSFERS							
Revenues:							
125600 Other regulatory fees	\$ 277	\$ 150	\$ 166	\$ 174	\$ 174	\$ 174	\$ 174
125700 Other regulatory licenses and permits	\$ 4,826	\$ 2,194	\$ 2,616	\$ 4,628	\$ 4,707	\$ 4,707	\$ 4,707
125800 Renewal fees	\$ 4,968	\$ 2,882	\$ 2,461	\$ 6,728	\$ 6,728	\$ 6,728	\$ 6,728
125900 Delinquent fees	\$ 199	\$ 133	\$ 80	\$ 152	\$ 188	\$ 188	\$ 188
141200 Sales of documents	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
142500 Miscellaneous services to the public	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
150300 Income from surplus money investments	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 10	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
161400 Miscellaneous revenues	\$ 2	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 10,309	\$ 5,376	\$ 5,325	\$ 11,684	\$ 11,800	\$ 11,800	\$ 11,800
Transfers from Other Funds							
F00001 GF loan repayment per Item 1120-011-0704, Loan of 2002 Interest of \$6 million loan at 2.64% through 7-1-2014			\$ 6,000				
			\$ 1,861				
Transfers to Other Funds							
T00001 GF loan per Item 1120-011-0704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 10,309	\$ 5,376	\$ 13,186	\$ 11,684	\$ 11,800	\$ 11,800	\$ 11,800
Totals, Resources	\$ 25,670	\$ 19,614	\$ 19,473	\$ 17,778	\$ 17,022	\$ 16,681	\$ 16,088
EXPENDITURES							
Disbursements:							
8860 FSCU (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0840 State Controller (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8860 Financial Information System for California (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 - FISCAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations) ^[1]	\$ 11,371	\$ 11,716	\$ 12,083	\$ 12,325	\$ 12,571	\$ 12,822	\$ 13,079
Architectural Revolving Fund (ARF)	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCPs:							
Enforcement	\$ -	\$ 940	\$ 876	\$ 660	\$ -	\$ -	\$ -
Fingerprinting	\$ -	\$ 923	\$ 851	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 11,721	\$ 13,579	\$ 13,810	\$ 12,985	\$ 12,571	\$ 12,822	\$ 13,079
Less Scheduled Reimbursements	\$ (203)	\$ (178)	\$ (296)	\$ (296)	\$ (296)	\$ (296)	\$ (296)
Total Net Expenditures	\$ 11,518	\$ 13,401	\$ 13,514	\$ 12,689	\$ 12,275	\$ 12,526	\$ 12,783
Plus Cost Recovery	\$ 86	\$ 74	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134
FUND BALANCE							
Reserve for economic uncertainties	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,223	\$ 4,881	\$ 4,288	\$ 3,439
Months in Reserve	12.7	5.6	5.8	5.1	4.7	4.0	3.1

NOTES:

[1] ASSUMES APPROPRIATION GROWTH OF 2% IN BY AND ONGOING.

California Board of Accountancy
Fund Condition Statement
(Dollars in Thousands)

Attachment 4
Scenario 4

Enter the % Increase:		Current Fees		Proposed New Fees to Start July 2016	
240%	Renewal Fee/Initial Permit Fee	\$50		\$170.00	
0%	Exam App Fee	\$50	\$25	\$50.00	\$25.00
0%	Lic App/Registration Fee	\$50	\$30	\$50.00	\$30.00

Prepared 10/28/14

	Prior Year 2013-14	Projected Current Year 2014-15	BY 2015-16	Start of Fee Increase			
				2016-17	2017-18	2018-19	2019-20
BEGINNING BALANCE	\$ 15,122	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,082	\$ 4,638	\$ 3,943
Prior Year Adjustment	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Adjusted Beginning Balance	\$ 15,361	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,082	\$ 4,638	\$ 3,943
REVENUES AND TRANSFERS							
Revenues:							
125600 Other regulatory fees	\$ 277	\$ 150	\$ 166	\$ 166	\$ 166	\$ 166	\$ 166
125700 Other regulatory licenses and permits	\$ 4,826	\$ 2,194	\$ 2,616	\$ 3,048	\$ 3,154	\$ 3,154	\$ 3,154
125800 Renewal fees	\$ 4,968	\$ 2,882	\$ 2,461	\$ 8,150	\$ 8,150	\$ 8,150	\$ 8,150
125900 Delinquent fees	\$ 199	\$ 133	\$ 80	\$ 176	\$ 224	\$ 224	\$ 224
141200 Sales of documents	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
142500 Miscellaneous services to the public	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
150300 Income from surplus money investments	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 10	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
161400 Miscellaneous revenues	\$ 2	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 10,309	\$ 5,376	\$ 5,325	\$ 11,543	\$ 11,697	\$ 11,697	\$ 11,697
Transfers from Other Funds							
F00001 GF loan repayment per Item 1120-011-0704, Loan of 2002 Interest of \$6 million loan at 2.64% through 7-1-2014			\$ 6,000				
			\$ 1,861				
Transfers to Other Funds							
T00001 GF loan per Item 1120-011-0704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 10,309	\$ 5,376	\$ 13,186	\$ 11,543	\$ 11,697	\$ 11,697	\$ 11,697
Totals, Resources	\$ 25,670	\$ 19,614	\$ 19,473	\$ 17,637	\$ 16,779	\$ 16,335	\$ 15,640
EXPENDITURES							
Disbursements:							
8860 FSCU (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0840 State Controller (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8860 Financial Information System for California (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 - FISCAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations) ^[1]	\$ 11,371	\$ 11,716	\$ 12,083	\$ 12,325	\$ 12,571	\$ 12,822	\$ 13,079
Architectural Revolving Fund (ARF)	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCPs:							
Enforcement	\$ -	\$ 940	\$ 876	\$ 660	\$ -	\$ -	\$ -
Fingerprinting	\$ -	\$ 923	\$ 851	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 11,721	\$ 13,579	\$ 13,810	\$ 12,985	\$ 12,571	\$ 12,822	\$ 13,079
Less Scheduled Reimbursements	\$ (203)	\$ (178)	\$ (296)	\$ (296)	\$ (296)	\$ (296)	\$ (296)
Total Net Expenditures	\$ 11,518	\$ 13,401	\$ 13,514	\$ 12,689	\$ 12,275	\$ 12,526	\$ 12,783
Plus Cost Recovery	\$ 86	\$ 74	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134
FUND BALANCE							
Reserve for economic uncertainties	\$ 14,238	\$ 6,287	\$ 6,093	\$ 5,082	\$ 4,638	\$ 3,943	\$ 2,991
Months in Reserve	12.7	5.6	5.8	5.0	4.4	3.7	2.7

NOTES:

[1] ASSUMES APPROPRIATION GROWTH OF 2% IN BY AND ONGOING.

California Board of Accountancy
Fund Condition Statement
(Dollars in Thousands)

Attachment 5
Automatic Fee Increases

Enter the % Increase:		Current Fees		Proposed New Fees to Start July 2016	
140%	Renewal Fee/Initial Permit Fee	\$50		\$120.00	
100%	Exam App Fee	\$50	\$25	\$100.00	\$50.00
400%	Lic App/Registration Fee	\$50	\$30	\$250.00	\$150.00

Prepared 10/28/14

Start of Fee Increase

	Prior Year 2013-14	Projected Current Year 2014-15	BY 2015-16	2016-17	2017-18	2018-19	2019-20
BEGINNING BALANCE	\$ 15,122	\$ 14,238	\$ 6,287	\$ 6,093	\$ 4,187	\$ 2,783	\$ 1,128
Prior Year Adjustment	\$ 239	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Adjusted Beginning Balance	\$ 15,361	\$ 14,238	\$ 6,287	\$ 6,093	\$ 4,187	\$ 2,783	\$ 1,128
REVENUES AND TRANSFERS							
Revenues:							
125600 Other regulatory fees	\$ 277	\$ 150	\$ 166	\$ 174	\$ 174	\$ 174	\$ 174
125700 Other regulatory licenses and permits	\$ 4,826	\$ 2,194	\$ 2,616	\$ 4,556	\$ 4,618	\$ 4,618	\$ 4,618
125800 Renewal fees	\$ 4,968	\$ 2,882	\$ 2,461	\$ 5,779	\$ 5,779	\$ 5,779	\$ 5,779
125900 Delinquent fees	\$ 199	\$ 133	\$ 80	\$ 136	\$ 164	\$ 164	\$ 164
141200 Sales of documents	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
142500 Miscellaneous services to the public	\$ -	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
150300 Income from surplus money investments	\$ 33	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 10	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
161400 Miscellaneous revenues	\$ 2	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 10,309	\$ 5,376	\$ 5,325	\$ 10,648	\$ 10,738	\$ 10,738	\$ 10,738
Transfers from Other Funds							
F00001 GF loan repayment per Item 1120-011-0704, Loan of 2002 Interest of \$6 million loan at 2.64% through 7-1-2014			\$ 6,000				
			\$ 1,861				
Transfers to Other Funds							
T00001 GF loan per Item 1120-011-0704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 10,309	\$ 5,376	\$ 13,186	\$ 10,648	\$ 10,738	\$ 10,738	\$ 10,738
Totals, Resources	\$ 25,670	\$ 19,614	\$ 19,473	\$ 16,741	\$ 14,924	\$ 13,521	\$ 11,866
EXPENDITURES							
Disbursements:							
8860 FSCU (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0840 State Controller (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8860 Financial Information System for California (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 - FISCAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations) ^[1]	\$ 11,371	\$ 11,716	\$ 12,083	\$ 12,325	\$ 12,571	\$ 12,822	\$ 13,079
Architectural Revolving Fund (ARF)	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BCPs:							
Enforcement	\$ -	\$ 940	\$ 876	\$ 660	\$ -	\$ -	\$ -
Fingerprinting	\$ -	\$ 923	\$ 851	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 11,721	\$ 13,579	\$ 13,810	\$ 12,985	\$ 12,571	\$ 12,822	\$ 13,079
Less Scheduled Reimbursements	\$ (203)	\$ (178)	\$ (296)	\$ (296)	\$ (296)	\$ (296)	\$ (296)
Total Net Expenditures	\$ 11,518	\$ 13,401	\$ 13,514	\$ 12,689	\$ 12,275	\$ 12,526	\$ 12,783
Plus Cost Recovery	\$ 86	\$ 74	\$ 134	\$ 134	\$ 134	\$ 134	\$ 134
FUND BALANCE							
Reserve for economic uncertainties	\$ 14,238	\$ 6,287	\$ 6,093	\$ 4,187	\$ 2,783	\$ 1,128	\$ (783)
Months in Reserve	12.7	5.6	5.8	4.1	2.7	1.1	-0.7

NOTES:

[1] ASSUMES APPROPRIATION GROWTH OF 2% IN BY AND ONGOING.



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CBA Item VI.C.
November 20-21, 2014

**Presentation of California Board of Accountancy Annual Report for
Fiscal Year 2013-14**

Presented by: Deanne Pearce, Assistant Executive Officer

Date: November 3, 2014

Purpose of the Item

The purpose of this agenda item is to present the *California Board of Accountancy Annual Report for Fiscal Year 2013-14*.

Action Needed

No specific action is required on this agenda item.

Background

The report is presented annually and is published to the CBA website in the interest of transparency.

Comments

The report highlights CBA activities and accomplishments from July 1, 2013 to June 30, 2014.

Fiscal/Economic Impact

None.

Recommendation

None.

Attachment

California Board of Accountancy Annual Report for Fiscal Year 2013-14

Annual *Report*

CALIFORNIA BOARD OF ACCOUNTANCY

The Mission of the California Board of Accountancy is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.



Fiscal Year 2013-14

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EXECUTIVE OFFICER'S STATEMENT

I am happy to share with you the *California Board of Accountancy Annual Report for Fiscal Year 2013-14*. Keeping in focus our mission to “protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards,” our goal is clear, enhance and improve our services to California consumers, licensees, and our many other stakeholders.

The past year has seen important accomplishments and changes at the California Board of Accountancy (CBA), to meet that goal, including:

Consumer Protection

- Established a new fingerprinting regulation requiring those not previously fingerprinted to have a record of their fingerprints on file for purposes of securing a background check by the Department of Justice (DOJ) and the United States Federal Bureau of Investigation (FBI).
- Established the Mobility Stakeholder Group, which advises the CBA on consumer protection elements of the recently enacted mobility provisions.

Enforcement Division

- Focused resources on enforcement to reduce inventory and complete investigations more quickly. For consumers, it means their complaints are resolved more timely and they can have confidence that the services they receive are from a qualified CPA.
- Provided enhanced training to all enforcement staff, including attendance at the Council on Licensure, Enforcement, and Regulation National Certified Investigator Training and the Department of Consumer Affairs (DCA) Enforcement Academy.

Licensing Division

- Implemented the new 150 semester hour single pathway requirement for CPA licensure, and made statutory changes to ease the transition to the new requirements for CPA candidates who passed the Uniform CPA Examination (CPA Exam) by December 31, 2013.
- Implemented a new retired license status and a license status for active members of the military exempting them from any continuing education (CE) or peer review reporting requirements or paying the license renewal fee.

Administration Division

- Completed the rulemaking process to further reduce the initial permit and biennial license renewal fees, as well as reduced the application fee for the CPA Exam, license application fee, and fee for registration as a partnership or corporation. These fee reductions are for a two-year period taking effect July 1, 2014.

Outreach

- Expanded speaking engagements to emphasize the CBA's mission of consumer protection and provide information regarding licensing requirements, new legislation, regulation, and programs that would have a direct impact on consumers, students and faculty, applicants, and licensees.

This past year I have continued my participation on the National Association of State Board of Accountancy's Accountancy Licensee Database (ALD) committee. The ALD is a central repository of current licensee and firm information available to participating state boards of accountancy. The ALD committee has been key in gaining successful participation from state boards of accountancy, with the total number of jurisdictions participating on ALD now up to 46.

Additionally, I have participated in the American Institute of Certified Public Accountants (AICPA) Board of Examiners (BOE) committee meetings. The BOE oversees the development and scoring of the CPA Exam and ensures that the CPA Exam is consistent with entry-level knowledge and skill requirements of CPAs. My participation in BOE committee meetings has allowed me to stay abreast of the upcoming changes to the CPA Exam as a result of the present practice analysis being undertaken by AICPA. To keep members aware CPA Exam-related activities, information is now included in the Licensing Division reports.

The new achievements reflected in this report require a coordination of efforts by CBA staff. CBA staff consistently bring dedication, enthusiasm and professionalism, and are known for their impressive level of accomplishment. They are truly an asset in representing the CBA, and I believe California consumers, licensees, stakeholders, and fellow agencies are well-served by the California Board of Accountancy.

Patti Bowers
Executive Officer



THE CBA ORGANIZATION

The CBA's legal mandate is to regulate the accounting profession for the public interest. The CBA establishes and maintains standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA's practice act is found at section 5000 *et seq.* (Accountancy Act) of the Business and Professions Code (BPC), and the CBA's regulations appear in Title 16, Division 1 of the California Code of Regulations (CBA Regulations).

The CBA has the authority to license and discipline not only individuals and partnerships but also CPA corporations. As accounting practitioners, the CPA and the public accountant (PA) are sole proprietors, partners, shareholders, and staff employees of public accounting firms. They provide professional services to individuals; private and publicly-held companies; financial institutions; nonprofit organizations; and local, state, and federal government entities. CPAs and PAs also are employed in business and industry, in government, and in academia. The CBA performs its consumer protection mission for many stakeholders, including:

- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies who rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies, which require audited financial information or assistance with internal accounting controls.
- Regulatory bodies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Public Utilities Commission, and federal and state banking regulators; and local, state, and federal taxing authorities.
- Retirement systems, pension plans, and stock exchanges.

Current law mandates that the CBA consist of 15 members, seven of whom must be CPAs, and eight of whom must be public members, not licensed or registered by the CBA. The Governor appoints four of the public members and all seven licensee members. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members.

The members of the CBA appoint an Executive Officer to oversee the daily operations of the board and implement the various policy decisions made by the board. The CBA is comprised of three divisions that encompass the areas of Administration, Licensing, and Enforcement. There are approximately 82 permanent staff members and additional temporary staff that assist throughout the CBA in various capacities. Although the CBA is "divided" into three divisions, the CBA operates as one, knowing that each activity performed is being done so in the interest of consumer protection.



CBA Member Dinner with Staff from the Governor's Office

CBA MEMBERS



Michael M. Savoy, CPA, President



Jose A. Campos, CPA, Vice President



Katrina Salazar, CPA, Secretary/Treasurer



Sarah "Sally" Anderson, CPA*



Diana Bell



Alicia Berhow



Herschel T. Elkins, Esq.



Laurence (Larry) Kaplan



Louise Kirkbride



Kay Ko



Leslie LaManna, CPA*



Kitak (K.T.) Leung, CPA



Manuel J. Ramirez, CPA*



Mark J. Silverman, Esq.

**Past President*

STRATEGIC PLANNING & WORKFORCE AND SUCCESSION PLANNING

Strategic Planning

The *2013-2015 Strategic Plan* identifies specific objectives that assist the CBA in fulfilling its mission and vision. The *2013-2015 Strategic Plan*, adopted in September 2012, identifies seven goals and 28 objectives developed to enable the CBA to meet its mandates identified in the Accountancy Act and CBA Regulations, as well as the policy directions of the CBA.

For each objective, staff has developed project outlines identifying specific tasks that must be accomplished to achieve the objectives. The project outlines are currently underway and several are already complete or nearing completion. Provided below is a summary of highlights from some of these goals and objectives from FY 2013-14.

Goal 1 – Enforcement

Maintain an active, effective, and efficient program to maximize consumer protection.

- The CBA pursued, and was granted, a budget change proposal (BCP) that allowed the CBA to hire six new Investigative CPAs (ICPA) which will allow for more expedient processing of outstanding investigations and increased fieldwork. *Objective 1.2*
- In an effort to reduce disciplinary timeframes, the CBA has begun work with the Office of the Attorney General (AG's Office) to streamline the processes, including strategies such as providing the Deputy Attorney General (DAG) with settlement terms upon service of an accusation or statement of issues and preparing default decisions in an expeditious manner when a licensee fails to file a Notice of Defense. *Objective 1.4*

Goal 2 – Customer Service

Deliver the highest level of customer service.

- To ensure a high level of service and professionalism, the CBA consistently monitors its level of customer service through its online Stakeholder Survey. The CBA uses the survey results to constantly strive to provide the highest level of customer service to its stakeholders. *Objective 2.3*

Goal 3 – Licensing

Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.

- The Licensing Division is meeting its goal of processing applications at or below the established 30-day processing timeframes for all units. *Objective 3.1*
- The Practice Privilege Program was successfully launched on July 1, 2013. *Objective 3.2*

- The Initial Licensing Unit has successfully implemented the new education requirements. *Objective 3.3*

Goal 4 – Outreach

Provide and maintain effective and timely outreach to all CBA stakeholders.

- The CBA continues to maintain an active social media presence on Twitter, Facebook, Pinterest, and LinkedIn. The CBA will continue to review social media platforms and evaluate the suitability of each as an education and outreach tool. *Objective 4.4*

Goal 5 – Laws and Regulations

Maintain an active presence and leadership role that efficiently leverages the CBA’s position of legislative influence.

- The CBA had positions on more than 25 pieces of legislation during the past year. Those positions were communicated to the Legislature via position letters to both the author’s office and the chair of the committee where the bill would next be heard. In addition, the CBA President, Vice-President, and members made visits to several Legislators including those on the Assembly and Senate Business and Professions Committees. *Objective 5.2*

Goal 6 – Emerging Technologies

Improve efficiency and information security through use of existing and emerging technologies.

- The CBA regularly posts all of its minutes and public meeting materials on its website for access to the public, stakeholders, CBA members, and staff. *Objective 6.5*
- The CBA implemented a new method for secure access to closed session agenda items via the website. Closed session materials can now be downloaded to various electronic media, including tablets, which will save resources by reducing photocopying. *Objective 6.7*

Goal 7 – Organizational Effectiveness

Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.

- Management continues to emphasize training courses and cross-training of staff, which is valuable when seeking internal promotional opportunities. Staff has begun working on revising the CBA’s *2012-2014 Workforce and Succession Plan*. *Objective 7.1*

Workforce and Succession Planning

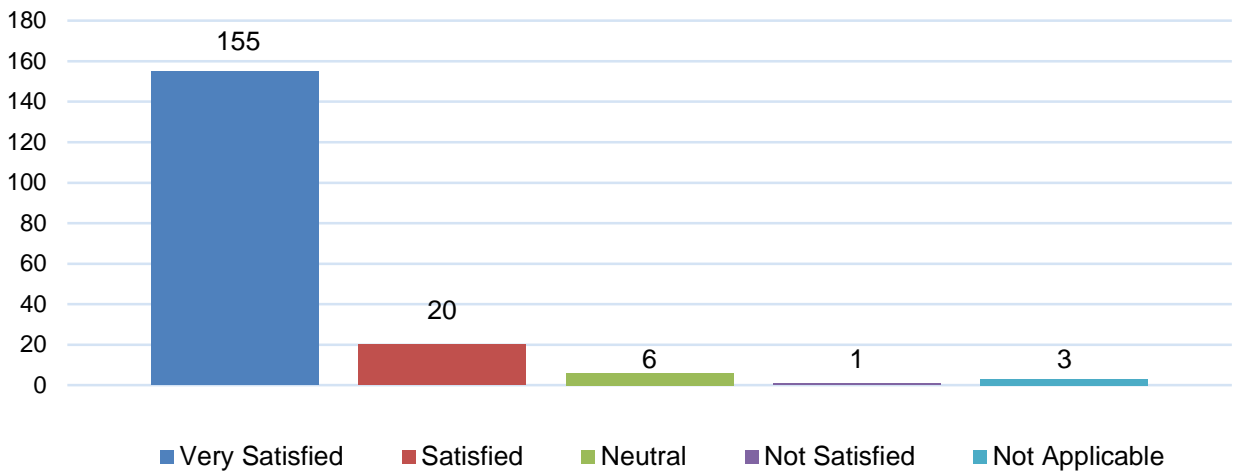
Workforce and succession planning is a process to help ensure that the right number of people, with the right skills are available when called upon to perform necessary tasks. This process allows the CBA to plan for and address foreseeable changes in the strategic direction of its workforce. In order to prepare staff for promotional opportunities, training and development are emphasized by CBA management. Each employee is provided by their supervisor with an Individual Development Plan once per year that outlines a strategy for professional improvement. In addition, staff are regularly cross-trained in order to assure vital knowledge retention as well as prepare for future staffing needs.

The CBA's *2012-2014 Workforce and Succession Plan* focuses on succession planning for its managerial staff. This plan has been closely followed in the past year as critical management positions have been filled in the Licensing and Enforcement Divisions using the procedures outlined in the plan. Additionally, since the development of the Workforce and Succession plan in 2012, the CBA has had a total of 29 promotions and internal transfers. Nearly 50 percent of the vacancies were filled by CBA staff. The *2012-2014 Workforce and Succession Plan* is currently being revised and updated. It will be provided to the CBA during the coming year

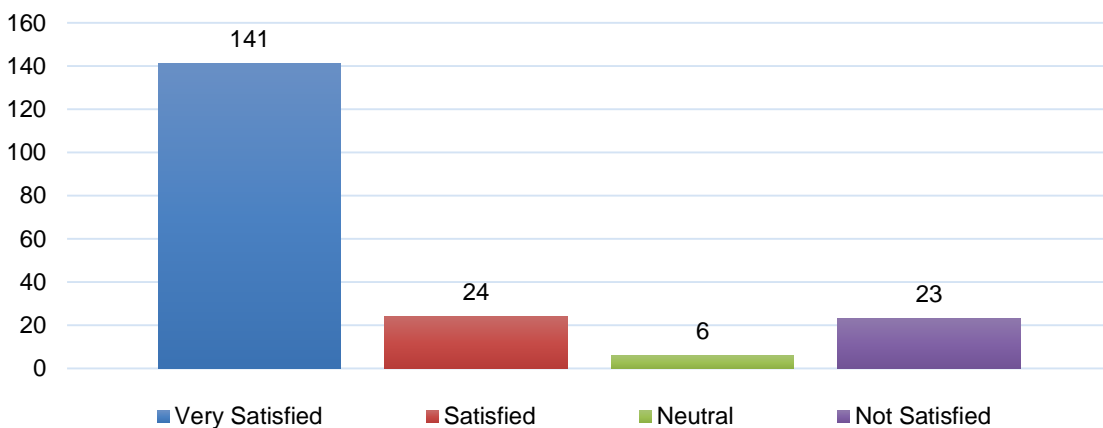
STAKEHOLDER SATISFACTION

The CBA Stakeholder Satisfaction Survey offers a significant source of feedback from stakeholders on their experiences with the CBA. The CBA uses the results to further improve its customer service to all CBA stakeholders. On average, more than 85 percent of those responding to the survey report being satisfied with the service they received from the CBA. Additionally, more than 90 percent reported being satisfied with how quickly staff responded to their inquiries, as recorded in the accompanying Survey Results chart. In evaluating responses for trends, satisfaction with service and response time trended upward in FY 2013-14.

Were You Satisfied with the CBA's Response Time to Your Inquiry?

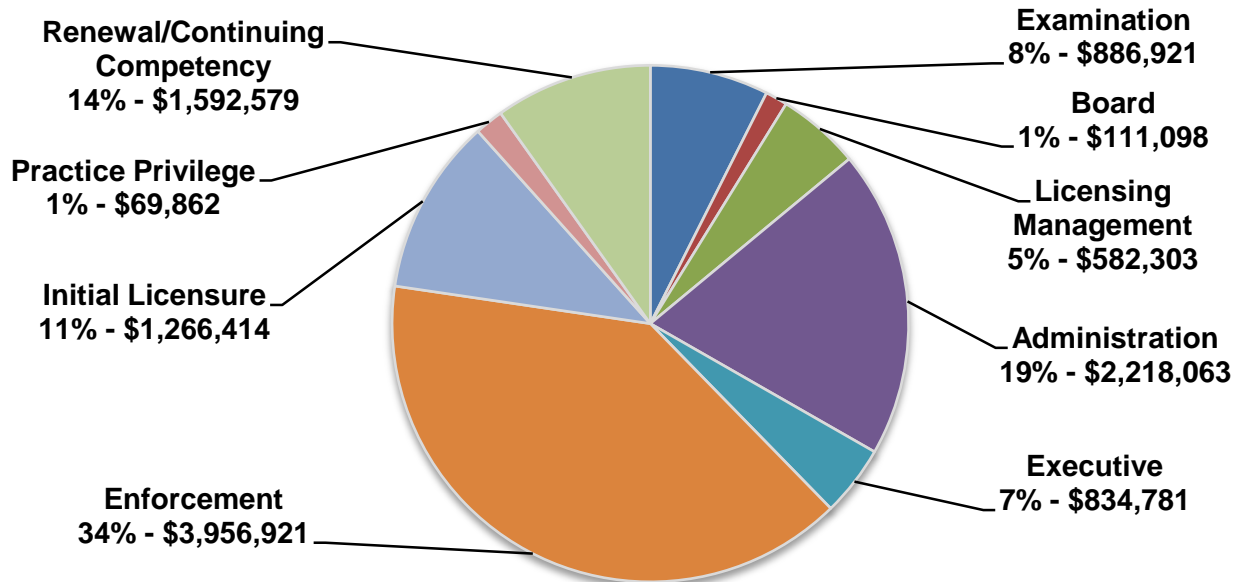


Did CBA Service Meet Your Expectations?



CBA BUDGET

FY 2013-14 Allocations Total Budget: \$11,518,942



The CBA's budget in FY 2013-14 was \$11,518,942, which represents the maximum amount of money that the CBA can spend on annual operations. The chart above illustrates the resources allotted to each unit within the CBA. The CBA Administration Division is responsible for determining the budgets for each program with the number and classification of personnel, specific contracts, and expected equipment purchases all considered when determining these amounts.

At the start of FY 2014-15 the CBA lowered fees further to ensure that the Accountancy Fund Reserve (Reserve) is reduced to approximately three months of annual expenditures. This will be accomplished by temporarily lowering exam, license application and licensee renewal fees to \$50 or less. The fees are part of a two-year temporary reduction from July 1, 2014 through June 30, 2016.

The CBA had previously reduced its license renewal fees in FY 2011-12 from \$200 to \$120 per biennial period in order to lower the Reserve to more appropriate levels. This temporary reduction continued through FY 2013-14. Despite this revenue reduction, the Reserve has remained relatively constant.

No loans to the state's General Fund were made from the Reserve in FY 2013-14; however, a total loan amount of \$31,270,000 from the CBA's Reserve still remains outstanding. With the reduced fee levels, staff expect that a \$6,000,000 loan will need to be repaid in FY 2015-16.

Staff keeps CBA members apprised of the CBA budget by providing updates and year-to-date expenditure and revenue data via quarterly financial reports at CBA meetings. These reports reflect revenues, expenditures, and reimbursements for the current quarter and are compared to

the same quarter of the prior year. Additional charts included in the report show historical CBA data with year-end expenditure projections reflecting revenue and expenditure levels.

The following table provides a general summary of the CBA Reserve including statistics for FY 2013-14 and staff projections for the next two years.

ANALYSIS OF FUND CONDITION	FY 2013-14 (Actual)	FY 2014-15 (Projected)¹	FY 2015-16 (Projected)¹
Total Reserves, July 1	\$15,360,642	\$14,238,000	\$6,123,000
Total Revenues	\$10,309,882	\$5,432,000	\$5,325,000
Total Transfers	\$0	\$0	\$7,861,000 ²
Total Resources	\$25,670,524	\$19,670,000	\$19,309,000
Total Expenditures	\$11,518,942	\$13,413,000	\$13,514,000
Scheduled Reimbursements	\$202,520	\$296,000	\$296,000
Investigative Cost Recovery	\$86,414	\$134,000	\$134,000
Reserve, June 30	\$14,238,354	\$6,123,000	\$5,661,000
MONTHS IN RESERVE	12.7	5.4	5.4

¹The revenue figures for FY 2014-15, and FY 2015-16 reflect revenue decreases from lowering of Examination, Renewal and Initial Licensing fees.

²A \$6 million General Fund Loan in 2002 is expected to be repaid in FY 2015-16. It is projected that the interest which is required to be repaid at the time of loan repayment will amount to \$1,861,000.

LEGISLATION

The CBA continues to maintain an active role with the Legislature by tracking legislation and meeting with legislators regarding legislation that impacts consumers of accounting services and/or directly relates to the CBAs mission of consumer protection by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. Provided below is an overview of the legislation sponsored, tracked, and monitored by the CBA during 2013 and 2014.

2013 Legislation

The following Assembly Bills (AB) and Senate Bills (SB) directly affecting the CBA became law following the 2013 legislative year:

AB 258

This bill required state agencies to ask the question “Have you ever served in the United States military?” instead of “Are you a veteran?” on forms where such a question is asked. The CBA took a Support position. It took effect on July 1, 2014.

AB 1057

This bill requires every board, beginning January 1, 2015, to ask on its licensure applications whether the applicant is serving or has served in the military. The CBA took a Support position. It will take effect on January 1, 2015.

SB 822

This bill provided the CBA citation and fine authority over out-of-state CPAs practicing in California via a practice privilege. Additionally, it required practice privilege holders to notify the CBA of pending criminal charges. The CBA requested these provisions and took a Support position. It took effect January 1, 2014.

SB 823

This bill allowed candidates enrolled in a program that only confers a baccalaureate degree upon the completion of a master’s degree or 150 semester units to take the CPA Exam after completing the requirements for a baccalaureate degree. It also allowed CPA candidates to obtain licensure under the requirements as they existed on December 31, 2013 until January 1, 2016, if they passed the CPA Exam by December 31, 2013. The CBA requested these provisions and took a Support position. It took effect October 1, 2013.

2014 Legislation

The following bills directly affecting the CBA were considered during the 2014 legislative year:

AB 1702

This bill states that a board or bureau within the Department of Consumer Affairs (DCA) shall not delay or deny a license solely based on an applicant’s previous incarceration. The CBA took a Support position. It will take effect January 1, 2015.

AB 2058

This bill would require standing advisory committees of less than three members to notice their meetings under the Bagley-Keene Open Meeting Act. The CBA took an Oppose position. This bill was vetoed by the Governor.

AB 2396

This bill would prohibit a board from denying a license based solely on a conviction that has been dismissed. The CBA took an Oppose position. It will take effect on January 1, 2015.

AB 2415

This bill would establish a statewide structure for the regulation of Property Tax Agents which would include CPAs acting in that capacity. The CBA took an Oppose Unless Amended position to exclude CPAs. This bill was vetoed by the Governor.

AB 2720

This bill requires agencies to publically report its actions and the vote, including abstentions of each member, on those actions. The CBA took a Support position. It will take effect January 1, 2015.

SB 1159

This bill requires boards and bureaus within DCA to accept an Individual Taxpayer Identification Number in lieu of a Social Security Number. It also prohibited these entities from denying a license based on an individual's immigration or citizenship status. The CBA took a Neutral position. It will take effect January 1, 2015, and it must be implemented prior to January 1, 2016.

SB 1226

This bill would require all Department of Consumer Affairs (DCA) boards and bureaus, after July 1, 2016, to expedite, and assist with, the initial licensure process for an applicant who supplies evidence that he or she has served as an active duty member of the armed forces and was honorably discharged. The CBA took a Support position. It will take effect January 1, 2016.

SB 1243

This bill was the DCA sunset review bill. It contained various provisions including new meeting notice requirements, changes to the phone disconnect program for unlicensed activity, changes to enforcement training offered by DCA, and changes to the DCA Annual Report to the Governor. The CBA took a Watch position. It will take effect January 1, 2015.

SB 1467

This was one of the Senate Business, Professions and Economic Development Committee's omnibus bills and it contains four provisions requested by the CBA.

1. It authorizes the CBA to collect, but not require, an email address from applicants or licensees renewing a license, and it provides that an email address collected by the CBA shall be treated as confidential.
2. It authorizes the CBA to, by regulation, allow experience in academia to satisfy the one-year experience requirement for a CPA license.

3. It clarifies that a CPA who is licensed in another state and who holds and exercises a practice privilege in California, must notify the CBA in writing within 30 days of any pending criminal charges.
4. It corrects a drafting error by moving the requirement that the CBA consult with the Public Company Accounting Oversight Board and the United States Securities and Exchange Commission to practice privilege requirements which are in effect until January 1, 2019.
5. It removes the requirement that two members of the CBA represent small firms and removes the definition of small firm.

The CBA took a Support position. It will take effect January 1, 2015.

Legislative Best Practices

To further strengthen the CBA's communications and interactions with the legislature, staff has worked on establishing best practices during FY 2013-14. Established best practices include increased communications with the author of the bill, inviting the authors or their legislative staff to attend CBA meetings, providing the CBA's legislative analysis to the author's office, and always expressing the CBA's willingness to meet and discuss the bill.

These best practices will work to further strengthen the CBA's relationship with the Legislature.



REGULATIONS

Approved Regulations

The following regulations were approved in FY 2013-14

Continuing Education (9/10/2013)

This rulemaking package conformed requirements for CE courses, in large part, to national standards. In addition, it changed the CE required for applicants whose experience was obtained five or more years prior to application for licensure and for reissuance of a cancelled license to be equivalent to the same standard of CE required for active license renewal.

This rulemaking package also reduced the number of fraud CE hours from eight to four hours and expanded the scope of the course to include prevention, in addition to the detection and reporting, of fraud in financial statements. The reduction was made, in part, due to the fact that prevention of fraud has become a regular part of the accounting education required for CPA licensure over the past decade.

Retired Status (10/16/2013)

This regulation implemented a retired license status as provided for in AB 431 of 2011. It outlines the qualifications needed to obtain retired status, provides a form for application for the status, and provides for restoration of the license back to active status. In addition, it sets the fees and only allows for the status to be granted on two occasions.

Military Inactive Status (11/13/2013)

This regulation created the form for applying for military inactive status as established in SB 1405 of 2012. It also clarified what sort of documentation the CBA would accept as proof of discharge from military service. In addition, it set forth the means by which a licensee could convert their license from a military inactive status to active status or inactive status.

Practice Privilege (12/18/2013)

This regulation made permanent the practice privilege regulations, which were originally adopted as emergency regulations.

Fee Reduction (1/13/14)

This regulation reduced several of the CBA's fees for a two year period starting July 1, 2014. These fees include the CPA exam application fee, the license application fee, the initial permit fee and the license renewal fee. This change was made to reduce the CBA's Reserve.

Regulations in Progress

The following regulations are in progress

Disciplinary Guidelines and Model Orders

This regulatory proposal provides CBA staff and Administrative Law Judges updated Disciplinary Guidelines and Model Orders to discipline violations of CBA laws and regulations.

Practice Privilege Notification of Pending Criminal Charges Form

The regulatory proposal incorporates a Practice Privilege Notification of Pending Criminal Charges Form. This form collects information on individuals practicing in California under a practice privilege who have pending criminal charges.

LEGISLATIVE REPORTS

Beginning in early 2014, staff initiated work on three major reports, which are due to the Legislature during the next year.

Sunset Review Report

The Sunset Review Report is due to the Legislature by November 1, 2014. This report answers a series of questions posed by the Legislature that will assist it in determining whether to extend the sunset date of the CBA. Following submission of the report and review by the Legislature, CBA Leadership and the Executive Officer will provide testimony during various hearings regarding information contained in the report or on any other issue that arise.

