



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



AMENDED

**CALIFORNIA BOARD OF ACCOUNTANCY
 PUBLIC MEETING NOTICE FOR THE MOBILITY STAKEHOLDER GROUP,
 COMMITTEE ON PROFESSIONAL CONDUCT, ENFORCEMENT PROGRAM
 OVERSIGHT COMMITTEE, LEGISLATIVE COMMITTEE AND CALIFORNIA BOARD
 OF ACCOUNTANCY MEETINGS**

- DATE:** Thursday, July 21, 2016 **MOBILITY STAKEHOLDER GROUP MEETING (one or more members will participate via teleconference)**
TIME: 10:00 a.m.
- DATE:** Thursday, July 21, 2016 **COMMITTEE ON PROFESSIONAL CONDUCT MEETING**
TIME: 10:30 a.m.
 Or upon adjournment of the Mobility Stakeholder Group Meeting
- DATE:** Thursday, July 21, 2016 **ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE MEETING**
TIME: 11:00 a.m.
 Or upon adjournment of the Committee on Professional Conduct Meeting
- DATE:** Thursday, July 21, 2016 **LEGISLATIVE COMMITTEE MEETING**
TIME: 11:45 a.m.
 Or upon adjournment of the Enforcement Program Oversight Committee Meeting.
- DATE:** Thursday, July 21, 2016 **CALIFORNIA BOARD OF ACCOUNTANCY MEETING**
TIME: 1:30 p.m. to 5:00 p.m.
- DATE:** Friday, July 22, 2016 **CALIFORNIA BOARD OF ACCOUNTANCY MEETING**
TIME: 9:00 a.m. to 12:00 p.m.
- PLACE:** Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

Mobility Stakeholder Group Meeting – Alternative Teleconference Location
 Executive Law Offices
 3175-E Sedona Court
 Ontario, CA 91764
 Telephone: (909) 291-2435 ext. 202

Enclosed for your information is a copy of the agendas for the Legislative Committee, Enforcement Program Oversight Committee, Mobility Stakeholder Group, Committee on Professional Conduct, and California Board of Accountancy meetings on July 21-22, 2016. For further information regarding these meetings, please contact:

Rebecca Reed, Board Relations Analyst
(916) 561-1716 or rebecca.reed@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/about-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 Rebecca Reed at (916) 561-1716, or email rebecca.reed@cba.ca.gov, or send a written request to the California Board of Accountancy Office at 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.



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



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

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

MEETING AGENDA

**July 21, 2016
 1:30 p.m. – 5:00 p.m.**

**July 22, 2016
 9:00 a.m. – 12:00 p.m.**

**Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000**

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 California Board of Accountancy President. Agenda items scheduled for a particular day may be moved to another day to facilitate the California Board of Accountancy’s business. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy’s website at <http://www.cba.ca.gov>.

**Thursday,
 July 21, 2016**

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

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

- I. Regulations (**Pat Billingsley, Regulations Analyst**).
 - A. Regulation Hearing Regarding Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements.
 - B. Discussion and Possible Action to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements.

**1:40 p.m. –
 2:30 p.m.**

- II. Report of the President (**Katrina Salazar, President**).

- A. Report on the National Association of State Boards of Accountancy's June 7-9, 2016 Eastern Regional Meeting and June 22-24, 2016 Western Regional Meeting.
- B. Update on the California Board of Accountancy's 2016-2018 Strategic Plan (**Pat Billingsley, Regulations Analyst**).
- C. Discussion and Possible Action on Evaluating Criminal Convictions Involving Drugs and Alcohol and the Authority to Take Administrative Actions Pursuant to Business and Professions Code Sections 480, 490 and 5100 (**Patti Bowers, Executive Officer**).
- D. Discussion Regarding Changes to the California Board of Accountancy's 2017 Meeting Dates (**Rebecca Reed, Board Relations Analyst**).
- E. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission (**Kristy Schieldge, Department of Consumer Affairs, Senior Attorney III**).
- F. Discussion on the California Little Hoover Commission Hearings Regarding Occupational Licensing (**Matthew Stanley, Information and Planning Officer**).
- G. Department of Consumer Affairs Director's Report on Departmental Activities (**DCA Representative**).

2:30 p.m. –
2:35 p.m.

- III. Report of the Vice-President (**Alicia Berhow, Vice-President**).
- A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.
- B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.
- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

2:35 p.m. –
2:45 p.m.

- IV. Report of the Secretary/Treasurer (**Michael M. Savoy, Secretary/Treasurer**).
- A. Discussion of the Governor's Budget.

2:45 p.m. –
2:55 p.m.

- V. Report of the Executive Officer (**Patti Bowers, Executive Officer**).
- A. Update on the Relocation of the California Board Accountancy's Office.

- B. Update on Staffing.
 - C. Update on the California Board of Accountancy’s Communication and Outreach (**Matthew Stanley, Information and Planning Officer**).
- 2:55 p.m. – 3:00 p.m.**
- VI. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.
 - A. Enforcement Advisory Committee (**Joseph Rosenbaum, Chair**).
 - 1. Report of the July 7, 2016, Enforcement Advisory Committee Meeting Activities.
 - B. Qualifications Committee (**Jenny Bolsky, Chair**).
 - No Report.
 - C. Peer Review Oversight Committee (**Robert Lee, Chair**).
 - No Report.
- 3:00 p.m. – 3:15 p.m.**
- VII. Report of the Enforcement Chief (**Dominic Franzella, Enforcement Chief**).
 - A. Enforcement Activity Report.
- 3:15 p.m. – 3:25 p.m.**
- VIII. Report of the Licensing Chief (**Veronica Daniel, Licensing Manager**).
 - A. Licensing Activity Report.
- 3:25 p.m. – 4:10 p.m.**
- IX. Committee Reports.
 - A. Committee on Professional Conduct (**Leslie LaManna, Chair**).
 - 1. Report of the July 21, 2016, Committee on Professional Conduct Meeting.
 - 2. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 45 – Reporting to the Board.
 - 3. Discussion and Possible Action Regarding the California Board of Accountancy’s Policy Objectives Resulting from the United States Department of Labor’s Review of Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Security Act of 1974 including Enforcement Activity Reporting, Peer Review Program Assessment, Specified Continuing Education Options, and Communication and Outreach Options.

4. Discussion Regarding a Continuing Education Exemption for Licensees Who Serve as Elected Officials.
- B. Enforcement Program Oversight Committee (**Kathleen Wright, Committee Chair**).
1. Report of the July 21, 2016, Enforcement Program Oversight Committee Meeting.
 2. Revision Schedule for the Disciplinary Guidelines and Model Orders.
 3. Educational Presentation and Discussion Regarding Tolling Provision in the Disciplinary Guidelines.
 4. Discussion and Possible Action Regarding Proposed Changes to the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty.
- C. Legislative Committee (**Larry Kaplan, Legislative Committee Member**).
1. Report of the July 21, 2016, Legislative Committee Meeting.
 2. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Discontinue Following (Assembly Bill (AB) 1566, AB 1707, AB 1939, Senate Bill (SB) 1251, SB 1195 and SB 1445).
 3. Update on Legislation the California Board of Accountancy is Monitoring (AB 1868, AB 1887, AB 1949, AB 2421, AB 2423, AB 2701, AB 2843, SB 1130, SB 1444, and SB 1448) (**Written Report Only**).
 4. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Maintain the California Board of Accountancy's Position (AB 507, AB 2560, AB 2859, Assembly Concurrent Resolution (ACR) 131, SB 1348, SB 1155, and SB 1479).
 5. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Change the California Board of Accountancy's Position to Support (AB 2859).

6. Legislative Items for Future Meeting. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future California Board of Accountancy meeting agenda and/or whether to hold a special meeting of the California Board of Accountancy to discuss such items pursuant to Government Code section 11125.4.

D. Mobility Stakeholder Group (**Jose Campos, Chair**).

1. Report of the July 21, 2016, Mobility Stakeholder Group Meeting.
2. Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives (**Written Report Only**).
3. Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21 (**Written Report Only**).
4. Discussion Regarding the Assessment of the National Association of State Boards of Accountancy's Process for Evaluating and Information Gathering Regarding Accountancy Board Operations for Colorado, Illinois, New York, Oregon and Texas.
5. Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c).
6. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.
7. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

**4:10 p.m. –
4:15 p.m.**

X. Acceptance of Minutes.

- A. Minutes of the May 19-20, 2016, California Board of Accountancy Meeting.
- B. Minutes of the May 19, 2016, Committee on Professional Conduct Meeting.
- C. Minutes of the May 19, 2016, Legislative Committee Meeting.
- D. Minutes of the May 19, 2016, Enforcement Program Oversight Committee Meeting.
- E. Minutes of the May 19, 2016, Mobility Stakeholder Group Meeting.

- F. Minutes of the December 10, 2015, Enforcement Advisory Committee Meeting.
- G. Minutes of the January 29, 2016, Peer Review Oversight Committee Meeting.

**4:15 p.m. –
4:20 p.m.**

- XI. Other Business.
 - A. American Institute of Certified Public Accountants.
 - 1. Report on Public Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.
 - B. National Association of State Boards of Accountancy.
 - 1. Report on Public Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Representative.

**4:20 p.m. –
4:25 p.m.**

- XII. Closing Business.
 - A. Public Comments.*
 - B. Agenda Items for Future California Board of Accountancy Meetings.

**4:25 p.m. –
5:00 p.m.**

- XIII. Closed Session.**
 - A. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).
 - B. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Meet In Closed Session to Receive Advice from Legal Counsel on Litigation (David Greenberg v. California Board of Accountancy, Los Angeles County Superior Court, Case No. BS155045; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809799-CU-WM-CJC.; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809802-CU-WM-CJC.; and David Greenberg v. Erin Sunseri, et al., U.S. District Court, Southern District of Florida, Case No. 15-CV-80624.).

**Friday
July 22, 2016
Time Certain
9:00 a.m.**

XIV. Petition Hearings.

- A. Masood Ahmed Chotani – Petition for Reinstatement of Revoked Certificate.
- B. Erik Lloyd Tigard – Petition for Termination of Probation.
- C. Closed Session. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene into Closed Session to Deliberate on the above petitions.

Return to Open Session.

Adjournment

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

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



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



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

**CALIFORNIA BOARD OF ACCOUNTANCY
 MOBILITY STAKEHOLDER GROUP**

AMENDED

**NOTICE OF PUBLIC TELECONFERENCE MEETING AND AGENDA
 Thursday, July 21, 2016
 10:00 a.m.**

One or more Mobility Stakeholder Group (MSG) members will participate in this meeting at the teleconference sites listed below. Each teleconference location is accessible to the public and the public will be given an opportunity to address the MSG members at each teleconference location. The public teleconference sites for this meeting are as follows:

**Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000**

**Executive Law Offices
 3175-E Sedona Court
 Ontario, CA 91764
 Telephone: (909) 291-2435 ext. 202**

Important Notice to the Public

All times indicated are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the Mobility Stakeholder Group Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at <http://www.cba.ca.gov>.

	<u>CBA Item #</u>
Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Jose A. Campos, Chair).	
I. Approval of Minutes of the May 19, 2016, Mobility Stakeholder Group Meeting.	X.E.
II. Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives (Written Report Only).	IX.D.2.

- III. Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21. **(Written Report Only)**. IX.D.3.
- IV. Discussion Regarding the Assessment of the National Association of State Boards of Accountancy's Process for Evaluating and Information Gathering Regarding Accountancy Board Operations for Colorado, Illinois, New York, Oregon and Texas **(Nooshin Movassaghi, Legislative Analyst)**. IX.D.4.
- V. Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c) **(Matthew Stanley, Information and Planning Officer)**. IX.D.5.
- VI. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify **(Nooshin Movassaghi)**. IX.D.6.
- VII. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting **(Nooshin Movassaghi)**. IX.D.7.
- VIII. Public Comments.*

Adjournment

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

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

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



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



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

CALIFORNIA BOARD OF ACCOUNTANCY COMMITTEE ON PROFESSIONAL CONDUCT

MEETING AGENDA

Thursday, July 21, 2016
 10:30 a.m.

Or Upon Adjournment of the Mobility Stakeholder Group Meeting

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

Important Notice to the Public

All times indicated are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the Committee on Professional Conduct Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the California Board of Accountancy's website at <http://www.cba.ca.gov>.

- | | <u>CBA Item #</u> |
|--|--------------------------|
| Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Leslie LaManna, Chair). | |
| I. Approve Minutes of the May 19, 2016, Committee on Professional Conduct Meeting. | X.B. |
| II. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 45 – Reporting to the Board (Veronica Daniel, Licensing Manager, Licensing Division). | IX.A.2. |
| III. Discussion and Possible Action Regarding the California Board of Accountancy's Policy Objectives Resulting from the United States Department of Labor's Review of Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Security Act of 1974, Enforcement Activity Reporting, Peer Review Program Assessment, Specified Continuing Education Options, and Communication and Outreach Options. (Matthew Stanley, Information and Planning Officer). | IX.A.3. |

IV Discussion Regarding a Continuing Education Exemption for Licensees Who Serve as Elected Officials.

V. Public Comments.

VI. Agenda Items for Next Meeting.

Adjournment

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

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

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



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



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

**DEPARTMENT OF CONSUMER AFFAIRS
 ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE**

MEETING AGENDA

July 21, 2016

11:00 a.m.

Or Upon Adjournment of the Legislative Committee Meeting

**Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000**

Important Notice to the Public

All times indicated are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the Enforcement Program Oversight Committee Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access California Board of Accountancy's website at <http://www.cba.ca.gov>.

	<u>CBA Item #</u>
Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Kathleen Wright, Chair).	
I. Approve Minutes of the May 19, 2016, Enforcement Program Oversight Committee Meeting.	X.D.
II. Revision Schedule for the Disciplinary Guidelines and Model Orders (Dominic Franzella).	IX.B.2.
III. Educational Presentation and Discussion Regarding Tolling Provision in the Disciplinary Guidelines (Dominic Franzella).	IX.B.3.
IV. Discussion and Possible Action Regarding of Proposed Changes to the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty (Dominic Franzella).	IX.B.4.

V. Public Comments.*

VI. Agenda Items for Next Meeting.

Adjournment

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

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

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



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



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

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

MEETING AGENDA

Thursday, July 21, 2016

11:45 a.m.

Or Upon Adjournment of the Enforcement Program Oversight Committee Meeting

**Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000**

Important Notice to the Public

All times indicated are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the Legislative Committee Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 561-1716 or access the CBA's website at <http://www.cba.ca.gov>.

	<u>CBA Item #</u>
Call to Order, Roll Call, and Establishment of Quorum (Mr. Larry Kaplan).	
I. Approve Minutes of the May 19, 2016, Legislative Committee Meeting.	X.C.
II. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Discontinue Following (Assembly Bill 1566, AB 1707, AB 1939, Senate Bill 1251, SB 1195 and SB 1445). (Nooshin Movassaghi, Legislative Analyst).	IX.C.2.
III. Update on Legislation the California Board of Accountancy is Monitoring (AB 1868, AB 1887, AB 1949, AB 2421, AB 2423, AB 2701, AB 2843, SB 1130, SB 1444, and SB 1448) (Written Report Only).	IX.C.3.
IV. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Maintain the California Board of	IX.C.4.

Accountancy's Position (AB 507, AB 2560, ACR 131, SB 1155, SB 1348 and SB 1479) (**Nooshin Movassaghi**).

- V. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Change the California Board of Accountancy's Position to Support (AB 2859) (**Nooshin Movassaghi**). IX.C.5.
- VI. Legislative Items for Future Meeting. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future California Board of Accountancy meeting agenda and/or whether to hold a special meeting of the California Board of Accountancy to discuss such items pursuant to Government Code section 11125.4 (**Nooshin Movassaghi**). IX.C.6.
- VII. Public Comments.*
- VIII. Agenda Items for Next Meeting.

Adjournment

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

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

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



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



CBA Item I.A.
July 21-22, 2016

**Regulation Hearing Regarding Title 16, California Code of Regulations
Section 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation
Engagements**

Presented by: Pat Billingsley, Regulatory Analyst

Purpose of the Item

The purpose of this agenda item is to provide information from the rulemaking file for the use of the California Board of Accountancy (CBA) during its regulatory hearing process, which the legislature has established to provide the public the opportunity to comment on proposed regulations.

Consumer Protection Objectives

The purpose of this agenda item is to have the CBA establish standards that will assure reasonable currency of knowledge as a basis for a high standard of practice by specifying continuing education (CE) under Business and Professions Code (BPC) section 5027 for the interests of consumer protection.

Action(s) Needed

No specific action is required on this agenda item.

Background

BPC section 5027 authorizes the CBA to adopt, amend or repeal rules regarding CE.

In May 2015, the CBA began discussion of the American Institute of Certified Public Accountants (AICPA) October 2014 issuance of Statement on Standards for Accounting and Review Services (SSARS) 21, and the subsequent creation of a new level of service for engagements to prepare financial statements.

SSARS 21 applies when the accountant is engaged to prepare financial statements prior to audit or review by another accountant or for statements not intended for use by a third party, or that are otherwise for management use only. Additionally, SSARS 21 redefines that a compilation engagement will apply when an accountant is engaged to report on compiled financial statements or submits the financial statements to the client or to third parties. SSARS 21 requires that a report is issued for all compilation engagements, and from engagements where no report is issued will now be covered under financial statement preparation.

Regulation Hearing Regarding Title 16, California Code of Regulations Section 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements

Page 2 of 3

A licensee who performs work on an audit, review, compilation, or attestation service must complete 24 hours of accounting and auditing (A&A) and four hours of fraud CE. Historically, licensees that perform compilations where no report was issued (commonly referred to as “management use only” or “internal use only”) were subject to the A&A and fraud CE requirements. This type of service is now being referred to as a preparation engagement. With the new service outside the scope of the present A&A and fraud CE requirements, the CBA determined that licensees who as their highest level of service perform only preparation engagements in accordance with SSARS 21 should still be required to complete a specified amount of CE in the preparation of financial statements.

The preparation engagement standard will apply when the accountant in public practice is engaged to prepare financial statements but is not engaged to perform an audit, review, or a compilation on those financial statements. A licensee that is engaged to prepare financial statements is not required to make a determination regarding independence from the entity.

At its January 2016 meeting, the CBA decided to require licensees, who as their highest level of service, perform preparation engagements, to complete eight hours of CE in preparation engagements or A&A and four hours of CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This proposal would not require any increase in the number of hours of CE required as a condition of license renewal, only CE dedicated to education in the specific areas described.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on May 3, 2016 and published on May 13, 2016, thereby initiating the required 45-day public comment period. June 27, 2016 marks the end of the public comment period, and on July 21, 2016, during the CBA meeting, a public hearing will be conducted on the proposed action.

Comments

The following attachments will aid in preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Proposed Regulatory Language (**Attachment 2**)
- Initial Statement of Reasons (**Attachment 3**)

During the public hearing the CBA may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Notice of Modified Text will be required. No comments were received regarding the proposed regulations during the 45-day public comment period. The CBA can discuss any comments and may act under **CBA Agenda Item I.B.** to adopt the proposed

**Regulation Hearing Regarding Title 16, California Code of Regulations
Section 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation
Engagements**

Page 3 of 3

regulations. Prior to submitting the final regulation package to OAL, staff will draft responses to any comments and prepare the Final Statement of Reasons for distribution to all persons who provide comments.

Fiscal/Economic Impact Considerations

The CBA presently requires certified public accountants to complete 80 hours of CE each two-year renewal cycle. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the CE should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Notice of Proposed Action
2. Proposed Regulatory Language
3. Initial Statement of Reasons

TITLE 16. DIVISION 1. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (CBA) is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at The Hilton Los Angeles Airport, 5711 West Century Boulevard Los Angeles, CA 90045 at 1:30 pm, on July 21, 2016. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the CBA at its office not later than 5:00 p.m. on June 27, 2016 or must be received by the CBA at the hearing. The CBA, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010 and 5027 of the Business and Professions Code (BPC), and to implement, interpret or make specific Section 5027 of said Code, the CBA is considering changes to Division 1 of Title 16 of Section 80.1, 80.2, 87, and 87.1 of the California Code of Regulations (CCR) as follows:

INFORMATIVE DIGEST

A. Informative Digest

BPC section 5027 authorizes the CBA to adopt, amend or repeal rules regarding continuing education exercising its power under this section for the interests of consumer protection; the board shall establish standards which will assure reasonable currency of knowledge as a basis for a high standard of practice by licensees.

The regulatory proposal is as follows:

Section 80.1

These proposed amendments would require, for conversion or restoration to active status prior to renewal, eight hours of continuing education (CE) in preparation engagements or accounting and auditing (A&A) for licensees who, as the highest level of service, provided preparation engagements in the prior two years and four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements. Section 87 outlines the CBA's basic CE requirements. Section 80.1 outlines prorated amounts of those basic requirements. The proposed amendment is being added to this section in order to continue the proration of section 87 in this section.

Section 80.2

These proposed amendments establish, for licensees who, as their highest level of service, provided preparation engagements, a prorated CE requirement in preparation engagements or A&A following conversion or restoration to active status during the renewal period at two hours for each 20 hours of CE required and four hours of CE in the prevention, detection, and or reporting of fraud affecting financial statements. Section 87 outlines the CBA's basic CE requirements. Section 80.2 outlines prorated amounts of those basic requirements. The proposed amendment is being added to this section in order to continue the proration of section 87 in this section.

Section 87

These proposed amendments establish and define the CE requirements for licensees who, as the highest level of service, provided preparation engagements. Specifically, the proposal requires such a licensee to complete eight of the 80 required hours of CE in preparation engagements or A&A. Further, such licensees would be required to complete four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements.

Section 87.1

These proposed amendments establish, for new licensees who, as their highest level of service, provide preparation engagements, a prorated CE requirement in preparation engagements or A&A following initial licensure for the first renewal period at two hours for each 20 hours of CE required. In addition, it requires such licensees, to complete four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements. Requiring CE in preparation engagements or A&A and in the prevention, detection, and/or reporting of fraud affecting financial statements in this section maintain its consistency with section 87.

B. Policy Statement Overview/Anticipated Benefits of Proposal

This proposal protects consumers by requiring licensees who perform preparation engagements as their highest level of service to take required CE specific to preparation engagements or A&A thereby assisting in maintaining professional competency.

C. Consistency and Compatibility with Existing State Regulations

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

INCORPORATION BY REFERENCE

Document incorporated by reference:

None

FISCAL IMPACT ESTIMATES

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

None.

Nondiscretionary Costs/Savings to Local Agencies:

None.

Local Mandate:

None.

Cost to Any Local Agency or School District for Which Government Code sections 17500 - 17630 Require Reimbursement:

None.

Business Impact:

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

AND

The following studies/relevant data were relied upon in making the above determination. The CBA presently requires certified public accountants to complete 80 hours of CE each two year renewal cycle. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the continuing education should be minor and absorbable to the business since the licensee still must complete 80 total hours of CE during each renewal period.

Cost Impact on Representative Private Person or Business:

Costs associated with changes to the CE should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

Effect on Housing Costs:

None.

EFFECT ON SMALL BUSINESS

The CBA has determined that the proposed regulations would affect small businesses. This proposal impacts public accounting individuals and firms that as their highest level of service provide preparation engagements. The number of individuals and firms whom provide this level of service is currently unknown to CBA. In addition, it is unknown by the CBA the percentage of those affected are small business.

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS

Impact on Jobs/Businesses:

It will not create or eliminate jobs within the State of California because the proposed changes are not of sufficient magnitude to create or eliminate jobs or businesses, or affect the expansion of existing businesses in California. The CBA presently requires individual licensees to complete 80 hours of CE each two year renewal cycle. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the continuing education should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

Benefits of Regulation:

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

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

This regulatory proposal benefits the health and welfare of California residents because requiring licensees who perform preparation engagements as their highest level of service to take required CE specific to preparation engagements or A&A and CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements will assist the CBA in its mission of consumer protection by ensuring these licensees maintain their professional competency.

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

CONSIDERATION OF ALTERNATIVES

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

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

INITIAL STATEMENT OF REASONS AND INFORMATION

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

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations, and any document incorporated by reference, and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the CBA at 2000 Evergreen St., Ste. 250, Sacramento, California, 95815.

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

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

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

CONTACT PERSON

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

Name:	Pat Billingsley
Address:	2000 Evergreen St., Ste. 250 Sacramento, CA 95815
Telephone No.:	916-561-1782
Fax No.:	916-263-3678
E-Mail Address:	pat.billingsley@cba.ca.gov

The backup contact person is:

Name:	Nooshin Movassaghi
Address:	2000 Evergreen St., Ste. 250 Sacramento, CA 95815
Telephone No.:	916-561-1742
Fax No.:	916-263-3678
E-Mail Address:	nooshin.movassaghi@cba.ca.gov

Website Access: Materials regarding this proposal can be found at http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml.



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



Attachment 2

Proposed Regulatory Language – CBA Regulations Section 80.1, 80.2, 87, and 87.1

§ 80.1 Conversion or Restoration to Active Status Prior to Renewal.

(a) A licensee who has a license in an inactive or retired status may convert, or restore, the license to an active status prior to the next license expiration date by performing the following:

(1) Within the 24-month period prior to converting, or restoring, to an active status, complete 80 hours of continuing education credit as described in Section 87(a)(2) and (a)(3), including the Ethics Continuing Education Requirement described in Section 87(b). A minimum of 20 hours shall be completed in the one-year period immediately preceding conversion, or restoration, to an active status, with a minimum of 12 hours of the 20 required hours in technical subject areas described in Section 87(a)(2);

(2) complete the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course;

(3) apply to the Board in writing requesting to convert the license to an active status; and

(4) complete any continuing education that is required pursuant to subsection (k) of Section 89.

(b) A licensee with a license in an inactive or retired status may not practice public accountancy until the Board approves the application for conversion, or restoration, of the license to an active status.

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

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

in Section 87(d) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).

(e) A licensee who, during the 24 months prior to converting, or restoring, his/her license to an active status provided preparation engagements as his/her highest level of service shall complete eight hours of continuing education in courses described in Section 87(e) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).

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

NOTE: Authority cited: Sections 462, 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 462, 5027, 5028, and 5070.1.

§ 80.2. Continuing Education Requirements Following Conversion or Restoration to Active Status During the Renewal Period.

(a) All continuing education required by this section must be completed on or after the date of conversion, or restoration, to active status.

(b) Once a license is converted, or restored, to an active status, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license status conversion to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of license status conversion and the next license expiration date is less than six full months, no continuing education is required for license renewal.

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

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

(e) Once a license is converted, or restored, to an active status, a licensee who provides preparation engagements as his/her highest level of service at any time between the date of license status conversion, or restoration, and the next license expiration date shall complete a minimum of two hours of continuing education in courses described in Section 87(e) as part of each 20 hours of continuing education required under subsection (b).

(ef) If a license expired as defined in Section 81(b)(2) after the expiration date immediately following conversion to active status, the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education in order to renew. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(1) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date the licensee applies for license renewal is less than two years

from the date of license status conversion, all continuing education must be completed on or after the date of license status conversion.

(2) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this subsection shall also complete, as a part of the 80 hours, the following: (A) Four hours of ethics education pursuant to Section 87(b).

(B) If the licensee is subject to the continuing education requirements of subsection (c), (d), or (e), four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall not be part of the continuing education required by subsection (c), (d), or (e).

(f) Failure to Comply.

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

NOTE: Authority cited: Sections 462, 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 462, 5027, 5028, and 5070.1.

§ 87. Basic Requirements.

(a) 80 Hours. As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of continuing education in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section

89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas as described in subsection (a)(2).

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

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

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

(b) Ethics Continuing Education Requirement

A licensee renewing a license in an active status shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in an ethics course. The course subject matter shall consist of one or more of the following areas: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Programs in the following subject areas are not acceptable toward meeting this requirement: sexual harassment, workplace harassment, or workplace violence. Courses must be a minimum of one hour as described in Section 88.2.

(c) Government Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 hours of the 80 hours required pursuant to subsection (a) in the

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

(d) Accounting and Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. ~~If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.~~

(e) Accounting and Auditing Continuing Education Requirement for When Providing Preparation Engagements as Highest Level of Service.

A licensee who provided preparation engagements as his/her highest level of service shall complete eight hours of the 80 hours of continuing education required pursuant to subsection (a) in preparation engagements or accounting and auditing as described in Section 87(d).

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

(f) Failure to Comply.

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

Note: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Sections 5026, 5027, 5028 and 5051.

§ 87.1. Continuing Education Requirements for New Licensees.

- (a) All continuing education must be completed on or after the date the initial license was issued.
- (b) Once a license is issued, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date the initial license was issued to the first license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date the initial license was issued and the first license expiration date is less than six full months, no continuing education is required for license renewal.
- (c) A licensee who is required to complete a total of 80 hours of continuing education pursuant to subsection (b) shall also complete four hours of ethics education pursuant to Section 87(b).
- (d) Once a license is issued, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date the initial license was issued and the first license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (e).
- (e) Once a license is issued, a licensee who engages in audit, review, compilation, or attestation services at any time between the date the initial license was issued and the first license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).
- (f) Once a license is issued, a licensee who provided preparation engagements as his/her highest level of service at any time between the date the initial license was issued and the first license expiration date shall complete a minimum of two hours of continuing education in courses described in Section 87(e) as part of each 20 hours of continuing education required under subsection (b).
- (fg) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this section and must complete continuing education pursuant to subsection (d), (e), or (ef) shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the total hours of continuing education required by this section, but shall not be part of the continuing education required by subsection (d), (e) or (ef).
- (gh) If an initial license expires as defined in Section 81(b)(2), the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(hi) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date on which the licensee applies for license renewal is less than two years from the date the initial license was issued, all continuing education must be completed on or after the date the initial license was issued.

(ij) Failure to Comply.

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

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

CALIFORNIA BOARD OF ACCOUNTANCY

INITIAL STATEMENT OF REASONS

Hearing Date: July 21, 2016

Subject Matter of Proposed Regulations: Continuing Education – Preparation Engagements

Sections Affected: 80.1, 80.2, 87, and 87.1

Specific Purpose of each adoption, amendment, or repeal:

1. Problem being addressed:

The California Board of Accountancy's (CBA) mission is to protect consumers by ensuring only qualified certified public accountants (CPA) practice public accountancy in accordance with established professional standards (see Title 16, California Code of Regulations (CCR) section 58). The American Institute of Certified Public Accountants (AICPA) is a professional association that adopts professional standards for use by the accounting profession in the United States.

In May 2015, the CBA began discussion of the AICPA October 2014 issuance of Statement on Standards for Accounting and Review Services (SSARS) 21, and the subsequent creation of a new level of accounting service for engagements to prepare financial statements called "preparation engagements."

Section 70 of SSARS 21, which discusses prepared financial statement engagements, is largely the result of technological changes and the advent of the cloud accounting software. CPAs are increasingly being engaged by clients to prepare entries in their client's accounting systems that lead to financial statements. As a result, the AICPA determined that clarification was needed to define this type of service and determine if this service should be considered a compilation.

SSARS 21 describes a preparation engagement as a CPA in public practice engaged to prepare financial statements but is not engaged to perform an audit, review, or compilation on those financial statements. Under the AICPA's professional standard, the CPA is not required to be independent and no report is issued. Each page of the financial statement is required to clearly state that "no assurance is provided" or another form of disclaimer stating the accountant did not perform an audit, review, or compilation.

Existing regulations at Title 16, CCR section 87(d) require a licensee who plans, directs, performs a substantial portion of the work, or reports on an audit, review, compilation, or attestation service on a non-governmental entity, to complete 24 of the required 80 hours of continuing education (CE) in accounting and auditing (A&A). Preparation engagements are similar to the services previously described under the prior SSARS 19, as a “compilation where no report is issued” (commonly referred to as “internal use only” or “management use only”). Since the prior SSARS 19 characterized this service as a “compilation,” licensees were required to complete the CBA’s A&A and fraud CE requirements.

However, under the AICPA’s interpretation of SSARS 21, this new preparation engagement service does not fall under any of Section 87’s referenced services; it is neither a compilation, nor is it classified as an attestation engagement. Therefore, this service falls outside the scope of the CBA’s present A&A and fraud CE requirements.

Removing CPAs who previously performed these services from the requirement that they complete specified CE raised concerns by the CBA regarding continued competency in the preparation of financials. CPAs performing preparation engagements are still required to use their knowledge of generally accepted accounting principles to perform this service for clients. Because this new level of service, a preparation engagement, is closely related to accounting and auditing work, and because this service would not be subjected to peer review, the CBA believes that specified CE should be required to help ensure that CPAs maintain a currency of knowledge and competency in that service.

The CBA proposes to require licensees who, as their highest level of service perform preparation engagements to complete eight hours of CE in preparation engagements or A&A and four hours of CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This proposal would not require any increase in the number of hours of CE required as a condition of license renewal, only CE dedicated to education in the specific areas described.

2. Anticipated benefits from this regulatory action:

Requiring licensees who perform preparation engagements as their highest level of service to take required CE specific to preparation engagements or A&A and CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements will assist the CBA in its mission of consumer protection by ensuring these licensees maintain their professional competency.

Factual Basis/Rationale

The CBA proposes the following amendments to sections 80.1, 80.2, 87, and 87.1 of Title 16 of the California Code of Regulations.

1. Section 80.1

These proposed amendments would require, for conversion or restoration to active status prior to renewal, eight hours of CE in preparation engagements or A&A for licensees who, as the highest level of service, provided preparation engagements in the prior two years and four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements.

The CBA believes for conversion or restoration to active status prior to renewal, a prorated number of CE hours are necessary to maintain professional competency. Section 87 outlines the CBA's basic CE requirements. Section 80.1 outlines prorated amounts of those basic requirements. The proposed amendment is being added to this section in order to continue the proration of section 87 in this section.

The CBA also believes a dedicated level of CE should be required as preparation engagements do not trigger a peer review as a means of ensuring continuing competency. The CBA chose 8 hours of preparation engagement or A&A CE and four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements as a baseline because this new level of service is a lower level of service than attest service, but is closely related to accounting and auditing work, requiring a lower total number of hours of CE in this area.

2. Section 80.2

These proposed amendments establish, for licensees who, as their highest level of service, provided preparation engagements, a prorated CE requirement in preparation engagements or A&A following conversion or restoration to active status during the renewal period at two hours for each 20 hours of CE required and four hours of CE in the prevention, detection, and or reporting of fraud affecting financial statements. Section 87 outlines the CBA's basic CE requirements. Section 80.2 outlines prorated amounts of those basic requirements. The proposed amendment is being added to this section in order to continue the proration of section 87 in this section.

The CBA also believes a level of dedicated CE should be required as preparation engagements do not trigger a peer review as a means of ensuring continuing competency. The CBA chose 8 hours of preparation engagement or A&A CE and four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements as a baseline because this new level of service is a

lower level of service than attest service, but is closely related to accounting and auditing work, requiring a lower total number of hours of CE in this area.

3. Section 87

These proposed amendments establish and define the CE requirements for licensees who, as the highest level of service, provided preparation engagements. Specifically, the proposal requires such a licensee to complete eight of the 80 required hours of CE in preparation engagements or A&A. Further, such licensees would be required to complete four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements.

The CBA believed a level of dedicated CE should be required as preparation engagements do not trigger a peer review as a means of ensuring continuing competency. The CBA chose 8 hours of preparation engagement or A&A CE and four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements because this new level of service is a lower level of service than attest service, but is closely related to accounting and auditing work, requiring a lower total number of hours of CE in this area.

4. Section 87.1

These proposed amendments establish, for new licensees who, as their highest level of service, provide preparation engagements, a prorated CE requirement in preparation engagements or A&A following initial licensure for the first renewal period at two hours for each 20 hours of CE required. In addition, it requires such licensees, to complete four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements. Section 87 outlines the CBA's basic CE requirements. Section 87.1 outlines prorated amounts of those basic requirements. The proposed amendment is being added to this section in order to continue the proration of section 87 in this section.

The CBA also believes a level of dedicated CE should be required as preparation engagements do not trigger a peer review as a means of ensuring continuing competency. The CBA chose 8 hours of preparation engagement or A&A CE and four hours of CE in the prevention, detection, and/or reporting of fraud affecting financial statements as a base line because this new level of service is a lower level of service than attest service, but is closely related to accounting and auditing work, requiring a lower total number of hours of CE in this area.

Consumer Protection

The CBA's mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards is furthered by the proposed amendment of sections 80.1, 80.2, 87, and 87.1.

Specifically, continuing competency is maintained by the CBA requiring individual licensees who provide preparation engagements as their highest level of service to complete CE in preparation engagements or A&A and in the prevention, detection, and/or reporting of fraud affecting financial statements; and through the maintenance of continuing competency, the consumers of California are protected.

Underlying Data

Technical, theoretical, or empirical studies, reports, or documents relied upon:

Minutes of the September 17-18, 2015 CBA Meeting

Minutes of the November 19, 2015 CBA Meeting

Minutes of the January 21-22, 2016 CBA Meeting

Business Impact

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

AND

The following studies/relevant data were relied upon in making the above determination. The CBA presently requires certified public accountants to complete 80 hours of CE each two year renewal cycle. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the CE should be minor and absorbable to the business since the licensee still must complete 80 total hours of CE during each renewal period.

Economic Impact Assessment

This regulatory proposal will have the following effects:

- It will not create or eliminate jobs within the State of California because the proposed changes are not of sufficient magnitude to create or eliminate jobs or businesses. The CBA presently requires individual licensees to complete 80 hours of CE each two year renewal cycle. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the continuing education should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.
- It will not create new business or eliminate existing businesses within the State of California because the proposed changes will not be of sufficient magnitude to

have the effect of creating or eliminating businesses. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the continuing education should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

- It will not affect the expansion of businesses currently doing business within the State of California because the proposed changes will not be of sufficient magnitude to have the effect of creating or eliminating businesses. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the continuing education should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

This regulatory proposal benefits the health and welfare of California residents because it will help ensure licensees who perform preparation engagements as their highest level of service will take CE specific to preparation engagements or A&A and in the prevention, detection, and/or reporting of fraud affecting financial statements, which in turn assists in maintaining professional competency.

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

Specific Technologies or Equipment

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

Consideration of Alternatives

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective or less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.

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

- The first alternative considered was to maintain the status quo. The CBA

rejected this alternative because as a new level of service, a preparation engagement is closely related to accounting and auditing work, and in the CBA's expertise, requires CE to maintain competency in that service.

- The second alternative considered was to require the same level of CE as is required of those who perform attest services (24 hours of CE in A&A). The CBA rejected this alternative because a preparation engagement is a lower level of service requiring fewer hours of CE in order to maintain professional competency. Requiring more hours would have been unnecessary.



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



CBA Item I.B.
July 21-22, 2016

Discussion and Possible Action to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements

Presented by: Pat Billingsley, Regulatory Analyst

Purpose of the Item

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to adopt proposed changes to Title 16, California Code of Regulations (CBA Regulations), sections 80.1, 80.2, 87, and 87.1 regarding continuing education (CE) specific to licensees who, as their highest level of service, perform preparation engagements.

Consumer Protection Objectives

Requiring licensees who perform preparation engagements as their highest level of service to take CE specific to preparation engagements or accounting and auditing (A&A) and CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements will assist the CBA in its mission of consumer protection by ensuring these licensees maintain professional competency.

Action(s) Needed

The CBA will be asked to adopt the proposed changes to CBA Regulations sections 80.1, 80.2, 87, and 87.1.

Background

BPC section 5027 authorizes the CBA to adopt, amend or repeal rules regarding CE exercising its power under this section for the interests of consumer protection; the CBA is required to establish standards which will assure reasonable currency of knowledge as a basis for a high standard of practice by licensees.

Following the regulatory hearing to receive public comment on the proposal (**CBA Agenda Item I.A.**) the next step in the rulemaking process is that the CBA must act to formally adopt the proposed regulations outlined in this item. The CBA may decide to make changes to the proposed regulations based on any received comments, or it may proceed with adopting the proposal without modification.

Comments

Discussion and Possible Action to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements

Page 2 of 2

If no additional changes are to be made after the public comment period and hearing closes, the following motion is suggested:

Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law (OAL), authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

If substantive changes are to be made after the public comment period and hearing closes, the following motion is suggested:

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

Fiscal/Economic Impact Considerations

The CBA presently requires certified public accountants to complete 80 hours of CE each two year renewal cycle. For those providing preparation engagements as their highest level of service, this proposal specifies particular CE subjects for a portion of those hours and does not add to the total hours required. Costs associated with changes to the CE should be minor and absorbable since the licensee still must complete 80 total hours of CE during each renewal period.

Recommendation

Staff recommend the CBA adopt the motion regarding no additional changes and direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the OAL; authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

Attachment

Proposed Regulatory Language



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



Attachment

Proposed Regulatory Language – CBA Regulations Section 80.1, 80.2, 87, and 87.1

§ 80.1 Conversion or Restoration to Active Status Prior to Renewal.

(a) A licensee who has a license in an inactive or retired status may convert, or restore, the license to an active status prior to the next license expiration date by performing the following:

(1) Within the 24-month period prior to converting, or restoring, to an active status, complete 80 hours of continuing education credit as described in Section 87(a)(2) and (a)(3), including the Ethics Continuing Education Requirement described in Section 87(b). A minimum of 20 hours shall be completed in the one-year period immediately preceding conversion, or restoration, to an active status, with a minimum of 12 hours of the 20 required hours in technical subject areas described in Section 87(a)(2);

(2) complete the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course;

(3) apply to the Board in writing requesting to convert the license to an active status; and

(4) complete any continuing education that is required pursuant to subsection (k) of Section 89.

(b) A licensee with a license in an inactive or retired status may not practice public accountancy until the Board approves the application for conversion, or restoration, of the license to an active status.

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

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

in Section 87(d) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).

(e) A licensee who, during the 24 months prior to converting, or restoring, his/her license to an active status provided preparation engagements as his/her highest level of service shall complete eight hours of continuing education in courses described in Section 87(e) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).

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

NOTE: Authority cited: Sections 462, 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 462, 5027, 5028, and 5070.1.

§ 80.2. Continuing Education Requirements Following Conversion or Restoration to Active Status During the Renewal Period.

(a) All continuing education required by this section must be completed on or after the date of conversion, or restoration, to active status.

(b) Once a license is converted, or restored, to an active status, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license status conversion to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of license status conversion and the next license expiration date is less than six full months, no continuing education is required for license renewal.

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

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

(e) Once a license is converted, or restored, to an active status, a licensee who provides preparation engagements as his/her highest level of service at any time between the date of license status conversion, or restoration, and the next license expiration date shall complete a minimum of two hours of continuing education in courses described in Section 87(e) as part of each 20 hours of continuing education required under subsection (b).

(ef) If a license expired as defined in Section 81(b)(2) after the expiration date immediately following conversion to active status, the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education in order to renew. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(1) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date the licensee applies for license renewal is less than two years

from the date of license status conversion, all continuing education must be completed on or after the date of license status conversion.

(2) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this subsection shall also complete, as a part of the 80 hours, the following: (A) Four hours of ethics education pursuant to Section 87(b).

(B) If the licensee is subject to the continuing education requirements of subsection (c), (d), or (e), four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall not be part of the continuing education required by subsection (c), (d), or (e).

(f) Failure to Comply.

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

NOTE: Authority cited: Sections 462, 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 462, 5027, 5028, and 5070.1.

§ 87. Basic Requirements.

(a) 80 Hours. As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of continuing education in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section

89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas as described in subsection (a)(2).

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

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

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

(b) Ethics Continuing Education Requirement

A licensee renewing a license in an active status shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in an ethics course. The course subject matter shall consist of one or more of the following areas: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Programs in the following subject areas are not acceptable toward meeting this requirement: sexual harassment, workplace harassment, or workplace violence. Courses must be a minimum of one hour as described in Section 88.2.

(c) Government Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 hours of the 80 hours required pursuant to subsection (a) in the

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

(d) Accounting and Auditing Continuing Education Requirement.

A licensee who engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. ~~If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.~~

(e) Accounting and Auditing Continuing Education Requirement for When Providing Preparation Engagements as Highest Level of Service.

A licensee who provided preparation engagements as his/her highest level of service shall complete eight hours of the 80 hours of continuing education required pursuant to subsection (a) in preparation engagements or accounting and auditing as described in Section 87(d).

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

(f) Failure to Comply.

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

Note: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Sections 5026, 5027, 5028 and 5051.

§ 87.1. Continuing Education Requirements for New Licensees.

- (a) All continuing education must be completed on or after the date the initial license was issued.
- (b) Once a license is issued, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date the initial license was issued to the first license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date the initial license was issued and the first license expiration date is less than six full months, no continuing education is required for license renewal.
- (c) A licensee who is required to complete a total of 80 hours of continuing education pursuant to subsection (b) shall also complete four hours of ethics education pursuant to Section 87(b).
- (d) Once a license is issued, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date the initial license was issued and the first license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (e).
- (e) Once a license is issued, a licensee who engages in audit, review, compilation, or attestation services at any time between the date the initial license was issued and the first license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).
- (f) Once a license is issued, a licensee who provided preparation engagements as his/her highest level of service at any time between the date the initial license was issued and the first license expiration date shall complete a minimum of two hours of continuing education in courses described in Section 87(e) as part of each 20 hours of continuing education required under subsection (b).
- (fg) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this section and must complete continuing education pursuant to subsection (d), (e), or (ef) shall also complete an additional four hours of continuing education specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements. This continuing education shall be part of the total hours of continuing education required by this section, but shall not be part of the continuing education required by subsection (d), (e) or (ef).
- (gh) If an initial license expires as defined in Section 81(b)(2), the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(hi) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date on which the licensee applies for license renewal is less than two years from the date the initial license was issued, all continuing education must be completed on or after the date the initial license was issued.

(ij) Failure to Comply.

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

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



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



CBA Item II.B.
July 21-22, 2016

Update on the California Board of Accountancy's 2016-2018 Strategic Plan

Presented by: Pat Billingsley, Regulatory Analyst

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an update regarding the ongoing implementation of its 2016-2018 Strategic Plan (Strategic Plan) (**Attachment**).

Consumer Protection Objectives

The Strategic Plan establishes the goals and objectives of the CBA that direct staff priorities to assist the CBA in achieving its mission of consumer protection.

Action(s) Needed

No specific action is required on this agenda item.

Background

In July 2015 the Strategic Planning Committee met in conjunction with the CBA and conducted a workshop to review and update the Strategic Plan.

At its September 2015 meeting, the CBA approved the Strategic Plan. New objectives for the next three years were developed, while the mission, vision, values, and goals remain unchanged.

Comments

Each of the objectives have been assigned to staff, and, at this point, each objective has had a project outline developed detailing how it will be implemented over the course of the next three years. The individual objectives are at various stages of implementation and one, Objective 6.3 – Seek authorization to purchase mobile devices for members to view CBA meeting materials, which will reduce paper consumption and lessen the environmental impact, has already been completed.

To keep the CBA apprised of the progress on the Strategic Plan, staff are providing highlights of an objective from each goal where significant progress has been made, or a significant step has been taken towards accomplishing the objective.

Objective 1.2 – Evaluate enforcement procedures and apply best practices to reduce overall processing timeframes.

Staff initiated actions regarding this objective by creating flowcharts of the current work flow associated with intake, citation desk and other functions to aid them in identifying opportunities to improve the processes and implement industry best practices. Staff will prioritize implementing process changes that reduce overall processing timeframes. Staff further identified the priority of work for technically skilled staff and reassigned routine activities to other staff. This realignment of work will maximize the abilities of these technically skilled staff.

Objective 2.2 – Ensure adequate resources to process examination, licensure, and renewal applications within 30 days.

Staff have been participating in unit meetings to identify opportunities to improve processes and implement best practices. Documentation of all changes will be incorporated in desk manuals for staff. In addition, the Licensing Division is undertaking cross training associated with examinations, licensure and renewal applications to provide additional trained resources for the Licensing Division and for upward mobility of the staff.

Objective 3.2 – Improve online tools and activities for all stakeholders to increase operational efficiency and customer access.

In May 2016, the CBA's new website was launched to make it easier for stakeholders to access important information, including a new feature on the homepage for announcements. An important new feature on the CBA website allows stakeholders to search for enforcement actions in one location. Previously, stakeholders had to scroll through three different lists to identify actions related to licensees; this new feature not only saves time but ensures the consumer has complete information related to a licensee. A new page dedicated to consumer education with new content and videos to provide helpful information is being developed to provide consumers with additional resources.

Objective 4.1 – Expand partnerships with professional organizations, academic organizations, colleges and universities, and other regulatory bodies to share information regarding the CBA and its consumer protection mission.

Staff continue to work with the Department of Business Oversight to participate in its annual Financial Literacy Day and to seek out mutually beneficial outreach opportunities. The CBA continues its successful partnership with the California Society of Certified Public Accountants by having articles placed in its publication *California CPA* for committee recruitment and by continuing to co-sponsor "So You Want to Be a CPA?" events at various universities, which focus on educating students on the examination and licensure process. In the area of college and university outreach, staff continues to send out invitations to selected colleges and universities offering to provide information to their students on how to become a CPA. Staff will continue to conduct outreach at colleges and universities throughout the academic year. Staff also

Update on the California Board of Accountancy's 2016-2018 Strategic Plan

Page 3 of 4

coordinated for the CBA to participate in Accounting Day 2016 and will continue to stay in contact for future events.

Objective 5.2 – Increase the CBA's visibility and reputation with the Legislature.

Each year, staff identify members of the Business and Professions Committees and schedule opportunities for CBA members and staff to meet and discuss issues of importance with the Legislative members. As appropriate, staff will continue to schedule meetings to outline the CBA position regarding bills or CBA legislation scheduled for hearing by the Business and Professions Committees or meet to share the CBA's mission and offer to be a resource to their constituents. Staff or CBA members will testify as needed on bills affecting the CBA.

Objective 6.3 – Seek authorization to purchase mobile devices for members to view CBA meeting materials, which will reduce paper consumption and lessen the environmental impact.

This objective has been achieved, and staff have been testing the tablets for the past two CBA meetings. At the July 2016 CBA meeting, CBA members will be able to participate in a training on using these new tools that will significantly reduce the use of time and paper.

Objective 7.1 – Continue to emphasize training and career growth resources to increase staff knowledge, skills, and upward mobility opportunities.

The CBA works to foster a learning environment both encouraging and supporting staff's desire to expand their knowledge. Staff have developed a Grow Your Career section of the CBA intranet site a "one stop shop" website for sample interview questions, tips on interviewing, and links to available positions. Periodic reminders are sent to staff to remind them to review the site to assist in advancing their career.

Each year, management meets with their staff to go over their Individual Development Plan, a document that assesses performance and serves as a roadmap to guide staff members' future learning objectives and goals for advancement. During these discussions, management works cooperatively with the staff member in determining training opportunities that may assist the staff member in job training and upward mobility.

CBA management provides staff with information on available training, both formal classroom training as well as training via webinar. The trainings range from customer service and program management to more focused training such as contracts and personnel.

Upcoming interview training for staff, titled "Put Your Best Foot Forward," is planned for this summer. The CBA recently hosted an upward mobility presentation by the Department of Consumer Affairs. Management will continue to assess staff needs and work to provide additional training resources as the CBA is able.

Fiscal/Economic Impact Considerations

Update on the California Board of Accountancy's 2016-2018 Strategic Plan

Page 4 of 4

Due to the breadth of scope of the Strategic Plan, as individual objectives are considered by the CBA, the fiscal impact would be provided at that time.

Recommendation

Staff do not have a recommendation on this agenda item. It is early in the three year implementation period and staff anticipates providing periodic updates over the planning period to keep the CBA informed.

Attachment

CBA 2016-2018 Strategic Plan



2016-2018



Strategic Plan

Adopted: September 17, 2015

Members of the California Board of Accountancy

Jose A. Campos, CPA, President
Katrina Salazar, CPA, Vice President
Alicia Berhow, Secretary / Treasurer
Sarah Anderson, CPA
Herschel T. Elkins, Esq.
Laurence Kaplan, Public Member
Louise Kirkbride, Public Member
Kay Ko, Public Member
Leslie J. LaManna, CPA
Xochitl A. León, Public Member
Jian Ou-Yang, CPA
Deidre Robinson, Public Member
Michael M. Savoy, CPA
Mark J. Silverman, Esq.
Kathleen K. Wright, JD, CPA, LLM, MBA

Edmund G. Brown, Jr., Governor
Anna M. Caballero, Secretary, Business, Consumer Services, and Housing Agency
Awet Kidane, Director, Department of Consumer Affairs
Patti Bowers, Executive Officer, California Board of Accountancy

Table of Contents

Mission, Vision And Values	4
About the California Board of Accountancy	5
How Does the CBA Accomplish its Mission?	6
Strategic Goals	7
Goal 1: Enforcement	8
Goal 2: Licensing	9
Goal 3: Customer Service	9
Goal 4: Outreach	10
Goal 5: Laws and Regulations	10
Goal 6: Emerging Technologies	11
Goal 7: Organizational Effectiveness	12
Strategic Planning Methodology	13

Mission

To protect consumer by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

Vision

All consumers are well-informed and receive quality accounting services from licensees they can trust.

Values

CONSUMER PROTECTION – The CBA will make effective and informed decisions in the best interest and for the safety of consumers.

INTEGRITY – The CBA will act in an honest, ethical, and professional manner in all endeavors, and fully disclose all pertinent information.

QUALITY AND PROFESSIONALISM – The CBA will ensure that qualified, proficient and skilled staff provide services to CBA stakeholders. The CBA will deliver high quality service, information, and products that reflect excellence and professionalism.

TRANSPARENCY – The CBA will actively promote the sharing of ideas and information throughout the organization and with the public, and be receptive to new ideas.

INITIATIVE – The CBA will encourage creatively looking at problems and processes and actively seek solutions and improvements.

RESPECT – The CBA will be responsive, considerate, and courteous to all, both within and outside the organization.

ACCOUNTABILITY – The CBA will take ownership and responsibility for its actions and their results.

TEAMWORK – The CBA will promote cooperation and trust at all levels by working with and soliciting the ideas and opinions of CBA stakeholders.

About the California Board of Accountancy

From its inception in 1901, the California Board of Accountancy (CBA), by statute, has been charged with regulating the practice of public accounting. The original law prohibited anyone from falsely claiming to be a certified accountant, a mandate which still exists today.

The standards for licensure always have been high. The first accountants certified by the CBA in 1901 were required to sit for a written examination, including questions on Theory of Accounts, Practical Accounting, Auditing and Commerce Law, with a passage rate of at least seventy percent for each section. Applicants were required to provide a notarized affidavit certifying at least three years accounting experience, at least two years of which must have been in the office of a certified public accountant performing actual accounting work. In addition, each applicant was required to submit three references testifying to his/her character, in the form of a "Certificate of Moral Character." Today's mandate that each CBA licensee pass an ethics course finds its antecedent in the CBA's original requirement of this certificate.

Sixty-five applicants were certified as licensees between 1901 and 1906. On April 18, 1906, the great San Francisco earthquake and fire destroyed all the records of the original board, including the documents of the CBA's first 65 licensees. In 1907, the CBA's Secretary-Treasurer, Mr. T. E. Atkinson, meticulously reconstructed those records by corresponding with each licensee from his new Market Street address. Today, thanks to Mr. Atkinson's diligence, the CBA retains the papers of its original 65 licensees in its archival material.

From the beginning of the 20th Century, consumer protection has been the undertaking of the CBA. A December 1, 1913, letter to Governor Hiram Johnson signed by Secretary-Treasurer Atkinson states, "For the further protection of the business public, a statute should be enacted regulating the practice of public accounting so as to require all persons holding themselves forth as being qualified to obtain from this board the certificate of certified public accountant. Public accounting is now generally recognized in business to be of such importance that a standard should be set by public authority and no one allowed to practice without proper credentials."

