



**California Board of Accountancy**  
 2450 Venture Oaks Way, Suite 300  
 Sacramento, CA 95833

*phone:* (916) 263-3680    *fax:* (916) 263-3675    *web:* www.cba.ca.gov



**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
 PUBLIC MEETING NOTICE FOR THE ENFORCEMENT PROGRAM OVERSIGHT  
 COMMITTEE, COMMITTEE ON PROFESSIONAL CONDUCT,  
 LEGISLATIVE COMMITTEE, AND CALIFORNIA  
 BOARD OF ACCOUNTANCY MEETINGS**

**DATE:** Thursday, May 16, 2019

**ENFORCEMENT PROGRAM OVERSIGHT  
 COMMITTEE MEETING**  
**TIME:** 9:00 a.m.

**DATE:** Thursday, May 16, 2019

**COMMITTEE ON PROFESSIONAL CONDUCT  
 MEETING**  
**TIME:** 9:30 a.m.  
 Or upon adjournment of the Enforcement  
 Program Oversight Committee Meeting.

**DATE:** Thursday, May 16, 2019

**LEGISLATIVE COMMITTEE MEETING**  
**TIME:** 10:00 a.m.  
 Or upon adjournment of the Committee on  
 Professional Conduct Meeting.

**DATE:** Thursday, May 16, 2019

**CALIFORNIA BOARD OF ACCOUNTANCY  
 MEETING**  
**TIME:** 10:45 a.m.  
 Or upon adjournment of the Legislative  
 Committee Meeting.

**PLACE:** California Board of Accountancy  
 2450 Venture Oaks Way, Suite 420  
 Sacramento, CA 95833  
 Telephone: (916) 263-3680

Enclosed for your information is a copy of the agendas for the Enforcement Program Oversight Committee, Committee on Professional Conduct, Legislative Committee, and California Board of Accountancy meetings on May 16, 2019.

Committee and CBA meetings will commence at 9:00 a.m. or later. The order and/or start times of the committee meetings and the CBA meeting are subject to change without notice.

For further information regarding these meetings, please contact:

Rebecca Reed, Board Relations Analyst  
(916) 561-1716 or [rebecca.reed@cba.ca.gov](mailto:rebecca.reed@cba.ca.gov)  
California Board of Accountancy  
2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833

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](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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

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

**MEETING NOTICE & AGENDA  
Thursday, May 16, 2019  
9:00 a.m.**

**California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680**

**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 Enforcement Program Oversight Committee Chair. Identified presenters are subject to change. The meeting may be canceled without notice. For verification of the meeting, call (916) 263-3680 or access the California Board of Accountancy’s website at <http://www.cba.ca.gov>.

- |  | <b><u>CBA Item #</u></b> |
|--|--------------------------|
| Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks ( <b>Nancy J. Corrigan, CPA, Chair</b> ).   |                          |
| I. Approve Minutes of the March 21, 2019 Enforcement Program Oversight Committee Meeting.  | X.B.                     |
| II. Discussion and Possible Action Regarding Enforcement-Related Activities Associated with Unlicensed Practice ( <b>Dominic Franzella, Chief, Enforcement Division</b> ). | XII.A.2.                 |
| III. Public Comments.*   |                          |
| IV. 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.

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](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy Office at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.





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CALIFORNIA BOARD OF ACCOUNTANCY
COMMITTEE ON PROFESSIONAL CONDUCT

MEETING AGENDA

Thursday, May 16, 2019

9:30 a.m.

Or Upon Adjournment of the
Enforcement Program Oversight Committee Meeting

California Board of Accountancy
2450 Venture Oaks Way, Suite 420
Sacramento, CA 95833
Telephone: (916) 263-3680

Important Notice to the Public

All times indicated, other than those identified as "time certain," are approximate and subject to change. Action may be taken on any item on the agenda. Agenda items may be discussed and action taken out of order at the discretion of the Committee on Professional Conduct Chair. Identified presenters are subject to change. The meeting may be canceled without notice. For verification of the meeting, call (916) 263-3680 or access the California Board of Accountancy's website at http://www.cba.ca.gov.

- Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (Dan Jacobson, Esq., Chair) CBA Item #
I. Approve Minutes of the March 21, 2019 Committee on Professional Conduct Meeting. X.C.
II. Discussion and Possible Action Regarding the Possibility of Allowing California Candidates to Take the Uniform CPA Examination Prior to Degree Conferral (Deanne Pearce, Assistant Executive Officer). XII.B.2.
III. Discussion and Possible Action Regarding Continuing Education Reciprocity (Deanne Pearce). XII.B.3.

IV. Public Comments.\*

V. Agenda Items for Next Meeting.

Adjournment.

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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.

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**Revised**

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE COMMITTEE**

**MEETING AGENDA**

**Thursday, May 16, 2019**

**10:00 a.m.**

**Or Upon Adjournment of the  
Committee on Professional Conduct Meeting**

**California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680**

**Important Notice to the Public**

All times indicated, other than those identified as “time certain,” are approximate and subject to change. Action may be taken on any item on the agenda. Agenda items may be discussed and action taken out of order at the discretion of the Legislative Committee Chair. Identified presenters are subject to change. The meeting may be canceled without notice. For verification of the meeting, call (916) 263-3680 or access the California Board of Accountancy’s website at <http://www.cba.ca.gov>.

	<b><u>CBA Item #</u></b>
Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks ( <b>Luz Molina Lopez, Chair</b> ).	
I. Approve Minutes of the March 21, 2019, Legislative Committee Meeting.	X.D.
II. California Board of Accountancy 2019 Legislative Tracking Chart ( <b>Written Report Only</b> ).	XII.C.2.
III. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position ( <b>Aaron Bone, Information and Planning Officer</b> ).	XII.C.3.
A. Assembly Bill 193 – Professions and Vocations.	XII.C.3.a.

B.	Assembly Bill 312 – State Government: Administrative Regulations: Review.	XII.C.3.b.
C.	Assembly Bill 476 – Department of Consumer Affairs: Task Force: Foreign-Trained Professionals.	XII.C.3.c.
D.	Assembly Bill 613 – Professions and Vocations: Regulatory Fees.	XII.C.3.d.
E.	Assembly Bill 802 – Reports to the Legislature.	XII.C.3.e.
F.	Assembly Bill 931 – Local Boards and Commissions: Representation: Appointments.	XII.C.3.f.
G.	Assembly Bill 1140 – Tax Preparers: Disclosures.	XII.C.3.g.
H.	Assembly Bill 1521 – Accountancy: California Board of Accountancy.	XII.C.3.h.
I.	Assembly Bill 1525 – Cannabis: Financial Institutions.	XII.C.3.i.
J.	Assembly Bill 1545 – Civil Penalty Reduction Policy.	XII.C.3.j.
K.	Senate Bill 51 – Financial Institutions: Cannabis.	XII.C.3.k.
L.	Senate Bill 53 – Open Meetings.	XII.C.3.l.
M.	Senate Bill 601 – State Agencies: Licenses: Fee Waiver.	XII.C.3.m.
N.	Assembly Bill 1271 – Licensing Examination: Report.	XII.C.3.n.
IV.	Review and Consideration of Possible Positions on Legislation ( <b>Aaron Bone</b> ).	XII.C.4.
A.	Assembly Bill 63 – State Government.	XII.C.4.a.
B.	Assembly Bill 535 – Personal Income Taxes: Credit: Professional License Fees.	XII.C.4.b.
C.	Assembly Bill 544 – Professions and Vocations: Inactive License Fees and Accrued and Unpaid Renewal Fees.	XII.C.4.c.
D.	Assembly Bill 1076 – Criminal Records: Automatic Relief.	XII.C.4.d.
E.	Assembly Bill 1181 – Charitable Organizations.	XII.C.4.e.

- V. Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring **(Aaron Bone)**. XII.C.5.
  - A. Assembly Bill 286 – Taxation: Cannabis. XII.C.5.a.
  - B. Assembly Bill 545 – Cannabis: Bureau of Cannabis Control: Cannabis Control Appeals Panel. XII.C.5.b.
  - C. Assembly Bill 768 – Professions and Vocations. XII.C.5.c.
  - D. Assembly Bill 1184 – Public Records: Writing Transmitted by Electronic Mail: Retention. XII.C.5.d.
  - E. Assembly Bill 1417 – Cannabis Advertisement and Marketing: Internet: License Number: Statements: Unfair Business Practice: Public Nuisance. XII.C.5.e.
  - F. Assembly Bill 1678 – Indoor-Grown Cannabis Commission. XII.C.5.f.
  - G. Senate Bill 496 – Financial Abuse of Elder or Dependent Adults. XII.C.5.g.
  - H. Senate Bill 522 – Taxation. XII.C.5.h.
  - I. Senate Bill 546 – Unlicensed activity. XII.C.5.i.
  - J. Senate Bill 700 – Business and Professions: Noncompliance With Support Orders and Tax Delinquencies. XII.C.5.j.
  - K. Senate Bill 749 – California Public Records Act: Trade Secrets: Reverse Public Records Actions. XII.C.5.k.
- 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 Legislative Committee meeting agenda and/or whether to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4 **(Aaron Bone)**. XII.C.6.
- VII. Public Comments.\*
- VIII. Agenda Items for Next Meeting.

## Adjournment.

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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.

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**Revised**

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

**MEETING AGENDA**

**May 16, 2019  
10:45 a.m. – 5:00 p.m.  
Or Upon Adjournment of the  
Legislative Committee Meeting**

**California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680**

**Important Notice to the Public**

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<http://www.cba.ca.gov>

Thursday,  
May 16, 2019

**Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks (George Famalett, CPA, President).**

**10:45 a.m. –  
11:25 a.m.**

I. Report of the President (**George Famalett, CPA**).

- A. American Institute of Certified Public Accountants Committee Interest for the 2020-21 Volunteer Year.
- B. Discussion and Possible Action Regarding Changes to the California Board of Accountancy's 2019 Meeting Locations (**Rebecca Reed, Board Relations Analyst**).
- C. Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook (**Dominic Franzella, Chief, Enforcement Division**).
- D. Presentation from the Office of Professional Examination Services Regarding Evaluation of the Uniform CPA Examination and Professional Ethics Examination (**Tracy Montez, Chief, Division of Program and Policy Review/Heidi Lincer, Chief, Office of Professional Examination Services**).
- E. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission (**Ileana Butu, Department of Consumer Affairs, Attorney III**).
- F. Department of Consumer Affairs Director's Report on Departmental Activities (**Department of Consumer Affairs Representative, Office of Board and Bureau Services**).

11:25 a.m. –  
11:30 a.m.

- II. Report of the Vice-President (**Mark J. Silverman, Esq., Vice-President**).
- A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.
- B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.
- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

11:30 a.m. –  
12:00 p.m.

- III. Report of the Secretary/Treasurer (**Nancy J. Corrigan, CPA, Secretary/Treasurer**).
- A. Fiscal Month 8 Financial Report.
- B. Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1)



Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees (**Deanne Pearce, Assistant Executive Officer**).

12:00 p.m. –  
12:15 p.m.

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

A. Update on Staffing.

B. Update on the California Board of Accountancy's Communications and Outreach (**Aaron Bone**).

- California State University, San Bernardino – April 11, 2019.
- California Society of CPA's Community College Events.
  - Saddleback College – May 3, 2019.
  - Evergreen College – May 9, 2019.
- California State Polytechnic University, Pomona – September 26, 2019.
- Other Events With Dates and Locations To Be Determined.

12:15 p.m. –  
12:30 p.m.

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

A. Enforcement Advisory Committee (**Joseph Rosenbaum, CPA, Chair**).

1. Report of the May 2, 2019, Enforcement Advisory Committee Meeting.

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

There is no report on this agenda item.

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

1. Report of the May 3, 2019, Peer Review Oversight Committee Meeting.
2. Update Regarding the Peer Reviewer Population (**Dominic Franzella**).

- 12:30 p.m. –  
1:30 p.m.  
1:30 p.m. –  
2:15 p.m.  
Time Certain
- Lunch.
- VI. Petition Hearing.
- A. James Michael Turnbull, CPA License Number 76917 – Petition for Termination of Probation.
- VII. 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 Petition.
- 2:15 p.m. –  
2:35 p.m.
- VIII. Report of the Enforcement Chief (**Dominic Franzella**).
- A. Enforcement Activity Report.
- 2:35 p.m. –  
2:50 p.m.
- IX. Report of the Licensing Chief (**Deanne Pearce**).
- A. Licensing Activity Report.
- 2:50 p.m. –  
2:55 p.m.
- X. Meeting Minutes (**George Famalett, CPA**).
- A. Adoption of the Minutes of the March 21-22, 2019, California Board of Accountancy Meeting.
- B. Acceptance of the Minutes of the March 21, 2019, Enforcement Program Oversight Committee Meeting.
- C. Acceptance of the Minutes of the March 21, 2019, Committee on Professional Conduct Meeting.
- D. Acceptance of the Minutes of the March 21, 2019, Legislative Committee Meeting.
- E. Acceptance of the Minutes of the February 7, 2019, Enforcement Advisory Committee Meeting.
- F. Acceptance of the Minutes of the February 15, 2019, Peer Review Oversight Committee Meeting.
- 2:55 p.m. –  
3:05 p.m.
- XI. Other Business.
- A. American Institute of Certified Public Accountants.

1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

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

B. National Association of State Boards of Accountancy.

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

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

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

- b. Diversity Committee  
(**Carola A. Nicholson, CPA**).

**3:05 p.m.–  
3:20 p.m.**

XII. Report on the Enforcement Program Oversight Committee, Committee on Professional Conduct, and Legislative Committee.

A. Enforcement Program Oversight Committee (**Nancy J. Corrigan, CPA, Chair**).

1. Report of the May 16, 2019, Enforcement Program Oversight Committee Meeting.
2. Discussion and Possible Action Regarding Enforcement-Related Activities Associated With Unlicensed Practice.

B. Committee on Professional Conduct (**Dan Jacobson, Esq., Chair**).

1. Report of the May 16, 2019, Committee on Professional Conduct Meeting.
2. Discussion and Possible Action Regarding the Possibility of Allowing California Candidates to Take the Uniform CPA Examination Prior to Degree Conferral.
3. Discussion and Possible Action Regarding Continuing Education Reciprocity.

C. Legislative Committee (**Luz Molina Lopez, Chair**).

1. Report of the May 16, 2019, Legislative Committee Meeting.
2. California Board of Accountancy 2019 Legislative tracking Chart.
3. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position.
  - a. Assembly Bill 193 – Professions and Vocations.
  - b. Assembly Bill 312 – State Government: Administrative Regulations: Review.
  - c. Assembly Bill 476 – Department of Consumer Affairs: Task Force: Foreign-Trained Professionals.
  - d. Assembly Bill 613 – Professions and Vocations: Regulatory Fees.
  - e. Assembly Bill 802 – Reports to the Legislature.
  - f. Assembly Bill 931 – Local Boards and Commissions: Representation: Appointments.
  - g. Assembly Bill 1140 – Tax Preparers: Disclosures.
  - h. Assembly Bill 1521 – Accountancy: California Board of Accountancy.
  - i. Assembly Bill 1525 – Cannabis: Financial Institutions.
  - j. Assembly Bill 1545 – Civil Penalty Reduction Policy.
  - k. Senate Bill 51 – Financial Institutions: Cannabis.
  - l. Senate Bill 53 – Open Meetings.
  - m. Senate Bill 601 – State Agencies: Licenses: Fee Waiver.
  - n. Assembly Bill 1271 – Licensing Examination: Report.
4. Review and Consideration of Possible Positions on Legislation.
  - a. Assembly Bill 63 – State Government.

- b. Assembly Bill 535 – Personal Income Taxes: Credit: Professional License Fees.
  - c. Assembly Bill 544 – Professions and Vocations: Inactive License Fees and Accrued and Unpaid Renewal Fees.
  - d. Assembly Bill 1076 – Criminal Records: Automatic Relief.
  - e. Assembly Bill 1181 – Charitable Organizations.
5. Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring.
- a. Assembly Bill 286 – Taxation: Cannabis.
  - b. Assembly Bill 545 – Cannabis: Bureau of Cannabis Control: Cannabis Control Appeals Panel.
  - c. Assembly Bill 768 – Professions and Vocations.
  - d. Assembly Bill 1184 – Public Records: Writing Transmitted by Electronic Mail: Retention.
  - e. Assembly Bill 1417 – Cannabis Advertisement and Marketing: Internet: License Number: Statements: Unfair Business Practice: Public Nuisance.
  - f. Assembly Bill 1678 – Indoor-Grown Cannabis Commission.
  - g. Senate Bill 496 – Financial Abuse of Elder or Dependent Adults.
  - h. Senate Bill 522 – Taxation.
  - i. Senate Bill 546 – Unlicensed activity.
  - j. Senate Bill 700 – Business and Professions: Noncompliance With Support Orders and Tax Delinquencies.
  - k. Senate Bill 749 – California Public Records Act: Trade Secrets: Reverse Public Records Actions.
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 Legislative Committee meeting agenda and/or whether to hold a

special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4.

3:20 p.m. –  
3:25 p.m.

XIII. Closing Business.

A. Public Comments.\*

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

3:25 p.m. –  
5:00 p.m.