The CBA was provided a draft report at the July 2014 CBA meeting. During the meeting members provided valuable feedback to enhance the information. The final report was submitted to the CBA in September 2014 and approved by a unanimous vote.

Peer Review Report

The Peer Review Report is due by January 1, 2015. This report provides the Legislature with specific information it requested in BPC section 5076 detailing the implementation of mandatory peer review. The report also contains an overview of all activities relating to peer review, including statistics that will aid the Legislature during its evaluation. Based on the report, the Legislature may make changes to the program, as it deems necessary.

The CBA was provided a draft report at the September 2014 CBA meeting. During the meeting members provided crucial feedback to staff on additional information to include in the report as well as input on how to clarify the technical components of the report. The final report will be submitted to the CBA in November 2014.

Practice Privilege Preliminary Determinations Report

The Practice Privilege Preliminary Determinations Report is due by July 1, 2015. This report will provide the Legislature with the information that will be used by the CBA when it makes its determinations as to whether allowing a particular state's licensees to practice in California under a practice privilege violates its duty to protect the public. Although preliminary survey questions were developed, the CBA opted to collaborate with the National Association of State Boards of Accountancy (NASBA) who was performing a similar survey. Responses from NASBA's survey will be provided to the CBA to assist in its evaluation and assessment of each state board of accountancy's enforcement processes.

The CBA will be provided a draft report at the March 2015 CBA meeting. In preparation for the report, the CBA is working collaboratively with NASBA on surveying accountancy jurisdictions regarding critical enforcement information. Results of the survey as well as statistics of the practice privilege program will be included in the report.

NEW PROGRAMS AND PROJECTS

California Practice Privilege

The 2013-14 fiscal year marked the start of a new practice privilege program in California resulting from the passage of SB 1405. SB 1405 eliminated the notification and fee requirement for most out-of-state CPAs and created a new registration for out-of-state licensed accounting firms effective July 1, 2013. As reported in the *2012-13 CBA Annual Report*, significant staff resources were focused on preparing for the implementation of the new program through the use of weekly planning meetings to monitor various aspects of the rulemaking process, assess outreach and training needs, identify enhancements to the CBA website, and modify the CBA's existing Practice Privilege Database to accommodate the new reporting and registration requirements. All of these efforts proved effective as implementation of the new law was seamless.

Fingerprint Requirement

In January 2014, the CBA's retroactive fingerprint requirement took effect. Pursuant to CBA Regulations section 37.5, licensees renewing a license in an active status who have not previously submitted fingerprints or for whom an electronic record of the licensee's fingerprints does exist in the DOJ Criminal Offender Record Information database must undergo a state- and federal-level (FBI) criminal offender record information search. This requirement is waived for individuals renewing in an inactive or retired status, or who are actively serving in the United States military.

The new fingerprint requirement ensures consistency in licensure requirements and adds an important layer of protection for California consumers. Additionally, this new requirement furthers the CBA's mission to ensure only qualified licensees practice public accountancy in accordance with applicable professional standards.

Since the original enabling regulations took effect, staff have actively worked to keep licensees informed of the fingerprint requirement. For FY 2013-14 this has included:

- Staff prepared an article in the Spring/Summer 2013 UPDATE titled "Retroactive Fingerprinting: FAQs." For this article staff selected the most common frequently asked questions it had been receiving regarding the fingerprint requirement for increased exposure to licensees.
- Staff prepared an article in the Fall 2013 UPDATE titled "Guide to the New License Renewal Requirements." This article highlighted the new changes to the license renewal requirements, with a section dedicated to the retroactive fingerprint requirement and a link to the FAQs.
- In September 2013, staff revised the license renewal application and accompanying instructions to collect information on fingerprint compliance and further explain the fingerprint requirement.
- In late September 2013, staff mailed an informational letter to all licensees regarding the various license renewal-related changes occurring January 1, 2014 and after. A section of the letter focused on the new fingerprint requirement and provided a brief overview of how the CBA would be contacting affected licensees.
- Since October 2013, staff began sending notification letters to affected licensees. These notifications are sent to coincide with the mailing of the license renewal applications and to provide licensees sufficient time to complete the process.

For FY 2013-14, beginning with our initial mailing in late October 2013, staff has sent 15,373 notification letters to licensees with expiration dates between January 31, 2014 and September 30, 2014. During this same period, staff has worked to bring 5,643 of licensees into compliance with the retroactive fingerprint requirement.¹

All data that is returned from DOJ and the FBI with a criminal record or an arrest record must be reviewed by the Enforcement Division to determine if an investigation should be initiated.

New Educational Requirements

Effective January 1, 2014, new educational requirements for CPA licensure took effect. The new educational requirements increased the prescribed education from 48 semester units to 78 semester units, with the increase coming from 20 semester units in accounting study and 10 semester units in ethics study. These new educational requirements represented a monumental shift in the qualifications necessary for California CPA licensure, with California now having some of the most, if not the most, rigorous educational requirements necessary to enter the profession, especially when it comes to ethics education.

Since the initial enabling legislation passed in 2009 (SB 819, Yee) that set in motion the shift in the educational requirements, staff have worked diligently to spread the message regarding the changes. This has included revisions to various publications, updating the CBA website to better organize the information specific to the educational requirements for licensure, and participated in several speaking engagements at colleges.

Additionally, beginning May 1, 2014, the Examination and Initial Licensing Unit began performing advisory reviews of first-time CPA Exam candidates' progress toward meeting the new licensing educational requirements that took effect January 1, 2014. The advisory review is based on all educational documents on file with the CBA and takes place after the CBA has approved the candidate to sit for the CPA Exam. Candidates are also provided with a copy of the reviewed educational documents so that they may see how the CBA reached its determination, which should provide candidates with a solid understanding of their standing toward meeting the educational requirements for CPA licensure.

Evaluation of California's Experience Requirement for CPA Licensure

As reported in the *2012-13 CBA Annual Report*, in March 2013, immediate-past president Leslie LaManna, CPA, established the Taskforce to Examine Experience for CPA Licensure (Taskforce). The primary purpose and goal of the Taskforce was to examine the experience requirement for CPA licensure, determine whether changes (if any) are necessary, and provide a recommendation to the CBA.

After the conclusion of the Taskforce's work, the CBA adopted a position to perform a more comprehensive study of California's attest experience requirement, focusing on California licensees and nationally to obtain out-of-state data and analyze enforcement criteria. CBA Leadership, after its Executive Leadership Roundtable, decided to secure an outside vendor to assist in the collection of California-specific data, while the national data would be gathered by staff.

¹ Staff sends the notification letters to all active and inactive licensees. Presently, compliance with the retroactive fingerprint requirement is only necessary for those renewing a license in an active status. As a result, the number of notification letters sent will always outpace the number of compliances received, and the two totals will (most likely) never be equal.

For FY 2013-14, Staff worked to secure a vendor for the California attest study. Preliminary meetings began in May 2014 and will continue into 2015 until the CBA and stakeholders finalize the contents of the survey. It is anticipated that the survey would be launched by mid-2015 with a report to the CBA in January 2016.

The Taskforce further recommended that the CBA continue to explore the topic of academia as qualifying experience. At its January 2014 meeting, the CBA adopted proposed legislation, which would authorize the CBA to establish regulations to allow experience in academia to satisfy the one-year experience requirement for CPA licensure. The proposed legislation was included in one of the Senate Business, Professions and Economic Development Committee's omnibus bills (Senate Bill 1467). The Governor signed the bill, which becomes law on January 1, 2015.

OUTREACH, SOCIAL MEDIA, AND TRANSPARENCY

CBA Public Affairs and Outreach

Understanding the critical importance of “delivering the message of consumer protection,” CBA leadership and senior staff took an active role in outreach during FY 2013-14 through a variety of speaking engagements and presentations, including:

August 3-7, 2013 – Immediate-Past President, Leslie LaManna, participated in the American Accounting Association’s Annual Meeting in Anaheim as a panelist in a presentation “Accounting Ethics and Audit Failure.”

September 19, 2013 – Licensing Chief Dominic Franzella presented on the new CPA Educational Requirements at the University of California, San Diego Extension.

February 4, 2014 – Licensing Chief Dominic Franzella provided a keynote address on the new educational requires for CPA licensure at the California Society of CPAs (CalCPA) Sacramento Chapter student luncheon.

April 28, 2014 – President Michael Savoy addressed the CalCPA’s Government Relations Committee and provided information on legislation being followed by the CBA as well as recent regulatory developments.

April 28, 2014 – President Michael Savoy and Vice-President Jose Campos visited seven legislative offices: Senator Block and Assemblymembers Millin, Gatto, Dickinson, Jones, Olsen and Gordon. Information was shared about the CBA, CBA positions on legislation, and the CBA’s desire to have the General Fund loans repaid as soon as practicable.

May 28, 2014 – Licensing Chief Dominic Franzella and Licensing Manager Veronica Daniel attended the Annual meeting of the Accounting Department at Cosumnes River College and presented information regarding the new educational requirements for CPA licensure.

May 28, 2014 – President Michael Savoy and Executive Officer Patti Bowers addressed a meeting of CalCPA’s Forensic Services Section in Los Angeles. The presentation focused on what is new at the CBA and issues that impact consumers and licensees.

June 19-20, 2014 – President Michael Savoy addressed the CalCPA Council Meeting in Palm Springs.

Social Media

In keeping with the CBA’s *2013-2015 Strategic Plan* Objective 4.4 “Continue to leverage emerging technologies to reach consumers and licensees with relevant issues and key messages,” the CBA has expanded its use of technology to enhance consumer outreach and education. Of particular note is the success the CBA has had with LinkedIn, a social media platform with a focus of linking professionals from a wide variety of disciplines.

In August 2013 the CBA launched its LinkedIn account, with the initial purpose of reaching accounting educators and providing them with resources regarding the new 150 unit requirement which became effective January 1, 2014. As a result, many of these educators shared links to CBA resources with their students and colleagues that also resulted in exponential growth and a more diverse audience. Subsequently, the CBA's LinkedIn posts have dealt with high-level issues in accounting education and practice that drew additional accounting educators, veteran CPAs and those relatively new to the profession. By year's end, the CBA's presence and influence on LinkedIn had quadrupled over the previous six months. With well-over 500 direct connections through LinkedIn, the CBA has more than eight million professionals in its LinkedIn network through those direct connections.

The CBA also maintained an active presence on Facebook, Twitter, and Pinterest, using these social media platforms and their corresponding demographics to reach out to different populations. The CBA maintains the following connections via social media:

- Twitter
- Facebook
- Pinterest
- LinkedIn
- E-News

CBA Meeting Transparency

With the goal of enhancing outreach and communication with our stakeholders, information technology (IT) staff made several improvements to our webcasting system. A second camera, meeting title text and graphics, and the ability to stream presentation slides and materials were some of the capabilities added to our webcasting system. In addition, the webcast of committee meeting was changed to a single continuous "stream" with title screens noting when the webcast is "live" but the meeting is on break or in a closed session. This is an improvement over the previous method of stopping the webcast stream after each meeting, and during breaks, thus requiring the viewer to manually restart the webcast "stream" in order to continue watching the webcast. Together these enhancements provide stakeholders with more information, a better experience and hopefully a greater sense of involvement in our CBA and committee meetings.



Ken Bishop, NASBA CEO
November 2013 CBA Meeting
Presentation on Firm Mobility



So You Want to be a CPA?
Outreach Event at University of San Diego
September 2014

Pictured from left to right:
Ben Bower, CPA
Patti Bowers, CBA Executive Officer
Michael M. Savoy, CPA, CBA President
Tiffany Vo, CPA

CBA AND COMMITTEE ACTIVITIES

Support Activities

Staff continue to serve the CBA and CBA statutory and standing committees by facilitating all aspects of the bi-monthly meetings, including securing facilities, compiling meeting materials, and assisting with travel arrangements, to name a few.

In early 2014, staff facilitated two orientations for newly appointed CBA members. The orientations covered a wide range of topics including an overview of the CBA organization, member training requirements, member role and expectations, Bagley-Keene Open Meeting requirements, and legislation and regulations.

In an effort to continually make improvements to the CBA and Committee meetings, staff implemented a post-meeting survey for issuance to all members to assess their satisfaction with the meetings and meeting materials. The overall feedback received has been positive and suggestions for improvement are being incorporated at future meetings.

Another project that was successfully completed this year was the update and streamlining of the appointment process for the statutory committees. In early 2014, staff completed a manual for distribution to all committee members as well as posting on the CBA website that details the committees, the members' responsibilities, the appointment and reappointment process, member required training, and resource information regarding member travel and reimbursement. Internally, staff developed a comprehensive procedure manual detailing all steps involved in the committee appointment process. These two items will improve the process for all involved.

To acclimate new committee members as well as committee leadership to their new roles, staff implemented two orientation programs.

- For new committee members, staff conduct an orientation that covers an overview of the CBA organization, the purpose of the committee, committee meetings, member responsibilities, CBA liaisons to the committees, and required member forms and training.
- For new committee leadership, staff conduct an orientation that covers the role and expectations of committee leaders and guidance on how to conduct meetings in accordance with the Bagley-Keene Open Meeting Act, which included the importance of roll call and establishing a quorum, facilitating discussion on agenda items, and the requirements for conducting closed session meetings.

Mobility Stakeholder Group

Also new this year is the establishment of the Mobility Stakeholder Group (MSG). The MSG is a legislatively established committee and is comprised of two representatives of the accounting profession, two consumer representatives, two CBA members and one CBA staff member.

The MSG will advise the CBA on several important issues related to the recently enacted mobility provisions, including whether the practice privilege law is consistent with the CBA's duty to protect the public and satisfies the objectives of stakeholders in this state, including consumers.

The inaugural meeting of the MSG was held on March 19, 2014, where it established preliminary policies regarding meeting frequency, reporting requirements, and identified future agenda items. The MSG will continue to meet three times each year.

ADMINISTRATION DIVISION

The Administration Division is responsible for all CBA day-to-day administrative operations. Many of the activities and functions that are identified in this report involve some component of Administration, whether it be ordering office supplies, preparing contracts for expert services, payment of invoices, or answering consumer calls at the CBA office. Below is an overview of services performed in the Administrative Division:

Monitoring of the CBA budget and cashiering all monies

The CBA's budget for FY 2013-14 was \$11.5 million. The budget is monitored internally by staff and reports are provided to management consistently throughout the month and to members throughout the year. Additionally, the CBA processes approximately \$6 million internally at the CBA office.

Contracts, purchasing, and travel

The CBA utilizes the services of many vendors, including paper recycling, building security, and office equipment servicing, to name a few. In most cases, vendors can only be utilized after a contract is established. This often entails research, cost justification and overseeing contract execution. Further, many of the CBA's purchases are done after a contract has been established. When contracts aren't used, strict guidelines are followed to seek out vendors and to make purchases only when necessary and at the lowest cost possible.

Facilities

All facility-related issues are handled within the Administration Division. This includes planning for the CBA's upcoming relocation project.

Personnel, including facilitating requests for staffing augmentations

Administrative Division staff serve in a customer service role for both CBA staff as well as board and committee members in assisting with all personnel and travel related issues. Understanding the various nuances of state personnel policies and travel guidelines is key and staff stand ready to assist whenever needed.

Information Technology

With a growing need for automation and access to relevant information via the Internet, the CBA IT staff work tirelessly on ways to make information readily available to all stakeholders. It is their experience and skills that assists staff in using technology to streamline and improve functionality. Further, IT staff have proposed and made significant enhancements to the CBA meeting webcasts, which were previously detailed.

Public affairs and outreach

Providing key messages and relaying the CBA's mission of consumer protection is the focus of the public affairs and outreach staff. This is done by using various tools, including the website and social media to connect with those that need assistance from the CBA.

Legislation and Regulations

Statutory and regulatory changes work to improve and enhance consumer protection by ensuring that laws remain relevant in an ever-changing financial world.

ENFORCEMENT DIVISION

The Enforcement Division's primary responsibility is to oversee the enforcement of California laws and rules governing the practice of public accountancy. It does this by:

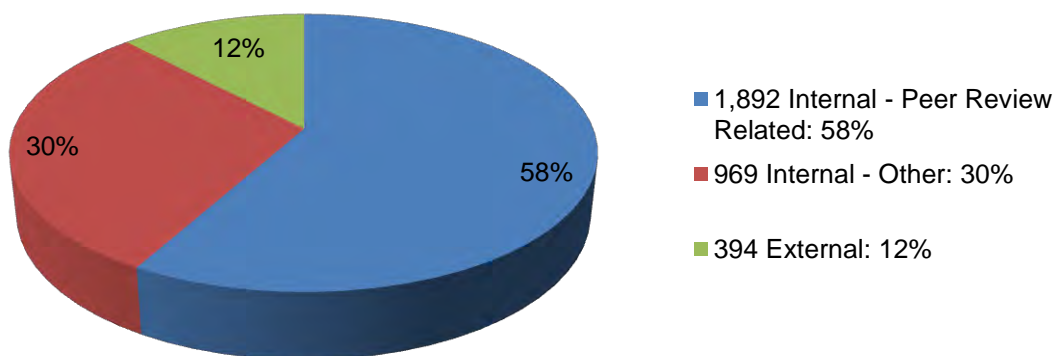
- Conducting complex investigations regarding practice issues that require the expertise of a licensed CPA
- Conducting investigations for administrative violations and unlicensed activity
- Issuing citations and fines, filing accusations and imposing discipline
- Assigning and monitoring referrals to the AG's Office
- Monitoring licensees on probation
- Monitoring compliance with the mandatory peer review program

Complaints

Staff receive complaints from consumers, licensees, professional societies, law enforcement agencies, other government agencies and internal referrals. Enforcement staff also regularly monitor social media outlets for information that may suggest licensees' violations of the Accountancy Act and CBA Regulations. While historically consumers have been the main origin of complaints, the Enforcement Division has experienced an increase in the number of complaints being opened as a result of internal referrals from within the CBA. This increase is largely due to reporting requirements enacted in the past years to provide additional consumer protection, such as mandatory peer review, retroactive fingerprinting, and continuing education enhancements.

In FY 2013-14, the CBA received 3,255 complaints.

Fiscal Year 2013-14 Complaints: 3,255



Internal referrals originating from peer review typically include the failure to respond to CBA inquiry, failure to file a Peer Review Reporting Form, receipt of a substandard peer review report, failure to comply with peer review citations, submission of an incorrect Peer Review Reporting Form, or renewal of a license without undergoing a peer review when a peer review is required.

Investigations

Approximately 91 percent, or 2,969, of the 3,255 complaints received were assigned for investigation during FY 2013-14. This rate was consistent with the rate of 90 percent for the previous fiscal year.

Investigations	
Assigned for Investigation	2,969
Investigations Closed	2,595
Average Days to Close	62

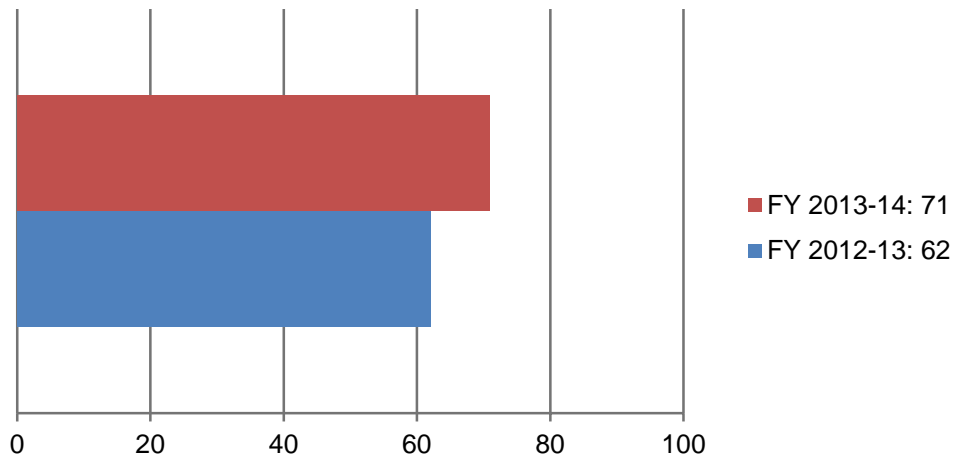
Consistent with the prior fiscal year, management is reviewing pending investigations and preparing aggressive action plans for technical cases that are over one year old and for all other cases that are over 100 days old. Increased investigative staff, one-on-one training, proactive management support, electronic cases management tools and regularly scheduled Unit compliance discussions will aid in mitigating adverse impacts on the current and future investigative workload.

Disciplinary Actions

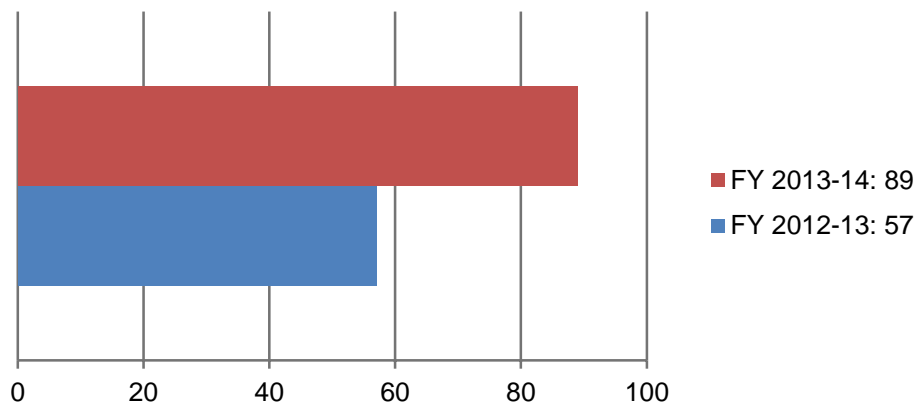
The CBA works to fulfill its consumer protection mandate by referrals of matters to the AG's Office, imposition of discipline, and issuance of citations.

During FY 2013-14, the number of AG Referrals increased slightly to 71, which represents the highest number of referrals over the past three fiscal years. The number of cases pending at the AG's Office increased from 57 in the prior fiscal year to 89.

Referrals to the Attorney General

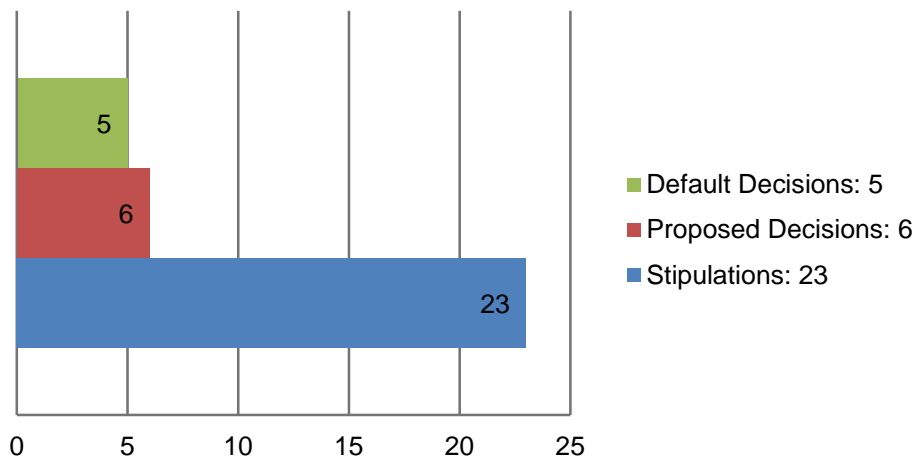


Cases Pending at the Attorney General



Disciplinary Orders decreased from 58 to 34, a decrease of 24 orders or 41 percent from the prior fiscal year. Given the increase in the number of cases pending at the AG’s Office, the decrease of Disciplinary Orders may be due to external factors beyond the control of the CBA, such as increased workload the AG’s Office or scheduling delays at the Office of Administrative Hearings (OAH).

Disciplinary Orders



Cases with the potential for ongoing consumer harm receive the highest priority and urgent attention. The options of Interim Suspension Orders (ISO) or Penal Code section 23 (PC 23) suspensions are used whenever appropriate to restrict or suspend licensee practice rights to diminish potential consumer losses. During FY 2013-14, the CBA successfully obtained three PC 23 suspensions.

Citations

The CBA uses its citation and fine authority for violations that do not rise to the level of discipline and as a mechanism to gain compliance from licensees. The majority of the citations issued were related to licensees failing to respond to CBA letters requesting the filing of the Peer Review Reporting Form. Licensees that failed to respond to the CBA were issued a citation and fine of \$250. In subsequent years, the number of citations should decrease with the mandatory reporting at the time of license renewal.

In 2013, the CBA requested that the Legislature add citation authority to the practice privilege provisions, which was accomplished via SB 822. The CBA now has the authority to issue a citation and fine to those licensees who are practicing in California under a practice privilege.

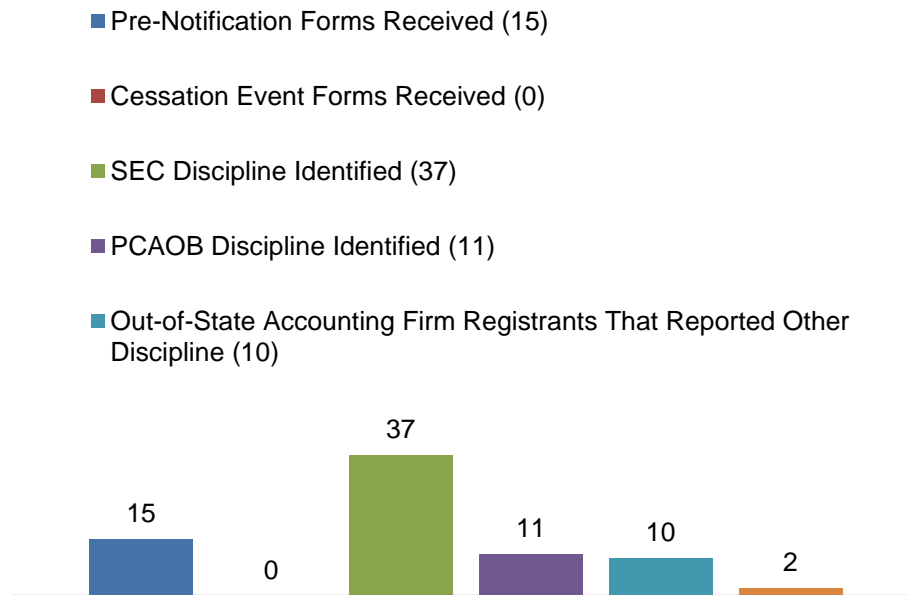
The CBA issued 1,522 citations for FY 2013-14. The top three citations issued include:

1. Response to CBA inquiry (CBA Regulations section 52)
2. Continuing Education Rules (CBA Regulations section 87)
3. Name of Firm (BPC section 5060)

Practice Privilege Reporting

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. The table below depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms.

Practice Privilege



Probation

When a licensee is disciplined and the CPA license is placed on probation for a designated period of time, staff monitors the licensee to ensure s/he adheres to all conditions or probation contained in their disciplinary order. Should the licensee deviate from the probationary terms in the disciplinary order, staff refers the matter to the AG's Office for preparation of a petition to revoke probation carrying out the disciplinary order that was stayed. If the licensee complies with all terms of probation, his/her license is fully restored at the end of the probationary period.

Probation monitoring is vital to a robust enforcement program. It allows the CBA to discipline a licensee without full revocation or suspension of a license. While the licensee is on probation, staff has the ability to monitor their compliance with all probationary terms, and rehabilitation. Probation monitoring is essential to assist the CBA in achieving the mission of protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

Presently, there are 70 licensees on probation. During fiscal year 2013-14, two Petitions to Revoke Probation were filed.

Enforcement Committees

Enforcement Program Oversight Committee (EPOC)

The EPOC assists the CBA members in the consideration of issues relating to the Enforcement Program. During FY 2013-14, the EPOC met four times and discussed various issues, including: revision and adoption of the 9th edition of the CBA Disciplinary Guidelines and Model Orders, notification of pending criminal charges by those persons exercising a practice privilege in California, how the CBA monitors out of state licensees while serving probation, and the code sections listed in the Disciplinary Guidelines that require a mandatory suspension.

Enforcement Advisory Committee (EAC)

The EAC assists the CBA Enforcement Division in an advisory capacity by providing technical expertise and assistance with investigations.

During FY 2013-14 the EAC met five times and assisted with 29 Investigative Hearings and reviewed 103 closed investigations. Of the 29 Investigative Hearings held, the EAC recommended 20 referrals to the AG's Office for the filing of an Accusation, recommended two investigations be closed with the issuance of a citation and fine, recommended further investigations on three, and recommended four closed without findings.

Peer Review Oversight Committee (PROC)

The PROC provides recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

During FY 2013-14, the PROC met four times. In March 2014, the PROC provided its Third Annual Report to the CBA on the results of its oversight. The PROC also discussed highlights and issues during the year, including the end of the three-year phase-in reporting periods, the new requirement to report peer review information at the time of license renewal, the AICPA Peer Review Matching Program with annual audits of the Employee Retirement Income Security Act (ERISA), and preparation of the Peer Review Report to the Legislature due in January 2015.

Performance Measures

Beginning July 2010, as part of the Consumer Protection Enforcement Initiative, DCA began posting on its website Performance Measures for each board and bureau. Performance Measures work to ensure that boards are meeting its enforcement goals and targets.

The following represents the CBA's performance measures for FY 2013-14:

Performance Measure	Target	Result
Number complaints and convictions received	NA	3,255
Average number of days to complete complaint intake	10 days	4 days
Average number of days to complete closed cases not resulting in formal discipline	180 days	62 days
Average number of days to complete investigations for complaints resulting in formal discipline	540 days	813 days
Average number of days from the date a probation monitor is assigned, to the date the monitor makes contact	5 days	4 days
Average number of days from the time a violation is reported to the time the probation monitor responds	15 days	2 days

While the CBA does not currently meet the 540-day performance measure associated with *Formal Discipline*, it has seen improvements in the timeframes associated with this measure. The discipline performance measure metric has steadily decreased over the past four fiscal years from an annual average of 924 days in FY 2010-11 to 888 days in FY 2011-12, 835 days in FY 2012-13, and 813 days in FY 2013-14. This is a decrease of 12 percent while at the same time increasing the volume of referrals to and filings by the AG's Office.

The CBA works to close all cases as expeditiously as possible. Upon conclusion of the investigation, the matter is referred to the AG's Office for preparation and filing of a pleading which takes, on average, 160 to 190 days. After the filing of a pleading, it takes an average of 170 to 204 days to resolve a matter via a stipulated settlement or 325 to 379 days to resolve a matter via a formal OAH hearing. When a matter is set for hearing, the wait to secure a hearing date from OAH can exceed one year and can consume approximately two-thirds of the performance measure time. These indirect, but unavoidable, timeframes with the AG and OAH impact the timeframe in which formal disciplinary cases are resolved.

The CBA will continue to work internally and externally to reduce investigative timeframes and work cooperatively with outside agencies to identify and reduce inefficiencies. With the addition of new ICPA positions, it is expected that the Enforcement Division will further decrease its investigative time and be closer to DCA's *Formal Discipline* performance measure.

Program Enhancements

Over the past couple years, the CBA has worked diligently to implement changes internally within the Enforcement Division to streamline workflow and increase and strengthen communications with external entities for the purpose of improving overall processing timeframes.

Initially, the CBA worked internally to streamline workflow by:

- Reorganizing duties to use enforcement analysts to perform more investigation-related work. The expanded use of analytical staff has proven effective and allows the ICPAs to concentrate on those cases that require the expertise and knowledge of a licensed CPA.
- Providing enhanced training to all enforcement staff. Enforcement staff now attend a nationally recognized training program, Council on Licensure, Enforcement, and Regulation National Certified Investigator Training as well as an Enforcement Academy conducted by the DCA which focuses on internal performance targets and measures.
- Revised the investigation intake process to streamline the intake and triage of complaints.

Concurrently, the CBA identified key steps and target dates for case processing by:

- Establishing internal benchmarks for each step of the enforcement process, beginning with issuance of the initial acknowledgement letter to completion of the investigative report.
- Instituting target dates for completing technical and non-technical investigations.

The CBA has also begun work to streamline the process of referring cases to the AG by:

- Changed the CBA process for referring investigations to the AG's Office, including modification of the CBA Investigative Report templates for a streamlined review by the assigned DAG and faster preparation of pleading documents.
- Established a sole point of contact at the CBA for all disciplinary matters and created a stand-alone email account to streamline the communication between the assigned DAG and the CBA.
- Provided an electronic copy of investigative reports and related documents to the AG's Office as opposed to a paper copy, which allows the assigned DAG to more quickly incorporate facts and exhibits into their OAH files.

Additionally, the AG's Office and the CBA have agreed on strategies for streamlining the process, which include:

- Providing the DAG with settlement terms upon service of an accusation/statement of issues
- Working with the DAG to have the matter placed on the OAH's calendar for hearing when settlement does not appear a viable option
- Preparing default decisions in an expeditious manner when a licensee fails to file a Notice of Defense

These efforts are in accordance with the *2013-2015 Strategic Plan, Objective 1.4*, to reduce internal CBA investigative timeframes and work collaboratively with the AG's Office to both reduce timeframes and improve the overall process.

Realizing that internal streamlining and other internal changes would not solely address the increase in workload realized by the CBA in recent years, two Budget Change Proposals (BCPs) were submitted and approved for the Enforcement Division, authorizing new positions effective July 1, 2014. The increase in investigative staff will assist in a more expedient processing of outstanding investigations and increased fieldwork.

Other Enforcement Activities

Administrative Penalties

Pursuant to BPC section 5116, the CBA uses criteria to assess administrative penalties, including, but not limited to, actual and potential consumer harm, nature and severity of the violation, the role of the person in the violation, the person's ability to pay the administrative penalty and the level of administrative penalty necessary to deter future violations. The CBA issued Administrative penalties in FY 2013-14 totaling \$2,500.

Restitution

The CBA considers restitution in all situations where a consumer is harmed and the amount of the ascertainable. In FY 2013-14, the CBA ordered restitution in the amount of \$10,000.

Interim Suspension Orders

During FY 2013-14, the Enforcement Division was successful in issuing three PC 23 suspension orders. These proactive enforcement measures provide immediate consumer protection by restricting a licensee from continuing to practice public accountancy.

Awareness of Enforcement Issues

In an effort to increase licensees' awareness of enforcement related issues, the division prepared several articles for the *UPDATE* publication. Articles included:

- "Why Citations Are Issued"
- "Your Peer Review Matters"
- "Electronic Records Provided to Clients"
- "Enforcement Process"
- "Standard Conditions of Probation"
- "Top Three Causes of Discipline"

LICENSING DIVISION

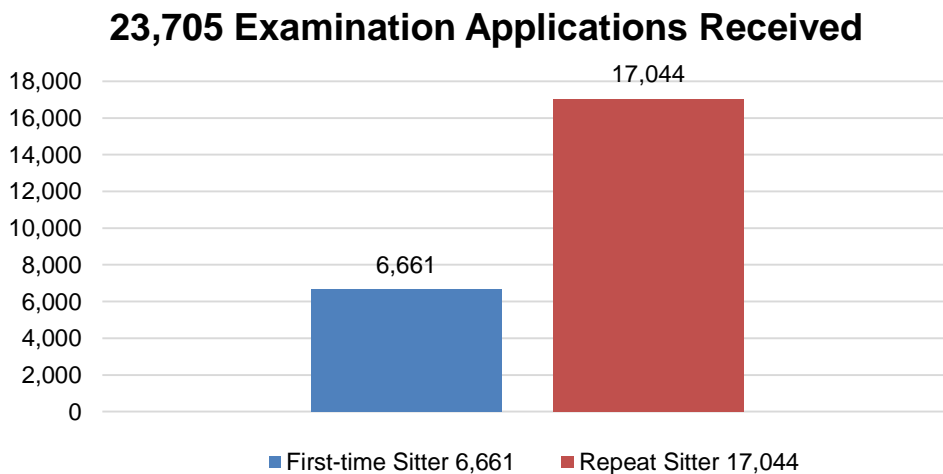
The Licensing Division's primary charge is to regulate entry into the profession by ensuring that only those who are qualified are issued a license to practice public accountancy. It acts as a gatekeeper for the profession by ensuring:

- applicants meet education requirements prior to taking the CPA Exam;
- applicants for licensure who have passed the CPA Exam meet the education and experience requirements necessary for licensure;
- accountancy partnerships and corporations are registered so they can offer services in California;
- licensees have paid the required fees and have completed the required CE hours to renew their license and demonstrate minimum competency
- out-of-state licensed accounting firms that intend to perform specified accounting services for entities headquartered in California meet the minimum registration requirements.

Although the main focus of the Licensing Division is to regulate entry into the profession, Licensing Division staff maintains an integral part of the enforcement process as well. A large number of enforcement complaints originate from within the office, based upon information provided by the current or potential licensee. For instance, the Renewal and Continuing Competency Unit routinely refers complaints to the Enforcement Division related to licensees practicing with CE deficiencies and practicing with expired licenses.

Examination

The Examination Unit processes applications to sit for the CPA Exam, including the review of official transcripts and foreign credential evaluations to ensure that examination candidates meet the educational qualifications pursuant to BPC sections 5092 and 5093. The Examination Unit strives to process CPA Exam applications for first-time applicants within 30 days and repeat applicants within 10 days from the date the application is received in the CBA mailroom. The Examination Unit continues to meet these targets.



Special accommodations are processed in accordance with the Americans with Disabilities Act and refer to any request for reasonable accommodation to take the CPA Exam due to a medical need, disability, or both. Staff received 188 requests for special accommodations and processed the requests in an average of 11 days.