In 1929, the Legislature placed the CBA within the Department of Professional and Vocational Standards. In 1945, the Accountancy Act was substantially revised. In 1971, the Legislature located the CBA within the newly-created Department of Consumer Affairs. Shortly thereafter, the CBA moved its office from San Francisco to Sacramento.

How Does the CBA Accomplish its Mission?

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 that rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies that require audited financial information or assistance with internal accounting controls.
- Regulatory bodies such as the SEC, the Public Company Accounting Oversight Board, the Public Utilities Commission, Department of Insurance, Department of Labor, the Government Accountability Office and federal and state banking regulators; local, state, and federal taxing authorities.
- Retirement systems, pension plans, capital markets and stock exchanges.
- Other state boards of accountancy.

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.

Strategic Goals

1 ENFORCEMENT

Maintain an active, effective, and efficient program to maximize consumer protection.

2 LICENSING

Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.

3 CUSTOMER SERVICE

Deliver the highest level of customer service.

4 OUTREACH

Provide and maintain effective and timely outreach to all CBA stakeholders.

5 LAWS AND REGULATIONS

Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.

6 EMERGING TECHNOLOGIES

Improve efficiency and information security through use of existing and emerging technologies.

7 ORGANIZATIONAL EFFECTIVENESS

Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.

Goal 1: Enforcement

Maintain an active, effective, and efficient program to maximize consumer protection.

- 1.1 Reduce the average number of days to complete the enforcement process for those matters resulting in formal discipline to meet the DCA Formal Discipline Performance Measures.
- 1.2 Evaluate enforcement procedures and apply best practices to reduce overall processing timeframes.
- 1.3 Increase the number of supervisory level positions through the Budget Change Proposal (BCP) process to address increased staff and workload.
- 1.4 Increase collaboration with other regulatory agencies and other state boards of accountancy to enhance CBA's consumer protection efforts.
- 1.5 Establish enforcement best practices and procedures for California's practice privilege¹ provisions consistent with its mission to protect consumers.

¹ Practice Privilege allows those holding a valid and current license, certificate or permit from another state to practice public accountancy in California without notice or submission of a fee.

Goal 2: Licensing

Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure, and licensees.

- 2.1 Review and amend licensing requirements, if necessary, to accommodate evolving education methodologies used by colleges and universities.
- 2.2 Ensure adequate resources to process examination, licensure, and renewal applications within 30 days.

Goal 3: Customer Service

Deliver the highest level of customer service.

- 3.1 Assess consumer and stakeholder satisfaction feedback to identify areas of improvement to provide the highest level of service.
- 3.2 Improve online tools and activities for all stakeholders to increase operational efficiency and customer access.

Goal 4: Outreach

Provide and maintain effective and timely outreach to all CBA stakeholders.

- 4.1 Expand partnerships with professional organizations, academic organizations, colleges and universities, and other regulatory bodies to share information regarding the CBA and its consumer protection mission.
- 4.2 Leverage social media resources to engage and inform stakeholders.
- 4.3 Educate licensees on common violations of the Accountancy Act and CBA Regulations via the CBA's UPDATE publication.
- 4.4 Address CBA members' and staff's ability to have more flexibility to provide outreach and education to stakeholders.

Goal 5: Laws and Regulations

Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.

- 5.1 Continue to promote the CBA's position on legislation and public policy consistent with the CBA's goals and objectives.
- 5.2 Increase the CBA's visibility and reputation with the Legislature.

Goal 6: Emerging Technologies

Improve efficiency and information security through use of existing and emerging technologies.

- 6.1 Monitor BreEZe² implementation progress for phase three and work with the DCA to develop a contingency plan to evaluate other technology solutions should BreEZe be delayed. Other technology solutions should ensure functionality and operational efficiency in response to consumer and licensee needs.
- 6.2 Evaluate and update internal procedures, as necessary, for migration to an on-line platform, which will ensure continuity of business processes and achieve a successful implementation.
- 6.3 Seek authorization to purchase mobile devices for members to view CBA meeting materials, which will reduce paper consumption and lessen the environmental impact.
- 6.4 Prepare for transition to document imaging.
- 6.5 Review and redesign the license renewal application once a date for transition to a new technology solution has been established.

² BreEZe is the DCA's new licensing and enforcement software to replace ATS and CAS, the existing legacy licensing and enforcement tracking systems.

Goal 7: Organizational Effectiveness

Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.

- 7.1 Continue to emphasize training and career growth resources to increase staff knowledge, skills, and upward mobility opportunities.
- 7.2 Review, refresh, and post available procedure manuals to the intranet to increase operational efficiencies and access.
- 7.3 Enhance onboarding procedures for new staff to assist in understanding the CBA, program and position responsibilities, and identify resources available to ensure their success.

Strategic Planning Methodology

To understand the environment in which the CBA operates and identify factors that could impact the CBA's success, the California Department of Consumer Affairs' SOLID unit conducted an environmental scan of the internal and external environments by collecting information through the following methods:

- Conducted interviews with members of the CBA to assess the challenges and opportunities the CBA is presently facing or will face in the upcoming years.
- Conducted two focus groups with CBA management and executive leadership to identify the strengths, weaknesses, opportunities and threats of the CBA from an internal perspective.
- Issued an online survey to all CBA committee members and staff members to identify the strengths, weaknesses, opportunities and threats of the CBA from an internal perspective.
- Issued an online survey to 5,500 randomly selected external stakeholders to identify the strengths and weaknesses of the CBA from an external perspective.

The CBA worked with SOLID to develop an environmental scan which was used during a strategic planning session facilitated by SOLID in July 2015, and assisted in the development of the CBA's 2016 – 2018 Strategic Plan.



CALIFORNIA BOARD OF ACCOUNTANCY

2000 Evergreen Street, Suite 250

Sacramento, CA 95815

Phone: (916) 263-3680

www.cba.ca.gov

Prepared in Collaboration with:

California Board of Accountancy and
DCA SOLID Planning Solutions



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



CBA Item II.C.
July 21-22, 2016

**Discussion and Possible Action on Evaluating Criminal Convictions Involving
Drugs and Alcohol and the Authority to Take Administrative Actions Pursuant to
Business and Professions Code Sections 480, 490, and 5100**

Presented by: Patti Bowers, Executive Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to discuss and possibly take action on evaluating criminal convictions involving drugs and alcohol and the authority to take administrative actions¹ pursuant to Business and Professions Code (BPC) section 480, 490, and 5100 (**Attachment 1**).

Consumer Protection Objectives

The CBA has a fiduciary responsibility to protect consumers, and does so by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. A vital function performed by the CBA in the accomplishment of this responsibility is receiving complaints, performing investigations, and taking enforcement action, when appropriate, against licensees that fail to adhere to California's statutes and regulations, including performing work in accordance with professional standards.

Action(s) Needed

The CBA will need to decide if it wishes to take action regarding the evaluation of and authority to take administrative actions for criminal convictions arising from drugs- and alcohol-related offenses.

Background

The CBA is authorized to take administrative action against a licensee (BPC sections 490 and 5100(a)) or applicant for licensure (BPC sections 480 and 5100(a))² who has been convicted of a crime that is substantially related to the qualifications, functions,

¹ Administrative action in this context would include enforcement/disciplinary action taken against a licensee or the denial and possible subsequent filing of a Statement of Issues against an applicant.

² BPC section 480 was amended in 2014. The CBA, nor any board/bureau, may deny an applicant for licensure solely on the basis of a conviction that has been deemed dismissed pursuant to Penal Code sections 1203.4, 1203.4(a), 1203.41.

Discussion and Possible Action on Evaluating Criminal Convictions Involving Drugs and Alcohol and the Authority to Take Administrative Actions Pursuant to Business and Professions Code Sections 480, 490, and 5100

Page 2 of 4

and duties of a certified public accountant. The CBA has adopted CBA Regulations section 99 (**Attachment 2**) for purposes of establishing substantial relationship criteria. Additionally, at its September 2014 meeting, the CBA heard a presentation regarding criminal convictions that are substantially related to the profession delivered by Kristy Schiedge, Department of Consumer Affairs Legal Counsel, and Carl W. Sonne, Deputy Attorney General, Office of the Attorney General. Provided as part to the materials was an attachment titled What Crimes are “Substantially Related” to the Profession, which is provided in **Attachment 3**.

At its May 2016 meeting, a request was made to have the CBA discuss certain convictions that result in possible administrative action taken by the CBA.

Comments

As the CBA evaluates the topic of criminal convictions arising from drugs and alcohol, it may wish to consider the following questions:

- Does the CBA wish to take any action regarding the nature of the conviction (misdemeanor or felony) or number of the convictions (three or more) for criminal convictions arising from drugs and alcohol?
- Does the CBA wish to take any action regarding a timeframe associated with the criminal convictions arising from drugs and alcohol (e.g. the most recent criminal conviction having occurred within the last three years or all of the criminal convictions having occurred within the last five years)?
- Does the CBA wish to take action to exclude all criminal convictions resulting from drugs and alcohol from administrative action?

As the CBA considers the first two questions, staff would like to note that these do not need to be considered mutually exclusive. For example, the CBA could decide that all felony convictions for drug- and alcohol-related offenses within the last five years should be considered for administrative action, while also decide that for misdemeanor convictions for drug- and alcohol-related offenses there should be three or more convictions all occurring within the last three years.

In addition to the questions above, the CBA may also wish to consider as part of the discussion that when adopting a direction or policy that will be applied generally to an affected group or population, it usually requires authority to implement, either via statutory or regulatory authority. Additionally, when choosing whether to pursue action on a matter, the Administrative Procedure Act requires a separation of functions between the body deciding a matter (in this case the CBA) and the prosecutor that filed the matter (in this case the Complainant/CBA Executive Officer) (Government Code section 11425.30, **Attachment 4**).

Discussion and Possible Action on Evaluating Criminal Convictions Involving Drugs and Alcohol and the Authority to Take Administrative Actions Pursuant to Business and Professions Code Sections 480, 490, and 5100

Page 3 of 4

To further assist the CBA in its discussions, staff have provided an excerpt from the CBA Disciplinary Guidelines and Model Orders (Guidelines) for BPC section 5100(a) (**Attachment 5**) and enforcement action taken by the CBA in regards to matters involving criminal convictions for drugs and alcohol.

The Guidelines call for convictions of any crime substantially related to the qualifications, functions, and duties of a certified public accountant or public accountant (for felony convictions or multiple misdemeanor convictions) to include the following minimum and maximum penalties:

- minimum penalty – revocation stayed, actual suspension from practice of 120 days, and three years of probation
- maximum penalty – revocation

For licenses placed on probation, the term is three to five years and includes various standard and optional terms and conditions of probation.

Since fiscal year (FY) 2012/13, including FY 2015/16 (11 months of data), staff identified 19 matters where a criminal conviction involving drugs, alcohol, or both, were included in the case for discipline or denial of a license.

For individuals with a license, there were seven matters involving discipline. Of these matters, four resulted in the revocation of the license. For all four, the revocation was the result of a default decision, which occurred because the individual did not file a notice of defense after the service of the accusation. For the remaining three cases, the CBA adopted stipulated settlements, placing the licensee on probation with various terms and conditions.

For individuals that applied for a license, there were 12 matters. Of these matters, 11 resulted in the individual being issued a license and being placed on probation with various terms and conditions. One matter resulted in an individual being denied a license.

Generally, for individuals that are placed on probation, the term of probation is three years for a licensee and five years for an applicant. The CBA also imposed probationary terms that, along with standard probation terms and conditions, included optional terms such as abstaining from drugs (including alcohol), biological fluid testing, and completion of a rehabilitation program for chemical dependence. Recently, the CBA has stopped ordering these additional optional terms of probation.

If the CBA decides specific action is necessary regarding the evaluation of and administrative actions taken for criminal convictions involving drugs and alcohol, staff will work with legal counsel to determine how to implement the CBA decision. Staff will

Discussion and Possible Action on Evaluating Criminal Convictions Involving Drugs and Alcohol and the Authority to Take Administrative Actions Pursuant to Business and Professions Code Sections 480, 490, and 5100

Page 4 of 4

explore with legal counsel whether the action taken by the CBA will require statutory or regulatory language to implement, or if the action could be adopted via policy. Additionally, staff will identify next steps, including coordination with the Office of the Attorney General for any matters already referred for possible legal action and those that may have filed pleadings. Staff will provide this information at the September 2016 meeting.

As part of its discussion, the CBA could also consider if there are any other criminal convictions it wishes to consider beyond drug- and alcohol-related offenses. This could include criminal convictions such as assault, murder/manslaughter, sex-based crimes, domestic violence, etc.

If the CBA believes additional exploration of this topic is necessary, including whether additional convictions beyond drugs and alcohol should be explored, the CBA could assign this topic to the Enforcement Program Oversight Committee or Committee on Professional Conduct. The CBA could direct the assigned committee to explore the topic using the questions and information included in this item, along with any additional questions or topics the CBA believes are necessary to discuss, and the committee would report back to the CBA with final recommendations for possible adoption.

The CBA could also establish a separate taskforce to evaluate this topic. If the CBA were to assign it to a separate taskforce, staff will bring back a paper for the September 2016 meeting that would discuss the composition of the taskforce, meeting schedule, and overall framework for taskforce discussion and objectives.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Business and Professions Code Sections 480, 490, and 5100
2. CBA Regulations Section 99 – Substantial Relationship Criteria
3. What Crimes are “Substantially Related” to the Profession, Presentation to the California Board of Accountancy – September 18, 2014
4. Government Code Section 11425.30
5. Excerpts, CBA Disciplinary Guidelines and Model Orders, 9th Edition 2013



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



Attachment 1

Business and Professions Code Sections 480, 490, and 5100

Section 480

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

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

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

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

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

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

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

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

Section 490

(a) In addition to any other action that a board is permitted to take against a licensee, a board may suspend or revoke a license on the ground that the licensee has been convicted of a crime, if the crime is substantially related to the qualifications, functions, or duties of the business or profession for which the license was issued.

(b) Notwithstanding any other provision of law, a board may exercise any authority to discipline a licensee for conviction of a crime that is independent of the authority granted under subdivision (a) only if the crime is substantially related to the qualifications, functions, or duties of the business or profession for which the licensee's license was issued.

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

(d) The Legislature hereby finds and declares that the application of this section has been made unclear by the holding in *Petropoulos v. Department of Real Estate* (2006) 142 Cal.App.4th 554, and that the holding in that case has placed a significant number of statutes and regulations in question, resulting in potential harm to the consumers of California from licensees who have been convicted of crimes. Therefore, the Legislature finds and declares that this section establishes an independent basis for a board to impose discipline upon a licensee, and that the amendments to this section made by Chapter 33 of the Statutes of 2008 do not constitute a change to, but rather are declaratory of, existing law.

Section 5100

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.



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



Attachment 2

CBA Regulations Section 99 Substantial Relationship Criteria

For the purposes of denial, suspension, or revocation of a certificate or permit pursuant to Division 1.5 (commencing with Section 475) of the Business and Professions Code, a crime or act shall be considered to be substantially related to the qualifications, functions or duties of a certified public accountant or public accountant if to a substantial degree it evidences present or potential unfitness of a certified public accountant or public accountant to perform the functions authorized by his or her certificate or permit in a manner consistent with the public health, safety, or welfare. Such crimes or acts shall include but not be limited to those involving the following:

- (a) Dishonesty, fraud, or breach of fiduciary responsibility of any kind;
- (b) Fraud or deceit in obtaining a certified public accountant's certificate or a public accountant's permit under Chapter 1, Division III of the Business and Professions Code;
- (c) Gross negligence in the practice of public accountancy or in the performance of the bookkeeping operations described in Section 5052 of the code;
- (d) Violation of any of the provisions of Chapter 1, Division III of the Business and Professions Code or willful violation of any rule or regulation of the board.

WHAT CRIMES ARE “SUBSTANTIALLY RELATED” TO THE PROFESSION

(Presentation to California Board of Accountancy – September 18, 2014)

- I. The History of the “Substantial Relationship” test
 - A. Pre-1970s cases
 - B. In 1970s “substantially related” language added to the statutory scheme
- II. The Legislative Framework
 - A. Business and Professions Code (Code) sections
 1. Code section 490
 2. Code section 5100, subdivision (a)
 - B. California Code of Regulations (CCR), title 16, section 99
- III. Defining “Substantially Related” Crimes
 - A. What does “substantially related” mean? *Clare v. State Bd. of Accountancy* (1992) 10 Cal.App.4th 294, 302.
 - B. Defining “Qualifications, Functions and Duties”
- IV. Illustrative cases examining whether crime is “substantially related”
 - A. Early Cases – “Moral turpitude” or “character”
 - B. Trend to Find What is Substantially Related
- V. Crimes of Dishonesty
 - A. Tax Evasion
 - B. Perjury/Subordination of Perjury
 - C. Conspiracy
 - D. Fraudulent Billing by Physician
 - E. Grand Theft, Tax Crimes and Conspiracy
- VI. Other Crimes Considered Substantially Related
 - A. Vehicular Manslaughter- Attorney
 - B. Assault - Attorney
 - C. Sex Crimes

- D. Felony Conspiracy
- E. Drug Importation / Sale
- F. Contracting Without an License / Bad Checks
- G. Concealed Weapon

VII. DUI Cases and the Substantial Relationship Test

- A. Vehicle Code section 23249.50 states in part:

“Legislative findings and intent:

“(a) The Legislature finds and declares all of the following:

“(1) Driving under the influence of an alcoholic beverage or a drug is a serious problem, constituting the largest group of misdemeanor violations in many counties.

“(2) Studies of first offenders have found that more than half of first offenders are alcoholics or problem drinkers. There are higher percentages of problem drinkers among second offenders than among first offenders.”

- B. California Supreme Court’s discipline against a DUI attorney

C. *Griffiths v. Superior Court* (2002) 96 Cal.App.4th 757 [discipline proper on physician license based on misdemeanor DUI and “wet reckless” convictions].

D. A Single DUI May Be Substantially Related: *Sulla v. Board of Registered Nursing* (2012) 205 Cal.App.4th 1195, 1206-07.



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



Attachment 4

Government Code Section 11425.30

Section 11425.30

(a) A person may not serve as presiding officer in an adjudicative proceeding in any of the following circumstances:

(1) The person has served as investigator, prosecutor, or advocate in the proceeding or its preadjudicative stage.

(2) The person is subject to the authority, direction, or discretion of a person who has served as investigator, prosecutor, or advocate, proceeding or its preadjudicative stage.

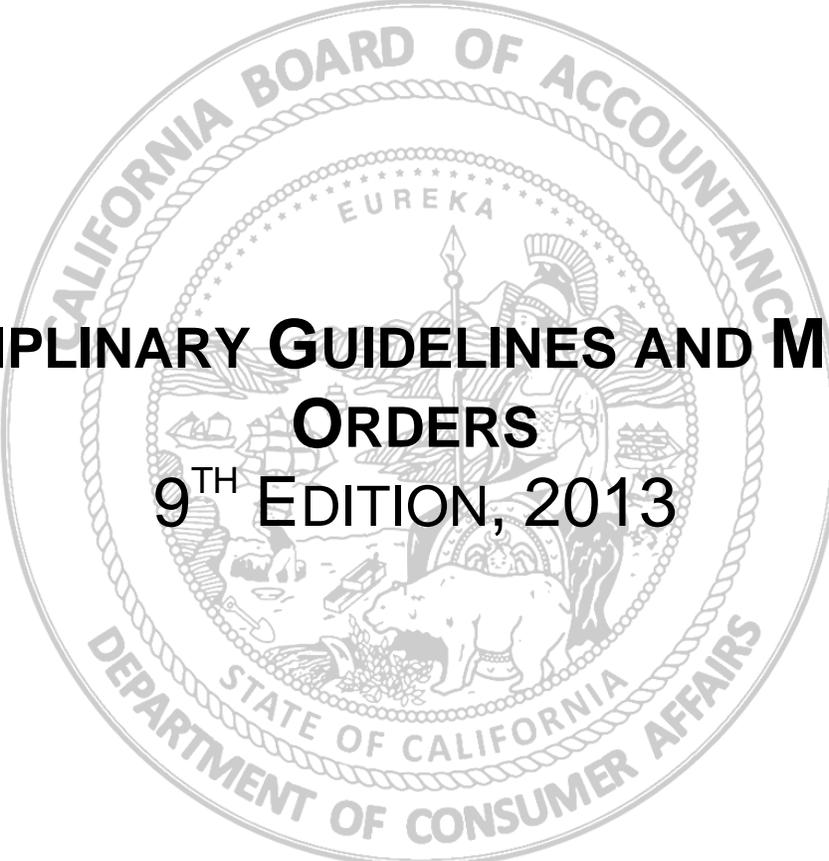
(b) Notwithstanding subdivision (a):

(1) A person may serve as presiding officer at successive stages of an adjudicative proceeding.

(2) A person who has participated only as a decisionmaker or as an advisor to a decisionmaker is a determination of probable cause or other equivalent preliminary determination in an adjudicative proceeding or its preadjudicative stage may serve as presiding officer in the proceeding.

(c) The provisions of this section governing separation of functions as to the presiding officer also govern separation of functions as to the agency head or other person or body to which the power to hear or decide in the proceeding is delegated.

CALIFORNIA BOARD OF ACCOUNTANCY

The seal of the California Board of Accountancy is a circular emblem. It features a central figure of a woman in classical attire holding a scale and a sword, with a bear at her feet. The word "EUREKA" is inscribed above the figure. The outer ring of the seal contains the text "CALIFORNIA BOARD OF ACCOUNTANCY" at the top and "DEPARTMENT OF CONSUMER AFFAIRS" at the bottom. The inner ring contains "STATE OF CALIFORNIA".

DISCIPLINARY GUIDELINES AND MODEL ORDERS 9TH EDITION, 2013

CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
(916) 263-3680 – TELEPHONE
(916) 263-3675 – FACSIMILE
WWW.CBA.CA.GOV



ARTICLE 6

Section 5100 DISCIPLINE IN GENERAL (including but not limited to that set forth in subsections (a) through (l) of this section)

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation of 3 to 5 years
 2. Standard Conditions of Probation [15-24]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [27]
 3. Optional conditions which relate to underlying facts and circumstances;
 reference conditions listed in 5100 (a)-(j)
 4. Administrative Penalty not to exceed maximum set forth in
 section 5116 [43]

Section 5100(a) CONVICTION OF ANY CRIME SUBSTANTIALLY RELATED TO THE QUALIFICATIONS, FUNCTIONS AND DUTIES OF A CPA/PA

FOR FELONY CONVICTIONS OR MULTIPLE MISDEMEANOR CONVICTIONS:

Minimum Penalty – Revocation stayed. Actual suspension from practice 120 days. Three years probation [1-4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation of 3 to 5 years
 2. Suspension [3]
 3. Standard Conditions of Probation [15-24]

If warranted: 1. Supervised Practice [25]
 2. Restitution [26]
 3. Probation Monitoring Costs [27]
 4. Restricted Practice [28]
 5. Engagement Letters [29]
 6. Ethics Continuing Education [31]
 7. Regulatory Review Course [32]
 8. CPA Exam [23] or Enrolled Agents Exam [35]
 9. Continuing Education Courses [36]
 10. Samples - Audit, Compilation or Review [38]
 11. Prohibition from Handling Funds [39]
 12. Community Service – Free Services [40]
 13. Administrative Penalty not to exceed maximum set forth in
 section 5116 [43]
 14. Conditions as appropriate relating to physical or mental disability or
 condition [44-49]

IN THE CASE OF A SINGLE MISDEMEANOR VIOLATION, TAILOR PROBATION TO CIRCUMSTANCES; ADJUSTING THE REQUIRED CONDITIONS ACCORDINGLY AND CHOOSING APPROPRIATE WARRANTED CONDITIONS FROM THE ABOVE LIST.

Section 5100(b) FRAUD OR DECEIT IN OBTAINING LICENSE/PERMIT/REGISTRATION

Minimum Penalty – Revocation stayed with 180 days actual suspension and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.

Maximum Penalty – Revocation or application denied. [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
 2. Suspension [3]
 3. Standard Conditions of Probation [15-24]

- If warranted:
1. Probation Monitoring Costs [27]
 2. Ethics Continuing Education [31]
 3. Regulatory Review Course [32]
 4. Continuing Education Courses [36]
 5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]



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



CBA Item II.D.
July 21-22, 2016

Discussion Regarding Changes to the California Board of Accountancy's 2017 Meeting Dates

Presented by: Rebecca Reed, Board Relations Analyst

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with a proposed change to the July 2017 CBA meeting calendar, changing July to a two-day meeting.

Consumer Protection Objectives

This agenda item ensures that the CBA continues its mission of consumer protection by meeting regularly during the year to conduct business related to regulating the practice of public accountancy and its consumer protection mandate.

Action(s) Needed

The CBA may choose to modify the July 2017 meeting to a two-day meeting.

Background

At the March 2016 CBA meeting, members approved the 2017 meeting calendar and locations.

At the May 2016 CBA meeting, it was recommended to change the 2017 CBA meeting calendar to reflect a two-day meeting in July 2017.

Comments

Due to the volume of agenda items and the number of committee meetings, staff will adjust the CBA meeting calendar for July 2017 and ongoing to reflect July as a two-day meeting. The proposed dates for consideration are July 20-21, 2017.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend, the CBA approve the two-day meeting in July 2017 as July 20-21, 2017.

Discussion Regarding Changes to the California Board of Accountancy's 2017 Meeting Dates

Page 2 of 2

Attachment

California Board of Accountancy 2017 Meeting Dates and Locations Calendar

CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 2017 MEETING DATES/LOCATIONS CALENDAR
 (CBA MEMBER COPY)

JANUARY 2017

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26 SC	27 SC	28
29	30	31				

FEBRUARY 2017

S	M	T	W	Th	F	S
			1	2	2	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

MARCH 2017

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23 NC	24 NC	25
26	27	28	29	30	31	

APRIL 2017

S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

MAY 2017

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18 SC	19 SC	20
21	22	23	24	25	26	27
28	29	30	31			

JUNE 2017

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

JULY 2017

S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20 NC	21	22
23	24	25	26	27	28	29
30	31					

AUGUST 2017

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

SEPTEMBER 2017

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14 SC	15 SC	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

OCTOBER 2017

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

NOVEMBER 2017

S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16 NC	17 NC	18
19	20	21	22	23	24	25
26	27	28	29	30		

DECEMBER 2017

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

COMMITTEES

- EAC - Enforcement Advisory Committee
- QC - Qualifications Committee
- PROC - Peer Review Oversight Committee
- MSG - Mobility Stakeholder Group

GENERAL LOCATION

- NC - NORTHERN CALIFORNIA
- SC - SOUTHERN CALIFORNIA

	CBA OFFICE CLOSED
	CBA MEETING
	EAC MEETING
	PROC MEETING
	QC MEETING
	MSG MEETING



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



CBA Item II.F.
July 21-22, 2016

Discussion on the California Little Hoover Commission Hearings Regarding Occupational Licensing

Presented by: Matthew Stanley, Information and Planning Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an update and an opportunity to discuss the Little Hoover Commission (Commission) hearings regarding occupational licensing.

Consumer Protection Objectives

The CBA's legislative mandate is to regulate the public accounting profession, primarily through its authority to license, with the protection of the public as its highest priority.

Action(s) Needed

No specific action is required on this agenda item.

Background

The Commission is an independent State oversight agency that was created in 1962, which investigates State government operations and – through reports, recommendations and legislative proposals – promotes efficiency, economy and improved service. By law, the Commission is bipartisan, composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assembly members.

The Commission selects study topics that come to its attention from citizens, legislators and other sources. The Commission's role differs in three distinct ways from other State and private-sector bodies that analyze state programs:

- Unlike fiscal or performance audits, the Commission's studies look beyond whether programs comply with existing requirements, instead exploring how programs could and should function in today's world.
- The Commission produces in-depth, well-documented reports that serve as a factual basis for crafting effective reform legislation.
- Based on its reports, the Commission follows through with legislation to implement its recommendations, building coalitions, testifying at hearings and providing technical support to policy makers.

Discussion on the California Little Hoover Commission Hearings Regarding Occupational Licensing

Page 2 of 2

In December 2015, the CBA received a letter from the Commission regarding its two upcoming public hearings regarding occupational licensing. The letter stated that the focus of the hearings would be “on the impact of occupational licensing on upward mobility and opportunities for entrepreneurship and innovation for Californians, particularly those of modest means.” The Commission would also be examining the connection between licensing and the underground economy, a topic that it has studied as recently as 2015. Finally, it would be exploring “the balance between protecting consumers and enabling Californians to enter the occupation of their choice.”

On February 4, 2016 the Commission held the first of two public hearings on occupational licensing at the State Capitol which was discussed at the CBA’s March 2016 meeting.

On March 30, 2016 the Commission held its second hearing in Culver City, CA. The hearing topics were discussed by the CBA at its May 2016 meeting.

Comments

In early June, the CBA was notified about a Commission roundtable meeting to discuss the feasibility of implementing the recommendations under consideration. The roundtable took place on June 23, 2016, and the CBA’s Executive Officer was in attendance.

Staff are providing the CBA with the meeting materials (**Attachment**) that were used during the roundtable. While the meeting materials include a section titled “Potential Recommendations for Roundtable Discussion,” it should be noted that there are potentially other recommendations that could be in the final report that were not discussed at the roundtable.

The Commission will now prepare a final report with its findings and recommendations, which may include suggested legislation. There is currently no timeline for release of that report.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

Little Hoover Commission June 23, 2016, Roundtable Meeting Materials

Little Hoover Commission
Background for the Occupational Licensing Roundtable
Thursday, June 23, 2016, 1:00 p.m. to 3:00 p.m.
BMG Conference Room, Lower Level, 925 L Street, Sacramento

The Little Hoover Commission is conducting its study on occupational licensing to better understand whether licensing regulations create unfair barriers to entering occupations and hinder upward mobility in California. During its public process, the Commission has heard from labor market economists and researchers, licensing advocates and representatives of groups adversely impacted by licensing regulations. This document provides a brief overview of their collective points, concerns and suggestions for reform to guide a roundtable discussion and help formulate potential Commission recommendations.

Licensing advocates contend that occupational licensing foremost protects public health and safety. Protection is particularly critical, they argue, in industries in which the provider has more information than the consumer or when the consumer is unable to choose a service provider – for example, when an unconscious person is brought to the emergency room. Additionally, licensing advocates contend that licensing authorities take it upon themselves to discipline their own unethical or incompetent providers, and bar them from practicing if they severely threaten public health and safety. This proactively prevents consumers from harm and provides harmed consumers speedier resolutions without the expense of using the overburdened court system.

Licensing opponents respond that licensing raises costs and burdens for consumers, while creating barriers to entry for practitioners beyond that necessary to protect the public. Licensing has increased dramatically over the past half century, researchers told the Commission: Roughly 5 percent of Americans worked in licensed professions in the 1950s. Today in California that number has reached 20 percent. While licensed occupations and the regulations within them vary wildly among states, licensing opponents said in many instances states with lenient or no regulations report no increases in public harm. They told the Commission that licensing instead typically leads to “agency capture,” meaning an agency responds to the concerns of special interests instead of the public. Occupational licensing, some economists told the Commission, increases cost and decreases availability of services, which particularly hurts lower-income consumers. California also has far more licensing requirements than the national average for occupations practiced by people of modest means. The state ranks third nationally in its rate of licensing occupations often chosen by lower-income people such as manicurist and pest control applicator. It ranks seventh for the most burdensome rules for applicants to those occupations – requiring them on average to pay \$300 in licensing fees, spend 549 days in education and/or training and pass one exam.

Witnesses told the Commission that they believe licensing has a negative impact on lower-income individuals and people of color. However, precise statistics are difficult to determine since applicant background information cannot be collected by licensing boards unless the Legislature authorizes the collection of that information. There are three groups, however, that the White House, working in conjunction with labor economists, identified as particularly vulnerable to licensing regulations:

- **Military Spouses.** License portability is the main challenge to the 14.5 percent of military spouses who move across state lines annually. Military spouses are supposed to receive expedited licensing in occupations overseen by the California Department of Consumers Affairs. In select occupations they should receive 12-month temporary licenses while they obtain their credentials. Military spouses report difficulties, however in quickly getting licenses. A Department of Defense representative told the Commission that 68 percent of service

members report their spouse's ability or inability to practice their career choice affects their decision to remain in the military. She said the military is losing so many good people due to licensing obstacles that the department considers it a national security concern.

- **Separating Military Service Members and Foreign-Trained Professionals.** Both these groups share a similar challenge: Education and experience obtained outside of California often does not count toward state licensing requirements. Applicants may have to start all over instead of simply filling gaps in their education or training. For separating service members, taxpayers pay twice: once to train or educate the person for military service and again to retrain through the GI bill to meet state licensing requirements.
- **Former offenders.** While advocates agree there are some offenses that should disqualify offenders from some occupations, witnesses told the Commission that former offenders face an uneven experience in being considered for licenses. They report that analysts' personal biases can emerge and lead them to issue inappropriate denials. The appeals process often is unnecessarily complex for less-educated applicants. The process sometimes denies applicants access to information, as well, particularly background checks they are entitled to receive. With more than eight million Californians possessing criminal records and jobs being a key factor in reducing recidivism, a former offender's inability to obtain a job ultimately impacts the entire community.

Potential Recommendations for Roundtable Discussion

Witnesses at Little Hoover Commission's two public hearings proposed numerous recommendations – summarized below – for consideration in preparing an occupational licensing report in 2016. The June 23 roundtable discussion is designed to consider if these recommendations are helpful, can be implemented or might have unintended consequences if implemented. The Commission, which is in the early stages of considering recommendations, also welcomes discussion on alternative suggestions.

Review of Occupational Regulation

1. The state should review the statutory and agency-specific requirements to become licensed in each of California's occupations to determine whether those requirements are necessary to protect public health or safety. If they are not, the Legislature should remove those requirements or select a lower level of regulation for the occupation. The public health and safety argument for any requirements that are different for out-of-state applicants as opposed to those required for in-state applicants should be explicitly justified.
 - As part of this review, parameters for data collection should be established and standardized across all occupations so that policymakers may obtain an accurate picture of who applies for licenses and who qualifies and does not qualify for a license, and why.
 - Following the review and Legislative adjustments, the requirements for licensure should be stated in plain language and made easily accessible to the public.
 - As part of this review, licensing entities should audit criminal record restrictions both in law and in individual licensing authorities' practices, and determine whether these restrictions are substantially-related to each occupation. Licensing authorities should remove automatic bans and instead develop narrowly-tailored, targeted exclusions where necessary. Similarly, licensing authorities should remove vague standards for many judgments, such as "good moral character."

Demographic Data Collection

2. The Legislature should require all licensing authorities to collect ethnicity and gender information from applicants in order to assess whether some groups are disproportionately experiencing licensing denials or other difficulties.

Rulemaking Process

3. The economic analysis required as part of the rulemaking process overseen by the Office of Administrative Law should include an analysis of the impact of the proposed rule on the freedom to enter an occupation, as well as the rule's impact on the cost and availability of the service.

Separating Service Members and Military Spouses

4. The California Interagency Council on Veterans should direct a study to determine how the laws designed to ease licensing barriers for separating service members and military spouses are being implemented and develop recommendations for the Governor and Legislature to further remove licensing barriers for separating service members and military spouses.

Separating Service Members and Foreign-Trained Professionals

5. Licensing entities should review their programs and veterans' applications to their programs to determine where veterans are most likely to be missing educational components required for licensing in California. These entities should then work with the Department of Defense and California State University to design bridge programs to allow veterans to complete the most commonly-missing requirements. Legislators should make the necessary changes to statutes to allow bridge education to complete the missing gaps in veterans' education.
6. Licensing entities should review their programs and foreign-trained professionals' applications to their programs to determine where foreign-trained applicants are most likely to be missing educational components required for licensing in California. These entities should then work with the California State University to design bridge programs to allow foreign-trained professionals to complete the most commonly-missing requirements. Legislators should make the necessary changes to statutes to allow bridge education to complete the missing gaps in foreign-trained professionals' education.

Former Offenders

7. The State of California should provide pre-application review of an applicant's criminal record to assist an applicant in understanding potential disqualifications.
8. Licensing authorities should request an applicant's explanation of a criminal conviction only after a background check.
9. Licensing authorities should adopt a cooperative approach to obtaining applicant information, including building in an intermediate review that provides an opportunity for applicants to explain problems on their application with licensing officials before the application review goes before an administrative law judge.

California Board of Accountancy
Report of the Secretary/Treasurer
Michael M. Savoy, CPA

Discussion of the Governor's Budget

GOVERNOR'S BUDGET

The Fiscal Year (FY) 2016-17 Budget was signed by Governor Brown on June 27, 2016 and the total budget for the California Board of Accountancy (CBA) is set at \$14,833,000.

The FY 2016-17 Budget reflects an increase in statewide pro-rata¹ expenditures and departmental distributed pro-rata expenditures. The increase in departmental distributed pro-rata expenditures is due to employee retirement and compensation adjustments.

GENERAL FUND LOAN REPAYMENT

FY 2015-16

The CBA has received a \$10.27 million General Fund loan repayment, including interest. The Journal Entry from the State Controller's Office has been received by the Department of Consumer Affairs and the money will be posted in the Accountancy Fund as of fiscal month 12 (June 2016).

FY 2016-17

Another \$21 million is scheduled to be repaid in late FY 2016-17, as part of the 2016-17 Budget.

Once repayment has been secured, the CBA's Fund Condition Statement will reflect the number of months that the Accountancy Fund has in reserve for FY 2016-17 and beyond. Additional details regarding the FY 2016-17 loan repayment will be presented and discussed at the November 2016 CBA meeting.

2015-16 YEAR-END FINANCIAL STATEMENT

FY 2015-16 ended on June 30, 2016. The year-end financial statement will be presented at the September 2016 CBA meeting.

¹ Statewide pro-rata includes charges for support from agencies such as the Department of Finance, State Controller, and State Treasurer.



Communications and **OUTREACH**

CBA Item V.C.

July 21-22, 2016

www.cba.ca.gov

July 2016

NASBA Regional Meetings

The National Association of State Boards of Accountancy (NASBA) held its regional meetings in June. The Eastern Regional Meeting was held June 7-9, 2016 in Asheville,

North Carolina; and the Western Regional Meeting was held June 22-24, 2016 in Denver, Colorado. California Board of Accountancy (CBA) President Katrina L. Salazar, CPA, spoke at both meetings.



President Salazar and NASBA Regulatory Affairs Manager, Stacey Grooms, provided a joint presentation to their audience regarding California's mobility program. Specifically, President Salazar reviewed California's mobility law requirements and the CBA's ongoing comparison of other state boards' enforcement programs to NASBA's Guiding Principles of Enforcement. She explained how the CBA is required to make determinations of substantial equivalency to the Guiding Principles of Enforcement and how NASBA is assisting in the research process. She further explained the ramifications of those determinations and the CBA's established timeline for completion of the project.

Ms. Grooms then spoke about NASBA's data collection process. She explained how important it was for states to participate in NASBA's research. She provided some detail as to how NASBA was identifying states as substantially equivalent, and explained the importance of providing a disciplinary history flag online.

The presentation successfully communicated the importance of this ongoing process to the representatives of other accountancy jurisdictions who were in attendance.

New Website Launched

In May, the CBA unveiled its new website which has enhanced consumer resources including easier access to public enforcement documents, a simplified E-News subscription form, and consolidated information regarding how to select a CPA. It also includes announcements and upcoming events on the homepage. This new design will make it easier for all CBA stakeholders to find the information for which they are looking.

In addition, staff will be working to add a new page to the website, tentatively titled "Consumer Education." This page will be exclusively for outreach to consumers and will eventually contain articles, videos, and other information related to consumers.



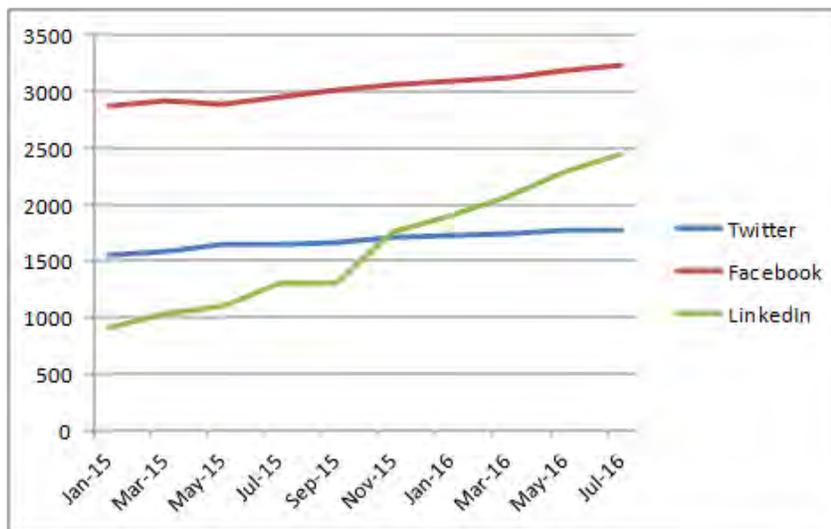
Upcoming Outreach Events

The Braden Leadership Speaker Series is a 15-week speaker series on business leadership offered at Golden Gate University’s Braden School of Taxation and School of Accounting. This series is both a course offering to students and an opportunity for alumni and the Bay Area community as well. The series provides an opportunity for business leaders to discuss their profession and share their thoughts and ideas on leadership with the audience. This fall, CBA President Katrina L. Salazar, CPA, is one of the 15 leaders that will be invited to participate in the series.

Also coming this fall will be the third “So You Want to be a CPA?” event that the CBA co-sponsors with the California Society of CPAs. This year’s event is again planned to be held in Northern California at the University of California, Davis. The event is also webcast live to students throughout California.

Finally, President Salazar and Executive Officer Patti Bowers recently visited the offices of members of the Senate Business and Professions Committee. During the visits, President Salazar offered to have the CBA assist in any district financial literacy events the Senators may host in the future.

Social Media Growth



SOCIAL MEDIA

- 3,234
- 2,442
- 1,774
- 131

News Release

May 23, 2016

CBA Suspends License of Garden Grove CPA

E-News

E News Subscriptions	Total
Consumer Interest	4,617
Examination Applicant	3,015
Licensing Applicant	3,659
California Licensee	9,734
Out-Of-State Licensee	2,438
Statutory/Regulatory	7,912
CBA Meeting Information & Agenda Materials	3,771
Update Publication	7,510
Total Subscriptions	42,656
Total Subscribers	13,868

**California Board of Accountancy
Enforcement Activity Report**
Report as of May 31, 2016

CBA ITEM VII.A.
July 21-22, 2016

Complaints

Complaints/Records of Convictions	FY 2013/14	FY 2014/15	FY 2015/16 <small>11 months of data</small>
Received	3,255	2,702	2,517
<i>Internal</i>	2,861	2,248	2,066
<i>Internal – Peer Review¹</i>	1,892	449	554
<i>Internal – All Other</i>	969	1,799	1,512
<i>External</i>	394	454	451
Assigned for Investigation	2,969	2,007	1,867
Closed – No Action	289	713	654
Average Days from Intake to Closure or Assignment for Investigation	4	4	3
Pending	0	0	0
Average Age of Pending Complaints (days)	0	0	0

¹ Peer Review internal complaints typically include investigation of failed peer review reports, failure to comply with peer review citations, filing an incorrect PR-1, or renewing a license without undergoing a peer review when a peer review is required. For FY 2013/14, these complaints included failures to respond during the initial peer review phase-in period (July 1, 2011 to July 1, 2013).

- The California Board of Accountancy (CBA) has opened 2,517 complaints since the beginning of the fiscal year (FY) 2015/16, with 82 percent of these complaints being internal referrals.
- The top external complaint is regarding non-CPAs practicing public accounting.
- For FY 2015/16, the CBA has received six referrals regarding employee benefit plan audits from the Department of Labor.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2016

Investigations

Investigations	FY 2013/14	FY 2014/15	FY 2015/16 11 months of data
Assigned	2,969	1,953	1,867
<i>Internal</i>	2,628	1,579	1,433
<i>Internal – Peer Review¹</i>	1,888	439	892
<i>Internal – All Other</i>	740	1,140	541
<i>External</i>	341	374	434
Closed	2,669	1,773	1,893
Average Days to Close	74	167	179
Total Investigations Pending	825	1,081	1,120
<i>0-6 Months</i>	472	639	543
<i>6-12 Months</i>	191	211	237
<i>12-18 Months</i>	111	120	192
<i>18-21 Months</i>	18	39	31
<i>21-24 Months</i>	22	33	38
<i>> 24 Months</i>	11	39	79
Average Age of Open Cases (days)	202	222	262
Median Age of Open Cases (days)	153	126	195

¹ For FY 2013/14, these investigations included failures to respond to multiple CBA requests to file the required PR-1 as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

Chart A on Page 8 illustrates the percentage of open investigations by length of time.

- Presently, there are 79 investigations over 24 months, which includes 16 new cases. These cases are the most complex investigations requiring additional time to resolve. Of the 79 investigations, staff has completed or are near completion on 26 of the cases, as follows:
 - 21 cases have had investigation reports completed and are pending supervisor review
 - One case has had the investigation report completed and referred to the Attorney General's (AG) Office
 - Three cases are being prepared for citations and fines
 - One case will be closed as of the next report

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2016

- As previously communicated, management has been working diligently with staff to complete the investigations pending over 24 months and have successfully closed 95 of these cases during FY 2015/16, including nine since the last report.

Discipline

Attorney General Referrals	FY 2013/14	FY 2014/15	FY 2015/16 <small>11 months of data</small>
Referrals	74	97	98
Accusations Filed	34	47	80
Statements of Issues Filed	8	9	1
Petitions for Revocation of Probation Filed	2	2	5
Closed	31	63	72
<i>Via Stipulated Settlement</i>	21	55	49
<i>Via Proposed Decision</i>	4	2	3
<i>Via Default Decision</i>	6	6	20
Discipline Pending	95	119	125
<i>0-6 Months</i>	50	42	50
<i>6-12 Months</i>	15	40	34
<i>12-18 Months</i>	16	28	24
<i>18-21 Month</i>	7	4	1
<i>21-24 Months</i>	4	0	11
<i>> 24 Months</i>	3	5	5

Chart B on Page 7 illustrates the percentage of cases pending at the AG's Office by length of time.

- There are five cases pending at the AG's Office for more than 24 months. The current status of the cases are as follows:
 - 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 decision was issued on August 28, 2014 denying the writ of mandate. The stay previously issued was dissolved and the CBA's decision revoking the Petitioner's license became effective. The Petitioner immediately filed a Notice of Appeal with the Appellate Court seeking a stay of the decision. The motion requesting a trial was denied at a hearing on December 12, 2014. A ruling from the Court of Appeals is pending
 - Four cases have hearing dates scheduled between June and December 2016

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2016

Citations and Fines

Citations	FY 2013/14	FY 2014/15	FY 2015/16 <small>11 months of data</small>
Total Citations Issued	1,522 ¹	348	235
Total Fines Assessed	\$399,020	\$119,387	\$88,750
Fines Average	\$702	\$343	\$378
Average number of days from receipt of a complaint to issuance of a citation	33	142	147
Top 3 Violations Resulting in Citation			
1:	Response to CBA Inquiry (Reg 52)	CE Basic Requirements (Reg 87)	CE Basic Requirements (Reg 87)
2:	CE Basic Requirements (Reg 87)	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)
3:	Name of Firm (BPC 5060)	Name of Firm (BPC 5060)	Fingerprinting & Disclosure (Reg 37.5)

¹ For FY 2013/14, 1,481 citations were issued for failure to respond to multiple CBA requests to file the required PR-1 as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

- As noted in previous reports, the Average number of days from receipt of a complaint to issuance of a citation has increased from the FY 2013/14. This is due to the high volume of Peer Review (Failure to Respond) citations that were issued and the quick turn-around time that was initiated.
- 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.
- Violation of the continuing education basic requirements is currently the most common reason for issuance of a citation.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2016

Probation Monitoring

Monitoring Activities	FY 2015/16 11 months of data
Number of Licensees on Probation as of Last Report	107
New Probationers	8
Total Number of Probationers	107
Out-of-State Probationers	7
Probation Orientations Held Since Last Report	13

Criminal Offender Record Information (CORI)

CORI Fingerprints ¹	FY 2014/15	FY 2015/16 11 months of data
Notification Letters Sent	19,715	4,723
CORI Compliances Received	11,971	6,066
Non-Compliance Notifications Sent (Audit)	742	537

CORI Enforcement Cases	FY 2014/15	FY 2015/16 11 months of data
Received	624	422
Assigned for Investigation	185	269
Closed – No Action	439	147
Non-Compliance Citations and Fines Issued	45	63
Referred to the Attorney General's Office	14	22

¹ CORI-related activities that occurred in FY 2013/14 were previously reflected on the Licensing Activity Report.

- Effective January 1, 2014, all licensees renewing in active status are required to have fingerprints on file for the purpose of conducting a state and federal criminal offender record information background check.
- For FY 2015/16 a total of 4,723 fingerprint notification letters were sent. December 31, 2015 concludes the fingerprint notification letter procedure.
- On March 15, 2016, all active licensees without fingerprint clearance on record who received the initial fingerprint notifications were sent Final Notices of Fingerprint Non-Compliance (Audit). Going forward, a retroactive audit is performed monthly for licensees in an active status without fingerprint clearances on record.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2016

Mobility

Enforcement Aspects of Mobility	FY 2014/15	FY 2015/16 <small>11 months of data</small>
Pre-Notification Forms Received	2	1
Cessation Event Forms Received	0	0
SEC Discipline Identified	27	30
PCAOB Discipline Identified	21	12
Out-of-State Accounting Firm Registrants That Reported Other Discipline	14	12
Complaints Against Practice Privilege Holders	11	3

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. This table depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms.

- The complaints against practice privilege holders include practice without permit, discipline by other states/governmental agencies, and practice complaints.
- Staff sends letters to all CPAs who were disciplined by 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

Projects

- The Enforcement Division is beginning work on a project regarding enforcement reporting. The purpose of the project is to improve enforcement-related information being presented to the CBA to ensure members are receiving the information they deem most important. Staff anticipates providing an agenda item later this year that will seek input from members on those areas, statistics, and activities it wishes to have included in enforcement reporting. Topics that staff are considering include increased information regarding the nature of complaints and referrals (such as the areas of service/practice and source), and increased comparative analysis of information from fiscal year to fiscal year.
- At its May 2016 meeting, the CBA discussed ensuring individuals are aware of the enforcement process and due process rights. The Enforcement Division is beginning work on developing an enforcement handbook that includes information on the enforcement and petition processes for reinstatement. The handbook is designed to provide licensees, applicants, and petitioners with important information on procedures and due process. Staff anticipates providing a draft of the handbook to the CBA at a meeting later this year.

California Board of Accountancy Enforcement Activity Report

Report as of May 31, 2016

Appointments

- The Enforcement Division has filled the following positions:
 - Ashley Heebner has recently filled the Staff Services Manager I, managing staff responsible for the AG referrals and Citations
 - Corey Faiello-Riordan has recently filled the Associate Governmental Program Analyst for the Probation Monitoring Unit
 - Two Student Assistants have been hired to assist in various administrative and case management functions for the Enforcement Division.