XIV. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Enforcement Matters.

XV. Closed Session: Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Convene Into Closed Session to Receive Advice From Legal Counsel on Litigation.

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

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

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

D. *Subramaniam Easwara Ramanan and Neeka Accountancy Corporation v. California Board of Accountancy, Department of Consumer Affairs, State of California*, Sixth District Court of Appeal, Case No. H041566.

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

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)).

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](mailto:rebecca.reed@cba.ca.gov), or send a written request to the California Board of Accountancy Office at 2450 Venture Oaks Way, Suite 300, Sacramento, CA 95833. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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**CBA Item I.A.**  
May 16, 2019

## **American Institute of Certified Public Accountants Committee Interest for the 2020-21 Volunteer Year**

**Presented by: George Famalett, CPA, President**

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### **Purpose of the Item**

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

### **Consumer Protection Objectives**

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

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

No specific action is required on this agenda item.

### **Background**

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

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

Presently, CBA Member, Katrina L. Salazar, CPA is serving on the AICPA State Board Committee.

### **Comments**

The AICPA is accepting applications from June 15, 2019 until October 1, 2019 for the 2020-21 Volunteer Year. The 2020-21 AICPA volunteer term will be a 12-month term that will begin May 2020 and run through May 2021. Members interested in



## American Institute of Certified Public Accountants Committee Interest for the 2020-21 Volunteer Year

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volunteering can complete an application and upload a resume at <http://volunteers.aicpa.org>. An overview of the AICPA Volunteer Environment is included as **Attachment 1**.

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

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

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

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

Attendance while participating on a national committee can occur via conference call or in-person. While there is presently a Governor's Executive Order limiting travel to only those matters which are mission critical, the CBA has been successful in obtaining approval for member travel to attend an out-of-state committee meeting. In some instances, if the participation on the committee involves voting or if there is an invitation for a CBA member to provide a presentation, those requests for out-of-state travel may receive a more favorable response.

Beginning January 1, 2017, an updated out-of-state travel policy restricts travel to certain states that have enacted laws that void or repeal protections against discrimination on the basis of sexual orientation, gender identity, or gender expression, which includes the states of Alabama, Kansas, Kentucky, Mississippi, North Carolina, Oklahoma, South Carolina, South Dakota, Tennessee, and Texas. Exceptions may be made for trips considered to be "mission critical" to conducting state business.

Should CBA members be requested to attend a committee meeting outside of California, staff can request the necessary authorization to travel on behalf of the CBA. This request must be reviewed and approved by the Department of Consumer Affairs,

## **American Institute of Certified Public Accountants Committee Interest for the 2020-21 Volunteer Year**

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the Business, Consumer Services, and Housing Agency, and Governor. Requests for out-of-state travel should be submitted at least 60 days in advance of the intended travel dates.

### **Fiscal/Economic Impact Considerations**

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

### **Recommendation**

Staff do not have a recommendation on this agenda item.

### **Attachments**

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

## Overview of the AICPA Volunteer Environment

### History of AICPA

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

### History of Committees

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

### Need for Volunteer Groups

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

### Volunteering for Service

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

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

### Term of Appointment

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

### Appointing Volunteers

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

### Volunteer Year

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

## TYPES OF VOLUNTEER GROUPS

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

### Advisory Group

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

### Audit Quality Center

The objectives of the Audit Quality Center include:

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

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

## Board

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

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

## Board of Directors

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

The Board of Director consists of:

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

## Board Committees

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

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

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

### Board of Examiners

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

### Council

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

The Council consists of the following members:

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

### Expert Panel

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

Current Expert Panels include:

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

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

### Joint Trial Board

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

### Nominations Committee

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

The responsibility of the Nominations Committee is to make nominations for the following:

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

### Peer Review Board

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

### Senior & Executive Committees and Boards

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

The following committees and boards are designated senior by virtue of resolution of Council implementing the AICPA Bylaws. In a few instances some of these committees may also be designated as Senior Technical Committees.

- Accounting and Review Services Committee [\\*](#)
- Assurance Services Executive Committee [\\*](#)
- Auditing Standards Board [\\*](#)
- Board of Examiners [\\*](#)
- Business and Industry Executive Committee
- Center for Audit Quality Governing Board [\\*](#)
- Employee Benefits Audit Quality Center Executive Committee [\\*](#)
- Financial Reporting Executive Committee [\\*](#)
- Forensic and Valuation Services Executive Committee [\\*](#)
- Governmental Audit Quality Center Executive Committee [\\*](#)
- Information Management and Technology Assurance Executive Committee [\\*](#)
- Management Consulting Services Executive Committee [\\*](#)
- National Accreditation Commission [\\*](#)
- PCPS Executive Committee [\\*](#)
- Peer Review Board [\\*](#)
- Personal Financial Planning Executive Committee [\\*](#)



- Pre-Certification Education Executive Committee
- Professional Ethics Executive Committee \*
- Professional Practice Executive Committee
- Tax Executive Committee \*
- Women's Initiatives Executive Committee

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

### Subcommittee

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

### Task Force

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

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

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

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

### Tax Technical Resource Panel

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



Current Tax Technical Resource Panels:

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

**Volunteer Group**

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

**Virtual Group**

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

**PUBLIC STATEMENT AUTHORIZATION**

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

The Senior Committees are as follows:

<b>Committee Name:</b>	<b>YES</b>	<b>NO</b>
Accounting and Review Services Committee	<b>X</b>	
Assurance Services Executive Committee	<b>X</b>	
Auditing Standards Board	<b>X</b>	
Board of Examiners		<b>X</b>
Center for Audit Quality Governing Board	<b>X</b>	

Employee Benefits Plans Audit Quality Center Executive Committee		<b>X</b>
Financial Reporting Executive Committee	<b>X</b>	
Forensic and Valuation Services Executive Committee	<b>X</b>	
Government Audit Quality Center Executive Committee		<b>X</b>
Information Management and Technology Assurances Executive Committee		<b>X</b>
Management Consulting Services Executive Committee	<b>X</b>	
National Accreditation Commission		<b>X</b>
PCPS Executive Committee		<b>X</b>
Peer Review Board	<b>X</b>	
Personal Financial Planning Executive Committee	<b>X</b>	
Professional Ethics Executive Committee	<b>X</b>	
Tax Executive Committee	<b>X</b>	

## DEFINITIONS OF VOLUNTEER ROLES

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

### Current Roles

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

### Board Chair

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

### Board Liaison

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

### Chair

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

### Elected Members

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

### Ex-Officio

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

### Member-At-Large

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

### Member

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

### President

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

### Public Members

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

### Secretary of Institute

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

### Staff Liaison

The staff liaison is an AICPA staff member who fully assists the volunteer group at each meeting by researching and providing background information. This includes: providing appropriate reference materials for each meeting; identifying the elements of a problem; listing the questions that need answering; participating in the discussion; endeavoring tactfully to persuade members to adopt a sound decision; alerting the volunteer group when it is deviating from AICPA policy or exceeding its authority; and accepting whatever final decision is reached unless the issue is so important that a higher authority should be consulted.

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

### State Rep

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

### Vice Chairman of the Board

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

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## Attachment 2

### Overview of AICPA Committees

#### Board of Examiners

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

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

#### Uniform Accountancy Act Committee

To continue the collaboration with the National Association of State Boards of Accountancy (NASBA) on a joint model accountancy law. To review the Uniform Accountancy Act on a regular basis and incorporate revisions based on changes in the profession.

#### International Qualifications Appraisal Board

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

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

## **Overview of AICPA Committees**

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### **National Commission on Diversity and Inclusion**

To serve as advisors to the AICPA and accounting organizations on best practices that will yield the increase, recruitment, retention, and advancement of minorities in the accounting profession.



## **Volunteer Service Agreement**

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

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

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

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

### **Confidentiality and Conflict of Interest**

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



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

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

### **Communications**

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

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

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

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

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

### **Actions That May Discredit the Association, AICPA or CIMA**





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

### **Meetings**

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

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

### **Ownership/Assignment of Copyright**

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

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



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

### **Verification and Agreement**

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

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



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**CBA Item I.B.**  
May 16, 2019

## **Discussion and Possible Action Regarding Changes to the California Board of Accountancy's 2019 Meeting Locations**

**Presented by: Rebecca Reed, Board Relations Analyst**

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### **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 location of the September and November 2019 CBA meetings.

### **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 is being asked to consider a change in meeting locations for the September and November 2019 meetings.

### **Background**

At the March 2018 CBA meeting, members approved the 2019 meeting calendar and locations.

### **Comments**

The CBA expressed interest in conducting additional CBA meetings on college campuses. Staff have secured a meeting location at California State Polytechnic University (Cal Poly) Pomona for the September 26-27, 2019 CBA meeting.

Since the September 2019 CBA meeting is scheduled to take place in Sacramento, California and the November 2019 CBA meeting is scheduled to take place in Southern California. Staff are requesting to change the location and conduct the September 2019 meeting in Southern California at Cal Poly Pomona and the November 2019 meeting in Northern California at the CBA office. This change will retain the same number of CBA meetings scheduled in Northern and Southern California locations.

## **Discussion and Possible Action Regarding Changes to the California Board of Accountancy's 2019 Meeting Locations**

Page 2 of 2

### **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations.

### **Recommendation**

Staff recommend the CBA change the location of the September 2019 CBA meeting location to Cal Poly Pomona and the location of the November 2019 CBA meeting to the CBA office.

### **Attachment**

California Board of Accountancy 2019 Meeting Dates and Locations Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
2019 MEETING DATES/LOCATIONS CALENDAR  
(CBA MEMBER COPY)**

**JANUARY 2019**

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

**FEBRUARY 2019**

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

**MARCH 2019**

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 SC	22	23
24	25	26	27	28	29	30
31						

**APRIL 2019**

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 2019**

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

**JUNE 2019**

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 2019**

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

**AUGUST 2019**

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
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**SEPTEMBER 2019**

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 NC	27 NC	28
29	30					

**OCTOBER 2019**

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

**NOVEMBER 2019**

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 SC	22 SC	23
24	25	26	27	28	29	30

**DECEMBER 2019**

S	M	T	W	Th	F	S
1	2	3	4	5 SC	6	7
8	9	10	11	12	13 NC	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



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**CBA Item I.C.**  
May 16, 2019

## **Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook**

**Presented by: Dominic Franzella, Chief, Enforcement Division**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to review feedback regarding the American Institute of Certified Public Accountants (AICPA) January 2019 iteration of proposed revisions to Chapter 3 – *Confidentiality of Peer Review Information in the Regulatory Environment*, Peer Review Program Oversight Handbook (Oversight Handbook) (**Attachment 1**) and staff feedback on section 1.2 from the AICPA Peer Review Board Opens Session meeting materials, May 2019 iteration of proposed revisions to Chapter 3 of the Oversight Handbook, published May 3, 2019 (**Attachment 2**).

### **Consumer Protection Objectives**

The CBA Peer Review Program is an important component of its mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with professional standards set by the CBA-approved Peer Review Program Provider, the AICPA. It is a high-priority for the CBA to evaluate all peer review-related changes proposed by the AICPA, as changes to policies, procedures, by-laws, and the administration of the California Peer Review Program directly impacts the CBA's mission to protect consumers.

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

It is requested that the CBA review the Peer Review Oversight Committee (PROC) and staff feedback regarding the January and May 2019 AICPA iterations of proposed revisions to Chapter 3 of the Oversight Handbook and approve a draft comment letter (**Attachment 10**) addressed to AICPA and the National Association of State Boards of Accountancy (NASBA) regarding the proposed revisions.

### **Background**

The CBA recognizes the AICPA as the approved peer review program provider to oversee the administration of the California Peer Review Program with the administering entity being California Society of Certified Public Accountants.

## Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook

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As part of its peer review program, the AICPA has developed various guidance materials to aid in the overall administration of the program, including the Oversight Handbook, with the primary audience of the materials being the AICPA-approved administering entities.

In February 2019, NASBA sent a communication to Executive Directors of the State Boards of Accountancy, noting that the AICPA had been considering changes to the Oversight Handbook since August 2018.

NASBA stated that the AICPA Peer Review Board does not follow a standard exposure draft review practice when it considers changes to the Oversight Handbook; however, NASBA and various State Boards of Accountancy had raised concerns with the proposed changes to Chapter 3 of the Oversight Handbook.

The AICPA delayed implementing the revisions to Chapter 3 of the Oversight Handbook to provide NASBA and State Boards of Accountancy an opportunity to provide comments. NASBA indicated that it was seeking feedback by March 15, 2019.

During the March 2019 meeting, the CBA discussed the January 2019 AICPA iteration of proposed revisions to Chapter 3 of the Oversight Handbook, comments from NASBA (**Attachment 3**), letters submitted by the North Carolina and Wyoming State Boards of Accountancy (**Attachments 4 and 5**), and CBA Statutes and Regulations (**Attachments 6 and 7**) governing the California Peer Review Program. The CBA determined it was necessary for the PROC to review the AICPA proposed changes to the Oversight Handbook in order to provide effective feedback to NASBA and AICPA.

Staff have informed NASBA and sent a letter to the Vice-President of State Board Relations at NASBA and the Chair of the Peer Review Board at AICPA (**Attachment 8**), informing them that the proposed revisions to the Oversight Handbook will be reviewed at the May 3, 2019 PROC meeting and May 16, 2019 CBA meeting.

### Comments

On May 3, 2019, the PROC reviewed the January 2019 AICPA iteration of proposed revisions to Chapter 3 of the Oversight Handbook, comments from NASBA, letters from North Carolina, Wyoming, and the Nevada State Board Accountancy (**Attachment 9**), and the relevant CBA Statutes and Regulations.

#### *January 2019 AICPA Proposed Revisions:*

The PROC identified three primary areas of concern within the January 2019 AICPA iteration of proposed revisions to Chapter 3 of the Oversight Handbook with CBA Statutes and Regulations:

# Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook

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- Historical relationship and agreement between AICPA, State Societies, and State Boards of Accountancy
- Peer review information and confidentiality
- Independence and Conflict of Interest

Historical relationship and agreement between AICPA, State Societies, and State Boards of Accountancy:

Section A: Introduction and Background

Section C: Statutory/Regulatory Oversight Requirements

Sections A and C describes the AICPA perspective and interpretation of the relationship and agreement between the AICPA, State Societies, and State Boards of Accountancy concerning; peer review information and confidentiality. The proposed provisions supports collaboration between administering entities and State Boards of Accountancy and at the same time caution the Peer Review Board and administering entities on the confidentiality of peer review information.

Similar to concerns raised by NASBA and responses from State Boards of Accountancy received by AICPA, the CBA recognizes the by-laws and confidential nature of the AICPA's peer review process. However, the CBA is charged by legal statutes with enforcing and overseeing its Peer Review Program requirements to ensure consumer protection and engender public trust. The AICPA proposed guidance fails to acknowledge that state law may mandate the administering entities compliance with state laws and rules that override the concepts contained in Chapter 3.

Peer review information and confidentiality:

Section B: Peer Review Information – Publicly Available vs. Confidential

Section E: Confidentiality Letters

Section G: PROC Members – Violations of Confidentiality Letters

Sections B, E, and G specifies limitations administering entities have on disclosing peer review information to State Boards' of Accountancy PROC and committee staff liaisons. The provisions require submission of a signed confidentiality letter or a written request and permission granted by accounting firms in order to access expanded peer review information. It further specifies that PROC members recommending investigation of a specific licensee based on the peer review information gathered during the PROC oversight process of an administering entity as breach of confidentiality.

Business and Professions Code (BPC) section 5076.1 requires the CBA to establish and appoint qualified committee members to provide recommendations to the CBA on



## Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook

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matters upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

In support of the AICPA and administering entity's confidentiality agreement, the CBA established Section I (E) – Confidentiality within the PROC Procedures Manual, which requires PROC members to sign a confidentiality agreement letter. The PROC staff liaison actively tracks and verifies that each PROC member sign the confidentiality agreement letter annually.

However, BPC section 5076.1(b) specifies that the PROC may request any information from the CBA-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with standards adopted by the CBA in regulations.

The statute further notes that information obtained by the CBA, its representatives, or the PROC in conjunction with its review of a peer review program provider shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the circumstances in connection with:

- (1) Disciplinary proceeding of the board
- (2) Legal proceedings in which the board is a party
- (3) In response to an official inquiry by a federal or state governmental regulatory agency
- (4) In compliance with subpoena or summons enforceable by court order
- (5) As otherwise specifically required by law

Furthermore, CBA Regulations section 48(e)(1)(L) specifies that as part of the requirement for a California-recognized peer review program, AICPA is required to provide the PROC access to all material and documents required for the administration of peer reviews.

Independence and Conflict of Interest:

Section D: Independence and Conflict of Interest (for Peer Review Purposes)

Section F: Information Available to the PROC Members and Administrative Liaisons

Section H: Examples of Conflict of Interest

Sections D, F, and H includes proposed provisions that guides administering entities on how to safeguard and eliminate threats from PROC members and state employed staff liaisons identified to have a conflict of interest or "impairments to independence from a regulatory perspective."

## Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook

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Section I (F) – Conflict of Interests in the PROC Procedures Manual requires PROC members to file the Fair Political Practices Commission’s Statement of Economic Interests, Form 700 upon appointment, annually, and upon leaving office. The Form 700 requires PROC members to report all interest, real property and investment and business positions. Furthermore, PROC members identified to have association with a peer reviewed firm being considered for acceptance at a Report Acceptance Body meeting, are disqualified from the oversight activity.

The PROC Procedures Manual outlines the roles and oversight responsibilities of the PROC. It includes very specific oversight activities. Discussions and analysis regarding observed peer review administration process takes place during PROC meetings. Findings from the PROC oversight activities are reported to the CBA and specifically focus on the administering entity’s peer review administration procedures and standards.

### *May 2019 AICPA Proposed Revisions:*

On May 3, 2019, the AICPA Peer Review Board had an open meeting and released a May 3, 2019 AICPA iteration of the Oversight Handbook (**Attachment 2**). Due to the short notice between the release of the AICPA Peer Review Board meeting materials and the meeting date, staff and PROC members did not have sufficient information to appropriately assign PROC members to oversight the meeting, as it coincided with the PROC May 3, 2019 meeting.

Staff reviewed and compared findings from the May 3, 2019 PROC meeting with the May 3, 2019 AICPA iteration of the proposed revisions to the Oversight Handbook along with the supplemental documents that included:

- A revised iteration of Chapter 3 of the Oversight Handbook
- A revised Oversight Handbook with tracked changes
- Top three common concerns
- Possible amendments for considerations to address the top three common concerns
- Proposed revised Confidentiality Letter for PROCs
- Comments from State Boards of Accountancy and a state society
- A summary of survey of results received as of April 5, 2019

Overall, the May 3, 2019 revisions focused on language format and continued to drive the importance of the AICPA by-laws regarding peer review confidentiality and conflict of interest.

The PROC recognizes that peer review began as an educational and remedial tool developed within the framework of a private membership organization. Furthermore, the

## **Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook**

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CBA understands AICPA, the Peer Review Board, and administering entities are constrained by internal by-laws regarding confidentiality and conflict of interest.

However, legislation made peer review part of a regulatory framework and the CBA implemented a mandatory peer review requirement as part of its license renewal process.

After a thorough review and analysis of materials relating to the AICPA proposed revisions to Chapter 3 of the Oversight Handbook, the PROC and staff finds that the existing California Peer Review Program and the CBA Statutes and Regulations does not present a conflict of interest for staff, and the PROC has adequate procedures in-place to safeguard confidentiality. The existing CBA regulatory framework ensures consumer protection and raises public trust.

Additionally, the California Peer Review Program provides the recognized peer review program provider substantial jurisdiction over the peer review program administration process, educational framework, and confidentiality standards.

Similar to responses AICPA received from NASBA and State Boards of Accountancy, the CBA concurs with the top three common observations:

- 1) The desire for increased transparency in the peer review process
- 2) Limiting access to confidential information, due to a conflict of interest, is not in the best interest of the general public
- 3) Firms have a lack of knowledge regarding what stage in the process its peer review stands and what information an administering entities provides to State Boards of Accountancy

The PROC and staff have developed additional feedback for inclusion the comment letter for the AICPA considerations through its revision process of Chapter 3 of the AICPA Oversight Handbook:

- AICPA should place consumer protection ahead of confidentiality, which is consistent with the CBA mission
- AICPA's interpretation of peer review functions within a regulatory environment is general and do not apply to the CBA
- State Boards of Accountancy are charged by legal statutes with enforcing and overseeing its Peer Review Program requirements to ensure consumer protection and engender public trust
- AICPA may want to reconsider its definition of conflict of interest and take into account state regulations that governs peer review in its revisions to Chapter 3 of the Oversight Handbook

## Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook

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- State Boards of Accountancy are qualified to select staff liaison(s) to appropriately and ethically delegate committee activities

The May 3, 2019 AICPA Peer Review Board open meeting provided the Peer Review Board Oversight Task Force an opportunity to present the changes to Chapter 3 of the Oversight Handbook to the Peer Review Board and the general public for feedback. The Oversight Task Force recommends outreach to State Boards of Accountancy (similar to the February 2019 communication) for additional feedback and intend to have a comprehensive presentation for approval at a future Peer Review Board meeting.

### Fiscal/Economic Impact Considerations

There are no fiscal/economic considerations.

### Recommendation

Staff recommend that the CBA approve the draft CBA comment letter (**Attachment 10**) addressed to AICPA and NASBA, and delegate authority to the CBA President to work with staff in making necessary revisions to the draft.

### Attachments

1. January 2019 American Institute of Certified Public Accountants Proposed Revisions to Chapter 3 – *Confidentiality of Peer Review Information in the Regulatory Environment*, Peer Review Program Oversight Handbook
2. American Institute of Certified Public Accountants Peer Review Board Meeting Materials, Section 1.2 - May 2019 Proposed Revisions to Chapter 3 of the Oversight Handbook, Published May 3, 2019
3. National Association of State Boards of Accountancy's Concerns Regarding Revisions to Chapter 3 of the American Institute of Certified Public Accountants Peer Review Program Oversight Handbook
4. Letter from the North Carolina State Board of Certified Public Accountants Examiners to the AICPA Peer Review Board, dated February 18, 2019
5. Letter from the State of Wyoming Board of Certified Public Accountants, dated February 27, 2019
6. Business and Professions Code Sections 5076 and 5076.1
7. California Board of Accountancy Regulations Sections 38-48.6
8. California Board of Accountancy Letter to the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the American Institute of Certified Public Accountants Peer Review Program Oversight Handbook, Dated April 3, 2019
9. Letter from the Nevada State Board of Accountancy, dated March 4, 2019
10. Draft California Board of Accountancy Comment Letter Addressed to the American Institute of Certified Public Accountants and the National Association of State Boards

**Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook**

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of Accountancy Regarding Chapter 3 of the Peer Review Program Oversight Handbook

## CHAPTER 3

## Confidentiality of Peer Review Information in the Regulatory Environment

*This guidance should be followed by all administering entities (AEs).*

## A. Introduction and Background

1. When AICPA members passed a peer review bylaw requirement in 1988, it was done so with the understanding that, with few exceptions, information and results obtained from the peer review process would remain confidential. An implementing bylaw resolution allowed the AICPA Board of Directors to establish the “peer review board” to carry out peer review activities which do not conflict with the policies and standards of the AICPA.
2. Over time, recognizing the remedial value of the peer review process, ~~states~~ ~~boards of accountancy (SBOAs)~~ began incorporating peer review requirements into their ~~state~~ laws, regulations and administrative policies.
3. SBOAs also began recognizing that one way a firm may meet those requirements was by undergoing an AICPA peer review program (PRP) review administered by entities approved and oversighted by the AICPA.
4. Since SBOAs were relying on the effectiveness of the PRP and were requiring firm participation for licensure, some SBOAs communicated to the AICPA that they would like to perform due diligence over the PRP and its AEs.
5. Although the AICPA Peer Review Board (PRB) was bound by confidentiality provisions imbedded into the peer review process, it fully supported SBOAs need and ability to monitor the PRP.
6. With the confidentiality provisions in mind, and SBOAs communicating their objectives, the PRB was able to be transparent with peer review information to an individual or group monitoring the PRP for an SBOA with the mutual understanding and agreement that the PRB only has the authority to do this within the confidentiality parameters imbedded in the PRP.
7. Working collaboratively, AEs and SBOAs that requested to do so, entered into an oversight relationship with the AE that allowed the SBOAs to monitor the AEs’ performance and determine if peer reviews were being administered, performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews (*Standards*). The result of this collaboration was the establishment of SBOA peer review oversight committees (PROCs).
8. The fundamental confidentiality provisions have not changed and neither the PRB, nor the AEs, may violate these provisions. This Chapter serves to better articulate the AEs responsibilities in such matters.
9. SBOAs have information available through the PRP, such as the information provided in the AICPA Public File, through Facilitated State Board Access (FSBA) and permitted by *Standards* and related Interpretation 146-3. This Chapter’s focus is primarily on the types of confidential information that can be made available to PROCs solely for the purpose of oversighting an AE (information that would not otherwise be available to the PROCs).
10. PROCs are established by SBOAs. It is solely up to the SBOA to determine who serves on its PROC.

11. Since PROC members have access to information not otherwise provided to those not involved in the PRP, AEs must avoid providing confidential information to PROC members who have a conflict of interest. In addition, those who are provided confidential information ordinarily must sign a confidentiality letter prior to receiving access to such information.
12. The PRB does not expect a PROC member to sign a confidentiality letter if the PROC member is or may be required to divulge confidential information to the SBOA, administrative liaison or others. In such circumstances, the AE should not provide confidential information to a PROC member.
13. Note that the signing of a confidentiality letter and/or recusal from meetings where confidential information is discussed is not a sufficient safeguard against a conflict of interest. PROC members or others with a conflict of interest should notify the AE when it becomes aware of such conflicts, and not be provided confidential information or allowed to attend such meetings.
14. It is the policy and the goal of the PRB to assist SBOAs and PROC members in any way it can, provided the confidentiality requirements of the PRP are not violated.

#### **B. Peer Review Information – Publicly Available vs. Confidential**

1. Paragraph 146 of the *Standards* , indicates the AE and the AICPA may disclose the following information:
  - a) The firm's name and address,
  - b) The firm's enrollment in the program,
  - c) The date of acceptance and period covered by the firm's most recently accepted peer review; and
  - d) If applicable, whether the firm's enrollment in the program has been dropped or terminated.
2. Any information not contained in Section B. 1 of this Chapter is confidential and should not be provided to anyone except as permitted in this Chapter.
3. AEs must adhere to the paragraph 146 of the *Standards* and related interpretations. Communication, either verbal or written, of confidential information will result in non-compliance with the applicable benchmark and may result in the PRB Oversight Task Force (OTF) administering fair procedures.
4. Interpretation 146-3 allows firms to authorize the AE or AICPA to provide certain peer review information to third parties. The authorization must be in writing and information that may be provided to third parties must be objective. A toolkit has been developed to assist firms, (SBOAs and AEs with complying with the *Standards* and guidance.
5. State law or regulations may require, or allow SBOAs to request or require firms to submit or provide access to the following specific firm peer review documents to SBOAs:
  - a) Peer review report which has been accepted by the AE,
  - b) The firm's letter of response accepted by the AE (if applicable),
  - c) The acceptance letter from the AE,
  - d) Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and

- e) Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.
6. To facilitate firms complying with SBOA laws or regulations or requests to provide the information listed in B. 5, firms may authorize the AE to submit the above documents to the SBOAs through Facilitated State Board Access (FSBA). When laws/regulations mandate the submission of documents through FSBA, firms still must authorize the AE to do so or their peer reviews will not be scheduled. The authorization is ordinarily made during the peer review scheduling process, but may also occur at other times.

### C. Statutory/Regulatory Oversight Requirements

1. As most SBOAs require firms to enroll in the AICPA PRP (or other SBOA approved peer review programs), certain SBOAs also have a statutory/regulatory requirement or Board Policy to oversight the sponsoring organizations/AEs peer review programs that are intended to meet the SBOA's peer review licensure requirements.
2. AEs should have an understanding of the statutory/regulatory peer review requirements for all states where it administers reviews. When there may be statutory/regulatory differences with the guidance contained in this Chapter, the AE should immediately contact the AICPA. Contact should occur prior to the AE providing confidential information to individuals or allowing attendance at meetings where confidential information is discussed.
3. SBOAs are encouraged to determine and communicate their oversight objectives to the AE along with the SBOA's process for achieving those objectives. This will assist AEs in providing sufficient support to SBOAs in meeting those stated objectives.
4. Ordinarily, SBOAs perform oversight through a peer review oversight committee (PROC). SBOAs determine the qualifications, selection and terms of PROC members.
  - a) The PRB fully supports the SBOAs' ability to establish an AE oversight process with the objective to report or make recommendations to SBOAs regarding AEs' ability to administer the PRP in accordance with *Standards* and guidance.
  - b) SBOA's may choose to designate PROCs or PROC members from other state boards or national/regional PROCs to achieve the oversight objectives. In such situations, AEs are not required to change the presentation of firms' peer reviews to RABs for acceptance, discussion, etc. even though the PROC member(s) may be representing SBOA(s) from states other than the state where the AE is located.
  - c) Ordinarily, employees of SBOAs may not have access to confidential information<sup>1</sup>. However, SBOAs may choose to designate an individual (hereinafter referred to as an administrative liaison) ~~or liaisons~~ to facilitate the SBOAs ability to perform its oversight functions. The role of the administrative

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<sup>1</sup> SBOAs generally are responsible for enforcement actions against CPAs and CPA firms. Accordingly, certain individuals associated with employees of such SBOAs may have a conflict of interest and may not be permitted access to confidential information. However, if an SBOA lacks such enforcement authority, and the individual employee otherwise has no conflict of interest, the AE may provide such individualemployee the same access to confidential information as a member of a PROC (who has no conflict of interest). Such an individualemployee would also be required to sign a confidentiality letter.



liaison is determined by the SBOA and may be an employee or designee of the state board. However, an AE may not provide confidential information to them or allow them to attend meetings where confidential information is discussed. When the administrative liaison is not a PROC member, they may only have access to peer review information in accordance with paragraph 146 of the *Standards* and certain documents and reports that do not contain confidential information.

- d) The guidance presented throughout this Chapter is not intended to prohibit a PROC member delegated the duty by SBOAs to read the documents in Section B.5. of this Chapter or use FSBA and report to the SBOA on the information contained in these documents. However, it would be considered a breach of confidentiality if a PROC member included information or made a recommendation to the SBOA regarding a specific licensee, firm or peer reviewer that was only available as a result of overlooking the AE.

#### **D. Independence and Conflicts of Interest (for Peer Review Purposes)**

1. AEs need to consider whether PROC members or potential PROC members have a conflict of interest or an impairment to independence. SBOAs may also want to consider what they believe may constitute a conflict of interest or impairments to independence from a regulatory perspective. AEs, SBOAs and, where appropriate, the AICPA should discuss these matters collaboratively when questions arise.
2. Independence
  - a) *Independence of mind (fact)* - The state of mind that permits those involved in the peer review process to not be affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
  - b) *Independence in appearance* – The avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity or professional skepticism of those involved in the peer review process had been compromised.
  - c) *Safeguards* – Controls that eliminate or reduce threats to independence and may include a range of partial to complete prohibitions.
3. Conflict of Interest
  - a) A conflict of interest is a set of circumstances or a situation that creates a risk that the professional judgment or actions by an individual may be influenced by a secondary party or interest. The individual may have a competing interest or loyalty to a secondary party that may influence their professional judgement or decision, or
  - b) A situation in which a person has a duty to more than one person or organization but cannot do justice to the actual or potentially adverse interests of both parties.

- c) If no safeguards are available to eliminate the risk of an unacceptable threat or reduce it to an acceptable level, this would be considered a conflict of interest.
  - i. In situations where the SBOA, AE or PRB determines that there is an unacceptable threat, then neither recusals, nor signing confidentiality letters are appropriate safeguards.

## E. Confidentiality Letters

1. PROC members ~~(and administrative liaisons that ordinarily are not given access to confidential information)~~ are required to annually sign a confidentiality letter (Exhibit 3-1 ~~and Exhibit 3-2~~) indicating they will not divulge any information to the SBOA or others that would identify any licensee, firm or peer reviewer or other information obtained from the oversight of the AE.
2. AEs should maintain a current roster of PROC members ~~and administrative liaisons~~ as their signed confidentiality letters are subject to review during AE oversight visits, Report Acceptance Body (RAB) observations and other times deemed appropriate.
  - a) Except as provided in E.2.be), the AE may only provide a PROC member access to information allowed in paragraph 146 of the *Standards* and some statistical data/reports that do not contain confidential information when a PROC member fails to sign the confidentiality letter.
  - ~~b) Although administrative liaisons are not permitted to obtain confidential information, signing the confidentiality letter is an additional safeguard in case they inadvertently receive such information.~~
  - e)b) \_\_\_\_\_ In rare circumstances where state law or regulation specifically prevents individuals from signing confidentiality letters, the matter should be discussed with the SBOA and, where appropriate, the AICPA as to what other safeguards can be put in place, if possible, such that the PROC members may still be able view certain confidential information and possibly attend meetings.

## F. Information Available to PROC Members and Administrative Liaisons

1. The PRB determines what information may be made available to PROC members and administrative liaisons.
2. PROC members that have signed a confidentiality letter should have access to the same peer review information as those serving on AE peer review committees/RABs except in the following circumstances:
  - a) PROC members who are deemed by the SBOAs, AEs or PRB to have a conflict of interest (see Sections D and G of this Chapter).
    - i. Signing confidentiality letters or recusals are not deemed as appropriate safeguards when there is a conflict of interest.
  - b) PROC members who do not sign confidentiality letters (when state law or regulation doesn't specifically prohibit signing such letters).