Initial Licensing

Upon passing the CPA Exam, completion of any additional required education, and obtaining the requisite experience, a candidate may apply for CPA licensure. Staff review each application thoroughly to ensure applicants have met the required education, examination, and experience for licensure. Additionally, the Initial Licensing Unit (ILU) processes applications for partnership and corporation licensure, and Fictitious Name Permits.¹ For FY 2013-14, the ILU received 4,600 applications for licensure and received 484 accountancy partnership, corporation, and fictitious name permit applications.

Applications Received	
CPA	4,600
Corporations	210
Partnerships	91
Fictitious Name Permits	183
Total Applications	5,084
CPA Licenses Issued	
Pathway 1	1,346
Pathway 2	3,488
New Requirements*	72
Total Licensed	4,906
Firm Registrations Issued	
Corporations	200
Partnerships	92
Fictitious Name Permits	139
Total Registered	431
CPA Licenses	24 Days
Firm Registrations	22 Days

* Effective January 1, 2014. Applicants that passed the Uniform CPA Examination on or before December 31, 2013 have the option to apply under Pathway 1 and 2 until December 31, 2015.

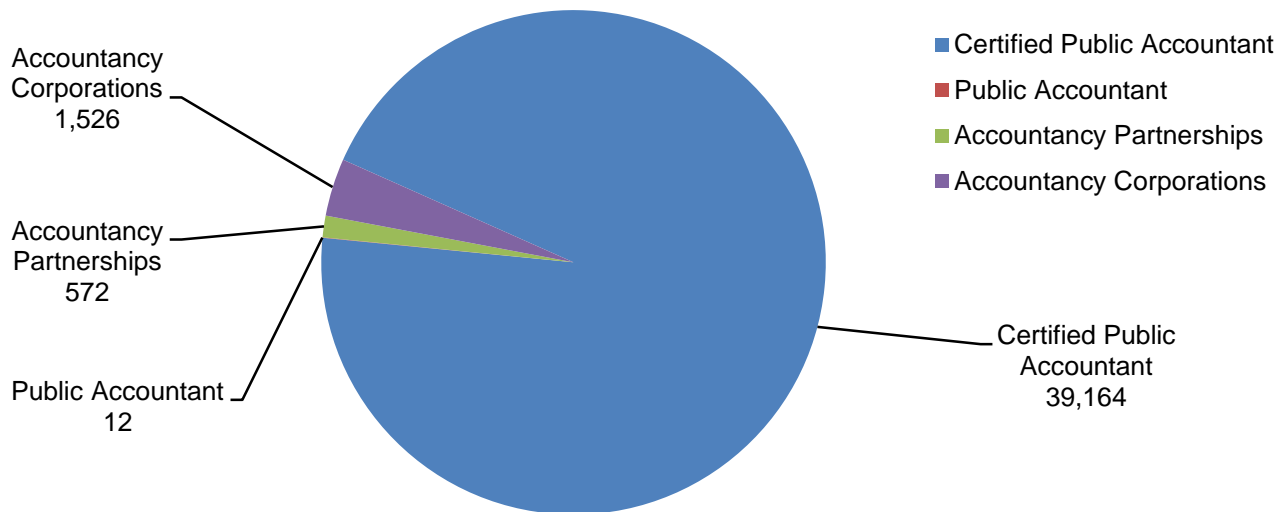
¹ A sole proprietor choosing to practice using a name other than the name under which the person holds a valid permit to practice issued by the CBA may only do so under a Fictitious Name Permit.

One of the other primary responsibilities for the ILU is processing requests for certification of CBA records. Although the majority of these requests are from California licensees or CPA exam candidates who are applying for licensure out-of-state, the CBA also receives requests from other interested parties. In FY 2013-14, ILU staff received 1,039 certification requests.

License Renewal and Continuing Competency

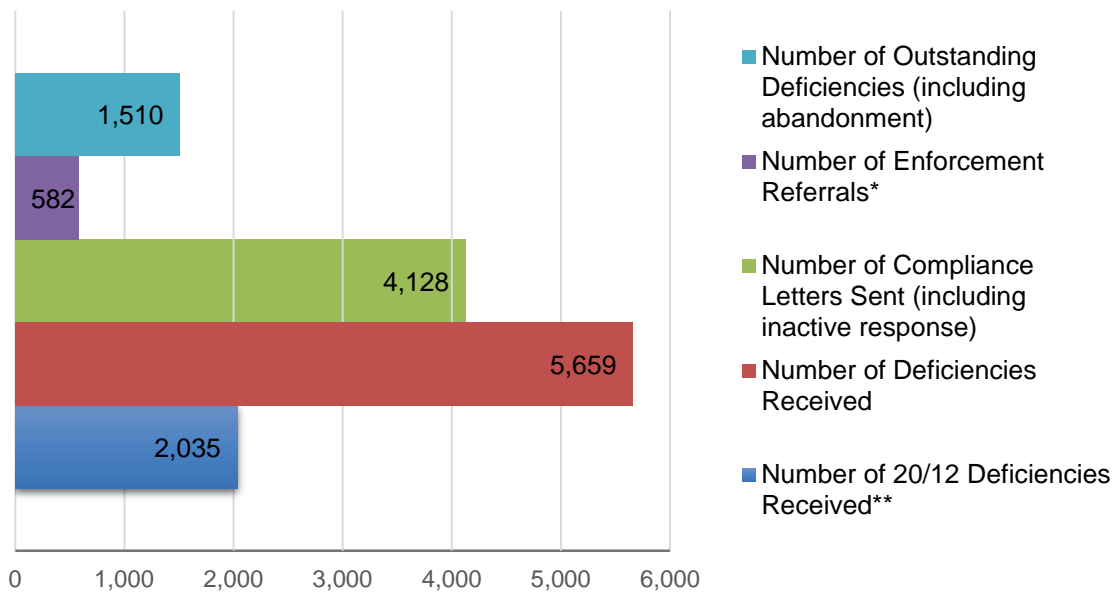
The License Renewal and Continuing Competency (RCC) Unit is responsible for processing license renewal applications for CPAs, PAs, and accountancy partnerships and corporations. CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birth month. For those licensees electing to renew their license in an active status, the RCC Unit ensures that licensees complete the required CE. Accountancy corporations and partnerships are also required to renew biennially, corresponding with their registration date with the CBA. Accounting firms must submit information pertaining to their shareholders or partners.

41,274 License Renewal Applications Processed



The majority of the work completed by RCC staff involves the review of CE Reporting Worksheets, which are submitted by licensees at the time of license renewal. When deficiencies occur, RCC staff sends a letter to the licensee informing them of the deficiency and advising them how to gain compliance. The CE worksheet review statistics, provided on page 32, include the number of deficiencies that were referred to the Enforcement Division for further review. As the statistics indicate, during FY 2013-14 RCC successfully worked with 4,128 licensees to bring them into compliance with the CBA’s CE requirements necessary for license renewal.

39,605 CPA/PA Worksheets Reviewed



*In addition to CE deficiencies, enforcement referrals reported for 2013-14 also consist of peer review, fingerprint, CE audit, and second 20/12 deficiencies.

**The number of 20/12 deficiencies reported reference stand-alone 20/12 deficiencies. There were 492 additional 20/12 deficiencies identified with a CE deficiency. This count is included in the CE deficiencies identified.

Regulatory Review Courses

On January 1, 2010, the CBA instituted a two-hour Board-approved Regulatory Review course requirement for California-licensed CPAs. All licensees renewing a license in an active status must complete a two-hour Board-approved Regulatory Review course every six years. The course must cover the provisions of the California Accountancy Act and the CBA Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations. The course must include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined. Prior to offering a Regulatory Review course, providers must apply for and receive CBA approval.

The total number of approved Regulatory Review courses is at 21. Below outlines the number of Regulatory Review courses received, reviewed, and approved/renewed during FY 2013-14:

Regulatory Review Courses

Number of Courses Received (first time submission)	3
Number of Courses Returned for Corrections	5
Number of Revised Courses Received (initial submission returned for corrections)	1
Number of Courses Approved	1
Number of Courses Renewed	9

California Practice Privilege

The Practice Privilege Unit is primarily responsible for processing out-of-state accounting firm registrations and maintaining the accuracy of related informational material on the CBA website. An out-of-state accounting firm is required to register with the CBA prior to performing certain accounting services for an entity headquartered in California including an audit or review of a financial statement, a compilation of a financial statement when that person expects, or reasonably might expect, that a third party will use the financial statement and the compilation report does not disclose a lack of independence, or an examination of prospective financial information.

To qualify for a registration the out-of-state accounting firm cannot have an office located in California, the CPAs providing services in California must qualify for a practice privilege, and the firm must satisfy all other requirements to register in California, other than its form of legal organization. The out-of-state accounting firm registration must be renewed every two years in order for the out-of-state accounting firm to maintain practice rights in California. The following table represents the workload associated with processing out-of-state accounting firm registrations.

Out-of-State Accounting Firm Registrations	
Total Approved	209
Total Pending Review	0
Total Deficiencies Identified	5
Total Enforcement Referrals	10

Licensing Committes

Qualifications Committee (QC)

The QC acts as an advisory committee and assists the CBA in its licensure activities by conducting work paper reviews of experience of applicants appearing before the Committee, interviewing employers that appear before the committee under the provision of CBA Regulation section 69,

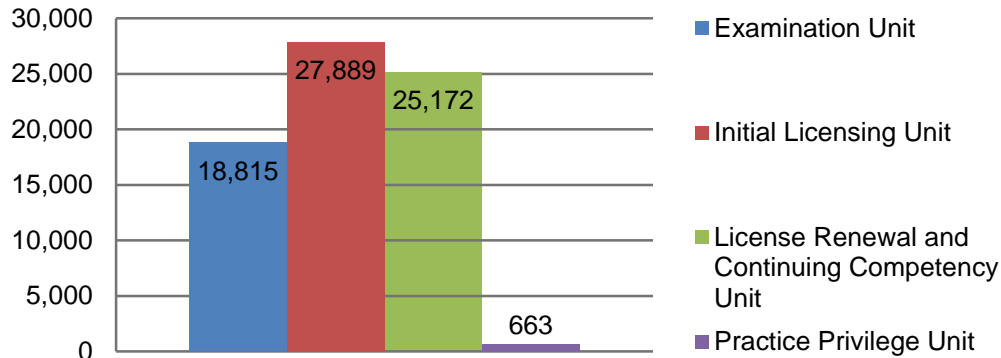
and making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act.

For FY 2013-14, the QC met four times, conducting 39 appearances. As a result of these appearances, the QC recommended 28 applicants be approved for licensure and 11 applicants be deferred for additional experience.

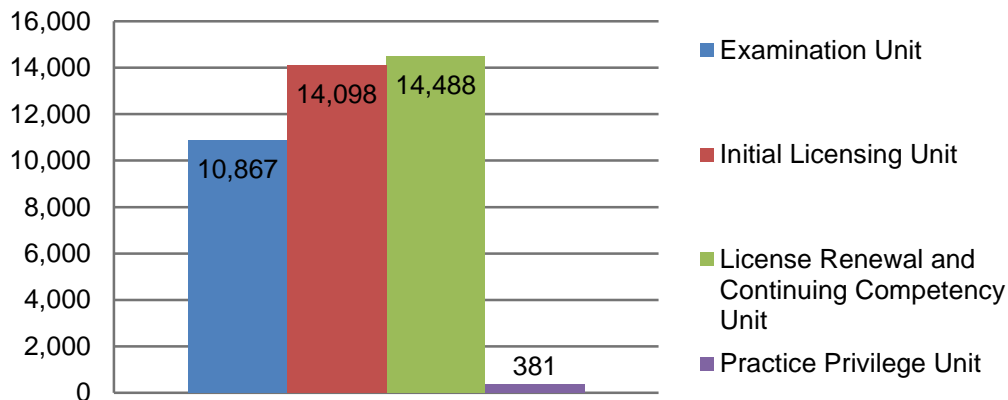
Service to CBA Stakeholders

Consistent with the customer service goal of the *2013-2015 Strategic Plans* to deliver the highest level of customer service, the Licensing Division staff strives to provide excellent service to all stakeholders including consumers, applicants, licensees, interested parties, and the CBA members themselves. The Licensing Division receives a high volume of telephone calls and emails regarding all four program areas.

Telephone Calls = 72,539



Emails = 39,834



Staff made every effort to answer all telephone calls as they are received and respond to voicemail and email messages within 24 hours of receipt. The CBA routinely receives comments via the online customer service survey regarding the high level of customer service and professionalism exhibited by Licensing Division staff.

CBA MANAGEMENT

Patti Bowers
Executive Officer

Deanne Pearce
Assistant Executive Officer

Rafael Ixta
Enforcement Chief

Dominic Franzella
Licensing Chief

Veronica Daniel
Initial Licensing Unit Manager

Paul Fisher, CPA
Supervising Investigative CPA

Cynthia Fuller
Renewal/Continuing Competency Unit Manager

Lauren Hersh
Public Information Officer

Vincent Johnston
Criminal Offender Record Information Unit Manager

Sara Narvaez
Non-Technical Enforcement Unit Manager

Nicholas Ng
Administration Manager

Jenny Sheldon
Discipline and Probation Monitoring Unit Manager

Matthew Stanley
Examination and Practice Privilege Units Manager



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CBA Item VI.D.
November 20-21, 2014

Update on the CBA 2013-2015 Communications and Outreach Plan

Presented by: Lauren Hersh, Information & Planning Manager

Date: November 5, 2014

Purpose of the Item

The purpose of this agenda item is to keep the California Board of Accountancy (CBA) informed of communications and outreach efforts and activities.

Action(s) Needed

No specific action is required on this 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.

Comments

Outreach

Staff met with representatives from the State Controller's Office (SCO) Outreach and Compliance Unit, Unclaimed Property Division regarding potential opportunities for outreach collaboration. The SCO Outreach and Compliance staff is primarily interested in partnering with the CBA to reach the CBA's licensees with information regarding the SCO's Unclaimed Property program, so that licensees may assist clients in both the return of unclaimed property and reporting unclaimed property. CBA staff is reviewing several possible options, including an article in a future UPDATE. In addition, the SCO has committed to making the CBA Consumer Protection Booklet available at its consumer outreach events and has expressed interest in more prominently displaying the link to the CBA website by moving it from a list of state agencies to its "Featured Links" section.

At the invitation of the University of San Francisco, staff will be providing a presentation on the 150 semester unit educational requirement and hold a question and answer session at the university on November 6, 2014.

Social Media

Staff used social media to market the CBA September outreach event and solicit interest for the Chief of Enforcement Examination. Six CBA tweets were recognized by

Update on the CBA 2013-2015 Communications and Outreach Plan

Page 2 of 3

California Government Tweets as being among the most successful by a California government agency by virtue of link visits, re-tweets and engagement, including one on October 10, 2014 that ranked the 22nd most engaging read government tweet: "No Increase in IRA Contribution Limit for 2015 #CPA #tax" that linked to a Wall Street Journal article on the subject. The CBA currently has 2,805 Facebook fans, 1,530 Twitter followers and 763 LinkedIn connections. On Pinterest, the CBA maintains five boards, 342 pins and 91 followers.

Press Releases

The chart below illustrates the number of press advisories, topical news releases and enforcement press releases issued in 2012, 2013, and to date for 2014. News releases and press advisories are now being shared via social media as well as through traditional distribution methods. In addition to reaching reporters who follow us on Twitter, social media distribution provides the public with another opportunity to access information directly from the CBA.

Press Releases	2012	2013	2014*
Press advisories & topical news releases	19	19	18
Enforcement press releases	35	56	33
Total	54	75	51

*as of 10/26/2014

E-News

E-News subscriptions have increased by 117 since the last report. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest. The increases are reflected in the number of total subscriptions.

List Name	External	Internal	Total
California Licensee	9,546	58	9,604
Consumer Interest	4,411	61	4,472
Examination Applicant	2,880	47	2,927
Licensing Applicant	3,518	51	3,569
Out-of-State Licensee	2,310	51	2,361
Statutory and Regulatory	7,677	67	7,744
CBA Meeting Info & Agenda Materials	3,576	49	3,625
UPDATE Publication	7,241	29	7,270
Total subscriptions	41,159	413	41,572

Update on the CBA 2013-2015 Communications and Outreach Plan

Page 3 of 3

Publications

The new Consumer Protection Booklet is now available on the CBA website and in print for consumer outreach activities this fall. A fresh design is planned for the booklet later this year.

The Fall edition of UPDATE is in production. The online edition was posted October 30, 2014. Mailout is expected the week of November 17, 2014.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

**California Board of Accountancy
Report on Licensing Division Activity
As of October 31, 2014**

Licensee Population

Type of License	As of June 30, 2013	As of June 30, 2014	As of October 31, 2014
CPA	87,015	90,912	91,519
PA	105	85	83
Partnership	1,431	1,460	1,470
Corporation	3,835	3,995	4,047

Contact with CBA Stakeholders

Telephone Calls Received	FY 2012/13	FY 2013/14	FY 2014/15
Examination Unit	22,610	18,815	7,431
Initial Licensing Unit	24,006	27,889	8,102
License Renewal and Continuing Competency Unit	20,958	25,172	9,637
Practice Privilege Unit	921	663	134

Emails Received	FY 2012/13	FY 2013/14	FY 2014/15
Examination Unit	11,551	10,867	4,416
Initial Licensing Unit	9,670	14,098	4,556
License Renewal and Continuing Competency Unit	9,601	14,488	6,038
Practice Privilege Unit	583	381	82

Examination Unit

- The Examination and Practice Privilege Units welcomed Matthew Stanley as the new Manager on October 14, 2014.
- The Examination Unit is presently recruiting to fill one permanent intermittent Office Technician position and one Retired Annuitant Staff Services Analyst position.
- The NASBA's CPA Exam Performance Report for the third quarter of 2014 is **attached**. The report contains overall statistics for each jurisdiction as well as California-specific testing information such as overall and individual section performance, candidate count by degree type, and the number of candidates who passed the CPA Examination.

**California Board of Accountancy
Report on Licensing Division Activity
As of October 31, 2014**

CPA Examination Applications	FY 2012/13	FY 2013/14	FY 2014/15
First-Time Sitter			
Total Received	7,175	6,661	2,217
Total Processed	7,462	6,720	3,170
Average Days to Process	25	20	28
Repeat Sitter			
Total Received	18,584	17,044	5,552
Total Processed	18,685	17,455	5,825
Average Days to Process	8	6	11

CPA Examination Special Requests	FY 2012/13	FY 2013/14	FY 2014/15
Conditional Credit and Notice to Schedule Extensions*			
Total Received	114	173	65
Total Completed	104	176	53
Average Days to Process	16	18	22
Educational Qualification Appeals**			
Total Received	40	50	8
Total Completed	37	52	6
Average Days to Process	20	22	11
Special Accommodation Requests**			
Total Received	69	172	73
Total Completed	69	178	67
Average Days to Process	8	12	20

* These statistics were not tracked prior to January 1, 2013.

** These statistics were not tracked prior to April 1, 2013.

**California Board of Accountancy
Report on Licensing Division Activity
As of October 31, 2014**

New Educational Requirements Advisory Reviews	FY 2012/13	FY 2013/14	FY 2014/15
Total Reviews Completed	-	445	966
Met All Requirements	-	166	551
Deficient 150 Only	-	59	110
Deficient Ethics Only	-	51	62
Other Combination of Deficiencies		169	243
Approved Masters Degree	-	6	59
Average Days to Process*	-	26	59

* Number of days from exam approval to issuance of new educational requirements review status letter.

Initial Licensing Unit

- The Initial Licensing Unit (ILU) is presently recruiting to fill one limited term Office Technician position and one Associate Governmental Program Analyst position.
- The ILU welcomed Christina Castro as a new Office Technician on October 20, 2014.
- ILU staff is in the process of updating all correspondence and resource materials to include information regarding new legislation set to take effect in 2015.

Individual License Applications	FY 2012/13	FY 2013/14	FY 2014/15
Certified Public Accountant			
Total Received	3,654	4,600	1,000
Total Processed	3,474	4,906	903
Average Days to Process	25	24	14
Method of Licensure			
Pathway 0	4	0	0
Pathway 1 – attest	416	522	74
Pathway 1 – general	543	824	97
Pathway 2 – attest	756	928	140
Pathway 2 – general	1,755	2,560	356

**California Board of Accountancy
Report on Licensing Division Activity
As of October 31, 2014**

New Requirements – attest	n/a	17	53
New Requirements – general	n/a	55	183

Certification Requests	FY 2012/13	FY 2013/14	FY 2014/15
Total Received	1,073	1,039	356
Total Processed	1,073	972	361
Average Days to Process	20	22	24

Firm License Applications	FY 2012/13	FY 2013/14	FY 2014/15
Corporation			
Total Received	221	210	63
Total Processed	174	200	59
Average Days to Process	14	17	13
Partnership			
Total Received	89	91	19
Total Processed	70	92	15
Average Days to Process	14	17	13
Fictitious Name Permit			
Total Received	169	183	42
Total Processed	105	139	28
Average Days to Process	14	17	13

License Renewal and Continuing Competency Unit

- The License Renewal and Continuing Competency (RCC) Unit has been proactive in reducing the inventory of outstanding Continuing Education audits. Over the past two months staff has performed over 350 reviews to reduce the inventory from over 400 to fewer than 100.
- Staff has approved a new regulatory review course bringing the total number of Board-approved courses to 22. Staff is presently reviewing one additional course.

**California Board of Accountancy
Report on Licensing Division Activity
As of October 31, 2014**

- The RCC Unit is presently recruiting to fill one permanent Office Technician position and one Retired Annuitant Staff Services Analyst position.

License Renewal	FY 2012/13	FY 2013/14	FY 2014/15
Total Licenses Renewed			
Certified Public Accountant	38,334	39,164	13,276
Public Accountant	25	12	5
Corporation	1,560	1,526	450
Partnership	579	572	147
License Renewal Verification			
CPA/PA Applications Reviewed	36,927	39,605	9,628
Deficient Applications Identified	4,064	5,659	2,914
Compliance Responses Received	3,453	4,128	2,467
Outstanding Deficiencies	558	1,510	2,006
Top Three Renewal Deficiencies			
1) Failure to Submit/Incomplete/Filed on Behalf of Firm – Peer Review Reporting Form	--	66%	72%
2) Failure to Submit/Incomplete License Renewal Application	--	23%	18%
3) Failure to Complete Four Hours of Ethics Continuing Education	--	11%	10%
CE Audits			
Licensees Selected for Audit	30	855	300
Outstanding Audits	0	484	47
Compliance Letters Sent	30	374	729
Enforcement Referrals*	53	582	304

-- Previously, license renewal applications that were identified as deficient due to more than one reason were categorized and reported as a "multiple" deficiency. Beginning January 1, 2014 this category was expanded to provide a more accurate accounting of each deficiency type identified.

* Enforcement Referrals include license renewal-related deficiencies such as CE, fingerprints, and peer review.

**California Board of Accountancy
Report on Licensing Division Activity
As of October 31, 2014**

Retired Status	FY 2012/13	FY 2013/14	FY 2014/15
Applications Received			275
Applications Identified for Failing to Meet Minimum Qualifications			8
Applications Pending Review			1
Applications Approved			266

Practice Privilege Unit

- As noted in the Examination Unit section of this report, Matthew Stanley was selected to fill the Practice Privilege Manager position.

Practice Privilege	FY 2012/13	FY 2013/14	FY 2014/15
Out-of-State Accounting Firm Registrations			
Total Approved	--	209	55
Total Pending Review	--	0	0
Total Deficiencies Identified	--	5	5
Total Enforcement Referrals	--	11	0

CPA Exam Performance: *All Jurisdictions*

2014 Q-3

Overall Performance

Unique Candidates	49,191
New Candidates	15,248
Total Sections	69,651
Passing 4th Section	7,702
Sections/Candidate	1.42
Pass Rate	52.0%
Average Score	72.6

Section Performance

	Sections	Score	% Pass
First-Time	43,858	73.7	58.0%
Re-Exam	25,793	70.8	41.8%
AUD	17,915	72.8	47.4%
BEC	15,824	74.4	57.9%
FAR	18,890	71.4	51.1%
REG	17,022	72.2	52.2%

Top 3 Jurisdictions

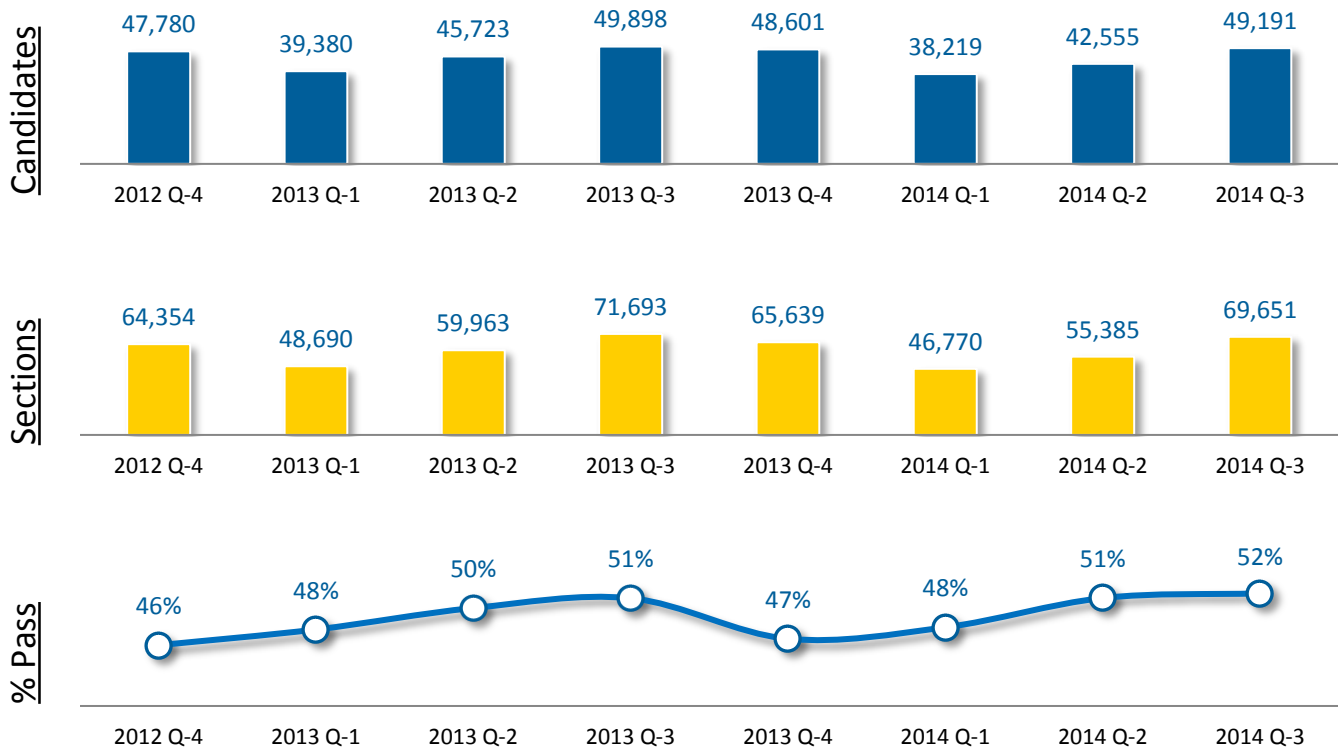
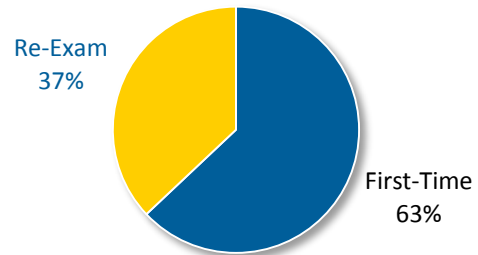
Most Candidates

1. California	6,310
2. New York	5,500
3. Texas	3,144

Highest Pass Rate

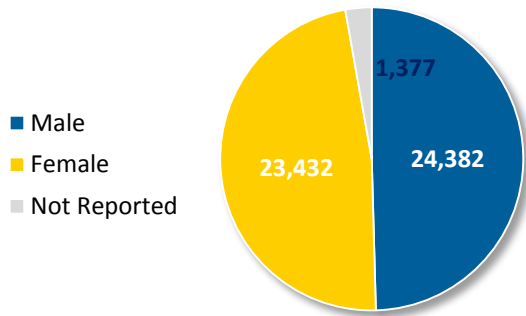
1. South Dakota	74.3%
2. Utah	63.8%
3. Oregon	60.8%

Exam Type by Percent



CPA Exam Performance: *All Jurisdictions*

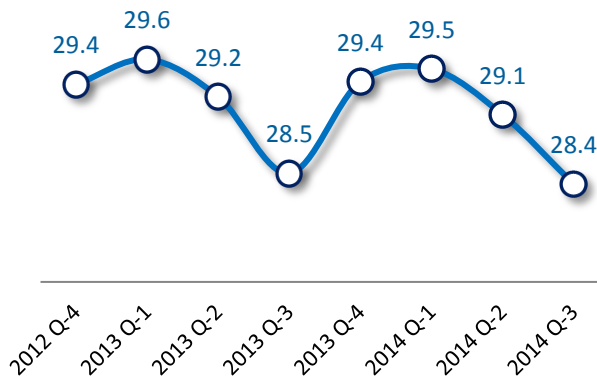
Demographics



Residency

Candidate Count	
In-State Address	37,834
Out-of-State Address	7,640
Foreign Address	3,717
% of Candidates	
In-State Address	76.9%
Out-of-State Address	15.5%
Foreign Address	7.6%

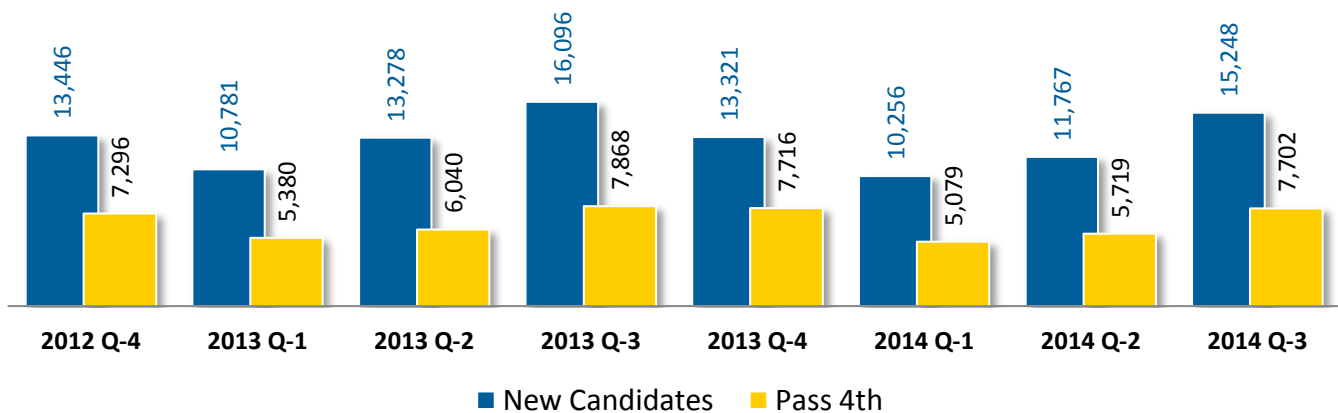
Average Age



Degree Type

Candidate Count	
Bachelor's Degree	30,953
Advanced Degree	6,819
Enrolled/Other	11,419
% of Candidates	
Bachelor's Degree	62.9%
Advanced Degree	13.9%
Enrolled/Other	23.2%

New Candidates vs Candidates Passing 4th Section



Notes about the Data

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 Jurisdictions.
2. The demographic data related to Age, Gender and Degree Type is provided by the individual candidates and may not be 100% accurate.

2014 Q-3

Overall Statistics for Testing Window 2014 Q-3

Jurisdiction	Count Candidates	Count Sections	FT Sections	RE Sections	Average Pass Rate	Average Score	Average Age
Alabama	213	282	160	122	47.2%	70.5	31.0
Alaska	602	950	607	343	41.4%	68.7	30.3
Arizona	471	650	401	249	56.5%	73.5	29.8
Arkansas	248	363	230	133	42.4%	70.0	27.6
California	6,310	8,605	4,900	3,705	47.7%	71.1	29.8
Colorado	1,218	1,732	1,081	651	51.6%	72.9	30.1
Connecticut	636	821	469	352	50.3%	72.5	27.5
Delaware	216	296	151	145	40.2%	68.2	31.9
District of Columbia	89	128	79	49	53.1%	73.1	29.3
Florida	1,621	2,113	1,327	786	55.2%	74.1	30.1
Georgia	1,610	2,139	1,339	800	53.6%	73.0	28.9
Guam	417	625	374	251	35.2%	66.1	32.8
Hawaii	151	199	97	102	41.7%	69.1	30.0
Idaho	162	218	138	80	47.7%	70.3	29.1
Illinois	2,733	4,046	2,688	1,358	56.2%	74.0	27.2
Indiana	768	1,263	883	380	52.8%	73.4	26.9
Iowa	361	513	344	169	52.4%	72.8	26.8
Kansas	199	299	184	115	51.8%	73.6	27.1
Kentucky	479	657	390	267	46.7%	71.8	28.4
Louisiana	529	713	436	277	48.7%	71.8	28.8
Maine	452	729	424	305	45.7%	69.2	30.9
Maryland	920	1,271	749	522	46.9%	71.3	28.5
Massachusetts	1,578	2,235	1,512	723	57.1%	74.7	26.4
Michigan	1,106	1,595	1,133	462	60.0%	74.9	26.7
Minnesota	914	1,536	1,130	406	57.8%	75.0	26.2
Mississippi	181	225	118	107	35.1%	68.0	30.5
Missouri	742	1,151	804	347	59.1%	74.9	26.8
Montana	363	621	374	247	43.5%	69.5	28.1

Jurisdiction	Count Candidates	Count Sections	FT Sections	RE Sections	Average Pass Rate	Average Score	Average Age
Nebraska	175	260	181	79	58.9%	75.8	26.4
Nevada	202	279	195	84	58.4%	74.0	30.1
New Hampshire	1,902	2,588	1,497	1,091	43.1%	68.8	30.5
New Jersey	1,477	1,963	1,121	842	44.0%	70.3	28.1
New Mexico	204	271	143	128	48.7%	71.2	32.7
New York	5,500	7,550	4,734	2,816	52.2%	72.7	27.1
North Carolina	1,029	1,597	1,120	477	60.5%	75.3	27.6
North Dakota	137	201	137	64	51.2%	74.5	27.4
Ohio	1,443	2,258	1,568	690	54.8%	73.4	26.8
Oklahoma	341	476	283	193	50.0%	71.6	30.8
Oregon	387	523	355	168	60.8%	75.7	28.9
Pennsylvania	1,704	2,385	1,480	905	53.4%	73.3	26.6
Puerto Rico	395	499	243	256	39.7%	67.7	27.7
Rhode Island	80	103	66	37	45.6%	70.3	28.2
South Carolina	332	470	305	165	60.6%	75.5	28.2
South Dakota	73	101	56	45	74.3%	77.4	28.2
Tennessee	851	1,212	773	439	53.3%	73.6	28.7
Texas	3,144	4,353	2,685	1,668	54.6%	73.6	29.1
Utah	265	345	237	108	63.8%	76.7	30.1
Vermont	218	369	187	182	42.8%	69.7	27.8
Virginia	1,818	2,718	1,839	879	56.2%	74.4	28.2
Washington	1,314	1,850	1,213	637	52.3%	72.8	30.5
West Virginia	122	162	81	81	40.1%	69.9	28.8
Wisconsin	743	1,081	800	281	59.3%	74.9	26.7
Wyoming	46	62	37	25	40.3%	71.5	31.1

CPA Exam Performance Summary: 2014 Q-3

California

Overall Performance

Unique Candidates	6,310
New Candidates	1,850
Total Sections	8,605
Passing 4th Section	837
Sections/Candidate	1.36
Pass Rate	47.7%
Average Score	71.1