Vacancies

- One Staff Services Manager I over the Non-Technical Investigations Unit
- One Associate Governmental Program Analyst responsible for the AG referrals
- One Staff Services Analyst in the Citation Unit
- One Office Technician in the Citation Unit
- Two Investigative Certified Public Accountants (ICPA) Limited-Term
- One ICPA Retired Annuitant

**California Board of Accountancy
Enforcement Activity Report**
Report as of May 31, 2016

Chart A – Open Investigations as of May 31, 2016

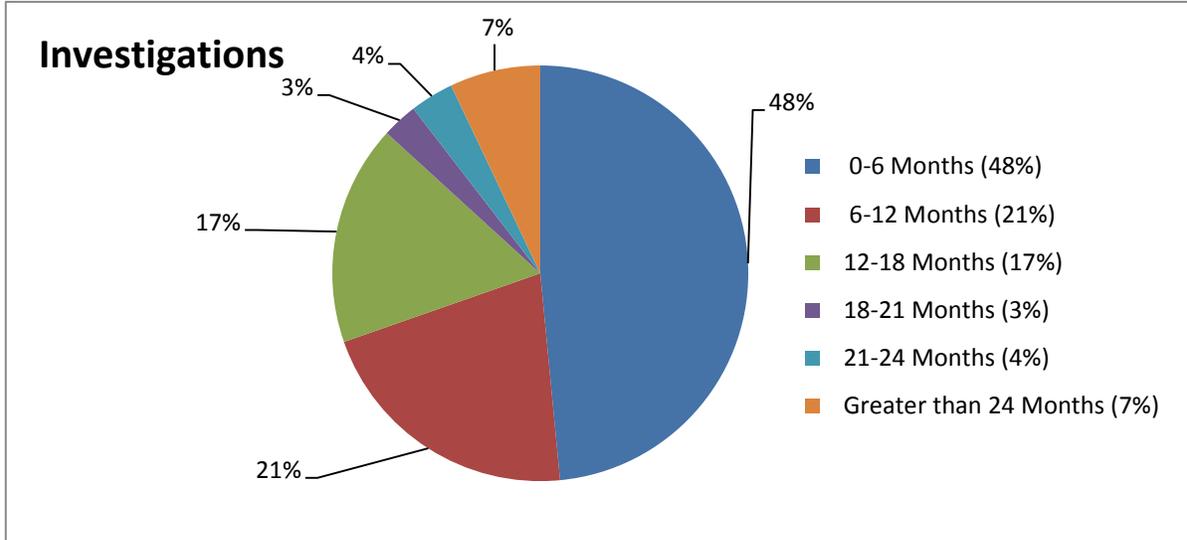
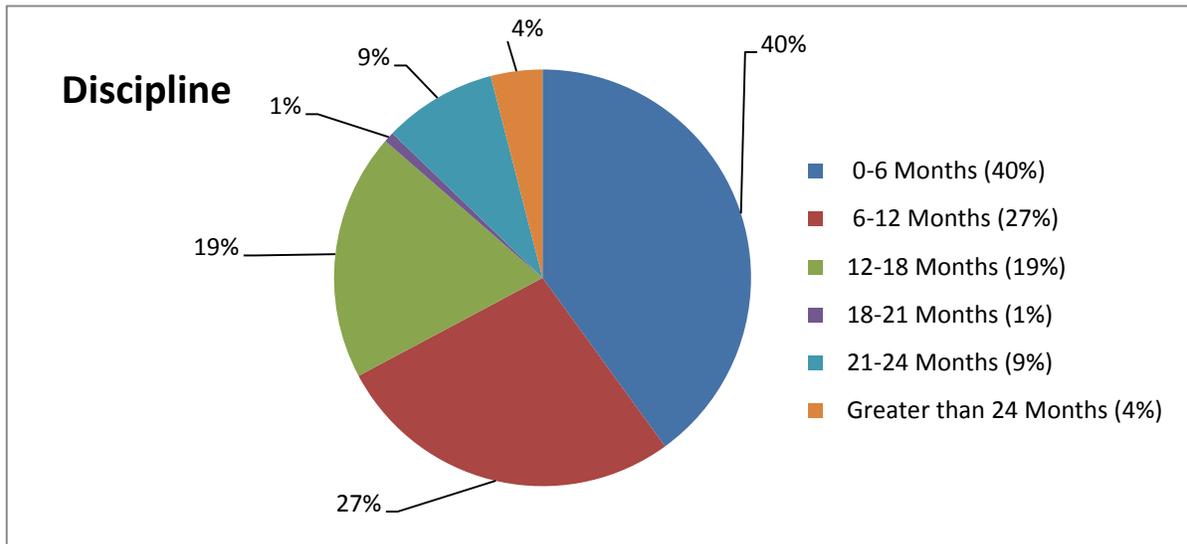


Chart B – Discipline Pending at the Attorney General Office as of May 31, 2016



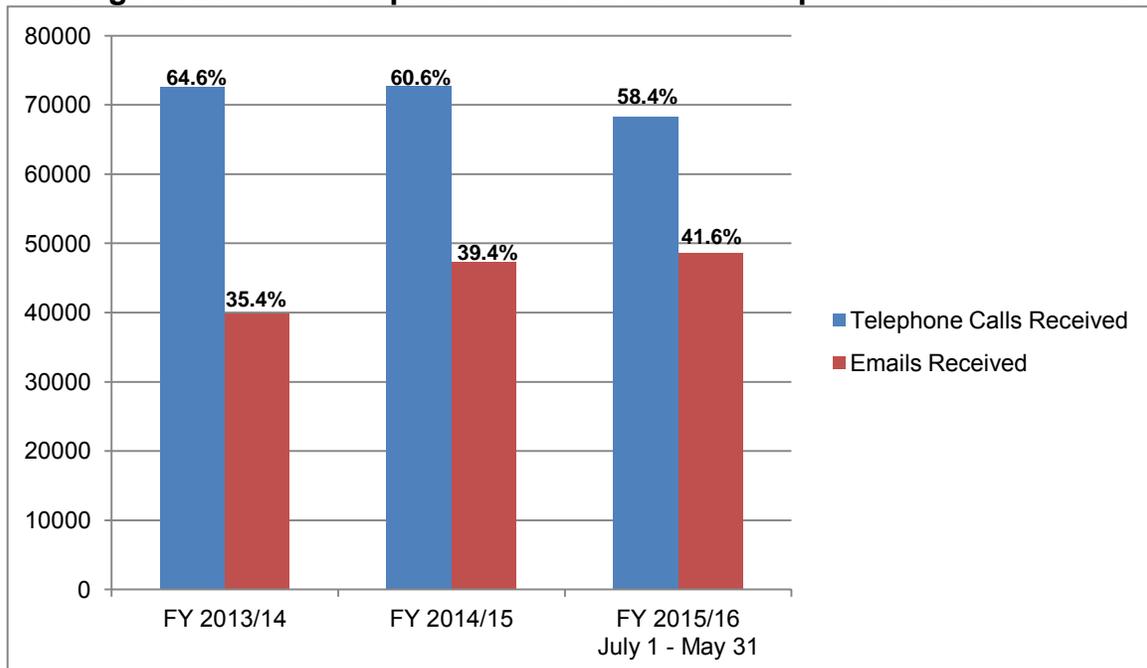
**California Board of Accountancy
Licensing Activity Report
As of May 31, 2016**

Contact with CBA Stakeholders

Telephone Calls Received	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Examination Unit	18,815	22,809	21,170
Initial Licensing Unit	27,889	22,993	23,795
License Renewal and Continuing Competency Unit	25,172	26,449	22,881
Practice Privilege Unit	663	468	404

Emails Received	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Examination Unit	10,867	13,121	13,152
Initial Licensing Unit	14,098	14,588	16,614
License Renewal and Continuing Competency Unit	14,488	19,258	18,446
Practice Privilege Unit	381	397	469

Percentage of Division Telephone Calls Received Compared to Emails Received



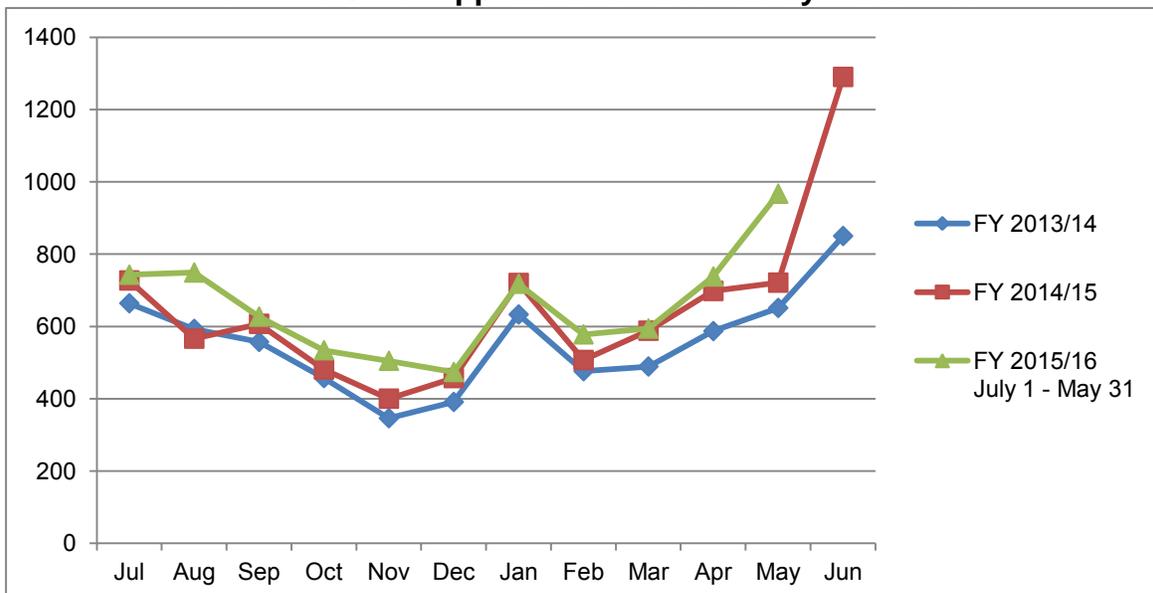
California Board of Accountancy Licensing Activity Report As of May 31, 2016

Examination and Initial Licensing Unit

- This calendar year, CBA members, committee members and staff have performed seven Prometric testing site visits. The remaining sites will be visited by the end of the calendar year.
- The Examination and Initial Licensing Unit (Exam and ILU) processed 1,046 first-time sitter exam applications during the month of April. This exceeded our previous two-year average (in April) of 425.
- The Exam and ILU (Exam and ILU) is currently recruiting for a Seasonal Clerk and an Associate Governmental Program Analyst (Limited Term).

CPA Examination Applications	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
First-Time Sitter			
Total Received	6,661	7,762	7,257
Total Approved	6,720	6,451	7,538
Average Days to Process	20	29	31
Repeat Sitter			
Total Received	17,044	17,802	16,833
Total Approved	17,455	15,791	17,446
Average Days to Process	6	9	8

First-Time Sitter Applications Received by Fiscal Year



**California Board of Accountancy
Licensing Activity Report
As of May 31, 2016**

CPA Examination Special Requests	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Conditional Credit and Notice to Schedule Extensions			
Total Received	173	181	139
Total Completed	176	167	141
Average Days to Process	18	30	31
Educational Qualification Appeals			
Total Received	50	29	21
Total Completed	52	27	21
Average Days to Process	22	21	25
Special Accommodation Requests			
Total Received	172	194	212
Total Completed	178	182	204
Average Days to Process	12	18	16

Individual License Applications	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Certified Public Accountant			
Total Received	4,600	3,158	3,352
Total Approved	4,906	2,682	3,151
Average Days to Process	24	24	25

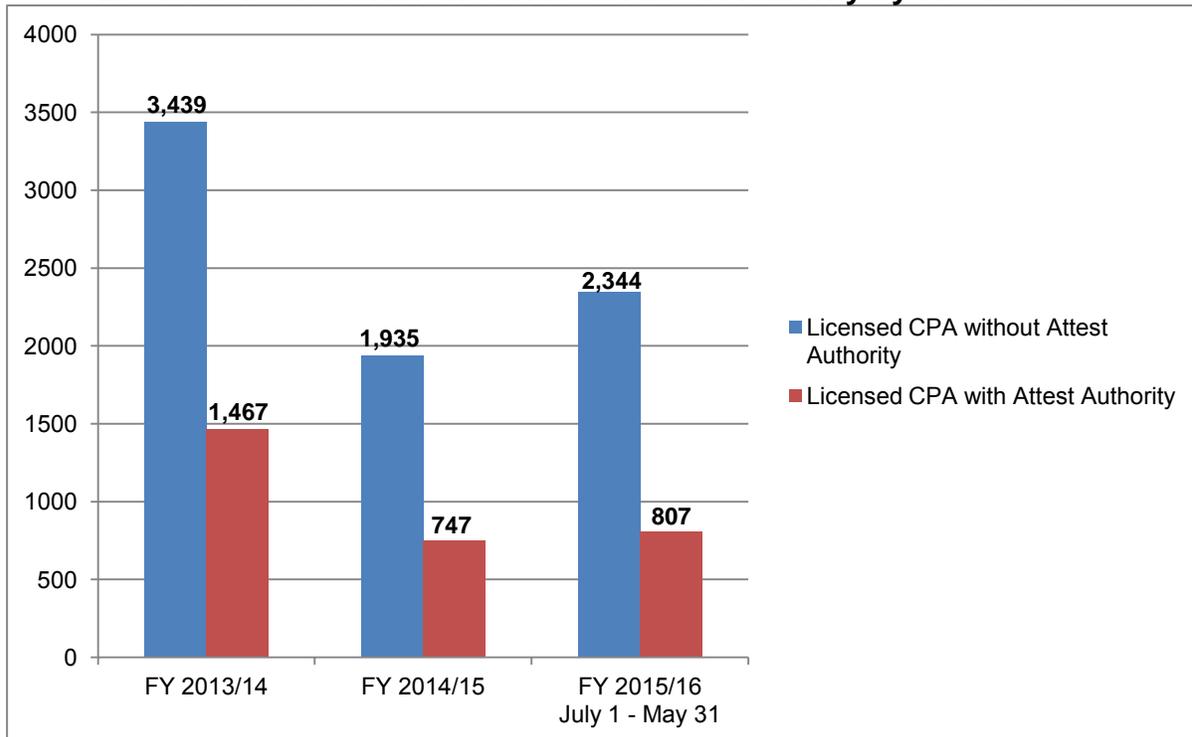
California Board of Accountancy Licensing Activity Report As of May 31, 2016

Method of Licensure*	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
150 Hour Requirement – attest**	17	245	475
150 Hour Requirement – general**	55	742	1,415
Pathway 1 – attest	522	182	110
Pathway 1 – general	824	272	314
Pathway 2 – attest	928	320	222
Pathway 2 – general	2,560	921	615

*Method of Licensure represents those applicants who were issued a license; refer to Individual License Applications - Total Approved.

** Effective January 1, 2016, all licensure applicants must meet the 150 semester unit requirement.

Licenses Issued With and Without Attest Authority by Fiscal Year



**California Board of Accountancy
Licensing Activity Report
As of May 31, 2016**

Certification Requests	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Total Received	1,039	1,051	907
Total Processed	972	1,042	730
Average Days to Process	22	20	21

Firm License Applications	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Corporation			
Total Received	210	272	256
Total Approved	200	208	190
Average Days to Process	17	16	24
Partnership			
Total Received	91	92	79
Total Approved	92	76	70
Average Days to Process	17	16	28
Fictitious Name Permit			
Total Received	183	120	140
Total Approved	139	87	135
Average Days to Process	17	16	23

Practice Privilege	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Out-of-State Accounting Firm Registrations			
Approved	209	135	103
Pending Review	0	0	0
Pending Correction of Deficiencies	5	0	0
Enforcement Referrals	11	15	11

California Board of Accountancy Licensing Activity Report As of May 31, 2016

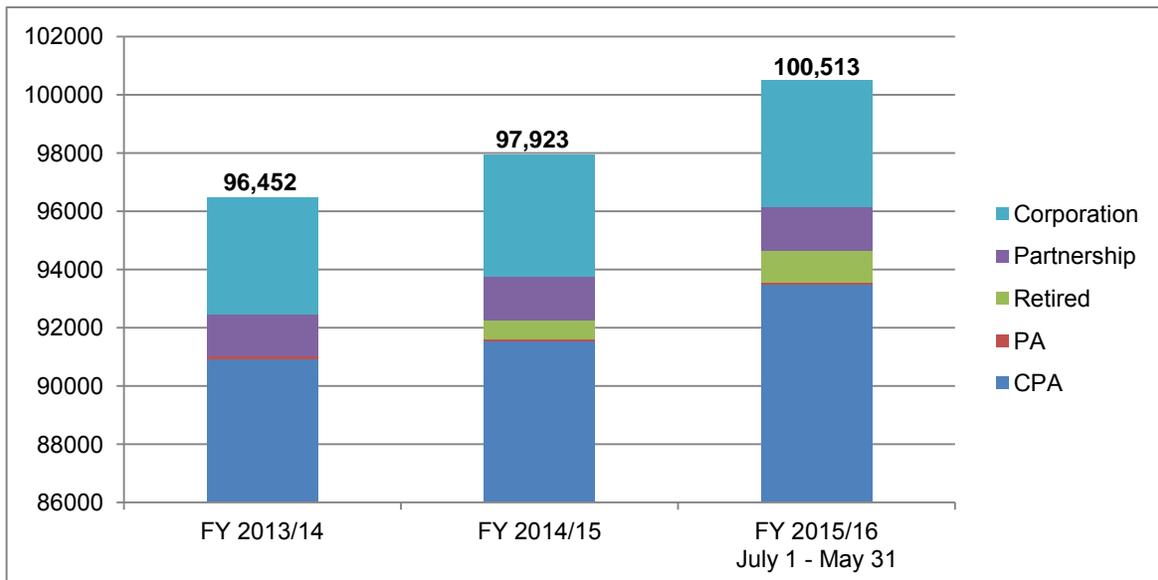
License Renewal and Continuing Competency Unit

- On May 16, 2016, License Renewal and Continuing Competency (RCC) staff along with CBA Vice President, Alicia Berhow, attended Accounting Day 2016; an outreach engagement in San Diego, where they provided information and answered questions regarding the license renewal process.
- The RCC Unit is recruiting for a Staff Services Analyst and a Seasonal Clerk.

Licensee Population by License Type	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
CPA	90,912	91,530	93,497
<i>Active</i>	54,173	54,198	55,261
<i>Inactive</i>	28,116	28,287	28,911
<i>Delinquent</i> *	8,623	9,045	9,325
Corporation	3,995	4,179	4,351
Partnership	1,460	1,490	1,519
PA	85	64	53
Retired	-	660	1,093

*Delinquent consists of those licensees who have not submitted their renewal form and those licensees whose renewal is in process pending review of CBA staff.

Total Licensee Population



**California Board of Accountancy
Licensing Activity Report
As of May 31, 2016**

License Renewal	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Total Licenses Renewed			
Certified Public Accountant	39,164	40,122	38,196
Public Accountant	12	14	5
Corporation	1,526	1,500	1,627
Partnership	572	525	635
License Renewal Verification			
CPA/PA Applications Reviewed	39,605	34,199	42,522
Deficient Applications Identified	5,659	9,725	10,610
Compliance Responses Received	4,128	8,821	9,054
Outstanding Deficiencies	1,510	1,848	2,587
Top Three Renewal Deficiencies			
1:	Peer Review Form ¹	Peer Review Form ¹	Peer Review Form ¹
2:	Renewal Application ²	Renewal Application ²	Renewal Application ²
3:	Ethics CE ³	Ethics CE ³	Ethics CE ³

1 – Failure to submit/incomplete/filed on behalf of firm – peer review reporting form.

2 – Failure to submit/incomplete license renewal application.

3 – Failure to complete four hours of ethics continuing education.

License Renewal Related Activities	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
CE Audits			
Licenses Selected for Audit	855	900	825
Outstanding Audits	508	95	101
Compliance Letters Sent	347	1,297	722
Enforcement Referrals*			
	582	998	746

* Enforcement Referrals include license renewal-related deficiencies such as CE, fingerprints, and peer review.

**California Board of Accountancy
Licensing Activity Report
As of May 31, 2016**

Retired Status*	FY 2013/14	FY 2014/15	FY 2015/16 11 Months of Data
Applications Received	--	671	446
Applications Failing to Meet Minimum Qualifications	--	11	4
Applications Approved	--	660	433

* Effective July 1, 2014 licensees may apply for retired status.



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



CPC Item II.
July 21, 2016

CBA Item IX.A.2.
July 21-22, 2016

Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 45 – Reporting to the Board

Presented by: Veronica Daniel, Licensing Manager, Licensing Division

Purpose of the Item

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to consider taking action to amend CBA Regulations section 45 to clarify the reporting of peer review information for firms, including sole proprietorships.

Consumer Protection Objectives

This agenda item is intended to ease the peer review reporting process for individual licensees to accurately report peer review compliance to the CBA during license renewal and to uphold the CBA's mission to protect consumers by ensuring firms, including sole proprietorships, are in compliance with laws regarding peer review.

Action(s) Needed

The CBA will be asked to consider approving the proposed changes to CBA Regulations section 45, including the *Peer Review Reporting Form* (PR-1 Form) (**Attachment 1**). Staff have also provided a copy of the revised PR-1 Form without strike through and underline for reference (**Attachment 2**).

Background

Business and Professions Code (BPC) section 5035.1 defines a firm as a corporation, partnership, or sole proprietorship. Presently, the CBA licenses individual certified public accountants (CPA), corporations and partnerships (limited liability and general). The CBA does not require a CPA or public accountant (PA) operating as a sole proprietorship to obtain a separate form of licensure unless the CPA/PA intends to operate under a name other than the name set forth on his or her license. However, a sole proprietor providing accounting services under another name would need to register the fictitious name with the CBA.

BPC section 5076 (**Attachment 3**) requires all California-licensed firms, including sole proprietorships (type of business entity that is owned and run by one natural person and in which there is no legal distinction between the owner and the business), that provide accounting and auditing services to undergo a peer review once every three years in order to renew its registration in an active status or convert to an active status.

Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 87 – Reporting to the Board

Page 2 of 3

While peer review is a firm-based requirement, in accordance with CBA Regulations section 45 all licensees including CPAs, PAs, and firms are required to report peer review information by submitting the PR-1 Form as a condition of license renewal. Presently, the CBA does not have a mechanism to identify licensees that are operating as sole proprietorships; therefore, it must require all individual CPAs, including those not operating independently and those renewing in inactive and retired statuses, to report peer review information in order to capture this unidentifiable firm population.

At its September 2015 meeting, the CBA considered two possible methods to address tracking sole proprietorships, full registration as a new license type or an internal tracking method. After discussion and consideration, the CBA chose to track sole proprietorships and directed staff to draft regulatory language for consideration.

Comments

These proposed revisions would clarify that only licensees who are “firms” would need to report peer review compliance. Consistent with BPC section 5035.1, firms are defined to include CBA-licensed corporations, partnerships, and any CPA working independently as a sole proprietorship. Individual CPAs/PAs not operating independently (working for an accountancy corporation or partnership licensee) and those renewing in inactive or retired statuses would not be required to separately report compliance with peer review. This would reduce renewal deficiencies for these types of licensees.

At renewal, CPAs/PAs will be asked to identify if they have practiced independently as a sole proprietorship. Those who indicate “yes” will be directed to complete and submit the PR-1 Form to the CBA. Those who indicate they are a sole proprietorship on the PR-1 Form will be tracked in the license database via a status code developed in collaboration with the Department of Consumer Affairs. Those who answer “no” will not be directed to complete the PR-1 form.

When the PR-1 Form was initially designed, the form included questions to capture statistical information as mandated in BPC 5076 for the purpose of reporting to the California Legislature by January 1, 2015. As the reporting period phase is complete, the PR-1 Form has been amended to delete those questions that were needed for the CBA’s legislative report and would only reflect the most pertinent information for enforcement of the peer review program’s requirements.

The proposed changes to the language for CBA Regulations section 45, along with the proposed PR-1 Form are designed to simplify the reporting process and assist the licensees that only need to report accounting and auditing services performed and peer review compliance if considered a “firm” as defined (i.e., sole proprietorship, corporation or partnership). Clarification regarding when to check “sole proprietorship” on the form should also make it clearer to licensees that if you work for yourself, you are considered a “firm” and subject to peer review reporting.

**Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16,
California Code of Regulations Section 87 – Reporting to the Board**

Page 3 of 3

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend that the CBA approve the proposed changes to CBA Regulations section 45, direct staff to take all steps necessary to initiate the rulemaking process, authorize the Executive Officer to make non-substantive changes to the package, and set the matter for a hearing.

Attachments

1. Proposed Amendment to CBA Regulations Section 45
2. Proposed Amendment to the Peer Review Reporting Form
3. Business and Professions Code Section 5076

**DEPARTMENT OF CONSUMER AFFAIRS**

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

**Attachment 1****Proposed Amendment to CBA Regulations Section 45**

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

§ 45. Reporting to the Board

(a) Beginning on January 1, 2014, at the time of renewal, a licensee firm, as defined in Section 5035.1 of the Accountancy Act, shall report to the Board specific peer review information as required on Form PR-1 (Rev. ~~4/12~~5/16), 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 or firm's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, ~~his/her~~ the firm's peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act. Failure to submit a completed Form PR-1 (Rev. ~~4/12~~5/16) 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.



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



PEER REVIEW REPORTING FORM
LICENSEE/FIRM INFORMATION

1. Licensee/Firm Name: _____

2. Licensee Name: _____

2.3. Business Telephone #: _____

34. Business E-mail Address: _____

4.5. License Number: _____

56. License Expiration Date: _____

67. Does the licensee operate as an Select the type of accounting firm? below:

(If you are working independently as a sole proprietor, check sole proprietorship.)

NO (Check one below and go to number 15);

YES (Select firm type below, then go to number 7):

Employee, partner or shareholder of an accounting firm

Sole Proprietorship

Employee, partner or shareholder of a non-accounting firm

General Partnership

Employee of the Government

Limited Liability Partnership

Unemployed or retired

Corporation

Other _____

7. Number of shareholders, partners, owners, and full-time licensees of the firm:

1 2 3 4

5-10 11-19 100+

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 152)

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 152. 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 142a.)

Pass w/deficiencies (Go to question 142a.)

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 OCBAOA

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

11. Was the peer review administered by a Board-recognized peer review provider? Yes NO

152. 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 Accountant License. Section 5080 and 5095 of the Business and Professions Code authorize the collection of this information. Section 5076 of the Business and Professions Code and Title 16 of the California Code of Regulations section 45. 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 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.



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



Attachment 2

PEER REVIEW REPORTING FORM FIRM INFORMATION

1. Firm Name: _____
2. Licensee Name: _____
3. Business Telephone #: _____ 4. Business E-mail Address: _____
5. License No: _____ 6. License Expiration Date: _____
7. Select the type of accounting firm below:
 (If you are working independently as a sole proprietor, check sole proprietorship.)
 Sole Proprietorship General Partnership Limited Liability Partnership Corporation
- 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 12.)
- 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: _____ If applicable, go to number 12.
 (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 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 12.) Pass w/deficiencies (Go to question 12.) Substandard (Go to question 10b.)
- 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.)
11. Was the peer review administered by a Board-recognized peer review provider? Yes No
12. 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. Section 5076 of the Business and Professions Code and Title 16 of the California Code of Regulations section 45 authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the application as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act. The Executive Officer of the CBA is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.



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



Attachment 3

Business and Professions Code Section 5076 Peer Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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



CPC Item III.
July 21, 2016

CBA Item IX.A.3.
July 21-22, 2016

Discussion and Possible Action Regarding the California Board of Accountancy's Policy Objectives Resulting from the United States Department of Labor's Review of Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Security Act of 1974 Including Enforcement Activity Reporting, Peer Review Program Assessment, Specified Continuing Education Options, and Communication and Outreach Options

Presented by: Matthew Stanley, Information and Planning Officer

Purpose of the Item

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to discuss actions it might take regarding the quality of employee benefit plan audits in California in light of the United States Department of Labor's (DOL) assessment of employee benefit plan audits.

Consumer Protection Objectives

In order to protect consumers, the CBA will decide what actions to pursue to ensure the quality of employee benefit plan audits.

Action(s) Needed

The CBA will be asked to discuss various options for how it may wish to proceed to ensure that employee benefit plan audits are being conducted in accordance with professional standards.

Background

In May 2015, the DOL Employee Benefit Security Administration published a report titled "Assessing the Quality of Employee Benefit Plan Audits." In the report, the DOL found that 39 percent of these audits contained major deficiencies with respect to one or more relevant generally accepted auditing standards requirements. Copies of this report were provided at the CBA's January and March 2016 meetings. If a CBA member would like an additional hard copy, please contact Matthew Stanley at (916) 561-1792.

This topic has been assigned to the Committee on Professional Conduct (CPC) to further study and examine options that might improve the quality of employee benefit plan audits in California to protect consumers relying on those benefits.

Discussion and Possible Action Regarding the California Board of Accountancy's Policy Objectives Resulting from the United States Department of Labor's Review of Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Security Act of 1974, Enforcement Activity Reporting, Peer Review Program Assessment, Specified Continuing Education Options, and Communication and Outreach Options

Page 2 of 2

At the CBA's January and March 2016 meetings, the CBA heard presentations regarding this topic from:

- Jim Brackens, Vice-President of Ethics and Practice Quality, American Institute of Certified Public Accountants
- Maria Caldwell, Chief Legal Officer and Director of Compliance Services, National Association of State Boards of Accountancy
- Ian Dingwall, Chief Accountant, DOL.

At the CBA's May 2016 meeting, the CBA directed staff to bring information on possible changes to enforcement, peer review, continuing education, and outreach.

Comments

Staff are presenting separate issue papers as attachments on enforcement (**Attachment 1**), peer review (**Attachment 2**), continuing education (**Attachment 3**), and outreach (**Attachment 4**) to allow the CBA to discuss each item separately, but still under a single agenda item.

Following discussion and any decisions made by the CBA on these items, if needed, staff will bring a timeline for implementation of the CBA's direction to its September 2016 meeting.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Enforcement Activity Reporting
2. Peer Review Program Assessment
3. Specified Continuing Education Options
4. Communication and Outreach Options



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



Attachment 1

Enforcement Activity Reporting

The purpose of this attachment is to provide the CBA with an understanding on how the CBA receives referrals regarding employee benefit plan audits, steps the CBA takes to investigate complaints, statistical information regarding referrals for employee benefit plan (EBP) audits, and steps the Enforcement Division will be taking to provide increased exposure regarding the number of referrals received from the United States Department of Labor (DOL).

Historically, when EBP audits were identified as deficient and failed to meet professional standards, the DOL would take one of two steps to refer the matter. If the licensee or accounting firm was a member of the American Institute of CPAs (AICPA) then the DOL would refer the matter to the AICPA. In those instances where the licensee or accounting firm was not a member of the AICPA, which was relatively infrequent, then the DOL would refer the matter to the state licensing authority.

As reported on by the National Association of State Boards of Accountancy (NASBA) at the CBA's January 2016 meeting, since 2005, the DOL has made 145 audit quality referrals nationally. Of these referrals, 132 (or 91 percent) of the referrals went to the AICPA, and only 13 (or nine percent) went to the various state boards of accountancy. As the vast majority of the referrals were not being directed to the licensing agencies, NASBA worked with DOL to develop a new referral system that took effect in 2015.

Since late 2015, the DOL has implemented an email notification system and an on-line access area to direct referrals to the appropriate state boards of accountancy and the AICPA. Emails are sent to a designated point of contact, which for the CBA is the Enforcement Chief, indicating a referral and providing a link to a secure on-line server to download the referral, which generally includes a referral letter identifying various findings.

When the CBA receives a referral for an EBP audit, the Enforcement Division opens an investigation and assigns it to an Investigative Certified Public Accountant (ICPA). The ICPA reviews the deficiencies noted by the DOL to determine violations of professional standards. The assigned ICPA will also review the licensee's peer review information, including whether EBP audits were selected for peer review. As part of the investigative process, the Enforcement Division requires the licensee to attend an Investigative Hearing (IH). These are generally conducted at various Enforcement Advisory Committee (EAC) meetings, with EAC members assisting staff in questioning the licensee and assessing next steps.

Enforcement Activity Reporting

Page 2 of 2

If it is determined, by clear and convincing evidence, that the licensee has violated the Accountancy Act, CBA Regulations, or professional standards, the ICPA prepares a report and forwards it to the Office of the Attorney General (AG's Office) for preparation of an accusation. If violations are not found, the investigation is closed. The DOL is notified of any formal discipline or closure.

Since July 1, 2010, the Enforcement Division has received a total of 34 referrals regarding the DOL and EBP audits, which includes six referrals from the DOL since implementing the new referral method in 2015. Below is a breakdown of the statistics associated with the referrals:

- Seven resulted in formal discipline, which for some has included permanent practice restrictions from performing audits or attestation engagements
- Five cases have been referred to the AG's Office for the filing of an accusation
- Nine cases are currently under investigation
- 13 cases were closed

One of the items going forward that the CBA has requested is greater exposure regarding the referrals received from the DOL. One of the topics the CBA will be discussing later this year will be possible improvements regarding Enforcement Division statistical reporting. Staff will ensure increased exposure regarding this nature of referral is included as part of the CBA's discussions.



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



Attachment 2

Peer Review Program Assessment

The purpose of this attachment is to provide the CBA with important information regarding the changing landscape of the American Institute of CPAs (AICPA) Peer Review Program. As the AICPA Peer Review Program is the only Board-recognized peer review program provider for peer reviews in California,¹ it is important for the CBA to monitor the changes to ensure the overall effectiveness of the CBA Peer Review Program. Additionally, the attachment will provide information regarding the Peer Review Oversight Committee (PROC) and its role in assisting the CBA in oversight activities associated with peer review.

Changing Landscape of the AICPA Peer Review Program

In May 2014, the AICPA launched the Enhanced Audit Quality (EAQ) initiative, the goal of which is to align the objectives of all audit-related AICPA efforts to improve audit performance. As part of the EAQ, in May 2015, the AICPA released a six-point plan to improve audits. One of the points included in the plan related to peer review. This point of the plan outlines the efforts to improve peer review by focusing on greater risk areas/industries, more significant remedial actions, and terminating firms from the program after repeated quality issues. The plan specifically calls for enhancing quality of peer reviewers, targeting firm quality and accountability, and improving engagement and firm tracking (focused on reporting engagements subject to peer review).

In November 2015, the AICPA released an exposure draft titled *Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review*. The CBA's PROC reviewed these changes at its December 2015 meeting and reported its findings to the CBA at the January 2016 CBA meeting. The PROC noted that the changes placed increased responsibility on firms being peer reviewed, offered information regarding reforming future complementary and clarifying changes to come, and shifted peer review to a more remedial environment. The CBA submitted a comment letter supporting the changes.

In addition, in February 2016, the AICPA released a paper titled *Proposed Evolution of Peer Review Administration*. The paper "discusses a proposed plan to increase the quality, consistency, efficiency and effectiveness in the administration of peer review...."

¹ To administer peer reviews, the AICPA uses various state CPA societies. The California Society of CPAs (CalCPA) administers peer reviews in California for the AICPA Peer Review Program.

Peer Review Program Assessment

Page 2 of 3

The target audience for the paper are the various administering entities the AICPA uses to administer peer reviews nationally.

Staff did a preliminary review of the paper and noticed that one of the primary takeaways is the reduction of administering entities the AICPA uses to administer its program. Presently, there are approximately 40 administering entities (of which the California Society of CPAs (CalCPA) is an administering entity) and this proposal considers reducing the number to eight to 10. The AICPA has noted that administering entities with a volume of at least 1,000 peer reviews annually operate with greater consistency and achieve administration that is cost effective and efficient.

The AICPA will be releasing another paper on the evolution of peer review administration in mid-July. The audience for this paper will be the various state boards of accountancy. The AICPA has informed staff that the CBA will be able to review the paper at its September 2016 meeting, in order that it may provide comment and feedback.

An additional topic being addressed by the AICPA is peer reviewer training and qualifications, especially in the area of “must-select” engagements, including employee benefit plan (EBP) audits. In December 2015, the AICPA updated its qualifications for peer reviewers and instituted new training requirements for reviews that commenced on or after May 1, 2016.

For peer reviews that commenced on or after May 1, 2016, all new and existing peer reviewers reviewing certain must-select engagements have to fulfill the must-select training requirement within the previous 12 months. Currently, the must-select training requirement applies to EBP audits and engagements performed in accordance with Government Auditing Standards.

Peer reviewers can either attend or complete one of the following options to fulfill their must-select training requirement:

- Option 1 – Attend the relevant Optional Session of the annual Peer Review Conference. These sessions award four hours of continuing education credit hours each and are held annually in early August.
- Option 2 – Complete the relevant ‘Must-Select Industry Update’ course. These courses are on-demand self-study courses available through the AICPA. The courses are advanced reviewer training courses that explicitly focus on the challenges in peer reviewing engagements in must-select industries and how changes in these specific industries impact any given peer review. Example topics could include common findings in peer reviews specific to these industries or how recent developments in these industries impact peer reviews.

Peer Review Program Assessment

Page 3 of 3

- Option 3 – Complete an alternative course that has been approved by the AICPA Peer Review Board.

Finally, the AICPA will hold its Annual Peer Review Program Conference in San Diego, CA August 8-10, 2016. As part of the conference, the AICPA will be discussing various must-select engagements, including EBP audits and engagements performed under Government Auditing Standards, as well as various accounting and auditing updates and their impact on peer reviews. The AICPA will also hold its Peer Review Board Open Session Meeting August 11, 2016 in San Diego, CA. The PROC will have members attending the conference and board meeting as part of its oversight role.

PROC

To aid the CBA in its oversight of its Peer Review Program, the Legislature established the PROC. The purpose of the PROC is to engender confidence and ensure effectiveness in the peer review process. The PROC provides recommendations to the CBA on any matter upon which it is authorized to act.

The PROC actively monitors the activities and changes occurring in the AICPA Peer Review Program. As part of its oversight activities, the PROC regularly:

- conducts an annual administrative site visit of the CalCPA peer review program.
- attends (generally via teleconference) AICPA Peer Review Board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
- attends CalCPA Peer Review Committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
- attends meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
- conducts reviews of peer review reports on a sample basis.
- attends, on a regular basis, peer reviewer training courses.

Should the CBA believe additional areas or topics of the AICPA Peer Review Program need additional oversight, it could assign these areas or topics to the PROC for discussion.



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



Attachment 3

Specified Continuing Education Options

The purpose of this attachment is to provide the CBA with information regarding the CBA's continuing education (CE) requirements and a history of recent changes made to those requirements for use during its discussions regarding possible changes to enhance the quality of employee benefit plan audits.

In exercising its power under section 5027 of the Business and Professions Code (BPC), for the interests of consumer protection, the CBA established standards which assured reasonable currency of knowledge as the basis for a high standard of practice by licensees. The standards were established in a manner to assure that a variety of alternatives are available to licensees to comply with the CE requirements for renewal of licenses and taking note of specialized areas of practice.

In order to ensure financial integrity and professional standards are met, as stated in BPC section 5026, the Legislature has determined that it is in the public's best interest to require Certified Public Accountants (CPA) to comply with CE requirements adopted by the CBA. As mandated in CBA Regulations section 87, individuals seeking to renew their license in an active status must complete a total of 80 hours of CE in the two-year period preceding license expiration including:

- A minimum of 20 hours completed during each year of the two-year license renewal period, including 12 hours in technical subject matter.
- Four hours of ethics education.
- A two-hour Board-approved Regulatory Review course every six years.
- Government Auditing (GA) or Accounting and Auditing (A&A) CE requiring completion of 24 hours of CE as described in those sections.
- If subject to the GA/A&A requirement, four hours of Fraud CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements in addition to the 24-hour requirement.
- The remaining hours may be completed in qualifying technical or non-technical subject matter so long as a minimum of 40 hours are completed in technical subject matter.

Periodically, the CBA evaluates the CE requirements, with the last in-depth reviews occurring in 2008, 2012, and 2014. A timeline of the recent CE and license renewal changes follow.

Specified Continuing Education Options

Page 2 of 4

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.
- To renew or 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 license renewal or 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.
- 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 (NASBA) and American Institute of Certified Public Accountants. Additionally, changes were made to improve the overall clarity of CE requirements.

2016 CE Change Proposal

- It is proposed that those who perform preparation engagements as their highest level of service shall be required to complete eight hours of CE in preparation engagements or Accounting and Auditing, and complete four hours of CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements.

The regulatory changes noted above were framed 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.

Specified Continuing Education Options

Page 3 of 4

It is the responsibility of the CPA to evaluate whether their specific education, experience, and judgment are adequate to perform the services being requested. In addition to the CBA's requirements, CPAs must also comply with applicable professional standards, such as:

- Statements on Auditing Standards (SAS)
- Statements on Standards for Accounting and Review Services (SSARS)
- Statements on Standards on Attestation Engagements (SSAE)
- Government Auditing Standards (Yellow Book)
- Statements on Standards for Tax Services
- Audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB)

These professional standards require the CPA to undertake only those professional services that can be reasonably completed with professional competence, including achieving a level of competence that will assure that the quality of service meets the high level of professionalism required. It is the responsibility of the CPA to evaluate whether their specific education, experience, and judgment are adequate to perform the services being requested.

At its May 2016 meeting, the CBA requested staff to address and explore how much CE is available to licensees relating to employee benefit plans, and whether other states require CE specifically in this area. This discussion was in relation to the Department of Labor (DOL) report *Assessing the Quality of Employee Benefit Plan Audits*.

Staff researched a variety of CE providers and found that several offered at least two, and some offered as many as 13 different courses pertaining to employee benefit plans. The courses researched were provided in all types of learning formats and varied from two to 16 hours of CE credit.

Staff also researched the CE requirements of 12 state boards of accountancy to determine if any state mandates specialized CE pertaining to employee benefit plan audits. Colorado, Florida, Georgia, Illinois, New Jersey, New York, Ohio, Texas, and Virginia were chosen based by their population of greater than 20,000 licensees and Arizona, Oregon, and Washington were chosen based on their region in proximity to California.

Staff found that seven of the 12 states require prescribed CE based on the type of work and services performed in the area of A&A. Additionally, staff found that 10 of the 12 states reviewed require ethics.

Staff found that none of the 12 states reviewed prescribe CE in the area of employee benefit plan audits. In addition to the states selected and researched by CBA, staff also confirmed with the National Association of State Boards of Accountancy (NASBA) that

Specified Continuing Education Options

Page 4 of 4

none of the states within the nation have rules requiring CE specifically related to employee benefit plans.

As stated in the DOL report *Assessing the Quality of Employee Benefit Plan Audits*, “CPAs who performed the fewest number of employee benefit plan audits (one or two) annually had a 76% deficiency rate.” After reviewing the data provided in the *Auditor Population Statistics – FY 2013* provided by DOL, staff have determined that there may be approximately 390 California accounting firms (corporations, partnerships and sole proprietorships) that audited one or two employee benefit plans per year.

This number of California firms performing the fewest number of employee benefit plan audits annually is small compared to the total number of firms that currently hold a California license – 5,826 corporations and partnerships and an unknown number of sole proprietorships. The CBA may wish to discuss whether prescriptive CE is warranted for such a small number of firms as opposed to other possibilities for communicating the need to improve the quality of employee benefit plan audits.

Further, with several recent and pending changes to the CE and license renewal requirements, the CBA may wish to discuss whether it wants to allow licensees time to become sufficiently acclimated with those changes before pursuing additional changes to CE.



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



Attachment 4

Communication and Outreach Options

The purpose of this attachment is to provide the CBA with an outline of planned outreach that will be undertaken to provide increased exposure regarding the United States Department of Labor's (DOL) findings regarding the quality of employee benefit plan (EBP) audits and raising awareness of the problem amongst licensees performing EBP audits.

As outreach is a priority of the CBA and can be implemented rapidly, the CBA may want to use outreach as a first step in responding to the issue of EBP audits. It may then choose to reassess whether further action is needed at a later date.

The CBA has many outlets through which it can reach licensees, the stakeholder group with which outreach is most easily accomplished. The CBA can reach this group using direct mail, UPDATE, the website, social media, and other forms of communication.

Direct Mail

The CBA has access to every licensee's mailing address. A letter, brochure, or flyer could be developed and mailed directly to every licensee. Although the number of licensees actually performing EBP audits is relatively small compared to the total population of licensees, a direct mailing would ensure that not only those who are currently performing EBP audits are made aware of the issues, but also those licensees who may choose to perform this type of service at some future date. This option would ensure that every licensee was exposed to the message.

UPDATE

The easiest way to share information with licensees is through an UPDATE article. The article can serve a very similar purpose to a direct mail piece, but at a lower cost as it is part of a publication already being mailed out to licensees three times per year. In addition, UPDATE is posted on the CBA's website for further exposure of its messaging.

Unless directed otherwise by the CBA, staff will add this topic to the list of articles for the next edition of UPDATE.

Website

The CBA's website is, perhaps, the best and easiest method of communicating with all stakeholders, including licensees. It is the repository for most other forms of outreach previously mentioned such as brochures, flyers, or UPDATE. However, with the new

Communication and Outreach Options

Page 2 of 3

“Announcements” section on the homepage, the website can be used for direct communication as well.

An announcement could be written and placed in this new section that would serve a very similar purpose to a direct mail piece. An E-news and social media could be used to direct licensees to the announcement.

The CBA website can also be used for alternative message delivery vehicles such as hosting video messaging. If the CBA chooses this method, staff would work with the National Association of State Boards of Accountancy (NASBA) to develop a short video presentation that would be the delivery method for the CBA’s message. Again, E-news and social media could drive traffic to the website and the video message.

Finally, the website can link users to other related information on the Internet. Staff have already placed links on the CBA website to the DOL report, as well as to the AICPA’s six-point plan for enhancing audit quality.

Social Media

Social media is an excellent way for quickly communicating a message to licensees. With the CBA’s constantly growing number of social media followers, the effectiveness of using this outreach tool continues to grow as well.

For a complex message such as EBP audits, the social media venues of Facebook and Twitter would serve mostly as signposts pointing readers to the CBA website where the message would reside. Small facts could be drawn from the message and used to draw interest in the main message.

LinkedIn, which has the CBA’s fastest growing number of followers, does have a medium by which a longer message can be shared directly, and it can also be used to point viewers to the website as well.

A social media campaign would include all three of these social media outlets, using each to play to their individual strengths.

Conclusion

As outreach is a priority of the CBA, it may want to use outreach and communications as a first step in responding to the issue of EBP audits and reassess whether further action is needed at a later date.

The CBA’s discussion on the first three attachments regarding enforcement, peer review and continuing education will likely influence the course and messaging it wishes to pursue in its outreach efforts. Therefore, the actual content of the messaging and timeline for messaging will be presented at the CBA’s September 2016 meeting based on the CBA’s decisions made at its July 2016 meeting. While staff do not have any

Communication and Outreach Options

Page 3 of 3

recommendations for an outreach plan, staff welcome any CBA suggestions or direction.



California Board of Accountancy
 2000 Evergreen Street, Suite 250 Sacramento, CA 95815-3832
 P (916) 263-3680 F (916) 263-3675 | www.cba.ca.gov



Item IX.A.4.

MEMORANDUM

DATE	July 19, 2016
TO	Committee on Professional Conduct Members California Board of Accountancy Members
FROM	Matthew Stanley Information and Planning Officer
SUBJECT	CBA Agenda Item IX.A.4. – Discussion Regarding Continuing Education Exemption for Licensees Who Serve as Elected Officials

On July 19, 2016, the California Board of Accountancy (CBA) received the **attached** proposal from Congressman Brad Sherman and Senator John Moorlach. Staff are providing the document to Members for their use and reference during the discussion on this agenda item.

Staff would recommend that the Committee on Professional Conduct (CPC) defer action on this item to the full CBA meeting, as Senator John Moorlach will be in attendance to present the proposal.

Staff have not yet fully analyzed the proposal and would recommend that, should the CBA wish to pursue the proposal, it direct staff to work with Congressman Sherman, Senator Moorlach, and other stakeholders on the specifics of the proposal and bring proposed language to the CBA at its September 2016 meeting.

Congressman Sherman has offered to speak with any Members who may wish to ask questions of him. Please contact Patti Bowers for his contact information.

Proposal to the California State Board of Accountancy

Meeting: July 21st & 22nd, 2016

Summary Proposal: To exempt from The Continuing Education requirement those serving in the U.S. Congress or California State Legislatures.

Applicable Regulations and Statutes.

California Business of Professions Code Statutes in Part:

5028.

“The board may, in accordance with the intent of this article, make exceptions from continuing education requirements for licensees not engaged in public practice, or for reasons of health, military service, or other good cause...”

California Board of Accountancy Regulations provide in part:

90. Exceptions and Extensions.

“(a) A renewal applicant may be granted either an extension of time to complete continuing education requirements or an exception from continuing education requirements.

Extensions or exceptions may be granted by the Board for the following causes:

- (1) Reasons of health, certified by a medical doctor, which prevent compliance by the licensee;
- (2) Service of the licensee on extended active duty with the Armed Forces of the United States;
- (3) Other good cause.”

Specific Proposal: Add to regulation 90 (a) as a new subdivision (4)

(4) “Service in the United States Congress or the California State Legislature”

Further we propose that licenses be exempted from the Continuing Education requirement for as long as they serve in the United States Congress or the California State Legislature.

(This proposal does not apply to other elected officials, as most other elected positions in California are part-time.)

JUSTIFICATION FOR PROPOSAL

Legislative Service Provides Ongoing Education Relevant to the Practice of Accounting.

Full-time service in the United States Congress or the California State Legislature inevitably involves hundreds of hours each year studying issues concerning taxation, budgeting, finance, and accounting. CPAs who serve in the United States Congress and the California Legislature are invariably asked by their colleagues to provide expertise on taxation, finance, budgeting, and financial statements.

When someone who has earned a CPA certificate is going to speak on the floor of the House of Representatives or State Legislature, he or she knows that their colleagues will expect the kind of clarity, analysis, and thoroughness for which CPAs are known. Accordingly, preparing for such a speech will necessitate hours of study, every bit as rigorous as continuing education programs approved by the California State Board of Accountancy.

Only rigorous study will allow a CPA-Legislator to provide analysis of accounting, tax and financial issues which reflects well on the profession and meets the high standards that one's colleagues expect from someone that has been issued a CPAs license.

The Proposal is Philosophically Consistent with Existing Board Regulations and Legislative Enactments.

State Board of Accountancy Regulation 90 already allows for those who are in active service with our military to seek exemption from the continuing education requirement. This allows those serving in our military not to be distracted by the need to formally complete approved continuing education courses or to document such completion. Service in the United States Congress or the California State Legislature is not as rigorous as service in the United States military, nor does it involve the heroism of those who serve to defend us all. However, **service in the United States Congress and the California Legislature is important public service, and anything that can be done so that those serving in such a capacity can devote the maximum hours to their legislative duties is important.**

The California Legislature recognized that service in the California Legislature provided substantial study and education relevant to the practice of law because legal issues arise in the Legislature. Accordingly, it exempted attorney-Legislators from the continuing education requirement. *See* Business and Professions Code § 6070(c).

Had there been CPAs in the State Legislature, we believe the Legislature would have reached the same conclusion as to the accounting profession—where, as noted above, legislative

service inevitably involves an enormous amount of study of tax, budget, financial and accounting materials.

In contrast, the Legislature has not exempted physicians, optometrists or others from their continuing education requirement because normal service in the State Legislature does not involve the rigorous study of matters relevant to the practice of medicine or optometry.

Encourage CPAs to Serve in the United States Congress and the State Legislature.

This proposal will encourage CPAs to serve in the United States Congress and the State Legislature. Service in those legislative bodies is incredibly rigorous. Those wishing to serve will have difficulty taking time to attend formal continuing education courses, in addition to their legislative work.

Service in the Congress or State Legislature is very rigorous for all Legislators – but CPA-Legislators have a substantial additional burden. The very few California CPA-Legislators are relied on by our Legislative colleagues to provide expert analysis on budgetary, accounting, and tax matters – meeting their expectations requires hundreds of additional hours each year to study the details of budgetary, accounting, and tax matters.

The public obtains a substantial benefit when CPAs serve in the United States Congress or the California State Legislature. Matters as important as the Internal Revenue Code, the Revenue and Taxation Code of the State of California, and the federal and state budgets, and the financial statements presented by hundreds of government agencies to Congress and the Legislature – all of these require the kind of expertise that can be provided by CPAs.

The undersigned two individuals are currently the only persons who have earned a CPA certificate who serve among the 53 members of the House of Representatives representing California and the 120 members of the California State Legislature. While a CPA background is not the only background or experience relevant to the United States Congress and the California State Legislature, clearly both bodies would benefit from more CPA members.

It is in the interest of the profession, and more importantly its clients, for CPAs to serve in the United States Congress. Their background will allow them to assure that our substantive tax laws, tax procedures, and consumer protection laws are in the interest of clients of the accounting profession.

Members Should Be Encouraged to Use the CPA Designation.

Currently, Members of Congress and the State Legislature either cannot identify themselves as CPAs or must use the phrase “CPA (inactive)” or “CPA (retired).” This undercuts our credibility.

There is nothing *inactive* about the two individuals who signed this letter. We both are actively using our training and expertise to improve the tax, budgetary and financial laws of our nation and state.

Our legislative colleagues, lacking a CPA background, need guidance and input on tax, financial and accounting matters—but they are likely to discount input they receive from someone who is identified as “not currently licensed” or “inactive” or “retired.” Adopting this proposal will make sure that the advice California CPA-Legislators provide is respected by other Legislators.

A particular anomaly occurs when a Californian who has earned a CPA certificate serves in the U.S. Congress. A CPA from another state can send out a legislative letter to Congressional colleagues signed “CPA” – even if that other state has no continuing education requirement. The California Congressmembers must sign letters as “CPA (retired).”

Summary.

Adoption of this proposal would recognize the hundreds of hours of relevant study necessary for a CPA-Legislator (or CPA-Congressmember) to give speeches and offer legislative proposals worthy of someone who has been licensed by our profession. Service in the United States Congress or the State Legislature is important public service, and the board has provided exemptions for others in public service (*i.e.*, those serving in the military). Encouraging CPAs to serve in the Congress and State Legislature will benefit public policy and the clients of the profession. Allowing CPAs who serve in Congress and the State Legislature to identify themselves as CPAs, without a negative qualification, will help assure that our comments on accounting, tax and financial matters get the respect they deserve.



Congressman Brad Sherman
(Democrat-30th District), CPA (inactive)
Co-chair Congressional CPA and
Accountants Caucus

State Senator John Moorlach
(Republican- 37th District), CPA (inactive)



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



CPC Item IV.
July 21-22, 2016

CBA Item IX.A.4.
July 21-22, 2016

Discussion Regarding Continuing Education Exemption for Licensees Who Serve as Elected Officials

Presented by: Matthew Stanley, Information and Planning Officer

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the opportunity to discuss possible changes to CBA Regulations regarding continuing education (CE) for licensees serving in elected offices.

Consumer Protection Objectives

CE helps active status licensees maintain a currency of knowledge to ensure that the public is protected when the licensee is practicing public accountancy.

Action(s) Needed

The CBA will be asked to decide whether it wishes to pursue a rulemaking and to direct staff in how such a rulemaking might be framed.

Background

Over the last several years, the CBA has worked with various elected officials who are licensees of the CBA. Due to the constraints on their time as a result of their position, some elected officials who are licensees choose to renew in an inactive status which does not require completion of 80 hours of CE.

Under current law, a licensee in an inactive status may use the certified public accountant (CPA) title or CPA designation, but it must be followed by the term "inactive" immediately after that designation.

Comments

An elected official has requested that the CBA discuss the feasibility of a regulation exempting licensees who serve as elected officials from CE requirements while allowing the use of an unmodified CPA designation.

The CBA's applicable laws and rules are CBA Regulations section 90 (**Attachment**) and Business and Professions Code section 5028 which states the following:

Discussion Regarding Continuing Education Exemption for Licensees Who Serve as Elected Officials

Page 2 of 3

The board may, in accordance with the intent of this article, make exceptions from continuing education requirements for licensees not engaged in public practice, or for reasons of health, military service, or other good cause; provided, however, that if the licensee returns to the practice of public accounting he or she shall meet such continuing education requirements as the board may determine.

This code section would allow the CBA to make the requested exemption in CBA Regulations section 90 provided the licensee was not engaged in public practice. It would take an act of the Legislature to allow an exemption from CE while retaining the right to practice.

Currently, by law, the State Bar of California exempts California's elected officials from its CE requirements while allowing them to continue practicing. Staff also researched other entities within the Department of Consumer Affairs (DCA) and other state boards of accountancy. None of the DCA entities sampled allowed for this particular CE exemption; these entities were the Dental Board, Medical Board, Board of Optometry, Contractors State License Board, Board of Behavioral Sciences, Board of Registered Nursing, and the Board of Psychology. In addition, none of the other state boards of accountancy sampled allowed for the exemption either; these included the state boards of accountancy in New York, Texas, Washington, Florida, Colorado and the District of Columbia.

There are a few considerations the CBA may wish to discuss as it decides whether it wishes to pursue a rulemaking to exempt licensees serving as elected officials from CE. First and foremost, the CBA might wish to decide whether it should explore such exemption. If it does not wish to implement such an exemption, no further action would be needed. If it would like further discussion or to direct staff to draft regulatory language, staff would request specific direction in several areas.

Reach of the Program

The category of "elected officials" is very broad. The CBA may wish to narrow it down to a specific subset of elected officials. It could narrow it down by the full- or part-time nature of the office, limit it to state (California or all states) and federal level positions, or leave it available to all elected positions.

Notification and Identification

The CBA may wish to identify a method by which the licensee must notify the CBA of their status as an elected official and whether it wishes to require some sort of proof of elected status, although such proof may not be needed if the CBA limits the category of "elected officials" to well-known positions such as California and or federally elected positions. The notification could be simply in writing a letter, or the CBA could choose to create a form that would be filled out by the licensee. The frequency of this notification would also need to be addressed, such as at every renewal.

Discussion Regarding Continuing Education Exemption for Licensees Who Serve as Elected Officials

Page 3 of 3

Conversion

The CBA may also wish to provide for a system that allows licensees using this exemption to regain their practice rights such as the current requirements for converting a license from inactive to active status which requires CE.

If the CBA decides that a rulemaking would be in order, staff will bring an item to initiate the regulatory process at a future meeting.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

CBA Regulations Section 90

**DEPARTMENT OF CONSUMER AFFAIRS**

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

**Attachment****CBA Regulations Section 90****90. Exceptions and Extensions.**

(a) A renewal applicant may be granted either an extension of time to complete continuing education requirements or an exception from continuing education requirements. Extensions or exceptions may be granted by the Board for the following causes:

- (1) Reasons of health, certified by a medical doctor, which prevent compliance by the licensee;
- (2) Service of the licensee on extended active duty with the Armed Forces of the United States;
- (3) Other good cause.

(b) No extension or exception shall be made solely because of age.

(c) Willful failure of a licensee to complete applicable continuing education within a specified extension of time shall constitute cause for disciplinary action pursuant to section 5100(g) of the Accountancy Act.

(d) A renewal applicant who has met the requirement of Section 87(a) and becomes subject to continuing education pursuant to Section 87(c), (d) or (e) during the last 6 months of a two-year license renewal period shall be granted, upon request, an extension of time of up to 6 months in which to complete the continuing education required by Section 87(c), (d) or (e). Continuing education completed pursuant to this extension shall be part of the 80 hours of continuing education required under Section 87(a) for the next two-year renewal period. However, it shall not be part of the 24 hours of continuing education required under Section 87(c) or (d) or the 8 hours of continuing education required under Section 87(e) for the next two-year renewal period.

NOTE: Authority cited: Section 5010 and 5027, Business and Professions Code.
Reference: Sections 5028 and 5100(g), Business and Professions Code.



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



EPOC Item II.
July 21, 2016

CBA Item IX.B.2.
July 21-22, 2016

Revision Schedule for the Disciplinary Guidelines and Model Orders

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the Enforcement Program Oversight Committee (EPOC) and California Board of Accountancy (CBA) the opportunity to review the revision schedule associated with the *Disciplinary Guidelines and Model Orders* (Guidelines).

Consumer Protection Objectives

The Guidelines set forth recommended discipline for violations of the current statutes and regulations. Ensuring that the Guidelines is regularly updated, both regarding the recommended minimum and maximum penalties and the current statutes and regulations, is paramount to ensuring that the CBA meets its mission of consumer protection.