- c) When situations occur such that conflicts of interest are encountered with PROC members who otherwise do not have a conflict of interest (such as when the peer review of a firm of which the PROC member is associated is being considered for acceptance by a RAB).
    - i. AEs should work collaboratively with SBOAs in identifying such situations.
    - ii. AEs should request that PROC members recuse themselves from these situations and not participate in those portions of the meetings (should not be present, on the phone, etc.).
3. PROC members and administrative liaisons may make reasonable requests for information that facilitates the PROC's ability to perform its oversight functions, including, but not limited to:
- a) *Standards*, procedures, guidelines, training materials and similar documents prepared for use by reviewers, reviewed firms and AEs.
  - b) AE peer review committee/RAB meeting schedules.
  - c) Statistical data available.
  - d) Benchmark, monitoring, RAB observation and various oversight reports and information (administrative liaisons may only obtain reports that do not contain specific identifying information).
  - e) Other Peer Review Integrated Management Application (PRIMA) generated reports (administrative liaisons may only obtain reports that do not contain specific identifying information).

#### G. PROC Members ~~and Administrative Liaisons~~ – Violations of Confidentiality Letters

- 1. AEs must immediately report to the SBOA and, where appropriate, the AICPA, any known or potential violations of signed confidentiality letters by PROC members ~~or administrative liaisons~~. For example, litigation against a firm or reviewer coming to the attention of the SBOA based solely on information the PROC member obtained as a result of AE oversight and reported to the SBOA would be a violation of the confidentiality letter. If the AE is aware of a potential situation and uncertain if there is a violation, it should discuss with the SBOA and, where appropriate, the AICPA.
  - a) Until a potential situation is resolved by the AE with the SBOA, and, where appropriate with AICPA Staff and/or the AICPA PRB OTF, individuals identified that may have potentially violated the confidentiality letter shall be considered to have a conflict of interest on all matters related to oversight and should not be given access to confidential information or be allowed to attend meetings where such information is discussed.

#### H. Examples of Conflict of Interest

- 1. The following is a list of examples where the PRB has determined the PROC member has a conflict of interest or independence is impaired and should not be given access to confidential information or be allowed to attend portions of the meetings where such

information is discussed.

- a) Active SBOA members have a conflict of interest. ~~Generally, a~~Due to practice mobility, a active SBOA member from one state is ~~likely deemed~~ to have a conflict of interest in all states, not just the state where serving on the SBOA.
- b) Individuals (employees, consultants, volunteers or others) who perform enforcement related work for regulatory or governmental bodies, professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board or state professional ethics committee) or similar groups or subgroups unless the individual can first demonstrate to the satisfaction of the PRB that:
  - i. They are not performing enforcement work or otherwise significantly involved in such work; and
  - ii. They are not involved in making recommendations to the SBOA, or have influence with the SBOA on any individual or firm licensure, enforcement, ethics or other similar matters or have access to such information; or
  - iii. They only assist SBOAs with administrative matters such as assisting with writing their laws and regulations.
- c) Ordinarily when a PROC member is from the same firm as the technical reviewer, committee or RAB members of the AE being oversighted, unless appropriate safeguards are in place such as the PROC member not attending portions of AE meetings where information is prepared by or discussed by those individuals. However, there may be situations when the PROC member's firm is from a different state and with appropriate safeguards the conflict of interest could be eliminated. AEs should discuss such situations with the SBOA or the PROC member's firm, as the resolution of some conflicts could be achieved by either changing the PROC member or AEs not having a technical reviewer, committee or RAB member from the PROC member's firm.
- d) A PROC member is deemed to have a conflict of interest when his or her firm's peer review or reviews performed by his or her firm are being discussed. When this or similar situations occur, the AE should ensure the PROC members recuse themselves completely and not be present for (or on the phone) or participate in any discussions. This would also be true when the PROC member has a conflict of interest with the reviewing firm, reviewer or the reviewed firm, etc. for other reasons. In these situations, PROC members should also not be given confidential materials, correspondences, etc. prepared by the AE for the RAB related to the specific conflict.
- e) If there is any question as to whether a PROC member may have a conflict of interest, the matter should be brought to the attention of the SBOA and, as appropriate, the AICPA who may discuss the question with the OTF. This must be done prior to making confidential information available or allowing someone to attend a meeting. All relevant information should be provided including what appropriate safeguards are in place as applicable.



Peer Review  
Program

# Peer Review Board Open Session Materials

**May 3, 2019**

**Durham, NC**

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**AICPA Peer Review Board  
Open Session Agenda  
Friday May 3, 2019  
Durham, NC**

**Date:** Friday, May 3, 2019

**Time:** 10:00AM – 12:00PM Eastern Time

- 1.1 Welcome Attendees and Roll Call of Board\*\* – Mr. Kindem/Mr. Parry
- 1.2 Discussion of Revisions to Chapter 3 of the Oversight Handbook\* - Mr. Bluhm
- 1.3 Approval of Guidance Changes Related to Hearing Panel Referrals\* - Mr. Pope
- 1.4 Approval of Guidance Changes Related to Document Retention\* - Mr. Pope
- 1.5 Task Force Updates\*
  - Education and Communication Task Force Report – Ms. Kerber
    - A – Reviewer Pool Discussion\*
  - Standards Task Force Report – Mr. Pope
    - B – Update on Clarified Peer Review Standards\*
  - Oversight Task Force Report – Mr. Bluhm
- 1.6 Brief Update on IAASB Quality Management Exposure Draft\*\* - Mr. Freundlich
- 1.7 Operations Director's Report\*\* – Ms. Thoresen
- 1.8 Report from State CPA Society CEOs\*\* – Ms. Birmingham
- 1.9 Update on National Peer Review Committee\*\* – Mr. Fawley
- 1.10 Other Business\*\* - Mr. Parry
- 1.11 For Informational Purposes\*:
  - A. Report on Firms Whose Enrollment was Dropped or Terminated\*
- 1.12 Future Open Session Meetings\*\*
  - A. August 2019 Open session [Date TBD] – Teleconference
  - B. October 24, 2019 Open session - Teleconference

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\* Included on SharePoint

\*\* Verbal Discussion

**Revisions to Oversight Handbook – Rewrite of Chapter 3**

**Presented for Discussion and Feedback**

**Why is this on the Agenda?**

In August 2018, the Peer Review Board (PRB) approved revisions to Chapter 3 of the Oversight Handbook. The revisions were intended to remove outdated guidance and provide clarifying and revised guidance for use by Administering Entities (AEs) related to the confidentiality of peer review information in the regulatory environment, which includes peer review oversight committees (PROCs). After PRB approval, we received feedback from the National Association of State Boards of Accountancy (NASBA), State Boards of Accountancy (SBOAs) and AEs. AICPA staff worked with NASBA staff, some SBOA Executive Directors and AEs to better understand the issues and develop new guidance that attempted to address the concerns communicated to us.

In preparation for the January PRB meeting, we requested input to draft revisions of Chapter 3 from the SBOA Executive Director Advisory Group and NASBA. NASBA responded and communicated its concerns about the short time frame it had to respond. Staff evaluated those comment, discussed them with the Oversight Task Force (OTF) and incorporated the comments, where appropriate, into the January PRB meeting - Chapter 3 agenda item. At that time, the OTF concluded that some of the requested changes would not be allowable due to confidentiality restrictions required as a result of the AICPA bylaw vote.

A revised version of Chapter 3 was presented at the January 2019 Oversight Task Force (OTF) meeting. The revisions included:

- Directing the guidance towards AEs.
- An introduction and background section, including confidentiality requirements imbedded in the AICPA peer review program (PRP).
- Acknowledging that many states have an oversight requirement and the SBOAs determine who can serve on a PROC or as an administrative liaison.
- Clarifying that the AICPA determines what information is deemed confidential.
- Specifying the information an AE can provide to PROC members and SBOA administrative liaisons.
- Reiterating to AEs the importance that certain peer review information must be kept confidential.
- Additional information related to conflicts of interest.
- Updated confidentiality letter

The OTF discussed the guidance at length and made additional revisions. A new document was created in track changes (included as Agenda Item 1.2B), approved by the OTF and distributed to the PRB and attendees shortly in advance of the PRB open session meeting. However, it was decided that the materials would be deferred to allow additional time for SBOAs to provide feedback prior to the PRB considering and approving the guidance.

**Feedback on Chapter 3 and Survey of SBOAs**

On February 6, 2019, an email was sent to all SBOA Executive Directors and Chairs/Presidents requesting feedback on Chapter 3 of the Oversight Handbook (Agenda Item 1.2B) and responses



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to a brief survey regarding information that SBOAs need related to reviews performed under the AICPA Peer Review Program. State CPA Society CEOs, Deputy CEOs, CPAs on Staff and Peer Review Administrators were also made aware of this outreach. As of April 9, ten written responses were received (nine SBOAs and one state CPA society) related to Chapter 3. Summary of results are:

- Three of the SBOAs indicated they had no comments.
- Five SBOAs and the one state CPA society provided letters that included feedback
- One SBOA indicated their PROC would review on May 3, 2019 and report to their board on May 16-17.

Overall, the feedback did not identify significant changes were needed to Chapter 3. In addition, none of the responses included specific recommended changes to the proposed guidance.

While the five comment letters from SBOAs did not indicate specific recommended changes, there were three common themes in the letters: (1) the desire for increased transparency in the peer review process, (2) the assertion that limiting access to confidential information, due to a conflict of interest, is not in the best interest of the general public, and (3) observations that firms have a lack of knowledge regarding what stage in the process its peer review stands and what information an AE provides to SBOAs. Agenda Item 1.2D provides a summary of the comments by topic. OTF noted responses to the survey (Agenda Item 1.2F) were similar to the transparency theme in Chapter 3 feedback.

Due to the number of revisions and difficulty following in track changes, Agenda item 1.2A-1 is a clean version of the revised guidance. Agenda 1.2A-2 reflects the track changes made since the version presented in January. It reflects “Accepted Track Changes” of the document in Agenda Item 1.2B presented at the January PRB open session meeting (and distributed February 6 requesting SBOA feedback). The proposed revisions were developed to provide additional clarity or emphasis based on feedback from the responses received.

In addition, at the NASBA 36<sup>th</sup> Annual Conference for Executive Directors and Board Staff, at which Beth Thoresen, Peer Review Operations Director spoke, one of the attendees questioned, “Why is the conflict of interest prohibition so black and white in all situations, including when there is segregation of duties, and the AICPA Code of Conduct (Code) allows for safeguards?” Although the OTF recognized that the Code (see excerpt included in Agenda Item 1.2E) was not specifically written for the relationships being addressed in Chapter 3, it believes the Code could provide a potential framework for a safeguard when a certain conflict of interest exists. Therefore, Agenda Item 1.2A includes new proposed revisions with the concept of a consent and disclosure safeguard to address a certain conflict of interest. The OTF believes this safeguard may be difficult to implement, but it may be useful and should be considered along with certain transparency changes (as identified in the Survey) which might facilitate the implementation.

The three themes from the comment letters (and survey received to date) are:

**Increased transparency in the peer review process** - SBOAs desire increased transparency of a firm’s progress through the peer review process. The request for transparency is to allow the SBOAs to effectively and efficiently monitor firms’ compliance. The five SBOAs that provided comment letters all indicated a desire for increased transparency.

The OTF agrees that it would make the process more effective and efficient for firms, AEs and SBOAs should be explored. The OTF considered that some solutions could possibly be made in PRIMA, the Peer Review Information Form, Scheduling Form and through FSBA. However, the



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OTF recognizes cost and other factors may dictate such changes are not feasible in the short term. The OTF also observed that any solutions would likely require some form of firm permission. Some possible considerations:

1. Extension requests (1 - would only be granted) (2 - could be granted) provided the AE is granted written permission from the firm to notify SBOAs of the extension. Existing 146-3 guidance already addresses this; however, our process could be revised requesting a firm signature on an extension approval letter. This could require additional AE resources and PRIMA changes.
2. Provide SBOAs information about the peer review process/timeline. In order to effectively do so, a determination as to what information is useful and necessary to a SBOA, as well as ensuring Board staff's understanding of certain peer review terms and elements of the process, such as –
  - a. The peer review due date
  - b. When a review is scheduled
  - c. Recognizing that a review may be *expected* to be presented to a RAB but it may not occur for various reasons
  - d. What is meant by 120 days
  - e. The time by which as SBOA should expect to see accepted reviews in FSBA
  - f. The drop/termination process
  - g. The procedures followed when a firm is sent to the AICPA for a hearing to determine whether the firm's enrollment should be terminated (or some other action taken), including the appeal process
  - h. How FSBA can be utilized to assist with obtaining information
3. Explore ways to provide additional information with firm permission through the Peer Review Information Form (PRI) or using FSBA reports. For example
  - a. By getting firm permission through the PRI, a screenshot might be able to be developed in PRIMA (short term) so an AE has quick access to the info (only for firms granting permission) making it easier to provide information to the SBOA when requested (FSBA is a longer-term possible solution). Possible information:
  - b. Changes in peer review due date
  - c. Firm reenrollments vs. no reenrollment
  - d. Due dates of the various corrective actions by firm
  - e. Changes in due dates of corrective actions by firm
  - f. Changes in PRIMA are provided in one report (i.e. info in a-d above)
  - g. No A&A firms or if firm is late with scheduling review
  - h. Highlight when changes or updates are made in FSBA
  - i. Have firms opt in to allow boards to have access to objective information (i.e. peer review is scheduled, peer review commencement date, exit conference date, in technical review, RAB meeting date) via the PRI.
    - i. Provide objective subsets of the process through FSBA (i.e. issuance of warning letters, etc.) Consider asking SBOAs and/or NASBA to fund PRIMA changes needed to provide this information.
    - ii. Any terms used would need to be defined to ensure consistency such as what does it mean that review is scheduled, what is considered the start of fieldwork on a system or engagement review.

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4. Add a notification in FSBA to alert an SBOA when information related to a firm/its peer review has changed.
  5. Recommend a member vote to revise Bylaws to provide transparency.

**Limiting access to confidential information due to conflict of interest** – Four of the five SBOAs responding expressed concern that conflicts of interest could hinder the protection of the public interest. They expressed the need to obtain information, regardless of who or how it is obtained, if it relates to information that indicates a firm’s work is a threat to the public interest. They believe SBOAs should have access to all information to make informed, professional decisions. The comments were coupled with the need for transparency particularly when a firm is not complying with peer review requirements, including the timely completion of the peer review.

A possible action for consideration:

The OTF has been advised by AICPA Counsel that the referendum to pass the Bylaws requirement for peer review, including related communications, does not allow for such unrestricted access to information to those involved in enforcement activities and therefore is beyond the purview of the PRB. However, with a firm’s permission, transparency may be addressed through recommendations articulated in the first theme.

As indicated in Agenda Item 1.2A, Section H.1.a, the OTF believes active SBOA members have a conflict of interest. However, the OTF is proposing new guidance for the PRB to consider related to a Disclosure and Consent Safeguard for “Individuals **Not** Involved in Enforcement who **Are** Employees or Consultants (or similar) for Entities with Enforcement Authority.”

The OTF believes that any safeguard for such individuals should be very robust. The OTF does not believe individuals signing a confidentiality letter or requiring firms to sign a generic letter giving the SBOA unrestricted access to any and all information is an appropriate solution.

**Firms have a lack of knowledge regarding what stage in the process its peer review stands and what information an AE provides to SBOAs** – Four SBOAs indicated that firms don’t always understand where their peer review stands and thought the AICPA/AE should provide the SBOA the necessary peer review information.

Some possible actions for consideration:

1. Remind firms in the “Are you ready?” course about the information that is provided to the board. Include 146-3 information and remind them of the requirements of Statements on Quality Control Standards No. 10 Section .12a which indicates “*The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that the firm and its personnel comply with professional stands and applicable legal and regulatory requirements.*”
2. Develop a communication strategy that explains what is provided to an SBOA. Include postings to our website and in presentations where firms are the audience.

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3. Consider assisting SBOAs in developing communications about their state specific requirements and explain the limited information they have access to during the peer review process. Such information could be posted to the SBOA's website.

Staff will continue to obtain and analyze results of the surveys and develop a suggested course of action to address information provided in the surveys.

### **Confidentiality Letter (Exhibit 3-1)**

The confidentiality letter included as Agenda Item 1.2C is primarily for PROC members. It can also be modified for those individuals that meet the requirements outlined in Chapter 3 (i.e. individuals not deemed to have a conflict of interest that are **NOT** involved in enforcement and are **NOT** an employee or consultant (or similar) for an entity with enforcement authority).

### **Index of Agenda Items:**

- Agenda Item 1.2A-1: Clean version of Agenda Item 1.2B with OTF revisions based on feedback
- Agenda Item 1.2A-2: Track changes (with accepted changes from Agenda Item 1.2B) with OTF revisions based on feedback
- Agenda Item 1.2B: Chapter 3 guidance with approved OTF changes from January meeting
- Agenda Item 1.2C: Proposed Confidentiality Letter for PROCs and Individuals Approved through Chapter 3 guidance
- Agenda Item 1.2D: Summary of common comments included in feedback from five SBOAs and one state CPA society
- Agenda Item 1.2E Excerpt AICPA Code of Conduct: Conflict of Interest
- Agenda Item 1.2F Summary of Survey Results Received as of April 5, 2019

### **Board Consideration:**

The goal is to have comprehensive, accurate, and concise guidance presented for PRB approval at a future meeting. The objective of this agenda item is to have an open discussion on the changes in Agenda Item 1.2A.