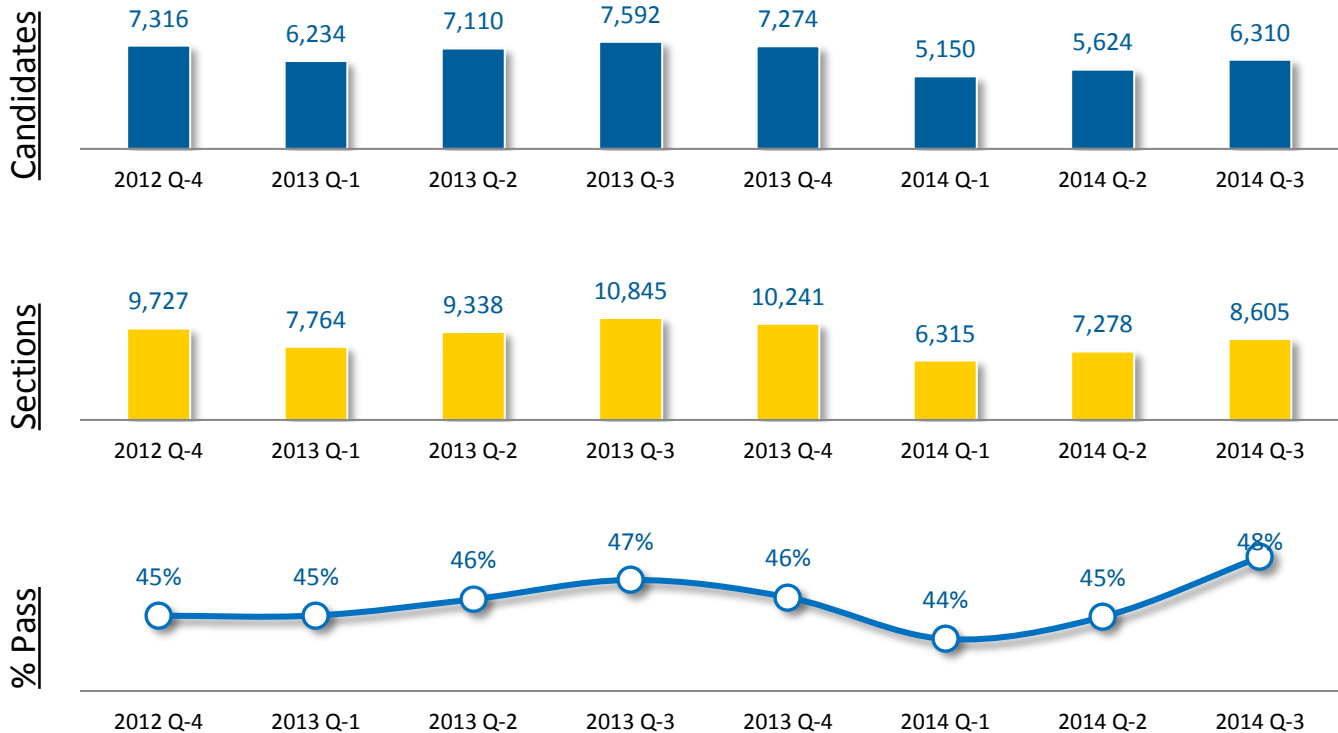
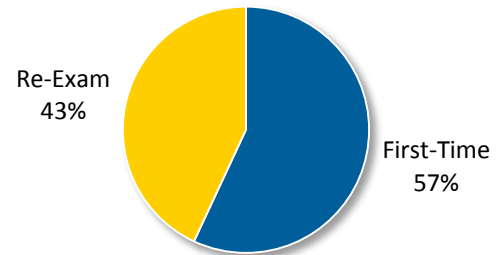
Section Performance

	Sections	Score	% Pass
First-Time	4,900	71.6	52.8%
Re-Exam	3,705	70.3	40.9%
AUD	2,190	71.3	44.7%
BEC	1,964	72.5	51.8%
FAR	2,331	69.9	46.6%
REG	2,120	70.7	48.2%

Jurisdiction Rankings (1 to 53)

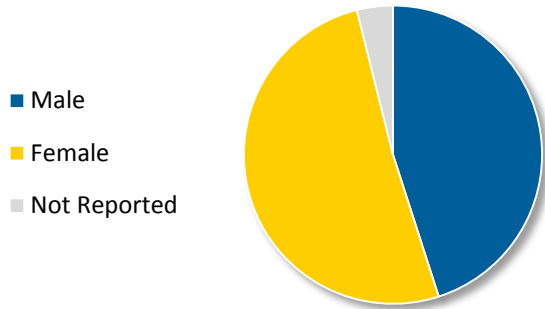
Candidates	Sections
1	1
35	37
Pass Rate	Avg Score

Exam Type by Percent



CPA Exam Performance Summary: 2014 Q-3

Demographics



Male Candidates	2,842	45.0%
Female Candidates	3,222	51.1%
Not Reported	246	3.9%

Average Age **29.8**

Age Rank **36**

Residency

Candidate Count

In-State Address	5,254
Out-of-State Address	779
Foreign Address	277

% of Candidates

In-State Address	83.3%
Out-of-State Address	12.3%
Foreign Address	4.4%

Degree Type

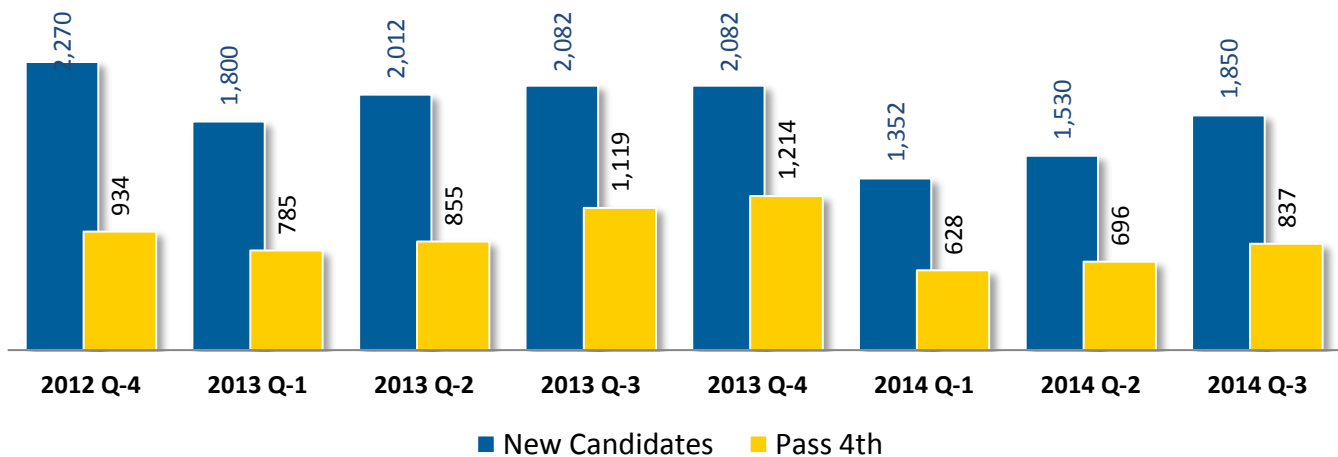
Candidate Count

Bachelor's Degree	4,642
Advanced Degree	1,243
Enrolled/Other	425

% of Candidates

Bachelor's Degree	73.6%
Advanced Degree	19.7%
Enrolled/Other	6.7%

New Candidates vs Candidates Passing 4th Section



Notes about the Data

1. The data used to develop this report was pulled from NASBA's Gateway System, which houses the Uniform CPA Examination's Application and Performance information for all 55 Jurisdictions.
2. The demographic data related to Age, Gender and Degree Type is provided by the individual candidates and may not be 100% accurate.

California

California Board of Accountancy Enforcement Activity Report

Report as of October 24, 2014

COMPLAINTS

Complaints/Records of Convictions	FY 2012/13	FY 2013/14	FY 2014/15
Received	3,271	3,255	945
<i>Internal – Peer Review (Failure to Respond)</i>	<i>1,800</i>	<i>1,481</i>	<i>0</i>
<i>Internal – Peer Review (Other)*</i>	<i>508</i>	<i>411</i>	<i>158</i>
<i>Internal – All Other</i>	<i>510</i>	<i>969</i>	<i>628</i>
<i>External</i>	<i>453</i>	<i>394</i>	<i>159</i>
Assigned for Investigation	2,951	2,969	646
Closed – No Action	329	289	297
Average Days from Intake to Closure or Assignment for Investigation	3	4	5
Pending	3	0	3
Average Age of Pending Complaints (days)	3	0	5

* Peer Review (Other) internal complaints typically include investigation of failed peer review reports, failure to comply with peer review citations, filing an incorrect Peer Review Reporting Form, or renewing a license without undergoing a peer review when a peer review is required.

Comments

- The number of complaints received has doubled from 463 to 945 since the last reporting period.
- The majority of the complaints received are from internal units within the California Board of Accountancy (CBA). The top three reasons that make up the internal complaints are:
 1. Conviction
 2. Peer Review
 3. Continuing Education deficiency
- This fiscal year, the CBA has received 159 external complaints from the public, anonymous persons, societies/trade organizations, licensees, and other government agencies. The top three reasons that make up the external complaints are:
 1. Unlicensed Practice
 2. Peer Review
 3. Record Retention

INVESTIGATIONS

Investigations	FY 2012/13	FY 2013/14	FY 2014/15
Assigned	2,951	2,969	646
<i>Internal – Peer Review (Failure to Respond)</i>	<i>1,794</i>	<i>1,481</i>	<i>0</i>
<i>Internal – Peer Review (Other)</i>	<i>437</i>	<i>407</i>	<i>158</i>
<i>Internal – All Other</i>	<i>361</i>	<i>740</i>	<i>356</i>
<i>External</i>	<i>359</i>	<i>341</i>	<i>132</i>
Closed	2,872	2,669	597
Average Days to Close	73	74	150
Investigations Pending	518	825	879
<i>< 18 Months</i>	<i>500</i>	<i>774</i>	<i>824</i>
<i>18-24 Months</i>	<i>17</i>	<i>42</i>	<i>47</i>
<i>> 24 Months</i>	<i>1</i>	<i>9</i>	<i>8</i>
Average Age of Open Cases (days)	166	202	208
Median Age of Open Cases (days)	104	153	142

Chart A pie graph on Page 7 illustrates the percentage of open cases by length of time.

Comments

- The total number of investigations assigned has doubled from 337 to 646 since the previous report. This correlates with the increase in complaints received.
- The total number of investigations closed has doubled from 307 to 597 and the average days to close investigations has decreased from 162 to 150 since the previous report. Thus, the CBA is consistently closing investigations while experiencing an increase in workload.
- The top three reasons that make up the internal and external investigations are consistent with the reasons under the internal and external complaints received.
- The total number of pending investigations over 24 months has decreased slightly from nine to eight since last fiscal year. These cases are the most complex investigations requiring additional time to resolve. The status of the eight pending investigations over 24 months are as follows:
 - Four investigations are on-going.
 - Three investigations are pending Investigative Hearings.
 - One is pending compliance with a subpoena.

DISCIPLINE

Attorney General Referrals	FY 2012/13	FY 2013/14	FY 2014/15
Referrals	62	74	41
Accusations Filed	50	34	12
Statements of Issues Filed	3	8	4
Petitions for Revocation of Probation Filed	3	2	0
Closed	58	31	23
<i>Via Stipulated Settlement</i>	<i>39</i>	<i>21</i>	<i>20</i>
<i>Via Proposed Decision</i>	<i>5</i>	<i>4</i>	<i>1</i>
<i>Via Default Decision</i>	<i>14</i>	<i>6</i>	<i>2</i>
Discipline Pending	57	95	118
< 18 Months	52	82	100
18-24 Months	2	10	14
> 24 Months	3	3	4

Chart B pie graph on Page 7 illustrates the percentage of cases pending at the AG Office by length of time.

Comments

- With the recent increase in staffing, peer review and retroactive fingerprinting requirements, the volume of Attorney General (AG) Referrals is anticipated to significantly increase this fiscal year. During the previous fiscal year, the number of AG Referrals grew at an approximate rate of 6 referrals per month. The current rate is approximately 15 referrals per month and is expected to increase.
- There are four cases that have been at the AG's Office for more than 24 months. These cases carry the potential to have the greatest harm on consumers, as they relate to negligence and criminal charges/convictions. The current statuses of the four cases are:
 - A writ was filed with the California Superior Court in August 2012 following adoption of a proposed decision and denial of a Petition for Reconsideration in July 2012. A Superior Court hearing was held in June 2013 and the Court issued a tentative decision in September 2013; however, additional testimony was taken on February 27, 2014 and arguments were heard on March 27, 2014. A decision was issued on August 28, 2014 denying the writ of mandate. The stay previously issued was dissolved and the Board's decision revoking Petitioner's license became effective. However, Petitioner immediately filed a Notice of Appeal with the Appellate Court seeking a stay of the decision. Unless the court grants the stay, the stay will be automatically lifted on November 13, 2014.
 - An administrative hearing is scheduled January 2015.
 - The matter was referred to the AG to pursue a PC 23. The criminal charges were based on an investigation conducted by the FTB. There have been numerous delays and none of the charges have been heard.
 - A matter was heard by an Administrative Law Judge and the proposed decision was not adopted by the CBA. This matter is scheduled for CBA deliberation at the November 20-21, 2014 CBA meeting.

CITATIONS AND FINES

Citations	FY 2012/13	FY 2013/14	FY 2014/15
Total Citations Issued	1,883	1,522	77
Total Fines Assessed	\$532,400	\$399,020	\$26,300
<i>Peer Review (Failure to Respond)</i>	1,800	1,481	0
<i>Peer Review Fines Assessed</i>	\$450,000	\$370,250	0
<i>Other Citations</i>	83	41	77
<i>Other Fines Assessed</i>	\$82,400	\$28,770	\$26,300
<i>Other Fines Average</i>	\$993	\$702	\$342
Average number of days from receipt of a complaint to issuance of a citation	67	33	111
Top 3 Violations			
1:	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)	CE Basic Requirements (Reg 87)
2:	CE Basic Requirements (Reg 87)	CE Basic Requirements (Reg 87)	Name of Firm (BPC 5060)
3:	Practice Without Permit (BPC 5050)	Name of Firm (BPC 5060)	Response to CBA Inquiry (Reg 52)

Comments

- During the previous two fiscal years, the majority of citations were related to Peer Review (Failure to Respond). The average days to issue the peer review citation was five days, which reduced the overall average days to issue a citation. The three-year phase-in period associated with peer review citations ended during fiscal year 2013/14. Thus, the current average number of days to issue a citation is higher than the two previous fiscal years.
- The total Other Citations issued has increased from 41 to 77 since the previous fiscal year. This correlates with the increased volume of investigations that are closed and ultimately referred to Citation and Fine.
- The Other Fines Average amount of \$342 is lower than the two previous fiscal years. The fine amount assessed varies from \$100 to \$5,000 and is determined on a case-by-case basis. Factors that may increase or decrease the fine amount include aggravating or mitigating circumstances, and length of time the violation existed.
- As shown above, the top violation is no longer Response to CBA Inquiry (CBA Regulation 52). This is consistent with the end of the three-year phase-in period associated with peer review.

PROBATION MONITORING

Upon completion of the disciplinary process, matters are referred to a CBA Probation Monitor for tracking and compliance with the terms of probation. The last probation meetings were held in conjunction with the Enforcement Advisory Committee meeting on October 23, 2014. There are 74 licensees on probation, with four residing out-of-state.

CRIMINAL OFFENDER RECORD INFORMATION (CORI)

CORI Fingerprints	FY 2014/15
Notification Letters Sent	5,255
CORI Compliances Received	3,786
Non-Compliance Notifications	73

Comments

- Effective January 1, 2014, all licensees renewing an active license are required to have fingerprints on file for the purpose of having a state and federal criminal offender record information background check.
- The CORI unit has sent out notification letters to 5,255 licensees and received compliance from approximately two-thirds of the licensees who have been notified.
- The CORI unit is in the process of sending out notifications to the licensees who have not complied with the fingerprinting requirement.
- All data that is returned from the DOJ and FBI with a criminal record or an arrest record must be reviewed by the Enforcement Division to determine if an investigation should be initiated.

MOBILITY

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. The table below depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms.

Mobility	FY 2013/14	FY 2014/15
Pre-Notification Forms Received	15	1
Cessation Event Forms Received	0	0
SEC Discipline Identified	37	10
PCAOB Discipline Identified	11	4
Out-of-State Accounting Firm Registrants That Reported Other Discipline	10	1
Complaints Against Practice Privilege Holders	2	5

Comments

- Staff sent letters to all CPAs who were disciplined from either the Securities and Exchange Commission or the Public Company Accounting Oversight Board to inform them that they must seek CBA authorization prior to practicing in California.

DIVISION HIGHLIGHTS AND FUTURE CONSIDERATIONS

- In order to stay current with investigative processes and procedures, staff underwent 24 hours of training by the Council on Licensure, Enforcement and Regulation.
- Transition of the Criminal Offender Record Information (CORI) Unit from the Licensing Division to the Enforcement Division is complete, including the creation of a dedicated CORI phone number and email account. Staff endeavors to answer the phone live, and all messages and emails are returned within 24 hours.

Chart A - Open Investigations as of October 24, 2014

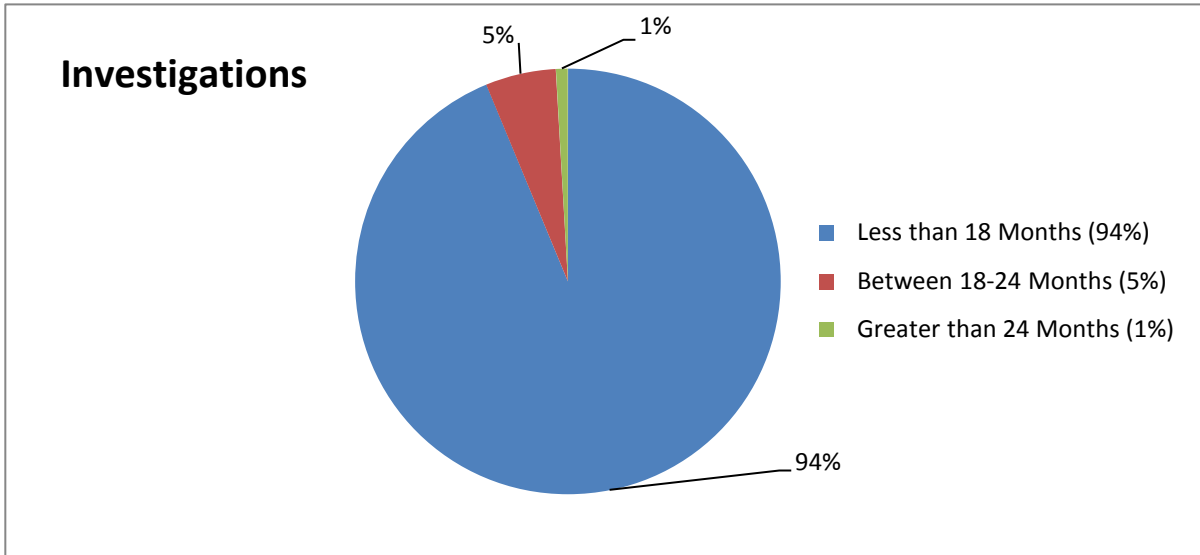
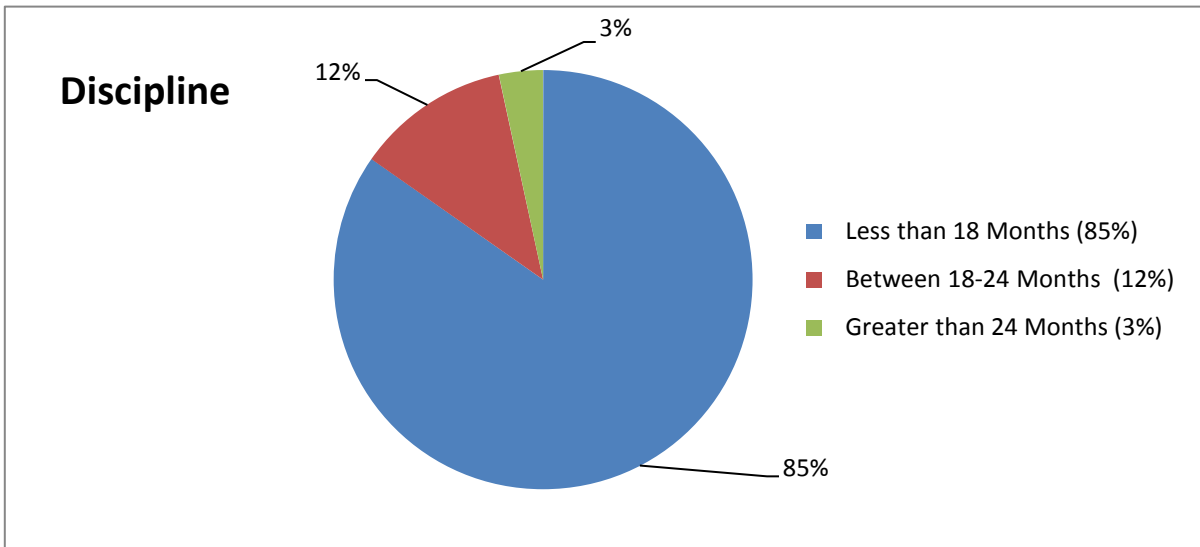


Chart B - Discipline Pending at the Attorney General Office as of October 24, 2014





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MSG Item II. **CBA Item X.A.2.**
November 20, 2014 November 20-21, 2014

The MSG Decision Matrix – A Summary of Previous Decisions Made by the MSG

Presented by: Matthew Stanley, Manager, Examination and Practice Privilege Units
Date: October 7, 2014

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with its decision matrix (**Attachment**).

Action(s) Needed

No action is needed on this item as it is a written report only.

Background

At its March 2014 meeting, staff presented the MSG with a plan to maintain a decision matrix in order to track decisions made by the MSG. The purpose for the decision matrix was to assist the MSG and staff in determining what activities have been accomplished and what decisions still remain for discussion.

Comments

The MSG provided staff with various directions at its July 2014 meeting, but there were no new decisions made by the MSG at that meeting.

The decision matrix will continue to be provided as a written report only agenda item unless otherwise directed by the MSG.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.

Attachment

Mobility Stakeholder Group Decision Matrix

**DEPARTMENT OF CONSUMER AFFAIRS**

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**Attachment****MOBILITY STAKEHOLDER GROUP DECISION MATRIX**

<u>Date</u>	<u>Decision</u>
March 2014	The MSG will meet three times per year in conjunction with the March, July and November CBA meetings.
March 2014	The MSG will prepare a written report to the CBA at least once per calendar year.
March 2014	The MSG will prepare a final report in time to be considered by the CBA as it prepares its final report to the Legislature which is due January 1, 2018.



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MSG Item III.
November 20, 2014

CBA Item X.A.3.
November 20-21, 2014

**Practice Privilege – Information and Statistics for Licensing and Enforcement
Division and Website Usage**

Presented by: Dominic Franzella, Chief, Licensing Division

Date: October 10, 2014

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with statistics and information it requested related to the practice privilege program.

Action(s) Needed

No specific action is required on this agenda item.

Background

At its July 23, 2014 meeting, the MSG requested that staff provide statistical information regarding the new practice privilege program for the following areas: Licensing and Enforcement Divisions and website usage. It also requested information regarding why certain states do not provide disciplinary data to the CPAVerify website.

Comments

In response to the MSG's request, staff are providing statistical information for the Licensing and Enforcement Divisions and website usage for the period of July 1, 2013 (the date the new practice privilege provisions took effect) – September 30, 2014.

Licensing Division

The Licensing Division is responsible for two main functions associated with the new practice privilege program: (1) processing out-of-state accounting firm registrations and (2) providing customer service in responding to telephone calls and emails.

Out-of-State Accounting Firm Registration

The new practice privilege provisions require out-of-state accounting firms that intend on providing certain accounting services to California-headquartered entities to register with the California Board of Accountancy (CBA). These accounting firms must submit a registration form and obtain approval from the CBA prior to providing services. The services must be performed by a qualified practice privilege holder. The services that require registration include:

- An audit or review of a financial statement.

Practice Privilege-Related Statistics for Licensing and Enforcement Division and Website Usage

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- A compilation of a financial statement when that out-of-state CPAs expects, or reasonably might expect, that a third party will use the financial statement and the compilation report does not disclose a lack of independence.
- An examination of prospective financial information.

Below is the statistical data associated with the Licensing Division's processing of out-of-state accounting firm registrations.

Out-of-State Accounting Firm Registrations	Totals
Total Registration Applications Received	260
Approved Registrations	255
Pending*	4
Denied	1

*Includes 1 pending enforcement review, 2 with outstanding deficiencies, and 1 in process

Customer Service

The Licensing Division is the primary point of contact associated with the practice privilege program. Below is the statistical data for the total number of telephone calls and emails.

Customer Contact	Totals
Telephone	767
Emails	381

Enforcement Division

The Enforcement Division is responsible for numerous functions associated with the new practice privilege program, including processing pre- and cessation notification forms, reviewing the Securities and Exchange Commission's (SEC) and Public Company Accounting Oversight Board's (PCAOB) websites for CPAs that have been disciplined, reviewing Licensing Division referrals, and reviewing complaints received against practice privilege holders. Below is statistical data associated with the various Enforcement Division activities.

Enforcement Division Activities	Totals
Pre-Notification Forms Received	16
Cessation Notification Forms Received	0
SEC Discipline Identified	47
PCAOB Discipline Identified	15
Out-of-State Accounting Firms Referred by Licensing Division for Reported Other Discipline	11
Out-of-State Accounting Firm Registrations Denied	1
Complaints Against Practice Privilege Holders	6

Practice Privilege-Related Statistics for Licensing and Enforcement Division and Website Usage

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Website Usage

The CBA maintains a robust website associated with providing information both to consumers and licensees regarding the new practice privilege program. Below is statistical data for various webpages on the CBA website associated with the practice privilege program.

Webpage	Totals
Out-of-State Licensed CPA Search	16,345
Out-of-State Registered Accounting Firms Search	2,989
Practice Privilege Reporting Requirements (Disqualifying Conditions, Pre- & Cessation Notification Requirements)*	3,970
Practice Privilege Handbook	14,086

* This page provides consumers and out-of-state CPAs specific information regarding the events and circumstances that necessitate out-of-state CPAs to: (1) pre-notify the CBA and receive approval prior to exercising a practice privilege, and (2) to cease practicing via a practice privilege, notify the CBA, and await approval to resume practice.

CPAVerify

Staff contacted the National Association of State Boards of Accountancy (NASBA) to determine why certain states, and in particular New York, do not provide specific disciplinary information for posting on CPAVerify. The reason is various technical issues with the various states. Staff were informed that NASBA is working with these states to resolve these issues, and that all states participating in CPAVerify are willing to supply the information if the issues can be resolved.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff has no recommendation for this agenda item.

Attachments

None.

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**MSG Item IV.**

November 20, 2014

CBA Item X.A.4.

November 20-21, 2014

Discussion Regarding Defining Stakeholders and Summary of Stakeholder Objectives Pursuant to Business and Professions Code Section 5096.21(e)**Presented by:** Matthew Stanley, Manager, Examination and Practice Privilege Units**Date:** October 15, 2014**Purpose of the Item**

The purpose of this agenda item is to establish a definition of stakeholders for the purpose of outlining stakeholder objectives pursuant to Business and Professions Code (BPC) section 5096.21(e) and to provide a summary of the objectives already established by the Mobility Stakeholder Group (MSG).

Action(s) Needed

The MSG will be asked to establish a definition of stakeholders and will be asked whether it wishes to add additional items to the list of stakeholder objectives.

Background

The MSG is charged with considering whether the provisions of the California practice privilege law (mobility law) "satisfy the objectives of stakeholders of the accounting profession in this state, including consumers." At its July 2014 meeting, the MSG established two stakeholder objectives and requested that they be provided at future meetings in order that the MSG may continue to revise and add to them (**Attachment**). In addition, the MSG requested that staff prepare a definition of stakeholders for use in future discussions.

Comments

The following definition for stakeholders is found in the California Board of Accountancy's (CBA) *2013-15 Strategic Plan*:

Stakeholders include consumers, licensees, applicants, and professional organizations and groups that have a direct or indirect stake in the CBA because they can affect or be affected by the CBA's actions, objectives, and policies.

A second definition, with more specificity, can be found in the CBA's *2013-14 Annual Report*, which will be presented to the CBA at its November 2014 meeting, as follows:

The CBA performs its consumer protection mission for many stakeholders, including:

Discussion Regarding Defining Stakeholders and Summary of Stakeholder Objectives Pursuant to Business and Professions Code (BPC) Section 5096.21(e)

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- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies who rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies, which require audited financial information or assistance with internal accounting controls.
- Regulatory bodies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Public Utilities Commission, and federal and state banking regulators; and local, state, and federal taxing authorities.
- Retirement systems, pension plans, and stock exchanges.

This second definition is limited to only the consumers of accounting services and does not include licensees, applicants, professional organizations, etc. If the MSG prefers the more detailed definition, these other groups can be easily incorporated.

At the request of the MSG, staff have provided, on the attachment, the current MSG stakeholder objectives. They are being provided in order that the MSG may continue to revise and add additional items to them now and at future meetings. Staff would welcome further discussion and any changes to the objectives that the MSG would wish to provide.

Fiscal/Economic Impact Considerations

There is no fiscal or economic impact for this item.

Recommendation

Staff recommend that the MSG adopt a definition for stakeholder. In addition, staff are prepared to make any changes to the stakeholder objectives that the MSG may wish to make.

Attachment

Stakeholder Objectives

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**Attachment****Stakeholder Objectives**

Date Added or Revised	Objective
July 2014	Help out-of-state licensees know and understand their self-reporting requirements.
July 2014	Assure the CBA that all states have adequate enforcement.



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MSG Item V. **CBA Item X.A.5.**
November 20, 2014 November 20-21, 2014

Discussion Regarding the Consumer Protection Provisions of Business and Professions Code Sections 5096 and 5096.1

Presented by: Matthew Stanley, Manager, Examination and Practice Privilege Unit
Date: October 13, 2014

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to discuss the consumer protection provisions in California's practice privilege law (**Attachment 1**), specifically those found in Business and Professions Code (BPC) sections 5096 and 5096.1.

Action(s) Needed

The MSG will be asked to discuss and provide its initial considerations as to whether the provisions under discussion are consistent with the California Board of Accountancy's (CBA) duty to protect the public.

Background

At its July 2014 meeting, the MSG was given a brief overview of the existing consumer protection provisions in the practice privilege law. The MSG directed that a detailed review of the provisions be performed at its November 2014 and March 2015 meetings.

The California practice privilege law, specifically, BPC section 5096.21(e), requires the MSG to consider whether the provisions of the practice privilege law are consistent with the CBA's duty to protect the public consistent with BPC section 5000.1 (**Attachment 2**).

Comments

Consumer protection is the foundation and purpose for everything the CBA does. The practice privilege law was designed by the Legislature and stakeholders to protect California consumers while allowing out-of-state CPAs to practice public accounting in California without notice or fee.

The Legislature designed the consumer protection provisions in such a way as to address concerns that under a no notice, no fee program, the CBA would no longer be actively aware of who was practicing public accounting in California from out-of-state.

As members of the MSG have previously stated, the review of this law, its effects, and its outcomes, is an ongoing process. Staff are bringing this review forward at this time for an initial consideration by the MSG. While this agenda item is focused solely on the plain text of the law, this initial consideration could be based on both the law and initial

Discussion Regarding the Consumer Protection Provisions of Business and Professions Code Sections 5096 and 5096.1

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statistics provided in MSG Agenda Item III. The statistics serve as a tangible result of implementation of the law and, therefore, can be said to demonstrate the law's efficacy.

Going forward, staff will continue to monitor the statistics and will bring to the MSG a follow-up item if the statistics begin to deviate in a manner that appears to warrant further consideration. Staff plan to bring this issue to the MSG again for final consideration in two years with a more complete picture of the results based on three and one-half years of information. This second look at the law will be timed so that the MSG's final considerations can be included in the MSG Final Report to the CBA in 2017.

Practice Privilege Requirements

In BPC section 5096(a), the Legislature established the three qualifications needed to exercise a practice privilege in California, each designed to protect consumers:

- The individual's principal place of business may not be in California
- He or she must hold a current and valid license from another state
- He or she must meet one of the following:
 - continually practiced under a valid license for at least four of the last ten years
 - the license must be from a substantially equivalent state
 - the individual must possess substantially equivalent education, examination and experience.

Subdivision (d) requires that, if a practice privilege holder performs certain attest functions, work is done through a firm that is registered with the CBA.

These provisions appear to be consistent with the CBA's duty to protect the public. Specifically, requiring the following:

- A practice privilege holder to meet minimum qualifications
- Certain attest functions be performed through firms registered with the CBA.

Rules Regarding Practice Privilege and Cessation of Practice

Subdivision (e) is a listing of statements and actions to which an individual exercising a practice privilege agrees to be held. Paragraphs (1)-(5) are as follows:

- (1) The individual is subject to the jurisdiction and discipline of the CBA.
- (2) The individual must comply with the CBA's laws and rules except for continuing education and the ethics exam requirements.
- (3) The individual may not work out of an office in California unless they are an employee of a CBA registered firm working from that firm's offices.
- (4) Process may be served on the individual's licensing board.
- (5) The individual is required to cooperate with the CBA.

Discussion Regarding the Consumer Protection Provisions of Business and Professions Code Sections 5096 and 5096.1

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Paragraphs (6)-(10) trigger reporting requirements by the practice privilege holder. In addition, paragraphs (6)-(9) require that the individual cease practicing in California immediately. These requirements are as follows:

- (6) The individual must cease practice if their license has disciplinary action taken against it.
- (7) The individual must cease practice if they are convicted of any crime involving dishonesty.
- (8) The individual must cease practice if the Securities and Exchange Commission (SEC) or the Public Company Accounting Oversight Board (PCAOB) bars them from practicing before them.
- (9) The individual must cease practice if any governmental body or agency suspends their right to practice before them.
- (10) The individual must notify the CBA of pending criminal charges.

Subdivision (f) outlines the reporting requirement for paragraphs (6)-(9) above. Specifically, if the individual is required to cease practice, they must notify the CBA within 15 days and may not practice again in California until the CBA provides written permission to do so. The report is required to be made on a Notification of Cessation of Practice Privilege form which was established by the CBA in the CBA Regulations.

Subdivision (g) outlines the consequences for failing to cease practice or to notify the CBA. If the individual fails to cease practice or notify the CBA, the individual is subject to the jurisdiction of the CBA as if the practice privilege were a license. This means that the practice privilege can be revoked or otherwise disciplined in the same manner as a license. As an operation of law, an individual who fails to cease practice or submit the notification is not allowed to practice in California for a minimum of one year from the date the CBA becomes aware of the violation without the possibility of reinstatement, or it increases to two years if the CBA determines the failure was intentional.

When the CBA receives a Notification of Cessation of Practice Privilege form, subdivision (h) requires that, at a minimum, the CBA must require the individual to cease practice in California until it provides written permission to resume. While subdivisions (e) and (f) require the individual to cease practicing, these are actions the individual is required to take. This provision, subdivision (h), is an action the CBA is required to take. It requires the CBA to order the individual to cease practicing. This ensures that the individual does not practice in California while the CBA investigates the issue and reinforces that the individual is to cease practice in compliance with subdivisions (e) and (f).

These provisions appear to be consistent with the CBA's duty to protect the public. Specifically:

- Requiring that practice privilege holders practicing in California agree to certain provisions, including being subject to the CBA's jurisdiction and authority
- Requiring that practice privilege holders agree to cease practice when certain events occur and report it to the CBA

Discussion Regarding the Consumer Protection Provisions of Business and Professions Code Sections 5096 and 5096.1

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- Establishing consequences for failure to comply with these provisions appears to be consistent with the CBA's duty to protect the public.

Pre-Notification Requirement

Subdivision (i) paragraph (1) outlines the pre-notification requirements for practice privilege holders. An individual is required to file a Practice Privilege Pre-Notification of Listed Events form, established in CBA Regulations, and await permission from the CBA before commencing practice in California if they met any of the following criteria within the past seven years:

- they have been the subject of final disciplinary action
- they have had a license reinstated after a suspension or revocation
- they have been denied issuance or renewal of a license
- they have been convicted of a crime or is subject to pending criminal charges
- they have acquired a disqualifying condition from BPC section 5096.2(a).

Paragraph (i)(2) provides that an individual who fails to provide the CBA with the pre-notification is subject to the jurisdiction and discipline of the CBA as if the practice privilege were a license. This means that the practice privilege can be revoked or otherwise disciplined in the same manner as a license. As an operation of law, an individual who fails to submit the notification is not allowed to practice in California for a minimum of one year from the date the CBA becomes aware of the violation without the possibility of reinstatement, or it increases to two years if the CBA determines the failure was intentional.

These provisions appear to be consistent with the CBA's duty to protect the public. Specifically:

- Requiring practice privilege holders who have had issues with their license or have acquired disqualifying conditions within the previous seven years to inform the CBA prior to practicing in California to prevent practice until such time as the CBA has reviewed the facts and made a determination regarding the risk to the public
- Establishing consequences for failure to comply.

Unqualified Practice

In BPC section 5096.1(a), the Legislature sets forth the rules regarding unqualified practice. This section applies to any individual who:

- is licensed by another state
- is not licensed by the CBA
- does not qualify for a practice privilege
- engages in the practice of public accountancy in California.

Discussion Regarding the Consumer Protection Provisions of Business and Professions Code Sections 5096 and 5096.1

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Such an individual is, as follows:

- practicing unlawfully in California
- subject to the jurisdiction and discipline of the CBA and state courts in the same manner as a lawful practice privilege holder
- able to have process served on them through their licensing board.

Subdivision (b) states that the CBA may revoke the practice privilege of anyone violating this section or who has committed any act which would be grounds for discipline.

These provisions appear to be consistent with the CBA's duty to protect the public, specifically, subjecting those who are practicing in California, yet are not qualified to do so, to the CBA's authority.

Fiscal/Economic Impact Considerations

There is no fiscal or economic impact for this item.

Recommendation

Staff recommend that the MSG provide its initial considerations as to whether the provisions of BPC sections 5096 and 5096.1 are consistent with the CBA's duty to protect the public. Staff will be bringing a similar agenda item covering the remainder of the practice privilege law to the MSG's March 2015 meeting.

Attachments

1. California's Practice Privilege Law
2. BPC Section 5000.1



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Attachment 1

California's Practice Privilege Law

Accountancy Act Article 5.1. Practice Privileges

5096.