Action(s) Needed

No specific action is required on this agenda item.

Background

The Guidelines are revised on a tri-annual basis. The current edition of the Guidelines was adopted by the CBA on September 26, 2013. Once the revisions are completed and the revised Guidelines are adopted by the CBA, the rulemaking process is initiated. The revised Guidelines become effective once the rulemaking process is complete.

Comments

The initial revision schedule for the Guidelines was adopted by the and CBA at the March 2016 CBA meeting. The revision schedule had the CBA reviewing the Guidelines at its March, May, and September 2016 meetings.

At the May 2016 meeting, the CBA requested that staff bring back the Guidelines to the July meeting so that it may further discuss additional language for the new section on Rehabilitation Evidence being added to the Guidelines. The additional language related to including a disclaimer concerning the CBA's evaluation of the sufficiency of evidence submitted by an individual. Additionally, the CBA requested that staff provide it with the CBA's Rehabilitation Criteria found in CBA Regulations section 99.1.

Revision Schedule for the Disciplinary Guidelines and Model Orders

Page 2 of 2

Staff have updated the revision schedule to include discussion to occur at the July 2016 meeting. Additionally, staff have included information on when the anticipated public hearing for the rulemaking would occur.

March 2016

- Expose plan for proceeding to revise the Guidelines
- Review proposed language for inclusion of a Model Order related to a Permanent Restricted Practice Order

May 2016

- Determine if any changes are necessary to mitigation, aggravation, or rehabilitation language
- Present any new law changes for inclusion
- Evaluate if changes are necessary to any existing violations
- Evaluate if changes are necessary to terms and conditions

July 2016 (EPOC Item IV./CBA Item IX.B.4.)

- Continue to review proposed changes to the Guidelines, including CBA-requested language on the sufficiency of evidence licensees may submit under the newly proposed section to the Guidelines, Rehabilitation Evidence
- Review CBA Regulations section 99.1 regarding the CBA's Rehabilitation Criteria

September 2016

- Present final version of the Guidelines, seek EPOC and CBA approval to initiate a rulemaking

January 2017

- Public hearing to receive oral comments on the proposed regulations
- Discuss comments received in writing during the 45-day public comment period and oral comments received at the public hearing
- Adopt the regulatory text or adopt revised regulatory text and initiate a 15-day notice of public comment

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

None.



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



EPOC Item III.
July 21, 2016

CBA Item IX.B.3.
July 21-22, 2016

Educational Presentation and Discussion Regarding Tolling Provision in the Disciplinary Guidelines

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) the opportunity to discuss and possibly take action to modify the use of the tolling provision and condition associated with probation for licensees disciplined by the CBA.

Consumer Protection Objectives

Licensees placed on probation are those that the CBA believes can continue to safely practice, with oversight from the CBA and the completion of various remedial and prescriptive actions (continuing education, supervised practice). Ensuring the CBA has the appropriate probationary terms is paramount to having an effective probation program.

Action(s) Needed

No specific action on this item is necessary unless the CBA selects to make changes to the probationary term associated with tolling.

Background

At its March 2014 meeting the Enforcement Program Oversight Committee (EPOC) discussed probation monitoring of out-of-state certified public accountants (CPAs) with an emphasis on how staff accomplishes the monitoring of personal appearances, practice investigations, and tolling for this subset of probationers. No action was taken on that agenda item.

The CBA, again, discussed tolling at its July 2015 meeting. At that meeting, the emphasis was on the application of tolling for licensees residing out of state and disciplined as part of California's practice privilege (mobility) provisions. The CBA determined that no changes to the use of the tolling provision were needed at that time.

Comments

As part of the CBA's disciplinary orders, various terms and conditions are included. Generally, these are broken down between a set of standard and optional terms and conditions. Pursuant to the CBA Disciplinary Guidelines and Model Orders

Educational Presentation and Discussion Regarding Tolling Provision in the Disciplinary Guidelines

Page 2 of 3

(Guidelines), for those licensees placed on probation, the CBA has determined that 10 standard terms and conditions should be included in all orders. These include:

1. Obey All Laws
2. Cost Reimbursement
3. Submit Written Reports
4. Personal Appearances
5. Comply with Probation
6. Practice Investigation
7. Comply with Citations
8. Violation of Probation
9. Tolling of Probation for Out-of-State Residence/Practice
10. Completion of Probation

Therefore, the tolling provision is included in nearly all disciplinary orders, whether included as part of a stipulated settlement or a proposed decision.

Specifically, the tolling provision states:

In the event respondent should leave California to reside or practice outside this state, respondent must notify the CBA in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the CBA costs, and make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the CBA.

For those disciplinary orders which are negotiated via a stipulated settlement (representing the majority of decisions and orders that place a license on probation), included as part of the recitals is a section titled "Advisement and Waivers." This section is included to ensure that licensees entering into a stipulated settlement and order are fully aware of the outcomes associated with signing the order.

This section generally includes the following text:¹

Respondent(s) has carefully read, and understand the charges and allegations in Accusation No. _____. Respondent(s) has also carefully read, and understands the effects of this Stipulated Settlement and Disciplinary

Respondent(s) is fully aware of their legal rights in this matter, including the right to a hearing on the charges and allegations in the Accusation; the right to be represented by counsel at their own expense; the right to confront and cross-examine the witnesses against them; the right to present evidence and testify on its own behalf; the right to the issuance of subpoenas to compel the attendance

¹ The first paragraph is slightly different for those represented by counsel. A reference is made that the Respondent(s) has fully discussed with counsel the charges and the stipulated decision and order.

Educational Presentation and Discussion Regarding Tolling Provision in the Disciplinary Guidelines

Page 3 of 3

of witnesses and the production of documents; the right to reconsideration and court review of an adverse decision; and all other rights accorded by the California Administrative Procedure Act and other applicable laws.

Respondent(s) voluntarily, knowingly, and intelligently waive and give up each and every right set forth above.

The purpose of the tolling provision is to ensure that licensees are not disciplined by the CBA and then flee to another state in an effort to avoid monitoring during the probationary period. In reviewing other DCA boards guidelines, the condition of tolling is commonplace, including as a standard term of probation. Each board varies slightly in its application, with some including tolling related to non-practice activities, but all generally include references to residing out of state.

The tolling provision can significantly extend the probationary period for a licensee who resides out of state and who does not have a desire to return to California to work or reside, as the probationary period never advances and s/he is permanently tolled. However, after a period of one year has passed from the date of the decision placing a licensee on probation, the licensee can petition the CBA to have the terms of probation modified, including the removal of the tolling provision.

Presently, the CBA has seven licensees with probation in a tolling status. This agenda item is designed to provide the CBA with the opportunity to discuss whether to modify the tolling provisions as a standard term of probation for licensees that permanently reside out of state. If the CBA wishes to modify the tolling provision or its application, this can be achieved as part of the present discussions taking place regarding overall changes to the Guidelines (**EPOC Item IV./CBA Item IX.B.3.**).

Fiscal/Economic Impact Considerations

There are no fiscal/economic considerations.

Recommendation

Staff have no recommendation for this agenda item. If the CBA selects to make a change to the tolling provision, staff request that the changes be outlined so that staff can incorporate them into the present changes and modifications presently being undertaken to the Guidelines.

Attachment

None.



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



EPOC Item IV.
July 21, 2016

CBA Item IX.B.4.
July 21-22, 2016

**Discussion and Possible Action Regarding of Proposed Changes to the
Disciplinary Guidelines and Model Orders (Title 16, California Code of
Regulations Section 98) and Title 16, California Code of Regulations Section 99.1
Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations,
Reduction of Penalty**

Presented by: Dominic Franzella, Chief, Enforcement Division

Purpose of the Item

The purpose of this agenda item is to present to the California Board of Accountancy (CBA) for its consideration proposed modifications to:

- CBA Disciplinary Guidelines and Model Orders (Guidelines) (**Attachment 1**)
- CBA Regulations section 99.1 – Rehabilitation Criteria (**Attachment 2**)

Consumer Protection Objectives

Ensuring that the Guidelines is regularly updated, both regarding the recommended minimum and maximum penalties and the current statutes and regulations, is paramount to ensuring that the CBA meets its mission of consumer protection during the enforcement process. Additionally, ensuring that the CBA keeps current its rehabilitation criteria provides important clarity to licensees and applicants.

Action(s) Needed

Staff are requesting the CBA approve the proposed revisions to the Guidelines and CBA Regulations section 99.1 for a future rulemaking, including any edits or additions as needed.

Background

On a tri-annual basis, the Guidelines are revised by the Enforcement Program Oversight Committee (EPOC), and adopted by the CBA. At the March 2016 meeting, the CBA approved a timeline and conceptual changes for revising the Guidelines. Additionally, at this meeting, the CBA adopted proposed revisions to the Guidelines for the purpose of developing a model order related to Permanent Restricted Practice. The changes associated with the Permanent Restricted Practice are noted in strike through and underline on the following pages: 59 (#5), 63 (newly numbered #25), and 64 (newly numbered #29).

Discussion and Possible Action Regarding of Proposed Changes to the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty

Page 2 of 3

At the May 2016 meeting, the CBA approved staff's proposed changes to the Guidelines, including a new section – VI Rehabilitation Evidence. The CBA also directed staff to work with legal counsel to create a disclaimer concerning the CBA's evaluation of the sufficiency of the new Rehabilitation Evidence, and to provide the CBA with the CBA's Rehabilitation Criteria found in CBA Regulations section 99.1.

Comments

For the new Rehabilitation Evidence section, found on page 8, staff have added the following statement: "The CBA will evaluate the sufficiency of any evidence submitted on a case-by-case basis." Additionally, for the Rehabilitation Criteria found at CBA Regulations section 99.1, staff have incorporated the changes as found in the Guidelines (on page 7) in strike through and underline text.

Staff are also proposing a new change not previously considered by the CBA at its May meeting. Specifically, staff are proposing the changes to the Model Orders (newly numbered Model Orders #6-#8, page 60) included in the Guidelines specific to instances when the CBA grants an individual's petition for reinstatement of a revoked license. Business and Professions Code (BPC) section 5070.8 notes that if the CBA reinstates a revoked license, the individual must pay a reinstatement fee equal to the renewal fee in effect on the last regular renewal date before the date on which the license is reinstated, including a delinquency fee if any had accrued at the time the license was revoked.

As a general rule, the CBA's orders take effect 30 days after the initial order by the CBA. There are times when it takes more than 30 days for the individual to pay the required fee prescribed in BPC section 5070.8. Also, there are instances where the CBA makes the order effective upon signature of the CBA President. As a result, the individual has not had the opportunity to pay the required fee prescribed by BPC section 5070.8. These instances create a conflict with the order of the CBA and the statutory provisions.

To address this conflict, staff are proposing additional language to the Model Orders to further clarify that the license will be reinstated upon successful completion of any statutory or regulatory requirements.

Staff continued to make non-substantive formatting changes and corrections throughout the Guidelines to provide consistency and clarity for users. These changes are marked in the Guidelines with underline and strike through to assist the CBA in its review.

Staff will make final changes to the Guidelines and CBA Regulations section 99.1 based on any additional feedback received by the CBA. At the September 2016 meeting, staff will bring back the Guidelines and CBA Regulations section 99.1 for CBA adoption and

Discussion and Possible Action Regarding of Proposed Changes to the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty

Page 3 of 3

initiation of a rulemaking. Any necessary edits and changes to references and numbering made as part of the revisions to the Guidelines will also be made and presented at the September 2016 meeting.

Fiscal/Economic Impact Considerations

There is no fiscal or economic impact to updating the Guidelines.

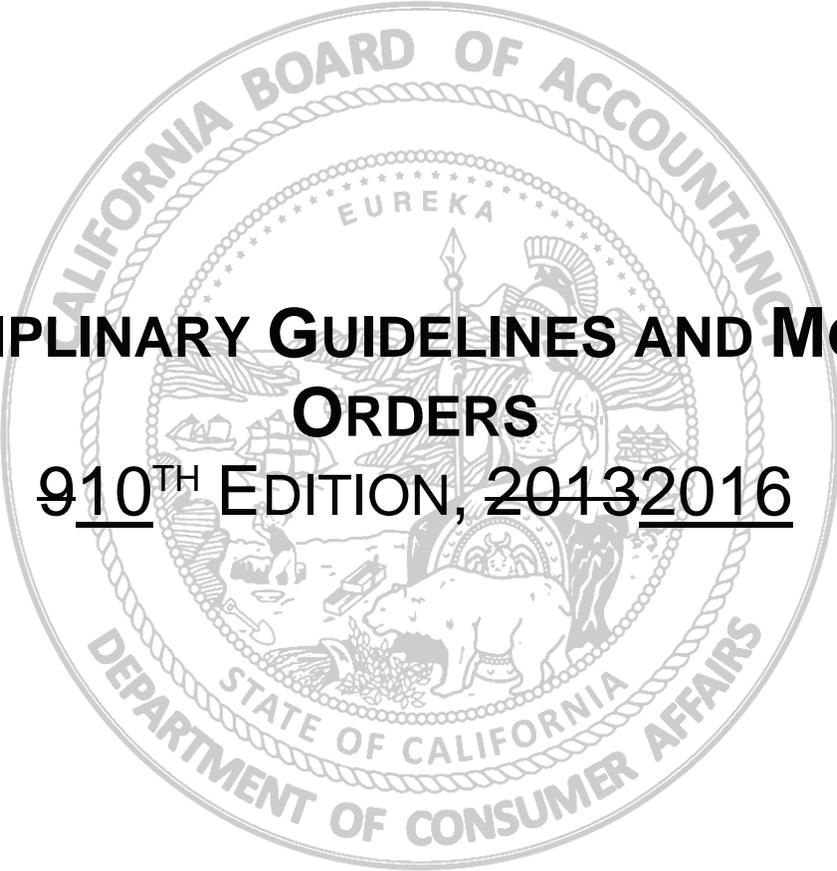
Recommendation

Staff recommend the CBA approve the proposed changes to the Guidelines and CBA Regulations section 99.1 for a future rulemaking, including any edits or additions members may have.

Attachments

1. Draft California Board of Accountancy Disciplinary Guidelines and Model Orders, 10th Edition, 2016
2. California Code of Regulations Section 99.1
3. Business and Professions Code Section 5070.8

CALIFORNIA BOARD OF ACCOUNTANCY

The seal of the California Board of Accountancy is a circular emblem. It features a central figure of a woman in classical attire holding a scale and a sword, with a bear at her feet. The word "EUREKA" is inscribed above the figure. The outer ring of the seal contains the text "CALIFORNIA BOARD OF ACCOUNTANCY" at the top and "DEPARTMENT OF CONSUMER AFFAIRS" at the bottom. The inner ring contains "STATE OF CALIFORNIA".

**DISCIPLINARY GUIDELINES AND MODEL
ORDERS**
910TH EDITION, 2013~~2016~~

CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
(916) 263-3680 – TELEPHONE
(916) 263-3675 – FACSIMILE
WWW.CBA.CA.GO



DISCIPLINARY GUIDELINES AND MODEL ORDERS
Table of Contents

I.	<u>Introduction</u>	<u>2</u>
II.	<u>General Considerations</u>	<u>3</u>
III.	<u>Evidence in Aggravation of Penalty</u>	<u>5</u>
IV.	<u>Evidence in Mitigation of Penalty</u>	<u>6</u>
V.	<u>Rehabilitation Criteria</u>	<u>7</u>
VI.	<u>Rehabilitation Evidence</u>	<u>8</u>
VII.	<u>Administrative Penalties</u>	<u>9</u>
VIII.	<u>Disciplinary Guidelines</u>	<u>11</u>
IX.	<u>Model Orders</u>	<u>59</u>

~~DISCIPLINARY GUIDELINES~~ ~~AND~~ ~~MODEL ORDERS~~

I. INTRODUCTION

The California Board of Accountancy (CBA) ~~licenses~~regulates the practice of public accountancy in the State of California and may revoke, suspend, or refuse to renew any permit or certificate for violation of applicable statutes or regulations. The CBA examines applicants, sets education requirements, and may deny licensure and the authority to practice under practice privilege (California Business and Professions Code (BPC) section 5096 et seq.). The CBA may, by regulation, prescribe, amend, or repeal rules of professional conduct appropriate to the establishment and maintenance of a high standard of integrity and competency in the profession.

The CBA, through its Enforcement Division, assisted by its statutorily established Enforcement Advisory Committee, receives and investigates complaints; initiates and conducts investigations or hearings, with or without the filing of a complaint; and obtains information and evidence relating to any matter involving the conduct of Certified Public Accountants (CPA), Public Accountants (PA) and Accountancy Firms. The California Accountancy Act and the CBA regulations provide the basis for CBA disciplinary action. (See BPC sections 5000 et seq., and Title 16 California Code of Regulations (CCR) sections 1 through 99.1.)

The expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or other authority to practice public accountancy in California, or the voluntary surrender of a license by a licensee shall not deprive the CBA of the authority to proceed with an investigation, action, or disciplinary proceeding against the licensee or to render a decision suspending or revoking the license. (See BPC section 5109.)

These disciplinary guidelines, designed for the use of Administrative Law ~~(ALJ)~~ Judges (ALJ), attorneys, CBA licensees, and others involved in the CBA's disciplinary process, are revised from time to time. The guidelines cover model orders, including factors to be considered in aggravation and mitigation; standard probationary terms; and guidelines for specific offenses. The guidelines for specific offenses are referenced to the statutory and regulatory provisions violated.

These disciplinary guidelines set forth recommended discipline for the violation of current statutes and regulations; includes a provision for community service; and provides additional guidance regarding disciplinary and model orders.

The CBA recognizes that these recommended penalties and conditions of probation are merely guidelines and that mitigating or aggravating circumstances and other factors may necessitate deviations, as discussed herein.

II. GENERAL CONSIDERATIONS

The CBA requests that **Proposed Decisions** following administrative hearings include the following:

- a. Specific code sections violated with their definitions.
- b. Clear description of the violation.
- c. Respondent's explanation of the violation if he or she is present at the hearing.
- d. Findings regarding aggravation, mitigation, and rehabilitation where appropriate. (See factors set forth ~~below~~ in CCR section 99.1, under section V. Rehabilitation Criteria).
- e. When suspension or probation is recommended, the CBA requests that the disciplinary order include terms within the recommended guidelines for that offense unless the reason for departure there from is clearly set forth in the findings and supported by the evidence.

If the ~~respondent~~Respondent fails to appear for the scheduled hearing, such action shall result in a **default decision** to revoke license.

When the CBA, at a **reinstatement hearing**, denies a petitioner's request for reinstatement, the CBA requests that the ~~Administrative Law Judge~~ ALJ provide technical assistance in formulating language clearly setting forth the reasons for denial. Such a **statement** should include, for example, a statement on rehabilitation, including suggestions for further approaches by petitioner to demonstrate rehabilitation, where appropriate. ~~The Petition for Reinstatement Checklist was designed to assist the CBA members and an ALJ with the preparation of a petition for reinstatement. See Attachment 1 for additional information.~~

- f. **Reimbursement** to the CBA for costs of investigation and prosecution as warranted by BPC section 5107.
- g. Imposition of an **Administrative Penalty** if warranted. See section VII for guidance.

The CBA will consider **stipulated settlements** to promote cost effectiveness and to expedite disciplinary decisions if such agreements achieve its disciplinary objectives. Deputy Attorneys General should inquire as to ~~respondent's~~Respondent's interest in stipulated settlement promptly after receipt of a notice of defense. If stipulated settlement appears unlikely, the case should be set for hearing.

The CBA's policy is that all disciplinary actions will be published.

It is also the CBA's policy that matters resolved by stipulation include **cost recovery**.

The CBA's Executive Officer is authorized by statute to request an ~~Administrative Law Judge~~ ALJ, as part of any proposed decision in a disciplinary proceeding, to order the recovery of reasonable costs of investigation and prosecution (BPC section 5107). This statute does not preclude the CBA from seeking recovery of costs through stipulations; thus, it does not change the CBA's policy of requesting and recovering costs where appropriate in stipulated settlements. Restitution to victims and/or administrative penalties should not be reasons to reduce, eliminate, or stay full recovery of all reasonable costs of investigation and prosecution.

In stipulated decisions involving **revocation** (no revocation stayed), the order will generally include the requirement that ~~respondent~~Respondent must reimburse the CBA for all reasonable costs of investigation and prosecution prior to or upon reinstatement of ~~respondent's~~Respondent's revoked certificate under BPC section 5115.

The period of **probation** is generally three years. During the probation period, licensees are required to appear in person at interviews/meetings as directed by the CBA or its designated representatives to report on probation compliance.

Where an actual **suspension** is imposed, the order shall include the requirement that ~~respondent~~Respondent engage in no activities for which certification is required (see model disciplinary orders). In addition, the ~~respondent~~Respondent shall relinquish the certificate in question to the CBA and shall notify clients regarding the suspended status of the certificate, if directed to do so by the CBA.

When discipline includes a violation that can be corrected, **correction of the violation** should be included as the basis for any discipline.

Restitution should be considered for all cases in which harm is demonstrated against the complainant. However, restitution should consider the actual harm to a complainant; it is not intended to award damages.

~~Note: Business and Professions Code section 143.5 prohibits the CBA from requiring restitution in disciplinary cases when the CBA's case is based on a complaint or report that has also been the subject of a civil action and that has been settled for monetary damages providing for full and final satisfaction of the parties in the civil action.~~

III. EVIDENCE IN AGGRAVATION OF PENALTY

The following are among aggravating circumstances to be considered by ALJs in providing for penalties in proposed decisions:

1. Evidence that the violation was knowingly committed and/or was premeditated.
2. Licensee has a history of prior discipline, particularly where the prior discipline is for the same or similar type of conduct.
3. Licensee's actions resulted in financial damage to his or her clients or other consumers. The amount of loss may be an additional aggravating factor.
4. Violation of CBA probation.
5. Failure to comply with a final citation order.
6. Failure to comply with a notice to appear before the CBA or its designated representatives.
7. Failure to comply with continuing education requirements as ordered by the CBA or its designated representatives pursuant to CCR section 87.5.
8. Evidence that the licensee has not cooperated with the CBA's investigation.
9. Misappropriation of entrusted funds or other breach of fiduciary responsibility.
10. Duration of violation(s).
11. Evidence that the licensee knew or should have known that his or her actions could harm his or her clients or other consumers.
12. Evidence that the licensee took advantage of his or her client for personal gain, especially if the licensee was able to take advantage due to the ignorance, age, or lack of sophistication of the client.

IV. EVIDENCE IN MITIGATION OF PENALTY

The following are among mitigating circumstances that may be taken into account by ALJs in providing for penalties in proposed decisions:

1. The licensee has cooperated with the CBA's investigation, other law enforcement or regulatory agencies, and/or the injured parties.
2. The passage of considerable time since an act of professional misconduct occurred with no evidence of recurrence or evidence of any other professional misconduct.
3. Convincing proof of rehabilitation, including the factors in CCR section 99.1 as well as other relevant considerations.
4. Demonstration of remorse by the licensee.
5. Recognition by licensee of his or her wrongdoing and demonstration of corrective action to prevent recurrence.
6. Violation was corrected without monetary losses to consumers and/or restitution was made in full.
7. If violation involved multiple licensees, the relative degree of culpability of the subject licensee should be considered.

V. REHABILITATION CRITERIA

~~The CBA's rehabilitation criteria, set forth in CCR section 99.1, are as follows:~~

When considering the denial of a certificate or permit or the restoration of a revoked certificate or reduction of penalty, the burden of proof lies with the individual to demonstrate sufficient competent evidence of rehabilitation to establish fitness to perform public accounting services in a manner consistent with professional standards and public protection.

The CBA's rehabilitation criteria, set forth in CCR section 99.1, are as follows:

When considering the denial of a certificate or permit under BPC section 480, the suspension or revocation of a certificate or permit under BPC section 5100 or restoration of a revoked certificate or reduction of penalty under BPC section 5115, the CBA, in evaluating the rehabilitation of the applicant and his or her present eligibility for a certificate or permit, will consider the following criteria:

1. Nature and severity of the act(s) or offense(s).
2. Nature and extent of actual and potential consumer harm.
3. The applicant or licensee's attitude toward his or her commission of the violations.
4. Recognition of wrongdoing.
5. The applicant or licensee's history of violations.
6. Nature and extent to which the applicant or licensee has taken corrective action to ensure the violation will not recur.
7. Nature and extent of restitution to consumers harmed by violations.
8. Other aggravating or mitigating factors.
29. Criminal record and evidence of any act(s) committed subsequent to the act(s) or offense(s) under consideration that could also be considered as grounds for denial, suspension, or revocation.
- 3 10. The time that has elapsed since commission of the act(s) or offense(s) referred to in subdivision (1) or (2).
- 4 11. The extent to which the ~~applicant or respondent~~licensee has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or ~~respondent~~licensee.
- 5 12. If applicable, evidence of expungement proceedings pursuant to section 1203.4 of the Penal Code.
- 6 13. Evidence, if any, of rehabilitation submitted by the applicant or ~~respondent~~licensee.

VI. REHABILITATION EVIDENCE

The following are examples of types of evidence which the licensee/applicant (Respondent) may submit to CBA demonstrate his or her rehabilitative efforts and competency:

- a. Letter from Respondent describing underlying circumstances of arrest and conviction record as well as any rehabilitation efforts or changes in life since that time to prevent future problems.
- b. Recent, dated written statements or performance evaluations from past and/or current employers or persons in positions of authority who have on-the-job knowledge of the Respondent's current competence in the practice of public accountancy, including the period of time and capacity in which the person worked with the Respondent.
- c. Recent, dated letters or a current mental status examination by a clinical psychologist or psychiatrist regarding the Respondent's participation in a rehabilitation, therapy or recovery program, which should include a diagnosis of the condition or any impairment, current state of recovery, and the psychologist's or psychiatrist's basis for determining rehabilitation. The evaluation should also address the likelihood of similar acts occurring in the future, and should speak to the Respondent's competency and ability to practice public accountancy safely.
- d. Letters of reference from other knowledgeable professionals, such as probation or parole officers regarding the Respondent's participation in and/or compliance with terms and conditions of probation or parole, which should include at least a description of the terms and conditions of probation or parole, and the officer's basis for determining compliance.
- e. Recent, dated letters from outside individuals describing Respondent's community or volunteer participation in civic activities or support groups (e.g., Alcoholics Anonymous, Narcotics Anonymous, other professional or community based-support groups).
- f. Documentary or other evidence showing continuing education related to the practice of public accountancy.

The CBA will evaluate the sufficiency of the evidence submitted on a case-by-case basis. Any evidence submitted to the CBA will be subject to verification by CBA staff.

VII. ADMINISTRATIVE PENALTIES

BPC section 5116 et seq. allows the CBA to order any licensee or applicant for licensure or examination to pay an administrative penalty as part of any disciplinary proceeding. In matters that go through the administrative hearing process, the CBA's Executive Officer may request an ~~Administrative Law Judge~~ ALJ to impose an administrative penalty as part of any proposed decision.

The administrative penalty assessed shall be in addition to any other penalties or sanctions imposed on the licensee or other person, including but not limited to, license revocation, license suspension, denial of the application for licensure, or denial of admission to the licensing examination. When probation is ordered, an administrative penalty may be included as a condition of probation.

For any violation, with the exception of violation of subdivisions (a), (c), (i), (j), or (k) of BPC section 5100, any licensee may be assessed an administrative penalty of not more than \$5,000 for the first violation and not more than \$10,000 for each subsequent violation.

For violation of subdivisions (a), (c), (i), (j), or (k) of BPC section 5100, licensed firms may be assessed of an administrative penalty of not more than \$1,000,000 for the first violation and not more than \$5,000,000 for any subsequent violation. The administrative penalty that may be assessed an individual licensee who violates these sections is limited to not more than \$50,000 for the first violation and not more than \$100,000 for any subsequent violation.

Administrative penalties may be assessed under one or more violations; however, the total administrative penalty shall not exceed the amount of the highest administrative penalty allowed.

The term "violation" used in BPC sections 5116.1, 5116.2, and 5116.3 is intended to include the total violations in the disciplinary proceeding. Accordingly, "first violation" refers to the ~~respondent's~~ Respondent's first disciplinary action and "subsequent violations" refers to any subsequent disciplinary actions.

Cost recovery ordered under BPC section 5107 should not be a reason to reduce or eliminate the amount of administrative fines.

The following criteria should be considered in assessing administrative penalties.

1. Nature and extent of actual and potential consumer harm.
2. Nature and extent of actual and potential harm to clients.
3. Nature and severity of the violation.
4. The role of the person in the violation.

5. The person's attitude toward his or her commission of the violations.
6. Recognition of wrongdoing.
7. Person's history of violations.
8. Nature and extent of cooperation with the CBA's investigation.
9. The person's ability to pay the administrative penalty.
10. The level of administrative penalty necessary to deter future violations.
11. Nature and extent to which the person has taken corrective action to ensure the violation will not recur.
12. Nature and extent of restitution to consumers harmed by violations.
13. The violations involve sanctions by other government agencies or other regulatory licensing bodies, i.e. Internal Revenue Service, Securities and Exchange Commission, and Public Company Accounting Oversight Board.
14. Other aggravating or mitigating factors.

VIII. DISCIPLINARY GUIDELINES

The offenses and penalties are listed chronologically by statute number in the Business and Professions Code (BPC) and by regulation number in Title 16 of the California Code of Regulations (CCR). The number in brackets following each condition of probation refers to the model order so numbered (See **Model Orders**). The probation terms listed under "if warranted" for each violation are to be considered, and imposed, if facts and circumstances warrant.

CALIFORNIA ACCOUNTANCY ACT: BUSINESS AND PROFESSIONS CODE, DIVISION 3, CHAPTER 1

ARTICLE 2

Section 5037(a) OWNERSHIP OF ACCOUNTANTS' WORKPAPERS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, [~~1, 2, 4~~] 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-2425]

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~26]
3. Probation Monitoring Costs [~~27~~28]
4. Restricted Practice [29]
5. Ethics Continuing Education [~~31~~32]
6. Regulatory Review Course [~~32~~33]
7. Continuing Education Courses [36]
8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR Sectionsection 54.1)

Section 5037(b)(1)(2) RETURN OF CLIENT DOCUMENTS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [~~45~~16-2425]

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~26]
3. Restitution [~~26~~27]
4. Probation Monitoring Costs [~~27~~28]
5. Restricted Practice [~~28~~29]

6. Engagement Letters [2930]
7. Ethics Continuing Education [3132]
8. Regulatory Review Course [3233]
9. Continuing Education Courses [36]
10. Community Service – Free Services [40]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference CCR Section ~~Section~~ 68)

ARTICLE 3

**Section 5050(a) PRACTICE WITHOUT PERMIT;
TEMPORARY PRACTICE**

Except as provided for in sections 5050(c), 5054, and 5096.12, this section applies to a ~~respondent~~Respondent who practices for a time without a valid license to practice or to ~~respondent~~Respondent t who practices without obtaining a practice privilege.

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~1516-2425~~]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~2728~~]
 3. Restricted Practice [~~2829~~]
 4. Ethics Continuing Education [3132]
 5. Regulatory Review Course [3133]
 6. Continuing Education Courses [36]
 7. Active License Status [37]
 8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5050(c) PRACTICE WITHOUT PERMIT;
TEMPORARY PRACTICE; FOREIGN ACCOUNTANTS**

Applies to ~~respondents~~Respondents licensed in a foreign country who are temporarily practicing in California and hold out as California licensees.

Minimum Penalty – Cease and Desist Letter

Maximum Penalty – Refer to Prosecutorial Agency for Unlicensed Practice

(~~See~~Reference section on Unlicensed Activities.)

Section 5055
Section 5056

**TITLE OF CERTIFIED PUBLIC ACCOUNTANT/
TITLE OF PUBLIC ACCOUNTANT**

(Applies to ~~respondent~~Respondent who assumes or uses the title certified public accountant, CPA, public accountant, or PA without having an appropriate permit to practice.)

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~27~~28]
 3. Restricted Practice [~~28~~29]
 4. Ethics Continuing Education [~~31~~32]
 5. Regulatory Review Course [~~32~~33]
 6. Continuing Education Courses [36]
 7. Active License Status [37]
 8. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

Section 5058

USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~15~~16-~~24~~25]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~27~~28]
 3. Restricted Practice [~~28~~29]
 4. Ethics Continuing Education [~~31~~32]
 5. Regulatory Review Course [~~32~~33]
 6. Continuing Education Courses [36]
 7. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

(Reference CCR Section~~section~~ 2)

Section 5058.1

**TITLES IN CONJUNCTION WITH
CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-24~~25~~]

If warranted: 1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~28~~28]
3. Restricted Practice [~~28~~29]
4. Ethics Continuing Education [~~31~~32]
5. Regulatory Review Course [~~32~~33]
6. Continuing Education Courses [36]
7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5058.2 INACTIVE DESIGNATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-24~~25~~]

If warranted: 1. Probation Monitoring Costs [~~27~~28]
2. Continuing Education Courses [36]
3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5058.3 RETIRED DESIGNATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-24~~25~~]

If warranted: 1. Probation Monitoring Costs [~~27~~28]
2. Continuing Education Courses [36]
3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 3.5

Section 5060 NAME OF FIRM

Minimum Penalty – Continuing Education Courses [36] for licensee, licensee partners, licensee directors, shareholders, and/or officers of corporation
Maximum Penalty – Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-24~~25~~]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [2728]
 3. Restricted Practice [2829]
 4. Ethics Continuing Education [3132]
 5. Regulatory Review Course [3233]
 6. Continuing Education Courses [36]
 7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~section 5072)

Section 5061 COMMISSIONS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [4516-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [2526]
 3. Restitution [2627]
 4. Probation Monitoring Costs [2728]
 5. Restricted Practice [2829]
 6. Engagement Letters [2930]
 7. Ethics Continuing Education [32]
 8. Regulatory Review Course [3233]
 9. Continuing Education Courses [36]
 10. Community Service – Free Services [40]
 11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5062 REPORT CONFORMING TO PROFESSIONAL STANDARDS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [4516-2425]
 3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [2526]
 3. Restitution [2627]
 4. Probation Monitoring Costs [2728]
 5. Restricted Practice [2829]
 6. Engagement Letters [2930]

7. Ethics Continuing Education [3132]
8. Regulatory Review Course [3233]
9. Peer Review [3334]
10. CPA Exam [3435]
11. Samples – Audits, Review or Compilation [38]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Section 5100(j))

Section 5062.2 RESTRICTIONS ON ACCEPTING EMPLOYMENT WITH AN AUDIT CLIENT

Minimum Penalty – Revocation stayed, 30 day suspension, 3 years probation [1-4]
 Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation of 3 to 5 years
 2. Suspension [3]
 3. Standard Conditions of Probation [4516-2425]

If warranted: 1. Probation Monitoring Costs [2728]
 2. Ethics Continuing Education [3132]
 3. Regulatory Review Course [3233]
 4. Community Service – Free Services [40]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5063 REPORTABLE EVENTS

Minimum Penalty – Continuing Education Courses [36]
 Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [4516-2425]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Supervised Practice [2526]
 3. Probation Monitoring Costs [2728]
 4. Restricted Practice [2829]
 5. Ethics Continuing Education [3132]
 6. Regulatory Review Course [3233]
 7. Continuing Education Courses [36]
 8. Samples – Audit, Review or Compilation [38]
 9. Prohibition from Handling Funds [39]
 10. Community Service – Free Services [40]

11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference CCR Sectionsections 59, 60, 61)

Section 5063.3 CONFIDENTIAL INFORMATION DISCLOSURE

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-~~24~~25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Ethics Continuing Education [~~31~~32]
 6. Regulatory Review Course [~~32~~33]
 7. Continuing Education Courses [36]
 8. Samples – Audit, Review or Compilation [38]
 9. Probation from Handling Funds [39]
 10. Community Service – Free Services [40]
 11. Notice to Clients [42]
 12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 4

Section 5070.1(b) PRACTICE WITH A RETIRED LICENSE STATUS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-~~24~~25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~27~~28]
 3. Restricted Practice [~~28~~29]
 4. Ethics Continuing Education [~~31~~32]
 5. Regulatory Review Course [~~32~~33]
 6. Continuing Education Courses [36]
 7. Active License Status [37]

8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5071.2(b) PRACTICE WITH A MILITARY LICENSE STATUS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~27~~28]
 3. Restricted Practice [~~28~~29]
 4. Ethics Continuing Education [~~31~~32]
 5. Regulatory Review Course [~~32~~33]
 6. Continuing Education Courses [36]
 7. Active License Status [37]
 8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5072(a) REQUIREMENTS FOR REGISTRATION AS A PARTNERSHIP

Applies to licensee(s) in a partnership who practices for a time without partnership license (BPC section 5073) and subsequently renews, or to a partnership in practice without a license.

Minimum Penalty – Continuing Education Courses for Licensee Partners [36]

Maximum Penalty – Revocation of partnership/individual licenses [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~27~~28]
 3. Restricted Practice [~~28~~29]
 4. Ethics Continuing Education [~~31~~32]
 5. Regulatory Review Course [~~32~~33]
 6. Continuing Education Courses [36]
 7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference section on Unlicensed Activities.)

Section 5073(d) PARTNERSHIP APPLICATIONS (ADMISSION OR WITHDRAWAL OF PARTNER)

Minimum Penalty – Continuing Education Courses for Licensee Partners [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-2425]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [~~32~~33]
 4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5076(a) PEER REVIEW

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Ethics Continuing Education [~~31~~32]
 6. Regulatory Review Course [~~32~~33]
 7. Peer Review [~~33~~34]
 8. Continuing Education Courses [36]
 9. Sample – Audit, Review or Compilation [38]
 10. Notification to Clients/Cessation of Practice [42]
 11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~sections 40, 32, 43)

Section 5076(f) PEER REVIEW – DOCUMENT SUBMISSION REQUIREMENT

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]

5. Ethics Continuing Education [3132]
6. Regulatory Review Course [3233]
7. Peer Review [3334]
8. Continuing Education Courses [36]
9. Sample – Audit, Review or Compilation [38]
10. Notification to Clients/Cessation of Practice [42]
11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR Section section 46)

Section 5078 OFFICES NOT UNDER PERSONAL MANAGEMENT OF CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT; SUPERVISION

Minimum Penalty – Continuing Education Courses for Licensee Owners [36] and/or require CPA or PA to develop standards for supervision, and implement a practice plan; permit practice investigation within 3 months to insure compliance [20]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [4516-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [2526]
 3. Probation Monitoring Costs [2728]
 4. Restricted Practice [2829]
 5. Ethics Continuing Education [3132]
 6. Regulatory Review Course [3233]
 7. Continuing Education Courses [36]
 8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5079(a)(b)(d) NONLICENSEE OWNERSHIP OF FIRMS

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation of partnership or corporate registration and individual licenses [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed, 3 years probation
 2. Standard Conditions of Probation [4516-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [2728]
 3. Restricted Practice [2829]

4. Ethics Continuing Education [3132]
5. Regulatory Review Course [3233]
6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR Section 51.1)

ARTICLE 5

Section 5081(a) REQUIREMENTS FOR ADMISSION TO CERTIFIED PUBLIC ACCOUNTANT EXAMINATION (ACTS DENYING ADMISSION TO EXAM)

Minimum Penalty – Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of BPC Section 5100 for applicable provisions

Maximum Penalty – Denial of admission to examination or revocation of license if issued

(See Reference relevant section for discipline based upon nature of act.)

If warranted: 1. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5081(b)(c) REQUIREMENTS FOR ADMISSION TO CERTIFIED PUBLIC ACCOUNTANT EXAMINATION

Minimum/Maximum Penalty – Denial of admission to examination, or revocation of license if issued.

If warranted: 1. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5088 INTERIM PRACTICE RIGHTS: OUT OF STATE CPA

Minimum/Maximum Penalty – If Board CBA rejects application, cease practice immediately. If practice continues, see provisions on **Unlicensed Activities** and **Practice Privilege**.

Section 5095(a) MINIMUM NUMBER OF ATTEST SERVICES HOURS; ATTEST EXPERIENCE

Minimum Penalty – Revocation stayed and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation

2. Standard Conditions of Probation [~~45~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~27~~28]
 3. Restricted Practice [~~28~~29]
 4. Ethics Continuing Education [~~31~~32]
 5. Regulatory Review Course [~~32~~33]
 6. CPA Exam [~~34~~35]
 7. Continuing Education Courses [36]
 8. Active License Status [~~36~~37]
 9. Notification to Clients/Cessation of Practice [42]
 10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 5.1: Practice Privilege

Section 5096(d) PRACTICING THROUGH AN UNREGISTERED FIRM

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
 2. Standard Conditions of Probation [~~45~~16-21, 23, 24, 25]

- If warranted:
1. Suspension [3]
 2. Probation Monitoring Costs [~~27~~28]
 3. Ethics Continuing Education [~~31~~32]
 4. Regulatory Review Course [~~32~~33]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5096(e)(2) COMPLY WITH RULES, LAWS, AND STANDARDS

Minimum Penalty – One year suspension [3]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
 2. Suspension [3] (BPC Section~~section~~ 5096(g)).
 3. Standard Conditions of Probation [~~45~~16-21, 23, 24, 25]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [~~30~~33]
 4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5096(e)(3) PRACTICE FROM AN UNAUTHORIZED OFFICE IN THIS STATE

Minimum Penalty – One year suspension [3]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
 2. Suspension [3] (~~BPC Section~~ section 5096(g))
 3. Standard Conditions of Probation [~~4516-21, 23, 24, 25]~~

- If warranted:
1. Probation Monitoring Costs [~~2728]~~
 2. Ethics Continuing Education [~~3132]~~
 3. Regulatory Review Course [~~3233]~~
 4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5096(e)(5) COOPERATE WITH BOARD

Minimum Penalty – One year suspension [3]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
 2. Suspension [3] (~~BPC Section~~ section 5096(g)).
 3. Standard Conditions of Probation [~~4516-21, 23, 24, 25]~~

- If warranted:
1. Probation Monitoring Costs [~~2728]~~
 2. Ethics Continuing Education [~~3132]~~
 3. Regulatory Review Course [~~3233]~~
 4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5096(e)(6), (7), (8), (9) FAILURE TO CEASE EXERCISING THE PRACTICE PRIVILEGE

Minimum Penalty – One year suspension [3]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
 2. Suspension [3] (~~BPC Section~~ section 5096(g)).
 3. Standard Conditions of Probation [~~4516-21, 23, 24, 25]~~

- If warranted:
1. Ethics Continuing Education [~~3132]~~
 2. Regulatory Review Course [~~3233]~~
 3. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years pursuant to Section 5096(g).

Section 5096(e)(10) FAILURE TO REPORT NOTIFY THE BOARD OF PENDING CRIMINAL CHARGES

Minimum Penalty – One year of suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years
 2. Suspension [3] (~~BPC Section~~section 5096(g)).
 3. Standard Conditions of Probation [~~45~~16-21, 23, 24, 25]

If warranted: 1. Probation Monitoring Costs [28]
 2. Ethics Continuing Education [3132]
 3. Regulatory Review Course [3233]
 4. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

Section 5096(f) FAILURE TO NOTIFY THE BOARD/CEASE PRACTICE

Minimum Penalty – One year suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years
 2. Suspension [3] (~~BPC Section~~section 5096(g))
 3. Standard Conditions of Probation [~~45~~16-21, 23, 24, 25]

If warranted: 1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [3132]
 3. Regulatory Review Course [3233]
 4. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years pursuant to Section 5096(g).

Section 5096(i) FAILURE TO FILE PRE-NOTIFICATION FORM

Minimum Penalty – One year suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years
 2. Suspension [3] (~~BPC Section~~section 5096(g)).

3. Standard Conditions of Probation [~~45~~16-21, 23, 24, 25]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [~~32~~33]
 4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years.

Section 5096.5 UNAUTHORIZED SIGNING OF ATTEST REPORTS

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
 2. Suspension [3] (BPC ~~Section~~section 5096(g))
 3. Standard Conditions of Probation [~~16~~15-21, 23, 24, 25]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [~~32~~33]
 4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5096.12 FIRM PRACTICING WITHOUT A PRACTICE PRIVILEGE HOLDER

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]

Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation 3 to 5 years
 2. Standard Conditions of Probation [~~15~~16-21, 23, 24, 25]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Suspension [3] (BPC ~~Section~~section 5096(g))
 3. Ethics Continuing Education [~~31~~32]
 4. Regulatory Review Course [~~32~~33]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 5.5

Section 5097 AUDIT DOCUMENTATION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-24~~25~~]
- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Library Reference Material [~~30~~31]
 6. Ethics Continuing Education [~~31~~32]
 7. Regulatory Review Course [33]
 8. Peer Review [~~33~~34]
 9. CPA Exam [~~34~~35]
 10. Continuing Education Courses [36]
 11. Samples - Audits, Review or Compilation [38]
 12. Community Service – Free Services [40]
 13. Notice to Clients [42]
 14. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference CCR ~~Section~~sections 68.2, 68.3, 68.4, 68.5)

ARTICLE 6

**Section 5100 DISCIPLINE IN GENERAL,
(including but not limited to that set forth in
subsections (a) through (l) of this section)**

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
 2. Standard Conditions of Probation [~~15~~16-24~~25~~]
- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~27~~28]
 3. Optional conditions which relate to underlying facts and circumstances; reference conditions listed in BPC sections 5100 (a)-(j)
 4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5100(a) CONVICTION OF ANY CRIME SUBSTANTIALLY RELATED TO THE
QUALIFICATIONS, FUNCTIONS AND DUTIES OF A CPA/PA**

FOR FELONY CONVICTIONS OR MULTIPLE MISDEMEANOR CONVICTIONS:

Minimum Penalty – Revocation stayed. Actual suspension from practice 120 days.
Three years probation [1-4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~25~~16-2425]

If warranted: 1. Supervised Practice [2526]
2. Restitution [2627]
3. Probation Monitoring Costs [2728]
4. Restricted Practice [2829]
5. Engagement Letters [2930]
6. Ethics Continuing Education [3132]
7. Regulatory Review Course [3233]
8. CPA Exam [2335] or ~~Enrolled Agents Exam [35]~~
9. Continuing Education Courses [36]
10. Samples - Audit, Compilation or Review [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Administrative Penalty not to exceed maximum set forth in
BPC section 5116 [43]
14. Conditions as appropriate relating to physical or mental disability or
condition [44-49]

IN THE CASE OF A SINGLE MISDEMEANOR VIOLATION, TAILOR PROBATION TO CIRCUMSTANCES; ADJUSTING THE REQUIRED CONDITIONS ACCORDINGLY AND CHOOSING APPROPRIATE WARRANTED CONDITIONS FROM THE ABOVE LIST.

Section 5100(b) FRAUD OR DECEIT IN OBTAINING LICENSE/PERMIT/REGISTRATION

Minimum Penalty – Revocation stayed with 180 days actual suspension and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.

Maximum Penalty – Revocation or application denied. [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15~~16-2425]

If warranted: 1. Probation Monitoring Costs [2728]
2. Ethics Continuing Education [3132]
3. Regulatory Review Course [3233]
4. Continuing Education Courses [36]

5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5100(c) DISHONESTY, FRAUD, GROSS NEGLIGENCE, OR REPEATED ACTS OF NEGLIGENCE IN THE PRACTICE OF PUBLIC ACCOUNTANCY OR THE PERFORMANCE OF BOOKKEEPING

Minimum Penalty – Revocation stayed [1, 2, 4], 3 years probation [1, 2, 4].

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
 2. Standard Conditions of Probation [~~4~~516-2425]

- If warranted:
1. Supervised Practice [~~4~~526]
 2. Restitution [2627]
 3. Probation Monitoring Costs [2728]
 4. Restricted Practice [2829]
 5. Ethics Continuing Education [3432]
 6. Regulatory Review Course [3433]
 7. Peer Review [3334]
 8. CPA Exam [3435]
 9. Continuing Education Courses [36]
 10. Samples - Audit, Review or Compilation [38]
 11. Prohibition from Handling Funds [39]
 12. Community Service – Free Services [40]
 13. Notification to Clients [42]
 14. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
 15. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(d) CANCELLATION, REVOCATION OR SUSPENSION BY ANY OTHER STATE OR FOREIGN COUNTRY

Minimum Penalty – Revocation stayed [1, 2, 4], probation 3 years

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
 2. Standard Conditions of Probation [~~4~~516-2425]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [2526]
3. Restitution [2627]
4. Probation Monitoring Costs [2728]
5. Restricted Practice [2829]
6. Ethics Continuing Education [3432]

7. Regulatory Review Course [~~32~~33]
8. CPA Exam [~~34~~35] or ~~Enrolled Agents Exam~~ [35]
9. Continuing Education Courses [36]
10. Samples - Audit, Review or Compilation [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(e) VIOLATION OF PROVISIONS OF SECTION 5097

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]
 3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Library Reference Material [~~30~~31]
 6. Ethics Continuing Education [~~31~~32]
 7. Regulatory Review Course [~~32~~33]
 8. Peer Review [~~32~~34]
 9. CPA Exam [~~34~~35]
 10. Samples - Audits, Review or Compilation [38]
 11. Community Service – Free Services [40]
 12. Notice to Clients [42]
 13. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5100(f) VIOLATIONS OF PROVISIONS OF SECTION 5120

BPC Section ~~section~~ 5120 states "Any person who violates any of the provisions of Article 3 (commencing with section 5050) is guilty of a misdemeanor, punishable by imprisonment for not more than six months, or by a fine of not more than one thousand dollars, or both.

"Whenever the Board has reason to believe that any person is liable for punishment under this article, the Board or its designated representatives, may certify the facts to the appropriate enforcement officer of the city or county where the alleged violation had taken place and the officer may cause appropriate proceedings to be brought."

Violations of Article 3 include:

5050 and 5051

PRACTICE WITHOUT PERMIT/" PUBLIC ACCOUNTANCY" DEFINED

5055 and 5056	TITLE OF CERTIFIED PUBLIC ACCOUNTANT/ PUBLIC ACCOUNTANT
5058	USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED

Minimum/Maximum Penalty – See specific statute/regulation violated for recommended penalty

Section 5100(g) WILLFUL VIOLATION OF THE ACCOUNTANCY ACT, OR A RULE OR REGULATION PROMULGATED BY THE BOARD

Minimum/Maximum Penalty – See specific statute or regulation violated for recommended penalty

Section 5100(h) SUSPENSION OR REVOCATION OF THE RIGHT TO PRACTICE BEFORE ANY GOVERNMENTAL BODY OR AGENCY

Minimum Penalty – Revocation stayed [4, 2, 4], 3 years probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-24~~25~~]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [26]
3. Restitution [~~26~~27]
4. Probation Monitoring Costs [~~27~~28]
5. Restricted Practice [~~28~~29]
6. Ethics Continuing Education [~~31~~32]
7. Regulatory Review Course [~~32~~33]
8. CPA Exam [~~34~~35] or ~~Enrolled Agents Exam~~ [35]
9. Continuing Education Courses [36]
10. Samples - Audit, Review or Compilation [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
15. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(i) FISCAL DISHONESTY OR BREACH OF FIDUCIARY RESPONSIBILITY OF ANY KIND

Minimum Penalty – Revocation stayed, 30 day suspension, 3 years probation [1-4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
 2. Suspension [3]
 3. Standard Conditions of Probation [~~4516-2425~~]

- If warranted:
1. Supervised Practice [~~2526~~]
 2. Restitution [~~2627~~]
 3. Probation Monitoring Costs [~~2728~~]
 4. Restricted Practice [~~2829~~]
 5. Ethics Continuing Education [~~3132~~]
 6. Regulatory Review Course [~~3233~~]
 7. CPA Exam [~~3435~~] or ~~Enrolled Agents Exam~~ [~~35~~]
 8. Continuing Education Courses [36]
 9. Prohibition from Handling Funds [39]
 10. Community Service – Free Services [40]
 11. Notice to Clients [42]
 12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
 13. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(j) KNOWING PREPARATION, PUBLICATION OR DISSEMINATION OF FALSE, FRAUDULENT, OR MATERIALLY MISLEADING FINANCIAL STATEMENTS, REPORTS, OR INFORMATION

Minimum Penalty – Revocation stayed, 60 days suspension, 3 years probation [1-4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 to 5 years probation
 2. Suspension [3]
 3. Standard Conditions of Probation [~~4516-2425~~]

- If warranted:
1. Supervised Practice [~~2526~~]
 2. Restitution [~~2627~~]
 3. Probation Monitoring Costs [~~2728~~]
 4. Restricted Practice [~~2829~~]
 5. Engagement Letters [~~2930~~]
 6. Ethics Continuing Education [~~3132~~]
 7. Regulatory Review Course [~~3233~~]
 8. CPA Exam [~~2535~~] or ~~Enrolled Agents Exam~~ [~~35~~]
 9. Continuing Education Courses [36]
 10. Samples - Audit, Review or Compilation [38]
 11. Community Service – Free Services [40]
 12. Notice to Clients [42]
 13. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
 14. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(k) EMBEZZLEMENT, THEFT, MISAPPROPRIATION OF FUNDS OR PROPERTY, OR OBTAINING MONEY, PROPERTY OR OTHER VALUABLE CONSIDERATION BY FRAUDULENT MEANS OR FALSE PRETENSES

Minimum Penalty – Revocation stayed, 90 day suspension, 3 years probation [1-4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
 2. Suspension [3]
 3. Standard Conditions of Probation [~~15~~16-2425]

- If warranted:
1. Supervised Practice [~~25~~26]
 2. Restitution [~~26~~27]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Ethics Continuing Education [~~31~~32]
 6. Regulatory Review Course [~~32~~33]
 7. CPA Exam [~~34~~35] or ~~Enrolled Agents Exam~~ [35]
 8. Continuing Education Courses [36]
 9. Prohibition from Handling Funds [39]
 10. Notice to Clients [42]
 11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
 12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(l) DISCIPLINE, PENALTY, OR SANCTION BY THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD OR SECURITIES AND EXCHANGE COMMISSION

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-2425]

- If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Restitution [~~26~~27]
 4. Probation Monitoring Costs [~~27~~28]
 5. Restricted Practice [~~28~~29]
 6. Ethics Continuing Education [32]
 7. Regulatory Review Course [~~32~~33]
 8. CPA Exam [~~34~~35] or ~~Enrolled Agents Exam~~ [35]

9. Continuing Education Courses [36]
10. Samples - Audit, Review or Compilation [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
15. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(m) UNLAWFULLY ENGAGING IN PRACTICE OF PUBLIC ACCOUNTANCY IN ANOTHER STATE

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~27~~28]
 3. Restricted Practice [~~28~~29]
 4. Ethics Continuing Education [~~34~~32]
 5. Regulatory Review Course [~~32~~33]
 6. Continuing Education Courses [36]
 7. Active License Status [37]
 8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5101 DISCIPLINE OF PARTNERSHIP

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [~~15~~16-~~24~~25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Restitution [~~26~~27]
 4. Probation Monitoring Costs [~~27~~28]
 5. Restricted Practice [~~28~~29]
 6. Engagement Letters [~~29~~30]
 7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5104 RELINQUISHMENT OF CERTIFICATE OR PERMIT (revocation or suspension)

Minimum/Maximum Penalty – Revocation [1, 2]

Section 5105 RELINQUISHMENT OF CERTIFICATE OR PERMIT (delinquent)

Minimum/Maximum Penalty – Revocation [1, 2]

Section 5110(a) ACTS CONSTITUTING CAUSE FOR BOARD’S DENIAL OF EXAM APPLICATION OR ADMISSION, VOIDANCE OF GRADES, OR DENIAL OF LICENSE APPLICATION OR REGISTRATION

Minimum/Maximum Penalty – Denial of admission to examination, denial of licensure application, or revocation of license if issued.