OTF would like the PRB members and the general public to provide feedback and ask questions during the meeting.

OTF recommends outreach to SBOA's (similar to February 6 communication) to get additional feedback.

Note: Agenda Item 1.2A has not been through the editorial process because it is a working draft. Once the guidance has been approved, it will be subject to the editorial process prior to publishing in the Oversight Handbook.

## CHAPTER 3

### Confidentiality of Peer Review Information in the Regulatory Environment

***The objective of this chapter is to assist administering entities determine what information can be shared with third parties, the use of confidentiality letters, and identifying and addressing a conflict of interest.***

#### A. Introduction and Background

1. When AICPA members passed a peer review bylaw requirement in 1988, it was done so with the understanding that, with few exceptions, information and results obtained from the peer review process would remain confidential. An implementing bylaw resolution allowed the AICPA Board of Directors to establish the “peer review board” to carry out peer review activities which do not conflict with the policies and standards of the AICPA.
2. The educational approach of the AICPA Peer Review Program (PRP) is one of its major assets. Over time, recognizing the educational and remedial value of the peer review process, states began incorporating practice monitoring requirements into their laws, regulations and administrative policies.
3. State boards of accountancy (SBOAs) also began recognizing that one way a firm may meet those requirements was by undergoing a PRP review administered by entities approved and oversighted by the AICPA.
4. Since SBOAs were relying on the effectiveness of the PRP and were requiring firm participation for licensure, some SBOAs communicated to the AICPA that they would like to perform due diligence over the PRP and its AEs.
5. Although the AICPA Peer Review Board (PRB) has been bound by confidentiality provisions imbedded into the peer review process, it has always fully supported SBOAs need and ability to monitor the PRP.
6. Working collaboratively, administering entities (AEs) and SBOAs that requested to do so, entered into an oversight relationship that allowed the SBOAs to monitor the AEs’ performance and determine if peer reviews were being administered, performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews (*Standards*). The result of this collaboration was the establishment of SBOA peer review oversight committees (PROCs).
7. SBOAs have information available through the PRP, such as the information provided in the AICPA Public File, through Facilitated State Board Access (FSBA) and permitted by *Standards* and related Interpretation 146-3. This Chapter’s focus is to assist AEs determine what information can be provided to third parties, such as PROCs.
8. The PRB has been able to be transparent with certain peer review information to third parties with the mutual understanding and agreement that the PRB only has the authority to do this within the confidentiality provisions imbedded in the PRP. The PRB continues to consider other requests for transparency within the confidentiality parameters in which it operates. The fundamental confidentiality provisions have not changed and neither the PRB, nor the AEs, may violate these provisions. This Chapter serves to better articulate the AEs responsibilities in such matters.

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## B. Peer Review Information – Publicly Available vs. Confidential

1. Paragraph 146 of the *Standards* indicates the AE and the AICPA may disclose to third parties the following information:
  - a) The firm's name and address,
  - b) The firm's enrollment in the program,
  - c) The date of acceptance and period covered by the firm's most recently accepted peer review; and
  - d) If applicable, whether the firm's enrollment in the program has been dropped or terminated.
2. Any information not contained in Section B. 1 of this Chapter is confidential and should not be provided to anyone except as permitted in this Chapter.
3. AEs must adhere to paragraph 146 of the *Standards* and related interpretations. Communication, either verbal or written, of confidential information will result in non-compliance with the applicable guidance and may result in the PRB Oversight Task Force (OTF) administering fair procedures.
4. Interpretation 146-3 allows firms to authorize the AE or AICPA to provide certain peer review information to third parties. The authorization must be in writing and information that may be provided to third parties must be objective. A toolkit has been developed to assist firms and AEs to comply with the *Standards* and guidance as they work with SBOA requests for objective peer review information. For example, to assist with implementing Section H. of this Chapter, an AE may wish to discuss with an SBOA how Interpretation 146-3 may be used to obtain information regarding when a firm's peer review might be expected to be presented to a RAB for acceptance or if a firm has performed peer reviews. The PRB is also exploring other methods to facilitate the implementation of this process.
5. State law or regulations may require, or allow SBOAs to request or require firms to submit or provide access to the following specific firm peer review documents to SBOAs:
  - a) Peer review report which has been accepted by the AE,
  - b) The firm's letter of response accepted by the AE (if applicable),
  - c) The acceptance letter from the AE,
  - d) Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and
  - e) Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.
6. To facilitate firms complying with state laws or regulations or requests to provide the information listed in B. 5, firms may authorize the AE to submit the above documents to the SBOAs through Facilitated State Board Access (FSBA). When laws/regulations mandate the submission of documents through FSBA, firms still must authorize the AE to do so or their peer reviews will not be scheduled. The authorization is ordinarily made during the peer review scheduling process but may also occur at other times.

### C. Statutory/Regulatory Oversight Requirements

1. As most state laws/regulations require firms to enroll in the AICPA PRP (or other SBOA approved peer review programs), certain states also have a statutory/regulatory requirement or SBOA Policy to oversight the sponsoring organizations/AEs peer review programs that are intended to meet the state's peer review licensure requirements.
2. AEs should have an understanding of the statutory/regulatory peer review requirements for all states where it administers reviews. When there may be statutory/regulatory differences with the guidance contained in this Chapter, the AE should immediately contact the AICPA. Contact should occur prior to the AE providing confidential information to individuals or allowing attendance at meetings where confidential information is discussed.
3. AEs should understand the SBOA's oversight objectives and the process for achieving those objectives. This will assist AEs in providing sufficient support to SBOAs in meeting those stated objectives within the confines of this guidance.
4. Ordinarily, SBOAs perform oversight through a peer review oversight committee (PROC). SBOAs determine the qualifications, selection and terms of PROC members.
  - a) The PRB fully supports the SBOAs' ability to establish an AE oversight process with the objective to report or make recommendations to SBOAs regarding AEs' ability to administer the PRP in accordance with *Standards* and guidance.
  - b) SBOA's may choose to designate PROCs or PROC members from other state's PROCs boards or national/regional PROCs to achieve the oversight objectives. In such situations, AEs are not required to change the presentation of firms' peer reviews to RABs for acceptance, discussion, etc. even though the PROC member(s) may be representing SBOA(s) from states other than the state where the AE is located.
  - c) Ordinarily, employees of SBOAs may not have access to confidential information<sup>1</sup>. However, SBOAs may choose to designate an individual (hereinafter referred to as an administrative liaison) to facilitate the SBOAs ability to perform its oversight functions. The role of the administrative liaison(s) is determined by the SBOA and may be an employee or designee of the state board. However, except as discussed in Section H of this Chapter, an AE may not provide confidential information to them or allow them to attend meetings where confidential information is discussed. When the administrative liaison is not a PROC member, they may only have access to peer review information in accordance with paragraph .146 of the *Standards* and certain documents and reports that do not contain confidential information.
  - d) The guidance presented throughout this Chapter is not intended to prohibit a PROC member delegated the duty by SBOAs to read the documents in Section

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<sup>1</sup> SBOAs generally are responsible for enforcement actions against CPAs and CPA firms. Accordingly, certain individuals associated with SBOAs may have a conflict of interest and may not be permitted access to confidential information. However, if an SBOA lacks such enforcement authority, and the individual otherwise has no conflict of interest, the AE may provide such individual the same access to confidential information as a member of a PROC (who has no conflict of interest). Such an individual would also be required to sign a confidentiality letter. See Section H of this Chapter provides for potential safeguards for certain individuals with no enforcement responsibilities and are not serving as a PROC member and who are associated with SBOAs or other entities with enforcement authority.



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B.5. of this Chapter or use FSBA and report to the SBOA on the information contained in these documents. However, it would be considered a breach of confidentiality if a PROC member included information or made a recommendation to the SBOA regarding a specific licensee, firm or peer reviewer that was only available as a result of overlooking the AE. For example, it would be a breach of confidentiality if a PROC member, or any individual, used information only available through discussions at a peer review meeting to file a complaint against the firm or initiate an investigation or disciplinary action against a firm, its partners, employees or peer reviewers.

5. Since PROC members have access to information not otherwise provided to those not involved in the PRP, AEs must not provide confidential information to PROC members who have a conflict of interest. In addition, those who are provided confidential information ordinarily must sign a confidentiality letter prior to receiving access to such information.
6. The PRB does not expect a PROC member to sign a confidentiality letter if the PROC member is or may be required to divulge confidential information to the SBOA, administrative liaison or others. In such circumstances, the AE must not provide confidential information to a PROC member.
7. Note that the signing of a confidentiality letter and/or recusal from meetings where confidential information is discussed is not a sufficient safeguard against a conflict of interest. PROC members or others with a conflict of interest should notify the AE when it becomes aware of such conflicts and should not be provided confidential information or be allowed to attend those portions of such meetings.
8. It is the policy and the goal of the PRB to assist SBOAs and PROC members in any way it can, provided the confidentiality requirements of the PRP are not violated.

#### **D. Independence and Conflicts of Interest (for Peer Review Purposes)**

1. AEs need to consider whether PROC members or potential PROC members have a conflict of interest or an impairment to independence. AEs should be aware that SBOAs may also want to consider what they believe may constitute a conflict of interest or impairments to independence from a regulatory perspective. AEs, SBOAs and, where appropriate, the AICPA should discuss these matters collaboratively when questions arise.
2. Independence
  - a) *Independence of mind (fact)* - The state of mind that permits those involved in the peer review process to not be affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
  - b) *Independence in appearance* – The avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity or professional skepticism of those involved in the peer review process had been compromised.
  - c) *Safeguards* – Controls that eliminate or reduce threats to independence and may include a range of partial to complete prohibitions.

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### 3. Conflict of Interest

- a) A conflict of interest is a set of circumstances or a situation that creates a risk that the professional judgment or actions by an individual may be influenced by a secondary party or interest. The individual may have a competing interest or loyalty to a secondary party that may influence their professional judgement or decision, or
- b) A situation in which a person has a duty to more than one person or organization but cannot do justice to the actual or potentially adverse interests of both parties.
- c) If no safeguards are available to eliminate the risk of an unacceptable threat or reduce it to an acceptable level, this would be considered a conflict of interest.
  - i. In situations where the SBOA, AE or PRB determines that there is an unacceptable threat, then neither recusals, nor signing confidentiality letters are appropriate safeguards.

### E. Confidentiality Letters

1. PROC members are required to annually sign a confidentiality letter (Exhibit 3-1) indicating they will not divulge any information to the SBOA or others that would identify any licensee, firm or peer reviewer or other information obtained from the oversight of the AE.
2. AEs should maintain a current roster of PROC members as their signed confidentiality letters are subject to review during AE oversight visits, Report Acceptance Body (RAB) observations and other times deemed appropriate.
  - a) Except as provided in E.2.b), the AE may only provide a PROC member access to information allowed in paragraph 146 of the *Standards* and some statistical data/reports that do not contain confidential information when a PROC member fails to sign the confidentiality letter.
  - b) In rare circumstances where state law or regulation specifically prevents individuals from signing confidentiality letters, the matter should be discussed with the SBOA and, where appropriate, the AICPA as to what other safeguards can be put in place, if possible, such that the PROC members may still be able view certain confidential information and possibly attend meetings.

### F. Information Available to PROC Members and Administrative Liaisons

1. The PRB determines what information may be made available to PROC members and administrative liaisons.
2. PROC members, who otherwise have no conflict of interest, that have signed a confidentiality letter should have access to the same peer review information as those serving on AE peer review committees/RABs except in the following circumstances:



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- a) PROC members who are deemed by the SBOAs, AEs or the PRB to have a conflict of interest because, for example (see Sections D and G of this Chapter)
    - i. A PROC member's firm's peer review or a peer review performed by the PROC member is being presented to a peer review committee for acceptance.
      - Signing confidentiality letters is not deemed an appropriate safeguard when there is a conflict of interest in these or other similar situations but does not necessarily mean the PROC member has an overall conflict of interest serving as a PROC member.
      - AEs should work collaboratively with SBOAs in identifying such situations in advance, when possible
      - AEs should request that PROC members recuse themselves from these situations and not participate in those portions of the meetings (should not be present, on the phone, etc.).
    - b) PROC members who do not sign confidentiality letters (when state law or regulation doesn't specifically prohibit signing such letters).
  3. PROC members and administrative liaisons may make reasonable requests for information that facilitates the PROC's ability to perform its oversight functions, including, but not limited to:
    - a) *Standards*, procedures, guidelines, training materials and similar documents prepared for use by reviewers, reviewed firms and AEs.
    - b) AE peer review committee/RAB meeting schedules.
    - c) Statistical data available.
    - d) Benchmark, monitoring, RAB observation and various oversight reports and information (administrative liaisons may only obtain reports that do not contain specific identifying information).
    - e) Other Peer Review Integrated Management Application (PRIMA) generated reports (administrative liaisons may only obtain reports that do not contain specific identifying information).

#### **G. PROC Members - Violations of Confidentiality Letters**

1. AEs must immediately report to the SBOA and, where appropriate, the AICPA, any known or potential violations of signed confidentiality letters by PROC members. For example, litigation against a firm or reviewer coming to the attention of the SBOA based solely on information the PROC member obtained as a result of AE oversight and reported to the SBOA would be a violation of the confidentiality letter. If the AE is aware of a potential situation and uncertain if there is a violation, it should discuss with the SBOA and, where appropriate, the AICPA.

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- a) Until a potential situation is resolved by the AE with the SBOA, and, where appropriate with AICPA Staff and/or the AICPA PRB OTF, individuals identified that may have potentially violated the confidentiality letter shall be considered to have a conflict of interest on all matters related to oversight and should not be provided access to confidential information or be allowed to attend meetings where such information is discussed.

## **H. Providing Access to Confidential Information to Third Parties**

1. Although the AICPA Code of Conduct (Code) was not written for the specific relationships here, it does provide a framework used in the development of the guidance that follows. A conflict of interest creates adverse interest and self-interest threats to compliance with the “Integrity and Objectivity Rule “from the Code. The following is a list of examples where the PRB has determined the PROC member and others have a conflict of interest or independence is impaired and, thus, should not be provided access to confidential information or be allowed to attend portions of the meetings where such information is discussed (except as noted).
  - a) Active SBOA members have a conflict of interest. Due to practice mobility, an active SBOA member from one state is likely to have a conflict of interest in all states, not just the state where serving on the SBOA. Therefore, a member of an SBOA serving on any PROC is deemed to have a conflict of interest due to having competing interests (for example, the individual may have taken an oath to its state regarding firm quality and the public interest, yet also agreed to keep peer review information confidential). The PRB believes the threats here are so significant, that no safeguards will eliminate the threat or reduce it to an acceptable level. Therefore, an SBOA member serving on any PROC must not be provided access to confidential information
  - b) Individuals (employees, consultants, volunteers or others) who work for regulatory, governmental bodies, (including SBOAs and entities with enforcement authority), or professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board or state professional ethics committee) or similar groups or subgroups have a conflict of interest unless the individual can first demonstrate to the satisfaction of the PRB that
    - a. The regulatory, governmental or professional organizations (including SBOAs) lack enforcement authority, AND:
      - i. They are not involved in or performing enforcement work (the person’s title is not necessarily relevant, as the focus is the individual’s responsibilities):AND
      - ii. They are not involved in making recommendations to entities with any enforcement authority named above. This includes having influence with the SBOA on any individual or firm licensure, enforcement, ethics or other similar matters; AND

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- iii. Duties for the entity that lacks enforcement authority are only administrative support to the organization including SBOAs or PROCs, etc., OR
  - iv. They only work with SBOAs regarding matters not considered enforcement such as assisting with writing their laws and regulations.
2. There may be situations when an individual meets ALL of the attributes in H.1.b. above with the one exception that they are an employee or consultant (or similar) for an entity with enforcement authority. There may be a proper safeguard if there are appropriate segregation of duties (the individual does not perform enforcement related work, make recommendations to entities with enforcement authority described above nor do they serve on the State Board nor serve on a PROC, etc.). Although those individuals would still be deemed to have a conflict of interest, implementing a disclosure and consent safeguard, in addition to the segregation of duties, may allow such individuals access to the same information as a PROC member.
- a) Disclosure and Consent For Individuals **Not** Involved in Enforcement but **Are** an Employee or Consultant (or similar) for Entities with Enforcement Authority  
For an AE to provide access to confidential firm/reviewer information to any such individuals, those individuals **MUST** properly disclose the nature of the conflict of interest as well as receive signed consent from ALL firms and peer reviewers whose information would be made available:
    - i. For All firms who performed peer reviews being presented and discussed. and
    - ii. For All firms having its own peer review presented and discussed. and
    - iii. For any other firms, peer reviewers or licensees where access to information is requested
  - b) Individual disclosure and firm/reviewer consent must be in writing.
    - i. Evidence of written disclosure and written consent must be provided to the AE prior to any access provided.
  - c) Although the disclosure and consent may take different forms, the AE is encouraged to discuss the nature and timing of these disclosures and consent as the AE has the ultimate authority to determine if proper disclosure and consent has been obtained prior to providing access to information.
    - i. The expectation is that the disclosure will include, at a minimum, the name and title of the individual requesting access, the relationship of all entities the individual is associated with, including those with and without enforcement authority, the purpose of such access, a statement that under no circumstances will confidential information be shared with ANY entities or individuals that do not already have access to the information.
    - ii. The disclosure shall also include a statement that violation of such confidentiality could result in referral to the AICPA and/or SBOA Ethics Committee and possibly result in legal action.
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- iii. An AE should not provide access to information to such individuals where all that was obtained was a confidentiality letter, or a general waiver letter sent giving the SBOA unrestricted access to any and all information. SBOAs may be sent objective information by the AE with the firm's written permission.