(a) An individual whose principal place of business is not in this state and who has a valid and current license, certificate, or permit to practice public accountancy from another state may, subject to the conditions and limitations in this article, engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license under this chapter if the individual satisfies one of the following:

- (1) The individual has continually practiced public accountancy as a certified public accountant under a valid license issued by any state for at least 4 of the last 10 years.
- (2) The individual has a license, certificate, or permit from a state that has been determined by the board to have education, examination, and experience qualifications for licensure substantially equivalent to this state's qualifications under Section 5093.
- (3) The individual possesses education, examination, and experience qualifications for licensure that have been determined by the board to be substantially equivalent to this state's qualifications under Section 5093.

(b) The board may designate states as substantially equivalent under paragraph (2) of subdivision (a) and may accept individual qualification evaluations or appraisals conducted by designated entities, as satisfying the requirements of paragraph (3) of subdivision (a).

(c) An individual who qualifies for the practice privilege under this section may engage in the practice of public accountancy in this state, and no notice, fee, or other requirement shall be imposed on that individual by the board.

(d) An individual who qualifies for the practice privilege under this section may perform the following services only through a firm of certified public accountants that has obtained a registration from the board pursuant to Section 5096.12:

- (1) An audit or review of a financial statement for an entity headquartered in California.
- (2) A compilation of a financial statement when that person expects, or reasonably might expect, that a third party will use the financial statement and the compilation report does not disclose a lack of independence for an entity headquartered in California.
- (3) An examination of prospective financial information for an entity headquartered in California.

(e) An individual who holds a practice privilege under this article:

- (1) Is subject to the personal and subject matter jurisdiction and disciplinary authority of the board and the courts of this state.
- (2) Shall comply with the provisions of this chapter, board regulations, and other laws, regulations, and professional standards applicable to the practice of public accountancy by the licensees of this state and to any other laws and regulations applicable to

individuals practicing under practice privileges in this state except the individual is deemed, solely for the purpose of this article, to have met the continuing education requirements and ethics examination requirements of this state when the individual has met the examination and continuing education requirements of the state in which the individual holds the valid license, certificate, or permit on which the substantial equivalency is based.

(3) Shall not provide public accountancy services in this state from any office located in this state, except as an employee of a firm registered in this state. This paragraph does not apply to public accountancy services provided to a client at the client's place of business or residence.

(4) Is deemed to have appointed the regulatory agency of the state that issued the individual's certificate, license, or permit upon which substantial equivalency is based as the individual's agent on whom notices, subpoenas, or other process may be served in any action or proceeding by the board against the individual.

(5) Shall cooperate with any board investigation or inquiry and shall timely respond to a board investigation, inquiry, request, notice, demand, or subpoena for information or documents and timely provide to the board the identified information and documents.

(6) Shall cease exercising the practice privilege in this state if the regulatory agency in the state in which the individual's certificate, license, or permit was issued takes disciplinary action resulting in the suspension or revocation, including stayed suspension, stayed revocation, or probation of the individual's certificate, license, or permit, or takes other disciplinary action against the individual's certificate, license, or permit that arises from any of the following:

(A) Gross negligence, recklessness, or intentional wrongdoing relating to the practice of public accountancy.

(B) Fraud or misappropriation of funds.

(C) Preparation, publication, or dissemination of false, fraudulent, or materially incomplete or misleading financial statements, reports, or information.

(7) Shall cease exercising the practice privilege in this state if convicted in any jurisdiction of any crime involving dishonesty, including, but not limited to, embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses.

(8) Shall cease exercising the practice privilege if the United States Securities and Exchange Commission or the Public Company Accounting Oversight Board bars the individual from practicing before them.

(9) Shall cease exercising the practice privilege if any governmental body or agency suspends the right of the individual to practice before the body or agency.

(10) Shall notify the board of any pending criminal charges, other than for a minor traffic violation, in any jurisdiction.

(f) An individual who is required to cease practice pursuant to paragraphs (6) to (9), inclusive, of subdivision (e) shall notify the board within 15 calendar days, on a form prescribed by the board, and shall not practice public accountancy in this state pursuant to this section until he or she has received from the board written permission to do so.

(g) An individual who fails to cease practice as required by subdivision (e) or who fails to provide the notice required by subdivision (f) shall be subject to the personal and subject matter jurisdiction and disciplinary authority of the board as if the practice

privilege were a license and the individual were a licensee. An individual in violation of subdivision (e) or (f) shall, for a minimum of one year from the date the board learns there has been a violation of subdivision (e) or (f), not practice in this state and shall not have the possibility of reinstatement during that period. If the board determines that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years.

(h) The board shall require an individual who provides notice to the board pursuant to subdivision (f) to cease the practice of public accountancy in this state until the board provides the individual with written permission to resume the practice of public accountancy in this state.

(i) (1) An individual to whom, within the last seven years immediately preceding the date on which he or she wishes to practice in this state, any of the following criteria apply, shall notify the board, on a form prescribed by the board, and shall not practice public accountancy in this state pursuant to this section until the board provides the individual with written permission to do so:

(A) He or she has been the subject of any final disciplinary action by the licensing or disciplinary authority of any other jurisdiction with respect to any professional license or has any charges of professional misconduct pending against him or her in any other jurisdiction.

(B) He or she has had his or her license in another jurisdiction reinstated after a suspension or revocation of the license.

(C) He or she has been denied issuance or renewal of a professional license or certificate in any other jurisdiction for any reason other than an inadvertent administrative error.

(D) He or she has been convicted of a crime or is subject to pending criminal charges in any jurisdiction other than a minor traffic violation.

(E) He or she has otherwise acquired a disqualifying condition as described in subdivision (a) of Section 5096.2.

(2) An individual who fails to cease practice as required by subdivision (e) or who fails to provide the notice required by paragraph (1) shall be subject to the personal and subject matter jurisdiction and disciplinary authority of the board as if the practice privilege were a license and the individual were a licensee. An individual in violation of subdivision (e) or paragraph (1) shall, for a minimum of one year from the date the board knows there has been a violation of subdivision (e) or paragraph (1), not practice in this state and shall not have the possibility of reinstatement during that period. If the board determines that the failure to cease practice or provide the notice was intentional, that individual shall be prohibited from practicing in this state in the same manner as if a licensee has his or her practice privilege revoked and there shall be no possibility of reinstatement for a minimum of two years.

(j) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.1.

(a) Any individual, not a licensee of this state, who is engaged in any act which is the practice of public accountancy in this state, and who does not qualify to practice pursuant to the practice privilege described in Section 5096 and who has a license, certificate, or other authority to engage in the practice of public accountancy in any other state, regardless of whether active, inactive, suspended, or subject to renewal on payment of a fee or completion of an educational or ethics requirement, is:

(1) Deemed to be practicing public accountancy unlawfully in this state.

(2) Subject to the personal and subject matter jurisdiction and disciplinary authority of the board and the courts of this state to the same extent as a holder of a valid practice privilege.

(3) Deemed to have appointed the regulatory agency of the state that issued the individual's certificate or license as the individual's agent on whom notice, subpoenas, or other process may be served in any action or proceeding by the board against the individual.

(b) The board may revoke a practice privilege from any individual who has violated this section or implementing regulations or committed any act which would be grounds for discipline against the holder of a practice privilege.

(c) This section shall become operative on July 1, 2013.

(d) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.2.

(a) (1) Practice privileges may be revoked for any of the following reasons:

(A) If an individual no longer qualifies under, or complies with, the provisions of this article, including, but not limited to, Section 5096, or implementing regulations.

(B) If an individual commits any act that if committed by an applicant for licensure would be grounds for denial of a license under Section 480.

(C) If an individual commits any act that if committed by a licensee would be grounds for discipline under Section 5100.

(D) If an individual commits any act outside of this state that would be a violation if committed within this state.

(E) If an individual acquires at any time, while exercising the practice privilege, any disqualifying condition under paragraph (2).

(2) Disqualifying conditions include:

(A) Conviction of any crime other than a minor traffic violation.

(B) Revocation, suspension, denial, surrender, or other discipline or sanctions involving any license, permit, registration, certificate, or other authority to practice any profession in this or any other state or foreign country or to practice before any state, federal, or local court or agency, or the Public Company Accounting Oversight Board.

(C) Any judgment or arbitration award against the individual involving the professional conduct of the individual in the amount of thirty thousand dollars (\$30,000) or greater.

(D) Any other conditions as specified by the board in regulation.

- (3) The board may adopt regulations exempting specified minor occurrences of the conditions listed in subparagraph (B) of paragraph (2) from being disqualifying conditions under this subdivision.
- (b) The board may revoke practice privileges using either of the following procedures:
- (1) Notifying the individual in writing of all of the following:
 - (A) That the practice privilege is revoked.
 - (B) The reasons for revocation.
 - (C) The earliest date on which the individual may qualify for a practice privilege.
 - (D) That the individual has a right to appeal the notice and request a hearing under the provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) if a written notice of appeal and request for hearing is made within 60 days.
 - (E) That, if the individual does not submit a notice of appeal and request for hearing within 60 days, the board's action set forth in the notice shall become final.
 - (2) Filing a statement of issues under the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).
- (c) An individual whose practice privilege has been revoked may only subsequently exercise the practice privilege upon application to the board for reinstatement of the practice privilege not less than one year after the effective date of the notice or decision revoking the practice privilege, unless a longer time period is specified in the notice or decision revoking the practice privilege.
- (d) Holders of practice privileges are subject to suspension, citations, fines, or other disciplinary actions for any conduct that would be grounds for discipline against a licensee of the board or for any conduct in violation of this article or regulations adopted thereunder.
- (e) The board may recover its costs pursuant to Section 5107 as part of any disciplinary proceeding against the holder of a practice privilege.
- (f) The provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code), including, but not limited to, the commencement of a disciplinary proceeding by the filing of an accusation by the board, shall apply under this article.
- (g) If the board revokes or otherwise limits an individual's practice privilege, the board shall promptly notify the regulatory agency of the state or states in which the individual is licensed, and the United States Securities and Exchange Commission, the Public Company Accounting Oversight Board, and the National Association of State Boards of Accountancy.
- (h) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.4.

- (a) The right of an individual to practice in this state under a practice privilege may be administratively suspended at any time by an order issued by the board or its executive officer, without prior notice or hearing, for the purpose of conducting a disciplinary investigation, proceeding, or inquiry concerning the individual's competence or

qualifications to practice under practice privileges, failure to timely respond to a board inquiry or request for information or documents, or under other conditions and circumstances provided for by board regulation.

(b) The administrative suspension order is immediately effective when mailed to the individual's address of record or agent for notice and service as provided for in this article.

(c) The administrative suspension order shall contain the following:

(1) The reason for the suspension.

(2) A statement that the individual has the right, within 30 days, to appeal the administrative suspension order and request a hearing.

(3) A statement that any appeal hearing will be conducted under the provisions of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) applicable to individuals who are denied licensure, including the filing of a statement of issues by the board setting forth the reasons for the administrative suspension of practice privileges and specifying the statutes and rules with which the individual must show compliance by producing proof at the hearing and in addition any particular matters that have come to the attention of the board and that would authorize the administrative suspension, or the revocation of practice privileges.

(d) The burden is on the holder of the suspended practice privilege to establish both qualification and fitness to practice under practice privileges.

(e) The administrative suspension shall continue in effect until terminated by an order of the board or the executive officer.

(f) Administrative suspension is not discipline and shall not preclude any individual from applying for a license to practice public accountancy in this state.

(g) Proceedings to appeal an administrative suspension order may be combined or coordinated with proceedings for revocation or discipline of a practice privilege.

(h) This section shall become operative on July 1, 2013.

(i) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.5.

(a) Notwithstanding any other provision of this article, an individual may not sign any attest report pursuant to a practice privilege unless the individual meets the experience requirements of Section 5095.

(b) This section shall become operative on July 1, 2013.

(c) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.6.

(a) In addition to the authority otherwise provided for by this code, the board may delegate to the executive officer the authority to issue any notice or order provided for in this article and to act on behalf of the board, including, but not limited to, issuing an

interim suspension order, subject to the right of the individual to timely appeal and request a hearing as provided for in this article.

(b) This section shall become operative on July 1, 2013.

(c) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.7.

(a) Anywhere the term “license,” “licensee,” “permit,” or “certificate” is used in this chapter or Division 1.5 (commencing with Section 475), it shall include persons holding practice privileges under this article, unless otherwise inconsistent with the provisions of the article.

(b) Anywhere the term “employee” is used in this article it shall include, but is not limited to, partners, shareholders, and other owners.

(c) For purposes of this article, the term “license” includes certificate or permit.

(d) This section shall become operative on July 1, 2013.

(e) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.8.

In addition to the authority otherwise provided by this code, all investigative powers of the board, including those delegated to the executive officer, shall apply to investigations concerning compliance with, or actual or potential violations of, the provisions of this article or implementing regulations, including, but not limited to, the power to conduct investigations and hearings by the executive officer under Section 5103 and to issuance of subpoenas under Section 5108.

5096.9.

(a) The board is authorized to adopt regulations to implement, interpret, or make specific the provisions of this article.

(b) The board shall adopt emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) to establish policies, guidelines, and procedures to initially implement this article as it goes into effect on July 1, 2013. The adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, or general welfare. The emergency regulations shall be submitted to the Office of Administrative Law for filing with the Secretary of State in accordance with the Administrative Procedure Act.

5096.12.

(a) A certified public accounting firm that is authorized to practice in another state and that does not have an office in this state may engage in the practice of public accountancy in this state through the holder of a practice privilege provided that:

(1) The practice of public accountancy by the firm is limited to authorized practice by the holder of the practice privilege.

(2) A firm that engages in practice under this section is deemed to consent to the personal, subject matter, and disciplinary jurisdiction of the board with respect to any practice under this section.

(b) The board may revoke, suspend, issue a fine pursuant to Article 6.5 (commencing with Section 5116), issue a citation and fine pursuant to Section 125.9, or otherwise restrict or discipline the firm for any act that would be grounds for discipline against a holder of a practice privilege through which the firm practices.

(c) A firm that provides the services described in subdivision (d) of Section 5096 shall obtain a registration from the board.

(d) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.20.

(a) To ensure that Californians are protected from out-of-state licensees with disqualifying conditions who may unlawfully attempt to practice in this state under a practice privilege, prior to July 1, 2013, the board shall add an out-of-state licensee feature to its license lookup tab of the home page of its Internet Web site that allows consumers to obtain information about an individual whose principal place of business is not in this state and who seeks to exercise a practice privilege in this state, that is at least equal to the information that was available to consumers through its home page prior to January 1, 2013, through the practice privilege form previously filed by out-of-state licensees pursuant to Section 5096, as added by Chapter 921 of the Statutes of 2004, and the regulations adopted thereunder. At minimum, these features shall include all of the following:

(1) The ability of the consumer to search by name and state of licensure.

(2) The disclosure of information in the possession of the board, which the board is otherwise authorized to publicly disclose, about an individual exercising a practice privilege in this state, including, but not limited to, whether the board has taken action of any form against that individual and, if so, what the action was or is.

(3) A disclaimer that the consumer must click through prior to being referred to any other Internet Web site, which in plain language explains that the consumer is being referred to an Internet Web site that is maintained by a regulatory agency or other entity that is not affiliated with the board. This disclaimer shall include a link to relevant sections of this article that set forth disqualifying conditions, including, but not limited to, Section 5096.2.

(4) A statement in plain language that notifies consumers that they are permitted to file complaints against such individuals with the board.

(5) A link to the Internet Web site or sites that the board determines, in its discretion, provides the consumer the most complete and reliable information available about the individual's status as a licenseholder, permitholder, or certificate holder.

(6) If the board of another state does not maintain an Internet Web site that allows a consumer to obtain information about its licensees including, but not limited to, disciplinary history, and that information is not available through a link to an Internet Web site maintained by another entity, a link to contact information for that board, which contains a disclaimer in plain language that explains that the consumer is being referred

to a board that does not permit the consumer to obtain information, including, but not limited to, disciplinary history, about individuals through the Internet Web site, and that the out-of-state board is not affiliated with the board.

(b) The board shall biennially survey the Internet Web sites and disclosure policies of other boards to ensure that its disclaimers are accurate.

(c) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

5096.21.

(a) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.

(b) The board shall, at minimum, consider the following factors in making the determination required by subdivision (a):

(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.

(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

(c) Notwithstanding subdivision (a), if (1) the National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines, (2) the board, upon a majority vote at a regularly scheduled board meeting, issues a finding after a public hearing that those practices meet or exceed the board's own enforcement practices, (3) a state has in place and is operating pursuant to enforcement practices substantially equivalent to the best practices guidelines, and (4) disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the board to link consumers to an Internet Web site to obtain information at least equal to the information that was previously available to consumers through the practice privilege form filed by out-of-state licensees pursuant to former Section 5096, as added by Chapter 921 of the Statutes of 2004, no practice privilege form shall be required to be filed by any licensee of that state as required by subdivision (a), nor shall the board be required to report on that state to the Legislature as required by subdivision (d).

(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this

section no later than July 1, 2015. The board shall, prior to January 1, 2016, and thereafter as it deems appropriate, review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section.

(2) This subdivision shall become inoperative on July 1, 2017, pursuant to Section 10231.5 of the Government Code.

(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.

(f) On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:

(1) How the board has implemented this article and whether implementation is complete.

(2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.

(3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

(g) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

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**Attachment 2****Business and Professions Code Section 5000.1**

5000.1 –

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.



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MSG Item VI. **CBA Item X.A.6.**
November 20, 2014 November 20-21, 2014

Discussion Regarding the Mobility Stakeholder Group Annual Report

Presented by: Matthew Stanley, Manager, Examination and Practice Privilege Units
Date: October 15, 2014

Purpose of the Item

The purpose of this agenda item is to discuss the topics or items to be included in the Mobility Stakeholder Group's (MSG) Annual Report.

Action(s) Needed

The MSG will be asked to identify topics and items it wishes to include in its Annual Report to the California Board of Accountancy (CBA).

Background

At its March 2014 meeting, the MSG decided that it would prepare an annual report for presentation to the CBA. It is anticipated that the MSG will review and approve its first Annual Report at its March 2015 meeting.

Comments

The Annual Report will cover all activities during 2014. The following topics are being proposed for consideration for inclusion in the MSG Annual Report:

- Message from the Chair (this portion would be prepared in direct consultation with the Chair)
- Background of Mobility
- MSG Responsibilities
- MSG Members
- Legislative and Regulatory Changes to Mobility
- Statistics for the Mobility program
- Meetings and Activities
- Future Considerations for 2015

The MSG may wish to accept, alter, or add to these suggestions, or provide other direction to staff for the preparation of the Annual Report.

Discussion Regarding the Mobility Stakeholder Group Annual Report

Page 2 of 2

Fiscal/Economic Impact Considerations

There is no fiscal or economic impact as this item merely establishes the topics for the MSG Annual Report.

Recommendation

Staff recommend approving the suggested topics including any additional topics identified by the MSG.

Attachment

None.



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MSG Item VII. **CBA Item X.A.7.**
November 20, 2014 November 20-21, 2014

Discussion Regarding Proposed Agenda Items for the Next MSG Meeting

Presented by: Matthew Stanley, Manager, Examination and Practice Privilege Units
Date: October 15, 2014

Purpose of the Item

The purpose of this agenda item is to establish the items that will be included on the next agenda for the Mobility Stakeholder Group (MSG).

Action(s) Needed

The MSG will be asked to identify topics it wishes to discuss at its next meeting.

Background

As the MSG is intended to be representative of "stakeholders of the accounting profession in this state, including consumers," it may wish to set its future agenda during its meetings in order that all public input may be considered when deciding how best to proceed.

Comments

Staff propose the following topics for consideration when determining the agenda for the next MSG meeting:

- A review of the remaining consumer protection provisions
- Review and approval of the MSG Annual Report
- An update on Licensing and Enforcement Division statistics for mobility if the statistics begin to deviate in a manner that appears to warrant further consideration.
- A review of the answers to the survey of other state boards of accountancy

The MSG may wish to accept, alter, or add to these suggestions based on the direction in which it wishes to proceed.

Fiscal/Economic Impact Considerations

There is no fiscal or economic impact as this item merely establishes the agenda items for the next meeting.

Recommendation

None.

Attachment

None.



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CPC Item II.
November 20-21, 2014

CBA Item X.B.2.
November 20-21, 2014

Review of the CPA License Renewal Requirements, Including Continuing Education and Timeline of Recent Changes

Presented by: Dominic Franzella, Licensing Chief

Date: September 30, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an overview of license renewal requirements, including continuing education (CE), for certified public accountants (CPA) and public accountants (PA).

Action(s) Needed

No specific action is required on this agenda item unless the CBA decides further changes to the CE requirements are needed.

Background

Earlier this year a member requested that the CBA review its CE requirements to assess whether the requirements were overly prescriptive.

Comments

Individuals seeking to renew their license in an active status must complete a minimum of 80 hours of qualifying CE.¹ In addition to completing and submitting the license renewal application and renewal fee, licensees are now required to report peer review compliance information at the time of license renewal. Further, individuals renewing in an active status who were either not fingerprinted at the time of licensure or where no record exists within the Department of Justice database are now required to submit fingerprints as a condition of license renewal. The **attachment** provides the CBA in-depth information regarding the CE and license renewal requirements.

Periodically, the CBA evaluates the CE requirements, with the last two in-depth reviews occurring in 2008 and 2012. In 2008, the CBA established a taskforce to evaluate the ethics requirement (previously called Professional Conduct and Ethics or PC&E). As a result of this evaluation, changes were designed to ensure licensees received more frequent exposure to ethics education while continuing to receive exposure to the California Accountancy Act and CBA Regulations and maintaining exposure and

¹ The 80-hour requirement is for all licensees with the exception of a new licensee and a licensee that underwent a status conversion during the two-year period immediately preceding license expiration. These groups are required to document 20 hours of qualifying CE in the appropriate subject matter for each full six-month period of active licensure.

Review of the CPA License Renewal Requirements, Including Continuing Education and Timeline of Recent Changes

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competency throughout the license renewal period by completing a minimum yearly CE requirement. These changes took effect January 2010.

In 2012, the CBA again looked at the CE requirements. This time, the primary focus was on provider requirements and program measurement as they related to qualifying CE. In addition, the CBA also took steps to modify its requirement associated with the biennial fraud CE.² These changes took effect in January 2014.

A timeline of the recent CE and license renewal changes are provided below.

2010 CE Changes

- Four hours of ethics education must be completed every two years if renewing in an active status.
- A two-hour Board-approved Regulatory Review course must be completed every six years. (The Board-approved PC&E course was discontinued.)
- To renew a license from an inactive to active status, as part of the required 80 hours of CE, a minimum of 20 hours of CE must be completed in the one-year period immediately preceding the time of license renewal, including a minimum of 12 hours in technical subject matter.
- To convert a license from an inactive to active status, a minimum of 20 hours of CE must be completed in the one-year period immediately preceding the time of status conversion, including a minimum of 12 hours in technical subject matter.

2012 CE Changes

- To renew a license in an active status, as part of the required 80 hours of CE, a minimum of 20 hours of CE, including a minimum of 12 hours in technical subject matter, must be completed in each year of the two-year license renewal period. This requirement is commonly referred to as the 20/12 CE requirement.

2014 CE and License Renewal Changes

- The required fraud hours were reduced from eight to four and the course subject area was expanded to include the topic of prevention.
- Peer Review information must be reported at the time of license renewal. Reporting of peer review information is required of all licensees including those not subject to peer review or renewing in an inactive status.

² If subject to the Government Auditing and Accounting & Auditing CE requirement, four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements must be completed.

Review of the CPA License Renewal Requirements, Including Continuing Education and Timeline of Recent Changes

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- Licensees renewing in an active status who were not fingerprinted at the time of initial licensure or where no record exists in the Department of Justice database must submit fingerprints as a condition of license renewal.
- Several changes were adopted associated with provider requirements and CE program measurements. These changes were adopted to more closely align California's CE requirements with national standards adopted by the National Association of State Boards of Accountancy and American Institute of Certified Public Accountants. Additionally, changes were made to improve the overall clarity of CE requirements.

The regulatory changes annotated above were implemented to support the CBA's mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. The CE requirements have been developed to ensure practitioners have a current and sufficient level of professional education, exposure to ethics and fraud as it pertains to professional conduct, and the laws and rules governing the practice in California.

To ensure individuals were informed of these CE and license renewal changes, the CBA initiated an outreach that included UPDATE articles, mass mailings, informational website materials, and updates to the licensing renewal handbook.

Fiscal/Economic Impact Considerations

None.

Recommendation

In conjunction with the CBA's mission to protect consumers, the CBA instituted requirements such as increased exposure to ethics, dedicated regulatory review, and yearly minimum CE requirements. These changes ensure licensees possess a currency of knowledge throughout the entirety of the biennial license period and exhibit the highest level of professional conduct. Further, with several changes to the CE and license renewal requirements occurring over the past few years, it seems appropriate to allow licensees time to become sufficiently acclimated with the changes. Therefore, staff recommends that no additional changes to the CE requirements be made at this time.

Attachment

Continuing Education and License Renewal Requirements

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**Attachment**

**CONTINUING EDUCATION AND LICENSE RENEWAL REQUIREMENTS
AS OF
JANUARY 1, 2014**

Continuing Education

As part of the 80-hour requirement, a licensee renewing active must complete continuing education (CE) in specified subject areas. As described below, the CBA currently maintains seven subject area requirements: (1) 50/50 Requirement, (2) Ethics Education, (3) Governmental Auditing, (4) Accounting and Auditing, (5) Fraud, (6) Regulatory Review, and (7) 20/12 Requirement. All licensees are required to meet the 50/50 requirement; however, the remaining subject area requirements are based on either work performed during the two-year period immediately preceding license expiration, or by order of law. If a licensee is required to complete Governmental Auditing, Accounting and Auditing, Fraud, or Regulatory Review, the hours completed are part of the 80-hour requirement and not in addition to the requirement.

1. 50/50 Requirement

The underlying purpose of the 50/50 requirement is to maintain or enhance the technical skills and knowledge of a licensee. Therefore, a licensee renewing in an active status must complete a minimum of 40 hours of CE (50 percent) in technical subject areas. Technical subjects include accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in section 87(b) of the CBA Regulations, Regulatory Review as defined in section 87.8 of the CBA Regulations, computer and information technology (except 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.

Conversely, a licensee may claim no more than 40 hours of CE (50 percent) in non-technical subject areas. The following are considered non-technical subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, and office, practice, and personnel management.

2. Ethics Education

A licensee must complete four hours of ethics education as part of the required 80 hours of CE. The course must pertain 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

The four hours of ethics education may be taken as a single course or as a combination of courses totaling four hours. The course must also be a minimum of at least one 50-minute class hour in length.

3. Governmental Auditing

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency during the two-year period immediately preceding license expiration must complete 24 hours of CE in governmental accounting, auditing, or related subjects. To fulfill the Governmental Auditing CE requirement, a licensee must complete CE in the following related subjects: those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations and 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.

4. Accounting and Auditing (A&A)

Similar to the Governmental Auditing requirement, a licensee that engages in the planning, directing, approving or performing of substantial portions of the work, or reporting on an audit, review, compilation, or attestation service of a non-governmental agency during the two-year period immediately preceding license expiration must complete 24 hours of A&A CE.¹ To fulfill the A&A CE requirement, course subject matter must pertain 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. It should be noted that a licensee who fulfills the Governmental Auditing CE requirement is deemed to have met the A&A CE requirement.

5. Fraud

A licensee subject to the Governmental Auditing or A&A CE requirement must, in addition to the 24-hour requirement, complete four hours of Fraud CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements.

¹ 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.

6. *Regulatory Review*

Each six-year period (three renewals), a licensee is required to complete a Regulatory Review course. This course provides information on the provisions of the current Accountancy Act and CBA Regulations. All courses are a minimum of two hours. This is the only area of CE that a licensee must choose from a CBA pre-approved course list. The course can be taken prior to its due date and the regulatory due date will be updated accordingly by staff to establish a new six-year due date.

7. *20/12 Requirement*

Licensees renewing a license in an active status must complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours in technical subject matter.

For example: For a license set to expire on January 31, 2015 a licensee must complete a minimum of 20 hours of CE, with 12 hours in technical subject matter, between February 1, 2013 through January 31, 2014. In addition, a minimum of 20 hours of CE, with 12 hours in technical subject matter, must be completed between February 1, 2014 through January 31, 2015.

Peer Review Reporting

The initial peer review reporting requirement was phased-in over a three-year period. The phase-in period required licensees to report based on their license number not their license renewal date. Licensees are now required to report to the CBA peer review information as required on the Peer Review Reporting form (commonly known as PR-1) at the time of license renewal. The PR-1 Form is included with the license renewal package and must be completed and submitted with the license renewal application. Licensees must report to the CBA even if they are not subject to peer review or renewing in an inactive status.

Fingerprinting

Licensees renewing in an active license status who either have not been previously fingerprinted as a condition of licensure, or for whom no electronic fingerprint record exists in the Department of Justice's criminal offender record identification database, are required to submit fingerprints for state and federal clearance as a condition of license renewal. Licensees subject to the fingerprint requirement will receive a notification from the CBA approximately 90 days prior to his/her license expiration date. Licensees actively serving in the United States military are exempt from this requirement.

New Licensees or Licensees who Recently Converted to Active Status

New licensees, or licensees that recently converted a license to an active status, will most likely have a pro-rated CE requirement, which requires the licensee to complete less than 80 hours of CE. Licensees are required to complete 20 hours of CE for

each full six-month interval from the date the license was issued or converted to active status to the license expiration date. This method is used to calculate the total CE hours; it does not require that 20 hours of CE be completed within each six-month period. If the license period is less than six months, no CE is required to renew the license.



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EPOC Item II.
November 20, 2014

CBA Item X.C.2.
November 20-21, 2014

Consideration of Proposed Legislative Language to Allow the CBA to Restrict a License Outside of Probation

Presented by: Vincent Johnston, Manager, Enforcement Division
Date: November 5, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an opportunity to discuss pursuing legislation to provide the CBA and Administrative Law Judges (ALJ) the statutory authority to impose permanent practice restrictions as part of a final disciplinary order.

Action(s) Needed

The CBA will be asked to decide whether to pursue the proposed legislation (**Attachment 1**) to allow the CBA to restrict a license outside of probation in the 2015 legislative year.

Background

Business and Professions Code (BPC) section 5100 (**Attachment 3**) states, in pertinent part, "After notice and hearing the board may revoke, suspend, or refuse to renew any permit or certificate..., or may censure the holder of that permit or certificate for unprofessional conduct..." In reaching a decision on disciplinary matters the CBA and ALJs rely upon the CBA Manual of Disciplinary Guidelines and Model Disciplinary Orders, which allows for the imposition of practice restrictions upon a licensee as a condition of probation, but does not currently allow for such restrictions outside of probation.

Comments

Under current law an ALJ does not have the authority to include permanent practice restrictions as part of a proposed decision. The CBA may only impose practice restrictions beyond the probationary term when specifically agreed to by the licensee via a stipulated settlement. When circumstances warrant a permanent restriction from performing certain types of engagements or practicing in certain specialty areas and the licensee is unwilling to agree to such terms via a stipulated settlement, the only recourse is for the CBA to seek revocation of the license through an Administrative Hearing.

Consideration of Proposed Legislative Language to Allow the CBA to Restrict a License Outside of Probation

Page 2 of 2

Staff is proposing that the CBA consider legislation to add BPC section 5100.5 to allow the CBA and ALJs to include permanent practice restrictions as part of a proposed decision. Such a law would provide an additional tool for consumer protection while still permitting the licensee to retain a license to practice in areas where competency is not compromised.

If the CBA approves the proposed language, staff will begin the legislative process and will request that the language be included in the 2015 omnibus bill. If that request is denied, staff will then seek an author to carry the legislation for the CBA.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommend that the CBA approve the proposed language and direct staff to initiate the legislative process.

Attachments

1. Proposed Legislative Language
2. Business and Professions Code section 5051
3. Business and Professions Code section 5100

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**Attachment 1****Proposed Legislative Language****5100.5 Permanent License Restriction**

(a) After notice and hearing the board may, for unprofessional conduct, permanently restrict or limit the practice of a licensee or impose a probationary term or condition on a license, which prohibits the licensee from performing or engaging in any of the acts or services described in Section 5051. Unprofessional conduct shall include, but not be limited to, those grounds for discipline or denial listed in Section 5100. A practice restriction may include, but not be limited to, the prohibition on engaging in or performing any attestation engagement, audits or compilations.

(b) A licensee may petition the board pursuant to Section 5115 for reduction of penalty or reinstatement of the privilege to engage in the service or act restricted or limited by the board.

(c) The authority or sanctions provided by this section are in addition to any other civil, criminal, and administrative penalties or sanctions provided by law, and do not supplant, but are cumulative to, other disciplinary authority, penalties or sanctions.

(d) Failure to comply with any restriction or limitation imposed by the board pursuant to this section is grounds for revocation of the license.



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Attachment 2

Business and Professions Code

5051. Practice of Public Accountancy.

Except as provided in Sections 5052 and 5053, a person shall be deemed to be engaged in the practice of public accountancy within the meaning and intent of this chapter if he or she does any of the following:

- (a) Holds himself or herself out to the public in any manner as one skilled in the knowledge, science, and practice of accounting, and as qualified and ready to render professional service therein as a public accountant for compensation.
- (b) Maintains an office for the transaction of business as a public accountant.
- (c) Offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an audit, examination, verification, investigation, certification, presentation, or review of financial transactions and accounting records.
- (d) Prepares or certifies for clients reports on audits or examinations of books or records of account, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports that are to be used for publication, for the purpose of obtaining credit, for filing with a court of law or with any governmental agency, or for any other purpose.
- (e) In general or as an incident to that work, renders professional services to clients for compensation in any or all matters relating to accounting procedure and to the recording, presentation, or certification of financial information or data.
- (f) Keeps books, makes trial balances, or prepares statements, makes audits, or prepares reports, all as a part of bookkeeping operations for clients.
- (g) Prepares or signs, as the tax preparer, tax returns for clients.
- (h) Prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans.
- (i) Provides management consulting services to clients.

The activities set forth in subdivisions (f) to (i), inclusive, are "public accountancy" only when performed by a certified public accountant or public accountant, as defined in this chapter.

A person is not engaged in the practice of public accountancy if the only services he or she engages in are those defined by subdivisions (f) to (i), inclusive, and he or she does not hold himself or herself out, solicit, or advertise for clients using the certified public

accountant or public accountant designation. A person is not holding himself or herself out, soliciting, or advertising for clients within the meaning of this section solely by reason of displaying a CPA or PA certificate in his or her office or identifying himself or herself as a CPA or PA on other than signs, advertisements, letterhead, business cards, publications directed to clients or potential clients, or financial or tax documents of a client.

(Amended by Stats. 1998, Ch. 485, Sec. 3. Effective January 1, 1999.)



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Attachment 3

Business and Professions Code

5100. Revocation or Suspension of Permit or Certificate; Refusal to Renew; Censure of Holder; Grounds

After notice and hearing the board may revoke, suspend, or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct that includes, but is not limited to, one or any combination of the following causes:

- (a) Conviction of any crime substantially related to the qualifications, functions and duties of a certified public accountant or a public accountant.
- (b) A violation of Section 478, 498, or 499 dealing with false statements or omissions in the application for a license, in obtaining a certificate as a certified public accountant, in obtaining registration under this chapter, or in obtaining a permit to practice public accountancy under this chapter.
- (c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in the same or different engagements, for the same or different clients, or any combination of engagements or clients, each resulting in a violation of applicable professional standards that indicate a lack of competency in the practice of public accountancy or in the performance of the bookkeeping operations described in Section 5052.
- (d) Cancellation, revocation, or suspension of a certificate or other authority to practice as a certified public accountant or a public accountant, refusal to renew the certificate or other authority to practice as a certified public accountant or a public accountant, or any other discipline by any other state or foreign country.
- (e) Violation of Section 5097.
- (f) Violation of Section 5120.
- (g) Willful violation of this chapter or any rule or regulation promulgated by the board under the authority granted under this chapter.
- (h) Suspension or revocation of the right to practice before any governmental body or agency.
- (i) Fiscal dishonesty or breach of fiduciary responsibility of any kind.
- (j) Knowing preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information.
- (k) Embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses.
- (l) The imposition of any discipline, penalty, or sanction on a registered public accounting firm or any associated person of such firm, or both, or on any other holder of a permit, certificate, license, or other authority to practice in this state, by the Public

Company Accounting Oversight Board or the United States Securities and Exchange Commission, or their designees under the Sarbanes-Oxley Act of 2002 or other federal legislation.

(m) Unlawfully engaging in the practice of public accountancy in another state.



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LC Item II.
November 20-21, 2014

CBA Item X.D.2.
November 20-21, 2014

**Consideration of Legislative Proposal to Amend Business and Professions Code
Section 5070.1 Regarding Retired Status**

Presented by: Dominic Franzella, Licensing Chief

Date: October 13, 2014

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with legislative language to clarify restoration requirements for a retired status license.

Action(s) Needed

The CBA will be asked to decide whether to pursue the proposed legislative change.

Background

In 2011, the CBA sponsored Assembly Bill 431 (Chapter 395, Statutes of 2011), which contained language authorizing the CBA, at its discretion, to create a retired status for certified public accountant and public accountant licenses. In 2012, the CBA supported Senate Bill 1576 (Chapter 661, Statutes of 2012)¹, which included a provision that allowed an individual who had a canceled license to apply for and obtain a retired status license provided they met the minimum requirements. The CBA adopted regulations to implement the retired status, which were approved by the Office of Administrative Law on October 16, 2013, with the regulations taking effect on July 1, 2014.