If warranted: 1. Administrative Penalty not to exceed maximum set forth in BPC Section section 5116 [43]

ARTICLE 7

Sections 5120/5121 VIOLATIONS AS MISDEMEANOR/EVIDENCE OF VIOLATION

(See Reference BPC Section section 5100(f) and section on Unlicensed Activities.)

ARTICLE 9

Section 5152 CORPORATION REPORTS

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

Section 5152.1 ACCOUNTANCY CORPORATION RENEWAL OF PERMIT TO PRACTICE

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

(Reference BPC sections 5050 and 5060(b))

Section 5154 DIRECTORS, SHAREHOLDERS, AND OFFICERS MUST BE LICENSED

Minimum Penalty – Continuing Education Courses for licensee directors, shareholders, and/or officers of corporation [36]

Maximum Penalty – Revocation of corporate registration [1, 2] and discipline of individual licenses

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~28]
3. Ethics Continuing Education [~~31~~32]
4. Regulatory Review Course [~~32~~33]
5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 5155 DISQUALIFIED SHAREHOLDER NONPARTICIPATION

Minimum Penalty – Revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]

Maximum Penalty – Revocation of individual and corporate license [1, 2]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~28]
3. Ethics Continuing Education [~~31~~32]
4. Regulatory Review Course [~~32~~33]
5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

**Section 5156 UNPROFESSIONAL CONDUCT
(ACCOUNTANCY CORPORATION)**

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Revocation of individual and corporate licenses [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If Revocation stayed [4], 3-5 years probation
2. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~28]
3. Ethics Continuing Education [~~31~~32] for licensee directors, shareholders and/or officers
4. Regulatory Review Course [~~32~~33] for licensee directors, shareholders and/or officers
5. Community Service – Free Services [40]
6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Note: An accountancy corporation is bound by the same regulations as individual respondents. See specific statute or regulation violated for recommended penalty.

Section 5158 PRACTICE OF PUBLIC ACCOUNTANCY; MANAGEMENT (ACCOUNTANCY CORPORATION)

Minimum Penalty – Continuing Education Courses [36] for licensee directors, stakeholders, and/or officers of corporation. Require CPA or PA to develop management plan; permit practice investigation within 3 months to ensure compliance with management requirement and plan [20, 33]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If Revocation stayed [4], 3-5 years probation
2. Standard Conditions of Probation [~~15~~16-24~~25~~]

If warranted: 1. Supervised Practice [~~25~~26]
2. Restitution [~~26~~27]
3. Probation Monitoring Cost [~~27~~28]
4. Restricted Practice [~~28~~29]
5. Engagement Letters [~~29~~30]
6. Ethics Continuing Education [~~31~~32]
7. Regulatory Review Course [~~32~~33]
8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
9. Conditions as appropriate relating to physical or mental disability or condition [44-49]

CALIFORNIA BOARD OF ACCOUNTANCY REGULATIONS

TITLE 16 CALIFORNIA CODE OF REGULATIONS

ARTICLE 1: GENERAL

SECTION 3 NOTIFICATION OF CHANGE OF ADDRESS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – 90 day Suspension [3]

SECTION 5 OBSERVANCE OF RULES

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [~~45~~16-2425]

If warranted:

1. Probation Monitoring Costs [~~27~~28]
2. Ethics Continuing Education [~~34~~32]
3. Regulatory Review Course [~~32~~33]
4. Continuing Education Courses [36]
5. Samples - Audit, Review or Compilation [38]
6. Community Service – Free Services [40]
7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Note: Reference the specific regulation for appropriate discipline.

ARTICLE 2: EXAMINATIONS

SECTION 8.2 REQUIREMENTS FOR ISSUANCE OF THE AUTHORIZATION TO TEST

Minimum Penalty – Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of BPC section 5100 for applicable provisions

Maximum Penalty – Denial of admission to examination or revocation of license if issued; Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 3: PRACTICE PRIVILEGES

SECTION 20 NOTIFICATION OF CHANGE OF INFORMATION FOR REGISTERED OUT-OF-STATE ACCOUNTING FIRMS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – 90 day Suspension [3]

CONDITIONS OF PROBATION:

- Required:
1. If suspension stayed [4], probation 3 to 5 years
 2. Standard Conditions of Probation [~~15~~16-24~~25~~]

- If warranted:
1. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 5: REGISTRATION

SECTION 37.5 FINGERPRINTING

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-24~~25~~]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [~~32~~33]
 4. Continuing Education Courses [36]
 5. Administrative Penalty not to exceed maximum set forth in BPC ~~Section~~section 5116 [43]

ARTICLE 6: PEER REVIEW

SECTION 40(a)(b)(c) ENROLLMENT AND PARTICIPATION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-24~~25~~]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]

5. Ethics Continuing Education [3132]
6. Regulatory Review Course [3233]
7. Peer Review [3334]
8. Continuing Education Courses [36]
9. Sample – Audit, Review or Compilation [38]
10. Notification to Clients/Cessation of Practice [42]
11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Sectionsection 5076(a))

SECTION 41 FIRM RESPONSIBILITIES

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-2425]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [3132]
 3. Regulatory Review Course [3233]
 4. Continuing Education Courses [36]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Sectionsection 5076(a))

SECTION 43 EXTENSIONS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-2425]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [3132]
 3. Regulatory Review Course [3233]
 4. Continuing Education Courses [36]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 44 NOTIFICATION OF EXPULSION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Ethics Continuing Education [~~31~~32]
 6. Regulatory Review Course [~~32~~33]
 7. Continuing Education Courses [36]
 8. Sample – Audit, Review or Compilation [38]
 9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
 10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

SECTION 45 REPORTING TO BOARD

- Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [~~32~~33]
 4. Continuing Education Courses [36]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Section~~section~~ 5076(a))

SECTION 46(a) DOCUMENT SUBMISSION REQUIREMENTS

Applies to firms that receive a substandard peer review rating.

- Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [~~32~~33]
 4. Continuing Education Courses [36]

5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Section 5076(f))

SECTION 46(b) DOCUMENT SUBMISSION REQUIREMENTS

Applies to firms that receive a “pass” or “pass with deficiencies” peer review rating.

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~1516~~-~~2425~~]

- If warranted:
1. Probation Monitoring Costs [~~2728~~]
 2. Ethics Continuing Education [~~3132~~]
 3. Regulatory Review Course [~~3233~~]
 4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 9: RULES OF PROFESSIONAL CONDUCT

SECTION 50 CLIENT NOTIFICATION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [~~1516~~-~~2425~~]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~2728~~]
 3. Ethics Continuing Education [~~3132~~]
 4. Regulatory Review Course [~~3233~~]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

Section 50.1 ATTEST CLIENT NOTIFICATION

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation of partnership or corporate registration and individual licenses

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~1516~~-~~2425~~]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [2728]
 3. Ethics Continuing Education [3432]
 4. Regulatory Review Course [3233]
 5. Administrative Penalty not to maximum set forth in BPC section 5116 [43]

SECTION 51 FIRMS WITH NONLICENSEE OWNERS

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~4516~~-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [2728]
 3. Restricted Practice [2829]
 4. Ethics Continuing Education [3432]
 5. Regulatory Review Course [3233]
 6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 51.1 NOTIFICATION OF NON-LICENSEE OWNERSHIP

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation of partnership or corporate registration and individual licenses

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~4516~~-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [2728]
 3. Ethics Continuing Education [3432]
 4. Regulatory Review Course [3233]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Section~~section~~ 5079)

SECTION 52 RESPONSE TO BOARD INQUIRY

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation

2. Standard Conditions of Probation [~~4516-2425~~]

- If warranted:
1. Probation Monitoring Costs [~~2728~~]
 2. Ethics Continuing Education [~~3132~~]
 3. Regulatory Review Course [~~3233~~]
 4. Continuing Education Courses [36]
 5. Community Service – Free Services [40]
 6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 53 DISCRIMINATION PROHIBITED

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [~~4516-2425~~]

- If warranted:
1. Probation Monitoring Costs [~~2728~~]
 2. Ethics Continuing Education [~~3132~~]
 3. Regulatory Review Course [~~3233~~]
 4. Continuing Education Courses [36]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 54.1 DISCLOSURE OF CONFIDENTIAL INFORMATION PROHIBITED

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~4516-2425~~]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~2526~~]
 3. Probation Monitoring Costs [~~2728~~]
 4. Ethics Continuing Education [~~3132~~]
 5. Regulatory Review Course [~~3233~~]
 6. Continuing Education Courses [36]
 7. Notice to Clients [42]
 8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Sectionsection 5037)

SECTION 54.2 RECIPIENTS OF CONFIDENTIAL INFORMATION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed, [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Supervised Practice [~~25~~26]
 2. Probation Monitoring Costs [~~27~~28]
 3. Ethics Continuing Education [~~31~~32]
 4. Regulatory Review Course [~~32~~33]
 5. Continuing Education Courses [36]
 6. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

SECTION 56 COMMISSIONS – BASIC DISCLOSURE REQUIREMENT

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Restitution [~~26~~27]
 4. Probation Monitoring Costs [~~27~~28]
 5. Restricted Practice [~~28~~29]
 6. Engagement Letters [30]
 7. Ethics Continuing Education [~~31~~32]
 8. Regulatory Review Course [~~32~~33]
 9. Continuing Education Courses [36]
 10. Community Service – Free Services [40]
 11. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

SECTION 56.1 COMMISSIONS – PROFESSIONAL SERVICES PROVIDED TO CLIENT

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Suspension [3] with/without stay [4]

2. Supervised Practice [~~25~~26]
3. Restitution [~~26~~27]
4. Probation Monitoring Costs [~~27~~28]
5. Restricted Practice [~~28~~29]
6. Ethics Continuing Education [~~31~~32]
7. Regulatory Review Course [~~32~~33]
8. Continuing Education Courses [36]
9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 57 INCOMPATIBLE OCCUPATIONS AND CONFLICT OF INTEREST

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Engagement Letters [~~29~~30]
 6. Ethics Continuing Education [~~31~~32]
 7. Regulatory Review Course [~~32~~33]
 8. Continuing Education Courses [36]
 9. Prohibition from Handling Funds [39]
 10. Community Service – Free Services [40]
 11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 58 COMPLIANCE WITH STANDARDS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Engagement Letters [~~29~~30]
 6. Ethics Continuing Education [~~31~~32]
 7. Regulatory Review Course [~~32~~33]
 8. Peer Review [~~33~~34]

9. CPA Exam [~~34~~35]
10. Continuing Education Courses [36]
11. Samples - Audit, Review or Compilation [38]
12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 59 REPORTING OF RESTATEMENTS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Ethics Continuing Education [~~31~~32]
 6. Regulatory Review Course [~~32~~33]
 7. Continuing Education Courses [36]
 8. Community Service – Free Services [40]
 9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Sectionsection 5063)

SECTION 60 REPORTING OF INVESTIGATIONS BY THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Ethics Continuing Education [~~31~~32]
 6. Regulatory Review Course [~~32~~33]
 7. Continuing Education Courses [36]
 8. Community Service – Free Services [40]
 9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Section section 5063)

SECTION 61 THE REPORTING OF SETTLEMENTS, ARBITRATION AWARDS, AND JUDGMENTS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Engagement Letters [~~29~~30]
 6. Ethics Continuing Education [~~31~~32]
 7. Regulatory Review Course [~~32~~33]
 8. Continuing Education Courses [36]
 9. Community Service – Free Services [40]
 10. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

(Reference BPC Section section 5063)

SECTION 62 CONTINGENT FEES

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Restitution [~~26~~27]
 4. Probation Monitoring Costs [~~27~~28]
 5. Restricted Practice [~~28~~29]
 6. Engagement Letters [~~29~~30]
 7. Ethics Continuing Education [~~31~~32]
 8. Regulatory Review Course [~~32~~33]
 9. Continuing Education Courses [36]
 10. Community Service – Free Services [40]
 11. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

SECTION 63 ADVERTISING

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~4516-2425~~]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [~~2728~~]
 3. Ethics Continuing Education [~~3132~~]
 4. Regulatory Review Course [33]
 5. Community Service – Free Services [40]
 6. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

SECTION 65 INDEPENDENCE

Minimum Penalty – Revocation stayed [~~1,2,4~~], 3 years of probation [1, 2, 4]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation of 3 to 5 years
 2. Standard Conditions of Probation [~~4516-2425~~]

If warranted: 1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~2526~~]
 3. Restitution [~~2627~~]
 4. Probation Monitoring Costs [~~2728~~]
 5. Restricted Practice [~~2829~~]
 6. Engagement Letters [~~2930~~]
 7. Ethics Continuing Education [~~3132~~]
 8. Regulatory Review Course [33]
 9. Peer Review [~~3334~~]
 10. CPA Exam [~~3435~~]
 11. Samples - Audit, Review or Compilation [38]
 12. Administrative Penalty not to exceed maximum set forth in
 BPC section 5116 [43]

SECTION 67 APPROVAL OF USE OF FICTITIOUS NAME

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~4516-2425~~]

If warranted: 1. Probation Monitoring Costs [~~2728~~]

2. Ethics Continuing Education [~~31~~32]
3. Regulatory Review Course [33]
4. Community Service – Free Services [40]
5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 68 RETENTION OF CLIENT'S RECORDS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [~~1, 2, 4~~], 3 years probation [1, 2, 4]
 2. Standard Conditions of Probation [~~15~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Restitution [~~26~~27]
 4. Probation Monitoring Costs [~~27~~28]
 5. Restricted Practice [~~28~~29]
 6. Engagement Letters [~~29~~30]
 7. Ethics Continuing Education [~~31~~32]
 8. Regulatory Review Course [33]
 9. Continuing Education Courses [36]
 10. Community Service – Free Services [40]
 11. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
 12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference BPC Section~~section~~ 5037)

SECTION 68.1 WORKING PAPERS DEFINED; RETENTION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Restitution [~~26~~27]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Engagement Letters [~~29~~30]
 6. Ethics Continuing Education [~~31~~32]
 7. Regulatory Review Course [33]
 8. Continuing Education Courses [36]

9. Community Service – Free Services [40]
10. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]
11. Conditions as appropriate relating to physical or mental disability or condition [44-49]

SECTION 68.2 COMPONENTS OF AUDIT DOCUMENTATION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]
 3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Ethics Continuing Education [~~34~~32]
 6. Regulatory Review Course [33]
 7. Peer Review [~~33~~34]
 8. CPA Exam [~~33~~35]
 9. Samples - Audits, Review or Compilation [38]
 10. Community Service – Free Services [40]
 11. Notice to Clients [42]
 12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC Section ~~section~~ 5097)

SECTION 68.3 RETENTION PERIOD FOR AUDIT DOCUMENTATION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~45~~16-2425]
 3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Library Reference Material [~~30~~31]
 6. Ethics Continuing Education [~~34~~32]
 7. Regulatory Review Course [33]

8. Peer Review [~~33~~34]
9. CPA Exam [~~34~~35]
10. Samples - Audits, Review or Compilation [38]
11. Community Service – Free Services [40]
12. Notice to Clients [42]
13. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BCP Sectionsection 5097)

SECTION 68.4 CHANGES IN AUDIT DOCUMENTATION AFTER ISSUANCE OF REPORT

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]
 3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~27~~29]
 5. Library Reference Material [~~30~~31]
 6. Ethics Continuing Education [~~31~~32]
 7. Regulatory Review Course [33]
 8. Peer Review [~~33~~34]
 9. CPA Exam [~~34~~35]
 10. Samples - Audits, Review or Compilation [38]
 11. Community Service – Free Services [40]
 12. Notice to Clients [42]
 13. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference PBC section 5097)

SECTION 68.5 AUDIT DOCUMENTATION RETENTION AND DESTRUCTION POLICY

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~15~~16-~~24~~25]
 3. Continuing Education Courses [36]

- If warranted:
1. Suspension [3] with/without stay [4]

2. Supervised Practice [2526]
3. Probation Monitoring Costs [2728]
4. Restricted Practice [2829]
5. Library Reference Material [3031]
6. Ethics Continuing Education [3132]
7. Regulatory Review Course [33]
8. Peer Review [3334]
9. CPA Exam [3435]
10. Samples - Audits, Review or Compilation [38]
11. Community Service – Free Services [40]
12. Notice to Clients [42]
13. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

(Reference BPC ~~Section~~section 5097)

SECTION 69 CERTIFICATION OF APPLICANT'S EXPERIENCE

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~4516-2425~~]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [2526]
 3. Probation Monitoring Costs [2728]
 4. Ethics Continuing Education [3132]
 5. Regulatory Review Course [33]
 6. Community Service – Free Services [40]
 7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [46]

ARTICLE 11: ACCOUNTANCY CORPORATION RULES

SECTION 75.8 SECURITY FOR CLAIMS AGAINST AN ACCOUNTANCY CORPORATION

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
 2. Standard Conditions of Probation [~~4516-2425~~]

- If warranted:
1. Supervised Practice [2526]
 2. Restitution [2627]

3. Probation Monitoring Costs [2728]
4. Restricted Practice [2829]
5. Ethics Continuing Education [3132]
6. Regulatory Review Course [33]
7. Continuing Education Courses [36]
8. Samples - Audit, Review or Compilation [38]
9. Prohibition from Handling Funds [39]
10. Community Service – Free Services [40]
11. Notification to Clients [42]
12. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 75.9 SHARES: OWNERSHIP AND TRANSFER

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Revocation of corporate registration [1, 2] and discipline of individual licenses

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
 2. Standard Conditions of Probation [~~4516~~-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Probation Monitoring Costs [2728]
 3. Restricted Practice [2829]
 4. Ethics Continuing Education [3132]
 5. Regulatory Review Course [33]
 6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 75.11(b) CERTIFICATION OF REGISTRATION; CONTINUING VALIDITY; NOTIFICATION OF NAME AND ADDRESS CHANGES

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty – Suspend corporate accountancy registration and/or individual licensees for 90 days [3]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [~~4516~~-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Restricted Practice [2829]
 3. Ethics Continuing Education [3132]
 4. Regulatory Review Course [33]
 5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 12: CONTINUING EDUCATION RULES

Section 80 INACTIVE LICENSE STATUS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [~~15~~16-~~24~~25]

If warranted: 1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [~~27~~28]
3. Restricted Practice [~~28~~29]
4. Ethics Continuing Education [~~34~~32]
5. Regulatory Review Course [33]
6. Continuing Education Courses [36]
7. Active License Status [37]
8. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 81(a) CONTINUING EDUCATION REQUIREMENTS FOR RENEWING AN EXPIRED LICENSE

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [~~15~~16-~~24~~25]

If warranted: 1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~25~~26]
3. Probation Monitoring Costs [~~27~~28]
4. Restricted Practice [~~28~~29]
5. Ethics Continuing Education [~~34~~32]
6. Regulatory Review Course [33]
7. Continuing Education Courses [36]
8. Samples – Audit, Review or Compilation [38]
9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 87 BASIC REQUIREMENTS (Continuing Education)

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation

2. Standard Conditions of Probation [~~45~~16-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [~~25~~26]
 3. Probation Monitoring Costs [~~27~~28]
 4. Restricted Practice [~~28~~29]
 5. Ethics Continuing Education [~~31~~32]
 6. Regulatory Review Course [33]
 7. Continuing Education Courses [36]
 8. Samples – Audit, Review or Compilation [38]
 9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 87.5 ADDITIONAL CONTINUING EDUCATION REQUIREMENTS

Minimum Penalty – Continuing Education Courses [~~25~~36]

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

- Required: 1. Standard Conditions of Probation [~~45~~16-2425]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [33]
 4. Continuing Education Courses [36]
 5. Active License Status [37]
 6. Samples - Audit, Review or Compilation [38]
 7. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 87.6 RECORDS REVIEW CONTINUING EDUCATION REQUIREMENTS

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

- Required: 1. Standard Conditions of Probation [~~45~~16-2425]

- If warranted:
1. Probation Monitoring Costs [~~27~~28]
 2. Ethics Continuing Education [~~31~~32]
 3. Regulatory Review Course [33]
 4. Continuing Education Courses [36]
 5. Samples - Audit, Review or Compilation [38]
 6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 87.8 REGULATORY REVIEW COURSE

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Probation Monitoring Costs [~~27~~28]
2. Ethics Continuing Education [~~31~~32]
3. Continuing Education Courses [36]
4. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 89 CONTROL AND REPORTING

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Probation Monitoring Costs [~~27~~28]
2. Ethics Continuing Education [~~31~~32]
3. Regulatory Review Course [33]
4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 89.1 REPORTS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~45~~16-2425]

If warranted: 1. Probation Monitoring Costs [~~27~~28]
2. Ethics Continuing Education [~~31~~32]
3. Regulatory Review Course [33]
4. Continuing Education Courses [36]
5. Samples - Audit, Review or Compilation [38]
6. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

SECTION 90 EXCEPTIONS AND EXTENSIONS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4] 3 years probation
 2. Standard Conditions of Probation [1516-2425]

- If warranted:
1. Suspension [3] with/without stay [4]
 2. Supervised Practice [2526]
 3. Probation Monitoring Costs [2728]
 4. Restricted Practice [2829]
 5. Ethics Continuing Education [3132]
 6. Regulatory Review Course [33]
 7. Continuing Education Courses [36]
 8. Samples – Audit, Review or Compilation [38]
 9. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

ARTICLE 12.5: CITATIONS AND FINES

SECTION 95.4 FAILURE TO COMPLY WITH CITATION

Minimum Penalty – Compliance with Citation Abatement Order and/or Fine as issued

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [1516-2425]
 2. Restitution [2627]
 3. Compliance with Citation Abatement Order and/or Fine

- If warranted:
1. Probation Monitoring Costs [2728]
 2. Administrative Penalty not to exceed maximum set forth in BPC section 5116 [43]

VIOLATION OF PROBATION

Minimum penalty - Citation and Fine (19)

Maximum penalty - Vacate stay order and impose penalty that was previously stayed; and/or revoke, separately and severally, for violation of probation and/or for any additional offenses. [1-4]

California Code of Regulations section 95 provides the authority for the Executive Officer to issue citations and fines from \$100 to \$5000 to a licensee for violation of a term or condition contained in a decision placing that licensee on probation.

The maximum penalty is appropriate for repeated **similar** offenses, or for probation violations indicating a cavalier or recalcitrant attitude. If the probation violation is due in part to the commission of additional offense(s), additional penalties shall be imposed according to the nature of the offense; and the probation violation shall be considered as an aggravating factor in imposing a penalty for those offenses.

UNLICENSED ACTIVITIES

If any unlicensed individual or firm violates, or is suspected of violating, any of the following Business and Professions Code sections, the matter may be referred to the Division of Investigation and if the allegation is confirmed, to the District Attorney or other appropriate law enforcement officer for prosecution.

Section 5050	Section 5056	Section 5072
Section 5051	Section 5058	Section 5088
Section 5055	Section 5071	

CCR section 95.6 also provides the authority for the Executive Officer to issue citations and fines from \$100 to \$5000 and an order of abatement against any person defined in Business and Professions Code section 5035 who is acting in the capacity of a licensee under the jurisdiction of the CBA.

BPC section 5120 provides that any person who violates any provisions of Article 3 is guilty of a misdemeanor and can be imprisoned for not more than 6 months or assessed a fine of not more than \$1,000 or both. Injunctions may be requested (see BPC section 5122 immediately following).

INJUNCTIONS

BPC Section~~section~~ 5122 provides that "Whenever in the judgment of the board, (or with its approval, in the judgment of the enforcement advisory committee), any person has engaged, or is about to engage, in any acts or practices that ~~which~~ constitute, or will constitute, an offense against this chapter, the board may make application to the appropriate court for an order enjoining the acts or practices, and upon showing by the board that the person has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order, or ~~such~~ other order that may be appropriate shall be granted by the court." This section applies to licensees and unlicensed persons.

VIII. MODEL ORDERS

LICENSEES

1. Revocation - Single Cause:

_____ License No. _____ issued
(Ex: Certified Public Accountant) (Ex: 00000)

to respondent Respondent _____ is revoked.
(Name)

2. Revocation - Multiple Causes:

_____ License No. _____ issued to respondent Respondent _____ is
revoked pursuant to Determination(s) of Issues _____ separately and for all of
them.

3. Suspension:

_____ License No. _____ issued to respondent Respondent _____ is
suspended for _____. During the period of suspension the respondent Respondent
shall engage in no activities for which certification as a Certified Public Accountant or Public
Accountant is required as described in Business and Professions Code, Division 3, Chapter
1, Section section 5051.

4. Standard Stay Order:

However, _____ (revocation/suspension) _____ is stayed and respondent Respondent is
placed on probation for _____ years upon the following terms and conditions:

ORDER OF RESTRICTED PRACTICE

5. Permanent Restricted Practice Order (to be placed after any probationary order):

After the period of probation set forth above is successfully completed, it is further ordered that Respondent shall be prohibited from (performing certain types of engagements such as audits, reviews, compilations, or other attestation engagements, etc.), and/or from practice in (certain specialty areas, e.g. bookkeeping, write-up, tax, auditing, etc.). Respondent shall be prohibited from performing the above mentioned services permanently or until such time as Respondent successfully petitions the CBA for reinstatement of the privilege to engage in any of the service(s) or act(s) restricted by this Order.

(Note: This restriction is authorized by Business and Professions Code section 5100.5. It should be used where the violation involves unprofessional conduct in the performance or failure to perform particular accountancy acts or services or where serious or repeated violations in a particular practice area are found and revocation is not warranted.)

PETITIONS FOR REINSTATEMENT

56. Grant petition without restrictions on the license:

Upon satisfaction of all statutory and regulatory requirements for the issuance of a license,
~~The~~ the petition for reinstatement filed by _____ is hereby granted and
Petitioner's certificate shall be fully restored.

67. Grant petition and place license on probation:

Upon satisfaction of all statutory and regulatory requirements for issuance of a license, ~~The~~
the petition for reinstatement filed by _____ is hereby granted. Petitioner's
certificate shall be fully restored. However, the certificate shall then be immediately
revoked, the revocation shall be stayed, and petitioner shall be placed on probation for ___
years upon the following terms and conditions (*list standard and applicable optional*
conditions of probation):

78. Grant petition and place license on probation after petitioner completes conditions precedent to reinstatement of the license:

The petition for reinstatement filed by _____ is hereby granted and
Petitioner's certificate shall be fully reinstated upon the following conditions precedent (*list*
conditions precedent such as restitution, cost reimbursement, completion of CE, completion
of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc.):

Upon completion of the conditions precedent above and satisfaction of all statutory and
regulatory requirements for issuance of a license, Petitioner's certificate shall be reinstated.
Upon reinstatement, Petitioner's certificate shall be revoked. However, said revocation shall
be stayed and Petitioner shall be placed on probation for a period of ___ years under the
following terms and conditions (*list standard and applicable optional conditions of*
probation):

89. Deny Petition:

The petition for reinstatement filed by _____ is hereby denied. Option: In
accordance with Section 5115(a) of the Business and Professions Code (**BPC**), Petitioner
may file a new petition for reinstatement only after ____ years have elapsed from the
effective date of this decision.

Note: (3 years maximum)

Note: ~~Business and Professions Code~~ BPC section 5115 also allows a person to file a
petition for a reduction in penalty. The above checklist can also be used for these petitions.

PETITION FOR REVOCATION OF PROBATION

910. Revocation of Probation:

Certified Public Accountant Certificate No. _____, heretofore issued to Respondent _____, is revoked.

1011. Continuance of Probation:

However, revocation is stayed and ~~respondent~~ Respondent is placed on probation for years upon the following terms and conditions:

APPLICANTS

1112. Grant application without restrictions on the license:

The application of ~~respondent~~ Respondent _____ for initial licensure is hereby granted and a license shall be issued to ~~respondent~~ Respondent upon successful completion of all licensing requirements including payment of all fees.

1213. Grant application and place license on probation:

The application of ~~respondent~~ Respondent _____ for initial licensure is hereby granted and a license shall be issued to ~~respondent~~ Respondent upon successful completion of all licensing requirements including payment of all fees. Said license shall immediately be revoked, the order of revocation stayed and ~~respondent's~~ Respondent's license placed on probation for a period of _____ years on the following conditions:

1314. Grant application and place license on probation after applicant completes conditions precedent to reinstatement of the license:

The application filed by _____ for initial licensure is hereby granted and a license shall be issued upon the following conditions precedent (*list conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc.*):

Upon completion of the conditions precedent above and successful completion of all licensing requirements, Respondent shall be issued a license. However, the license shall be immediately revoked, and Respondent shall be placed on probation for a period of _____ years under the following terms and conditions (*list standard and applicable optional conditions of probation*):

1415. Deny Application:

The application of Respondent _____ for initial licensure is hereby denied.

STANDARD CONDITIONS OF PROBATION (TO BE INCLUDED IN ALL CASES OF PROBATION)

4516. Obey All Laws

Respondent shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.

4617. Cost Reimbursement

Respondent shall reimburse the ~~Board~~ CBA \$ _____ for its investigation and prosecution costs. The payment shall be made within __ days/months of the date the ~~Board's~~CBA's decision is final.

Option: The payment shall be made as follows: _____ [specify either prior to the resumption of practice or in quarterly payments (due with quarterly written reports), the final payment being due one year before probation is scheduled to terminate].

4718. Submit Written Reports

Respondent shall submit, within 10 days of completion of the quarter, written reports to the ~~Board~~ California Board of Accountancy (CBA) on a form obtained from the ~~Board~~ CBA. The ~~respondent~~Respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to ~~respondent's~~Respondent's compliance with all the terms and conditions of probation. Respondent shall ~~immediately execute~~ all release of information forms as may be required by the ~~Board~~ CBA or its representatives.

4819. Personal Appearances

Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the ~~Board~~ California Board of Accountancy or its designated representatives, provided such notification is accomplished in a timely manner.

4920. Comply With Probation

Respondent shall fully comply with the terms and conditions of the probation imposed by the ~~Board~~ California Board of Accountancy (CBA) and shall cooperate fully with representatives of the ~~California Board of Accountancy~~ CBA in its monitoring and investigation of the ~~respondent's~~Respondent's compliance with probation terms and conditions.

2021. Practice Investigation

Respondent shall be subject to, and shall permit, a practice investigation of the ~~respondent's~~Respondent's professional practice. Such a practice investigation shall be

conducted by representatives of the ~~Board~~ California Board of Accountancy, provided notification of such review is accomplished in a timely manner.

2122. Comply With Citations

Respondent shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

2223. Tolling of Probation for Out-of-State Residence/Practice

In the event ~~respondent~~ Respondent should leave California to reside or practice outside this state, ~~respondent~~ Respondent must notify the ~~Board~~ California Board of Accountancy (CBA) in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the ~~Board~~ CBA costs, and make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the CBA.

2324. Violation of Probation

If ~~respondent~~ Respondent violates probation in any respect, the ~~Board~~ California Board of Accountancy (CBA), after giving ~~respondent~~ Respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against ~~respondent~~ Respondent during probation, the CBA shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

The CBA's Executive Officer may issue a citation under California Code of Regulations, ~~Section~~ section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

2425. Completion of Probation

Upon successful completion of probation, ~~respondent's~~ Respondent's license will be fully restored, unless the California Board of Accountancy has ordered that Respondent's license be permanently restricted or limited even after probation has been completed.

OPTIONAL CONDITIONS OF PROBATION (To Be Included In Cases Where Appropriate)

2526. Supervised Practice

Within ~~thirty~~ 30 days of the effective date of this decision, ~~respondent~~Respondent shall submit to the ~~Board~~ California Board of Accountancy (CBA) or its designee for its prior approval a plan of practice that shall be monitored by another CPA or PA who provides periodic reports to the CBA or its designee. Respondent shall pay all costs for such monitoring.

2627. Restitution

Respondent shall make restitution to _____ in the amount of \$_____ and shall provide the ~~Board~~ California Board of Accountancy with a written release from _____ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

2728. Probation Monitoring Costs

Respondent shall pay all costs associated with probation monitoring as determined by the ~~CBA~~ California Board of Accountancy (CBA). Such costs shall be payable to the CBA within 30 days. Failure to pay such costs by the deadline(s) as directed shall be considered a violation of probation. If costs are billed after the completion of the probationary period, the obligation to pay the costs shall continue, but the probation shall not be extended.

2829. Restricted Practice

Respondent shall be prohibited from _____ (performing certain types of engagements such as audits, reviews, compilations, or other attestation engagements, etc.), and/or from practice in _____ (certain specialty areas, i.e. bookkeeping, write-up, tax, auditing, etc.). The Respondent will be prohibited from performing the above mentioned services until such time that they successfully petition the California Board of Accountancy as listed in BPC section 5115.

2930. Engagement Letters

Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the ~~Board~~ California Board of Accountancy or its designee upon request.

3031. Library Reference Materials

Respondent shall have immediate access to, shall use, and shall maintain published materials and/or checklists that are consistent with the practice. Such materials and checklists shall be produced on-site for review by the ~~Board~~ California Board of Accountancy or its designee upon reasonable notice.

3132. Ethics Continuing Education

Within (a specified time period (e.g. one year)) of the effective date of the Order or Prior to the resumption of practice (where the license has been suspended), Respondent shall complete four hours of continuing education in course subject matter pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations (within a given period of time or prior to resumption of practice). Courses must be a minimum of one hour as described in California Code of Regulations section 88.2.7. ~~(Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

~~If respondent~~ Respondent fails to complete said courses within the time period provided, ~~respondent~~ Respondent shall so notify the California Board of Accountancy (CBA) ~~CBA~~ and shall cease practice until ~~respondent~~ Respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses within the time period provided no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

3233. Regulatory Review Course

Within (a specified time period (e.g. 180 days)) of the effective date of the Order or Prior to the resumption of practice (where the license has been suspended), Respondent shall complete a California Board of Accountancy (CBA) ~~CBA~~- approved course on the provisions of the California Accountancy Act and the (CBA) Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations (within a given period of time or prior to resumption of practice). The course also will include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined. ~~The course shall be (a minimum of) two hours.~~

~~If respondent~~ Respondent fails to complete said courses within the time period provided, ~~respondent~~ Respondent shall so notify the CBA and shall cease practice until ~~respondent~~ Respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses within the time period provided no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

3334. Peer Review

During the period of probation, all audit, review, and compilation reports and work papers shall be subject to peer review by a Board-recognized peer review program provider pursuant to Business and Professions Code section 5076 and California Code of Regulations, Title 16, Division 1, Article 6, commencing with section 38, certified peer reviewer at respondent's Respondent's expense. ~~The review shall evaluate the respondent's and his/her firm's system of quality control, including, it's organizational~~

~~structure, the policies and procedures established by the firm, and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements. The specific engagements to be reviewed shall be at the discretion of the peer reviewer. Within 45 days of the peer review report being accepted by a Board-recognized peer review program provider, Respondent shall submit to the California Board of Accountancy (CBA) a copy of the peer review report, including any materials documenting the prescription of remedial or corrective actions imposed by the Board-recognized peer review program provider. Respondent shall also submit, if available, within 45 days from the date of the request by the CBA or its designee, any materials documenting completion of any prescribed or remedial actions.~~

~~Upon completion of the peer review, respondent shall submit a copy of the report with the reviewer's conclusions and findings to the Board.~~

3435. CPA Exam

~~Within (a specified time period (e.g. 180 days)) of the effective date of the Order **or** Prior to the resumption of practice (where the license has been suspended), Respondent shall take and pass the (section) of the Uniform CPA Exam. –e.g., within 180 days of the effective date of the decision or within 180 days of completion of educational program, etc., or Prior to the resumption of practice. (Exam will be passed Prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

~~If respondent~~Respondent fails to pass said examination within the time period provided ~~or within two attempts, respondent~~Respondent shall so notify the ~~Board~~ California Board of Accountancy (CBA) and shall cease practice until ~~respondent~~Respondent takes completes and successfully passes said examination, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to pass the required examination within the time period provided no later than 100 days prior to the termination of probation shall constitute a violation of probation.

35. Enrolled Agents Exam

~~Respondent shall take and pass the enrolled agents exam (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)~~

~~If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said examination, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.~~

36. Continuing Education Courses

~~Within~~(a specified time period (e.g. 180 days)) of the effective date of the Order **or** Prior to the resumption of practice (where the license has been suspended), Respondent shall complete and provide proper documentation of (specified) professional education courses

within ~~(a designated time)~~. This shall be in addition to continuing education requirements for relicensing.

If Respondent fails to complete said courses within the time period provided, Respondent shall so notify the California Board of Accountancy (CBA) and shall cease practice until Respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses within the time period provided shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

37. Active License Status

Respondent shall at all times maintain an active license status with the Board California Board of Accountancy (CBA), including during any period of suspension. If the license is expired at the time the Board CBA's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

38. Samples - Audit, Review or Compilation

During the period of probation, if the ~~respondent~~Respondent undertakes an audit, review or compilation engagement, the ~~respondent~~Respondent shall submit to the ~~Board~~ California Board of Accountancy (CBA) as an attachment to the required quarterly report a listing of the same. The CBA or its designee may select one or more from each category and the resulting report and financial statement and all related working papers must be submitted to the CBA or its designee upon request.

39. Prohibition from Handling Funds

During the period of probation the ~~respondent~~Respondent shall engage in no activities which require receiving or disbursing funds for or on behalf of any other person, company, partnership, association, corporation, or other business entity.

40. Community Service - Free Services

Respondent shall participate in a community service program as directed by the ~~Board~~ California Board of Accountancy (CBA) or its designee in which ~~respondent~~Respondent provides free professional services on a regular basis to a community or charitable facility or agency, amounting to a minimum of ____ hours. Such services to begin no later than days after ~~respondent~~Respondent is notified of the program and to be completed no later than _____. Respondent shall submit proof of compliance with this requirement to the CBA. Respondent is entirely responsible for his or her performance in the program and the CBA assumes neither express nor implied responsibility for ~~respondent's~~Respondent's performance nor for the product or services rendered.

41. Relinquish Certificate

Respondent shall relinquish and shall forward or deliver the certificate or permit to practice to the ~~Board~~ California Board of Accountancy office within 10 days of the effective date of this decision and order.

42. Notification to Clients/Cessation of Practice

In orders that provide for a cessation or suspension of practice, ~~respondent~~Respondent shall comply with procedures provided by the California Board of Accountancy or its designee regarding notification to, and management of, clients.

43. Administrative Penalty

Respondent shall pay to the ~~Board~~ California Board of Accountancy an administrative penalty in the amount of \$_____ for violation of section(s) _____ of the California Accountancy Act. The payment shall be made within ___days/months of the date the ~~Board~~CBA's decision is final.

44. Medical Treatment

Respondent shall undergo and continue treatment by a licensed physician of ~~respondent's~~Respondent's choice and approved by the ~~Board~~ California Board of Accountancy (CBA) or its designee until the treating physician certifies in writing in a report to the CBA or its designee that treatment is no longer necessary. Respondent shall have the treating physician submit reports to the CBA at intervals determined by the ~~Board~~ CBA or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the CBA of its determination that ~~respondent~~Respondent is physically fit to practice.

45. Psychotherapist

Respondent shall undergo and continue treatment by a licensed psychotherapist of ~~respondent's~~Respondent's choice and approved by ~~Board~~ the California Board of Accountancy (CBA) or its designee until the treating psychotherapist certifies in writing in a report to the ~~Board~~ CBA or its designee that treatment is no longer necessary. Respondent shall have the treating psychotherapist submit reports to the ~~Board~~CBA at intervals determined by the ~~Board~~CBA or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the ~~Board~~CBA of its determination that ~~respondent~~Respondent is mentally fit to practice.

46. Rehabilitation Program/Chemical Dependence

Respondent shall successfully complete or shall have successfully completed a rehabilitation program for chemical dependence that the ~~Board~~ California Board of Accountancy (CBA) or its designee approves and shall have reports submitted by the program. If a program was not successfully completed prior to the period of probation, the ~~respondent~~Respondent, within a reasonable period of time as determined by the

~~Board~~CBA or its designee but not exceeding 90 days of the effective date of the decision, shall be enrolled in a program. In addition, ~~respondent~~Respondent must attend support groups, (e.g. Narcotics Anonymous, Alcoholic Anonymous etc.), as directed by the ~~Board~~CBA or its designee. Respondent is responsible for all costs of such a program.

47. Drugs - Abstain From Use

Respondent shall completely abstain from the personal use of all psychotropic drugs, including alcohol, in any form except when the same are lawfully prescribed.

48. Drugs – Screening

Respondent shall participate or shall have participated in a drug screening program acceptable to the ~~Board~~ California Board of Accountancy (CBA) and shall have reports submitted by the program. Respondent is responsible for all costs associated with said screening and reporting.

49. Biological Fluid Testing

Respondent, at any time during the period of probation, shall fully cooperate with the ~~Board~~ California Board of Accountancy (CBA) or its designee in its supervision and investigation of compliance with the terms and conditions of probation, and shall, when requested, submit to such tests and samples as the CBA or its designee may require for the detection of alcohol, narcotics, hypnotic, dangerous drugs, or controlled substances. Respondent is responsible for all costs associated with this investigation and testing.

Conditions 44-49 shall be used when evidence indicates ~~respondent~~Respondent may have physical or mental ailment(s) or conditions(s) which contributed to the violation or when the same are alleged by ~~respondent~~Respondent to be a contributing factor to the violation(s).



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



Attachment 2

California Code of Regulations Section 99.1

§ 99.1. Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty, Etc.

When considering the denial of a certificate or permit or restoration of a revoked certificate or reduction of penalty, the burden of proof lies with the individual to demonstrate sufficient competent evidence of rehabilitation to establish fitness to perform public accounting services in a manner consistent with professional standards and public protection.

When considering the denial of a certificate or permit under Section 480 of the Business and Professions Code, the suspension or revocation of a certificate or permit under 5100 of the Business and Professions Code, or restoration of a revoked certificate or reduction of penalty under Section ~~44522~~ 5115 of the Business and Professions Code, the board, in evaluating the rehabilitation of the applicant and his or her present eligibility for a certificate or permit, will consider the following criteria:

- (1) Nature and severity of the act(s) or offense(s).
- (2) Nature and extent of actual and potential consumer harm.
- (3) The applicant's or licensee's attitude toward his or her commission of the violations.
- (4) Recognition of wrongdoing.
- (5) The applicant's or licensee's history of violations.
- (6) Nature and extent to which the applicant or licensee has taken corrective action to ensure the violation will not recur.
- (7) Nature and extent of restitution to consumers harmed by violations.
- (8) Other aggravating or mitigating factors.
- ~~(2)~~(9) Criminal record and evidence of any act(s) committed subsequent to the act(s) or offense(s) under consideration which also could be considered as grounds for denial, suspension or revocation.
- ~~(3)~~(10) The time that has elapsed since commission of the act(s) or offense(s) referred to in subdivision (1) or (2).
- ~~(4)~~(11) The extent to which the applicant or licensee has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or licensee.
- ~~(5)~~(12) If applicable, evidence of expungement proceedings pursuant to Section 1203.4 of the Penal Code.
- ~~(6)~~(13) Evidence, if any, of rehabilitation submitted by the applicant or licensee.

NOTE: Authority cited: Section 5010, Business and Professions Code. Reference: Sections 480, 481, 482, 486, 5100, 5115 and 5106, Business and Professions Code; and Section 1203.4, Penal Code.



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



Attachment 3

Business and Professions Code Section 5070.8

5078. Expiration of Suspended or Revoked Permits

A permit which has been suspended is subject to expiration, and shall be renewed as provided in this article, but such renewal does not entitle the holder of the permit, while it remains suspended, and until it is reinstated, to engage in the practice of accountancy, or in any other activity or conduct in violation of the order or judgment by which the permit was suspended.

A permit which has been revoked is subject to expiration, but it may not be renewed. If it is reinstated after its expiration, the holder of the permit, as a condition precedent to its reinstatement, shall pay a reinstatement fee which shall be in an amount equal to the renewal fee in effect on the last regular renewal date before the date on which it is reinstated, plus the delinquency fee, if any, accrued at the time of its revocation.



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



LC Item II.
July 21, 2016

CBA Item IX.C.2.
July 21-22, 2016

Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy (CBA) Has Taken a Position: Recommendation to Discontinue Following

Presented by: Nooshin Movassaghi, Legislative Analyst

Purpose of the Item

The purpose of this agenda item is to present the status of legislation being followed by the California Board of Accountancy (CBA).

Consumer Protection Objective

Following the progress of these bills allows the CBA to provide timely input on legislation to ensure consumer protection.

Action Needed

The CBA will be asked to discontinue following several bills.

Background

The CBA has taken positions on various pieces of legislation and continues to monitor several others (**Attachment 1**). Staff have included, in chronological order, the CBA's position letters (**Attachment 2**), for information, on the eight bills on which the CBA has taken Support or Support if Amended positions.

Comments

The following bills missed a legislative deadline and will not be continuing this year: Assembly Bill (AB) 1566, AB 1707, AB 1939, Senate Bill (SB) 1251, SB 1445 and SB 1195.

Staff would like to highlight that the concepts in all these bills, including SB 1195, could be amended into other vehicles before August 31, 2016, the end of the legislative session. If such amendments occur, the Executive Officer will work with the President to determine whether a special meeting is necessary for the CBA to discuss the amendments and possibly take a position on a bill.

Staff recommendation

Staff recommend the CBA discontinue following AB 1566, AB 1707, AB 1939, SB 1251, SB 1445 and SB 1195.

Attachments

1. Legislative Tracking List
2. CBA position letters



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



Revised Attachment 1
CBA Item IX.C.2.-IX.C.5.
 July 21-22, 2016

Legislative Tracking List

<u>Bill#</u>	<u>Author</u>	<u>Topic</u>	<u>Version</u>	<u>Board Position</u>	<u>Location/Status</u>
AB 507	Olsen	DCA: BreEZe: annual report	7/9/2015	Support	Senate B&P
AB 1566	Wilk	Reports to the Legislature	3/1/2016	Support if Amended	Failed passage
AB 1707	Linden	Public Records: response to request	1/25/2016	Watch	Failed passage
AB 1939	Patterson	Study of Licensing Requirements	4/12/2016	Watch	Failed passage
AB 2560	Obernolte	Accountants: practice privileges: out-of-state individuals	3/18/2016	Sponsor	Senate Appropriations
AB 2853	Gatto	Public Records	4/13/2016	Support if Amended	Senate Appropriations
AB 2859	Low	Professions and vocations: retired category: license	2/19/2016	Support if Amended	Senate Appropriations
ACR 131	Patterson	Professions and vocations: licensing fees: equity	2/2/2016	Watch	Senate Appropriations
SB 1155	Morrell	Professions and vocations: licenses: military service fee waiver	3/28/2016	Support	Assembly Appropriations
SB 1195	Hill	Professions and vocations: board actions: competitive impact	4/6/2016	Watch	Failed passage
SB 1251	Moorlach	Publication of state financial obligations	2/18/2016	Watch	Failed passage
SB 1348	Cannella	Licensure applications: military	2/19/2016	Support	Assembly Floor
SB 1445	Hertzberg	Taxation	2/19/2016	Watch	Failed
SB 1479	Senate B&P	Business and Professions (Omnibus bill)	3/10/2016	Support	Assembly Floor

**DEPARTMENT OF CONSUMER AFFAIRS**

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



June 4, 2015

Assembly Member Kristin Olsen
State Capitol
Sacramento, CA 95814

Bill: AB 507
Position: SUPPORT

Dear Assembly Member Olsen,

At its May 28, 2015, meeting, the California Board of Accountancy (CBA) voted to take a support position on Assembly Bill (AB) 507.

AB 507 would provide further information regarding direct fiscal and operational impacts on the CBA related to phase three implementation of BreZE. The CBA has spent approximately \$388,000 in the last four fiscal years on the project, and costs for the current and next two fiscal years are estimated to be approximately \$730,000 without a scheduled transition date.

The CBA is in support of this important bill as it seeks to promote government transparency.

Sincerely,

Jose A. Campos, CPA
President

c: Assembly Member Adam Gray, Principal Coauthor
Assembly Member Ling-Ling Chang, Coauthor
Assembly Member Bill Dodd, Coauthor
Senator Patricia Bates, Coauthor
Senator Jerry Hill, Chair, Senate Business, Professions and Economic
Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Scott Wilk
State Capitol, Room 4158
Sacramento, CA 95819

Bill: AB 1566
Position: Support if Amended

Dear Assembly Member Wilk:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support if amended position on Assembly Bill (AB) 1566.

AB 1566 would require a written report submitted to the Legislature by any state agency, to include a signed statement by the head of that agency, declaring that the factual content of the report are true to the best of his or her knowledge.

The CBA truly appreciates the goal of this bill to increase government transparency and has unilaterally taken several steps to increase its transparency. However, the CBA suggests an amendment to (c)(2) of the bill to ensure that the head of an agency or department would only need to certify to a document, summary, or statement created by the board if it is created in the ordinary course of business and requested by a Member of the Legislature. This would prevent the CBA's Executive Officer from being required to certify to a document not created by the CBA.

This amendment allows for transparency while narrowing the scope to reflect California's business records certification requirement. For this reason, the CBA has taken a support if amended position on AB 1566.

Sincerely,

A handwritten signature in black ink that reads 'Katrina L. Salazar'.

Katrina L. Salazar, CPA,
President

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

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Evan Low
State Capitol, Room 2175
Sacramento, CA 95814

Bill: AB 2859
Position: Support if Amended

Dear Assembly Member Low:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support if amended position on Assembly Bill (AB) 2859.

AB 2859 would add a section to the Business and Professions Code to authorize any boards, bureaus, commissions, or programs within the Department of Consumer Affairs (DCA) to establish by regulation a system for a retired category of license for persons who are not actively engaged in practice. AB 2859 would prohibit the holder of a retired license from engaging in any activity for which a license is required, unless regulation specifies the criteria for a retired licensee to practice his or her profession.

The CBA presently has regulations that allow for a licensee to obtain a retired status license. When comparing the CBA's provisions to that which is being proposed in AB 2859, the CBA has additional requirements including:

- Submission of a \$75 application fee
- Submission of a renewal application every two years (no fee) to ensure current contact information
- Licensee must have had a certified public accountant license for a minimum of 20 years, of which a minimum of five are with the CBA

AB 2859 and the CBA provisions for a retired status license are similar in that those in a retired status are not allowed to practice their profession.

The CBA respectfully requests that the proposed language be amended to exclude entities within DCA that have their own laws regarding retired license status. For these reasons, the CBA has taken a support if amended position on AB 2859.

Sincerely,

Katrina L. Salazar, CPA
President

c: Assembly Committee on Business and Professions
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Jay Obernolte
State Capitol, Room 4158
Sacramento, CA 95814

Bill: AB 2560
Position: Sponsor

Dear Assembly Member Obernolte:

The California Board of Accountancy (CBA) is pleased to sponsor Assembly Bill (AB) 2560.

This bill proposes amendments to grant the CBA the legislative authority to adopt emergency regulations pursuant to Business and Professions Code section 5096.21(a) to expedite the rulemaking process related to participation in the no notice, no fee practice privilege program.

Current law states that if the CBA determines that allowing individuals from a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public, it shall require, by regulation, out-of-state individuals licensed from that state, to file the notification form and pay the fees as required under the prior notice and fee practice privilege program. As the normal rulemaking process takes between 12 to 18 months to complete, expediting the process will better protect consumers.

On behalf of the CBA, I would like to thank you for authoring this important bill.

Sincerely,

Katrina L. Salazar, CPA
President

c: Assembly Member Rudy Salas, Chair, Assembly Committee on Business and Professions
Members, Assembly Committee on Business and Professions
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Mike Morrell
State Capitol, Room 3056
Sacramento, CA 95814

Bill: SB 1155
Position: Support

Dear Senator Morrell:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 1155.

SB 1155 would add a new section to the Business and Professions Code requiring the Department of Consumer Affairs to establish and maintain a program that grants a fee waiver for the application for, and issuance of, a license to an individual who is an honorably discharged veteran.

Current law requires each board, including the CBA, to inquire in every application if the individual applying for licensure is serving in, or has previously served in, the military. The CBA expedites and assists the initial licensure process for an applicant who has served in the military or who is married to, or in a domestic partnership or other legal union with, an active member of the Armed Forces.

For these reasons, the CBA has taken a support position on SB 1155 as it is in line with the CBA's stance on offering assistance to military personnel.

Sincerely,

A handwritten signature in cursive script that reads 'Katrina L. Salazar'.

Katrina L. Salazar, CPA
President

c: Senate Committee on Veteran Affairs
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Anthony Cannella
State Capitol, Room 3056
Sacramento, CA 95814

Bill: SB 1348
Position: Support

Dear Senator Cannella:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 1348.

SB 1348 would require each board, with a governing law authorizing veterans to apply military experience and training towards licensure requirements, to modify their application for licensure to advise veteran applicants about their ability to apply that experience and training towards licensure requirements.

Under the Accountancy Act, military experience can be applied towards licensure as long as it meets legal requirements and is done under the supervision of a licensed CPA.

The CBA is supportive of amending its application to clarify that all valid experience including military is accepted for licensure. For this reason, the CBA has taken a support position on SB 1348 as it is in line with the CBA's stance on offering assistance to military personnel.

Sincerely,

A handwritten signature in cursive script that reads 'Katrina L. Salazar'.

Katrina L. Salazar, CPA
President

c: Senate Business, Professions, and Economic Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Senate Committee on Business,
Professions and Economic Development
The Honorable Jerry Hill, Chair
State Capitol
Room 2053
Sacramento, CA 95814

Bill: SB 1479
Position: Support

Dear Senator Hill:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 1479.

The CBA would like to thank you for including our proposal to amend the CBA's ethics study education requirements for Certified Public Accountant licensure to provide a level of flexibility by changing the current course title requirement to a subject requirement in SB 1479.

On behalf of the CBA, I would like to thank you for authoring this important bill.

Sincerely,

A handwritten signature in black ink that reads 'Katrina L. Salazar'.

Katrina L. Salazar, CPA
President

c: Assembly Member Rudy Salas, Chair, Assembly Business and Professions Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



May 26, 2016

The Honorable Jay Obernolte
State Capitol, Room 4158
Sacramento, CA 95814

Bill: AB 2560
Position: Sponsor

Dear Assembly Member Obernolte:

The California Board of Accountancy (CBA) is pleased to sponsor Assembly Bill (AB) 2560.

This bill proposes amendments to grant the CBA the legislative authority to adopt emergency regulations pursuant to Business and Professions Code section 5096.21(a) to expedite the rulemaking process related to participation in the no notice, no fee practice privilege program.

Current law states that if the CBA determines that allowing individuals from a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public, it shall require, by regulation, out-of-state individuals licensed from that state, to file the notification form and pay the fees as required under the prior notice and fee practice privilege program. As the normal rulemaking process takes between 12 to 18 months to complete, expediting the process will better protect consumers.

The CBA is sponsoring this bill to promote its mission of consumer protection, and urges your support for the bill.

Sincerely,

A handwritten signature in black ink, appearing to read 'Katrina L. Salazar', is written over a light blue horizontal line.

Katrina L. Salazar, CPA
President

c: Senator Jerry Hill, Chair, Senate Business, Professions and Economic
Development Committee
Members, Senate Business, Professions and Economic Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer



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



May 26, 2016

The Honorable Mike Gatto
State Capitol, Room 2016
Sacramento, CA 95814

Bill: AB 2853
Position: Support if Amended

Dear Assembly Member Gatto:

At its May 19-20, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support if amended position on Assembly Bill (AB) 2853.

AB 2853 would authorize a public agency that posts a public record on its Internet website to first refer a person that requests to inspect or obtain a copy of the public record to the public agency's Internet website where the public record is posted.

While this bill is in line with CBA's efforts to increase transparency and public access to information, the CBA suggests the following amendment to the April 13, 2016, version of the bill:

(f) ...However, if after the agency refers the person to the Internet Web site, the person requesting the record requests a copy of the record due to an inability to access or reproduce the public record from the Internet Web site, the agency shall, within 10 days, ~~prepare a copy of the public record pursuant to subdivision (b), and promptly notify the person of the availability of the public record~~ notify the person of the availability of the public record and make the record promptly available upon payment of fees pursuant to subdivision (b).."