Unlike PROC members and individuals discussed in H.1.b. above that are not deemed to have a conflict of interest where a confidentiality letter or recusal may be an appropriate safeguard, these individuals are deemed to have a conflict of interest, and the required safeguards are different.

3. AEs may wish to remind individuals addressing these conflicts of interest, including making disclosures and seeking guidance of third parties, a *member* should remain alert to the requirements of the "[Confidential Client Information Rule](#)" [1.700.001] and the "[Confidential Information Obtained From Employment or Volunteer Activities](#)" interpretation [1.400.070] of the "Acts Discreditable Rule" [1.400.001]. In addition, federal, state, or local statutes, or regulations concerning confidentiality of *client* information may be more restrictive than the requirements contained in the Code.

#### **I. Other Conflicts of Interest Examples for PROC Members**

1. When a PROC member is from the same firm as the technical reviewer, committee or RAB members of the AE being oversights appropriate safeguards must be in place such as the PROC member not attending portions of AE meetings where information is prepared by or discussed by those individuals. However, there may be situations when the PROC member's firm is from a different state and with appropriate safeguards the conflict of interest could be eliminated. AEs should discuss such situations with the SBOA or the PROC member's firm, as the resolution of some conflicts could be achieved by either changing the PROC member or AEs not having a technical reviewer, committee or RAB member from the PROC member's firm. This should not be confused with active SBOA members from another state as they are deemed to always have a conflict of interest with no appropriate safeguards (as discussed in H.1.a.).
2. A PROC member is deemed to have a conflict of interest when his or her firm's peer review or reviews performed by his or her firm are being discussed. When this or similar situations occur, the AE should ensure the PROC members recuse themselves completely and not be present for (or on the phone) or participate in any discussions. This would also be true when the PROC member has a conflict of interest with the reviewing firm, reviewer or the reviewed firm, etc. for other reasons. In these situations, PROC members should also not be provided confidential materials, correspondences, etc. prepared by the AE for the RAB related to the specific conflict.
3. If there is any question as to whether a PROC member may have a conflict of interest, the matter should be brought to the attention of the SBOA and, as appropriate, the AICPA who may discuss the question with the OTF. This must be done prior to making confidential information available or allowing someone to attend a meeting. All relevant

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information should be provided including what appropriate safeguards are in place as applicable.

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CHAPTER 3 in Track Changes

Confidentiality of Peer Review Information in the Regulatory Environment

~~The objective of this chapter is to assist administering entities in determining what information can be shared with third parties, the use of confidentiality letters, and identifying and addressing a conflict of interest. This guidance should be followed by all administering entities (AEs).~~

A. Introduction and Background

1. When AICPA members passed a peer review bylaw requirement in 1988, it was done so with the understanding that, with few exceptions, information and results obtained from the peer review process would remain confidential. An implementing bylaw resolution allowed the AICPA Board of Directors to establish the “peer review board” to carry out peer review activities which do not conflict with the policies and standards of the AICPA.
2. ~~The educational approach of the AICPA Peer Review Program (PRP) is one of its major assets.~~ Over time, recognizing the ~~educational and~~ remedial value of the peer review process, states began incorporating ~~peer review practice monitoring~~ requirements into their laws, regulations and administrative policies.
3. ~~State boards of accountancy (SBOAs)~~ also began recognizing that one way a firm may meet those requirements was by undergoing a PRP review administered by entities approved and oversighted by the AICPA.
4. Since SBOAs were relying on the effectiveness of the PRP and were requiring firm participation for licensure, some SBOAs communicated to the AICPA that they would like to perform due diligence over the PRP and its AEs.
5. Although the AICPA Peer Review Board (PRB) ~~was has been~~ bound by confidentiality provisions imbedded into the peer review process, it ~~has always~~ fully supported SBOAs need and ability to monitor the PRP.

~~Within the confidentiality provisions, in mind, and SBOAs have communicated the objectives of their oversight their objectives. The PRB has been was able to be transparent with certain peer review information to an individual or group monitoring the PRP to meet the objectives of the SBOA. This has been accomplished with the mutual understanding and agreement that the PRB only has the authority to do this within the confidentiality parameters provisions imbedded in the PRP. The PRB continues to consider other requests for transparency within the parameters~~

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6. Working collaboratively, ~~administering entities (AEs)~~ and SBOAs that requested to do so, entered into an oversight relationship ~~with the AE~~ that allowed the SBOAs to monitor the AEs’ performance and determine if peer reviews were being administered, performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews (*Standards*). The result of this collaboration was the establishment of SBOA peer review oversight committees (PROCs).

~~The fundamental confidentiality provisions have not changed and neither the PRB, nor the AEs, may violate these provisions. This Chapter serves to better articulate the AEs responsibilities in such matters.~~

~~7. SBOAs have information available through the PRP, such as the information provided in the AICPA Public File, through Facilitated State Board Access (FSBA) and permitted by *Standards* and related Interpretation 146-3. This Chapter's focus is to assist AEs in determining what information can be provided to third parties, such as PROCsSBOAs, primarily on the types of confidential information that can be made available to PROCs solely for the purpose of overseeing an AE (information that would not otherwise be available to the PROCs).~~

~~8. The PRB has been able to be transparent with certain peer review information to third parties with the mutual understanding and agreement that the PRB only has the authority to do this within the confidentiality provisions imbedded in the PRP. The PRB continues to consider other requests for transparency within the confidentiality parameters in which it operates. The fundamental confidentiality provisions have not changed and neither the PRB, nor the AEs, may violate these provisions. This Chapter serves to better articulate the AEs responsibilities in such matters.~~

~~7. PROCs are established by SBOAs. It is solely up to the SBOA to determine who serves on its PROC.~~

~~8. Since PROC members have access to information not otherwise provided to those not involved in the PRP, AEs must avoid providing confidential information to PROC members who have a conflict of interest. In addition, those who are provided confidential information ordinarily must sign a confidentiality letter prior to receiving access to such information.~~

~~9. The PRB does not expect a PROC member to sign a confidentiality letter if the PROC member is or may be required to divulge confidential information to the SBOA, administrative liaison or others. In such circumstances, the AE should not provide confidential information to a PROC member.~~

~~10. Note that the signing of a confidentiality letter and/or recusal from meetings where confidential information is discussed is not a sufficient safeguard against a conflict of interest. PROC members or others with a conflict of interest should notify the AE when it becomes aware of such conflicts, and not be provided confidential information or allowed to attend such meetings.~~

~~11. It is the policy and the goal of the PRB to assist SBOAs and PROC members in any way it can, provided the confidentiality requirements of the PRP are not violated.~~

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## B. Peer Review Information – Publicly Available vs. Confidential

1. Paragraph 146 of the *Standards* indicates the AE and the AICPA may disclose to third parties the following information:

- a) The firm's name and address,
- b) The firm's enrollment in the program,
- c) The date of acceptance and period covered by the firm's most recently accepted peer review; and
- d) If applicable, whether the firm's enrollment in the program has been dropped or terminated.

2. Any information not contained in Section B. 1 of this Chapter is confidential and should not be provided to anyone except as permitted in this Chapter.



3. AEs must adhere to ~~the~~ paragraph 146 of the *Standards* and related interpretations. Communication, either verbal or written, of confidential information will result in non-compliance with the applicable benchmark guidance and may result in the PRB Oversight Task Force (OTF) administering fair procedures.
4. Interpretation 146-3 allows firms to authorize the AE or AICPA to provide certain peer review information to third parties. The authorization must be in writing and information that may be provided to third parties must be objective. A toolkit has been developed to assist firms, ~~(SBOAs and AEs~~ to with complying with the *Standards* and guidance as they work with SBOA requests for objective peer review information. For example, to assist with implementing Section H.3. of this Chapter, an AE may wish to discuss with an SBOA how Interpretation 146-3 may be used to obtain information regarding when a firm's peer review might be expected to be presented to a RAB for acceptance or if a firm has performed peer reviews. The PRB is also exploring other methods to facilitate the implementation of this process.
5. State law or regulations may require, or allow SBOAs to request or require firms to submit or provide access to the following specific firm peer review documents to SBOAs:
  - a) Peer review report which has been accepted by the AE,
  - b) The firm's letter of response accepted by the AE (if applicable),
  - c) The acceptance letter from the AE,
  - d) Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and
  - e) Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.
6. To facilitate firms complying with ~~SBOA state~~ laws or regulations or requests to provide the information listed in B. 5, firms may authorize the AE to submit the above documents to the SBOAs through Facilitated State Board Access (FSBA). When laws/regulations mandate the submission of documents through FSBA, firms still must authorize the AE to do so or their peer reviews will not be scheduled. The authorization is ordinarily made during the peer review scheduling process but may also occur at other times.

### C. Statutory/Regulatory Oversight Requirements

1. As most ~~sState laws/regulations~~ BOAs require firms to enroll in the AICPA PRP (or other SBOA approved peer review programs), certain ~~SBOAs~~ states also have a statutory/regulatory requirement or ~~SBOA Board~~ Policy to oversight the sponsoring organizations/AEs peer review programs that are intended to meet the state's SBOA's peer review licensure requirements.
2. AEs should have an understanding of the statutory/regulatory peer review requirements for all states where it administers reviews. When there may be statutory/regulatory differences with the guidance contained in this Chapter, the AE should immediately contact the AICPA. Contact should occur prior to the AE providing confidential information to individuals or allowing attendance at meetings where confidential information is discussed.
3. ~~AEs SBOAs are encouraged to should determine and understand the SBOA's communicate their~~ oversight objectives to the AE along with the SBOA's and the process



for achieving those objectives. This will assist AEs in providing sufficient support to SBOAs in meeting those stated objectives within the confines of this guidance.

4. Ordinarily, SBOAs perform oversight through a peer review oversight committee (PROC). SBOAs determine the qualifications, selection and terms of PROC members.
  - a) The PRB fully supports the SBOAs' ability to establish an AE oversight process with the objective to report or make recommendations to SBOAs regarding AEs' ability to administer the PRP in accordance with *Standards* and guidance.
  - b) SBOA's may choose to designate PROCs or PROC members from other state's PROCs boards or national/regional PROCs to achieve the oversight objectives. In such situations, AEs are not required to change the presentation of firms' peer reviews to RABs for acceptance, discussion, etc. even though the PROC member(s) may be representing SBOA(s) from states other than the state where the AE is located.
  - c) Ordinarily, employees of SBOAs may not have access to confidential information<sup>1</sup>. However, SBOAs may choose to designate an individual (hereinafter referred to as an administrative liaison) to facilitate the SBOAs ability to perform its oversight functions. The role of the administrative liaison(s) is determined by the SBOA and may be an employee or designee of the state board. However, except as discussed in Section H of this Chapter, an AE may not provide confidential information to them or allow them to attend meetings where confidential information is discussed. When the administrative liaison is not a PROC member, they may only have access to peer review information in accordance with paragraph 146 of the *Standards* and certain documents and reports that do not contain confidential information.
  - d) The guidance presented throughout this Chapter is not intended to prohibit a PROC member delegated the duty by SBOAs to read the documents in Section B.5. of this Chapter or use FSBA and report to the SBOA on the information contained in these documents. However, it would be considered a breach of confidentiality if a PROC member included information or made a recommendation to the SBOA regarding a specific licensee, firm or peer reviewer that was only available as a result of overlooking the AE. For example, it would be a breach of confidentiality if a PROC member, or any individual,– used information only available through discussions at a peer review meeting to file a complaint against the firm or initiate an investigation or disciplinary action against a firm, its partners, employees or peer reviewers.

5. Since PROC members have access to information not otherwise provided to those not involved in the PRP, AEs must avoid providing not provide confidential information to

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<sup>1</sup> SBOAs generally are responsible for enforcement actions against CPAs and CPA firms. Accordingly, certain individuals associated with SBOAs may have a conflict of interest and may not be permitted access to confidential information. However, if an SBOA lacks such enforcement authority, and the individual otherwise has no conflict of interest, the AE may provide such individual the same access to confidential information as a member of a PROC (who has no conflict of interest). Such an individual would also be required to sign a confidentiality letter. See Section H of this Chapter which provides for potential safeguards for certain individuals with no enforcement responsibilities and are not serving as a PROC member and who are associated with SBOAs or other entities with enforcement authority.

PROC members who have a conflict of interest. In addition, those who are provided confidential information ordinarily must sign a confidentiality letter prior to receiving access to such information.

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1. AEs need to consider whether PROC members or potential PROC members have a conflict of interest or an impairment to independence. AEs should be aware that SBOAs may also want to consider what they believe may constitute a conflict of interest or impairments to independence from a regulatory perspective. AEs, SBOAs and, where appropriate, the AICPA should discuss these matters collaboratively when questions arise.
2. Independence
  - a) *Independence of mind (fact)* - The state of mind that permits those involved in the peer review process to not be affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
  - b) *Independence in appearance* – The avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity or professional skepticism of those involved in the peer review process had been compromised.
  - c) *Safeguards* – Controls that eliminate or reduce threats to independence and may include a range of partial to complete prohibitions.
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  - a) A conflict of interest is a set of circumstances or a situation that creates a risk that the professional judgment or actions by an individual may be influenced by a secondary party or interest. The individual may have a competing interest or loyalty to a secondary party that may influence their professional judgement or decision, or
  - b) A situation in which a person has a duty to more than one person or organization but cannot do justice to the actual or potentially adverse interests of both parties.

- c) If no safeguards are available to eliminate the risk of an unacceptable threat or reduce it to an acceptable level, this would be considered a conflict of interest.
  - i. In situations where the SBOA, AE or PRB determines that there is an unacceptable threat, then neither recusals, nor signing confidentiality letters are appropriate safeguards.

#### E. Confidentiality Letters

1. PROC members are required to annually sign a confidentiality letter (Exhibit 3-1) indicating they will not divulge any information to the SBOA or others that would identify any licensee, firm or peer reviewer or other information obtained from the oversight of the AE.
2. AEs should maintain a current roster of PROC members as their signed confidentiality letters are subject to review during AE oversight visits, Report Acceptance Body (RAB) observations and other times deemed appropriate.
  - a) Except as provided in E.2.b), the AE may only provide a PROC member access to information allowed in paragraph 146 of the *Standards* and some statistical data/reports that do not contain confidential information when a PROC member fails to sign the confidentiality letter.
  - b) In rare circumstances where state law or regulation specifically prevents individuals from signing confidentiality letters, the matter should be discussed with the SBOA and, where appropriate, the AICPA as to what other safeguards can be put in place, if possible, such that the PROC members may still be able view certain confidential information and possibly attend meetings.

#### F. Information Available to PROC Members and Administrative Liaisons

1. The PRB determines what information may be made available to PROC members and administrative liaisons.
2. PROC members, who otherwise have no conflict of interest, that have signed a confidentiality letter should have access to the same peer review information as those serving on AE peer review committees/RABs except in the following circumstances:
  - a) PROC members who are deemed by the SBOAs, AEs or the PRB to have a conflict of interest because, for example (see Sections D and G of this Chapter):
    - i. ~~Signing confidentiality letters or recusals are not deemed as appropriate safeguards when there is a conflict of interest.~~
    - ii. A PROC member's firm's peer review or a peer review performed by the PROC member is have an overall conflict of interest when members of their firm are participating in RAB meeting or have reviews being presented to a peer review committee for acceptance.

- Signing confidentiality letters is not deemed an appropriate safeguard when there is a conflict of interest in these or other similar situations but does not necessarily mean the PROC member has an overall conflict of interest serving as a PROC member.
  - AEs should work collaboratively with SBOAs in identifying such situations in advance, when possible
  - AEs should request that PROC members recuse themselves from these situations and not participate in those portions of the meetings (should not be present, on the phone, etc.).
- b) PROC members who do not sign confidentiality letters (when state law or regulation doesn't specifically prohibit signing such letters).
- ~~When situations occur such that conflicts of interest are encountered with PROC members who otherwise do not have an overall conflict of interest (such as when the peer review of a firm of which the PROC member is associated is being considered for acceptance by a RAB):~~  
~~AEs should work collaboratively with SBOAs in identifying such situations in advance, when possible.~~  
~~AEs should request that PROC members recuse themselves from these situations and not participate in those portions of the meetings (should not be present, on the phone, etc.).~~
3. PROC members and administrative liaisons may make reasonable requests for information that facilitates the PROC's ability to perform its oversight functions, including, but not limited to:
- a) *Standards*, procedures, guidelines, training materials and similar documents prepared for use by reviewers, reviewed firms and AEs.
  - b) AE peer review committee/RAB meeting schedules.
  - c) Statistical data available.
  - d) Benchmark, monitoring, RAB observation and various oversight reports and information (administrative liaisons may only obtain reports that do not contain specific identifying information).
  - e) Other Peer Review Integrated Management Application (PRIMA) generated reports (administrative liaisons may only obtain reports that do not contain specific identifying information).