Comments

The enabling legislation that created the retired status was relatively permissive in nature and provided the CBA the authority to establish minimum qualifications to have a license placed in a retired status and minimum standards for restoring a license from retired status to active status. The restoration requirements established by the CBA included: paying a restoration fee of \$75 and completing 80 hours of qualifying continuing education (with at least 20 hours, of which 12 must be in technical subject areas, in the year immediately preceding restoration).

The inclusion of legislative language to allow an individual with a canceled license to have it placed in retired status was to offset the fact that for several years a licensee previously had only two main options if he/she no longer wished to renew the license:

¹ SB 1576 was authored by the Senate Business, Profession and Economic Development Committee as one of its omnibus bills.

Consideration of Legislative Proposal to Amend Business and Professions Code Section 5070.1 Regarding Retired Status

Page 2 of 2

(1) allow the license to expire and eventually cancel or (2) voluntarily surrender the license.

Recently, the CBA received a request to have a canceled license placed in a retired status, with the understanding that the individual then wished to have the license restored to an active status. After reviewing the applicable code sections, staff informed the individual that it could facilitate the request to have the license placed in a retired status, but that it could not then restore the license to an active status. Staff based this interpretation on the following two Business and Professions Code (BPC) sections: 5070.1 (**Attachment 1**) and 5070.7 (**Attachment 2**).

BPC section 5070.1(d)(1) allows an individual with a canceled license to apply to have his/her license placed in a retired status. Section 5070.7(a) clearly states that a canceled license may not be renewed, restored, or reinstated thereafter. When analyzing the two sections together, staff determined that while section 5070.1 clearly allows for a canceled license to be placed into in a retired status, section 5070.7 clearly indicates that a canceled license cannot be restored, reissued, or reinstated.

The CBA did not intend to supersede BPC section 5070.7 related to a canceled license when it sponsored and supported legislation authorizing the establishment of the retired status. Therefore, to remove any possible ambiguity presently associated with this issue, staff proposes adding language clarifying that an individual who has a canceled license placed in retired status is not authorized to then have the license restored to an active status, which would circumvent BPC section 5070.7. Staff has provided proposed language in **Attachment 3**.

If the CBA approves the proposed language, staff will begin the legislative process and will request that the language be included in the 2015 omnibus bill. If that request is denied, staff will then seek an author to carry the legislation for the CBA.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommends that the CBA approve the proposed language and direct staff to pursue the proposed legislative change.

Attachment

1. Business and Professions Code Section 5070.1 – Retired Status
2. Business and Professions Code Section 5070.7 – Failure to Renew Within Five Years; Reinstatement
3. Proposed Legislative Language to Amend Business and Professions Code Section 5070.1 – Retired Status

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**Attachment 1****Business and Professions Code Section 5070.1 – Retired Status**

- (a) The board may establish, by regulation, a system for the placement of a license into 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 in a retired status shall engage in any activity for which a permit is required.
- (c) The board shall deny an applicant's application to place a license in a retired status if the permit is subject to an outstanding order of the board, is suspended, revoked, or otherwise punitively restricted by the board, or is subject to disciplinary action under this chapter.
- (d) (1) The holder of a license that was canceled pursuant to Section 5070.7 may apply for the placement of that license in a retired status pursuant to subdivision (a).
- (2) Upon approval of an application made pursuant to paragraph (1), the board shall reissue that license in a retired status.
- (3) The holder of a canceled license that was placed in retired status between January 1, 1994, and January 1, 1999, inclusive, shall not be required to meet the qualifications established pursuant to subdivision (e), but shall be subject to all other requirements of this section.
- (e) The board shall establish minimum qualifications to place a license in retired status.
- (f) The board may exempt the holder of a license in a retired status 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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**Attachment 2****Business and Professions Code Section 5070.7 – Failure to Renew Within Five Years; Reinstatement**

- (a) A permit that is not renewed within five years following its expiration may not be renewed, restored, or reinstated thereafter, and the certificate of the holder of the permit shall be canceled immediately upon expiration of the five-year period, except as provided in subdivision (e).
- (b) A partnership or corporation whose certificate has been canceled by operation of this section may obtain a new certificate and permit only if it again meets the requirements set forth in this chapter relating to registration and pays the registration fee and initial permit fee.
- (c) A certified public accountant whose certificate is canceled by operation of this section may apply for and obtain a new certificate and permit if the applicant:
- (1) Is not subject to denial of a certificate and permit under Section 480.
 - (2) Pays all of the fees that would be required of him or her if he or she were then applying for the certificate and permit for the first time.
 - (3) Takes and passes the examination which would be required of him or her if he or she were then applying for the certificate for the first time. The examination may be waived in any case in which the applicant establishes to the satisfaction of the board that, with due regard for the public interest, he or she is qualified to engage in practice as a certified public accountant.
- (d) The board may, by appropriate regulation, provide for the waiver or refund of all or any part of the application fee in those cases in which a certificate is issued without an examination under this section.
- (e) Revoked permits may not be renewed, but may be reinstated by the board, without regard to the length of time that has elapsed since the permit was revoked, and with conditions and restrictions as the board shall determine.



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LC Item II.
November 20, 2014

CBA Item X.D.2.
November 20-21, 2014

Attachment 3

REVISED

Proposed Legislative Language to Amend Business and Professions Code Section 5070.1 – Retired Status

- (a) The board may establish, by regulation, a system for the placement of a license into 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 in a retired status shall engage in any activity for which a permit is required.
- (c) The board shall deny an applicant's application to place a license in a retired status if the permit is subject to an outstanding order of the board, is suspended, revoked, or otherwise punitively restricted by the board, or is subject to disciplinary action under this chapter.
- (d) (1) The holder of a license that was canceled pursuant to Section 5070.7 may apply for the placement of that license in a retired status pursuant to subdivision (a).
(2) Upon approval of an application made pursuant to paragraph (1), the board shall reissue that license in a retired status.
- (3) The holder of a canceled license that was placed in retired status between January 1, 1994, and January 1, 1999, inclusive, shall not be required to meet the qualifications established pursuant to subdivision (e), but shall be subject to all other requirements of this section.
- (e) The board shall establish minimum qualifications to place a license in retired status.
- (f) The board may exempt the holder of a license in a retired status 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. The board shall not restore to active or inactive status a license that was previously canceled and then placed into a retired status pursuant to subdivision (d).



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SPC Item I.

November 20, 2014

CBA Item X.E.2.

November 20-21, 2014

Update on the Progress of the 2013-2015 Strategic Plan Goals and Objectives

Presented by: Deanne Pearce, Assistant Executive Officer

Date: October 16, 2014

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an update regarding the progress of the 2013-2015 Strategic Plan Goals and Objectives.

Action Needed

No action is needed on this item.

Background

The CBA adopted its 2013-2015 Strategic Plan (Plan) in September 2012. The Plan contains seven goals and 28 objectives that cover the areas of enforcement, customer service, licensing, outreach, laws and regulations, emerging technologies, and organizational effectiveness.

Beginning in 2013, staff began development on project outlines to identify all tasks associated with achieving the respective objective.

Comments

Provided on the **Attachment** is an update on each objective of the Plan. Three objectives have been completed. Six objectives are categorized as "ongoing" as the activities associated with the objective have been completed, but will continue. Two of the objectives relate to the transition to the BreEZe system and will likely not be completed during 2015. The remaining objectives reference "in process," and a description is provided regarding the status, with a majority of these being near completion.

Fiscal/Economic Impact

None.

Recommendation

None.

Attachment

Update on Status of CBA 2013-2015 Strategic Plan

Update on Status of CBA 2013-2015 Strategic Plan

GOAL 1: Enforcement	
Maintain an active, effective, and efficient program to maximize consumer protection.	
Objective	Status
1.1 Continue to interface with other regulatory agencies to assist with the CBA's enforcement responsibilities.	Ongoing. The CBA has evaluated the various accounting regulatory agencies with which the CBA Enforcement Division currently interfaces and continues to work collaboratively with those agencies on enforcement matters to further ensure consumer protection.
1.2 Expand fieldwork of CBA investigators.	In Process. The CBA recently received authority to hire six new Investigative CPAs. Recruitment is underway and once positions are filled, training will commence and steps taken to increase fieldwork, including the ability to more quickly gather necessary evidence in investigations.
1.3 Increase licensees' awareness of the consequences of unprofessional conduct.	Achieved. The CBA has included numerous articles in the UPDATE publication, in the "At a Glance" column focused on making licensees aware of the consequences of unprofessional conduct as well as other common topics relevant to licensees. Recent topics include highlighting enforcement cases, identifying the top causes for discipline, and commissions. Although this objective has been "achieved" this is an ongoing outreach method that will continue in the CBA's UPDATE publication and via the CBA website.
1.4 Reduce internal CBA investigative timeframes and work collaboratively with the Office of the Attorney General to both reduce timeframes and improve the overall process.	In Process. The CBA has made huge strides towards decreasing internal investigative timeframes. The strategies used for reducing the internal timeframes are highlighted in the CBA's Sunset Review Report. Once all options for internal streamlining had been implemented, the CBA secured additional enforcement staffing to assist in reducing the inventory of pending investigations as well as expanding fieldwork of the ICPAs. The CBA has been working collaboratively with the AG's Office and has implemented internal changes that will assist in reducing the overall timeframes.
1.5 Continue to educate licensees on their due process rights.	In Process. The CBA has conducted research from other boards to determine what, if any, resources they provide to their licensees regarding due process. The CBA anticipates compiling an UPDATE article in 2015 regarding this topic as well as post information to the CBA website under the "Licensee" tab.
1.6 Ensure licensees are complying with mandatory Peer Review requirements.	In Process. The CBA has completed outreach to educate licensees regarding the peer review process. The CBA is now in the process of ensuring licensees are adhering to the various peer review requirements by ensuring all licensees are reporting as required, conducting audits of peer review forms, investigating instances where a substandard peer review report was issued, and incorporating peer review reporting into the overall investigative process.

GOAL 2 – Customer Service
 Deliver the highest level of customer service.

Objective	Status
2.1 Continue to respond to all inquiries within a reasonable timeframe.	Ongoing. In addressing this objective, the CBA had each Division develop a project outline to identify steps to ensure inquiries are responded to within a reasonable timeframe. This has included monitoring call volume and voicemail messages, reviewing responses to emails, and tracking correspondence and subsequent replies. Knowing that timely responses are key to ensuring the CBA provides excellent service, a question is included on the Stakeholder Satisfaction Survey. Responses indicate that more than 90 percent are satisfied with the CBA's response timeframe.
2.2 Maintain a high level of professionalism when following procedures and interacting with stakeholders.	In Process. As with objective 2.1, the CBA strives to provide excellent service to all stakeholders and in doing so ensures that staff maintain a high level of professionalism. To date, staff have reviewed and updated various communications to more clearly communicate information. Management also continuously emphasizes professionalism and customer service in unit meetings. Going forward, we have identified the need to update the CBA's policy regarding written and telephonic communications as well as streamlining staff voicemail and out-of-office email messages.
2.3 Continue to provide responses to customer service feedback.	Ongoing. Responses to the Stakeholder Survey are reviewed on a routine basis. Comments directed to a specific unit or division are provided to the specific manager. Comments that include contact information are regularly followed-up on to ensure the stakeholder received/receives the necessary assistance.

GOAL 3: Licensing

Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.

Objective	Status
3.1 Maintain reasonable timeframes for processing license renewals.	Ongoing. The CBA has implemented internal improvements on processing license renewal applications timely. Part of the renewal process includes the review of the continuing education worksheet as well as ensuring the peer review reporting form is complete and the licensee has completed the required fingerprinting (if necessary). Although internal improvements have been made, management continues to monitor and will implement further changes as necessary.
3.2 Implement a new practice privilege program following the passage of Senate Bill 1405.	Achieved. The CBA has implemented the new program.
3.3 Implement the new educational requirements for CPA licensure beginning January 1, 2014, which include 30 units of education in the areas of accounting and ethics study, as well as address any transition issues.	Achieved. The CBA has implemented the new requirements.

GOAL 4: Outreach

Provide and maintain effective and timely outreach to all CBA stakeholders.

Objective	Status
4.1 Continue to conduct educational workshops in various regions of the State and focuses on relevant issues and key messages.	Ongoing. This is an ongoing objective. The CBA continues to make presentations, hold workshops, and educate stakeholders throughout California as the opportunity arises. The CBA held its most recent educational workshop in September 2014 discussing the new educational requirements for CPA licensure. An additional workshop is scheduled for November 2014.
4.2 Maintain a communication plan that increases and prioritizes outreach efforts.	Ongoing. This is an ongoing objective. Staff have created and the CBA has approved the 2013-15 Communications and Outreach Plan. Updates on the various activities associated with the Communications and Outreach Plan are provided at each CBA Meeting.
4.3 Address Board members' and staff's ability to have more flexibility to provide outreach and education to stakeholders.	In process. This is an ongoing objective. Staff assist in arranging outreach and speaking engagements. Staff continue to work with the Department, Agency, and the Governor's Office in making out-of-state travel requests. The CBA recently received approval for CBA President to attend the NASBA Annual Meeting in November 2014.
4.4 Continue to leverage emerging technologies to reach consumers and licensees with relevant issues and key messages.	Ongoing. This is an ongoing objective. Staff have added LinkedIn and Pinterest accounts for the CBA in addition to the existing Facebook and Twitter accounts. Staff regularly monitor and post to these accounts.

GOAL 5: Laws and Regulations

Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.

Objective	Status
5.1 Increase the CBA's visibility and reputation with the Legislature.	In process. This is an ongoing objective. Staff regularly communicate the CBA's positions to the Legislature through letters, meetings, and phone calls. In addition, staff set up meetings for the Executive Officer and CBA members who wish to meet and greet Business and Professions Committee members and other members of the Legislature.
5.2 Promote the CBA's position on legislation and public policy consistent with the CBA's goals and objectives.	In process. This is an ongoing objective. Staff regularly communicate the CBA's positions to the Legislature through letters, meetings, testimony, and phone calls. Staff recently created Legislative Communications Best Practices guidelines to further enhance communication with the Legislature.
5.3 Increase liaison communications with other agencies that impact the CBA's objectives, and provide reports regarding the communications at future CBA meetings (e.g., FTB, DCA, SCO, SEC, and IRS).	In process. Working with outside agencies is an ongoing process. The CBA regularly communicates with IRS and SEC regarding enforcement matters. The CBA has recently begun collaborating with SCO regarding ways to assist each other with providing various outreach.

GOAL 6: Emerging Technologies Improve efficiency and information security through use of existing and emerging technologies.	
Objective	Status
6.1 Apply best practices to safeguard the confidentiality, integrity, and, when appropriate, availability of CBA's information assets.	In process. IT staff have replaced firewalls with updated equipment and are in the process of replacing or upgrading servers as needed.
6.2 Prepare for transition to document imaging.	In process. This objective will begin when the transition to the BreEZe system is complete.
6.3 Provide the option for an online application process for licensure and license renewal, and accepting credit card payments.	In process. This objective will be completed when the CBA transitions to the BreEZe system.
6.4 Continue to transition the CBA's website to the standards of the State Portal's architecture and functionality.	In process. Staff have begun the initial steps to prepare for a smooth transition.
6.5 Maintain a secure and relevant website that provides enhanced interactive features.	In process. Ensuring security and relevance of the website is a continuous process.
6.6 Continue to enhance technology to improve customer service.	In process. IT staff have already updated the CBA's internet connection to increase capacity, performance, and reliability. In addition, webcasts may now be viewed on a mobile device. Other changes are still in progress.
6.7 Execute an option for delivering agenda materials electronically when appropriate.	In process. Staff have begun the process of determining the viability of electronic delivery of agenda materials and various methods for doing so while ensuring security of confidential information.

GOAL 7: Organizational Effectiveness Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.	
Objective	Status
7.1 Maintain management and staff succession plans.	In process. Staff have begun making revisions to the CBA's Workforce and Succession Plan. It will be presented to the CBA in 2015.
7.2 Include CBA and committee succession information within the CBA's Guidelines and Procedure Manual and continue to communicate and encourage participation to those who are qualified.	In process. Staff have begun the process of revising the CBA's Guidelines and Procedures Manual and will include this information. The Guidelines and Procedures Manual will be presented to the CBA in 2015. Additionally, staff created a handbook regarding participation as a committee member on the various statutory committees. The Handbook provides an overview of the committee, the members' role, and the appointment process.



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CBA Item XI.A.
 November 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE
July 24, 2014
CBA MEETING

Tsakopoulos Library Galleria
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 Telephone: (916) 264-2920

Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 11:58 a.m. on Thursday, July 24, 2014 at the Tsakopoulos Library Galleria. The meeting convened into closed session at 2:59 p.m. and recessed at 3:24 p.m. President Savoy reconvened the open meeting from 3:28 p.m. to 4:15 p.m. at which time closed session was reconvened at 4:19 p.m. The meeting adjourned following closed session at 4:47 p.m.

CBA Members

July 24, 2014

Michael Savoy, President	11:58 a.m. to 4:47 p.m.
Jose Campos, Vice President	11:58 a.m. to 4:47 p.m.
Katrina Salazar, Secretary-Treasurer	11:58 a.m. to 4:47 p.m.
Sarah (Sally) Anderson	11:58 a.m. to 4:47 p.m.
Diana Bell	11:58 a.m. to 4:47 p.m.
Alicia Berhow	11:58 a.m. to 4:47 p.m.
Herschel Elkins	11:58 a.m. to 4:47 p.m.
Laurence (Larry) Kaplan	11:58 a.m. to 4:47 p.m.
Louise Kirkbride	Absent
Kay Ko	12:00 p.m. to 4:47 p.m.
Leslie LaManna	11:58 a.m. to 4:47 p.m.
K.T. Leung	11:58 a.m. to 4:47 p.m.
Manuel Ramirez	11:59 a.m. to 4:47 p.m.
Mark Silverman	11:58 a.m. to 4:47 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Emmanuel Estacio, Information Technology Staff
Dominic Franzella, Chief, Licensing Division
Lauren Hersh, Information and Planning Manager
Rafael Ixta, Chief, Enforcement Division
Vincent Johnston, Enforcement Manager
Nicholas Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Schiedge, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Regulation and Legislation Coordinator

Committee Chairs and Members

Jeffrey DeLyser, Vice-Chair, Enforcement Advisory Committee (EAC)
Robert Lee, Chair, Peer Review Oversight Committee (PROC)

Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)
Marc Aprea, Aprea & Micheli
Ken Bishop, President and CEO, National Association of State Boards of Accountancy (NASBA)
Maria Caldwell, NASBA
Kimberly Chen, Legislative Aide to Assembly Member Phillip Ting
Jason Fox, CalCPA
Christine Lally, Deputy Director, Board and Bureau Relations, Department of Consumer Affairs (DCA)
Marcie Larson, Administrative Law Judge, Office of Administrative Hearings
Kasey O'Connor, CalCPA
Pilar Oñate-Quintana, KP Public Affairs
Joseph Petito, The Accountants Coalition
Jon Ross, KP Public Affairs
Brandon Rutchmann, BreEZe Project Director, DCA
Hal Schultz, CalCPA

- I. Report of the President.
 - A. Resolution for Retiring Qualifications Committee Member Fausto Hinojosa.

It was moved by Ms. Berhow, seconded by Mr. Campos and unanimously carried by those present to approve the resolution for retiring Qualifications Committee member Fausto Hinojosa.

B. DCA Director's Report.

Ms. Lally was present on behalf of Director Awet Kidane and introduced Mr. Rutchmann, who is the BreEZe Project Manager

1. Update on BreEZe.

Mr. Rutchmann provided an overview of the BreEZe Project. Mr. Ruchmann stated that after Release 1 of the project, staff identified various lessons learned and challenges, including the design methodology, organizational change management and designation of project resources. He further stated that the project is currently half way through with the design process of Release 2 and staff will be exploring restructuring the boards/bureaus included in Release 3.

C. Discussion Regarding the Draft Sunset Review Report.

Mr. Stanley provided an overview of this item. Mr. Stanley stated that CBA members could provide comments or revisions regarding the report through August 1, 2014.

Mr. Campos provided the following suggestions:

- Section 1 – Include when new licensees were required to be fingerprinted
- Section 5 – Provide an explanation that the increase in complaints is due to proactive consumer protection measures implemented by the CBA
- Section 9 – When necessary, incorporate processes impacting timeframes that are out of the CBA's control
- Section 11 – Incorporate mobility and enforcement guidelines as additional reasons why the CBA's participation in national organizations is critical.

Mr. Elkins suggested that the CBA include a statement that some of the discipline performance issues are due to factors outside of the CBA's control.

II. Report of the Vice President.

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee (EAC).

There was no report on this item.

B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee (QC).

There was no report on this item.

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this item.

III. Report of the Secretary/Treasurer.

- A. Discussion of Governor's Budget.

There was no report on this item.

IV. Report of the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.

- A. Enforcement Advisory Committee (EAC).

- 1. Report of the July 10, 2014 EAC Meeting.

- Mr. DeLyser reported that the EAC reviewed eight open investigations and held four investigative hearings.

- B. Qualifications Committee (QC).

There was no report on this item.

- C. Peer Review Oversight Committee (PROC).

There was no report on this item.

V. Report of the Executive Officer (EO).

- A. Update on the Relocation of the CBA's Principal Office.

- Ms. Bowers reported that lease negotiations are underway and additional information will be provided as it becomes available.

- B. Update on Staffing.

There was no report on this item.

- C. Update on the CBA 2013–2015 Communications and Outreach Plan (Written Report Only).

- Mr. Ramirez inquired about the CBA's current relationship with the press.

Ms. Hersh stated that press' interest in the CBA is very limited, as many media outlets have withdrawn from Sacramento.

VI. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item.

Mr. Savoy stated that he received an email from a California State University Professor, which included information that students may be having issues with completing the new educational requirements.

Mr. Franzella stated that staff was looking into the issue and would provide the CBA more information.

Mr. Schultz stated that he believes that the universities should be encouraged to design programs that satisfy the new educational requirements.

Ms. Bowers complimented the Licensing Division for being proactive with reaching out to examination candidates regarding educational deficiencies.

VII. Report of the Enforcement Chief.

A. Report on Enforcement Division Activity.

Mr. Ixta provided an overview of this item. He stated that the Enforcement Division has received 3,255 complaints in Fiscal Year (FY) 2013-2014 and 2,969 cases were assigned for investigation. He noted that 74 days was the average days to close cases. Mr. Ixta reported that 74 cases were referred to the Attorney General's Office (AG) resulting in 95 cases still pending. Mr. Ixta further noted that since the last report, 23 licensees have reported their peer review information and currently 642 licensees still need to report.

VIII. Regulations.

A. Discussion and Possible Action to Issue a Notice of Decision Not to Proceed with Rulemakings Regarding Section 98 – Disciplinary Guidelines and Model Orders and Section 19 – Practice Privilege Notification of Pending Criminal Charges Form.

It was moved by Mr. Campos, seconded by Mr. Leung, and unanimously carried by those present to:

- **Rescind the prior motion and direct staff to take all steps**

necessary to complete the rulemaking process to amend section 98 of Title 16 of the California Code of Regulations (CCR) and the Disciplinary Guidelines

- **Rescind the prior motion and take all steps necessary to complete the rulemaking process to incorporate by reference its Practice Privilege Notification of Pending Criminal Charges form in section 19 of Title 16 of the CCR**
- **Recommend that staff file corresponding Notices of Decision Not to Proceed with the office of Administrative Law (OAL)**

- B. Discussion and Possible Action to Initiate Rulemaking Regarding CBA Regulations Section 98 – Disciplinary Guidelines and Model Orders and Section 19 – Practice Privilege Notification of Pending Criminal Charges Form.

It was moved by Mr. Elkins, seconded by Mr. Ramirez, and unanimously carried by those present to direct staff to take all steps necessary to initiate the formal rulemaking to amend CCR, Title 16, section 98 and the Disciplinary Guidelines 9th edition, which are incorporated by reference, and authorize the Executive Officer to make any non-substantive changes to the rulemaking package. If no adverse comments are received during the 45-day comment period and no hearing is requested, authorize the Executive Officer to adopt the proposed regulation at CCR, Title 16, section 98 as filed with the OAL.

It was moved by Mr. Elkins, seconded by Ms. Bell and unanimously carried by those present to direct staff to take all the steps necessary to initiate the formal rulemaking to amend CCR, Title 16, section 19 and incorporate by reference the Practice Privilege Notification of Pending Criminal Charges form, and authorize the Executive Officer to make any non-substantive changes to the rulemaking package. If no adverse comments are received during the 45-day comment period and no hearing is requested, authorize the Executive Officer to adopt the proposed regulation at CCR, Title 16, section 19 as filed with the OAL.

Mr. Campos requested that staff provide the CBA with information regarding the processing issue, to ensure the error does not reoccur.

- IX. Petition Hearings.

- A. Cristian Gonzalez – Reduction of Penalty.

The CBA heard Mr. Gonzalez’s petition for reduction of penalty.

- X. Closed Session. Pursuant to Government Code Section 11126(c)(3), the

CBA Convened Into Closed Session to Deliberate of Disciplinary Matters (Petition for Reduction of Penalty).

XI. Committee/Group Reports.

A. Legislative Committee (LC).

1. Report of the July 24, 2014 LC Meeting.
2. Update on Legislation on Which the CBA Has Taken a Position (AB 186, AB 1702, AB 2058, AB 2396, AB 2415, AB 2720, SB 176, SB 1159, and SB 1467).

Mr. Kaplan reported that the LC was not recommending any change in position to AB 186, AB 1702, AB 2058, AB 2396, AB 2720, and SB 176.

Mr. Kaplan noted AB 2415 has seen ongoing discussion between the author and various stakeholders. Mr. Kaplan reported that Ms. Chen, from Assembly member Ting's office, provided the draft amendments and information on the progress of the discussions with stakeholders. Mr. Kaplan further stated that CalCPA also testified that they have agreed to the amendments and would remove their opposition, if the amendments were incorporated into the bill.

Mr. Campos stated that he was compelled that Los Angeles County already has a registration requirement. He further stated that due to the need of transparency, the CBA may not want to take an oppose position.

Mr. Aprea provided information regarding the Los Angeles County Property Tax Ordinance, which became effective on July 1, 2014. He stated that of the 1,100 registrants, 400 were surveyed and determined that approximately 15 percent were working in accounting firms.

Ms. Chen stated that Assembly member Ting requests that the CBA take a neutral position on AB 2415, as they have reached an agreement with stakeholders and the bill was currently being amended.

Mr. Ramirez stated that he believes the CBA has been clear about its position of CPAs being excluded from the bill. He stated that property taxes and representation by accountants has existed since 1796 and has been regulated by the CBA since 1901. Mr. Ramirez stated that in 2011 the California Alliance of Tax Agents began an effort to establish a title act to establish this new profession. He questioned

why CPAs would be included, as they are already regulated by the CBA and the additional fee would mean CPAs are paying twice for the same service. He stated that the bill would be bad for consumers, as they currently have the right to hire anyone they want to reduce their property taxes. Lastly, he stated that he recommended that the CBA maintain its previous position of oppose unless amended to exclude CPAs.

It was moved by Mr. Kaplan, seconded by Mr. Ramirez and carried by those present to accept the LC's recommendation to continue with its "Oppose unless amended" position on AB 2415 to exclude CPAs and to direct staff to send letters stating such to the Senate and Governor when appropriate. Mr. Campos voted against the LC's recommendation.

Mr. Kaplan stated that SB 1159 has not changed significantly since the CBA took a "Watch" position in May and the LC took no action on this bill, maintaining the CBA's "Watch" position.

Mr. Kaplan informed the CBA that the annual omnibus bill, SB 1467, includes a new provision affecting the CBA. The new provision removes a requirement that two CBA members represent small firms and eliminates the definition of small firms from the law, which provides the Governor with greater flexibility when making appointments to the CBA. Mr. Kaplan further stated that the LC took no action on this bill, maintaining the CBA's "Support" position.

3. Consideration of Positions on Newly Introduced Legislation.

a. SB 1243 – Professions and Vocations.

Mr. Kaplan stated that SB 1243 addresses issues that were a part of the Department of Consumer Affairs' 2014 sunset review. It contains six provisions which may affect the CBA.

- It would require boards to provide meeting notices by email, mail or both at the option of those that request it. In addition, a statement of intent to webcast must be included on the public notice.
- Current law allows the CBA and other entities to disconnect phone service to those who advertise unlicensed activity in the phone book and who fail to comply with a cease and desist order. This bill will change this law to include any form of advertising.
- DCA would be required to develop and offer enforcement training to enforcement employees at least once per year.
- DCA would be required to conduct a study of the efficiency

and cost-effectiveness of its pro rata system.

- The DCA annual report to the Governor was revised to add detail regarding programs under DCA. This may require the CBA to provide DCA with more information if it is not already in DCA's possession.
- DCA would be required to develop a board member mentor program through which experienced board members would mentor a new board member from a different board.

It was moved by Mr. Kaplan, seconded by Ms. Salazar, and unanimously carried by those present to accept the LC's recommendation to take a "Watch" position on SB 1243.

4. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

There was no report on this item.

B. Committee on Professional Conduct (CPC).

1. Report of the July 24, 2014 CPC Meeting.
2. Discussion Regarding the Study of California's Attest Experience Requirement.

Mr. Campos reported that representatives of CPS HR Consulting, Michael DeSousa, Geoff Burcaw, and Arnold Schuler attended the CPC meeting and will be working with the CPC and staff on California's study of the attest experience requirement. Mr. Campos stated that the CPC explored three topics and made decisions to guide CPS HR Consulting as they begin to develop questions and statements for the study.

Mr. Campos reported that the CPC adopted a general unifying question to aid in guiding the study. Specifically, Mr. Campos stated the agreed upon question as:

- Is the present attest experience requirement necessary and sufficient to support the CBA mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with professional standards?

Mr. Campos also noted that the CPC finalized a group of audiences and various topics/areas of consideration which it originally adopted in May. He noted that two additional groups were added, specifically university accounting programs and professors and experienced CPAs. Lastly, Mr. Campos noted that the CPC accepted staff's

recommendations of the scope of the consumer audience related to consumers, with a slight change from “Agencies that rely on CPA attest work products” to “Agencies and consumers that rely on CPA attest work products.”

It was moved by Ms. Salazar, seconded by Mr. Elkins, and unanimously carried by those present to accept the CPC’s recommendation to adopt the stated unifying question, added university accounting programs and professors, and experienced CPAs as audiences, and defined the scope of the consumer audience as supplied by staff with the slight modification on the second bullet point to read “agencies and consumers that rely on the CPA attest work products.”

It is anticipated that CPS HR Consulting will return to the CPC in September with initial questions, methodologies, and population and sample size information.

C. Mobility Stakeholder Group.

1. Report on the July 23, 2014 MSG Meeting.
2. Overview of the MSG Decision Matrix – A Summary of Previous Decisions Made by the MSG.

Ms. Salazar reported that an updated MSG decision matrix would be provided as a written report only at each meeting.

3. Overview and Comparison of the Prior and Current California Practice Privilege Laws.

Ms. Salazar reported that staff provided a summary of the similarities and differences between the prior practice privilege law and the current law. She noted that some of the major differences include the no notice and no fee provisions in the current law, the increased out-of-state firm registration requirements, the various reports to the Legislature and other stakeholders, and the increased prescription of the CBA website.

4. Overview of the Consumer Protection Provisions of the California Practice Privilege Law (Article 5.1 of Chapter 1 of Division 3 of the Business and Professions Code (BPC)) and Proposed Timeline for Future Discussions.

Ms. Salazar reported that staff provided an overview of the consumer protection provisions of the mobility law. She noted that the provisions include qualifications, pre-notification, rules regarding

cessation of practice, administrative suspensions, disciplinary actions, out-of-state accounting firm registrations, improvements to the CBA website, and the functions of the MSG. She further noted that the MSG will be reviewing the provisions in more detail over its next two meetings in order to fulfill its charge to consider whether the provisions of the mobility law are consistent with the CBA's duty to protect the public.

5. Overview of the Implementation of the Current California Practice Privilege Law.

Ms. Salazar noted that staff provided the MSG with an overview of how the mobility law has been implemented. The implementation resulted in modifications to the CBA's Practice Privilege database, development of several new forms, a new registration for out-of-state firms was initiated, enforcement processes were modified, and the practice privilege and license lookup portion of the website was overhauled. Ms. Salazar noted that staff provided a walkthrough of the website including the License Lookup for out-of-state licensees, SEC and PCAOB discipline information, various disclaimers required by the law, where consumers can file a complaint, and links to CPAverify and other state boards' of accountancy websites.

6. Overview of Practice Privilege/Mobility Provisions in Other States/Jurisdictions.

Ms. Salazar reported that a chart was prepared by staff that provides the MSG with a summary of the mobility provisions of other state boards of accountancy.

7. Overview and Discussion Regarding Survey of Other States' Practice Privilege/Mobility Provisions to Obtain Information Necessary for Reporting Under BPC 5096.21(d).

Ms. Salazar reported that the MSG was informed of the survey that was approved by the CBA at its May 2014 meeting, which includes some questions that were developed as a direct result of the MSG's request for information.

It was moved by Mr. Campos, seconded by Mr. Ramirez, and unanimously carried by those present to allow staff flexibility in the timing of the survey, in order to allow NASBA to complete its work interviewing other states regarding their enforcement practices, while keeping in mind the ultimate deadline for preparing the report to the Legislature.

8. Discussion Regarding Stakeholder Objectives Pursuant to BPC Section 5096.1(e).

Ms. Salazar reported that the MSG developed two stakeholder objectives and requested that the MSG have the opportunity, at each meeting, to add and revise objectives as needed.

- The first objective was to help licensees know and understand their self-reporting requirements in other states where they are licensed and/or practicing.
- The second objective was to assure the CBA that all states have adequate enforcement.

9. Discussion Regarding Proposed Agenda Items for Next Meeting.

Ms. Salazar noted that for its next meeting in November, the MSG will be discussing the following topics:

- The results of the survey of the other state boards of accountancy
- An in-depth review of consumer protection provisions of the mobility law, discussing stakeholder objectives
- Reviewing the latest licensing, enforcement, and website usage statistics for mobility
- A summary of states that do not provide full data to ALD
- The NASBA Enforcement Guidelines

XII. Acceptance of Minutes

A. Draft Minutes of the May 29-30, 2014 CBA Meeting.

It was moved by Mr. Campos, seconded by Ms. Berhow and carried by those present to accept the draft the minutes of the May 29-30, 2014 meeting, with the amendment of “stat” to “state” on page 19555, section VIII.A.3.c. Ms. Salazar, Mr. Elkins, and Mr. Ramirez abstained.

B. Minutes of the March 20, 2014 CPC Meeting.

C. Minutes of the March 20, 2014 EPOC Meeting.

D. Minutes of the March 20, 2014 LC Meeting.

E. Minutes of the January 30, 2014 EAC Meeting.

F. Minutes of the January 31, 2014 PROC Meeting.

G. Minutes of the January 22, 2014 QC Meeting.

It was moved by Mr. Campos, seconded by Mr. Savoy, and carried by those present to accept the minutes of agenda items XII.B. – XII.G. Ms. Salazar, Mr. Elkins, and Mr. Ramirez abstained.

XIII. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

There was no report on this item.

B. National Association of State Boards of Accountancy (NASBA).

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force.

There was no report on this item.

C. Nominations for NASBA Board of Directors.

There was no report on this item.

XIV. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

Mr. Savoy requested a discussion take place regarding the upcoming CBA board vacancies.

C. Press Release Focus.

Ms. Hersh suggested the study regarding attest experience requirement as the topic for the Press Release Focus.

XV. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, Reconsideration of Board's Decision, and Decision after Non-Adoption).

President Savoy adjourned the meeting at 4:47 p.m. on Thursday, July 24, 2014.

_____ Michael M. Savoy, CPA, President

_____ Katrina Salazar, CPA,
Secretary-Treasurer

Corey Riordan, 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
 CALIFORNIA BOARD OF ACCOUNTANCY
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CBA Item XI.B.
 November 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE
September 18-19, 2014
CBA MEETING

Declan Suites San Diego
 701 A Street
 San Diego, CA 92101
 Telephone: (619) 696-9800
 Fax: (619) 696-9898

Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 9:51 a.m. on Thursday, September 18, 2014 at the Declan Suites San Diego. The meeting convened into closed session at 3:52 p.m. and recessed at 4:24 p.m. President Savoy reconvened the open meeting on September 19, 2014 from 9:01 a.m. to 10:38 a.m. at which time closed session was reconvened. The meeting adjourned following closed session at 10:59 a.m.

CBA Members

September 18, 2014

Michael Savoy, President	9:51 a.m. to 4:24 p.m.
Jose Campos, Vice President	9:51 a.m. to 4:24 p.m.
Katrina Salazar, Secretary-Treasurer	9:51 a.m. to 4:24 p.m.
Sarah (Sally) Anderson	Absent
Diana Bell	9:51 a.m. to 4:24 p.m.
Alicia Berhow	9:51 a.m. to 4:24 p.m.
Herschel Elkins	9:51 a.m. to 4:24 p.m.
Laurence (Larry) Kaplan	9:51 a.m. to 4:24 p.m.
Louise Kirkbride	Absent
Kay Ko	9:51 a.m. to 4:24 p.m.
Leslie LaManna	9:51 a.m. to 4:24 p.m.
K.T. Leung	9:51 a.m. to 4:24 p.m.
Manuel Ramirez	9:51 a.m. to 4:24 p.m.
Mark Silverman	9:51 a.m. to 4:24 p.m.