This amendment is important to ensure timely notice of availability and making the records available following payment of fees.

For this reason, the CBA has taken a support if amended position on AB 2853.

Sincerely,

A handwritten signature in black ink, appearing to read 'Katrina L. Salazar', is written over a horizontal line.

Katrina L. Salazar, CPA
President

c: Senate Business, Professions and Economic Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer



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



LC Item III.
July 21, 2016

CBA Item IX.C.3.
July 21-22, 2016

Update on Legislation the California Board of Accountancy is Monitoring

Presented by: Written Report Only

Purpose of the Item

The purpose of this agenda item is to present the status of legislation being followed by the California Board of Accountancy (CBA).

Consumer Protection Objective

Following the progress of these bills allows the CBA to provide timely input on legislation to ensure consumer protection.

Action Needed

This agenda item is an informational item and no action is required.

Background

Staff have been monitoring several bills to determine if any proposed amendments would apply to the CBA.

Comments

At the CBA's May 2016 meeting, staff identified 10 bills that are presently being monitored for amendments and impact on the CBA: Assembly Bill (AB) 1868, AB 1887, AB 1949, AB 2421, AB 2423, AB 2701, AB 2843, Senate Bill (SB) 1130, SB 1444, and SB 1448. Because there were no significant amendments staff continues to monitor these bills.

Staff recommendation

Staff recommend that the CBA continue to monitor these bills for any impact on the CBA.

Attachments

None.



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



LC Item IV.
July 21, 2016

CBA Item IX.C.4.
July 21-22, 2016

Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Maintain the California Board of Accountancy's Position (AB 507, AB 2560, AB 2859, Assembly Concurrent Resolution (ACR) 131, SB 1348, SB 1155, and SB 1479

Presented by: Nooshin Movassaghi, Legislative Analyst

Purpose of the Item

The purpose of this agenda item is to present the status of legislation being followed by the California Board of Accountancy (CBA).

Consumer Protection Objective

Following the progress of these bills allows the CBA to provide input on legislation to ensure consumer protection.

Action Needed

No action will be needed if the CBA chooses to maintain its current position on these bills.

Background

The CBA has taken positions on various pieces of legislation and continues to monitor several others (**Attachment 1**). Staff have included the CBA's position letters (**Attachment 2**), for information, on the eight bills on which the CBA has taken Support or Support if Amended positions. As of May 2016, there are two new position letters at the end of the attachment. The first letter is a Sponsor letter for Assembly Bill (AB) 2560 to the Senate Business, Professions, and Economic Development Committee. The second letter is a Support if Amended letter for AB 2853.

Comments

Staff recommend maintaining the current positions on AB 507, AB 2560, Assembly Concurrent Resolution (ACR) 131, Senate Bill (SB) 1155, and SB 1479 which have not been amended since the CBA's May 2016 meeting. Staff also recommend that the CBA maintain its current position on SB 1348, which has been amended, but not in ways that change the effect of the bill.

Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Maintain the California Board of Accountancy's Position (AB 507, AB 2560, AB 2859, Assembly Concurrent Resolution (ACR) 131, SB 1348, SB 1155, and SB 1479
Page 2 of 2

SB 1348 – Licensure applications: military (**Attachment 3**)

CBA Position: Support.

What It Did

This bill would have required each board, with a governing law authorizing veterans to apply military experience and training towards licensure requirements, to modify their application for licensure to advise veteran applicants of their ability to apply their military experience and training towards licensure requirements.

Amendments

The amendment deleted the provision for boards to modify their application and added a provision requiring each board with such a governing law to post information on the board's Internet website about the ability of veteran applicants to apply their military experience and training towards licensure requirements.

Analysis

Amendments made to the bill would inform applicants via a board's website about their ability to apply their military experience and training towards licensure. This continues to be in line with the CBA's mission of consumer protection and transparency.

Fiscal Impact

Unknown. This bill has been identified as having a fiscal impact.

Recommendation

Staff recommend that the CBA maintain a Support position on SB 1348.

Staff recommendation

Staff recommend the CBA maintain its current position on AB 507, AB 2560, ACR 131, SB 1155, SB 1348, and SB 1479.

Attachments

1. Legislative Tracking List
2. CBA position letters
3. SB 1348



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



Revised Attachment 1
CBA Item IX.C.2.-IX.C.5.
 July 21-22, 2016

Legislative Tracking List

<u>Bill#</u>	<u>Author</u>	<u>Topic</u>	<u>Version</u>	<u>Board Position</u>	<u>Location/Status</u>
AB 507	Olsen	DCA: BreEZe: annual report	7/9/2015	Support	Senate B&P
AB 1566	Wilk	Reports to the Legislature	3/1/2016	Support if Amended	Failed passage
AB 1707	Linden	Public Records: response to request	1/25/2016	Watch	Failed passage
AB 1939	Patterson	Study of Licensing Requirements	4/12/2016	Watch	Failed passage
AB 2560	Obernolte	Accountants: practice privileges: out-of-state individuals	3/18/2016	Sponsor	Senate Appropriations
AB 2853	Gatto	Public Records	4/13/2016	Support if Amended	Senate Appropriations
AB 2859	Low	Professions and vocations: retired category: license	2/19/2016	Support if Amended	Senate Appropriations
ACR 131	Patterson	Professions and vocations: licensing fees: equity	2/2/2016	Watch	Senate Appropriations
SB 1155	Morrell	Professions and vocations: licenses: military service fee waiver	3/28/2016	Support	Assembly Appropriations
SB 1195	Hill	Professions and vocations: board actions: competitive impact	4/6/2016	Watch	Failed passage
SB 1251	Moorlach	Publication of state financial obligations	2/18/2016	Watch	Failed passage
SB 1348	Cannella	Licensure applications: military	2/19/2016	Support	Assembly Floor
SB 1445	Hertzberg	Taxation	2/19/2016	Watch	Failed
SB 1479	Senate B&P	Business and Professions (Omnibus bill)	3/10/2016	Support	Assembly Floor

**DEPARTMENT OF CONSUMER AFFAIRS**

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



June 4, 2015

Assembly Member Kristin Olsen
 State Capitol
 Sacramento, CA 95814

Bill: AB 507
Position: SUPPORT

Dear Assembly Member Olsen,

At its May 28, 2015, meeting, the California Board of Accountancy (CBA) voted to take a support position on Assembly Bill (AB) 507.

AB 507 would provide further information regarding direct fiscal and operational impacts on the CBA related to phase three implementation of BreZE. The CBA has spent approximately \$388,000 in the last four fiscal years on the project, and costs for the current and next two fiscal years are estimated to be approximately \$730,000 without a scheduled transition date.

The CBA is in support of this important bill as it seeks to promote government transparency.

Sincerely,

Jose A. Campos, CPA
 President

c: Assembly Member Adam Gray, Principal Coauthor
 Assembly Member Ling-Ling Chang, Coauthor
 Assembly Member Bill Dodd, Coauthor
 Senator Patricia Bates, Coauthor
 Senator Jerry Hill, Chair, Senate Business, Professions and Economic
 Development Committee
 Members, California Board of Accountancy
 Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Scott Wilk
State Capitol, Room 4158
Sacramento, CA 95819

Bill: AB 1566
Position: Support if Amended

Dear Assembly Member Wilk:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support if amended position on Assembly Bill (AB) 1566.

AB 1566 would require a written report submitted to the Legislature by any state agency, to include a signed statement by the head of that agency, declaring that the factual content of the report are true to the best of his or her knowledge.

The CBA truly appreciates the goal of this bill to increase government transparency and has unilaterally taken several steps to increase its transparency. However, the CBA suggests an amendment to (c)(2) of the bill to ensure that the head of an agency or department would only need to certify to a document, summary, or statement created by the board if it is created in the ordinary course of business and requested by a Member of the Legislature. This would prevent the CBA's Executive Officer from being required to certify to a document not created by the CBA.

This amendment allows for transparency while narrowing the scope to reflect California's business records certification requirement. For this reason, the CBA has taken a support if amended position on AB 1566.

Sincerely,

A handwritten signature in black ink that reads 'Katrina L. Salazar'.

Katrina L. Salazar, CPA,
President

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

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Evan Low
State Capitol, Room 2175
Sacramento, CA 95814

Bill: AB 2859
Position: Support if Amended

Dear Assembly Member Low:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support if amended position on Assembly Bill (AB) 2859.

AB 2859 would add a section to the Business and Professions Code to authorize any boards, bureaus, commissions, or programs within the Department of Consumer Affairs (DCA) to establish by regulation a system for a retired category of license for persons who are not actively engaged in practice. AB 2859 would prohibit the holder of a retired license from engaging in any activity for which a license is required, unless regulation specifies the criteria for a retired licensee to practice his or her profession.

The CBA presently has regulations that allow for a licensee to obtain a retired status license. When comparing the CBA's provisions to that which is being proposed in AB 2859, the CBA has additional requirements including:

- Submission of a \$75 application fee
- Submission of a renewal application every two years (no fee) to ensure current contact information
- Licensee must have had a certified public accountant license for a minimum of 20 years, of which a minimum of five are with the CBA

AB 2859 and the CBA provisions for a retired status license are similar in that those in a retired status are not allowed to practice their profession.

The CBA respectfully requests that the proposed language be amended to exclude entities within DCA that have their own laws regarding retired license status. For these reasons, the CBA has taken a support if amended position on AB 2859.

Sincerely,

Katrina L. Salazar, CPA
President

c: Assembly Committee on Business and Professions
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Jay Obernolte
State Capitol, Room 4158
Sacramento, CA 95814

Bill: AB 2560
Position: Sponsor

Dear Assembly Member Obernolte:

The California Board of Accountancy (CBA) is pleased to sponsor Assembly Bill (AB) 2560.

This bill proposes amendments to grant the CBA the legislative authority to adopt emergency regulations pursuant to Business and Professions Code section 5096.21(a) to expedite the rulemaking process related to participation in the no notice, no fee practice privilege program.

Current law states that if the CBA determines that allowing individuals from a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public, it shall require, by regulation, out-of-state individuals licensed from that state, to file the notification form and pay the fees as required under the prior notice and fee practice privilege program. As the normal rulemaking process takes between 12 to 18 months to complete, expediting the process will better protect consumers.

On behalf of the CBA, I would like to thank you for authoring this important bill.

Sincerely,

Katrina L. Salazar, CPA
President

c: Assembly Member Rudy Salas, Chair, Assembly Committee on Business and Professions
Members, Assembly Committee on Business and Professions
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Mike Morrell
State Capitol, Room 3056
Sacramento, CA 95814

Bill: SB 1155
Position: Support

Dear Senator Morrell:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 1155.

SB 1155 would add a new section to the Business and Professions Code requiring the Department of Consumer Affairs to establish and maintain a program that grants a fee waiver for the application for, and issuance of, a license to an individual who is an honorably discharged veteran.

Current law requires each board, including the CBA, to inquire in every application if the individual applying for licensure is serving in, or has previously served in, the military. The CBA expedites and assists the initial licensure process for an applicant who has served in the military or who is married to, or in a domestic partnership or other legal union with, an active member of the Armed Forces.

For these reasons, the CBA has taken a support position on SB 1155 as it is in line with the CBA's stance on offering assistance to military personnel.

Sincerely,

A handwritten signature in cursive script that reads 'Katrina L. Salazar'.

Katrina L. Salazar, CPA
President

c: Senate Committee on Veteran Affairs
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Anthony Cannella
State Capitol, Room 3056
Sacramento, CA 95814

Bill: SB 1348
Position: Support

Dear Senator Cannella:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 1348.

SB 1348 would require each board, with a governing law authorizing veterans to apply military experience and training towards licensure requirements, to modify their application for licensure to advise veteran applicants about their ability to apply that experience and training towards licensure requirements.

Under the Accountancy Act, military experience can be applied towards licensure as long as it meets legal requirements and is done under the supervision of a licensed CPA.

The CBA is supportive of amending its application to clarify that all valid experience including military is accepted for licensure. For this reason, the CBA has taken a support position on SB 1348 as it is in line with the CBA's stance on offering assistance to military personnel.

Sincerely,

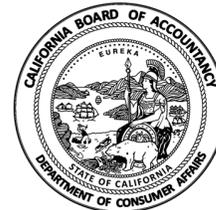
A handwritten signature in cursive script that reads 'Katrina L. Salazar'.

Katrina L. Salazar, CPA
President

c: Senate Business, Professions, and Economic Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Senate Committee on Business,
Professions and Economic Development
The Honorable Jerry Hill, Chair
State Capitol
Room 2053
Sacramento, CA 95814

Bill: SB 1479
Position: Support

Dear Senator Hill:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support position on Senate Bill (SB) 1479.

The CBA would like to thank you for including our proposal to amend the CBA's ethics study education requirements for Certified Public Accountant licensure to provide a level of flexibility by changing the current course title requirement to a subject requirement in SB 1479.

On behalf of the CBA, I would like to thank you for authoring this important bill.

Sincerely,

A handwritten signature in black ink that reads 'Katrina L. Salazar'.

Katrina L. Salazar, CPA
President

c: Assembly Member Rudy Salas, Chair, Assembly Business and Professions Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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



May 26, 2016

The Honorable Jay Obernolte
State Capitol, Room 4158
Sacramento, CA 95814

Bill: AB 2560
Position: Sponsor

Dear Assembly Member Obernolte:

The California Board of Accountancy (CBA) is pleased to sponsor Assembly Bill (AB) 2560.

This bill proposes amendments to grant the CBA the legislative authority to adopt emergency regulations pursuant to Business and Professions Code section 5096.21(a) to expedite the rulemaking process related to participation in the no notice, no fee practice privilege program.

Current law states that if the CBA determines that allowing individuals from a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public, it shall require, by regulation, out-of-state individuals licensed from that state, to file the notification form and pay the fees as required under the prior notice and fee practice privilege program. As the normal rulemaking process takes between 12 to 18 months to complete, expediting the process will better protect consumers.

The CBA is sponsoring this bill to promote its mission of consumer protection, and urges your support for the bill.

Sincerely,

A handwritten signature in black ink, appearing to read 'Katrina L. Salazar', is written over a light blue horizontal line.

Katrina L. Salazar, CPA
President

c: Senator Jerry Hill, Chair, Senate Business, Professions and Economic
Development Committee
Members, Senate Business, Professions and Economic Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer



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



May 26, 2016

The Honorable Mike Gatto
State Capitol, Room 2016
Sacramento, CA 95814

Bill: AB 2853
Position: Support if Amended

Dear Assembly Member Gatto:

At its May 19-20, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support if amended position on Assembly Bill (AB) 2853.

AB 2853 would authorize a public agency that posts a public record on its Internet website to first refer a person that requests to inspect or obtain a copy of the public record to the public agency's Internet website where the public record is posted.

While this bill is in line with CBA's efforts to increase transparency and public access to information, the CBA suggests the following amendment to the April 13, 2016, version of the bill:

(f) ...However, if after the agency refers the person to the Internet Web site, the person requesting the record requests a copy of the record due to an inability to access or reproduce the public record from the Internet Web site, the agency shall, within 10 days, ~~prepare a copy of the public record pursuant to subdivision (b), and promptly notify the person of the availability of the public record~~ notify the person of the availability of the public record and make the record promptly available upon payment of fees pursuant to subdivision (b).."

This amendment is important to ensure timely notice of availability and making the records available following payment of fees.

For this reason, the CBA has taken a support if amended position on AB 2853.

Sincerely,

A handwritten signature in black ink, appearing to read 'Katrina L. Salazar', is written over a horizontal line.

Katrina L. Salazar, CPA
President

c: Senate Business, Professions and Economic Development Committee
Members, California Board of Accountancy
Patti Bowers, Executive Officer

AMENDED IN SENATE MAY 31, 2016

SENATE BILL

No. 1348

Introduced by Senator Cannella

February 19, 2016

An act to amend Section 114.5 of the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

SB 1348, as amended, Cannella. Licensure applications: military experience.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law requires each board to inquire in every application for licensure if the individual applying for licensure is serving in, or has previously served in, the military.

This bill would require each board, with a governing law authorizing veterans to apply military experience and training towards licensure requirements, to ~~modify their application for licensure to advise veteran applicants~~ *post information on the board's Internet Web site about their the ability of veteran applicants to apply that their military* experience and training towards licensure requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

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

- 1 SECTION 1. Section 114.5 of the Business and Professions
- 2 Code is amended to read:

1 114.5. (a) Each board shall inquire in every application for
2 licensure if the individual applying for licensure is serving in, or
3 has previously served in, the military.

4 (b) If a board's governing law authorizes veterans to apply
5 military experience and training towards licensure requirements,
6 that board shall ~~modify their application for licensure to advise~~
7 ~~veteran applicants~~ *post information on the board's Internet Web*
8 *site about their the ability of veteran applicants to apply military*
9 *experience and training towards licensure requirements.*



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



LC Item V.
July 21, 2016

CBA Item IX.C.5.
July 21-22, 2016

Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Change the California Board of Accountancy's Position to Support (AB 2859)

Presented by: Nooshin Movassaghi, Legislative Analyst

Purpose of the Item

The purpose of this agenda item is to present the status of legislation being followed by the California Board of Accountancy (CBA).

Consumer Protection Objective

Following the progress of these bills allows the CBA to provide input on legislation to ensure consumer protection.

Action Needed

The CBA will be asked to make a decision regarding its position on Assembly Bill (AB) 2859.

Background

The CBA has taken positions on various pieces of legislation and continues to monitor several others (**Attachment 1**).

At the March 2016 meeting, the CBA took a Support if Amended position on AB 2859 (**Attachment 2**), which would require each agency within the Department of Consumer Affairs (DCA) to establish a retired license category for persons not actively engaged in the practice of their profession. The position letter to the author requested that the language be amended to exclude entities within the DCA that have their own laws regarding retired license status.

Comments

On June 15, 2016, AB 2859 was amended to add a provision to exclude a board that has other statutory authority to establish a retired license. The CBA presently has statutory authority and regulations that allow for a licensee to obtain a retired status license.

Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Change the California Board of Accountancy's Position to Support (AB 2859)

Page 2 of 2

AB 2859 – Professions and vocations: retired category: license (**Attachment 3**)

CBA Position: Support if Amended.

What It Did

This bill would have required each agency within DCA, to establish by regulation, a system for a retired category of license for persons who are not actively engaged in the practice of their profession.

Amendments

The amendment would add a provision to exclude any board that has other statutory authority to establish a retired license.

Analysis

In the CBA's Support if Amended letter from April 5, 2016, it requested the author to exclude entities within DCA that have their own laws regarding retired license status. The amendments fulfill this request, and it would now be appropriate for the CBA to Support this bill.

Fiscal Impact

Unknown. This bill has been identified as having a fiscal impact that would be minor and absorbable (**Attachment 4**).

Recommendation

Staff recommend that the CBA change its position on AB 2859 to Support.

Staff recommendation

Staff recommend the CBA change its current position to Support as it is in line with the CBA's requests to the author.

Attachments

1. Legislative Tracking List
2. CBA position letter for AB 2859
3. AB 2859
4. Senate Committee on Business, Professions and Economic Development Analysis



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



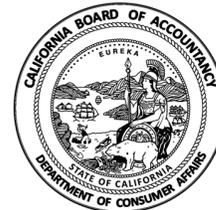
Revised Attachment 1
CBA Item IX.C.2.-IX.C.5.
 July 21-22, 2016

Legislative Tracking List

<u>Bill#</u>	<u>Author</u>	<u>Topic</u>	<u>Version</u>	<u>Board Position</u>	<u>Location/Status</u>
AB 507	Olsen	DCA: BreEZe: annual report	7/9/2015	Support	Senate B&P
AB 1566	Wilk	Reports to the Legislature	3/1/2016	Support if Amended	Failed passage
AB 1707	Linden	Public Records: response to request	1/25/2016	Watch	Failed passage
AB 1939	Patterson	Study of Licensing Requirements	4/12/2016	Watch	Failed passage
AB 2560	Obernolte	Accountants: practice privileges: out-of-state individuals	3/18/2016	Sponsor	Senate Appropriations
AB 2853	Gatto	Public Records	4/13/2016	Support if Amended	Senate Appropriations
AB 2859	Low	Professions and vocations: retired category: license	2/19/2016	Support if Amended	Senate Appropriations
ACR 131	Patterson	Professions and vocations: licensing fees: equity	2/2/2016	Watch	Senate Appropriations
SB 1155	Morrell	Professions and vocations: licenses: military service fee waiver	3/28/2016	Support	Assembly Appropriations
SB 1195	Hill	Professions and vocations: board actions: competitive impact	4/6/2016	Watch	Failed passage
SB 1251	Moorlach	Publication of state financial obligations	2/18/2016	Watch	Failed passage
SB 1348	Cannella	Licensure applications: military	2/19/2016	Support	Assembly Floor
SB 1445	Hertzberg	Taxation	2/19/2016	Watch	Failed
SB 1479	Senate B&P	Business and Professions (Omnibus bill)	3/10/2016	Support	Assembly Floor

**DEPARTMENT OF CONSUMER AFFAIRS**

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



April 5, 2016

The Honorable Evan Low
 State Capitol, Room 2175
 Sacramento, CA 95814

Bill: AB 2859
Position: Support if Amended

Dear Assembly Member Low:

At its March 17-18, 2016 meeting, the California Board of Accountancy (CBA) voted to take a support if amended position on Assembly Bill (AB) 2859.

AB 2859 would add a section to the Business and Professions Code to authorize any boards, bureaus, commissions, or programs within the Department of Consumer Affairs (DCA) to establish by regulation a system for a retired category of license for persons who are not actively engaged in practice. AB 2859 would prohibit the holder of a retired license from engaging in any activity for which a license is required, unless regulation specifies the criteria for a retired licensee to practice his or her profession.

The CBA presently has regulations that allow for a licensee to obtain a retired status license. When comparing the CBA's provisions to that which is being proposed in AB 2859, the CBA has additional requirements including:

- Submission of a \$75 application fee
- Submission of a renewal application every two years (no fee) to ensure current contact information
- Licensee must have had a certified public accountant license for a minimum of 20 years, of which a minimum of five are with the CBA

AB 2859 and the CBA provisions for a retired status license are similar in that those in a retired status are not allowed to practice their profession.

The CBA respectfully requests that the proposed language be amended to exclude entities within DCA that have their own laws regarding retired license status. For these reasons, the CBA has taken a support if amended position on AB 2859.

Sincerely,

Katrina L. Salazar, CPA
 President

c: Assembly Committee on Business and Professions
 Members, California Board of Accountancy
 Patti Bowers, Executive Officer

AMENDED IN SENATE JUNE 15, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2859

Introduced by Assembly Member Low

February 19, 2016

An act to add Section 463 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 2859, as amended, Low. Professions and vocations: retired category: licenses.

Existing law provides for numerous boards, bureaus, commissions, or programs within the Department of Consumer Affairs that administer the licensing and regulation of various businesses and professions. Existing law authorizes any of the boards, bureaus, commissions, or programs within the department, except as specified, to establish by regulation a system for an inactive category of license for persons who are not actively engaged in the practice of their profession or vocation. Under existing law, the holder of an inactive license is prohibited from engaging in any activity for which a license is required. Existing law defines "board" for these purposes to include, unless expressly provided otherwise, a bureau, commission, committee, department, division, examining committee, program, and agency.

This bill would additionally authorize any of the ~~boards, bureaus, commissions, or programs~~ *boards* within the department to establish by regulation a system for a retired category of license for persons who are not actively engaged in the practice of their profession or ~~vocation, and vocation~~. *The bill would require that regulation to include specified provisions, including that a retired license be issued to a person with*

either an active license or an inactive license that was not placed on inactive status for disciplinary reasons. The bill also would prohibit the holder of a retired license from engaging in any activity for which a license is required, unless regulation specifies the criteria for a retired licensee to practice his or her profession. The bill would authorize a board upon its own determination, and would require a board upon receipt of a complaint from any person, to investigate the actions of any licensee, including, among others, a person with a license that is retired or inactive. The bill would not apply to a board that has other statutory authority to establish a retired license.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

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

- 1 SECTION 1. Section 463 is added to the Business and
- 2 Professions Code, to read:
- 3 463. (a) Any of the ~~boards, bureaus, commissions, or programs~~
- 4 *boards* within the department may establish, by regulation, a
- 5 system for a retired category of licensure for persons who are not
- 6 actively engaged in the practice of their profession or vocation.
- 7 (b) The regulation shall contain the following:
- 8 (1) *A retired license shall be issued to a person with either an*
- 9 *active license or an inactive license that was not placed on inactive*
- 10 *status for disciplinary reasons.*
- 11 ~~(1)~~
- 12 (2) The holder of a retired license issued pursuant to this section
- 13 shall not engage in any activity for which a license is required,
- 14 unless the board, by regulation, specifies the criteria for a retired
- 15 licensee to practice his or her profession or vocation.
- 16 ~~(2)~~
- 17 (3) The holder of a retired license shall not be required to renew
- 18 that license.
- 19 ~~(3)~~
- 20 (4) In order for the holder of a retired license issued pursuant
- 21 to this section to restore his or her license to an active status, the
- 22 holder of that license shall meet all the following:
- 23 (A) Pay a fee established by statute or regulation.

1 (B) Certify, in a manner satisfactory to the board, that he or she
2 has not committed an act or crime constituting grounds for denial
3 of licensure.

4 (C) Comply with the fingerprint submission requirements
5 established by regulation.

6 (D) If the board requires completion of continuing education
7 for renewal of an active license, complete continuing education
8 equivalent to that required for renewal of an active license, unless
9 a different requirement is specified by the board.

10 (E) Complete any other requirements as specified by the board
11 by regulation.

12 (c) A board may upon its own determination, and shall upon
13 receipt of a complaint from any person, investigate the actions of
14 any licensee, including a person with a license that either restricts
15 or prohibits the practice of that person in his or her profession or
16 vocation, including, but not limited to, a license that is retired,
17 inactive, canceled, revoked, or suspended.

18 (d) *Subdivisions (a) and (b) shall not apply to a board that has*
19 *other statutory authority to establish a retired license.*

**SENATE COMMITTEE ON
BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT**
Senator Jerry Hill, Chair
2015 - 2016 Regular

Bill No:	AB 2859	Hearing Date:	June 13, 2016
Author:	Low		
Version:	February 19, 2016		
Urgency:	No	Fiscal:	Yes
Consultant:	Sarah Huchel		

Subject: Professions and vocations: retired category: licenses

SUMMARY: Authorizes any board within the Department of Consumer Affairs (DCA) to establish, by regulation, a system for a retired license for an individual not actively engaged in the practice of his or her profession or vocation.

Existing law:

- 1) Establishes the DCA, which is comprised of 40 regulatory entities (25 boards, nine bureaus, three committees, two programs, and one commission) that license and regulate various professions. (Business and Professions Code (BPC) Sections 100, 101)
- 2) Authorizes boards within the DCA to develop regulations to establish an inactive license category for persons who are not actively engaged in the practice of their profession or vocation. (BPC §§ 462, 701)
- 3) Establishes a retired license for the following professions: physician and surgeon (BPC § 2439); midwifery (BPC § 2518); occupational therapist, occupational therapy assistant (BPC § 2570.17); physical therapy (BPC § 2648.7); optometrists (BPC § 3151); physician assistant (BPC § 3251.3); respiratory therapist (BPC § 3775.3); pharmacist (BPC § 4200.5); marriage and family therapist (BPC § 4984.41); licensed educational psychologist (BPC § 4989.45); licensed professional clinical counselor (BPC § 4999.113); licensed clinical social worker (BPC § 4997.1); accountant (BPC § 5070.1); architect (BPC § 5600.4); fiduciary (BPC § 6542); professional engineer (BPC § 6762.5); and geologist, geophysicist (BPC § 7851).
- 4) Establishes that “board,” as used in any provision of the BPC, refers to the board in which the administration of the provision is vested, and unless otherwise expressly provided, shall include “bureau,” “commission,” “committee,” “department,” “division,” “examining committee,” “program,” and “agency.” (BPC § 22)

This bill:

- 1) Authorizes any DCA boards, bureaus, commissions, or programs to promulgate regulations to establish a retired license category for persons who are not actively engaged in the practice of their profession or vocation.
- 2) Requires the regulations to contain the following:

- a) The holder of a retired license shall not engage in any activity for which a license is required, unless the board, by regulation, specifies the criteria for a retired licensee to practice his or her profession or vocation.
- b) The holder of a retired license shall not be required to renew that license.
- c) In order for the holder of a retired license to restore his or her license to an active status, the holder of that license shall meet all the following:
 - i) Pay a fee established by statute or regulation.
 - ii) Certify, in a manner satisfactory to the board, that he or she has not committed an act or crime constituting grounds for denial of licensure.
 - iii) Comply with the fingerprint submission requirements established by regulation.
 - iv) If the board requires completion of continuing education for renewal of an active license, complete continuing education equivalent to that required for renewal of an active license, unless a different requirement is specified by the board.
 - v) Complete any other requirements as specified by the board by regulation.
- 3) Authorizes a board to investigate the actions of any licensee, including a person with a license that either restricts or prohibits the practice of that person in his or her profession or vocation, including, but not limited to, a license that is retired, inactive, canceled, revoked, or suspended.

FISCAL EFFECT: This bill is keyed “fiscal” by Legislative Counsel. According to the Assembly Committee on Appropriations analysis dated April 27, 2016, this bill will result in minor and absorbable costs to the DCA to update regulations, add license status designations, and update applications as well as minor and absorbable costs to DCA for one-time workload increases associated with IT/BreEZe modifications.

COMMENTS:

1. **Purpose.** The Author is the Sponsor of this bill. According to the Author’s office, “Some licensees disfavor the inactive license designation and would prefer a retired license designation.” Some DCA boards have current statutory authority to issue a retired license, and this bill would enable the remainder to do so.
2. **Background.** Current law authorizes all boards to establish an “inactive” license, which allows an individual to hold a license but not practice in their profession. An inactive license may be reactivated under terms specified by the issuing board.

An occupational license can be sent to inactive status for various reasons, including disciplinary. For those individuals who have a clean license at retirement and want to cease renewal because they no longer practice, “inactive” status may have a

stigma. The following boards have statutory authorization to establish a retired license:

- 1) Board of Accountancy
- 2) Architects Board
- 3) Board of Behavioral Sciences
- 4) Medical Board of California
- 5) Board of Pharmacy
- 6) Professional Fiduciaries Bureau
- 7) Board for Professional Engineers, Land Surveyors, and Geologists
- 8) Respiratory Care Board
- 9) Occupational Therapy Board
- 10) Physical Therapy Board
- 11) Board of Optometry
- 12) Physician Assistant Board

This bill would allow the remaining boards to do this as well, as long as their regulations require a licensee to pay a fee, certify that he or she has not committed an act or crime constituting grounds for denial of licensure, comply with the fingerprint submission requirements established by regulation, complete continuing education and any other requirements specified by the board, as necessary.

3. **Related Legislation.** SB 1194 (Hill) of 2016 authorizes the Board of Psychology to issue a retired license. (*Status: This bill is currently pending in the Assembly Committee on Business and Professions.*)
4. **Prior Legislation.** AB 750 (Low) of 2015 would have allowed all DCA boards to issue a retired license. (*Status: AB 750 was held in the Assembly Committee on Appropriations.*)

AB 1253 (Steinorth, Chapter 125, Statutes of 2015) established educational and training requirements for an optometrist seeking a license with retired volunteer service designation (volunteer license) who has not held an active license in more than three years.

AB 2024 (Bonilla, Chapter 336, Statutes of 2014) authorized the Professional Fiduciaries Bureau to establish, by regulation, a system for a retired category of licensure.

AB 404 (Eggman, Chapter 339, Statutes of 2013) clarified who qualifies for a retired license by specifying that a license must be either active or inactive, and reduces the timeline to restore a retired license from retired to active status from five to three years.

SB 1215 (Emmerson, Chapter 359, Statutes of 2012) established a retired license status and a retired license with a volunteer service designation for optometrists.

AB 431 (Ma, Chapter 395, Statutes of 2011) authorized the California Board of Accountancy to establish, by regulation, a system for a retired category of licensure.

SB 2191 (Emmerson, Chapter 548, Statutes of 2010) authorized the Board of Behavioral Sciences to issue a retired license as a marriage and family therapist, educational psychologist, clinical social worker or professional clinical counselor to an applicant who holds a current license or a license eligible for renewal, and established a \$40 fee for a retired license.

5. **Recommended Amendments.** This bill uses the terms “boards, bureaus, commissions, or programs,” in one section of the bill, and then the term “board” throughout. For consistency, “board” suffices for all.

- On page 2, line 3, delete “, bureaus, commissions, or programs”

Although this bill seeks to separate the possible stigma of a license placed on inactive status for disciplinary reasons from those who go inactive due to retirement, there is nothing in the bill that would prevent an individual whose license is on inactive status due to disciplinary reasons to transfer it into a retirement status. The Author may wish to consider the following amendment:

- On page 2, between lines 7 and 8, insert:

“(1) A retired license shall be issued to a person with either an active license or an inactive license that was not placed on inactive status for disciplinary reasons.”

This bill establishes a baseline for retired license regulations that do not comport with several boards’ existing regulations on this topic. To ensure that this bill only affects boards prospectively, the following amendment is recommended:

- On page 3, line 4, insert:

“(d) Subsections (a) and (b) shall not apply to boards with statutory authority to establish a retired license as of January 2, 2017.”

6. **Arguments in Support.** The Contractors State License Board (CSLB) writes, “CSLB licenses approximately 285,000 licensed contractors. While CSLB does currently have an inactive license option, CSLB believes creating a retired license category would be of interest to its licensees.”

California Board of Accountancy (CBA) writes, “The CBA presently has regulations that allow for a licensee to obtain a retired status license. When comparing the CBA’s provisions to that which is being proposed in AB 2859, the CBA has additional requirements including:

- Submission of a \$75 application fee.
- Submission of a renewal application every two years (no fee) to ensure current contact information.
- Licensee must have had a certified public accountant license for a minimum of 20 years, of which a minimum of five are with the CBA.

“AB 2859 and the CBA provisions for a retired status license are similar in that those in a retired status are not allowed to practice their profession.

“The CBA respectfully requests that the ... language be amended to exclude entities within DCA that have their own laws regarding retired license status. For these reasons, the CBA has taken a support if amended position on AB 2859.”

SUPPORT AND OPPOSITION:

Support:

California Board of Accountancy
Contractors State License Board

Opposition:

None on file as of June 7, 2016.

-- END --



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



MSG Item II.
July 21, 2016

CBA Item IX.D.2.
July 21-22, 2016

Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives

Presented by: Written Report Only

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with its decision matrix (**Attachment 1**) and stakeholder objectives (**Attachment 2**).

Consumer Protection Objectives

The decision matrix and stakeholder objectives are intended to ensure that the MSG is considering whether the provisions of the California practice privilege law “satisfy the objectives of stakeholders of the accounting profession in this state, including consumers.”

Action(s) Needed

No specific action is required on this agenda item.

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.

In addition, the MSG is charged with considering whether the provisions of the California practice privilege 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 as needed.

Comments

Staff will continue to provide the decision matrix and stakeholder objectives as a written report only agenda item unless otherwise directed by the MSG.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives

Page 2 of 2

Attachments

1. MSG Decision Matrix
2. Stakeholder Objectives



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



Attachment 1

MSG 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.
November 2014	The MSG adopted the following definition for "stakeholders:" 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.
March 2015	The MSG approved the timeline for making determinations pursuant to Business and Professions Code (BPC) section 5096.21. The MSG agreed that staff will prepare a letter for each state to notify them of the process the CBA is undertaking and to request specific information that will assist the CBA as it makes the determinations pursuant to BPC section 5096.21. ¹
May 2015	The MSG opined that the National Association of State Boards of Accountancy's Guiding Principles of Enforcement (NASBA Enforcement Guidelines) meet or exceed the CBA's enforcement practices.
July 2015	The MSG selected NASBA to assist the CBA in comparing the enforcement practices of other states to the NASBA Enforcement Guidelines.
July 2015	The MSG will meet in conjunction with scheduled CBA meetings until the comparison project is complete.

¹ At its May 28-29, 2015 meeting, the CBA deferred the timeframe for sending the letter to the Executive Officer.

MSG Decision Matrix

Page 2 of 2

<u>Date</u>	<u>Decision</u>
September 2015	The MSG approved a legislative proposal to grant emergency rule-making authority to remove states from California's mobility program.
March 2016	<p>The MSG recommended, out of 43 jurisdictions identified as substantially equivalent by NASBA, staff conduct and initial assessment of Arizona and Washington using the State Information sheet (with suggested modifications), and concurrently review the Internet portion of all states identified as substantially equivalent.</p> <p>The MSG directed staff to report the results of the initial assessment and to recommend an appropriate sample size at the CBA May 2016 meeting.</p>
May 2016	The MSG directed staff to assess seven states, (Arizona, Colorado, Illinois, New York, Oregon, Texas, Washington) equaling 15 percent of the 43 states which have been identified by NASBA as substantially equivalent. Staff were directed to use the same procedures that were used for the preliminary assessment of Arizona and Washington, report results at the July 2016 meeting, and continue to monitor the undetermined states.

**DEPARTMENT OF CONSUMER AFFAIRS**

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

**Attachment 2****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.



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



MSG Item III.
July 21, 2016

CBA Item IX.D.3.
July 21-22, 2016

Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21

Presented by: Written Report Only

Purpose of the Item

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to discuss items related to the timeline for practice privilege activities (**Attachment**) pursuant to Business and Professions Code (BPC) section 5096.21.

Consumer Protection Objectives

This discussion will be used by the California Board of Accountancy (CBA) to ensure the timeline for practice privilege activities corresponds with their goal of transparency and mission to protect consumers.

Action(s) Needed

No specific action is required on this agenda item.

Background

In 2012, the Legislature revised the practice privilege law to eliminate the requirement for out-of-state licensees to provide notice and fee prior to obtaining a California practice privilege. BPC section 5096.21(a) requires the CBA to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice; no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee provisions. These determinations are to be made on and after January 1, 2016, and on an ongoing basis. In making the determinations, the CBA is required to consider three factors:

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 website to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21

Page 2 of 2

3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

Alternatively, a state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. The National Association of State Boards of Accountancy adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The initial timeline for this project was approved by the CBA at its March 2015 meeting.

Comments

This agenda item is a standing item to keep members apprised of upcoming activities regarding the determinations made pursuant to BPC section 5096.21. It also serves as an opportunity for members to discuss any of the items on the timeline. At the March 2016 meeting the MSG asked that staff present this item, rather than providing a written report only.

The timeline reflects the most current information available. Staff determined the timeline based on the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

The timeline may be changed as needed or as directed.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21



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



Attachment

Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

Substantial Equivalence to NASBA's Enforcement Guidelines

Business and Professions Code (BPC) section 5096.21(c) states that a state's licensees may remain in the no notice, no fee practice privilege program if the following four conditions are met:

1. The National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines (Enforcement Guidelines).
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

This portion of the timeline outlines the activities surrounding the CBA's determination of which states' enforcement practices are substantially equivalent to NASBA's Enforcement Guidelines. While the law does not specify a date by which these activities must be concluded, staff developed this timeline keeping in mind the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

These dates are the only firm dates in BPC section 5096.21. There is no firm date by which the CBA must take action to remove a state or states from the no notice, no fee practice privilege program. This allows some flexibility for the CBA to work with an individual state in bringing it to a position where the CBA may indicate that they are substantially equivalent to the NASBA Enforcement Guidelines.

May 28, 2015	NASBA released its final version of its Enforcement Guidelines
May 28, 2015	CBA issued a finding that the NASBA Enforcement Guidelines met the CBA's enforcement practices
July 23, 2015	CBA determines how best to compare other states' enforcement practices with the NASBA Enforcement Guidelines
Summer/Fall 2015	Staff implements the method for comparing other states' enforcement practices with the NASBA Enforcement Guidelines
January 2016	CBA makes its initial determinations of substantial equivalence based on early research provided by the entity to be selected in CBA Agenda Item XI.D.4. (this date may be later if the consultant approach is selected)
September 2016	CBA reviews the final findings provided by the entity performing the research

State-by-State Determinations

After the CBA completes the portion of the timeline regarding substantial equivalence to the NASBA Enforcement Guidelines, there may be states that were not found to be substantially equivalent. If so, these states may still remain under the no notice, no fee practice privilege program if they are allowed to do so by the CBA in the state-by-state determination process.

The CBA must determine whether allowing the licensees of those states to practice in California under a practice privilege violates its duty to protect the public. In doing so, the CBA must consider the three items listed in BPC section 5096.21(b):

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.

The CBA is required to make the determinations using these considerations on and after January 1, 2016. The following portion of the timeline outlines the activities

surrounding the CBA's determinations made for those states not found to be substantially equivalent to NASBA's Enforcement Guidelines.

September 2016	Staff requests information to assist the CBA in making the determinations from states not found by the CBA to be substantially equivalent to the NASBA Enforcement Guidelines
March 2017	CBA reviews information provided by those states and identifies any that are at risk of removal from the no notice, no fee practice privilege program
May and July 2017	CBA deliberates on states that should remain or be removed from the no notice, no fee practice privilege program
July 2017	CBA initiates Rulemaking to remove states, where the CBA determines that allowing the licensees of that state to practice in California under a practice privilege violates its duty to protect the public, from the no notice, no fee practice privilege program
November 2017	CBA conducts a public hearing on the Rulemaking and initiates a 15-day notice of changes to include any additional states
July 2017 – January 2019	CBA continues reviewing states regarding whether their licensees should remain or be removed from the no notice, no fee practice privilege program as needed

Practice Privilege Final Report to the Legislature

BPC section 5096.21(f) states:

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.

At its initial meeting, the Mobility Stakeholder Group (MSG) decided to prepare a final report for the CBA to reference as it prepares its report to the Legislature by January 1, 2018. This portion of the timeline outlines the activities surrounding these reporting requirements.

July 2017	CBA receives the MSG's Final Report
September 2017	CBA reviews its draft Practice Privilege Report to the Legislature
November 2017	CBA approves the final version of the Practice Privilege Report to the Legislature
January 1, 2018	Practice Privilege Report due to the Legislature



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



MSG Item IV.
July 21, 2016

CBA Item IX.D.4.
July 21-22, 2016

Discussion Regarding the Assessment of the National Association of State Boards of Accountancy's Process for Evaluating and Information Gathering Regarding Accountancy Board Operations for Colorado, Illinois, New York, Oregon and Texas

Presented by: Nooshin Movassaghi, Legislative Analyst

Purpose of the Item

The purpose of this agenda item is to allow the California Board of Accountancy (CBA) the opportunity to review the results of the assessment of the National Association of State Boards of Accountancy (NASBA) findings related to Business and Professions Code (BPC) section 5096.21(c).

Consumer Protection Objectives

The findings will be used by the CBA to determine whether allowing licensees of certain states to continue practicing under a no notice, no fee practice privilege fulfills the responsibility of the CBA to protect consumers.

Action(s) Needed

There is no action required.

Background

BPC section 5096.21(a) (**Attachment 1**), requires the CBA to determine whether allowing individuals from a particular state to practice in California pursuant to a practice privilege violates its duty to protect the public.

At the July 2015 meeting, the CBA discussed the best approach to complete a comparison of states' enforcement practices to determine if they are substantially equivalent to the NASBA Guiding Principles of Enforcement (Guiding Principles of Enforcement) (**Attachment 2**). The CBA selected NASBA as the entity to conduct the research, and they have already provided an initial listing of states it has identified as substantially equivalent.

At the March 2016 meeting, the CBA directed staff to conduct an initial assessment of information gathered by NASBA regarding its substantial equivalency finding for Washington and Arizona, and provide the CBA with the results of the assessment and

Discussion Regarding the Assessment of the National Association of State Boards of Accountancy's Process for Evaluating and Information Gathered Regarding Accountancy Board Operations for Colorado, Illinois, New York, Oregon and Texas

Page 2 of 3

the data that was collected by NASBA via two written surveys, several follow-up communications with boards, and website research.

At the May 2016 meeting, the CBA directed staff to assess seven states (Arizona, Colorado, Illinois, New York, Oregon, Texas, Washington) equivalent to 15 percent of the 43 states which have been identified by NASBA as substantially equivalent, using the same procedures that were used for the preliminary assessment of Arizona and Washington and report results at the July 2016 meeting.

Comments

The CBA directed staff to conduct the assessment of the information gathered by NASBA and its evaluation process for Colorado, Illinois, New York, Oregon and Texas, and to use the State Information Sheet (**Attachment 3**) as a guideline during the process. The State Information Sheet provides a list of questions that correspond to the Guiding Principles of Enforcement.

On Tuesday, June 21, 2016, staff met with NASBA at the CBA's office to conduct the assessment. In order to encourage candor and open discussions, the specifics of NASBA's information collected from the states were not recorded. However, staff were able to view the raw information for the five states during this assessment.

NASBA provided staff a summary of the specific enforcement practices for the five selected jurisdictions. To validate the data, staff chose one random question from each section of the State Information Sheet. NASBA showed the data answering the question. Staff asked one random question from each section of the State Information Sheet to ensure that NASBA considered all the questions as important rather than putting emphasis on one or two questions that may be considered more important than the others. This approach ensured that NASBA was seeking answers to all of the questions.

NASBA's responses provided a greater context based on a complete analysis of all of the provided data rather than simply a Yes/No check box on a form. If staff was not satisfied with the response, staff had the opportunity to pursue additional questions.

Based on the results of the assessment and the verification of the availability of disciplinary information on the Internet, staff was satisfied with NASBA's identification of Colorado, Illinois, New York, Oregon and Texas being substantially equivalent.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Discussion Regarding the Assessment of the National Association of State Boards of Accountancy's Process for Evaluating and Information Gathered Regarding Accountancy Board Operations for Colorado, Illinois, New York, Oregon and Texas

Page 3 of 3

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Business and Professions Code Section 5096.21
2. NASBA's Guiding Principles of Enforcement
3. State Information Sheet



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



Attachment 1

Business and Professions Code

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.

NASBA Guiding Principles of Enforcement

The purpose of issuing these Guiding Principles is to promote consumer protection by promoting uniformly effective board enforcement and disclosure policies and practices nationally as a reinforcing compliment to mobility, which depends upon all states having confidence in the enforcement and disclosure policies and practices of the home state of the mobile licensee. While of course not binding on boards, these Guiding Principles are based on exhaustive, multi-year research into the enforcement and disclosure practices and policies of the boards of the 55 jurisdictions, and represent NASBA identifying common practices for boards to consider and, potentially, against which to measure themselves.

ENFORCEMENT

Board enforcement throughout the nation is largely complaint driven. How boards handle complaints is, therefore, foundational to how well its enforcement program works to benefit consumers.

What follows are the performance-based hallmarks of enforcement programs and Guiding Principles related to each. How fast are complaints addressed? How are complaints prioritized? How fast are urgent complaints addressed? What discipline is imposed? What is the quality of the resources available and the capacity of those resources? These are some of the key questions to be weighed when evaluating an enforcement program.

1. Time Frames for prosecuting a complaint from intake to final disposition

General Findings: State laws often dictate the manner in which boards prosecute cases, in some cases dictating the manner in which actions are handled. For example one board may have the authority to close a complaint without merit almost immediately based solely on the decision of the Executive Director, while another board may be required to hold the file open until a vote by the board at the next scheduled meeting.

When considering a new complaint, boards should first determine whether a complaint has legal merit and, if legal merit is found, whether the state board has jurisdictional nexus on the matter. If both these criteria are satisfied and the board determines to move forward with the enforcement matter, the board should then consider whether any discipline already issued by another agency, board, etc. was sufficient to address the violations or whether the harm justifies further enforcement action by the board.

An analysis of the various jurisdictions reveals useful benchmarks for the time frame of handling complaints. Set forth below are targeted time frames that boards should strive to meet, understanding there are instances where different time frames are appropriate in light of the legal and operational considerations (e.g. volume of complaints) that may justify different targets for certain boards.

- a. Decision to (i) close complaints for lack of legal merit or jurisdictional nexus or (ii) initiate an investigation
 - i. Target – 7 days after expiration of time period for responses with either receipt of all supporting document from parties or failure to respond, or at

- next scheduled board/complaint committee meeting
- b. Assignment of investigator
 - i. Target – 10 days from decision to initiate investigation
- c. Completion of investigation
 - i. Target – 180 days or less from initiation of investigation
- d. Formal Discipline at administrative level – final disposition
 - i. Target – 540 days or less from initiation of complaint
- e. Initiation of action (re-opening of complaint) or initiation of new complaint following probation violation
 - i. Target – 15 days or next scheduled board/complaint committee meeting

2. Enforcement resources to adequately staff investigations

General Findings: Both consumers and licensees have an interest in seeing complaints processed expeditiously, with a board enjoying adequate enforcement resources to ensure a fair and efficient process. Generally, the appropriate level of enforcement resources in a given jurisdiction is a function of the size of the jurisdiction’s licensee population, and the number and nature of complaints typically handled by that jurisdiction. A board with 70,000 licensees will need a much more robust investigative unit with more personnel, but a board with 1,500 licensees may be able to utilize board members with specialized knowledge to handle investigations. Overall, 33 jurisdictions have less than 10,000 licensees (“small” jurisdictions); 13 jurisdictions have 10,000-20,000 licensees (“mid-size”); and nine have more than 20,000 licensees (“large”).

- a. In determining adequate staffing resources a board should routinely evaluate staffing levels to ensure that the appropriate number of staff are assigned to the right positions and at the right time. A board should evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years (possibly as a result of law or rule changes). When evaluating staffing workload, a board should consider identified core tasks to complete investigations, general duration of time to complete the tasks, and the number of staff presently assigned to handle investigation. Based on this evaluation, a board should determine if any overages or shortages in workload exist and seek to align staffing resources accordingly.
- b. Factors that may warrant modification (up or down) to such ratios:
 - i. Ratio of administrative complaints to practice complaints – history of practice claims in a particular jurisdiction would warrant more investigators per licensee. Administrative complaints are typically less complicated and would include violations like failure to renew, failure to obtain CPE (“Administrative Complaints”). Practice complaints are generally more complex and would include violations such as failure to follow standards, failure to follow the code of conduct and actions involving dishonesty or fraud (“Practice Complaints”).
 - ii. Ratio of complaints involving firms with offices in multiple states versus smaller firms with local offices. The prevalence of complex cases, such as cases against the auditors in Enron and against big firms that involve

representation by outside law firms may require an increase in the ratio of investigators to licensees, to handle the added workload associated with periodic complex cases.

- c. Qualification and training of investigators
 - i. Large, mid-size and small accountancy boards should all seek to utilize CPAs, law enforcement, board staff, or other individuals with accounting or investigative training (such as the Investigator Training Series identified in Section 2 (c)(iii) below or the training offered by the Council on Licensure, Enforcement and Regulation (CLEAR)) as an investigator whenever possible;
 - ii. Encourage investigative staff to attend investigative training seminars such as those hosted by CLEAR;
 - iii. Encourage investigative staff to complete the Investigator Training Series on NASBA.org
 - iv. Boards should establish and follow a process for determining appropriate utilization of CPA investigators and/or CPA board members or staff and non-CPA investigators, which considers whether the case involves an Administrative Complaint or involves a Practice Complaint.
 - v. Boards should utilize subject matter experts for complex investigations involving highly technical areas and standards, such as ERISA, Yellow Book, cases involving complicated tax issues, and fraud.
 - 1. Work with NASBA to identify a means of obtaining the necessary resources if costs are prohibitive to boards
 - 2. Use NASBA pool of available expert witnesses, if needed, to address complex issues, such as those items referenced in subsection (v) above
 - 3. Referral to a board member with expertise that is case specific
 - a. In such cases, the Board member should recuse himself/herself from further participation in any formal disciplinary action in the specific matter
- d. Boards should be able to access funds in a timely manner to handle a case against a big firm, as a demand arises, either through an appropriation process, the board, the umbrella agency, or the prosecuting agency.

3. Case management

General Findings: The volume of complaints considered by a board will also have a bearing regarding case management for a particular board. For example, a board handling 3,000 complaints a year typically should have a system in place to prioritize those cases based upon the potential for harm, while a board receiving only 1-3 complaints will not need a prioritization system because each complaint can receive immediate attention. If the number of complaints received by board requires prioritization in order to adequately address all complaints and best allocate board resources to achieve maximum protection of the public, then such jurisdiction should identify cases for potential to cause greatest harm, or offenses that are indicators of problems that could lead to such harm and adopt procedures to manage Administrative Complaints by handling them in a manner similar to that outlined below in Section 3(a)

and Practice Complaints by handling them in a manner similar to that outlined below in Section 3(b).

- a. Administrative Complaints involving matters of licensing deficiencies such as, failure to timely renew or obtain CPE, improper firm names, other administrative matters and certain first-time misdemeanor offenses, generally pose a lesser threat to the public and as such may be processed as follows:
 - i. Attorney, Executive Director, and/or qualified staff review informal matters
 - ii. Cases can be closed based on voluntary compliance
 - iii. Informal conference may be scheduled to assist in reaching a settlement or if there is non-compliance with an agreed resolution
- b. Practice Complaints generally involving matters of incompetence, dishonesty, violation of any rule of professional ethics or professional conduct, failing to timely complete an engagement, failure to communicate, criminal convictions, breach of fiduciary duty or fraud or disclosing confidential information pose a greater threat to the public and as such are generally processed as follows:
 - i. Summary of investigation is reviewed by Attorney, Executive Director, appointed Board member, or Complaint Committee (depending upon board structure)
 - ii. Further investigation may be requested
 - iii. Information Conference may be scheduled to aid settlement
 - iv. Upon determination of a violation, corrective (remedial) or disciplinary action is taken (either by consent agreement or proceeding to formal hearing) upon approval of the Board
- c. Boards should review discipline from other agencies, such as the DOL, SEC, PCAOB, and AICPA, included in the NASBA Quarterly Enforcement Report to determine whether such discipline should give rise to disciplinary action by the Board.
- d. Boards should use a method of tracking probationary matters with assigned personnel (staff or investigator) to monitor compliance with probationary terms, such as follow up phone calls or other correspondence with licensee, requiring the licensee to appear in person at interviews/meetings as directed by the Board to report on probation compliance, submitting written quarterly compliance reports, and/or allowing a practice investigation upon request of the Board.

4. Disciplinary Guidelines

General Findings: Boards of accountancy are charged with protecting consumers by regulating the profession and disciplining licensees who fail to comply with the professional standards. Another goal of the disciplinary process is to increase adherence to licensing requirements and professional standards, thereby elevating the quality of services provided by the profession. Boards have the authority to impose discipline to revoke, suspend, condition, or refuse to renew a license or certificate for violation of rules and regulations or statutes of the accountancy law. Boards should strive to impose fair and consistent discipline against licensees who violate the accountancy laws or rules. These guidelines recommend penalties and conditions of probation for specific statutes and rules violated, as well as aggravating and mitigating circumstances that may necessitate deviation from the recommended discipline. The disciplinary guidelines are to be used by Board members, Board staff, and others involved in the disciplinary process. Boards may exercise discretion in recommending penalties, including conditions of probation, as warranted by aggravating and mitigating circumstances.