#### **G. PROC Members - Violations of Confidentiality Letters**

1. AEs must immediately report to the SBOA and, where appropriate, the AICPA, any known or potential violations of signed confidentiality letters by PROC members. For example, litigation against a firm or reviewer coming to the attention of the SBOA based solely on information the PROC member obtained as a result of AE oversight and reported to the SBOA would be a violation of the confidentiality letter. If the AE is aware of a potential situation and uncertain if there is a violation, it should discuss with the SBOA and, where appropriate, the AICPA.

- a) Until a potential situation is resolved by the AE with the SBOA, and, where appropriate with AICPA Staff and/or the AICPA PRB OTF, individuals identified that may have potentially violated the confidentiality letter shall be considered to have a conflict of interest on all matters related to oversight and should not be ~~given-provided~~ access to confidential information or be allowed to attend meetings where such information is discussed.

#### **H. Examples of Conflict of Interest Providing Access to Confidential Information to Third Parties**

1. ~~Although the AICPA Code of Conduct (Code) was not written for the specific relationships here, it does provide a framework used in the development of the guidance that follows. A conflict of interest creates adverse interest and self-interest threats to compliance with the "Integrity and Objectivity Rule" from the Code.~~ The following is a list of examples where the PRB has determined the PROC member ~~and others~~ have a conflict of interest or independence is impaired and, ~~thus~~, should not be ~~given-provided~~ access to confidential information or be allowed to attend portions of the meetings where such information is discussed ~~(except as noted)~~.

a) ~~Active SBOA members have a conflict of interest. Due to practice mobility, an active SBOA member from one state is likely to have a conflict of interest in all states, not just the state where serving on the SBOA. Therefore, a member of an SBOA serving on any PROC is deemed to have a conflict of interest due to having competing interests (for example, the individual may have taken an oath to its state regarding firm quality and the public interest, yet also agreed to keep peer review information confidential). The PRB believes the threats here are so significant, that no safeguards will eliminate the threat or reduce it to an acceptable level. Therefore, an SBOA member serving on any PROC must not be given provided access to confidential information~~

b) ~~Individuals (employees, consultants, volunteers or others) who perform enforcement-related work for regulatory, or governmental bodies, (including SBOAs and (entities with enforcement authority), or professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board or state professional ethics committee) or similar groups or subgroups have a conflict of interest unless the individual can first demonstrate to the satisfaction of the PRB that~~

a. ~~The regulatory, governmental or professional organizations (including SBOAs) SBOA working for (or other bodies noted above) lacks any enforcement authority, AND:~~

i. ~~They are not involved in or performing enforcement work (the person's title is not necessarily relevant, as the focus is the individual's responsibilities) or otherwise significantly involved in such work; and ;AND~~

- ii. They are not involved in making recommendations to entities with any enforcement authority the SBOA above named above organizations. ; or This includes having influence with the SBOA on any individual or firm licensure, enforcement, ethics or other similar matters or have access to such information; AND
- iii. Duties for the entity that lacks enforcement authority are only administrative support to the organization including SBOAs or PROCs, etc., OR
- iv. They only work with assist SBOAs with administrative regarding matters not considered enforcement such as assisting with writing their laws and regulations.

4-2. 3. There may be situations when an individual meets ALL of the attributes in H.1.b. above with the one exception that they are an employee or consultant (or similar) for an entity with enforcement authority. There may be a proper safeguard if there are appropriate segregation of duties (the individual does not perform enforcement related work, make recommendations to entities with enforcement authority described above nor do they serve on the State Board nor serve on a PROC, etc.). Although those individuals would still be deemed to have a conflict of interest, implementing a disclosure and consent safeguard, in addition to the segregation of duties, may allow such individuals access to the same information as a PROC member.

a) -Disclosure and Consent For Individuals **Not** Involved in Enforcement but **Are** an Employee or Consultant (or similar) for Entities with Enforcement Authority

For an AE to provide access to confidential firm/reviewer information to any such individuals, those individuals **MUST** properly disclose the nature of the conflict of interest as well as receive signed consent from ALL firms and peer reviewers whose information would be made available:

- i. For All firms who performed peer reviews being presented ,and discussed, etc. and
- ii. For All firms having its own peer review presented, and discussed, etc. and
- iii. For any other firms, peer reviewers or licensees where access to information is requested

b) Individual disclosure and firm/reviewer consent must be in writing.

- i. Evidence of written disclosure and written consent must be provided to the AE prior to any access provided. given

c) Although the disclosure and consent may take different forms, the AE is encouraged to discuss the nature and timing of these disclosures and consent as the AE has the ultimate authority to determine if proper disclosure and consent has been obtained prior to providing access to information.

- i. The expectation is that the disclosure will include, at a minimum, the name and title of the individual requesting access, the relationship of all entities the individual is associated with, including those with and without enforcement authority, the

purpose of such access, a statement that under no circumstances will confidential information be shared with ANY entities or individuals that do not already have access to the information.

- ii. The disclosure shall also include a statement that violation of such confidentiality could result in referral to the AICPA and/or SBOA Ethics Committee and possibly result in legal action.
- iii. An AE should not provide access to information to such individuals where all that was obtained was a confidentiality letter, or a general waiver letter sent giving the SBOA unrestricted access to any and all information. SBOAs may be sent objective information by the AE with the firm's written permission.

Unlike PROC members and individuals discussed in H.1.b.above that are not deemed to have a conflict of interest where a confidentiality letter or recusal may be an appropriate safeguard, these individuals are deemed to have a conflict of interest, and the required safeguards are different.

3. -AEs may wish to remind individuals addressing these conflicts of interest, including making disclosures and seeking guidance of third parties, a member should remain alert to the requirements of the "Confidential Client Information Rule" [1.700.001] and the "Confidential Information Obtained From Employment or Volunteer Activities" interpretation [1.400.070] of the "Acts Discreditable Rule" [1.400.001]. In addition, federal, state, or local statutes, or regulations concerning confidentiality of client information may be more restrictive than the requirements contained in the Code.

#### I. Other Conflicts of Interest Examples for PROC Members

1. WOrdinarily when a PROC member is from the same firm as the technical reviewer, committee or RAB members of the AE being oversights, ~~unless~~ appropriate safeguards ~~are~~ must be in place such as the PROC member not attending portions of AE meetings where information is prepared by or discussed by those individuals. However, there may be situations when the PROC member's firm is from a different state and with appropriate safeguards the conflict of interest could be eliminated. AEs should discuss such situations with the SBOA or the PROC member's firm, as the resolution of some conflicts could be achieved by either changing the PROC member or AEs not having a technical reviewer, committee or RAB member from the PROC member's firm. This should not be confused with active SBOA members from another state as they are deemed to always have a conflict of interest with no appropriate safeguards (as discussed in H.1.a.).
2. A PROC member is deemed to have a conflict of interest when his or her firm's peer review or reviews performed by his or her firm are being discussed. When this or similar situations occur, the AE should ensure the PROC members recuse themselves completely and not be present for (or on the phone) or participate in any discussions. This would also be true when the PROC member has a conflict of interest with the reviewing firm, reviewer or the reviewed firm, etc. for other reasons. In these situations, PROC members should also not

| be ~~given~~-provided confidential materials, correspondences, etc. prepared by the AE for the RAB related to the specific conflict.

3. If there is any question as to whether a PROC member may have a conflict of interest, the matter should be brought to the attention of the SBOA and, as appropriate, the AICPA who may discuss the question with the OTF. This must be done prior to making confidential information available or allowing someone to attend a meeting. All relevant information should be provided including what appropriate safeguards are in place as applicable.

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NOTE: THIS DOCUMENT WAS DEFERRED BY THE PRB IN JANUARY PENDING FEEDBACK FROM ALL STATE BOARDS. ON FEBRUARY 6, 2019 THIS DOCUMENT WAS SENT TO ALL STATE BOARDS OF ACCOUNTANCY WITH FEEDBACK DUE ON MARCH 15. TO DATE, EIGHT SBOAS RESPONDED. SEE AGENDA COVER.

## CHAPTER 3

### Confidentiality of Peer Review Information in the Regulatory Environment

*This guidance should be followed by all administering entities (AEs).*

#### A. Introduction and Background

1. When AICPA members passed a peer review bylaw requirement in 1988, it was done so with the understanding that, with few exceptions, information and results obtained from the peer review process would remain confidential. An implementing bylaw resolution allowed the AICPA Board of Directors to establish the “peer review board” to carry out peer review activities which do not conflict with the policies and standards of the AICPA.
2. Over time, recognizing the remedial value of the peer review process, ~~states\_boards\_of\_accountancy (SBOAs)~~ began incorporating peer review requirements into their ~~state~~ laws, regulations and administrative policies.
3. SBOAs also began recognizing that one way a firm may meet those requirements was by undergoing an AICPA peer review program (PRP) review administered by entities approved and oversighted by the AICPA.
4. Since SBOAs were relying on the effectiveness of the PRP and were requiring firm participation for licensure, some SBOAs communicated to the AICPA that they would like to perform due diligence over the PRP and its AEs.
5. Although the AICPA Peer Review Board (PRB) was bound by confidentiality provisions imbedded into the peer review process, it fully supported SBOAs need and ability to monitor the PRP.
6. With the confidentiality provisions in mind, and SBOAs communicating their objectives, the PRB was able to be transparent with peer review information to an individual or group monitoring the PRP for an SBOA with the mutual understanding and agreement that the PRB only has the authority to do this within the confidentiality parameters imbedded in the PRP.
7. Working collaboratively, AEs and SBOAs that requested to do so, entered into an oversight relationship with the AE that allowed the SBOAs to monitor the AEs’ performance and determine if peer reviews were being administered, performed and reported on in accordance with the AICPA Standards for Performing and Reporting on Peer Reviews (*Standards*). The result of this collaboration was the establishment of SBOA peer review oversight committees (PROCs).
8. The fundamental confidentiality provisions have not changed and neither the PRB, nor the AEs, may violate these provisions. This Chapter serves to better articulate the AEs responsibilities in such matters.

9. SBOAs have information available through the PRP, such as the information provided in the AICPA Public File, through Facilitated State Board Access (FSBA) and permitted by *Standards* and related Interpretation 146-3. This Chapter's focus is primarily on the types of confidential information that can be made available to PROCs solely for the purpose of overseeing an AE (information that would not otherwise be available to the PROCs).
10. PROCs are established by SBOAs. It is solely up to the SBOA to determine who serves on its PROC.
11. Since PROC members have access to information not otherwise provided to those not involved in the PRP, AEs must avoid providing confidential information to PROC members who have a conflict of interest. In addition, those who are provided confidential information ordinarily must sign a confidentiality letter prior to receiving access to such information.
12. The PRB does not expect a PROC member to sign a confidentiality letter if the PROC member is or may be required to divulge confidential information to the SBOA, administrative liaison or others. In such circumstances, the AE should not provide confidential information to a PROC member.
13. Note that the signing of a confidentiality letter and/or recusal from meetings where confidential information is discussed is not a sufficient safeguard against a conflict of interest. PROC members or others with a conflict of interest should notify the AE when it becomes aware of such conflicts, and not be provided confidential information or allowed to attend such meetings.
14. It is the policy and the goal of the PRB to assist SBOAs and PROC members in any way it can, provided the confidentiality requirements of the PRP are not violated.

## **B. Peer Review Information – Publicly Available vs. Confidential**

1. Paragraph 146 of the *Standards*, indicates the AE and the AICPA may disclose the following information:
  - a) The firm's name and address,
  - b) The firm's enrollment in the program,
  - c) The date of acceptance and period covered by the firm's most recently accepted peer review; and
  - d) If applicable, whether the firm's enrollment in the program has been dropped or terminated.
2. Any information not contained in Section B. 1 of this Chapter is confidential and should not be provided to anyone except as permitted in this Chapter.
3. AEs must adhere to the paragraph 146 of the *Standards* and related interpretations. Communication, either verbal or written, of confidential information will result in non-compliance with the applicable benchmark and may result in the PRB Oversight Task Force (OTF) administering fair procedures.
4. Interpretation 146-3 allows firms to authorize the AE or AICPA to provide certain peer review information to third parties. The authorization must be in writing and information that may be provided to third parties must be objective. A toolkit has been developed to assist firms, (SBOAs and AEs with complying with the *Standards* and guidance.
5. State law or regulations may require, or allow SBOAs to request or require firms to submit or provide access to the following specific firm peer review documents to SBOAs:

- a) Peer review report which has been accepted by the AE,
  - b) The firm's letter of response accepted by the AE (if applicable),
  - c) The acceptance letter from the AE,
  - d) Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and
  - e) Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.
6. To facilitate firms complying with SBOA laws or regulations or requests to provide the information listed in B. 5, firms may authorize the AE to submit the above documents to the SBOAs through Facilitated State Board Access (FSBA). When laws/regulations mandate the submission of documents through FSBA, firms still must authorize the AE to do so or their peer reviews will not be scheduled. The authorization is ordinarily made during the peer review scheduling process, but may also occur at other times.

### C. Statutory/Regulatory Oversight Requirements

1. As most SBOAs require firms to enroll in the AICPA PRP (or other SBOA approved peer review programs), certain SBOAs also have a statutory/regulatory requirement or Board Policy to oversight the sponsoring organizations/AEs peer review programs that are intended to meet the SBOA's peer review licensure requirements.
2. AEs should have an understanding of the statutory/regulatory peer review requirements for all states where it administers reviews. When there may be statutory/regulatory differences with the guidance contained in this Chapter, the AE should immediately contact the AICPA. Contact should occur prior to the AE providing confidential information to individuals or allowing attendance at meetings where confidential information is discussed.
3. SBOAs are encouraged to determine and communicate their oversight objectives to the AE along with the SBOA's process for achieving those objectives. This will assist AEs in providing sufficient support to SBOAs in meeting those stated objectives.
4. Ordinarily, SBOAs perform oversight through a peer review oversight committee (PROC). SBOAs determine the qualifications, selection and terms of PROC members.
  - a) The PRB fully supports the SBOAs' ability to establish an AE oversight process with the objective to report or make recommendations to SBOAs regarding AEs' ability to administer the PRP in accordance with *Standards* and guidance.
  - b) SBOA's may choose to designate PROCs or PROC members from other state boards or national/regional PROCs to achieve the oversight objectives. In such situations, AEs are not required to change the presentation of firms' peer reviews to RABs for acceptance, discussion, etc. even though the PROC member(s) may be representing SBOA(s) from states other than the state where the AE is located.
  - c) Ordinarily, employees of SBOAs may not have access to confidential information<sup>1</sup>. However, SBOAs may choose to designate an individual

<sup>1</sup> SBOAs generally are responsible for enforcement actions against CPAs and CPA firms. Accordingly, certain individuals associated with employees of such SBOAs may have a conflict of interest and may not

(~~hereinafter referred to as an administrative liaison~~) ~~or liaisons~~ to facilitate the SBOAs ability to perform its oversight functions. The role of the administrative liaison is determined by the SBOA and may be an employee or designee of the state board. However, an AE may not provide confidential information to them or allow them to attend meetings where confidential information is discussed. When the administrative liaison is not a PROC member, they may only have access to peer review information in accordance with paragraph 146 of the *Standards* and certain documents and reports that do not contain confidential information.

- d) The guidance presented throughout this Chapter is not intended to prohibit a PROC member delegated the duty by SBOAs to read the documents in Section B.5. of this Chapter or use FSBA and report to the SBOA on the information contained in these documents. However, it would be considered a breach of confidentiality if a PROC member included information or made a recommendation to the SBOA regarding a specific licensee, firm or peer reviewer that was only available as a result of overlooking the AE.

#### **D. Independence and Conflicts of Interest (for Peer Review Purposes)**

1. AEs need to consider whether PROC members or potential PROC members have a conflict of interest or an impairment to independence. SBOAs may also want to consider what they believe may constitute a conflict of interest or impairments to independence from a regulatory perspective. AEs, SBOAs and, where appropriate, the AICPA should discuss these matters collaboratively when questions arise.
2. Independence
  - a) *Independence of mind (fact)* - The state of mind that permits those involved in the peer review process to not be affected by influences that compromise professional judgement, thereby allowing an individual to act with integrity and exercise objectivity and professional skepticism.
  - b) *Independence in appearance* – The avoidance of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, including safeguards applied, to reasonably conclude that the integrity, objectivity or professional skepticism of those involved in the peer review process had been compromised.
  - c) *Safeguards* – Controls that eliminate or reduce threats to independence and may include a range of partial to complete prohibitions.
3. Conflict of Interest

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be permitted access to confidential information. However, if an SBOA lacks such enforcement authority, and the ~~individual employee~~ otherwise has no conflict of interest, the AE may provide such ~~individualemployee~~ the same access to confidential information as a member of a PROC (who has no conflict of interest). Such an ~~individualemployee~~ would also be required to sign a confidentiality letter.