CBA Members

September 19, 2014

Michael Savoy, President	9:01 a.m. to 10:59 a.m.
Jose Campos, Vice President	9:01 a.m. to 10:59 a.m.
Katrina Salazar, Secretary-Treasurer	9:01 a.m. to 10:59 a.m.
Sarah (Sally) Anderson	Absent
Diana Bell	9:01 a.m. to 10:59 a.m.
Alicia Berhow	9:01 a.m. to 10:59 a.m.
Herschel Elkins	9:01 a.m. to 10:59 a.m.
Laurence (Larry) Kaplan	Absent
Louise Kirkbride	Absent
Kay Ko	9:01 a.m. to 10:59 a.m.
Leslie LaManna	9:01 a.m. to 10:59 a.m.
K.T. Leung	9:20 a.m. to 10:59 a.m.
Manuel Ramirez	9:01 a.m. to 10:59 a.m.
Mark Silverman	9:01 a.m. to 10:59 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Dominic Franzella, Chief, Licensing Division
Lauren Hersh, Information and Planning Manager
Rafael Ixta, Chief, Enforcement Division
Vincent Johnston, Enforcement Manager
Nicholas Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)
Jenny Sheldon, Enforcement Manager
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Regulation and Legislation Coordinator

Committee Chairs and Members

Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)
Robert Lee, Chair, Peer Review Oversight Committee (PROC)
Robert Ruehl, Vice-Chair, Qualifications Committee (QC)

Other Participants

Ruben Davila
Jason Fox, CalCPA
David Greenberg, Petitioner
Roy Hewitt, Administrative Law Judge, Office of Administrative Hearings
Pilar Oñate-Quintana, KP Public Affairs
Joseph Petito, The Accountants Coalition

Jon Ross, KP Public Affairs

I. Report of the President.

- A. Resolution for Retiring Qualifications Committee Members Maurice Eckley, Alan Lee, and Kristina Mapes.
- B. Resolution for Retiring Enforcement Advisory Committee Member Cheryl Gerhardt.

It was moved by Mr. Campos, seconded by Mr. Ramirez and unanimously carried by those present to approve the resolutions for retiring Qualifications Committee members Maurice Eckley, Alan Lee, and Kristina Mapes and retiring Enforcement Advisory Committee member Cheryl Gerhardt.

C. Announcement Regarding Annual Officer Elections.

President Savoy announced that the annual officer elections will be held at the November CBA meeting. Mr. Savoy stated that any member interested in a leadership position should submit a statement of qualifications to CBA staff.

D. Announcement of CBA Leadership Award of Excellence.

Mr. Savoy announced that the recipients of the CBA Leadership Award of Excellence are Terri Dobson, Personnel Analyst and Matthew Stanley, Regulation and Legislation Coordinator.

E. Discussion Regarding the Draft Peer Review Report to the Legislature.

Mr. Stanley provided an overview of the Peer Review Report. Members provided several suggestions, including:

- Expand the graph on page 14 to highlight those that previously had a peer review preformed and include pass with deficiencies
- Expand the graph on page 15 to change “corrective actions ordered” to “passed with deficiency with corrective actions ordered, modify the total to be consistent with the graph on page 14
- Identify that the numbers on the graphs on page 14 and 15 are firm deficiencies
- Provide information regarding current actions the CBA takes to verify that individuals/firms are properly reporting whether they are subject to peer review
- Clarify the survey results in the last paragraph of page 15
- Emphasize the CBA’s recommendation that the peer review report is an important consumer protection at the beginning of the report

- Expand the conclusion

F. Discussion and Approval of the CBA's Sunset Review Report.

Ms. Bowers presented the CBA's Sunset Review Report. She noted that the recommended changes provided by the CBA were incorporated.

It was moved by Mr. Ramirez, seconded by Ms. Bell, and unanimously carried by those present to approve the Sunset Review Report and delegate Ms. Bowers with the authority to make any formatting and wording changes and correct the data on page 30-31.

G. Discussion Regarding What Criminal Convictions are Substantially Related to the Profession.

Ms. Schieldge and Mr. Sonne provided an overview of the history, legislative framework, and definition of crimes that are substantially related to the profession.

H. Discussion Regarding Compelling Physical and Mental Evaluations of Licensees or Applicants.

Mr. Johnston provided an overview of this agenda item.

Ms. Berhow inquired how the CBA would determine when an examination is necessary.

Ms. Bowers stated that CBA may compel an examination if a situation was brought to staff's attention that may affect the licensee's ability to practice.

Mr. Ramirez expressed his concern about including physical illness, as he does not see how it could affect a licensee's practice of accountancy. He stated he would be inclined to exclude physical evaluations.

It was moved by Mr. Elkins, seconded by Ms. Berhow, and carried by those present to allow staff to further investigate the possibility of the CBA compelling mental and physical evaluations and determine which committee to assign the topic to, in the future. Mr. Campos voted against the motion.

II. Report of the Vice President.

A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee (EAC).

It was moved by Mr. Elkins, seconded by Ms. Berhow, and

unanimously carried by those present to reappoint Joseph Buniva to the EAC for a two-year term effective October 1, 2014.

- B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee (QC).

There was no report on this item.

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this item.

- D. Report on Activities Regarding CBA and Committee Recruitment/Vacancies.

Mr. Campos stated that the CBA has various recruitment activities to solicit interest in the CBA and committees including articles in its publication UPDATE, advisements on various social media outlets, information in CalCPA communications, and direct letters to qualified licensees.

III. Report of the Secretary/Treasurer.

- A. Discussion of Governor's Budget.

- B. Fiscal Year 2013-2014 Year End Financial Statement.

Ms. Salazar provided an overview of the 2013-2014 Year End Financial Statement. She stated that the fiscal year (FY) 2014-2015 budget is currently set at \$13,413,000. Ms. Salazar stated that in FY 2013-2014 the CBA collected \$10.3 million in total receipts. She noted staff has submitted revenue projections to be included in the Governor's Budget for FY 2014-2015 and FY 2015-2016. The revenue projections of \$5,432,000 represent a reduction of about \$4.87 million from FY 2013-2014 due to the temporary two-year fee reductions. Lastly, Ms. Salazar stated that the expenditures outpaced revenues by \$1.2 million and the CBA ended the year with approximately \$14.2 million in the Reserve.

Mr. Ramirez inquired that how subsequent fiscal years result a reduction in the reserve, if the fee levels return to the original amounts and the CBA receives repayment of \$6 million from the general fund loan.

Ms. Salazar stated that the numbers are very conservative as the revenues do not include fines and penalties and the expenditures provide a generous increase.

Mr. Ramirez stated that the numbers substantiate that the CBA should

maintain the reduced fee levels.

Ms. Bowers stated that an agenda item regarding fee levels is scheduled for the November meeting.

Mr. Ng stated that the fund condition statement had formula errors in the prior year expenditure and the months in reserve, however the total fund balance is accurate. He further stated that the data was used in Section 3 of the Sunset Review Report and staff will correct these errors prior to the issuance of the report to the legislature.

IV. Report of the Executive Officer (EO).

A. Update on the Relocation of the CBA's Office.

Ms. Bowers stated that the CBA is undergoing lease negotiations and anticipates releasing the location at the November 2014 or January 2015 CBA meeting.

B. Update of Staffing.

Ms. Bowers announced that the CBA is recruiting for a new Exam Licensing manager, as Jenny Sheldon, accepted a manager position in Enforcement. She also noted that the Enforcement Chief, Rafael Ixta, will be retiring and the CBA is actively recruiting for the position.

Ms. Bell acknowledged Ms. Bowers for developing and coaching staff within the CBA.

C. Comments Regarding the American Institute of Certified Public Accountants (AICPA) Exposure Draft Regarding Breach of an Independence Interpretation, Proposed Interpretation of the AICPA Professional Ethics Division.

Mr. Fisher provided an overview of this agenda item. He stated that the exposure draft will have an impact on the auditor independence rules, which are a cornerstone of the profession. Mr. Fisher stated that the proposed new interpretation would allow the member's firm to not have to resign from the attest engagement. He further stated that staff have determined that the proposed changes would not have a direct impact on California's rules and regulations, but does impact the professional standards regarding independence.

Mr. Ramirez expressed his concern regarding consumer protection and suggested the comment letter state our concern and indicated more information may be needed in order for the CBA to provide additional comments.

Mr. Campos stated that the evaluation of independence has become complicated over the years. He stated that he believes that the revisions may be trying to provide some relief regarding some minor things that would not necessarily have an impact on the decisions that individuals are trying to make. He further stated that the stringent requirements do not grant much relief as currently the questions are either yes or no in regards to independence.

Ms. Bowers stated that she could contact AICPA requesting a representative attend the November CBA meeting.

Ms. Savoy suggested that the representative provide a presentation to the Committee on Professional Conduct.

It was moved by Mr. Elkins, seconded by Mr. Leung and unanimously carried by those present to direct staff to prepare a comment letter to the AICPA stating the CBA's concerns on consumer protection and authorize Mr. Savoy to approve the letter.

- D. Update on Legislation on Which the CBA Has Taken a Position (AB 186, AB 1702, AB 2058, AB 2396, AB 2415, AB 2720, SB 176, SB 1159, SB 1243, and SB 1467) and Additional Legislation Identified Since the CBA's July 2014 Meeting (SB 1226).

Mr. Stanley provided an overview on this item. He stated that SB 1467 and SB 1243 have been signed and are effective January 1, 2014.

Mr. Stanley stated that staff recommends maintaining the current positions on AB 1702, 2058, 2396, 2415, and 2720. He stated that SB 176 failed passage and is dead for the year. Mr. Stanley further noted that AB 186 was amended in such a way that it no longer affects the CBA, and staff recommends that the CBA discontinue following the bill. Mr. Stanley stated that staff recommends a neutral position on SB 1159, as it has no effect on consumer protection and was amended in such a way that addressed the CBA's previous concerns.

Mr. Ramirez stated that AB 2415 is currently on the Governor's desk and requested that the CBA find an author to carve out CPA's from the bill.

It was moved by Mr. Kaplan, seconded by Ms. Berhow, and carried by those present to adopt a "Neutral" position on SB 1159.

Ms. LaManna opposed and Mr. Elkins abstained.

Lastly, Mr. Stanley stated that SB 1226 was significantly amended and now affects the CBA. He stated that the bill would require all Department of Consumer Affairs boards and bureaus to expedite, and may assist, the initial licensure process for an applicant who supplies evidence that he or

she has served as an active duty member of the armed forces and was honorably discharged.

It was moved by Ms. LaManna, seconded by Ms. Berhow, and unanimously carried by those present to adopt a “Support” position on SB 1226.

- E. Update on the CBA 2013-2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

V. Regulations.

- A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37 – Continuing Education for Licensure With Experience Obtained Five Years or More Prior to Application or With a Cancelled License.

Mr. Stanley read the following statement regarding the regulation hearing into the record:

“Good morning. 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 Board’s requirements pertaining to continuing education for licensure with experience obtained five years or more prior to application or with a cancelled license.

On behalf of the Board and its staff, I'd like to welcome you. My name is Matthew Stanley and I serve as the Board’s Regulation Coordinator. I will preside over this hearing on behalf of the Board and the Department.

The California Board of Accountancy is contemplating this action pursuant to the authority vested by Sections 5010, 5018, 5092, 5093, and 5095 of the Business and Professions Code, authorizing the Board 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 September 18, 2014 and the time is approximately 1:05 p.m. Our hearing is being held at the Declan Suites San Diego, 701 A St., San Diego, 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 board’s Web site and upon request by other members of the public. Copies

of the proposed regulations are available.

If the Board has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The Board shall be provided and shall consider all written comments received up until 5:00 p.m., September 8, 2014. 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 in the order determined by recognition from 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 Board an opportunity to address your comments directly when the Board 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.”

No public comments were received.

Mr. Stanley adjourned the regulation hearing at 1:08 p.m.

- B. Discussion and Possible Action to Adopt or Amend CBA Regulation Sections 12, 12.5, and 37 – Continuing Education for Licensure with Experience Obtained Five Years or More Prior to Application or With a Cancelled License.

Mr. Stanley stated that staff have identified additional amendments for CBA

consideration. He stated that staff are proposing that the language related to the 12-hour technical subject matter requirement be eliminated, as sections 12, 12.5 and 37 contain a provision that of the 80 hours a minimum of 40 hours be completed in technical subject matter. Additionally, Mr. Stanley stated staff are proposing to incorporate references that the CE must meet the requirements as described in CBA Regulations section 88, which defines what programs qualify for CE.

It was moved by Mr. Ramirez, seconded by Mr. Leung, and unanimously carried by those present to 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.

VI. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item. He stated that staff have completed 800 advisory reviews of the new educational requirements and has seen an increase in individuals qualifying under the new requirement. He stated that approximately 150 retired status applications have been processed since July 1, 2014. Mr. Franzella further noted that the top deficiency of license renewals is the peer review reporting form, whether it is failing to submit the form, submitting an incomplete form, or submitting an incorrectly filed form. Lastly, Mr. Franzella expressed his appreciation to CalCPA, Jason Fox, Mr. Savoy, and CBA staff for their participation in the collaborative Outreach event with CalCPA at the University of San Diego.

VII. Report of the Enforcement Chief.

A. Report on Enforcement Division Activity.

Mr. Ixta provided an overview of this item. He stated that the Enforcement Division has received 463 complaints in FY 2014-2015 and 337 cases were assigned for investigation. He noted that 307 cases were closed and 858 cases are pending. Mr. Ixta stated that Enforcement staff is currently interviewing for seven Investigative CPA positions. Mr. Ixta reported that 24 cases were referred to the Attorney General's Office (AG) resulting in 107 cases still pending. Mr. Ixta further noted that since the last report, nine licensees have reported their peer review information and currently 633 licensees still need to report. Lastly, Mr. Ixta stated that fingerprinting will be handled by the Enforcement Division.

Mr. Ramirez stated that the CBA needs to be cognizant to reduce Enforcement staff, as the number of peer review cases decrease. He also expressed his appreciation for Mr. Ixta and his staff for all their hard work.

VIII. Report of the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.

A. Enforcement Advisory Committee (EAC).

1. Approval of the 2015 EAC Meeting Dates.

It was moved by Mr. Ramirez, seconded by Ms. Berhow, and unanimously carried by those present to approve the 2015 EAC meeting dates. Ms. Salazar and Mr. Campos were temporarily absent.

B. Qualifications Committee (QC).

1. Report of the July 30, 2014 QC Meeting.

Mr. Ruehl reported that 12 interviews, three personal appearances, and nine Section 69 reviews were conducted. Mr. Ruehl stated that the QC approved one personal appearance and six Section 69 reviews and deferred the remaining cases.

2. Approval of the 2015 QC Meeting Dates.

It was moved by Mr. Ramirez, seconded by Ms. Berhow, and unanimously carried by those present to approve the 2015 QC meeting dates. Ms. Salazar and Mr. Campos were temporarily absent.

C. Peer Review Oversight Committee (PROC).

1. Report of the August 22, 2014 PROC Meeting.

Mr. Lee expressed his gratitude for Ms. Corrigan's leadership and work as the first PROC Chairperson. Mr. Lee reported on various oversight events that PROC members participated. He reported that the PROC discussed various exposure drafts initiated by AICPA and found no impact on the CBA's Peer Review Program. Mr. Lee stated that Mr. Ixta reported on the Employee Retirement Income Security Act audit issue. Mr. Lee noted that based on the report, AICPA is addressing the issue and a conclusion has not been reached; however, the PROC will continue to monitor the issue.

2. Approval of the 2015 PROC Meeting Dates.

It was moved Mr. Ramirez, seconded by Ms. Bell, and unanimously carried by those present to approve the 2015 PROC meeting dates. Ms. Salazar was temporarily absent.

IX. Committee Reports/Group Report.

A. Committee on Professional Conduct (CPC).

1. Report of the September 18, 2014 CPC Meeting.
2. Discussion Regarding the Study of California's Attest Experience Requirement.

Mr. Campos reported that the CPC discussed the estimated populations and target response rates, proposed methodologies, and draft questions and statements for each of the specified audiences, for use in the study. He stated that the CPC discussed that they were only providing approval to the direction of the questions and the final questions are still to be developed. Mr. Campos stated that he had suggested that staff use the expertise of Mr. Howard and the attest sub-committee as the questions are being completed. He stated that the CPC directed staff to bring forward suggestions, to the November meeting, on how outreach for the study may be accomplished.

It was moved by Mr. Ramirez, seconded by Ms. Berhow, and unanimously carried by those present to accept staff's proposed estimated population size and target response rates, the methodology for collecting information, and the draft statements/questions for the study of California's attest experience requirement.

X. Acceptance of Minutes

A. Draft Minutes of the July 24, 2014 CBA Meeting.

Mr. Savoy requested that the draft minutes of the July 24, 2014 CBA meeting be deferred to the November 2014 CBA meeting to incorporate the following edits:

- Revise Mr. Campos' comment on agenda item XI.B. page 19574 to state that "university accounting programs and professors" were added as an additional group
- Expand Mr. Ramirez' comments regarding AB 2415
- Revise the typo in agenda item VIII.B. page 19571 in the second paragraph, last sentence to state "as filed with the OAL"

- B. Minutes of the July 24, 2014 CPC Meeting.
- C. Minutes of the May 2, 2014 PROC Meeting.
- D. Minutes of the April 23, 2014 QC Meeting.

It was moved by Mr. Campos, seconded by Mr. Ramirez, and carried by those present to accept the minutes of agenda items X.B. – X.D.

XI. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

There was no report on this item.

B. National Association of State Boards of Accountancy (NASBA).

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force.

Ms. Bowers stated that as the taskforce is focusing on communication and outreach. Ms. Bowers noted that Ms. Hersh has submitted her interest to NASBA, and if selected would replace her on the committee.

XII. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

Mr. Ramirez suggested a discussion on whether the CBA's CE is overprescribed in comparison to other states.

Mr. Savoy stated it is on the agenda for the November 2014 CPC meeting.

C. Press Release Focus.

Ms. Pearce stated the topic of consideration was the recruitment of the Enforcement Chief.

Mr. Campos also suggested the CBA and CalCPA Outreach Event.

XIII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements and Default Decisions).

XIV. Petition Hearings.

A. David Greenberg – Petition for Reinstatement of Revoked Certificate.

The CBA heard Mr. Greenberg's petition for reinstatement of his revoked certificate.

XV Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate of Disciplinary Matters (Petition for Reinstatement of Revoked Certificate).

President Savoy adjourned the meeting at 10:59 a.m. on Friday, September 19, 2014.

_____ Michael M. Savoy, CPA, President

_____ Katrina Salazar, CPA,
Secretary-Treasurer

Corey Riordan, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.



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CBA Item XI.C.
 November 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE
July 24, 2014
JOINT CBA MEETING &
MOBILITY STAKEHOLDER GROUP MEETING (MSG)

Tsakopoulos Library Galleria
 828 I Street
 Sacramento, CA 95814
 Telephone: (916) 264-2920

Roll Call and Call to Order.

CBA President Michael Savoy and MSG Chair, Katrina Salazar, called the meeting to order at 10:49 a.m. on Thursday, July 24, 2014 at the Tsakopoulos Library Galleria.

CBA Members

July 24, 2014

Michael Savoy, President	10:49 a.m. to 11:57 a.m.
Jose Campos, Vice President	10:49 a.m. to 11:57 a.m.
Katrina Salazar, Secretary-Treasurer	10:49 a.m. to 11:57 a.m.
Sarah (Sally) Anderson	10:49 a.m. to 11:57 a.m.
Diana Bell	10:49 a.m. to 11:57 a.m.
Alicia Berhow	10:49 a.m. to 11:57 a.m.
Herschel Elkins	10:49 a.m. to 11:57 a.m.
Laurence (Larry) Kaplan	10:55 a.m. to 11:57 a.m.
Louise Kirkbride	Absent
Kay Ko	10:49 a.m. to 11:57 a.m.
Leslie LaManna	10:49 a.m. to 11:57 a.m.
K.T. Leung	10:53 a.m. to 11:57 a.m.
Manuel Ramirez	10:49 a.m. to 11:57 a.m.
Mark Silverman	10:53 a.m. to 11:57 a.m.

MSG Members

Katrina Salazar, Chair	10:49 a.m. to 11:57 a.m.
Harold Schultz, Vice-Chair	10:49 a.m. to 11:57 a.m.

Jose Campos	10:49 a.m. to 11:57 a.m.
Edward Howard	10:49 a.m. to 11:57 a.m.
Rafael Ixta	10:49 a.m. to 11:57 a.m.
Joseph Petito	10:49 a.m. to 11:57 a.m.
Stuart Waldman	10:49 a.m. to 11:57 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Emmanuel Estacio, Information Technology Staff
Dominic Franzella, Chief, Licensing Division
Lauren Hersh, Information and Planning Manager
Rafael Ixta, Chief, Enforcement Division
Vincent Johnston, Enforcement Manager
Nicholas Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Regulation and Legislation Coordinator

Committee Chairs and Members

Jeffrey De Lyser, Vice-Chair, Enforcement Advisory Committee (EAC)
Robert Lee, Chair, Peer Review Oversight Committee (PROC)

Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)
Ken Bishop, President and CEO, National Association of State Boards of
Accountancy (NASBA)
Maria Caldwell, NASBA
Jason Fox, CalCPA
Kasey O'Connor, CalCPA
Pilar Oñate-Quintana, KP Public Affairs
Jon Ross, KP Public Affairs

- I. Presentation from the National Association of State Boards of Accountancy (NASBA) Regarding Mobility and the NASBA Enforcement Guidelines.

Mr. Bishop and Ms. Caldwell provided an overview of mobility and the NASBA Enforcement Guidelines.

Mr. Bishop stated NASBA is taking unilateral efforts to measure the quality of compliance of accounting boards around the United States. He stated that NASBA has reviewed the CBA's survey and is committed to incorporate the questions into NASBA's survey, as surveys can be duplicative and states

may not have the time or resources to respond to multiple surveys. Mr. Bishop stated that states that do not reply to the survey would be removed for California's mobility law, which may result in states with quid pro quo not recognizing California's licensee's in their jurisdiction. Mr. Bishop stated that the premise of mobility is about allowing consumers and stakeholders to use the CPA that they know and trust.

Mr. Bishop stated that NASBA cannot take a one size fits all approach when determining if states meet a certain bar of disciplinary capabilities. He noted that rather than condemn a state, NASBA would be dedicated to providing resources, training and funds to help them meet the bar.

Mr. Savoy inquired how the National Enforcement Standards are being developed.

Ms. Caldwell stated that NASBA was finalizing an Enforcement Resources Guide, which would provide guidelines and sample forms for state boards to use. Additionally, she stated that they were developing a Guiding Principles of Enforcement, which would determine what principles of good enforcement are. Further, she stated that NASBA's Enforcement Resources Committee was developing an interview script that would provide the specificity for the Guiding Principles. She noted that the interviews would be conducted between August and October 2014.

Mr. Savoy inquired into when NASBA anticipated that the National Enforcement Standards would be released.

Ms. Caldwell stated that NASBA is finalizing the initial draft of the interview script in the next few weeks and interviews will be conducted between August and October. She stated that once the interviews are completed the Enforcement Resources Committee will review the interview data and use the information to pinpoint examples for the Guiding Principles of Enforcement.

Mr. Bishop stated that NASBA has adopted California's timeline as their timeline. He stated that they have committed to dates with Ms. Bowers that would allow adequate time for the CBA to receive and assess the work.

Mr. Savoy inquired if the Enforcement Standards would be in the form of an Exposure Draft.

Mr. Bishop stated that they would not be standards, but best practices and a series of benchmarks.

Mr. Savoy inquired what type of outreach would be used to provide boards with the information.

Ms. Caldwell stated that NASBA would provide the information in the

quarterly newsletters, on the enforcement tools section on NASBA's website, and provide presentations at the NASBA conferences.

Mr. Howard stated that the task of the CBA is to review the enforcement practices of other states. He suggested that NASBA provide examples of the kinds of things that NASBA is looking at for the Best Practices Guidelines.

Ms. Caldwell stated that the guidelines would include:

- Timeframes for processing a complaint, from intake to the final disposition
- Enforcement resources to adequately staff investigations
- Case management
- Disciplinary guidelines
- Internet disclosure

Mr. Petito suggested the review process, referred to by Mr. Howard, could be treated like peer review; with a pass, fail, or pass with caveats.

Mr. Savoy suggested that the CBA should delay sending the survey to the each state until NASBA provides the results of their survey.

Mr. Ramirez stated that he understands delaying the survey if it is completely duplicative; however he asked Ms. Bowers if the CBA, given its board responsibilities, should move forward with its own survey.

Mr. Campos stated that he thought the plan of action was to proceed with the survey in coordination with NASBA and that the CBA's questions would be merged with NASBA's survey.

Ms. Bowers stated that she has no hesitation in waiting until October, when the interviews will be concluded, as the results may reveal additional modifications to the questions the CBA has posed. Ms. Bowers stated that Mr. Bishop has agreed that any questions identified, at the May CBA meeting, will be included in the interview process if they were not included in NASBA's survey. She further stated that her concern is making sure that the CBA is well prepared to meet the deadline to present the report to the Legislature.

Mr. Ramirez stated that the CBA has obligations legislatively and many things NASBA is doing are mission critical to the CBA. He stated that the CBA's inability to travel outside the state has prohibited the CBA from being as involved with NASBA. Mr. Ramirez requested that NASBA and the CBA work more proactively together to prevent duplicative efforts.

Mr. Bishop stated that interaction between states in regards to mobility is a nationwide effort and the states need to hear other states concerns and how

to make it better. Lastly, he stated that NASBA agrees to work with Mr. Bowers in any way that they can.

President Savoy adjourned the meeting at 11:57 a.m. on Thursday, July 24, 2014.

_____ Michael M. Savoy, CPA, President

_____ Katrina Salazar, CPA, MSG Chair

Corey Riordan, 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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MSG Item I.A. **CBA Item XI.D.**
 November 19, 2014 November 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS (DCA)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
July 23, 2014
MOBILITY STAKEHOLDER GROUP MEETING

DRAFT

California Board of Accountancy Office
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815
 Telephone: (916) 561-1700

CALL TO ORDER

Hal Schultz, Vice-Chair, called the meeting of the Mobility Stakeholder Group (MSG) to order at 1:40 p.m. Mr. Schultz requested that the role be called.

Members

Katrina Salazar, Chair	Present
Hal Schultz, Vice-Chair	Present
Jose Campos	Present
Ed Howard	Present
Rafael Ixta	Present
Joe Petito	Present
Stuart Waldman	Present

CBA Members Observing

Kay Ko
 Leslie LaManna
 Michael Savoy

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer
 Rich Andres, Information Technology Staff
 Dominic Franzella, Chief, Licensing Division
 Vincent Johnston, Enforcement Manager

Corey Riordan, Board Relations Analyst
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs
Jenny Sheldon, Licensing Manager
Carl Sonne, Deputy Attorney General
Matthew Stanley, Legislation Analyst

Other Participants

Jason Fox, California Society of CPAs (CalCPA)
Kasey O'Connor, CalCPA
Pilar Onate-Quintana, KP Public Affairs
Jonathan Ross, KP Public Affairs

I. Approve Minutes of the March 20, 2014 Meeting

It was moved by Mr. Petito, seconded by Mr. Ixta, and carried unanimously to approve the minutes of the March 20, 2014 meeting. Ms. Salazar, Mr. Campos, and Mr. Howard were temporarily absent.

II. Overview of the MSG Decision Matrix – A Summary of Previous Decisions Made by the MSG

Mr. Stanley provided a copy of the MSG decision matrix. He stated that an updated copy of the decision matrix would be provided at every MSG meeting so that the MSG can track which decisions have already been made, and which decisions remain for discussion. He indicated that this information will be provided as a written report for future meetings.

III. Overview and Comparison of the Prior and Current California Practice Privilege Laws

Mr. Franzella provided a summary of the similarities and differences between the prior practice privilege law and current law. Some of the major differences between the laws include the no notice and no fee provisions, increased out-of-state firm registration requirements, reports to the Legislature, and increased involvement of the CBA website.

IV. Overview of the Consumer Protection Provisions of the California Practice Privilege Law and Proposed Timeline for Future Discussion

Mr. Stanley provided an overview of the consumer protection provisions of the mobility law. These provisions include qualifications, pre-notification, rules regarding cessation of practice, administrative suspensions, disciplinary actions, out-of-state accounting firm registrations, improvements to the CBA website, and the functions of the MSG.

The MSG will be reviewing these provisions in more detail over its next two meetings in order to fulfill its charge to consider whether the provisions of the mobility law are consistent with the CBA's duty to protect the public.

V. Overview of the Implementation of the Current California Practice Privilege Law

Ms. Sheldon provided the MSG with an overview of how the mobility law has been implemented. She stated that the implementation began almost as soon as the bill was introduced when staff formed an internal team to evaluate and develop an implementation plan for every portion of the law. As a result, the Practice Privilege database was modified, several new forms were created, a new registration for out-of-state firms was initiated, enforcement processes were modified, regulations created, and the practice privilege portion of the website was overhauled.

Mr. Johnston provided a walkthrough of the CBA website including the License Lookup for out-of-state licensees, Securities and Exchange Commission (SEC) and Public Company Accounting Oversight Board (PCAOB) discipline information, various disclaimers required by the law, where consumers can file a complaint, and links to CPAVerify and other state boards' of accountancy websites.

Referring to the SEC and PCAOB checks required by the law, Mr. Campos suggested that staff proactively check other governmental sources for similar information such as the Governmental Accountability Office and the Department of Labor.

Mr. Petito requested that the website usage statistics be made available to the MSG at its next meeting.

Mr. Howard inquired why some states, specifically New York, do not report discipline to CPAVerify. Ms. Bowers indicated that staff would find out and report back to the MSG.

VI. Overview of Practice Privilege/Mobility Provisions in Other States/Jurisdictions

Mr. Franzella provided the MSG with a summary of the mobility provisions of other state boards of accountancy. He stated that the information was gathered from the National Association of State Boards of Accountancy's (NASBA) Accountancy Licensing Library. For each state, he provided information on the status of mobility, substantial equivalency, whether there is a quid pro quo requirement, any disqualifying conditions, and out-of-state firm registration requirements.

VII. Overview and Discussion Regarding Survey of Other States' Practice Privilege/Mobility Provisions to Obtain Information Necessary for Reporting Under BPC 5096.21(d)

Mr. Stanley informed the MSG of a survey that was approved by the CBA at its May 2014 meeting. This survey will provide needed information for the CBA's preliminary report to the Legislature regarding California's mobility law and whether other states should be allowed to continue under the new program.

In addition, he also informed the MSG that some of the questions were developed as a direct result of requests the MSG made for information at its March 2014 meeting. He stated that the results of this survey would be provided in November.

The MSG discussed the content of the preliminary report to the Legislature. Ms. Schieldge indicated that the MSG should provide input and recommendations to the CBA for the report.

Mr. Savoy stated that the MSG may want to wait to hear the presentation at the upcoming Joint CBA/MSG meeting from Mr. Ken Bishop, President and CEO of NASBA, regarding the pending NASBA Enforcement Guidelines as that discussion may provide some clarification.

Mr. Howard indicated that the CBA must first assess the forthcoming NASBA Disciplinary Guidelines before determining whether it should be used as a standard for making the determinations required in the report. He stated that the CBA must verify that the various state boards that adopt the Disciplinary Guidelines are actually implementing them as well. He indicated that the report should indicate that such verification has occurred.

VIII. Discussion Regarding Stakeholder Objectives Pursuant to BPC 5096.21(e)

Mr. Stanley explained that one of the items the MSG is tasked with is considering whether the mobility law satisfies the objectives of stakeholders of the accounting profession, including consumers. He requested that the MSG identify these objectives. He stated that staff made the assumption that many of the objectives were written into the law and are, therefore, being met.

Mr. Campos stated that one objective was to help out-of-state licensees know and understand their self-reporting requirements.

Mr. Howard stated another objective as assuring the CBA that all states have adequate enforcement.

Mr. Campos requested that the stakeholder objectives be provided at future meetings in order that the MSG may continue to revise and add to them. He also suggested that there be a definition or listing of who the stakeholders are.

Ms. Bowers indicated that a definition exists for a different purpose, but could be brought forward at the next meeting for discussion.

IX. Discussion Regarding Proposed Agenda Items for Next Meeting

Mr. Stanley provided an overview of suggested agenda topics for the MSG's next meeting in November. They include the results of the survey of the other state boards of accountancy; an in-depth review of certain consumer protection provisions of the mobility law; a discussion of stakeholder objectives; and a review of the latest licensing, enforcement, and website usage statistics for mobility.

Mr. Howard requested that a discussion of Mr. Bishop's presentation at the joint meeting regarding the NASBA Enforcement standards be added to the list.

Ms. Bowers stated that staff would also bring back a discussion regarding states that do not provide full data to ALD as was previously requested. She stated that staff would endeavor to bring forward a full agenda and that some topics on the consumer protection provisions may be added or deferred as appropriate.

X. Public Comments

No Public Comments were received

XI. Agenda Items for Next Meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 3:42 p.m.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**CPC Item I.**

November 20, 2014

CBA Item XI.E.

November 20-21, 2014

**DEPARTMENT OF CONSUMER AFFAIRS (DCA)
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

**MINUTES OF THE
 September 18, 2014
 COMMITTEE ON PROFESSIONAL CONDUCT MEETING**

DRAFT

Declan Suites San Diego
 701 A Street
 San Diego, CA 92101
 Telephone: (619) 696-9800
 Fax: (619) 696-9898

CALL TO ORDER

Jose Campos, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 9:00 a.m. Mr. Campos requested that the role be called.

CPC Members

Jose Campos, Chair	Present
Sarah (Sally) Anderson	Absent
Larry Kaplan	Present
Leslie LaManna	Present
K.T. Leung	Present
Katrina Salazar	Present
Mark Silverman	Present

CBA Members Observing

Diana Bell
 Alicia Berhow
 Herschel Elkins
 Kay Ko
 Manuel Ramirez
 Michael Savoy

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer

Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Vince Johnston, Enforcement Manager
Nick Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs
Jenny Sheldon, Enforcement Manager
Carl Sonne, Deputy Attorney General
Matthew Stanley, Legislation and Regulation Coordinator

Other Participants

Geoff Burcaw, CPS HR Consulting (CPS HR)
Reuben Davila, CPA
Michael DeSousa, CPS HR
Jason Fox, California Society of CPAs (CalCPA)
Cheryl Gerhardt, Enforcement Advisory Committee, Chair
Ed Howard, Center for Public Interest Law
Robert Lee, Chair, Peer Review Oversight Committee
Joe Petito, Accountants Coalition
Jonathan Ross, KP Public Affairs
Robert Ruehl, Qualifications Committee, Vice-Chair

I. Approve Minutes of the July 24, 2014 CPC Meeting

Ms. LaManna indicated an error on page three where the term “CPA” should be plural.

It was moved by Ms. LaManna, seconded by Mr. Silverman and carried unanimously to approve the minutes of the July 24, 2014 CPC meeting with the suggested correction, Mr. Kaplan and Mr. Leung were temporarily absent.

II. Discussion Regarding the Study of California’s Attest Experience Requirement

Mr. Franzella stated that staff were requesting that the CPC provide its input on three matters regarding the attest experience study. The first matter he discussed was the proposed response rates for each target audience. He indicated that higher response rates are sought for smaller populations in order to assure a statistically reliable sample size.

Mr. Kaplan inquired how these response rates were determined as they seemed high. Mr. Franzella indicated that these were target rates that could be adjusted after the launch of the survey.

It was moved by Mr. Kaplan, seconded by Ms. LaManna and carried unanimously to approve the target response rates suggested by staff.

Mr. Franzella next moved to the topic of methodology for conducting the study. He stated that staff and CPS HR suggest using an online survey for all audiences except the university accounting faculty. This method allows for large numbers of responses, anonymity, and is relatively inexpensive. Due to the lower total population, it is recommended that the audience of university accounting faculty be studied through phone interviews allowing for more in-depth feedback.

It was moved by Mr. Silverman, seconded by Ms. Salazar and carried unanimously to approve the methodologies suggested by staff.

Finally, Mr. Franzella presented draft questions and statements prepared by staff and CPS HR. He indicated that when developing the questions, staff and CPS HR used a standard of 15 minutes as the target length of time to complete a survey. At the conclusion of each survey, an open ended comment box will be provided for survey takers to provide any additional comments they may have.

Mr. Howard indicated that he had concerns with the word “significantly” in many of the questions as it does not account for responses that may not be “significant,” yet still important. In addition, he stated that care should be taken when framing questions in a positive or negative fashion as this could bias results as well. He also discussed that no licensee likes to have requirements placed on them, but that the questions need to reflect the possible benefit to consumers rather than the benefit to the licensee. Mr. Howard offered his assistance in developing the questions along these lines.

Mr. Davila discussed that a vetting process of the survey using test groups is beneficial and such action could potentially address Mr. Howard’s concerns.

Mr. Campos stated that he believed that the CPC would only be approving the direction of the questions and that further work would be done before they were finalized. Mr. Franzella indicated that finalized questions would be brought to the CPC at its next meeting in November.

It was moved by Mr. Leung, seconded by Mr. Silverman and carried unanimously to approve the direction of the questions suggested by staff.

Mr. Campos suggested that staff utilize the expertise of Mr. Howard and the subcommittee of Ms. Salazar and himself as these questions are being finalized.

Ms. LaManna requested that staff bring forward suggestions for how outreach regarding this study may be accomplished to the November meeting.

III. Public Comments

No Public Comments were received.

IV. Agenda Items for Next Meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 9:42 a.m.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**EPOC Item I.**

November 20, 2014

CBA Item IX.F.