- a. The disciplinary process for boards of accountancy should consider offenses and their appropriate penalties, including the following major categories of offenses. Each determination should be fact specific and penalties may be escalated, reduced or combined depending on the Boards' consideration of the relevant mitigating and aggravating factors.
 - i. Grounds for Revocation
 - 1. Revocation of a license/permit by another agency or Board
 - 2. Failure to inform the Board of a failed peer review
 - 3. Fraud or deceit in obtaining a license
 - 4. Conviction of any crime substantially related to the qualifications, functions, or duties of a CPA (involving dishonesty or fraud)
 - 5. Dishonesty, fraud, or gross negligence in the practice of public accounting
 - 6. Commission of a felony
 - ii. Grounds for Suspension/Probation
 - 1. Failure to comply with board order
 - 2. Failure to meet firm ownership requirements
 - 3. Failure of a peer review
 - iii. Grounds for Monetary Fine/Penalty
 - 1. Unlicensed conduct
 - 2. Failure to comply with professional standards or code of conduct
 - 3. Failure to renew
 - 4. Failure to timely complete CPE or peer review
 - iv. Grounds for Remediation
 - 1. Failure to comply with professional standards
 - 2. Issues regarding client records/ownership of work papers
 - 3. Issues regarding confidential disclosures
 - 4. Unlicensed conduct due to inadvertence (i.e., mobility, multiple designations, foreign accountants, etc.)
 - 5. Misleading name, title, or designation
- b. Boards may adopt specific factors to consider in assessing penalties, such as:
 - i. Permissible sanctions available to the Board, including those sanctions set forth in Section 4(a) above
 - ii. Mitigating or aggravating factors (described in detail below)
 - iii. Past disciplinary history or "trends" in licensee's behavior involving this Board or other agencies such as SEC, IRS, PCAOB and societies
 - iv. Likelihood of repeating the behavior
 - v. Potential for future public harm
 - vi. Potential for licensee's rehabilitation
 - vii. Extent of damages or injury due to licensee's behavior
 - viii. Board sanctions with similar misconduct in other cases
 - ix. Other enforcement actions or legal actions against licensee involving the conduct which is the subject of the current case (and impact of those actions/sanctions upon licensee)
 - x. Whether action was a clear violation or was an area of law/rule subject to

- interpretation
- xi. Whether the individual or firm has already been sanctioned for the action by another state, PCAOB the SEC, or other enforcement body, and whether the enforcement body imposed sanctions consistent with sanctions the board would typically impose under the circumstances.
- c. Boards may consider the following mitigating factors in assessing penalties:
 - i. Passage of time without evidence of other professional misconduct
 - ii. Convincing proof of rehabilitation
 - iii. Violation was without monetary loss to consumers and/or restitution was made
 - iv. If multiple licensees are involved in the violation, the relative degree of culpability of the subject licensee should be considered
 - d. Boards may consider the following aggravating factors in assessing penalties:
 - i. Failure to cooperate with Board in investigation of complaint and/or disciplinary process (providing requested documentation, timely responses, participating in informal conference)
 - ii. Violation is willful, knowingly committed and/or premeditated
 - iii. Case involved numerous violations of Board’s statutes and rules, as well as federal or other state statutes
 - iv. History of prior discipline, particularly where prior discipline is for same or similar conduct
 - v. Violation results in substantial harm to client, employer and/or public
 - vi. Evidence that licensee took advantage of his client for personal gain, especially if advantage was due to ignorance, age or lack of sophistication of the client

5. Internet Disclosure

General Findings: The goal is to allow market forces to elevate the profession by directing consumers away from licensees with troubled records and toward those who have adhered to professional standards. Thus, the disclosures must be of sufficient detail for consumers to be able to make informed judgments about whether discipline poses a risk to them or is indicative of a prior problem relevant to why they are retaining the CPA.

Finally, internet disclosure has two other beneficial consequences. One, it elicits confidence in the board’s operations. If a consumer found out that the board had secreted information from the public about a CPA that hurt the consumer, that consumer would not view the board as its champion. Likewise, as enforcement is the major duty of the board, disclosure of enforcement promotes transparency and accountability about the performance of an important state government agency.

Internet disclosures should for these reasons provide easy access by consumers to the disciplinary history, if any, of a CPA offering services to the consumer. States will vary in the documents that may be accessed by the public online, but at a minimum, states should provide sufficient information that a consumer can readily determine if any regulatory “red flags” exist that warrant further investigation by the consumer.

- a. Boards should participate in the ALD and CPAVerify
 - i. Boards should strive to provide final disciplinary action to ALD/CPA Verify for notation in the database

- ii. Boards should strive to provide information necessary for “hashing” licensee records across jurisdictions to the ALD to assist transparency and cross-border discipline

- b. Boards should publish final disciplinary action by the Board through a web site, newsletter or other available media, either with specific information regarding the facts that caused the board to impose discipline including, but not limited to, a board considering posting official documents that would be public records if requested by a consumer, or sufficient information to allow the consumer to contact the Board for particular details.

- c. Boards should capture “discipline under mobility” violation in CPAverify licensee record indicating the state where discipline was issued, with sufficient information to allow the consumer to contact the disciplining board to investigate the activity that resulted in discipline.

** These Guiding Principles are intended for use as a reference by NASBA Member Boards and staff only. Due to the unique structure of each Board of Accountancy, the enforcement process will be conducted differently in each jurisdiction. It is the reader's responsibility to learn state specific procedures, bearing in mind that each jurisdiction has different statutes, rules and case law which frequently change the ways that Accountancy Boards conduct enforcement. Only the current version of the document will be available for use.*



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



Attachment 3

State Information Sheet

This information sheet provides a list of questions that correspond to the NASBA Guiding Principles of Enforcement and additional items requested by the CBA. The columns to the right of the questions allow NASBA to opine as to how the responding state's enforcement practices compare to the NASBA Guiding Principles of Enforcement on each point.

State: _____

1. Time Frames for Prosecuting a Complaint from Intake to Final Disposition	
<u>Question</u>	<u>Evaluation of NASBA's answers</u>
What is the board's target time frame to either close a complaint for lack of legal merit or jurisdictional nexus or to initiate an investigation? (1.a.i.)	
What is the board's target time frame to assign the case to an investigator from initiation of an investigation? (1.b.i.)	
What is the board's target time frame to complete the investigation from initiation of an investigation? (1.c.i.)	
What is the board's target time frame to formal discipline from initiation of a complaint? (1.d.i.)	
What is the board's target time frame to initiate action (re-opening of complaint) or initiate a new complaint following a probation violation? (1.e.i.)	

2. Enforcement Resources to Adequately Staff Investigations

<u>Question</u>	<u>Evaluation of NASBA's answers</u>
Does the board routinely evaluate enforcement staffing levels to ensure that the appropriate number of staff are assigned to the right positions at the right time? (2.a.)	
Does the board evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years? (2.a.)	
When evaluating staffing workload, does the board consider identified core tasks to complete investigations, general duration of time to complete the tasks, and number of staff presently assigned to handle the investigation? (2.a.)	
Does the board determine if any overages or shortages in workload exist and seek to align staffing resources accordingly? (2.a.)	
Does the board consider the following two factors, which may warrant modification (up or down) in staffing:	
Ratio of administrative complaints to practice complaints (history of practice claims in a particular jurisdiction would warrant more investigators per licensee)? (2.b.i.)	
Ratio of complaints involving firms with offices in multiple states versus smaller firms with local offices? (2.b.ii.)	
Does the board seek to utilize CPA's, law enforcement, board staff, or other individuals with accounting or investigative training as an investigator whenever possible? (2.c.i.)	
Does the board encourage investigative staff to attend investigative training seminars? (2.c.ii.)	
Does the board encourage investigative staff to complete the Investigator Training Series on NASBA.org? (2.c.iii)	

<p>Does the board establish and follow a process for determining appropriate utilization of CPA investigators and/or CPA board members or staff and non-CPA investigators, which considers whether the case is an Administrative Complaint or involves Practice Compliant? (2.c.iv.)</p>	
<p>Does the board utilize subject matter experts for complex investigations involving highly technical areas and standards, such as ERISA, Yellow Book, cases involving complicated tax issues, and fraud? (2.c.v.)</p>	
<p>Can the board access funds in a timely manner to handle a case against a big firm, as a demand arises, either through an appropriation process, the board, the umbrella agency, or the prosecuting agency? (2.d.)</p>	

3. Case Management	
<u>Question</u>	<u>Evaluation of NASBA's answers</u>
Does the number of complaints received by the board require a prioritization system in order to adequately address all complaints and best allocate board resources to achieve maximum protection of the public? (3)	
Who reviews Administrative Complaints involving matters of licensing deficiencies such as failure to timely renew or obtain CPE, improper firm names, and other administrative matters and certain first-time misdemeanor offenses that pose a lesser threat to the public? (3.a.i.)	
Does the board allow for Administrative Complaints to be closed based on voluntary compliance? (3.a.ii.)	
Does the board allow for an informal conference to be scheduled to assist in reaching a settlement for Administrative Complaints or non-compliance to an agreed resolution? (3.a.iii.)	
Who reviews the summary of investigations for Practice Complaints involving matters of incompetence, dishonesty, violation of any rule of professional ethics or professional conduct, failing to timely complete an engagement, failure to communicate, criminal convictions, breach of fiduciary duty, fraud, or disclosing confidential information that pose a greater threat to the public? (3.b.i.)	
If warranted, does the board request further investigation for Practice Complaints? (3.b.ii.)	
Does the board allow for an Information Conference to be scheduled to aid in the settlement of a Practice Complaint? (3.b.iii.)	
Upon determination of a practice violation, is the appropriate corrective or disciplinary action taken by the board? (3.b.iv.)	

Does the board review discipline from other agencies, such as DOL, SEC, PCAOB, and AICPA, included in the NASBA Quarterly Enforcement Report to determine whether such discipline should give rise to disciplinary action by the board? (3.c.)

Does the board have a method in-place to track probationary matters with assigned personnel to monitor compliance with probationary terms, such as follow-up phone calls or other correspondence with licensee, requiring the licensee to appear in person at interviews/meetings as directed by the board to report on probation compliance, submitting written quarterly compliance reports, and/or allowing a practice investigation upon request of the board? (3.d.)

4. Disciplinary Guidelines	
<u>Question</u>	<u>Evaluation of NASBA's answers</u>
Can disciplinary penalties be escalated, reduced or combined depending on the boards' consideration of the relevant mitigating and aggravating factors? (4.a.)	
Are the following categories of offenses grounds for revocation:	
Revocation of a license/permit by another agency or board? (4.a.i.1.)	
Failure to inform the board of a failed peer review? (4.a.i.2.)	
Fraud or deceit in obtaining a license? (4.a.i.3.)	
Conviction of any crime substantially related to the qualifications, functions, or duties of a CPA (involving dishonesty or fraud)? (4.a.i.4.)	
Dishonesty, fraud, or gross negligence in the practice of public accounting? (4.a.i.5.)	
Commission of a felony? (4.a.i.6.)	
Are the following categories of offenses grounds for suspension/probation:	
Failure to comply with board order? (4.a.ii.1)	
Failure to meet firm ownership requirements? (4.a.ii.2)	
Failure of a peer review? (4.a.ii.3.)	
Are the following categories of offenses grounds for monetary fine/penalty:	
Unlicensed conduct? (4.a.iii.1.)	
Failure to comply with professional standards or code of conduct? (4.a.iii.2.)	
Failure to renew? (4.a.iii.3.)	
Failure to timely complete CPE or peer review? (4.a.iii.4.)	
Are the following categories of offenses grounds for remediation:	
Failure to comply with professional standards? (4.a.iv.1.)	
Issues regarding client records/ ownership of work papers? (4.a.iv.2.)	
Issues regarding confidential disclosures? (4.a.iv.3.)	

Unlicensed conduct due to inadvertence (i.e., mobility, multiple designations, foreign accounts, ect.)? (4.a.iv.4.)	
Misleading name, title or designation? (4.a.iv.5.)	
Does the board consider any of the following factors in assessing penalties:	
Permissible sanctions available to the board, including those sanctions set forth in Section 4(a) above? (4.b.i.)	
Mitigating or aggravating factors? (4.b.ii.)	
Past disciplinary history or trends in licensee's behavior involving this board or other agencies such as SEC, IRS, PCAOB and societies? (4.b.iii.)	
Likelihood of repeating the behavior? (4.b.iv.)	
Potential for future public harm? (4.b.v.)	
Potential for licensee's rehabilitation? (4.b.vi.)	
Extent of damages or injury due to licensee's behavior? (4.b.vii.)	
Board sanctions with similar misconduct in other cases? (4.b.viii.)	
Other enforcement actions or legal actions against licensee involving the conduct which is the subject of the current case, and the impact of those actions/sanctions upon the licensee? (4.b.ix.)	
Whether action was a clear violation or was an area of law /rule subject to interpretation? (4.b.x.)	
Whether the individual or firm has already been sanctioned for the actions by another state, PCAOB, SEC, or other enforcement body, and whether the enforcement body imposed sanctions consistent with sanctions the board would typically impose under the circumstances? (4.b.xi.)	
Does the board consider the following mitigating factors in assessing penalties:	
Passage of time without evidence of other professional misconduct? (4.c.i.)	
Convincing proof of rehabilitation? (4.c.ii.)	

Violation was without monetary loss to consumers and/or restitution was made? (4.c.iii.)	
If multiple licensees are involved in the violation, the relative degree of culpability of the subject licensee should be considered? (4.c.iv.)	
Does the board consider the following aggravating factors in assessing penalties:	
Failure to cooperate with Board in investigation of complaint and/or disciplinary process (providing requested documentation, timely responses, participating in informal conference)? (4.d.i.)	
Violation is willful, knowingly committed and/or premeditated? (4.d.ii.)	
Case involved numerous violations of Board's statutes and rules, as well as federal or other state statutes? (4.d.iii.)	
History of prior discipline, particularly where prior discipline is for same or similar conduct? (4.d.iv.)	
Violation results in substantial harm to client, employer and/or public? (4.d.v.)	
Evidence that licensee took advantage of his client for personal gain, especially if advantage was due to ignorance, age or lack of sophistication of the client? (4.d.vi.)	

5. Internet Disclosure	
Question	<u>Evaluation of NASBA's answers</u>
Does the board participate in ALD and CPAVerify? (5.a.)	
Does the board strive to provide final disciplinary action to ALD/CPAVerify for notation on the database? (5.a.i.)	
Does the board strive to provide ALD with the information necessary for "hashing" licensee records across jurisdictions to assist transparency and cross-border discipline? (5.a.ii.)	
Does the board publish final disciplinary action by the Board through a web site, newsletter or other available media, either with specific information regarding the facts that caused the board to impose discipline including, but not limited to, a board considering posting official documents that would be public records if requested by a consumer, or sufficient information to allow the consumer to contact the Board for particular details? (5.b.)	
Does the board capture "discipline under mobility" violation in CPAVerify licensee record indicating the state where discipline was issued, with sufficient information to allow the consumer to contact the disciplining board to investigate the activity that resulted in discipline? (5.c.)	

CBA Requested Items

The following items are requested to be included in the research. While these items are not a part of determining each states' substantial equivalence to the NASBA Guiding Principles of Enforcement, the answers will prove beneficial should a state be found to be not substantial equivalent and need to go through the state-by-state determination process outlined in Business and Professions Code section 5096.21(a).

<u>Question</u>	<u>Answer</u>
How many active licensees does the board have?	
What is the average number of disciplinary actions taken by the board over the past five years?	
Does the board have a mandatory peer review program?	
Does the board post disciplinary actions on its website?	
How long do disciplinary actions remain on the board's website?	
Does the board ever expunge disciplinary actions from a licensee's records? If so, after how long?	
How easy is it for a consumer to make a complaint against a licensee to the board?	
Can consumers file a complaint online? If so, are there clear instructions on how to do so?	
If the consumer cannot file a complaint online, how are consumers informed of the complaint process?	



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



MSG Item V.
July 21 2016

CBA Item IX.D.5.
July 21-22, 2016

Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

Presented by: Matthew Stanley, Information and Planning Officer

Purpose of the Item

The purpose of this agenda item is to allow the California Board of Accountancy (CBA) the opportunity to discuss the findings of the National Association of State Boards of Accountancy (NASBA) related to Business and Professions Code (BPC) section 5096.21(c).

Consumer Protection Objectives

The findings will be used by the CBA to determine whether allowing licensees of certain states to continue practicing under a no notice, no fee practice privilege fulfills the responsibility of the CBA to protect consumers.

Action(s) Needed

No specific action is required on this agenda item.

Background

BPC section 5096.21(a) (**Attachment 1**), requires the CBA to determine on and after January 1, 2016, whether allowing individuals from a particular state to practice in California pursuant to a practice privilege violates its duty to protect the public.

A state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. NASBA adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available

Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

Page 2 of 4

to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The first condition was fulfilled when NASBA released its Guiding Principles of Enforcement (NASBA Guiding Principles of Enforcement) (**Attachment 2**) in May 2015. The second condition was fulfilled when the CBA issued a finding that the NASBA Guiding Principles of Enforcement met the CBA's own enforcement practices at its May 27-29, 2015 meeting.

In order to meet the third condition, at the July 2015 meeting, the CBA discussed the best approach to complete a comparison of states' enforcement practices to determine if they are substantially equivalent to the Guiding Principles of Enforcement including identifying the process and objectives of the party who would be responsible for conducting the comparison. After an in depth discussion, the CBA selected NASBA as the entity to conduct the research. The process in which the research and recommendations were to be made is outlined below and includes the deliverables to the CBA:

- NASBA will be responsible for gathering the information needed to assess the substantial equivalency of each state.
- NASBA will rely, in large part, on data it previously gathered during the drafting of the Guiding Principles of Enforcement.
- NASBA will collect additional information through email, phone calls, and travel to meet with other states.
- In order to encourage candor and open discussions, NASBA will honor the confidentiality of any direct communication with the other state boards of accountancy and will retain the data collected during this process.
- NASBA's subjective analysis of each state's statutes, rules, and practices will assist in deciding whether, collectively, they create an enforcement practice that reflects the objectives of the Guiding Principles of Enforcement.
- A representative from NASBA will be available at future CBA meetings where substantial equivalence to the Guiding Principles of Enforcement is discussed.
- NASBA will provide staff with the ability to audit the basis of the substantial equivalency determinations by meeting with NASBA to collectively review states as identified by the CBA. This review will include a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions, and, when deemed necessary by staff, a confidential review of the underlying documents used to make a particular determination at a meeting between NASBA and staff.

Comments

NASBA's Objectives for Substantial Equivalency Evaluation (**Attachment 3**) were presented at the July 2015 CBA meeting to assist with the evaluation process as they

Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

Page 3 of 4

relate to determining states' substantial equivalence to the Guiding Principles of Enforcement. The objectives are identified below with additional identifying criteria provided by NASBA.

- Time Frames for Prosecuting a Complaint from Intake to Final Disposition
 - Average Number of Complaints
 - Timeliness of Past and Present Complaints
- Enforcement Resources to Adequately Staff Investigations
 - Investigation Resources for Current and Projected Workload
 - Investigator Training Required
 - Use of Experts
- Case Management
 - Available Case Funding
 - Prioritization of Cases
- Disciplinary Guidelines
 - Consistency of Discipline
 - Factors in Assessing Penalties
 - Grounds for Revocation, Suspension, Probation, Fine, Penalty or Remediation
- Internet Disclosures
 - CPAverify versus Individual Board Website

Consistent with the Timeline for Activities Regarding Determination to be Made Pursuant to BPC section 5096.21 as identified in **CBA Agenda Item IX.D.3**, NASBA provided the results of its initial analysis of other states' enforcement practices as they compare to the Guiding Principles of Enforcement at the January 2016 CBA meeting.

NASBA's revised analysis (**Attachment 4**) now identifies 36 jurisdictions as substantially equivalent to the Guiding Principles of Enforcement. The first column in **Attachment 4**, titled "*SE*," shows the jurisdictions NASBA identifies as substantially equivalent to the Guiding Principles of Enforcement. The second column, titled "*SE w/o DISC FLAG*," represents jurisdictions NASBA identifies as substantially equivalent with the exception that these jurisdictions do not currently reflect the necessary disciplinary flag on the Internet. The third column, titled "*Undetermined*," represents jurisdictions NASBA is still researching and working with to bring them into substantially equivalent status.

The changes from the previous version were Hawaii moving from the "*SE w/o DISC FLAG*" column to the "*SE*" column, Indiana, Vermont, and Wisconsin moving from the "*Undetermined*" column to the "*SE*" column.

In order to meet the fourth condition, the CBA may evaluate the results from the final assessment in **CBA Agenda Item IX.D.4.**, and choose from three options for how to

Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

Page 4 of 4

proceed. For each state individually, the CBA may approve it as substantially equivalent, deem it not substantially equivalent, or defer action. The CBA may choose to take any of these three described actions with as many or as few of the listed 36 states as it wishes, or it may choose to pursue other actions.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. Business and Professions Code Section 5096.21
2. NASBA's Guiding Principles of Enforcement
3. Objectives for Substantial Equivalency Evaluation
4. NASBA Listing of Substantially Equivalent States

**DEPARTMENT OF CONSUMER AFFAIRS**

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

**Attachment 1****Business and Professions Code**

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.

NASBA

Guiding Principles of Enforcement

The purpose of issuing these Guiding Principles is to promote consumer protection by promoting uniformly effective board enforcement and disclosure policies and practices nationally as a reinforcing compliment to mobility, which depends upon all states having confidence in the enforcement and disclosure policies and practices of the home state of the mobile licensee. While of course not binding on boards, these Guiding Principles are based on exhaustive, multi-year research into the enforcement and disclosure practices and policies of the boards of the 55 jurisdictions, and represent NASBA identifying common practices for boards to consider and, potentially, against which to measure themselves.

ENFORCEMENT

Board enforcement throughout the nation is largely complaint driven. How boards handle complaints is, therefore, foundational to how well its enforcement program works to benefit consumers.

What follows are the performance-based hallmarks of enforcement programs and Guiding Principles related to each. How fast are complaints addressed? How are complaints prioritized? How fast are urgent complaints addressed? What discipline is imposed? What is the quality of the resources available and the capacity of those resources? These are some of the key questions to be weighed when evaluating an enforcement program.

1. Time Frames for prosecuting a complaint from intake to final disposition

General Findings: State laws often dictate the manner in which boards prosecute cases, in some cases dictating the manner in which actions are handled. For example one board may have the authority to close a complaint without merit almost immediately based solely on the decision of the Executive Director, while another board may be required to hold the file open until a vote by the board at the next scheduled meeting.

When considering a new complaint, boards should first determine whether a complaint has legal merit and, if legal merit is found, whether the state board has jurisdictional nexus on the matter. If both these criteria are satisfied and the board determines to move forward with the enforcement matter, the board should then consider whether any discipline already issued by another agency, board, etc. was sufficient to address the violations or whether the harm justifies further enforcement action by the board.

An analysis of the various jurisdictions reveals useful benchmarks for the time frame of handling complaints. Set forth below are targeted time frames that boards should strive to meet, understanding there are instances where different time frames are appropriate in light of the legal and operational considerations (e.g. volume of complaints) that may justify different targets for certain boards.

- a. Decision to (i) close complaints for lack of legal merit or jurisdictional nexus or (ii) initiate an investigation
 - i. Target – 7 days after expiration of time period for responses with either receipt of all supporting document from parties or failure to respond, or at

- next scheduled board/complaint committee meeting
- b. Assignment of investigator
 - i. Target – 10 days from decision to initiate investigation
- c. Completion of investigation
 - i. Target – 180 days or less from initiation of investigation
- d. Formal Discipline at administrative level – final disposition
 - i. Target – 540 days or less from initiation of complaint
- e. Initiation of action (re-opening of complaint) or initiation of new complaint following probation violation
 - i. Target – 15 days or next scheduled board/complaint committee meeting

2. Enforcement resources to adequately staff investigations

General Findings: Both consumers and licensees have an interest in seeing complaints processed expeditiously, with a board enjoying adequate enforcement resources to ensure a fair and efficient process. Generally, the appropriate level of enforcement resources in a given jurisdiction is a function of the size of the jurisdiction’s licensee population, and the number and nature of complaints typically handled by that jurisdiction. A board with 70,000 licensees will need a much more robust investigative unit with more personnel, but a board with 1,500 licensees may be able to utilize board members with specialized knowledge to handle investigations. Overall, 33 jurisdictions have less than 10,000 licensees (“small” jurisdictions); 13 jurisdictions have 10,000-20,000 licensees (“mid-size”); and nine have more than 20,000 licensees (“large”).

- a. In determining adequate staffing resources a board should routinely evaluate staffing levels to ensure that the appropriate number of staff are assigned to the right positions and at the right time. A board should evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years (possibly as a result of law or rule changes). When evaluating staffing workload, a board should consider identified core tasks to complete investigations, general duration of time to complete the tasks, and the number of staff presently assigned to handle investigation. Based on this evaluation, a board should determine if any overages or shortages in workload exist and seek to align staffing resources accordingly.
- b. Factors that may warrant modification (up or down) to such ratios:
 - i. Ratio of administrative complaints to practice complaints – history of practice claims in a particular jurisdiction would warrant more investigators per licensee. Administrative complaints are typically less complicated and would include violations like failure to renew, failure to obtain CPE (“Administrative Complaints”). Practice complaints are generally more complex and would include violations such as failure to follow standards, failure to follow the code of conduct and actions involving dishonesty or fraud (“Practice Complaints”).
 - ii. Ratio of complaints involving firms with offices in multiple states versus smaller firms with local offices. The prevalence of complex cases, such as cases against the auditors in Enron and against big firms that involve

representation by outside law firms may require an increase in the ratio of investigators to licensees, to handle the added workload associated with periodic complex cases.

- c. Qualification and training of investigators
 - i. Large, mid-size and small accountancy boards should all seek to utilize CPAs, law enforcement, board staff, or other individuals with accounting or investigative training (such as the Investigator Training Series identified in Section 2 (c)(iii) below or the training offered by the Council on Licensure, Enforcement and Regulation (CLEAR)) as an investigator whenever possible;
 - ii. Encourage investigative staff to attend investigative training seminars such as those hosted by CLEAR;
 - iii. Encourage investigative staff to complete the Investigator Training Series on NASBA.org
 - iv. Boards should establish and follow a process for determining appropriate utilization of CPA investigators and/or CPA board members or staff and non-CPA investigators, which considers whether the case involves an Administrative Complaint or involves a Practice Complaint.
 - v. Boards should utilize subject matter experts for complex investigations involving highly technical areas and standards, such as ERISA, Yellow Book, cases involving complicated tax issues, and fraud.
 - 1. Work with NASBA to identify a means of obtaining the necessary resources if costs are prohibitive to boards
 - 2. Use NASBA pool of available expert witnesses, if needed, to address complex issues, such as those items referenced in subsection (v) above
 - 3. Referral to a board member with expertise that is case specific
 - a. In such cases, the Board member should recuse himself/herself from further participation in any formal disciplinary action in the specific matter
- d. Boards should be able to access funds in a timely manner to handle a case against a big firm, as a demand arises, either through an appropriation process, the board, the umbrella agency, or the prosecuting agency.

3. Case management

General Findings: The volume of complaints considered by a board will also have a bearing regarding case management for a particular board. For example, a board handling 3,000 complaints a year typically should have a system in place to prioritize those cases based upon the potential for harm, while a board receiving only 1-3 complaints will not need a prioritization system because each complaint can receive immediate attention. If the number of complaints received by board requires prioritization in order to adequately address all complaints and best allocate board resources to achieve maximum protection of the public, then such jurisdiction should identify cases for potential to cause greatest harm, or offenses that are indicators of problems that could lead to such harm and adopt procedures to manage Administrative Complaints by handling them in a manner similar to that outlined below in Section 3(a)

and Practice Complaints by handling them in a manner similar to that outlined below in Section 3(b).

- a. Administrative Complaints involving matters of licensing deficiencies such as, failure to timely renew or obtain CPE, improper firm names, other administrative matters and certain first-time misdemeanor offenses, generally pose a lesser threat to the public and as such may be processed as follows:
 - i. Attorney, Executive Director, and/or qualified staff review informal matters
 - ii. Cases can be closed based on voluntary compliance
 - iii. Informal conference may be scheduled to assist in reaching a settlement or if there is non-compliance with an agreed resolution
- b. Practice Complaints generally involving matters of incompetence, dishonesty, violation of any rule of professional ethics or professional conduct, failing to timely complete an engagement, failure to communicate, criminal convictions, breach of fiduciary duty or fraud or disclosing confidential information pose a greater threat to the public and as such are generally processed as follows:
 - i. Summary of investigation is reviewed by Attorney, Executive Director, appointed Board member, or Complaint Committee (depending upon board structure)
 - ii. Further investigation may be requested
 - iii. Information Conference may be scheduled to aid settlement
 - iv. Upon determination of a violation, corrective (remedial) or disciplinary action is taken (either by consent agreement or proceeding to formal hearing) upon approval of the Board
- c. Boards should review discipline from other agencies, such as the DOL, SEC, PCAOB, and AICPA, included in the NASBA Quarterly Enforcement Report to determine whether such discipline should give rise to disciplinary action by the Board.
- d. Boards should use a method of tracking probationary matters with assigned personnel (staff or investigator) to monitor compliance with probationary terms, such as follow up phone calls or other correspondence with licensee, requiring the licensee to appear in person at interviews/meetings as directed by the Board to report on probation compliance, submitting written quarterly compliance reports, and/or allowing a practice investigation upon request of the Board.

4. Disciplinary Guidelines

General Findings: Boards of accountancy are charged with protecting consumers by regulating the profession and disciplining licensees who fail to comply with the professional standards. Another goal of the disciplinary process is to increase adherence to licensing requirements and professional standards, thereby elevating the quality of services provided by the profession. Boards have the authority to impose discipline to revoke, suspend, condition, or refuse to renew a license or certificate for violation of rules and regulations or statutes of the accountancy law. Boards should strive to impose fair and consistent discipline against licensees who violate the accountancy laws or rules. These guidelines recommend penalties and conditions of probation for specific statutes and rules violated, as well as aggravating and mitigating circumstances that may necessitate deviation from the recommended discipline. The disciplinary guidelines are to be used by Board members, Board staff, and others involved in the disciplinary process. Boards may exercise discretion in recommending penalties, including conditions of probation, as warranted by aggravating and mitigating circumstances.

- a. The disciplinary process for boards of accountancy should consider offenses and their appropriate penalties, including the following major categories of offenses. Each determination should be fact specific and penalties may be escalated, reduced or combined depending on the Boards' consideration of the relevant mitigating and aggravating factors.
 - i. Grounds for Revocation
 1. Revocation of a license/permit by another agency or Board
 2. Failure to inform the Board of a failed peer review
 3. Fraud or deceit in obtaining a license
 4. Conviction of any crime substantially related to the qualifications, functions, or duties of a CPA (involving dishonesty or fraud)
 5. Dishonesty, fraud, or gross negligence in the practice of public accounting
 6. Commission of a felony
 - ii. Grounds for Suspension/Probation
 1. Failure to comply with board order
 2. Failure to meet firm ownership requirements
 3. Failure of a peer review
 - iii. Grounds for Monetary Fine/Penalty
 1. Unlicensed conduct
 2. Failure to comply with professional standards or code of conduct
 3. Failure to renew
 4. Failure to timely complete CPE or peer review
 - iv. Grounds for Remediation
 1. Failure to comply with professional standards
 2. Issues regarding client records/ownership of work papers
 3. Issues regarding confidential disclosures
 4. Unlicensed conduct due to inadvertence (i.e., mobility, multiple designations, foreign accountants, etc.)
 5. Misleading name, title, or designation
- b. Boards may adopt specific factors to consider in assessing penalties, such as:
 - i. Permissible sanctions available to the Board, including those sanctions set forth in Section 4(a) above
 - ii. Mitigating or aggravating factors (described in detail below)
 - iii. Past disciplinary history or "trends" in licensee's behavior involving this Board or other agencies such as SEC, IRS, PCAOB and societies
 - iv. Likelihood of repeating the behavior
 - v. Potential for future public harm
 - vi. Potential for licensee's rehabilitation
 - vii. Extent of damages or injury due to licensee's behavior
 - viii. Board sanctions with similar misconduct in other cases
 - ix. Other enforcement actions or legal actions against licensee involving the conduct which is the subject of the current case (and impact of those actions/sanctions upon licensee)
 - x. Whether action was a clear violation or was an area of law/rule subject to

- interpretation
- xi. Whether the individual or firm has already been sanctioned for the action by another state, PCAOB the SEC, or other enforcement body, and whether the enforcement body imposed sanctions consistent with sanctions the board would typically impose under the circumstances.
- c. Boards may consider the following mitigating factors in assessing penalties:
 - i. Passage of time without evidence of other professional misconduct
 - ii. Convincing proof of rehabilitation
 - iii. Violation was without monetary loss to consumers and/or restitution was made
 - iv. If multiple licensees are involved in the violation, the relative degree of culpability of the subject licensee should be considered
 - d. Boards may consider the following aggravating factors in assessing penalties:
 - i. Failure to cooperate with Board in investigation of complaint and/or disciplinary process (providing requested documentation, timely responses, participating in informal conference)
 - ii. Violation is willful, knowingly committed and/or premeditated
 - iii. Case involved numerous violations of Board’s statutes and rules, as well as federal or other state statutes
 - iv. History of prior discipline, particularly where prior discipline is for same or similar conduct
 - v. Violation results in substantial harm to client, employer and/or public
 - vi. Evidence that licensee took advantage of his client for personal gain, especially if advantage was due to ignorance, age or lack of sophistication of the client

5. Internet Disclosure

General Findings: The goal is to allow market forces to elevate the profession by directing consumers away from licensees with troubled records and toward those who have adhered to professional standards. Thus, the disclosures must be of sufficient detail for consumers to be able to make informed judgments about whether discipline poses a risk to them or is indicative of a prior problem relevant to why they are retaining the CPA.

Finally, internet disclosure has two other beneficial consequences. One, it elicits confidence in the board’s operations. If a consumer found out that the board had secreted information from the public about a CPA that hurt the consumer, that consumer would not view the board as its champion. Likewise, as enforcement is the major duty of the board, disclosure of enforcement promotes transparency and accountability about the performance of an important state government agency.

Internet disclosures should for these reasons provide easy access by consumers to the disciplinary history, if any, of a CPA offering services to the consumer. States will vary in the documents that may be accessed by the public online, but at a minimum, states should provide sufficient information that a consumer can readily determine if any regulatory “red flags” exist that warrant further investigation by the consumer.

- a. Boards should participate in the ALD and CPAVerify
 - i. Boards should strive to provide final disciplinary action to ALD/CPA Verify for notation in the database

- ii. Boards should strive to provide information necessary for “hashing” licensee records across jurisdictions to the ALD to assist transparency and cross-border discipline

- b. Boards should publish final disciplinary action by the Board through a web site, newsletter or other available media, either with specific information regarding the facts that caused the board to impose discipline including, but not limited to, a board considering posting official documents that would be public records if requested by a consumer, or sufficient information to allow the consumer to contact the Board for particular details.

- c. Boards should capture “discipline under mobility” violation in CPAverify licensee record indicating the state where discipline was issued, with sufficient information to allow the consumer to contact the disciplining board to investigate the activity that resulted in discipline.

** These Guiding Principles are intended for use as a reference by NASBA Member Boards and staff only. Due to the unique structure of each Board of Accountancy, the enforcement process will be conducted differently in each jurisdiction. It is the reader's responsibility to learn state specific procedures, bearing in mind that each jurisdiction has different statutes, rules and case law which frequently change the ways that Accountancy Boards conduct enforcement. Only the current version of the document will be available for use.*

The following information is provided by the National Association of State Boards of Accountancy (NASBA) to serve as its basis for determining which states' enforcement practices are substantially equivalent to its Enforcement Guidelines.

GUIDING PRINCIPLES OF ENFORCEMENT

OBJECTIVES FOR SUBSTANTIAL EQUIVALENCY EVALUATION

The CBA, MSG, and NASBA recognize that the enforcement process of each jurisdiction will vary based on many factors that are specific to the particular board, such as number of licensees, number of complaints/cases, authority vested in the board, delegation of certain phases of enforcement to other agencies, and interaction with an umbrella agency. As such, it is a disservice to this project to attempt to conform the review of an enforcement process to an objective checklist which does not allow one to consider the uniqueness of a specific enforcement process and its ability to meet the needs of the particular board. The term "substantial equivalency" implies that the review is not a checklist of specific data points, but rather an analysis that allows various methods of satisfying the over-reaching objectives of the project. Therefore, the review to determine whether a board's enforcement process is substantially equivalent to the Guiding Principles of Enforcement must be a subjective analysis of each jurisdiction's statutes, rules, and practices to inquire whether those elements create an enforcement process that reflects the comprehensive objectives of the Guiding Principles as described below.

The development of the Guiding Principles of Enforcement was a key element in assisting the California Board in meeting its legislative mandate pursuant to 5096.21, as well as a significant advance in cross-border accountancy regulation. The Guiding Principles identify the characteristics of an active and effective enforcement process, thereby enabling all state Boards to have confidence that other jurisdictions have a proactive culture of enforcement which successfully regulates the profession and protects the public consumer. In the environment of CPA mobility, Boards who are allowing CPAs licensed in other jurisdictions to provide services to their consumers through mobility have a vested interest in ensuring that the enforcement practices of other jurisdictions meet or exceed the objectives of the Guiding Principles. Consumer protection and disclosure of disciplinary data were important aspects of the development of the Guiding Principles, and Boards have used these Guiding Principles to review and in certain cases enhance their enforcement practices and policies."

1. Time Frames for Prosecuting a Complaint from Intake to Final Disposition

The structure and authority of boards of accountancy vary greatly across the country. Some boards are empowered to close or dismiss a matter without board vote while others would be required to hold the complaint open until a vote at the next board meeting. Some boards do not perform their own investigation of a complaint, but rather are required to send the complaint to an investigative unit within an umbrella agency, in which case it is beyond the authority of the board to regulate the speed of investigation, available investigative personnel, assignment of files, etc. The Guiding Principles set forth

benchmarks the help facilitate the speedy handling of complaints. Regardless of the timing of individual steps throughout the process (perhaps a board takes longer than the benchmark of 10 days to assign an investigator but completes investigations in less than the benchmark of 180 days), the ultimate objective of this principle is that (1) matters will be resolved in 540 days or less from the initiation of the complaint. Parties recognize that matters which are pending before other agencies or involved in civil litigation, or complex matters involving large firms or multiple parties may still fall outside this goal of 540 days due to the circumstances of the particular case.

2. Enforcement Resources to Adequately Staff Investigations

Boards typically either have one or more investigators dedicated to the board, utilize an investigator from an investigative pool provided by an umbrella agency, or utilize board staff or personnel to investigate complaints. Any of these methods may provide adequate resources to investigate complaints in a timely and knowledgeable manner. (1) As a measurement, if a board is able to meet the 540 day disposition benchmark in Principle #1, then the board is adequately staffed with sufficient personnel to timely conduct the investigations. Otherwise, the investigation process would bottleneck the disposition of cases. (2) Regarding qualification and training of investigators, those boards utilizing a designated investigator or personnel from an investigative pool would have sufficient investigative training to satisfy their particular board. Likewise, this principle can be satisfied by the performance of investigations by board members who can additionally provide particular subject matter expertise. (3) Boards should have access (through use of board members, contract hire, or other means) to subject matter experts to advise or testify as needed. (4) Boards should be able to access funds in order to prosecute a case against a big firm.

3. Case Management

The primary goal of this Principle is to determine that the board has (1) a case management process in place which allows staff to handle those complaints that can be dealt with administratively, if the Board is authorized to do so, and creates a process for efficient management of practice complaints through investigation, settlement, disciplinary hearings, etc. Again, the time management goal of 540 days in Principle #1 is an indicator that a board's case management system is meeting this criteria. (2) In addition, the case management process should also allow the board to prioritize those cases with the greatest potential for harm, if prioritization is required due to larger caseloads. (3) Boards should also consider discipline from other agencies as a basis for possible discipline by the board. (4) If probation is utilized, then the terms of the probation agreement should be monitored.

4. Disciplinary Guidelines

The disciplinary process of each board should consider offenses and appropriate penalties. (1) Boards may have written disciplinary guidelines and/or may utilize historical knowledge of the disciplinary history of the board to ensure consistency in disciplinary decisions. (2) Penalties may be escalated, reduced, or combined with other penalties or remedial measures depending on the board's

consideration of relevant mitigating or aggravating factors. Penalties can include revocation, suspension/probation, monetary fine/penalty, and remediation.

5. Internet Disclosures

The goal of internet disclosures is to provide sufficient information to allow the public to make an informed decision regarding the employment of a specific CPA. Consumers should be able to ascertain whether or not a CPA has an active license and whether the CPA has been disciplined by a particular board of accountancy. Because public records laws vary among jurisdictions, states should be least provide sufficient information that a consumer can readily determine if any regulatory “flags” exist that warrant further investigation by the consumer. This Principle can be satisfied by (1) disciplinary data being reflected on the board’s web site or (2) by the board providing disciplinary flags to be displayed in CPAverify.

GUIDING PRINCIPLES EVALUATION - as of 6/13/16

JURISDICTION	SE	SE w/o DISC FLAG	UNDETERMINED
Alabama		X	
Alaska			X
Arizona	X		
Arkansas	X		
California	X		
Colorado	X		
Connecticut	X		
CNMI		X	
Delaware			X
D.C.			X
Florida	X		
Georgia			X
Guam	X		
Hawaii	X		
Idaho	X		
Illinois	X		
Indiana	X		
Iowa	X		
Kansas	X		
Kentucky	X		
Louisiana	X		
Maine			X
Maryland		X	
Mass.	X		
Michigan	X		
Minnesota	X		
Mississippi		X	
Missouri	X		
Montana	X		
Nebraska	X		
Nevada	X		
New Hampshire		X	
New Jersey	X		
New Mexico		X	
New York	X		
North Carolina	X		
North Dakota	X		
Ohio	X		
Oklahoma	X		
Oregon	X		
Pennsylvania	X		
Puerto Rico			X
Rhode Island	X		

South Carolina		X	
South Dakota		X	
Tennessee		X	
Texas	X		
Utah			X
Vermont	X		
Virgin Islands			X
Virginia		X	
Washington	X		
West Virginia			X
Wisconsin	X		
Wyoming	X		
	36	10	9



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



MSG Item VI.
July 21, 2016

CBA Item IX.D.6.
July 21-22, 2016

Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify

Presented by: Nooshin Movassaghi, Legislative Analyst

Purpose of the Item

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to discuss the National Association of State Boards of Accountancy's (NASBA) recent activities and CPAVerify.

Consumer Protection Objectives

To ensure transparency and allow for input from stakeholders, including consumers.

Action(s) Needed

No specific action is required on this agenda item.

Background

At its November 2014 meeting, the MSG requested that NASBA activities and CPAVerify be added as a standing agenda item to allow for ongoing discussion.

The Accountancy Licensing Database (ALD) is a national database of certified public accountant license information. Only the CBA and other state boards of accountancy have direct access to ALD. CPAVerify is the public website that conveys information contained in the ALD database. If information is not available in ALD, it is not available on CPAVerify. The CBA maintains a link to CPAVerify on its website for the use of consumers and other stakeholders.

Comments

At this time, there are 51 jurisdictions participating in ALD and CPAVerify. At the January 2016 meeting, NASBA announced that Michigan was added to the list of participating jurisdictions. NASBA continues its efforts to bring the remaining four onto the system. These four jurisdictions are Delaware, Hawaii, Utah, and Wisconsin. It is anticipated Wisconsin will begin participating in the ALD by the end of the year.

NASBA's Eastern Regional Meeting was held on June 7-9, 2016 in Asheville, North Carolina. Its Western Regional Meeting was held on June 22-24, 2016 in Denver,

Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify

Page 2 of 2

Colorado. CBA President Katrina L. Salazar, CPA attended both regional meetings and did a joint presentation with Stacey Grooms, Manager of Regulatory Affairs for NASBA, on the CBA's comparison of other states' enforcement programs to the NASBA Guiding Principles of Enforcement.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

None.

**DEPARTMENT OF CONSUMER AFFAIRS**

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



MSG Item VII.
July 21, 2016

CBA Item IX.D.7.
July 21-22, 2016

Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting

Presented by: Nooshin Movassaghi, Legislative Analyst

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).

Consumer Protection Objective

To ensure transparency and allow for input from stakeholders, including consumers regarding upcoming MSG Agenda Items.

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

The following topics are being proposed for consideration when determining the agenda for the next MSG meeting:

- Discussion and possible action regarding the final findings made by National Association of State Boards of Accountancy (NASBA) in comparing other states to NASBA’s Guiding Principles of Enforcement.
- Discussion regarding information needed to assist the CBA in making the determinations from states not found by the CBA to be substantially equivalent to the NASBA Guiding Principles of Enforcement.

The MSG may wish to accept, alter, or add to these suggestions based on the direction in which it wishes to proceed.

Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting

Page 2 of 2

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachment

None.



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



CBA Item X.A.
 July 21-22, 2016

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

MINUTES OF THE
May 19-20, 2016
CBA MEETING

DRAFT

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

Roll Call and Call to Order.

California Board of Accountancy (CBA) President Katrina Salazar called the meeting to order at 9:00 a.m. on Thursday, May 19, 2016 at the Hilton Los Angeles Airport. The CBA convened into closed session from 10:29 a.m. until 10:48 a.m. Open session reconvened at 10:50 a.m. The CBA convened into closed session at 11:34 a.m. until 12:08 p.m. Open session reconvened at 12:13 p.m. The CBA convened into closed session from 12:43 p.m. until 12:52 p.m. The CBA recessed at 2:02 p.m. to conduct committee meetings. The CBA reconvened from 4:52 p.m. until 5:00 p.m. The CBA reconvened into open session on Friday, May 20, 2016 at 9:03 a.m. The meeting convened into closed session at 11:07 a.m. The meeting reconvened into open session at 12:34 p.m. President Salazar adjourned the meeting at 12:35 p.m.

CBA Members

May 19, 2016

Katrina L. Salazar, CPA, President	9:00 a.m. to 5:00 p.m.
Alicia Berhow, Vice-President	9:00 a.m. to 5:00 p.m.
Michael M. Savoy, CPA, Secretary/Treasurer	9:00 a.m. to 5:00 p.m.
Jose A. Campos, CPA	9:00 a.m. to 5:00 p.m.
Herschel Elkins, Esq.	9:00 a.m. to 5:00 p.m.
George Famalett, CPA	Absent
Karriann Farrell Hinds, Esq.	9:00 a.m. to 5:00 p.m.
Laurence (Larry) Kaplan	9:03 a.m. to 5:00 p.m.
Kay Ko	9:00 a.m. to 5:00 p.m.

Leslie LaManna, CPA	9:00 a.m. to 5:00 p.m.
Xochitl León	9:00 a.m. to 5:00 p.m.
Jian Ou-Yang, CPA	9:00 a.m. to 5:00 p.m.
Deidre Robinson	9:00 a.m. to 5:00 p.m.
Mark Silverman, Esq.	9:00 a.m. to 5:00 p.m.
Kathleen Wright, CPA	9:00 a.m. to 5:00 p.m.

CBA Members

May 20, 2016

Katrina L. Salazar, CPA, President	9:03 a.m. to 12:35 p.m.
Alicia Berhow, Vice-President	9:03 a.m. to 12:35 p.m.
Michael M. Savoy, CPA, Secretary/Treasurer	9:03 a.m. to 12:35 p.m.
Jose A. Campos, CPA	9:03 a.m. to 12:35 p.m.
Herschel Elkins, Esq.	9:03 a.m. to 12:35 p.m.
George Famalett, CPA	Absent
Karriann Farrell Hinds, Esq.	9:03 a.m. to 12:35 p.m.
Laurence (Larry) Kaplan	9:03 a.m. to 12:35 p.m.
Kay Ko	9:03 a.m. to 12:35 p.m.
Leslie LaManna, CPA	Absent
Xochitl León	9:03 a.m. to 12:35 p.m.
Jian Ou-Yang, CPA	9:03 a.m. to 12:35 p.m.
Deidre Robinson	9:03 a.m. to 12:35 p.m.
Mark Silverman, Esq.	9:03 a.m. to 12:35 p.m.
Kathleen Wright, CPA	9:03 a.m. to 12:35 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer
 Rich Andres, Information Technology Staff
 Dorothy Osgood, Supervising ICPA
 Dominic Franzella, Chief, Enforcement Division
 Nooshin Movassaghi, Legislative Analyst
 Corey Riordan, Board Relations Analyst
 Rebecca Reed, Board Relations Analyst
 Gina Sanchez, Chief, Licensing Division
 Matthew Stanley Information and Planning Officer
 Kristy Schieldge, Legal Counsel, DCA
 Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)

Committee Chairs and Members

Robert Lee, CPA, Chair, Peer Review Oversight Committee
 Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee

Other Participants

Jason Fox, California Society of Certified Public Accountants
Jon Ross, KP Public Affairs
Pilar Oñate-Quintana, The Oñate Group
Joseph Petito, The Accountants Coalition

I. Petition Hearings.

A. Vispi B. Shroff – Petition for Reinstatement of Revoked Certificate No. 49525.

The CBA heard Mr. Shroff's petition for reinstatement of revoked certificate.

B. Inger A. Sullenger – Petition for Termination of Probation of Certificate No. 88971.

The CBA heard Ms. Sullenger's petition for termination of probation.

C. Troy M. Christiansen – Petition for Reduction of Penalty of Certificate No. 125158.

The CBA heard Mr. Christiansen's petition for reduction of penalty.

D. Closed Session. Pursuant to Government Code section 11126(c)(3), the California Board of Accountancy convened into closed session to deliberate on disciplinary matters (Petitions for Reinstatement of Revoked Certificate, Termination of Probation, and Reduction of Penalty).

II. Report of the President.

A. Discussion Regarding the California Board of Accountancy's Webcast and Closed Captioning of its Meetings.

President Salazar stated that beginning with this meeting, the CBA meeting webcasts will include closed captioning. Additional information on the closed captioning can be located on the CBA's website.

Mr. Campos inquired if the CBA meetings were going to include closed captioning for past CBA meetings. Ms. Bowers stated that under the Americans with Disabilities Act that State Agencies may be required to provide closed captioning of public meetings. Ms. Bowers stated that it was the recommendation of the DCA Legal Office that the CBA begin closed captioning, but the CBA has yet to receive clarification on whether closed captioning will need to include prior meetings. Ms. Schieldge stated that it was her recommendation to include closed captioning and that she cannot state what the DCA opinion will be on the closed captioning. Mr. Campos stated that he did not see a benefit to the cost of including closed captioning for prior meetings.

B. Update on the California Board of Accountancy's Communication and Outreach.

President Salazar stated that Vice-President Berhow conducted two successful outreach events at the University of Southern California and California State University (CSU) Fullerton. It was requested by CSU Fullerton that the CBA return in the Fall to conduct another outreach event.

President Salazar reported that the CBA participated in a Financial Literacy Fair sponsored by the Department of Business Oversight and that Ms. Berhow conducted a presentation on the renewal process at Accounting Day 2016 in San Diego.

President Salazar stated that a future outreach event will be conducted with the California Society of CPAs for potential licensees to be held at the University of California Davis. Further, the CBA will be participating in Golden Gate University's Braden Leadership Speaker Series.

President Salazar stated she has been invited by the National Association of State Boards of Accountancy to speak at the both the Eastern and Western regional meetings.

President Salazar stated that the CBA has launched their new website.

1. Communication on the Release of the Next Version of the Uniform Certified Public Accountant Examination.

Mr. Stanley stated on April 4, 2016 the American Institute of Certified Public Accountants (AICPA) announced that the next version of the Uniform CPA examination (CPA Exam) will be released on April 1, 2017. Mr. Stanley stated at this time there will be no regulatory changes needed to implement the next version of the CPA Exam. Mr. Stanley stated that to be sure all examination applicants and potential examination applicants are made aware of the changes in the examination, the CBA has placed frequently asked questions on the website developed by the AICPA, an E-News notification was sent out to all subscribers that are interested in examination information notifying them that the information was available, and a weeklong social media campaign was launched with new postings on Facebook, Twitter and LinkedIn. These postings were directly viewed by more than 5,750 people. Mr. Stanley stated that three of the tweets were listed on the Great California Government Tweets website that ranks the daily governmental tweets from California state entities. Further, he stated the CBA has also incorporated the new examination material into its outreach material directed to students and an article has been prepared for the next Update publication.

- C. Developments since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

Ms. Schieldge stated that there is nothing new to report on this item.

- D. Discussion on the California Little Hoover Commission Hearings Regarding Occupational Licensing.

Mr. Stanley stated that staff attended the second hearing that was held in Culver City on March 30, 2016. The Commission heard from the following speakers: Jane Schroeder of the California Nurses Association, Myra Reedy of the Professional Beauty Association, Deborah Davis of Deborah Davis Design, Michelle Rodriguez of the National Employment Law Project, CT Turney of A New Way of Life Reentry Project, Dr. Jose Fernandez-Pena, Dr. Laurie Crehan, Tracy Rhine, and Chief Deputy Director of the Department of Consumer Affairs.

Mr. Stanley stated that after the hearing, staff reached out to the Little Hoover Commission to determine when the final report would be published. The staff at the Commission stated that they are currently unsure of the time frame and stated that it will depend on how the Commission decides to proceed.

- E. Department of Consumer Affairs Director's Report on Departmental Activities.

There was no report on this agenda item.

III. Report of the Vice-President.

- A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

It was moved by Ms. Salazar and seconded by Mr. Elkins to reappoint Joseph Rosenbaum to the Enforcement Advisory Committee (EAC) effective June 1, 2016 through May 31, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. Leon, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Famalett and Ms. LaManna.

- B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

It was moved by Ms. Hinds and seconded by Mr. Campos to reappoint Casandra Moore-Hudnall, Nasi Raissian, and Kimberly Sugiyama to the Qualifications Committee (QC) effective June 1, 2016 through May 31, 2018.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. Leon, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Famalett and Ms. LaManna.

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report for this agenda item.

IV. Report of the Secretary/Treasurer.

- A. Fiscal Year 2015-16 Third Quarter Financial Statement and Governor's Budget.

Mr. Savoy provided an overview of the agenda item. Mr. Savoy stated that the Fiscal Year (FY) 2016-17 proposed budget is currently \$14,833,000. He noted that the revenues for the current year have decreased; however, revenues will significantly increase in FY 2016-17 as a result of the CBA's fee reduction concluding. Mr. Savoy stated that the CBA enforcement costs have increased due to the increased number of investigations that the CBA is able to complete with its increased staffing resources. Mr. Savoy noted that the CBA is scheduled to receive repayment of loans made to the General Fund, with \$10 million in FY 2015-16 and \$21 million in FY 2016-17, pending the Governor's approval of the budget. Lastly, Mr. Savoy noted that the CBA will receive two additional clerical positions, if the request is approved by the legislature and the Governor.

Ms. Wright inquired if Enforcement's expenditure increase is taken into account when determining reimbursement costs as part of a settlement.

Mr. Savoy indicated that negotiations are part of the settlement process and each settlement is considered on a case-by-case basis.

Ms. Hinds questioned why the investigative costs are increasing, but some enforcement positions are being eliminated.

Ms. Bowers stated that positions can be permanent positions or limited term positions, which can be a maximum of three years. The Enforcement Division has 11 limited term positions that will be expiring.

Ms. Hinds inquired what the impact will be on the Enforcement Division when the limited term positions are terminated.

Ms. Bowers stated that when the CBA is unable to obtain staffing positions through the Budget Change Proposal process, then internal adjustments are made with staffing. Recently the CBA redirected ten staff members to the Enforcement Division.

V. Report of the Executive Officer.

A. Update on the Relocation of the California Board Accountancy's Office.

Ms. Bowers stated that the previously identified location is no longer an option. Beginning next month the CBA will restart the process to obtain a new building location.

B. Update on Staffing.

Ms. Bowers stated that Corey Riordan, Board Relations Analyst, has accepted a position with the Enforcement Division and Rebecca Reed is the new Board Relations Analyst.

C. Discussion Regarding Conducting California Board of Accountancy Meetings at Colleges and Universities.

Ms. Bowers gave an overview of this agenda item. Ms. Bowers stated that four of the college and university locations stated that the CBA will need to sign their contract. DCA has its own contract which includes language that protects the interest of the State and DCA has advised the CBA that we are prohibited in signing any rental contracts outside of DCA's approved contract.

Ms. Bowers stated that the California State University Sacramento does have space available for the CBA's January 2017 meeting date and the university is willing to sign DCA's contract, if the CBA is willing to change the January meeting to this Northern California location.

Mr. Elkins stated that he believed the issue with securing Northern California meeting locations was that hotel accommodations could not be secured.

Ms. Bowers stated that there are two separate issues. The first issue is the difficulty in finding Northern California meetings locations and the second issue is the difficulty in securing a hotel that will offer the state rate.

Ms. Wright inquired if the meeting room rates at college campuses were going to be less expensive than meeting room locations at hotels.

Ms. Bowers stated that the college campus rates are generally higher than the locations that we find at hotels.

Mr. Kaplan inquired if the Northern California November meeting will be in Sacramento or the Bay Area.

Ms. Bowers stated that November meeting will be held in Sacramento.

Mr. Campos stated that he does not think it would be beneficial to hold future meetings at a college campus.

Ms. Hinds stated that it might be beneficial in the future to hold a meeting at a college campus, in conjunction with an outreach event, otherwise it is not cost effective to hold the meetings at a college campus.

President Salazar stated that should the environment change, the CBA can revisit the option of holding meetings on college campuses and at this time the staff can discontinue the search to secure a meeting space at college campuses.

D. Discussion Regarding the Option of Changing the July 2016 California Board of Accountancy Meeting to Two Days.

Ms. Bowers stated that staff recommended that the CBA delegate to the President the authority to change the July one-day meeting to a two-day meeting, if a second day is needed to accomplish CBA business. An assessment will be made following the May meeting and in consultation with the President, a determination will be made.

Mr. Elkins suggested to move future July meetings back to a two-day meeting and then the meeting can be changed to a one-day meeting as needed.

It was moved by Mr. Savoy and seconded by Mr. Silverman to delegate to the President the authority to change the July meeting from a one-day meeting to a two-day meeting, if needed, to accomplish board business.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. Leon, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Famalett and Ms. LaManna.

E. Discussion Regarding the American Institute of Certified Public Accountants' Paper Regarding the Proposed Evolution of Peer Review Administration.

Mr. Franzella reported that the AICPA released a paper titled *Proposed Evolution of Peer Review Administration* in February 2016. Staff completed a preliminary review of the paper and noticed that one of the primary takeaways was the reduction of administering entities the AICPA uses to administer its program. Mr. Franzella stated that presently there are approximately 40 administering entities and this proposal considers reducing the number to eight to 10. Staff contacted the AICPA regarding the feedback period associated with the paper and was informed by the AICPA that this was the first of two papers regarding the evolution of peer review administration. The AICPA noted that the paper and the topic of evolution of peer review administration will be a discussion topic at the NASBA June Regional Meetings. The AICPA stated that based on feedback received from the NASBA meetings, the AICPA will prepare a second paper seeking input from the various boards of accountancy. Mr. Franzella stated that staff has reached out to the AICPA regarding when the comment period would be for this second paper so the CBA would have an opportunity to comment on this paper.

Mr. Franzella stated staff would like the CBA to authorize staff to work with a sub-committee of the Peer Review Oversight Committee (PROC) and continue to monitor when the feedback period would be from the release of the second paper.

Mr. Elkins inquired if there is any rule in place that requires the licensee to inform the peer reviewer of all of the different types of audits that the licensee completes.

Mr. Franzella stated that the CBA has minimum requirements for the peer review program and that the AICPA meets those requirements. Also embedded within the AICPA program is the requirement related to providing the types of engagements that were performed.

Mr. Elkins inquired if it is a violation if the CPA does not inform the peer reviewer of all of the types of engagements that were performed by the CPA.

Mr. Lee, Chair of the PROC, stated that it is a violation of AICPA's Ethics Standards if the CPA does not provide the entire scope of work that the CPA is performing for the peer review process. If the entire scope of work is not provided, the CPA would be called in front of the Ethics Standards Committee and also the CPA would be referred to the CBA's Enforcement Division.

Mr. Campos inquired if there is anything in the AICPA's Evolution Paper that covers employee benefit plans.

Mr. Franzella stated that he was not aware of anything that covers employee benefit plan and he is unaware of what the second paper will focus on other than the AICPA seeking input from the various boards of accountancy, based on feedback received from NABSA's June Regional Meetings.

Mr. Elkins suggested that this could be an outreach opportunity to inform the CPAs that they are required to inform peer reviewers of their entire scope of work.

Ms. Robinson inquired on what qualifications or criteria is required for peer reviewers.

Mr. Lee stated that qualified peer reviewers are required to attend educational courses to be on a peer review team. From there the peer reviewer can work their way up to a team captain position. Also the peer reviewer goes through a vetting process through the California Society of CPAs.

Ms. Robinson inquired if there are any type requirements or reviews after a peer reviewer becomes a team captain.

Mr. Lee stated that the California Society of CPAs maintains an analysis and an ongoing review of peer reviewers.

Mr. Campos inquired if there was anything in AICPA's paper that Mr. Lee thought would require evaluation or comment from the CBA or the PROC at this point.

Mr. Franzella stated that the approval from the CBA of a subcommittee would allow a more in-depth review of the paper.

It was moved by Ms. Robinson and seconded by Mr. Silverman to form a subcommittee of the Peer Review Oversight Committee to review the American Institute of Certified Public Accountants proposal.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. Leon, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Famalett and Ms. LaManna.

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

A. Enforcement Advisory Committee.

1. Report of the May 5, 2016, Enforcement Advisory Committee Meeting.

Mr. Rosenbaum reported that members of the Enforcement Advisory Committee welcomed their newest member, Mr. Nicholas Antonian.

Mr. Rosenbaum stated that in closed session the Enforcement Advisory Committee reviewed four open cases, reviewed one closed case and conducted five investigative hearings.

B. Qualifications Committee.

There was no report on this agenda item.

C. Peer Review Oversight Committee.

1. Report of the May 6, 2016 Peer Review Oversight Committee Meeting.

Mr. Lee reported that the PROC discussed the changes to the AICPA's peer review standards for qualifications and standards for peer reviewers that became effective on May 1, 2016. He stated that the committee, with the two new members, discussed the history of how the PROC has developed its checklist and processes for reviewing an administrative entity and to make sure the checklists are up to date. An update was also provided on members activities on discussions for various oversight activities. The committee also discussed the NASBA Compliance Assurance Committee Oversight report on the AICPA's National Peer Review Committee which was issued on February 29, 2016, in which the committee discussed the NASBA's response to the AICPA exposure draft which proposed changes to the AICPA standards for performing and reporting on peer reviews.

VII. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of the Enforcement Activity Report. He stated that the CBA received 2,028 complaints for the FY 2015-16 as of March 31, 2016, of which 1,662 of the complaints were from internal referrals. Mr. Franzella stated that an internal complaint also includes complaints that are received from the Securities and Exchange Commission, the Department of Labor and other outside governmental agencies.

Mr. Elkins stated that it would be more helpful if the Enforcement Division reported on the previous fiscal year's first nine months, with this fiscal year's first nine months since the figures reported in the Enforcement Activity Report covered the entire fiscal year for the fiscal years of 2013-14 and 2014-15. This

would enable the CBA to have a better overview of the figures. Mr. Franzella stated that the PROC will be examining its enforcement reporting to the CBA and will take this into account.

Mr. Franzella reported that there are currently 73 cases open that are older than 24 months and have closed 36 cases this fiscal year that are older than 24 months. Mr. Franzella reported that 88 cases have been referred to the Attorney General's office. Mr. Franzella also reported there have been 218 citations issued this fiscal year. There are 102 licensees on probation.

Ms. Wright inquired about the decline in the average of fines to fiscal year compared to the previous two fiscal years.

Mr. Franzella stated that for FY 2012-13 and 2013-14 the number of citations were substantially greater due to individuals failure to report peer review information to the CBA. The CBA generated a mass citation mail out which decreased the issuance timeframe. In FY 2014-15, the CBA no longer generated that volume of citations.

Mr. Kaplan inquired about the interim suspension order that can now be granted by the Enforcement Division and how it is obtained.

Mr. Franzella stated that Business and Professions Code section 494 authorizes the CBA to seek an interim suspension order and an Administrative Law Judge can issue the order.

Mr. Campos inquired on the amount of non-response to the retroactive fingerprinting requirement that the CBA has pending.

Mr. Franzella stated that the number is low. The CBA is reviewing licensees that have not responded to the Criminal Offender Record Information Unit to determine if there is a need to file accusations against these licensees.

Ms. Hinds stated that she would like the Enforcement Division to keep the CBA informed of the impact of consumer complaints and the length of time it would take the division to respond to these complaints so the CBA can be informed if the reduction in staff is having an impact on the public.

Mr. Franzella stated that he would keep the CBA informed of the impact that the reduction in staff is having on enforcement time frames.

Ms. Bowers stated that in addition to the reporting of the Enforcement Division and the impact that the reduction in staff will have in the processing of complaints, Ms. Sanchez will be reporting on the time frame for processing licensing applications as the CBA adjusts their internal priorities and staff is redirected to the Enforcement Division and the impact that will have on the Licensing Division.

Mr. Campos stated he would like to make sure there is balance in the reports regarding the impact that the units have experienced with the redirection of staff to the Enforcement Division.

VIII. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Sanchez stated that the Licensing Division have reported their target processing time frames to the legislature in accordance with the 2016-17 Governor's Budget.

Ms. Sanchez stated that the Initial Licensing Unit is continuing to participate in outreach events. She also reported that 2,735 applications for CPA licensure have been approved in FY 2015-16. This number has surpassed the number of licenses issued than were issued in the previous year. Ms. Sanchez stated that the Initial Licensing Unit is continuing to meet the 30-day time frames.

Ms. Sanchez stated that the NASBA Performance Summary identifies California's candidate performance of the CPA Exam, which includes overall and section performance, the passing percentage and demographics. The second page of the report includes the same performance measures for all jurisdictions for comparison.

Mr. Elkins inquired about the significant increase in the amount of licenses that have been issued this fiscal year.

Ms. Sanchez stated that the increase was due to the changes in the educational requirements.

Ms. Berhow inquired how often a repeat candidate takes the CPA Exam.

Ms. Sanchez stated that it varies from candidate to candidate, but mostly it is due to a first time exam candidate not sitting for all four sections of the CPA Exam at one time.

Ms. Leon inquired if a CPA has retired status, can that CPA still practice.

Ms. Sanchez stated that even though retired CPAs are still considered a licensed CPA, they cannot practice without an active license. Ms. Sanchez stated that she will start reporting the number of active, inactive, and retired licensees on the Licensing Activity Report.

IX. Committee Reports.

A. Committee on Professional Conduct.

1. Report of the May 19, 2016 Committee on Professional Conduct Meeting.
2. Discussion and Possible Action to Consider California Board of Accountancy Policy Objectives Resulting from the United States Department of Labor's Review of Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Security Act of 1974.

Ms. Ko reported that members discussed the Department of Labor (DOL) recommendations, which focused on enforcement, regulation/legislation, and outreach and various options on how the CBA may proceed. Ms. Ko stated that the Committee on Professional Conduct directed staff to communicate the DOL's findings through various outreach methods including writing an Update article highlighting the DOL's key recommendations and inform licensees via social media update and the CBA's website, linking existing California Society of CPAs, the NASBA and the AICPA resources.

Ms. Wright suggested that the CBA review specialized CE for licensees that perform audits and additionally for tax preparers, as both are complex areas of practice.

President Salazar stated that the committee requested that staff bring information on what other states are doing for continuing education to the committee for action, at which time the CBA may discuss potentially enhancing CE requirements.

B. Enforcement Program Oversight Committee.

1. Report of the May 19, 2016 Enforcement Program Oversight Committee Meeting.
2. Revision Schedule for the Disciplinary Guidelines and Model Orders.

This agenda item was a written report only and no comments were received.

3. Discussion and Possible Action Regarding Review of Proposed Changes to the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98).

Ms. Wright reported that staff provided an overview of various proposed changes to the Disciplinary Guidelines for the CBA's consideration. Staff also reviewed recent law changes, the mitigation, rehabilitation guidelines, and the standard and optional terms and conditions of probation for possible modifications. Ms. Wright reported that staff noted the most significant changes being proposed related to rehabilitation criteria and the inclusion of a new section titled Rehabilitation Evidence.

The EPOC recommended that the CBA approve the changes to the Disciplinary Guidelines and Model Orders offered by staff with the exception of requesting that staff bring back new language to amend the Rehabilitation Evidence section to be discussed at the July meeting.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. Leon, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: Mr. Silverman.

Absent: Mr. Famalett and Ms. LaManna.

C. Legislative Committee.

1. Report of the May 19, 2016 Legislative Committee Meeting.
2. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position or is Monitoring.
 - A. Recommendation to Maintain the California Board of Accountancy's Current Position (Assembly Bill (AB) 507, AB 1566, AB 1707, AB 1939, AB 2560, AB 2859, Assembly Concurrent Resolution (ACR) 131, Senate Bill (SB) 1251, SB 1348, SB 1155, SB 1445, and SB 1479).
 - B. Recommendation of Possible Action to Change the California Board of Accountancy's Position on AB 2853.

The LC recommended that the CBA take a Support if Amended position on AB 2853, amend the language to state "However, if after the agency refers the person to the Internet Web site, the person requesting the record requests a copy of the record due to an inability to access or reproduce the public record from the Internet Web site, the agency shall within 10 days notify the person of the availability of the public record and make the record promptly available upon payment of fees pursuant to subdivision (b).."

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. Leon, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Famalett and Ms. LaManna.

- C. Bills Being Monitored by the California Board of Accountancy (Assembly Bill (AB) 1868, AB 1887, AB 1949, AB 2421, AB 2423, AB 2701, AB 2843, Senate Bill (SB) 1130, SB 1195, SB 1444, and SB 1448). Ms. Robinson reported that staff will be monitoring the bills, as most are currently spot bills, which may have potential implications on the CBA.

3. Consideration of Positions on Newly Included Legislation.

- A. Senate Bill (SB) 1195 – Professions and vocations: board actions: competitive impact.

Ms. Robinson reported that SB 1195 would grant authority to the Director of the DCA to review a decision of a board within the DCA to determine whether it unreasonably restrains trade. Also SB 1195 would grant the Director the authority to approve, disapprove, or modify the board decision or action, as specified. Ms. Robinson reported that SB 1195 would require a public entity to pay judgment or settlement for treble damage antitrust awards against a member of a regulatory board for an act or omission occurring within the scope of his or her employment as a member of a regulatory board.

Ms. Wright inquired if the Director has ever objected to a regulation or any other action of the CBA.

Ms. Bowers stated that to her knowledge, the Director has never objected to an order of regulation.

Ms. Berhow stated that she would like to take a stronger position on this bill.

President Salazar inquired if there is any scheduled legislation with this bill before the July CBA meeting.

Ms. Bowers stated that there may be amendments to the language on this bill, but the CBA would have an opportunity to change its position in July.

Mr. Fox, from the California Society of CPAs, stated that the California Society of CPAs will continue to work with author and other stakeholders on SB 1195.

The LC recommended that the CBA take a watch position on SB 1195.

Yes: Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. Leon, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: Ms. Berhow.

Abstain: None.

Absent: Mr. Famalett and Ms. LaManna.

D. Mobility Stakeholder Group.

1. Report of the May 19, 2016 Mobility Stakeholder Group Meeting.
2. Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives.

This agenda item was a written report only and no comments were received.

3. Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21.

Mr. Campos stated that staff reported that the actions being taken by the Mobility Stakeholders Group are consistent with the prior timeline that had been established.

4. Discussion Regarding the Assessment of the National Association of State Boards of Accountancy's Process for Evaluating and Information Gathered Regarding Washington's and Arizona's Accountancy Board Operations.

Mr. Campos reported that staff presented the preliminary assessment of the National Association of State Boards of Accountancy's information regarding Arizona and Washington's enforcement practices to the committee. Based on the results of the assessment and the verification of states' websites with disciplinary information, staff was satisfied with the National Association of State Boards of Accountancy's identification of Arizona and Washington being substantially equivalent.

5. Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c).

Mr. Campos stated that staff reported that the National Association of State Boards of Accountancy now identifies 32 jurisdictions as substantially equivalent to the Guiding Principles of Enforcement. Staff recommended an assessment of six more states based on geography, licensee population, and number of practice privilege holders under the prior program.

The MSG recommended that the CBA's population of jurisdictions to evaluate be set at 43, staff assess seven states, equaling 15 percent of the 43 states which have been identified by the National Association of State Boards of Accountancy as substantially equivalent, using the same procedures that were used for the preliminary assessment of Arizona and Washington and report results at the July 2016 meeting, and continue to monitor the undetermined states.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. Leon, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, Mr. Silverman and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Famalett and Ms. LaManna.

6. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.

Mr. Campos reported that the NASBA's Eastern Regional Meeting will be held on June 7-9, 2016 in Ashville, North Carolina and its Western Regional Meeting will be held on June 22-24, 2016 in Denver, Colorado.

7. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

Mr. Campos reported that the topics for the next meeting will be to further discuss the progress made in comparing states to the NASBA's Guiding Principles of Enforcement and have staff determine whether any other jurisdictions are questioning California's substantial equivalency.

X. Acceptance of Minutes.

- A. Minutes of the March 17-18, 2016 California Board of Accountancy Meeting.
- B. Minutes of the March 17, 2016 Committee on Professional Conduct Meeting.
- C. Minutes of the March 17, 2016 Legislative Committee Meeting.
- D. Minutes of the March 17, 2015 Enforcement Program Oversight Committee Meeting.
- E. Minutes of the March 17, 2016 Mobility Stakeholder Group Meeting.

It was moved by Ms. Berhow and seconded by Ms. Robinson to approve agenda items XI.A – IX.E, with the amendment to reflect Ms. Hinds name as Ms. Hinds and not Ms. Farrell Hinds.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Ms. Hinds, Mr. Kaplan, Ms. Ko, Mr. Ou-Yang, Ms. Robinson, Ms. Salazar, Mr. Savoy, and Ms. Wright.

No: None.

Abstain: Ms. Leon and Mr. Silverman.

Absent: Mr. Famalett and Ms. LaManna.

XI. Other Business.

A. American Institute of Certified Public Accountants.

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

There was no report on this agenda item.

B. National Association of State Boards of Accountancy.

1. Report on Public Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Representative.

There was no report on this agenda item.

XII. Closing Business.

A. Public Comments.

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

Mr. Kaplan stated that he would like the CBA to form a committee or study group to look at issues related to the disciplinary process; including evaluating criteria for discipline in cases of infractions related to non-license issues and to explore ways to provide support to respondents so they know their rights in the disciplinary process.

Ms. Wright inquired if the CBA could reconsider the provision of tolling of probationers that are out-of-state residents.

President Salazar stated that she would like to start with education for the CBA rather than a change in the tolling requirements.

Ms. Hinds suggested that the EPOC have a discussion on tolling at the next committee meeting and report back to the CBA.

Ms. Wright stated she would like the board to consider reviewing areas of practice where the CBA has specialized continuing education requirements.

XIII. Closed Session.

- A. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).
- B. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Met In Closed Session to Receive Advice from Legal Counsel on Litigation (David Greenberg v. California Board of Accountancy, Los Angeles County Superior Court, Case No. BS155045; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809799-CU-WM-CJC.; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809802-CU-WM-CJC.; and David Greenberg v. Erin Sunseri, et al., U.S. District Court, Southern District of Florida, Case No. 15-CV-80624.).

President Salazar adjourned the meeting at 12:35 p.m. on Friday, May 20, 2016.

Katrina L. Salazar, CPA, President

Michael M. Savoy, CPA, Secretary/
Treasurer

Rebecca Reed, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.

**DEPARTMENT OF CONSUMER AFFAIRS**

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



CPC Item I.
 July 21, 2016

CBA Item X.B.
 July 21-22, 2016

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

MINUTES OF THE
May 19, 2016
COMMITTEE ON PROFESSIONAL CONDUCT (CPC) MEETING

DRAFT

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

Leslie LaManna, CPA, Chair, called the meeting of the CPC to order at 4:12 p.m. on Thursday, May 19, 2016 at the Hilton Los Angeles Airport. Ms. LaManna requested that the roll be called.

CPC Members

Leslie LaManna, CPA, Chair	Present
Jose A. Campos, CPA	Present
Herschel Elkins, Esq.	Present
Kay Ko	Present
Jian Ou-Yang, CPA	Present
Deidre Robinson	Present
Mark Silverman, Esq.	Present

CBA Members Observing

Katrina L. Salazar, CPA, President
 Alicia Berhow
 Karriann Farrel Hinds, Esq.
 Larry Kaplan
 Xochitl León
 Kathleen Wright, Esq., CPA

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer

Rich Andres, Information Technology Staff
Dominic Franzella, Chief, Enforcement Division
Dorothy Osgood, Supervising Investigative CPA
Nooshin Movassaghi, Legislative Analyst
Rebecca Reed, Board Relations Analyst
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Information and Planning Officer

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)
Robert Lee, Chair, Peer Review Oversight Committee
Pilar Oñate-Quintana, The Onate Group
Joseph Rosenbaum, Chair, Enforcement Advisory Committee
Jon Ross, KP Public Affairs

- I. Approve Minutes of the March 17, 2016, CPC Meeting.

It was moved by Mr. Campos and seconded by Mr. Savoy to adopt the minutes of the March 17, 2016, CPC meeting.

Yes: Ms. LaManna, Mr. Campos, Ms. Ko, Mr. Ou-Yang, Ms. Robinson, and Mr. Silverman.

No: None.

Abstain: Mr. Elkins.

The motion passed.

- II. Discussion and Possible Action to Consider California Board of Accountancy Policy Objectives Resulting from the United States Department of Labor's Review of Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Security Act of 1974.

Mr. Stanley reported that in May 2015, the Department of Labor (DOL) Employee Benefit Security Administration published a report titled "Assessing the Quality of Employee Benefit Plan Audits." In the report, the DOL found that 39 percent of these audits contained major deficiencies with respect to one or more relevant generally accepted auditing standards requirements.

At the CBA's January and March 2016 meetings, the CBA heard presentations regarding this topic from:

- Jim Brackens, Vice-President of Ethics and Practice Quality, American Institute of Certified Public Accountants
- Maria Caldwell, Chief Legal Officer and Director of Compliance Services, National Association of State Boards of Accountancy
- Ian Dingwall, Chief Accountant, DOL

Mr. Stanley stated that the DOL report contained recommendations related to enforcement, regulation/legislation, and outreach. He outlined various options on how the CBA may proceed.

The CPC discussed outreach options including an UPDATE article highlighting DOL's key recommendations, social media, and using the CBA's website to link to existing CalCPA, National Associations of State Boards of Accountancy and American Institute of Certified Public Accountants resources.

Discussion among the committee members concluded that the next steps should be to find out more information about other states' continuing education requirements related to employee benefit plan audits, and bring recommendations for how California's continuing education might be modified.

Lastly the committees discussed adding a standing item to the CBA's enforcement report to incorporate the DOL referral information.

No action was taken on this item.

III. Public Comment

No public comments were received.

IV. Agenda Items for Next Meeting.

None.

There being no further business, the meeting was adjourned at 4:48 p.m.

**DEPARTMENT OF CONSUMER AFFAIRS**

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



LC Item I.
 July 21, 2016

CBA Item X.C.
 July 21-22, 2016

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

MINUTES OF THE
May 19, 2016
LEGISLATIVE COMMITTEE (LC) MEETING

DRAFT

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

Deidre Robinson, Chair, called the meeting of the LC to order at 2:52 p.m. on Thursday, May 19, 2016 at the Hilton Los Angeles Airport. Ms. Robinson requested that the roll be called.

LC Members

Deidre Robinson, Chair	Present
Herschel Elkins, Esq.	Present
George Famalett, CPA	Absent
Larry Kaplan	Present
Leslie LaManna, CPA	Present
Xochitl León	Present
Mark Silverman, Esq.	Present

CBA Members Observing

Katrina L. Salazar, CPA, President
 Alicia Berhow, Vice-President
 Jose A. Campos, CPA
 Karriann Farrel Hinds, Esq.
 Kay Ko
 Jian Ou-Yang, CPA
 Michael Savoy, CPA

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer

Rich Andres, Information Technology Staff
Dominic Franzella, Chief, Enforcement Division
Nooshin Movassaghi, Legislative Analyst
Dorothy Osgood, Enforcement Supervising Investigative CPA
Rebecca Reed, Board Relations Analyst
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Legal Counsel, DCA
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Information and Planning Officer

Other Participants

Jason Fox, California Society of Certified Public Accountants
Robert Lee, Chair, Peer Review Oversight Committee
Pilar Oñate-Quintana, The Onate Group
Joe Petito, The Accountants Coalition
Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee
Jon Ross, KP Public Affairs

- I. Approve Minutes of the March 17, 2016 Legislative Committee Meeting.

It was moved by Mr. Silverman and seconded by Ms. LaManna to adopt the minutes of the March 17, 2016, LC meeting.

Yes: Ms. Robinson, Mr. Kaplan, Ms. LaManna, and Mr. Silverman.

No: None.

Abstain: Mr. Elkins, and Ms. Leon.

The motion passed.

- II. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position or is Monitoring.

- A. Recommendation to Maintain the California Board of Accountancy's Current Position (AB 507, AB 1566, AB 1707, AB 1939, AB 2560, AB 2859, ACR 131, Senate Bill 1251, SB 1348, SB 1155, SB 1445 and SB 1479).

Ms. Movassaghi highlighted some key dates remaining in the 2016 Legislative session, including June 3 as the house of origins deadline, July 1 as the policy committee deadline in the second house, that the Legislature spends July in Summer Recess, August 31 being the last day to pass bills, and September 30 being the last day for the Governor to sign or veto bills.

She stated that in mid-March, the CBA-sponsored bill, AB 2560, was amended to reflect the previously approved language relating to the CBA's statutory authority to remove a state from the list of substantially equivalent states pertaining to the Practice Privilege program. On May 9, AB 2560 passed out of the house of origin on consent.

Ms. Movassaghi discussed AB 1939, which was substantially amended. This bill previously required the Director of DCA to conduct a study and submit it to the Legislature by July 1, 2017, to identify areas where occupational licensing requirements create an unnecessary barrier to labor market entry or labor mobility, particularly for dislocated workers, transitioning service members, and military spouses.

She stated the amendments require the Legislative Analyst Office to conduct the study and submit it to the Legislature and DCA by July 1, 2017, shifting the responsibility for conducting the study from the Director to the Legislative Analyst Office.

Ms. Movassaghi recommended maintaining the current positions on AB 507, AB 1707, AB 2859, ACR 131, SB 1251, SB 1348, SB 1445 and SB 1479 which have not been amended since the CBA's March 2016 meeting.

Finally, she also recommended that the CBA maintain its current position on AB 1566 and SB 1155, which have been amended, but not in ways that change the effect of the bills.

No action was taken by the LC.

B. Recommendation of Possible Action to Change the California Board of Accountancy's Position (AB 2853).

Ms. Movassaghi discussed AB 2853, which previously amended the term "public record," for purposes of the California Public Records Act, to include those writings kept on a private cell phone or other electronic device of an elected official or employee of a public agency if those records relate to the public's business.

The amendments deleted the provisions regarding cell phones, and added the following:

- Authorize a public agency to post a public record on its Internet website and refer a person that requests public records to the public agency's Internet website where the public record is posted.

- If, after the agency refers the person to the Internet website, the person requesting the record requests a copy of the record due to an inability to access or reproduce the one online, the agency shall, within 10 days, prepare a copy of the public record and promptly notify the person of the availability of the public record.

Ms. Movassaghi indicated that subsequent to the mailout, Legal Counsel expressed some concern with the arrangement of the language, and proposed amendments that clarified the arrangement of the language by stating that a payment should be made prior to a state agency reproducing public records.

It was moved by Ms. LaManna and seconded by Mr. Elkins to recommend that the CBA change its position from Watch to Support if Amended and direct staff to provide the following amendments to the author's office. The proposed revision would impact subsection (f) and read: "However, if after the agency refers the person to the Internet Web site, the person requesting the record requests a copy of the record due to an inability to access or reproduce the public record from the Internet Web site, the agency shall within 10 days notify the person of the availability of the public record and make the record promptly available upon payment of fees pursuant to subdivision (b).."

Yes: Ms. Robinson, Mr. Elkins, Mr. Kaplan, Ms. LaManna, Ms. Leon, and Mr. Silverman.

No: None.

Abstain: None.

The motion passed.

C. Bills Being Monitored by the California Board of Accountancy (AB 1868, AB 1887, AB 1949, AB 2421, AB 2423, AB 2701, AB 2843, SB 1130, SB 1195, SB 1444, and SB 1448).

Ms. Movassaghi stated that there are 11 bills that staff provided at the CBA's March 2016 meeting that are presently being monitored for further developments and impact on the CBA.

This item was for information purposes, and no action was taken by the LC.

III. Consideration of Positions on Newly Included Legislation: SB 1195 – Professions and vocations: board actions: competitive impact.

Ms. Movassaghi stated that SB 1195 would grant authority to the Director of DCA to review a decision of a board within the DCA to determine whether it unreasonably restrains trade.

Furthermore, the bill grants the Director the authority to approve, disapprove, or modify the board decision or action, as specified.

SB 1195 would require a public entity to pay a judgment or settlement for treble damage antitrust awards against a member of a regulatory board for an act or omission occurring within the scope of his or her employment as a member of a regulatory board.

The LC discussed whether the bill should be opposed or simply watched. The LC also discussed that there is still significant opportunity for the bill to be amended, and the CBA may still change its position at the July meeting.

It was moved by Mr. Elkins and seconded by Mr. Kaplan to recommend that the CBA take a Watch position on SB 1195.

Yes: Ms. Robinson, Mr. Elkins, Mr. Kaplan, and Ms. Leon.

No: Ms. LaManna, and Mr. Silverman.

Abstain: None.

The motion passed.

IV. Public Comment

No public comments were received.

V. Agenda Items for Next Meeting.

None.

There being no further business to be conducted, the meeting was adjourned at 3:28 p.m.



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



EPOC Item I
 July 21, 2016

CBA Item X.D.
 July 21-22, 2016

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

DRAFT

MINUTES OF THE
May 19, 2016
ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC) MEETING

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

Roll Call and Call to Order.

Kathleen Wright, CPA, Chair, called the meeting of the EPOC to order at 12:00 p.m. on Thursday, May 19, 2016 at the Hilton Los Angeles Airport Hotel. Ms. Wright requested that the roll be called.

Members

Kathleen Wright, CPA, Chair	12:00 p.m. – 12:40 p.m.
Alicia Berhow	12:00 p.m. – 12:40 p.m.
George Famalett, CPA	Absent
Karriann Farrell Hinds, Esq.	12:00 p.m. – 12:40 p.m.
Kay Ko	12:00 p.m. – 12:40 p.m.
Xochitl León	12:00 p.m. – 12:40 p.m.
Michael M. Savoy, CPA	12:00 p.m. – 12:40 p.m.

CBA Members Observing

Katrina L. Salazar, CPA, President
 Jose A. Campos, CPA
 Leslie LaManna, CPA
 Jian Ou-Yang, CPA
 Deidre Robinson
 Herschel Elkins, Esq.
 Mark Silverman, Esq.

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Assistant Executive Officer
 Rich Andres, IT Staff

Dorothy Osgood, Supervising ICPA
Dominic Franzella, Enforcement Chief
Nooshin Movassaghi, Legislative Analyst
Corey Riordan, Board Relations Analyst
Rebecca Reed, Board Relations Analyst
Kristy Schieldge, Legal Counsel, DCA
Matthew Stanley, Information and Planning Officer
Carl Sonne, Deputy Attorney General, Department of Justice

Committee Chairs and Members

Robert Lee, CPA, Chair, Peer Review Oversight Committee
Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee

Other Participants

Jason Fox, California Society of CPAs (CalCPA)
Pilar Oñate-Quintana, The Onate Group
Joseph Petito, The Accountants Coalition
Jon Ross, KP Public Affairs

- I. Approval of the Minutes from the March 17, 2016 Enforcement Program Oversight Committee Meeting.

Ms. Hinds requested her name noted in the minutes change from Ms. Farrell Hinds to Ms. Hinds.

It was moved by Ms. Hinds and seconded by Ms. Berhow to approve the meeting minutes as amended.

Yes: Ms. Wright, Ms. Berhow, Ms. Hinds, Ms. Ko, and Mr. Savoy.

No: None.

Abstain: Ms. Leon

The motion passed.

- II. Revision Schedule for the Disciplinary Guidelines and Model Orders.

Ms. Wright introduced this agenda item as a written report on a previously adopted revision scheduled for the Disciplinary Guidelines and Model Orders (Guidelines) and asked for comments from the members.

Ms. Berhow inquired about timing to make changes to the Guidelines and whether additional edits could be made in September. Mr. Franzella indicated that changes could be made in September. He also noted that in preparing the timeline for the CBA's review of the revisions to the Guidelines that additional time was allotted for between May and September, which would allow for staff to bring an additional item to the July meeting.

III. Discussion and Possible Action Regarding Review of Proposed Changes to the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98).

Mr. Franzella provided an overview of this agenda item. Mr. Franzella highlighted the various proposed changes, including the significant changes to the section on Rehabilitation Criteria and the addition of a new section titled Rehabilitation Evidence. Mr. Franzella noted that the proposed changes to the Rehabilitation Criteria will have an effect on CBA Regulations section 99.1.

Members inquired regarding licensees ability to access and review the document. Mr. Franzella noted that the document is available on the CBA website.

Members also discussed how to weigh and review the sufficiency of the evidence that individuals submit as it relates to the new section on Rehabilitation Evidence. Mr. Franzella noted that the section does not provide criteria to weigh the evidence as this allows the CBA to evaluate the evidence on a case-by-case basis. Members requested that staff work with Legal Counsel to develop language indicating that the CBA would evaluate the sufficiency of the evidence on a case-by-case basis.

It was moved by Mr. Savoy and seconded by Ms. Berhow to approve the changes to the Guidelines offered by staff with the exception of requesting that staff bring back new language to amend the Rehabilitation Evidence section to be discussed at the July meeting.

Yes: Mr. Savoy, Ms. Leon, Ms. Ko, Ms. Hinds, Ms. Berhow, and Ms. Wright.

No: None.

Abstain: None.

The motion passed.

IV. Public Comments.

No public comments.

V. Agenda Items for Next Meeting

Members requested that the Guidelines be brought back for the July meeting, along with CBA Regulations section 99.1.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at 12:40 p.m.



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



MSG Item I.
 July 21, 2016

CBA Item X.E.
 July 21-22, 2016

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

DRAFT

MINUTES OF THE
May 19, 2016
MOBILITY STAKEHOLDER GROUP (MSG) MEETING

Hilton Los Angeles Airport
 5711 West Century Boulevard
 Los Angeles, CA 90045
 Telephone: (310) 410-4000

CALL TO ORDER

Jose Campos, CPA, Chair, called the meeting of the MSG to order at 2:02 p.m. on Thursday, May 19, 2016 at the Hilton Los Angeles Airport. Mr. Campos requested that the roll be called.

MSG Members

Jose A. Campos, CPA, Chair	Present
Joe Petito, Vice Chair	Present
Donald Driftmier, CPA	Present
Dominic Franzella	Present
Ed Howard, Esq.	Absent
Michael M. Savoy, CPA	Present
Stuart Waldman	Present

CBA Members Observing

Katrina L. Salazar, CPA, President
 Alicia Berhow,
 Herschel Elkins, Esq.
 Karriann Farrel Hinds, Esq.
 Laurence (Larry) Kaplan
 Kay Ko
 Leslie LaManna, CPA
 Xochitl León
 Jian Ou-Yang, CPA
 Deidre Robinson
 Mark Silverman, Esq.
 Kathleen Wright, Esq., CPA

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Rebecca Reed, Board Relations Analyst
Corey Faiello-Riordan, Board Relations Analyst
Nooshin Movassaghi, Legislative Analyst
Dorothy Osgood, Enforcement Supervising ICPA
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Legal Counsel, DCA
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Information and Planning Officer

Other Participants

Maria Caldwell, National Association of State Boards of Accountancy (NASBA)
(by telephone)
Jason Fox, California Society of Certified Public Accountants
Stacey Grooms, NASBA (by telephone)
Shelly Jones, DCA Representative
Pilar Oñate-Quintana, The Onate Group
Jon Ross, KP Public Affairs

- I. Approve Minutes of the March 17, 2016 MSG Meeting.

It was moved by Mr. Driftmier; seconded by Mr. Savoy to approve the minutes of the March 17, 2016 MSG Meeting.

Yes: Mr. Campos, Mr. Petito, Mr. Driftmier, Mr. Franzella, and Mr. Savoy

No: None

Abstain: None

The motion passed.

- II. The Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives.

Mr. Campos indicated this item is a written report only.

- III. Timeline for Activities Regarding Determination to be Made Pursuant to Business and Professions Code Section 5096.21.

Mr. Stanley provided a summary of where the CBA is in the timeline.

He concluded that staff do not have any recommendations on this item.

No action was taken on this item.

IV. Discussion Regarding the Assessment of the National Association of State Boards of Accountancy's Process for Evaluating and Information Gathered Regarding Washington's and Arizona's Accountancy Board Operations.

Mr. Stanley presented the preliminary assessment of NASBA's information regarding Arizona and Washington's enforcement practices to the MSG. He stated that on Wednesday, April 6, 2016, staff met with NASBA at the CBA's office to conduct the preliminary assessment. NASBA provided staff an overview of its substantial equivalency evaluation process, including the specific questions sent via surveys to each state board of accountancy and the follow-up communications requesting a timely response. NASBA explained circumstances specific to each state that led to the substantial equivalency findings, and NASBA's use of its Objectives of Substantial Equivalency Evaluation.

Mr. Stanley explained that in order to encourage candor and open discussions, the specifics of NASBA's information collected from the two states were not recorded. However, staff were able to view the raw information for the two states during this assessment. Staff inquired about the process NASBA used to collect the data and was informed that NASBA conducted two extensive surveys, several follow-up communications with each board, and website research.

As previously directed by the CBA, NASBA provided staff a summary of the specific enforcement practices for the two selected jurisdictions. Staff asked one random question from each section of the Guiding Principles of Enforcement to ensure that NASBA considered all the questions as important rather than putting emphasis on one or two questions that may be considered more important than the others. This approach ensured that NASBA was seeking answers to all of the questions.

NASBA's responses were based on a complete analysis of all of the provided data rather than simply a Yes/No check box on a form. Staff stated that the response to the one random question provided a greater context as well as the source of the answer. If staff was not satisfied with the response, staff had the opportunity to pursue additional questions.

Mr. Stanley concluded that based on the results of the assessment and the verification of disciplinary information on states' websites, staff was satisfied with NASBA's identification of Arizona and Washington being substantially equivalent.

This was an informational item and no action was taken by the MSG.

V. Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c).

Mr. Stanley reported that NASBA now identifies 32 jurisdictions as substantially equivalent to the Guiding Principles of Enforcement. Staff reviewed CPAVerify and state websites to determine which states made the disciplinary history of their licensees publicly available through the Internet and verified that all were correctly noted by NASBA's Listing of Substantially Equivalent States.

After the preliminary assessment of Arizona and Washington, staff recommend an assessment of six more states based on geography, licensee population and number practice privilege holders under the prior program, totaling 15 percent of all jurisdictions. However, after discussion between MSG members, it was determined that 15 percent of 43 jurisdictions deemed substantially equivalent according to NASBA, or seven states, would be more appropriate for the final assessment.

The MSG requested that staff prepare an item for July discussing the next steps that will be taken in the determination process.

It was moved by Mr. Campos, seconded by Mr. Savoy that the CBA direct staff to assess seven states, (Arizona, Colorado, Illinois, New York, Oregon, Texas, Washington) equaling 15 percent of the 43 states which have been identified by NASBA as substantially equivalent, using the same procedures that were used for the preliminary assessment of Arizona and Washington and report results at the July 2016 meeting, and continue to monitor the undetermined states.

Yes: Mr. Campos, Mr. Petito, Mr. Driftmier, Mr. Franzella, Mr. Savoy, and Mr. Waldman.

No: None.

Abstain: None.

The motion passed.

VI. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.

Mr. Stanley stated that NASBA's Eastern Regional Meeting will be held on June 7-9, 2016 in Asheville, North Carolina. Its Western Regional Meeting will be held on June 22-24, 2016 in Denver, Colorado.

No action was taken on this item.

VII. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

The MSG stated that the topics for the next meeting would be to further discuss the progress made in comparing states to NASBA's Guiding Principles of Enforcement.

In addition, Mr. Driftmier suggested that staff consult with NASBA to determine whether any other jurisdictions are questioning California's substantial equivalency status.

There being no further business, the meeting adjourned at 2:47 p.m.

**DEPARTMENT OF CONSUMER AFFAIRS**

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



CBA Item X.F.
 July 21-22, 2016

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
DECEMBER 10, 2015
ENFORCEMENT ADVISORY COMMITTEE (EAC) MEETING

Hilton San Diego/Harbor Island
 1960 Harbor Island Drive
 San Diego, CA 92101
 Telephone: (619) 291-6700

I. Roll Call and Call to Order.

EAC Chair, Jeffrey De Lyser, CPA, called to order the regularly scheduled meeting of the EAC at 9:06 a.m. on December 10, 2015.

Members

Jeffrey De Lyser, CPA, Chair	Present
Joseph Rosenbaum, CPA, Vice-Chair	Present
Katherine Allanson, CPA	Present
Dale Best, CPA	Present
Joseph Buniva, CPA	Present
Gary Caine, CPA	Present
Nancy Corrigan, CPA	Present
Mary Rose Caras, CPA	Present
William Donnelly, CPA	Absent
Thomas Gilbert, CPA	Absent
Robert A. Lee, CPA	Present
Mervyn McCulloch, CPA	Present
Michael Schwarz, CPA	Present

CBA Staff and Legal Counsel

Paul Fisher, Supervising Investigative CPA
 Dorothy Osgood, Supervising Investigative CPA
 Allison Nightingale, Enforcement Technician
 Malcolm Mitchell, Enforcement Manager
 Holly Roznowski, Investigative CPA
 Marla Weitzman, Investigative CPA
 Gregory Francis, Investigative CPA
 Tina MacGregor, Investigative CPA

Carl Sonne, Deputy Attorney General (DAG), Department of Justice
II. Report of the Committee Chair (**Jeffrey De Lyser**).

A. Approval of the October 22, 2015 EAC Meeting Minutes.

It was moved by Mr. Lee and seconded by Ms. Allanson to approve the minutes of the October 22, 2015 EAC meeting.

Yes: Mr. De Lyser, Mr. Rosenbaum, Ms. Allanson, Mr. Best, Mr. Caine, Ms. Corrigan, Mr. Buniva, Mr. Lee, and Mr. McCulloch.

No: None.

Abstain: Ms. Caras and Mr. Schwarz

The motion passed.

III. Report of the CBA Liaison (**Paul Fisher on behalf of Herschel Elkins**)

A. Report of the November 19, 2015 CBA and Committee Meetings.

Mr. Fisher provided the report for this agenda item. He reported that during the November CBA meeting, the CBA elected the 2016 leadership, which included Katrina Salazar as President, Alicia Berhow as Vice-President, and Michael Savoy as Secretary/Treasurer.

Mr. Fisher also reported the CBA appointed the new committee Chair, Joseph Rosenbaum, and Vice-Chair, Nancy Corrigan to the EAC. They will serve as Chair and Vice-Chair for one-year terms effective January 1, 2016.

Mr. Fisher also reported the 2016 EAC meeting dates were approved by the CBA Members.

Mr. Fisher also reported the CBA adopted the proposed changes to Title 16, California Code of Regulations Division 1, section 42 to replace compilations where no report is issued with preparation engagements in the peer review exclusions. This change was necessary as a result of Statement on Standards for Accounting and Review Services (SSARS) 21, which replaced compilations with preparation engagements.

Mr. Fisher also reported the CBA considered the impact of SSARS 21 as it relates to the 24-hour accounting and auditing (A&A) and four-hour fraud continuing education (CE) requirement. After discussion, the CBA directed staff to initiate the rulemaking to require licensees that perform preparation engagements as their highest level of service to complete eight hours of A&A and four hours of fraud. This change will not impact the requirement of 24 hours of A&A and four hours of fraud CE for a licensee who plans, directs, performs a substantial portion of the work, or reports on audit, review, compilation, or attestation service on a non-governmental entity.

Mr. Fisher also reported that the CBA was provided with an update on the study of California's attest experience requirement. Preliminary data shows there were 10,162 total responses.

IV. Report of the Enforcement Chief (**Dominic Franzella**).

A. Enforcement Activity Report.

Mr. Fisher provided an overview of this item. He also provided an update on the current vacancies for the Enforcement Division.

B. Report on Accusations and Final Disciplinary Orders Effective September 17, 2015 to November 16, 2015.

Mr. Fisher reported that since September 17, 2015, the CBA filed 17 accusations and took 11 disciplinary actions.

V. Public Comments for Items not on the Agenda.

No public comment was given.

VI. Review Enforcement Files on Individual Licensees.

[Closed Session: The EAC met in closed session to review and deliberate on enforcement files as authorized by Government Code section 11126(c)(2) and Business and Professions Code section 5020.]

VII. Conduct Closed Hearings.

[The Committee met in closed session as authorized by Government Code sections 11126(c)(2) and (f)(3) and Business and Professions Code section 5020 to conduct closed sessions to interview and consider possible disciplinary action against an individual licensee or applicant prior to the filing of an accusation.]

VIII. Adjournment.

The next EAC meeting is scheduled for January 28, 2016 at the California Board of Accountancy.

Having no further business to conduct, the EAC general meeting adjourned at approximately 9:27 a.m. to convene in closed session. Closed session adjourned at approximately 11:30 a.m. Closed session reconvened for investigative hearings from 1:00 p.m. to 3:00 p.m.

Jeffery De Lyser, CPA, Chair
Enforcement Advisory Committee

Prepared by: Allison Nightingale, Enforcement Technician



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



CBA Item X.G.
 July 21-22, 2016

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
January 29, 2016
PEER REVIEW OVERSIGHT COMMITTEE (PROC) MEETING

California Board of Accountancy
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815
 Telephone: (916) 263-3680

I. Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Robert Lee, CPA, PROC Chair, called the meeting of the PROC to order at 11:00 a.m. on Friday, January 29, 2016. The meeting adjourned at 1:29 p.m.

Mr. Lee read the following into the record:

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

This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.”

Members

Robert Lee, CPA, Chair	11:00 a.m. – 1:29 p.m.
Jeffrey De Lyser, CPA, Vice-Chair	11:00 a.m. – 1:29 p.m.
Sherry McCoy, CPA,	11:00 a.m. – 1:29 p.m.
Katherine Allanson, CPA	11:00 a.m. – 1:29 p.m.
Nancy Corrigan, CPA	11:00 a.m. – 1:29 p.m.
Kevin Harper, CPA	11:00 a.m. – 1:29 p.m.
Renee Graves, CPA	11:00 a.m. – 1:29 p.m.

CBA Staff

Dominic Franzella, Chief, Enforcement Division

Ben Simcox, CPA, Enforcement Manager

Siek Run, Enforcement Analyst

Other Participants

Linda McCrone, CPA, California Society of Certified Public Accountants (CalCPA)

II. Report of the Committee Chair.

A. Approval of the December 9, 2015 PROC Meeting Minutes

Mr. Lee requested members to review and provide feedback or edits to the December 9, 2015 PROC Meeting Minutes.

Ms. McCoy suggested amending page 6, item V.D., to read that the PROC supports the clarifying changes to the Exposure Draft.

Ms. McCrone recommended amending page 4, item III.E., to reflect AICPA instead of CalCPA.

It was moved by Ms. Allanson and seconded by Mr. Harper to approve the meeting minutes with the clarifying changes.

Yes: Mr. Lee, Ms. McCoy, Ms. Allanson, Ms. Corrigan, Mr. De Lyser, Mr. Harper, and Ms. Graves.

The motion passed.

B. Report on the January 21-22, 2016 CBA Meetings.

Mr. Lee provided the PROC a summary of the CBA January 21-22, 2016 meeting and highlighted actions taken on a wide variety of topics discussed during the meeting. The next CBA meeting will be held in Anaheim on March 17-18, 2016 and will be attended by Mr. De Lyser on behalf of Mr. Lee.

C. Discussion of Emerging Issues and/or National Standards that may have an Impact on Peer Review in California.

There was no report on this agenda item.

III. Report on PROC Oversight Activities Conducted since December 9, 2015.

A. Report on the December 15, 2015 California Society of Certified Public Accountants' (CalCPA) Report Acceptance Body (RAB) Meeting.

Ms. Corrigan participated in this conference call and reported on the meeting. She described the meeting as being brief, participants were well prepared, organized, and had no significant issues.

B. Report on the January 11, 2016 National Association of State Boards of Accountancy's (NASBA) Compliance Assurance Committee (CAC) Meeting.

Mr. Harper participated in this conference call and reported on the meeting. He explained that it consisted of 30 attendees nationwide. He observed that the meeting focused on recent changes in the peer review process and continuing education requirements. Mr. Harper explained that there were discussions on the re-organization of internal operations and improvements to the website information, drafted response to the AICPA Exposure Draft, and planning for the 2017 PROC Summit.

C. Report on the January 13, 2016 American Institute of Certified Public Accountants' (AICPA) Peer Review Board (PRB) Meeting.

Mr. De Lyser participated in this conference call and reported on the meeting. He explained that the meeting focused on the importance of the AICPA peer review program and improving audit quality.

D. Report on the January 26, 2016 and January 27, 2016 CalCPA RAB Meetings.

Mr. Harper participated in this conference call and reported on the meeting. He explained that the meeting consisted of four RAB members, who reviewed 44 reviews. He observed that the RABs participants were prepared and thorough as usual.

There was no report on the January 27, 2016 CalCPA RAB Meeting.

E. Report on the PROC Oversight of the AICPA Oversight of Out-of-State Administering Entities (New York).

Mr. De Lyser presented his findings from his oversight of New York, an Out-of-State Administering Entity. He explained that New York received four recommendations from the AICPA Oversight Taskforce:

- Technical reviewers to invest more time and greater care in their technical reviews, as the RAB received and reviewed issues that could have been resolved in the technical review level
- Issuance of a performance deficiency letter and monitor performance of a reviewer identified during the oversight visit
- Reminding all peer reviewers to document the rationale for excluding certain levels of services from any engagement selection
- Present review status reports as a standing agenda item at each other's peer review committee meetings

The State of New York responded positively to the recommendations and will work to adopt the recommendations immediately.

The PROC discussed this agenda item and made recommendations to improve the oversight of Out-of-State Administering Entities. The PROC recommended retaining prior oversight reports, referencing them during future oversight of New York and Texas, and identifying if there are improvements or repeats of negative findings.

Further, the PROC noted that if the finding is related to the state, AICPA should follow-up with the state, hold it responsible for adhering to the peer review process, and determine if it would be necessary to raise concerns to the Board.

F. Assignment of Future PROC Oversight Roles, Responsibilities, Activities, and Assignments.

Mr. Lee reviewed the PROC Assignment sheet as members volunteered for future PROC activities for the following dates and time:

CalCPA RAB Meetings

- April 28, 2016 – Ms. Allanson at 9:00 a.m. call
- April 28, 2016 – Mr. De Lyser at 2:00 p.m. call
- May 19, 2016 – Ms. Graves and Ms. McCoy (Pasadena, CA)

CalCPA PRC Meeting

- May 20, 2016 – Ms. Graves and Ms. McCoy (Pasadena, CA)

AICPA PRB Meetings

- May 3, 2016 – Ms. Corrigan, call (Duham, NC)
- August 8-11, 2016 – Pending travel approval (San Diego, CA)
- September 27, 2016 – Ms. Graves, call

PROC members and Ms. McCrone discussed the August 8-11, 2016 AICPA Conference and PRB Meeting. Members received clarification on how the AICPA education requirements will change as of May 1, 2016 for new and general peer reviewers. The PROC determined that more information is needed regarding the August 8-11, 2016 AICPA Conference and PRB Meeting and assigned Mr. De Lyser to research training updates. Ms. Graves was assigned to monitor website updates related to peer review. Ms. McCrone volunteered to send over information on how to obtain updates.

The PROC members discussed the need to complete the CalCPA Site Visit by November 2016 in order to prepare for the 2016 PROC Annual Report. Mr. Harper will coordinate with Ms. McCrone to schedule the Site Visit.

IV. Report of the Enforcement Chief.

A. Discussion on the Draft 2015 PROC Annual Report.

Mr. Franzella reviewed and reported on edits made to the 2015 PROC Annual Report (Report).

The PROC reviewed and discussed the Report and various edits to be incorporated into the final format, and decided on the appropriate language and format for final edits.

Mr. Lee requested that the PROC make a motion to have the report ready for the March CBA Meeting and advised that the motion be specific.

It was moved by Mr. Harper and seconded by Ms. Carrigan to approve the draft 2015 PROC Annual Report with the amendments as discussed during the meeting and delegate any addition amendments for final approval to the Chair.

Yes: Mr. Lee, Ms. McCoy, Ms. Allanson, Ms. Corrigan, Mr. De Lyser, Mr. Harper, and Ms. Graves.

The motion passed.

B. Discussion on the National Peer Review Committee (NPRC), AICPA Peer Review Program Annual Report on Oversight, Issued October 22, 2015.

Mr. Franzella introduced this report and explained that it provides important statistical information pertaining to the AICPA Peer Review Program. Ms. McCrone provided clarifications on changes to the AICPA's peer review process that will affect peer reviewers and audit quality.

C. Discussion on the Administrative Oversight of the National Peer Review Committee Result Letter, Issued October 22, 2015.

Mr. Franzella introduced this letter, a response from the AICPA PRB as a result of the Administrative Oversight of the NPRC.

There was no discussion on this agenda item.

D. Discussion on the 2015 AICPA Peer Review Program Annual Report on Oversight, Issued September 18, 2015.

Mr. Franzella introduced this report and explained that it was important for the CBA to be current with statistical information and procedural findings identified by AICPA, how they affect the peer review policies, procedures, and consumers.

The PROC briefly discussed the audit quality performed by AICPA subject matter experts versus peer reviewers and the result which concluded with an increased number of non-conforming reports. The PROC agreed that there are peer reviewers who will need to improve their audit quality and wondered how AICPA will address the matter.

- E. Discussion on the California Society of CPAs Peer Review Program Annual Report on Oversight for Calendar Year 2014, Issued October 22, 2015.

There was no discussion on this agenda item.

- F. Discussion on the PROC Peer Review Oversight Checklist Updates, PROC Summary of Administrative Site Visit Checklist.

Mr. Harper and Mr. De Lyser presented on this agenda item. After a thorough discussion the PROC confirmed that the existing CalCPA Site Visit Checklist provides a complete list of what to look for during the site visit but provides no guidance as to how to observe or acquire the information to determine if the administering entity adheres to the AICPA peer review standards.

Mr. Harper recommended that prior to the CalCPA Site Visits, the PROC should complete the site visit checklist, perform a risk assessment, and identify where more information if necessary, and send PROC members to seek clarification.

Mr. Harper and Ms. McCoy volunteered to work together and develop recommendations regarding the CalCPA Site Visit Checklist to discuss on and assess at the next PROC meeting. The PROC advised referencing the RAB handbook and both the AICPA and Texas checklist for this task.

- V. Closing Business (**Robert Lee, Chair**).

- A. Public Comments for Items Not on the Agenda.

No public comments were received for this agenda item.

- B. Agenda Items for Future PROC Meetings.

There was no report on this agenda item.

- VI. Adjournment.

There being no further business, Mr. Lee adjourned the meeting at 1:29 p.m. on Friday, January 29, 2016.

Robert Lee, CPA Chair

Siek Run, Enforcement Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-4343.