November 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC)

MINUTES OF THE
May 29, 2014
EPOC MEETING

DRAFT

Hilton Los Angeles Airport
 5711 West Century Blvd.
 Los Angeles, CA 90045
 (310) 410-4000

CALL TO ORDER

Alicia Berhow, Chair, called the meeting of the Enforcement Program Oversight Committee (EPOC) to order at 11:00 a.m. on Thursday, May 29, 2014 at the Hilton Los Angeles Airport. Ms. Berhow requested that the roll be called.

Present

Alicia Berhow, Chair
 Diana Bell
 Jose Campos
 Kitak Leung

CBA Members Observing

Michael Savoy

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer
 Rich Andres, Information Technology Staff
 Corey Faiello-Riordan, Board Relations Analyst
 Dominic Franzella, Chief, Licensing Division
 Rafael Ixta, Chief, Enforcement Division
 Vincent Johnston, Enforcement Manager
 Kristy Schieldge, Legal Counsel
 Matthew Stanley, Legislation Analyst

Committee Chairs

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)

Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)

Pilar Onate-Quintana, KP Public Affairs

Hal Schultz, CalCPA

Carl Sonne, Deputy Attorney General

- I. Approve Minutes of the March 20, 2014 EPOC Meeting.

It was moved by Ms. Bell, seconded by Mr. Campos and carried unanimously to approve the minutes of the March 20, 2014 EPOC Meeting.

- II. Discussion of Mandatory Suspensions in the CBA Disciplinary Guidelines and Model Orders.

Mr. Johnston led the discussion on mandatory suspensions in the CBA Disciplinary Guidelines and Model Orders (Guidelines). Mr. Johnston explained that the Guidelines contain minimum discipline that is either discretionary or statutorily mandated depending on the code section violated. Mr. Johnston stated that violations of most practice privilege sections require the CBA to suspend the out-of-state licensee for at least one year. He went on to state that discipline for violations of other Business and Profession Code (BPC) sections, including 5096.2 and 5100, is discretionary and the minimum discipline may be set by the CBA as it deems appropriate.

Mr. Johnston further stated that the minimum penalties described for violating BPC sections 5096.2 and 5100 vary in the required mandatory suspension timeframes, from 30 days for fiscal dishonesty and accepting employment with an audit client to 180 days for false statements on an application for licensure.

Mr. Johnston stated that the range of penalties is important because of the varied nature of offenses and also noted that the CBA or an Administrative Law Judge (ALJ) may deviate from the Guidelines whenever there are aggravating or mitigating circumstances related to the violation.

It was moved by Mr. Campos, seconded by Ms. Bell and unanimously carried by those present to accept the staff's recommendation of no changes to the Disciplinary Guidelines.

- III. Public Comments.

No public comments were received.

IV. Agenda Items for Next Meeting.

There were no other items to be discussed for the next CBA meeting on July 24, 2014.

There being no further business, the meeting adjourned at 11:15 a.m.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**LC Item I.**

November 20, 2014

CBA Item XI.G.

November 20-21, 2014

**DEPARTMENT OF CONSUMER AFFAIRS (DCA)
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

**MINUTES OF THE
 July 24, 2014
 LEGISLATIVE COMMITTEE MEETING**

DRAFT

Tsakopoulos Library Galleria
 828 I Street
 Sacramento, CA 95814
 Telephone: (916) 264-2920

CALL TO ORDER

Larry Kaplan, Chair, called the meeting of the Legislative Committee (LC) to order at 9:02 a.m. Mr. Kaplan requested that the role be called.

LC Members

Larry Kaplan, Chair	Present
Sarah (Sally) Anderson	Present
Diana Bell	Present
Alicia Berhow	Present
Leslie LaManna	Present
Manuel Ramirez	Present
Katrina Salazar	Present

CBA Members Observing

Jose Campos
 Herschel Elkins
 Kay Ko
 K.T. Leung
 Michael Savoy
 Mark Silverman

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer

Rich Andres, Information Technology Staff
Veronica Daniel, Licensing Manager
Manny Estacio, Information Technology Staff
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Vince Johnston, Enforcement Manager
Nick Ng, Administration Manager
Corey Riordan, Board Relations Analyst
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General
Matthew Stanley, Legislation and Regulation Coordinator

Other Participants

Bruce Allen, California Society of CPAs (CalCPA)
Marc Aprea, Aprea and Micheli
Ken Bishop, President and CEO, National Association of State Boards of Accountancy (NASBA)
Geoff Burcaw, CPS HR Consulting (CPS HR)
Maria Caldwell, NASBA
Kimberly Chen, Legislative Assistant to Assembly Member Philip Ting
Michael DeSousa, CPS HR
Jason Fox, CalCPA
Cheryl Gerhardt, Chair, Enforcement Advisory Committee
Robert Lee, Chair, Peer Review Oversight Committee
Kasey O'Connor, CalCPA
Pilar Onate-Quintana, KP Public Affairs
Joe Petito, Accountants Coalition
Jonathan Ross, KP Public Affairs
Hal Schultz, CalCPA
Arnold Schuler, CPS HR

I. Approve Minutes of the May 29, 2014 LC Meeting

It was moved by Ms. Berhow, seconded by Ms. Bell and carried to approve the minutes of the May 29, 2014 LC meeting. Ms. Salazar and Mr. Ramirez abstained.

II. Update on Legislation on Which the CBA Has Taken a Position

Mr. Stanley recommended that the CBA maintain its positions on AB 186, AB 1702, AB 2058, AB 2396, AB 2720, and SB 176. These bills were not amended in a way that would affect the CBA.

Mr. Stanley explained that amendments to AB 2415 had been agreed to in discussions between the author and CalCPA, which would remove CalCPA's

opposition to the bill once the amendments were in place. He introduced Ms. Chen as a representative from Assembly Member Ting's office.

Ms. Chen provided information on the progress of those discussions. She provided copies of the draft amendments that she stated would be amended into the bill when the Legislature reconvenes in August. The amendments narrowed the definition of who would need to register as a property tax agent in a manner which would exclude many CPAs from the necessity of registration.

Mr. Allen also testified that CalCPA had agreed to these amendments and, when they are incorporated into the bill, stated that it would remove its opposition.

Mr. Ramirez expressed concern that the bill would not exclude all CPAs and regulation of CPAs should fall solely on the CBA and not a new or existing state entity. He stated that the bill does not exclude all work provided by CPAs in this area. He inquired if there was an opportunity to amend the bill to exclude CPAs. Ms. Chen answered that Assembly Member Ting had indicated that he would not consider such an amendment.

Mr. Allen asked Mr. Ramirez if he could clarify what work is not excluded by the bill. Mr. Ramirez described the service of a cost aggregation study and the filing of a form 571-L.

Mr. Aprea indicated that he believed that the proposed amendments would exclude the work of filling out a form described by Mr. Ramirez. Mr. Ramirez stated that the work of a CPA goes beyond filling out a form and that a CPA must defend that work which is not covered in the bill.

Ms. Salazar asked if it would be acceptable to include all CPAs automatically on the proposed Property Tax Agent list.

Ms. Chen indicated she would have to consult the author regarding the suggestion.

The LC discussed how Ms. Salazar's suggestion would work. Ms. Schieldge indicated that the discipline issues would be very complex and would raise many other questions.

It was moved by Mr. Ramirez, seconded by Ms. LaManna and carried to continue the position of Oppose Unless Amended on AB 2415 to exclude CPAs, and further direct staff to send letters stating such to the Senate and Governor when appropriate. Mr. Kaplan abstained.

Mr. Stanley stated that SB 1159 has not changed significantly since the CBA took its Watch position on the bill at its May meeting. He indicated that the CBA's concerns regarding how this bill conflicts with federal law were communicated to the author, but at this time, the requested amendments had not yet been taken.

The LC took no action on SB 1159, deciding to maintain its prior Watch position.

Mr. Stanley stated that SB 1467 is the annual omnibus bill, and the provisions requested by the CBA have not been amended. He described a new provision affecting the CBA that was added to the bill. The new provision removes a requirement that two members appointed to the CBA represent small firms and eliminates the definition of small firms from the law. This amendment removes a 20 year old definition and provides the Governor with greater flexibility when making appointments to the CBA.

The LC took no action on SB 1467, deciding to maintain its prior Support position.

III. Consideration of Positions on Newly Introduced Legislation.

A. SB 1243

Mr. Stanley stated that SB 1243 addresses issues that were a part of the Department of Consumer Affairs' (DCA) 2014 sunset review. He indicated that it contains provisions which may affect the CBA. He provided a summary of the provisions which included changes to the meeting notice, changes to the telephone disconnect program, enforcement training, a study of the pro rata system, changes to the board member mentor program, and changes to DCA's annual report to the Governor.

It was moved by Ms. Salazar, seconded by Ms. Bell, and carried unanimously to recommend that the CBA take a Watch position on SB 1243.

IV. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice

Mr. Stanley indicated that no bills had been identified subsequent to the posting of the meeting notice.

V. Public Comments

No Public Comments were received.

VI. Agenda Items for Next Meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 9:47 a.m.

**DEPARTMENT OF CONSUMER AFFAIRS**

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CBA Item XI.H
 November 21-22, 2014

DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 ENFORCEMENT ADVISORY COMMITTEE (EAC)

FINAL

MINUTES OF THE
JULY 10, 2014
EAC MEETING

California Board of Accountancy
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815
 Telephone: (916) 263-3680

I. Roll Call and Call to Order.

The regularly scheduled meeting of the EAC was called to order at 9:00 a.m. on July 10, 2014 by EAC Chair, Cheryl Gerhardt.

Members

Cheryl Gerhardt, Chair	Present
Jeffrey De Lyser, Vice Chair	Present
Joe Buniva	Absent
Gary Caine	Present
Nancy Corrigan	Present
Mary Rose Caras	Present
Bill Donnelly	Present
Robert A. Lee	Present
Mervyn McCulloch	Present
Joseph Rosenbaum	Present
Seid Sadat	Present
Michael Schwarz	Absent
Dale Best	Present

CBA Member Liaison

Katrina Salazar

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
 Rafael Ixta, Chief, Enforcement Division
 Paul Fisher, Supervising Investigative CPA
 DeAnn MacConell, Investigative CPA
 David Jones, Investigative CPA
 Dorothy Osgood, Investigative CPA

Marla Weitzman, Investigative CPA
Tina MacGregor, Investigative CPA
Allison Nightingale, Enforcement Secretary
Carl Sonne, Deputy Attorney General, Department of Justice

II. Review Enforcement Files on Individual Licensees.

The EAC adjourned into closed session under provisions of Government Code section 11126(c)(2) and Business and Professions (B&P) Code section 5020. EAC members convened into closed session at 9:03 a.m. and reconvened into open session at 10:30 a.m.

III. Report of the Committee Chair (**Cheryl Gerhardt**).

A. Approval of the May 1, 2014 EAC Meeting Minutes.

It was moved by Ms. Caras, seconded by Mr. McCulloch, and unanimously carried to approve the minutes of the May 1, 2014 EAC meeting.

The minutes for this meeting will be submitted to the CBA members for review and adoption at the next CBA meeting.

B. Discussion Regarding Proposed EAC Meeting Dates for 2015.

Ms. Gerhardt discussed the proposed EAC meeting dates for 2015.

It was moved by Mr. Caine, seconded by Mr. Rosenbaum, and unanimously carried to approve the 2015 EAC meeting dates for 2015 as follows:

<u>DATE</u>	<u>LOCATION</u>
January 29, 2015	Northern California
April 30, 2015	Southern California
July 9, 2015	Northern California
October 22, 2015	Southern California
December 10, 2015	Southern California

The dates will be submitted to the CBA for review and adoption at the next CBA meeting.

C. Report of the May 29-30, 2014 CBA and Committee Meetings.

Ms. Gerhardt stated that Ms. Salazar will report the details of the May 29-30, 2014 CBA and Committee Meetings.

IV. Report of the CBA Liaison (**Katrina Salazar**)

Ms. Salazar reported that the CBA members re-appointed Mr. Rosenbaum to the EAC.

Ms. Salazar reported that the CBA will undergo a Sunset Review process in 2015. She stated that a legislative committee reviews all consumer-related boards every four years to determine whether consumer-related boards have demonstrated a public need for its continued existence. She stated that the process includes a Sunset Review Report and noted that staff will be providing the CBA with a draft of the report at the July meeting. She further stated that there will be a joint committee hearing, in Spring of 2015, to evaluate the CBA. After the hearing, the joint committee will issue its recommendations.

Ms. Salazar reported that the Fiscal Year (FY) 2014/15 budget currently stands at \$13.4 million. She further stated that all loans to the General Fund are expected to be repaid by FY 2017/18.

Ms. Salazar reported that the CBA approved the draft regulatory language to define how experience in academia would be accepted as qualifying experience for California Certified Public Accountant licensure and directed staff to initiate the rulemaking process upon passage of Senate Bill (SB) 1467.

Ms. Salazar stated that the CBA accepted staff's recommendation of no changes to the Disciplinary Guidelines regarding mandatory suspensions.

V. Report of the Enforcement Chief (**Rafael Ixta**).

A. Enforcement Activity Report.

Mr. Ixta provided an overview of the report. Mr. Ixta stated that the number of complaints received increased by 307 since the previous reporting period. Mr. Ixta also stated that 10 investigations have been open for more than 24 months and that those cases were the most complex investigations requiring additional time to resolve. Mr. Ixta also discussed the performances measure report from the Department of Consumer Affairs (DCA) for the quarter ending March 31, 2014. The performance measures report and the Enforcement Activity Report was provided in the EAC packets.

B. Discussion of Newly Developed Committee Member Resource Guide.

Mr. Ixta discussed the CBA Committee Member Resource Guide (Guide). Mr. Ixta stated that the Guide provides important information regarding each committee's scope of work, general committee business procedures, expectations of committee members, and various statutes and regulations governing the conduct of committee business. Mr. Ixta further stated that the Guide is available on the CBA's website.

VII. Public Comments for Items Not on the Agenda.

Mr. Ixta reported that EAC member Robert Lee was appointed Chair to the Peer Review Oversight Committee (PROC).

VIII. Conduct Closed Hearings.

[The Committee will meet in closed session as authorized by Government Code sections 11126(c)(2) and (f)(3) and B&P Code section 5020 to conduct closed sessions to interview and consider possible disciplinary action against an individual licensee or applicant prior to the filing of an accusation.]

IX. Adjournment.

The next EAC meeting is scheduled for October 23, 2014 at the Hilton Pasadena in Pasadena.

Having no further business to conduct, the EAC general meeting adjourned at approximately 11:30 a.m. to reconvene in closed session at 1:00 p.m. Closed session adjourned at approximately 5:00 p.m.

Cheryl Gerhardt, CPA, Chair
Enforcement Advisory Committee

Prepared by: Allison Nightingale, Enforcement Secretary



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CBA Item XII.B.2.
November 20-21, 2014

Proposed Responses to NASBA Focus Questions

Presented by: Corey Riordan, Board Relations Analyst

Date: October 6, 2014

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy's (CBA) responses to the National Association of State Boards of Accountancy (NASBA) Regional Director's Focus Questions.

Action(s) Needed

No specific action is required on this agenda item.

Background

Attached for your information are staff prepared responses to NASBA Regional Directors' Focus Questions. These responses have been prepared for Don Aubrey, NASBA's Pacific Regional Director. The responses were due on October 14, 2014, for use at the Board of Director's meeting in November.

Comments

Staff has been informed that the Focus Questions are used to help NASBA regional directors stay apprised of each state's policies and procedures and to see where improvements or adjustments might be made. The eight regional directors review the states' answers and then present their findings to NASBA.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff has no recommendation on this item. Due to timing issues, the responses were provided to NASBA prior to receiving CBA approval. Should CBA members have additional input on any question, staff can provide a follow-up communication to Mr. Aubrey.

Attachment

NASBA Focus Questions

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

MEMORANDUM

Attachment

July 29, 2014

To: State Board Chairs, Presidents, Board Members and Executive Directors
From: Douglas W. Skiles - Chair, Committee on Relations with Member Boards
Re: Focus Questions

We would like to thank you for your enthusiastic participation in the 2014 Regional Meetings and we hope you will be able to join us for the Annual Meeting in Washington, D.C., November 2-5. Your continued support helps keep NASBA an organization that responds to its member Boards. Should your Board be unable to send a voting delegate (i.e., current Board member) to the Annual Meeting, please contact Communications Director Thomas Kenny (tkenny@nasba.org) to arrange for a scholarship. We would like to see all Boards represented at the 2014 Annual Meeting.

We thank you for your helpful responses to our past Focus Questions. Your continued support helps keep NASBA an organization that responds to its member boards. We are looking for your Board's responses to the following questions by Tuesday, October 14, 2014.

Please do not hesitate to call your Regional Director to discuss these questions or any other issues you feel NASBA should consider. We look forward to hearing from you.

Sincerely,

Douglas W. Skiles

Central Director – **Douglas W. Skiles** Phone: 308-345-5100 dskiles@msl-cpa.com
Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Great Lakes Director – **W. Michael Fritz** Phone: 614-229-4806 wfritz@deloitte.com
Illinois, Indiana, Michigan, Ohio, Pennsylvania, Wisconsin

Middle Atlantic Director – **Tyrone E. Dickerson** Phone: 804-272-1250 t5dcpa@verizon.net
DC, Delaware, Maryland, North Carolina, South Carolina, Virginia, West Virginia

Mountain Director – **Richard N. Reisig** Phone: 406-727-0888 rreisig@azworld.com
Colorado, Idaho, Montana, Nevada, Utah, Wyoming

Northeast Director – **John F. Dailey** Phone: 856-782-2883 jdailey@bowmanllp.com
Conn., Maine, Mass., New Hampshire, New Jersey, New York, Rhode Island, Vermont

Pacific Director – **Donald F. Aubrey** Phone: 206-938-2906 glaciergeek@gmail.com
Alaska, Arizona, California, CNMI, Guam, Hawaii, Oregon, Washington

Southeast Director – **Jimmy E. Burkes** Phone: 601-326-7118 jburkes@haddoxreid.com
Alabama, Florida, Georgia, Kentucky, Mississippi, Puerto Rico, Tennessee, Virgin Islands

Southwest Director – **A. Carlos Barrera** Phone: 956-546-1655 cbarrera@longchilton.com
Arkansas, Louisiana, New Mexico, Oklahoma, Texas

REGIONAL DIRECTORS' FOCUS QUESTIONS

*The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. **Please send your Board's responses to your Regional Director by October 14, 2014.** Use additional sheets for your responses if needed.*

JURISDICTION: California Board of Accountancy (CBA)

DATE: October 10, 2014

NAME OF PERSON SUBMITTING FORM: Patti Bowers, Executive Officer

1. At the Regional Meetings, Melanie Thompson reported the Pathways Commission is working to have the College Board accept an Advanced Placement Accounting Course, to have students become interested in accounting while still in high school. Would your Board accept college credit awarded for an AP accounting course?

The California Board of Accountancy (CBA) already accepts Advanced Placement (AP) courses provided the college/university awards units and notes the units on the student's transcripts. Additionally, in those instances where the college/university provides a course-area breakdown of the AP courses, the CBA will accept the units towards its required core accounting and business-related subjects requirements. Therefore, if the College Board began accepting AP accounting courses and colleges/universities began awarding college/university credit, the CBA would accept the units, both toward the 150 semester unit requirement and possibly for the core accounting subject requirement.

2. Is your State Board, Society or Government doing anything to encourage people to enter the accounting profession?

The CBA holds outreach events geared toward college students both on campus and via social media to encourage and assist those considering the accounting profession. The CBA has also temporarily reduced exam and licensing application fees to ease the financial impact of those planning to enter the profession.

3. Are there significant differences between your state's Accountancy Act and Rules and those of neighboring states? Are there any significant differences between your state's Act and Rules and the Uniform Accountancy Act and Model Rules? Please specify major divergences.

The only significant difference is that California requires 500 hours of experience performing attest work if the applicant wishes to be licensed with the authority to sign attest reports. Nevada requires 1000 hours, 700 of which must be in audit. Alaska requires 500 hours of attest experience, not including compilations. Arizona, Hawaii, Idaho, Oregon, Utah, and Washington do not have an attest experience requirement.

California does not have plans to incorporate the recent changes to the UAA regarding firm mobility and the definition of "attest."

4. Having learned that several firms performing employee benefit plan audits are not being properly peer reviewed, is your state considering any changes to the way it monitors peer review?

The CBA is presently not considering changing its oversight of the peer review process. However, the CBA will monitor the changes implemented by the AICPA Peer Review Board (PRB) to address systemic issues in the peer review process prior to making a final decision on the topic. It should be noted that the CBA is actively working with its Peer Review Oversight Committee (PROC) and the AICPA peer review administering entity (AE) in California. The AE provides updates at the PROC meetings on its activities to monitor, recall, and issue new peer reviews. Additionally, the CBA enforcement division is reviewing the Employee Benefit Plan (EBP) spreadsheet provided by the Department of Labor to the AICPA and NASBA for enforcement and compliance issues.

5. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

Mandatory Fingerprinting

As of January 1, 2014, licensees renewing in an active license status who either have not been previously fingerprinted, or for whom no electronic fingerprint records exist in the Department of Justice's criminal offender record identification database, are, under the new requirements, required to undergo the fingerprint process as a condition of license renewal.

Retired License Status

On July 1, 2014, the CBA's regulations for a new retired status license took effect. The new license is available to a California licensee that meets certain minimum qualifications, which include: (1) the licensee must have held a license as a CPA in the United States or its territories for a minimum of 20 years, and (2) the individual must have held a license in an active status as a California CPA for a minimum of five years.

Temporary Fee Reductions

On July 1, 2014, the CBA's temporary fee reduction took effect. The fee reduction applies to all application and license fees. The reduction is for a two-year period and is set to expire June 30, 2016. The CBA will be reexamining its fee structure later this year to determine what modifications, if any, need to be made to ensure the fiscal solvency of the CBA.

Sunset Review Report

The CBA will be issuing its Sunset Review report to the California Legislature on November 1, 2014. Sunset Review is the process by which the Legislature determines if various boards and commissions, including the CBA, are performing as they were intended. The Sunset Review Report is a comprehensive review of the CBAs activities since its last Sunset Review in 2010, and includes financials, licensing and enforcement statistics, legislation, and important issues for the past four years. The CBA will be testifying before the legislature regarding its sunset review during 2015.

Peer Review Report

The CBA will be presenting a report to the Legislature on January 1, 2015 regarding California's Peer Review program. The report is required pursuant to Business and Professions Code (BPC) section 5076. BPC section 5076(m)(1)(A-J) outlines the minimum contents of the Peer Review Report which includes various statistical information obtained during the phase-in period and conclusions drawn by the CBA.

Study on Attest Experience Requirement

At the beginning of the year, the CBA began work on developing a study to examine its attest experience requirement. The study will examine a broad range of groups throughout California and also seek input from other state boards of accountancy and NASBA. To aid in the study that the CBA will conduct in California, it has secured an outside vendor to help in designing the study. The vendor, working with staff, has assisted the CBA in determining targeted audiences and initial concepts for targeted survey response rates and draft questions. The CBA will continue to complete the development of the survey through the remainder of 2014 and early part of 2015.

Legislation Regarding Academia Experience

As part of the recent legislative cycle, the CBA supported a bill that authorizes the CBA to establish regulations to allow experience in academia to satisfy the one-year general accounting experience requirement for a CPA license. The CBA has already reviewed draft regulatory language to effectuate the new provision and will be holding a public hearing on the proposed regulatory text in January 2015. It is anticipated that the new regulations will take effect sometime in late 2015 or early 2016.

Senate Bill 1159 – Individual Taxpayer Identification Number

The Governor of California recently signed Senate Bill 1159. Current law requires that an applicant provide a social security number when applying for a CPA license. This new law mandates that the CBA, and other licensing boards in California, require an applicant for licensure to provide either a social security number or an individual taxpayer identification number beginning January 1, 2016. In addition, it prohibits licensing boards, including the CBA, from denying a license to an applicant based on citizenship or immigration status.

6. Can NASBA be of any assistance to your Board at this time?

The CBA finds great value in the many events held by NASBA. Unfortunately, due to budgetary considerations, the CBA has been unable to attend NASBA events held outside of California. The CBA would welcome the opportunity to attend NASBA events held at a California location.

7. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
 - Input only from Executive Director
 - Input only from Board Chair and Executive Director
 - Input from all Board Members and Executive Director
 - Input from some Board Members and Executive Director
 - Input from all Board Members
 - Input from some Board Members
- Other (please explain):



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CBA Item XIII.A-C.
November 20-21, 2014

Officer Elections

Presented by: Michael M. Savoy, CPA, President

Date: October 6, 2014

Purpose of the Item

The purpose of this agenda item is to present the statement of qualifications submitted by members for consideration for Officer Elections at the California Board of Accountancy (CBA) November 2014 meeting.

Action Needed

It is requested that CBA members consider all applicant's statements, including any additional candidates who express interest at the CBA meeting.

Background

The statements of qualifications are presented at the November CBA meeting. The President shall ask if there are any additional candidates for the officer positions. All candidates may be given up to five minutes of floor time to describe why they are qualified for the position.

The vote for officer positions will be held in the following order: Secretary-Treasurer, Vice-President, and President. A simple hand vote will be taken for each position nominee, starting in alphabetical order by the candidate's last name. Members can vote "Yes", "No", or abstain. The first nominee to receive a majority vote will win the officer position.

The President, Vice-President, and Secretary-Treasurer serve one-year terms and may not serve more than two consecutive one-year terms. The newly elected President, Vice-President, and Secretary-Treasurer shall assume the duties of their respective offices at the conclusion of the November meeting at which they were elected.

Comments

The following members have submitted statements of qualifications:

- Alicia Berhow – Secretary-Treasurer (**Attachment 1**)
- Katrina Salazar, CPA – Vice-President (**Attachment 2**)
- Jose A. Campos, CPA – President (**Attachment 3**)

Fiscal/Economic Impact

None.

Officer Elections

Page 2 of 2

Recommendation

None.

Attachments

1. Statement of qualifications for Alicia Berhow
2. Statement of qualifications for Katrina Salazar, CPA.
3. Statement of qualifications for Jose A. Campos, CPA.

October 7, 2014

Ms. Patti Bowers
Executive Officer
California Board of Accountancy
2000 Evergreen Street, Ste. 250
Sacramento, CA 98514

Dear Ms. Bowers,

I am formally submitting my letter of intent to run for Treasurer of the California Board of Accountancy (CBA) for 2015.

Over the last four years of serving on the board I have gained valuable insight as a public member for the California Board of Accountancy. Currently, I serve as a member for the Legislative Committee and as Chair of the Enforcement Program Oversight Committee. As a former staffer for a federal legislator, in addition to my current position with the Orange County Business Council (OCBC), I understand how the California legislative process works and collaborate with many policymakers that are instrumental to CBA. In my current position with OCBC, as Vice President of Workforce Development and Advocacy, I oversee and control my department while staying within my approved budget every calendar year. Similarly, as Chair of the Economic Development Committee for the Anaheim Workforce Investment Board, it is my responsibility to efficiently conduct our meetings, approve industry sector clusters for the city and promote a positive, productive environment.

As a public member of the CBA, I bring a fresh and unbiased perspective to the board. If elected as Treasurer, I pledge to work closely with and to support the CBA President and Vice President to uphold the integrity and efficiency of the Board of Accountancy. My skill set includes strong communication skills, the ability to ask the challenging questions, and working under demanding conditions.

My commitment remains strong to the CBA, the consumers we protect, the CPA's and PA's we assist, and to public service for the State of California. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Alicia Berhow". The signature is fluid and cursive, with a large loop at the end.

Alicia Berhow
Board Member
California Board of Accountancy

cc: President Michael Savoy

October 9, 2014

California State Board of Accountanc
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

To the board members of the California Board of Accountancy

I respectfully submit my name for your consideration as the Vice President for 2015.

During my past 18 years of licensure, I have personally benefited from the work of this organization. I joined this board in 2012 in order to give back to the professio and help ensure continued consumer protection within our state.

Since joining the board, I have been a member of the Legislative Committee and visited the Capitol on behalf o the board. In addition, I am also currently the Chair of the Mobility Stakeholder Group, the Northern Liaison to the Enforcement Advisory Committee, and a member of the Committee on Professional Conduct and Strategic Planning Committee.

The professional experience that I bring to the table includes both public and private accounting. I have served the profession as an adjunct faculty member teaching at two community colleges. In addition to my executive board leadershi for a variety of organizations, my presidential leadership experience includes the Rotary Club of Sacramento Foundation and National Latina Business Women Association – Sacramento.

As a profession, we continue to face issues with mobility, educational requirements enforcement and sunset reviews. In addition, the board needs to remain vigilant as to how the mission of consumer protection is impacted by technological and economic changes. I believe that my background in accounting and leadership aligns itself to the requirements of this position.

I look forward to continuing service to the Board and ask for your support in electing me to the position of Vice President.

Sincerely,

Katrina L. Salazar, CPA, MBA

Jose A. Campos, CPA
Jcamposcpa@gmail.com
(213) 688-1823

September 30, 2014

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

Dear Fellow Board Members:

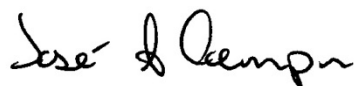
I am writing to express my interest in becoming President of the Board.

I have been a member of the Board since December 2012. During this last year, I have been the Board's Vice President and Chairman of the Committee on Professional Conduct, and have also served on the Enforcement Program Oversight Committee and the Mobility Stakeholder Group. During April 2014, I also had the privilege of representing the Board in various legislative visits in Sacramento. I have been a CPA licensee since 1995 and am able to bring that perspective to the Board. I fully embrace the Board's focus on consumer protection and look forward to continuing to serve the consumers of California.

My qualifications include previously serving as Chairman of the Finance Committee of a community-based organization and my current responsibilities as a Partner at Deloitte & Touche LLP. For over twelve years and through 2006, I served on the Board of Directors of AltaMed Health Services, a nonprofit that provides health care services to the underserved in Southern California with 2012 revenues in excess of \$200 million. During my tenure, I served as Chairman of the Finance Committee of the Board and Treasurer. I am an experienced auditor with over twenty-three years of experience at Deloitte and was admitted to the partnership in 2005. I have led audit engagements of large public companies, small nonprofit organizations and mid-sized public and private companies. In addition, I serve as the Diversity & Inclusion Leader for Deloitte's West Region Audit Practice with a focus on the recruitment, retention and development of diverse professionals.

I look forward to tackling the opportunities that our Board faces in the coming year, including our sunset review, mobility monitoring and peer review report.

Sincerely,



Jose A. Campos, CPA



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CBA Item XIV.C.
November 20-21, 2014

Press Release Focus

Presented by: Deanne Pearce, Assistant Executive Officer

Date: November 5, 2014

Purpose of the Item

The purpose of this agenda item is to provide suggestions for an appropriate focus for the press release to be issued following each California Board of Accountancy (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 item.

Background

Two post-CBA meeting press releases, *California Board of Accountancy Seeks New Enforcement Chief* and *CBA Presentation Reaches College Students with a Roadmap to Becoming Certified Public Accountants* were issued following the September CBA meeting. Eight new enforcement action press releases have also been issued.

A press advisory notifying the media of the November 20-21, 2014 CBA meeting is scheduled to be distributed November 17, 2014.

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommendation will be made at the time of this presentation.

Attachments

1. California Board of Accountancy Seeks New Enforcement Chief
2. CBA Presentation Reaches College Students with a Roadmap to Becoming Certified Public Accountants
3. Enforcement Action Press Releases

**DEPARTMENT OF CONSUMER AFFAIRS**

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**Attachment 1****NEWS RELEASE**

FOR IMMEDIATE RELEASE

Contact: Lauren Hersh (916) 561-1789

**CALIFORNIA BOARD OF ACCOUNTANCY
SEEKS NEW ENFORCEMENT CHIEF**

SACRAMENTO – The California Board of Accountancy (CBA) is recruiting for a new Chief of Enforcement. The Chief of Enforcement plays an integral role in the creation/influence of policy affecting not only the Enforcement Division, but the CBA as a whole, and serves as a principal advisor to the Executive Officer and enforcement-related consumer protection activities at the CBA.

The Chief of Enforcement plans, organizes, and directs all phases of the CBA's Enforcement Division; oversees all investigations of complaints filed against California Certified Public Accountants, Public Accountants, and firms for violation of the Accountancy Act and/or CBA Regulations; provides technical support to the Attorney General on development of legal opinions; accusations, prosecution strategy, and stipulated settlements; coordinates with Attorney General, Department of Consumer Affairs, and Division of Investigation, as well as, various federal, state, and local regulatory authorities on enforcement cases of interest to the CBA.

To be considered, applicants must meet one of the following qualifications:

- Must be a civil service employee with permanent civil service status, or
- Must be a current or former employee of the Legislature for two or more consecutive years as defined in Government Code Section 18990, or
- Must be a current or former non-elected exempt employee of the Executive Branch with two or more consecutive years (excluding those positions for which salaries are set by statute) as defined in Government Code Section 18992, or
- Must be a person retired from the United States military, honorably discharged from active military duty with a service-connected disability, or honorably discharged from active duty as defined in Government Code 18991.

For additional information about how to apply and the application deadline, please view the Exam Announcement at http://jobs.spb.ca.gov/ceabulletins/ceaexambulletin2.cfm?bid=08252014_1&view=h

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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 90,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

Subscribe to CBA [E-News](#) to receive links to the latest digital edition of UPDATE and the latest information on CBA programs and activities.   

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**Attachment 2****NEWS RELEASE**

FOR IMMEDIATE RELEASE

Contact: Lauren Hersh (916) 561-1789

CBA PRESENTATION REACHES COLLEGE STUDENTS WITH A ROADMAP TO BECOMING CERTIFIED PUBLIC ACCOUNTANTS

Sacramento- An interactive presentation that maps out the road to becoming a California CPA drew hundreds of students online and in person at the University of San Diego on Wednesday, September 17, 2014.




Titled "So You Want to Be a CPA," the event was a joint venture with the California Society of CPAs and featured comments by CBA President Michael M. Savoy, CPA, as well as a comprehensive presentation at what prospective CPAs need to know and can expect as they move from student to licensee. A lively question and answer session drew participation from both those attending at the University of San Diego location and via interactive webcast.

Students from nearby colleges also attended, as well as those from all over the state participated online. "I was impressed with the thoughtfulness and intelligence of those posing questions," said Savoy. "Clearly there is a need for this type of outreach, and I am thrilled that we can meet that need."

The webcast was recorded and continues as a resource for both accounting students and faculty on demand on the CBA website, <http://www.cba.ca.gov/webcast/>

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**California Board of Accountancy
Enforcement Action News Release**

Sent to business@ocregister.com (Orange County Register) and Penny.Arevalo@patch.com (Newport Beach Patch) on October 27, 2014

Riley Terence Drake, Huntington Beach, CA (CPA 103104) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#D_1955

Sent to strousdale@bayareanewsgroup.com (Contra Costa Times) and Autumn.Johnson@patch.com (Danville Patch) on October 27, 2014

Suzanne Renea Eikel, Danville, CA (CPA 84969) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#E_1943

Sent to editor@lakeconews.com (Lake County News) and dfaries@record-bee.com (Lake County Record Bee) on October 27, 2014

Melissa R. Fanning, Clearlake, CA (CPA 49218) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#F_1973

Sent to Diana.mccabe@utsandiego.com (San Diego Union Tribune) and Mirna.Alfonso@patch.com (La Jolla Patch) on October 27, 2014

Robert John Grimes, San Diego, CA (CPA 124983) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#G_1991

Sent to editor@thearknewspaper.com (The Ark Newspaper) and GKlien@marinij.com (Marin Independent Journal) on October 27, 2014

Lisa Blair Hovan, Belvedere, CA (CPA 75821) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#H_1960

Sent to news@chicoer.com (Chico Enterprise Record) and rolson@chicoer.com (Oroville Mercury Register) on October 27, 2014

Martin D. Meester (CPA 32972) and Meester & Company, CPA, Inc. (COR 5887) Chico, CA 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 should you have any questions regarding these enforcement actions.

http://www.dca.ca.gov/cba/discipline/index.shtml#M_1373

http://www.dca.ca.gov/cba/discipline/index.shtml#M_1375

Sent to business@latimes.com (Los Angeles Times) and Penny.Arevalo@patch.com (Cerritos Patch) on October 27, 2014

Federico Llarenas Quinto, Jr., Cerritos, CA (CPA 68925) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#Q_1974

Sent to business@latimes.com (Los Angeles Times) and Penny.Arevalo@patch.com (Cerritos Patch) on October 27, 2014

Steven Sears, Tustin, CA (CPA 47657) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#S_1241

Sent to news@pe.com (Riverside Press Enterprise) on October 27, 2014

Michael Alan Taylor, Riverside, CA (CPA 28464) 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 should you have any questions regarding this enforcement action.
http://www.dca.ca.gov/cba/discipline/index.shtml#T_1678

Sent to strousdale@bayareanewsgroup.com (Oakland Tribune),
editor@alamedasun.com (Alameda Sun) and Autumn.Johnson@patch.com
(Alameda Patch) on October 29, 2014

Troy Michael Christiansen, Alameda, CA (CPA 125158) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#C_1993

Sent to business@mercurynews.com (San Jose Mercury News), and
sanjosebizjournals.com (San Jose Business Journal) on October 29, 2014

James M. Hannigan, San Jose, CA (CPA 125123) 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 should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/index.shtml#H_1992