- a) A conflict of interest is a set of circumstances or a situation that creates a risk that the professional judgment or actions by an individual may be influenced by a secondary party or interest. The individual may have a competing interest or loyalty to a secondary party that may influence their professional judgement or decision, or
- b) A situation in which a person has a duty to more than one person or organization but cannot do justice to the actual or potentially adverse interests of both parties.
- c) If no safeguards are available to eliminate the risk of an unacceptable threat or reduce it to an acceptable level, this would be considered a conflict of interest.
  - i. In situations where the SBOA, AE or PRB determines that there is an unacceptable threat, then neither recusals, nor signing confidentiality letters are appropriate safeguards.

## E. Confidentiality Letters

1. PROC members ~~(and administrative liaisons that ordinarily are not given access to confidential information)~~ are required to annually sign a confidentiality letter (Exhibit 3-1 ~~and Exhibit 3-2~~) indicating they will not divulge any information to the SBOA or others that would identify any licensee, firm or peer reviewer or other information obtained from the oversight of the AE.
2. AEs should maintain a current roster of PROC members ~~and administrative liaisons~~ as their signed confidentiality letters are subject to review during AE oversight visits, Report Acceptance Body (RAB) observations and other times deemed appropriate.
  - a) Except as provided in E.2.be), the AE may only provide a PROC member access to information allowed in paragraph 146 of the *Standards* and some statistical data/reports that do not contain confidential information when a PROC member fails to sign the confidentiality letter.
  - ~~b) Although administrative liaisons are not permitted to obtain confidential information, signing the confidentiality letter is an additional safeguard in case they inadvertently receive such information.~~
  - e)b) In rare circumstances where state law or regulation specifically prevents individuals from signing confidentiality letters, the matter should be discussed with the SBOA and, where appropriate, the AICPA as to what other safeguards can be put in place, if possible, such that the PROC members may still be able view certain confidential information and possibly attend meetings.

## F. Information Available to PROC Members and Administrative Liaisons

1. The PRB determines what information may be made available to PROC members and administrative liaisons.
2. PROC members that have signed a confidentiality letter should have access to the same peer review information as those serving on AE peer review committees/RABs except in the following circumstances:

- a) PROC members who are deemed by the SBOAs, AEs or PRB to have a conflict of interest (see Sections D and G of this Chapter).
    - i. Signing confidentiality letters or recusals are not deemed as appropriate safeguards when there is a conflict of interest.
  - b) PROC members who do not sign confidentiality letters (when state law or regulation doesn't specifically prohibit signing such letters).
  - c) When situations occur such that conflicts of interest are encountered with PROC members who otherwise do not have a conflict of interest (such as when the peer review of a firm of which the PROC member is associated is being considered for acceptance by a RAB).
    - i. AEs should work collaboratively with SBOAs in identifying such situations.
    - ii. AEs should request that PROC members recuse themselves from these situations and not participate in those portions of the meetings (should not be present, on the phone, etc.).
3. PROC members and administrative liaisons may make reasonable requests for information that facilitates the PROC's ability to perform its oversight functions, including, but not limited to:
- a) *Standards*, procedures, guidelines, training materials and similar documents prepared for use by reviewers, reviewed firms and AEs.
  - b) AE peer review committee/RAB meeting schedules.
  - c) Statistical data available.
  - d) Benchmark, monitoring, RAB observation and various oversight reports and information (administrative liaisons may only obtain reports that do not contain specific identifying information).
  - e) Other Peer Review Integrated Management Application (PRIMA) generated reports (administrative liaisons may only obtain reports that do not contain specific identifying information).

#### G. PROC Members ~~and Administrative Liaisons~~ – Violations of Confidentiality Letters

- 1. AEs must immediately report to the SBOA and, where appropriate, the AICPA, any known or potential violations of signed confidentiality letters by PROC members ~~or administrative liaisons~~. For example, litigation against a firm or reviewer coming to the attention of the SBOA based solely on information the PROC member obtained as a result of AE oversight and reported to the SBOA would be a violation of the confidentiality letter. If the AE is aware of a potential situation and uncertain if there is a violation, it should discuss with the SBOA and, where appropriate, the AICPA.
  - a) Until a potential situation is resolved by the AE with the SBOA, and, where appropriate with AICPA Staff and/or the AICPA PRB OTF, individuals identified that may have potentially violated the confidentiality letter shall be considered to have a conflict of interest on all matters related to oversight and should not be given access to confidential information or be allowed to attend meetings where such information is discussed.



## H. Examples of Conflict of Interest

1. The following is a list of examples where the PRB has determined the PROC member has a conflict of interest or independence is impaired and should not be given access to confidential information or be allowed to attend portions of the meetings where such information is discussed.
  - a) Active SBOA members have a conflict of interest. ~~Generally, a~~Due to practice mobility, an active SBOA member from one state is likely deemed to have a conflict of interest in all states, not just the state where serving on the SBOA.
  - b) Individuals (employees, consultants, volunteers or others) who perform enforcement related work for regulatory or governmental bodies, professional organizations (including but not limited to an AICPA ethics committee, AICPA Joint Trial Board or state professional ethics committee) or similar groups or subgroups unless the individual can first demonstrate to the satisfaction of the PRB that:
    - i. They are not performing enforcement work or otherwise significantly involved in such work; and
    - ii. They are not involved in making recommendations to the SBOA, or have influence with the SBOA on any individual or firm licensure, enforcement, ethics or other similar matters or have access to such information; or
    - iii. They only assist SBOAs with administrative matters such as assisting with writing their laws and regulations.
  - c) Ordinarily when a PROC member is from the same firm as the technical reviewer, committee or RAB members of the AE being oversighted, unless appropriate safeguards are in place such as the PROC member not attending portions of AE meetings where information is prepared by or discussed by those individuals. However, there may be situations when the PROC member's firm is from a different state and with appropriate safeguards the conflict of interest could be eliminated. AEs should discuss such situations with the SBOA or the PROC member's firm, as the resolution of some conflicts could be achieved by either changing the PROC member or AEs not having a technical reviewer, committee or RAB member from the PROC member's firm.
  - d) A PROC member is deemed to have a conflict of interest when his or her firm's peer review or reviews performed by his or her firm are being discussed. When this or similar situations occur, the AE should ensure the PROC members recuse themselves completely and not be present for (or on the phone) or participate in any discussions. This would also be true when the PROC member has a conflict of interest with the reviewing firm, reviewer or the reviewed firm, etc. for other reasons. In these situations, PROC members should also not be given confidential materials, correspondences, etc. prepared by the AE for the RAB related to the specific conflict.
  - e) If there is any question as to whether a PROC member may have a conflict of interest, the matter should be brought to the attention of the SBOA and, as appropriate, the AICPA who may discuss the question with the OTF. This must be done prior to making confidential information available or allowing someone to

attend a meeting. All relevant information should be provided including what appropriate safeguards are in place as applicable.

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Exhibit 3-1

**Illustrative Confidentiality Letter—State Board Peer Review Oversight Committee (PROC)  
And Individuals Approved through Chapter 3 Guidance**

[Date]

[Address of PROC member]

Dear [Mr./Ms.] [Last Name of PROC member]:

On behalf of the [Name of Administering Entity] peer review committee, we welcome the [Name of State Board of Accountancy] Peer Review Oversight Committee (PROC)<sup>1</sup>. We recognize that you have a responsibility to exert your efforts towards achieving the PROC's objectives through various oversight procedures and reporting to the [insert name of state(s)] state board(s) of accountancy (board). The [Name of Administering Entity Peer Review Committee] supports and will assist with your efforts.

Administering Entity Responsibilities

As an administering entity of the AICPA peer review program (PRP), we have an obligation to adhere to the confidentiality requirements described in the AICPA *Standards for Performing and Reporting on Peer Reviews (Standards)*. We are prohibited from providing confidential information unless you (1) annually sign a confidentiality letter, (2) agree to recuse yourself from portions of meetings when there is a conflict of interest or impairment to independence, and (3) agree not to divulge any information obtained solely from the oversight of the administering entity to a board or to anyone that would identify any firm, licensee, peer reviewer/reviewing firm or other information with the understanding that you are not prohibited from divulging information to the board as permitted in the *Standards*, Interpretations, and guidance and Facilitated State Board Access (FSBA).

By signing this letter, you agree not to use any information obtained from the oversight of the administering entity in any way not related to meeting the objectives of the oversight and peer review process. If you violate the conditions of this confidentiality letter we have an obligation to report this to the board and, where appropriate, the AICPA, of any known or potential violations. Until such potential violation is resolved with the board and, if necessary, AICPA, we are prohibited from providing you access to confidential information or allow you to attend any meetings where such information is discussed.

Please confirm your acknowledgement and agreement to adhere to the confidentiality requirements and your related responsibilities by signing this letter in the space provided and return it to me. If you have any questions, please feel free to contact me at [phone number].

Sincerely,

---

<sup>1</sup> Modify if an approved individual from an entity not involved in enforcement is participating.

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[Administering Entity's Peer Review Committee Chair]

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

By signing below, I acknowledge and agree to adhere to the confidentiality requirements and related responsibilities, including but not limited to:

- Signing a confidentiality letter annually.
- Agreeing not to divulge or discuss any information with the board or others that would identify any licensee, firm, or peer reviewer or other information solely obtained from the oversight of [Name of Administering Entity] that would not be available to the board through the standards, guidance, and FSBA<sup>2</sup>.
- Timely notifying the [Name of Administering Entity] when a conflict of interest or independence impairment is identified.
- Recusing myself from those portions of meetings when a conflict of interest or impairment to independence is identified.
- Acknowledging that when a conflict of interest or independence issue exists, this confidentiality letter is not a remedy and access to confidential information or attendance to such portions of meetings is prohibited.
- I will not sign this letter if my board requires me to provide it or others information or attend meetings that conflicts with the confidentiality requirements in this letter.

[PROC Member]

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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<sup>2</sup> Only include reference to FSBA when the applicable state board has access to FSBA.

**Summary of common comments included in feedback from five SBOAs**

**SBOA/Society Common Topics from Feedback Received**

Nine state boards of accountancy (SBOAs) and one state CPA society provided comments/feedback on Chapter 3. Below is a summary of comments by common themes in the feedback received.

**No substantial comments indicating the need to change Chapter 3**

- Three SBOAs indicated they had no comments or feedback on the proposed revisions to Chapter 3.
- Two SBOAs indicated they did not object to the proposed changes.
- Two SBOAs indicated the proposed revisions to the chapter do not appear to be substantive or cause any outstanding issues based on the intent of the changes. The SBOAs did not have any comments or concern regarding the proposed revisions.
- One SBOA indicated there are overarching conceptual components that need further consideration. Comments in this letter are included in “Other Feedback Provided” below.
- One SBOA indicated the PROC would review on May 3 and present its observations to the board on May 16-17.
- The state CPA society provided grammatical and formatting comments as well as questions that were addressed in Agenda Item 1A.

**Other feedback provided**

Five state boards of accountancy submitted letters expressing other concerns that should be considered by the PRB. There was commonality among the comments received from the boards. Below are excerpts from the feedback received.

**1. Increased transparency in the peer review process**

**SBOA #1**

The more important matter discussed in Chapter 3 involves the transparency of the AICPA Peer Review Program (PR Program) and what type of information should be shared with state boards of accountancy.

Chapter 3 affirms that the AEs and the PR Program can disclose to state boards of accountancy only the following information:

1. The firm's name and address,
2. The firm's enrollment in the program,
3. The date of acceptance and period covered by the firm's most recently accepted peer review; and
4. If applicable, whether the firm's enrollment in the program has been dropped or terminated.

Any other information than what is identified above is considered confidential and “should not be provided to anyone except as permitted in this Chapter”. The above

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information is process oriented and provides limited information as to the quality outcomes of firms' PR Program results. In Chapter 3, B. 5, specific firm peer review documents are identified that may be shared with state boards of accountancy, but only after firms authorize the AE to allow access to that information, that include:

1. Peer review report which has been accepted by the AE,
2. The firm's letter of response accepted by the AE (if applicable),
3. The acceptance letter from the AE,
4. Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and
5. Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.

The above information speaks more to the firms' PR Program results and should readily be made available to all state boards of accountancy. This Board recommends that the AICPA Peer Review Board consider including this information as publicly available and disclosable to all state boards of accountancy upon request. This would be in addition to the processes already available through Facilitated State Board Access.

#### SBOA #2

The Board office spends unnecessary time and resources chasing down information regarding reenrollment. This evidence could have and should have been made available to the Board through the AICPA Facilitated State Board Access (FSBA) platform. Obviously, if the CPA firm failed to maintain enrollment in the Program, the Board is charged with the responsibility to verify the word of the CPA firm that the enrollment process has been started.

Small states such as XXX do not have a large pool of qualified CPAs to serve as PROCs to the Board. A member of the Board serves as the sole member of the PROC based upon a two-year appointment. We have heard countless times how important it is for PROCs to attend Review Acceptance Board (RAB) meetings to ensure that the acceptance process is sufficient in order for the Board to rely on the Program's effectiveness and outcomes. We have also been told that a PROC member who serves also as a seated member of the Board is not welcome at RAB meetings owing to some sort of potential conflict of interest. The concern shared with the Board's Executive Director is that information potentially obtained during a RAB meeting that reflects poor service quality rendered by a CPA firm registered in XXX could be unfairly used against the firm in a disciplinary action. That response is insulting and demeaning and assumes that the Board is eager to discipline its licensees and seeks opportunities to do so.

A modification of the program to open up additional information to the Board would help this agency that has limited staff and time to chase down evidence and it would help the CPA firms served by the Program by making the process easier for them.

#### SBOA #3

- While the information provided in Chapter 3 is somewhat helpful, it does not alleviate the communication loop holes that continue to occur. The Board sending non-compliance letters causing the firm to place pressure on the AE doesn't seem to be

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an efficient way of handling the process. The Board has utilized warning letters however without substantive information that would indicate compliance it often ends with formal disciplinary complaints. This ends up costing everyone a lot of time and possible legal expenses when the issue could have been avoided by the receipt of better information and communication between the firm, AE and Board.

- The Board believes that additional information that could be provided to the SBOA may help resolve the communication issues. Information that would be helpful should include items such as a copy of the enrollment letter, the due date of the next required peer review, if the peer review has been scheduled, if any extensions have been authorized by the AE in connection with follow up or scheduling, any information that would indicate that the firm is in process or in compliance with the program.
- The Board would be interested in seeing revisions to Chapter 3 that would add the sharing of additional information to assist the Boards in their charge and requirements for peer review.

#### SBOA #4

- One of the specific issues the Board has concern for pertains to what information can be shared with state boards of accountancy and the transparency with the Peer Review Program.
- Instead of a firm being able to request that only specific information be able to be released, it seems that a state board should have access to all information regarding a review. By getting this cooperation, we feel that efficiency for all concerned parties would be achieved due to open communication and concise information provided to state boards.
- For example, being initially notified that a firm has been dropped or terminated via an email does not seem to be the most cost efficient or effective manner of a state board discovering there is an issue. While the notifications that are sent by Sue Coffey are appreciated, we wonder if there was more communication to a state board that some of these instances could be mitigated.

#### SBOA #5

Now that nearly all states have mandatory peer review as a requirement for firm registration, the AICPA should consider modifying the 1988 AICPA bylaws to reflect that this program has moved from a self-regulatory program to a mandate by law. The current bylaws have an impact on the states and their ability to effectively carry out mandatory peer review programs with certain restrictions in the latest amendments by limiting transparency regarding progress toward completion of their firms' peer review.

The PROC is requesting that a date indicating when last updated be added to the FSBA to assist Boards and PROCs in managing information added or modified in FSBA. The PROC believes this will increase transparency for the following: acceptance reports that

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were modified and a revised acceptance letter is uploaded; firms that were dropped or terminated and re-enrolled, due date modifications, etc..

Although the AICPA has indicated that they do not want the Boards and PROC's using the word "status" we suggest that the firm's "case status" and the "steps", including all the sub-steps noted below, that are displayed in PRIMA be added to the information available in the FSBA. The PROC notes that this information is objective, and it would provide the most up to date information to the PROCs. If the information that is available to the PROCs is current, it can effectively and efficiently carry out its statutory obligations.

In the same line with the process of peer review, the PROC monitors all firms with a peer review of fail or pass with deficiencies. The xx PROC believes that by early intervention it will help with the timely completion of the corrective actions firms are required to take. The PROC believes that allowing access to this objective information noted below would also be a tremendous improvement in transparency and efficiencies for a firm with corrective actions if it were displayed in FSBA.

## **2. Conflict of interest**

### SBOA#1

We are also aware of a concern of a potential conflict of interest and how state boards of accountancy perform oversight responsibilities to both the AEs and the PR Program activities from a regulatory perspective. The concern is whether state board of accountancy representative(s), who might also be involved in enforcement actions against CPAs and CPA firms, should be allowed access to additional PR program information. While the role of the state board representative(s) is different when overseeing the PR Program activities versus determining whether a CPA firm requires some disciplinary action, the information necessary to make an informed decision is the same. Rather than restricting the flow of information due to a conflict of interest, the process should be transparent such that state boards of accountancy representative(s) have access to all information available to make informed, professional decisions. It should also be noted that information gathered from the PR Program related to CPA firm activities are just part of any evidence that state boards of accountancy would gather in reviewing a particular CPA firms' services.

### SBOA #2

There are a couple of areas of concern regarding that argument. First, the Board is bound by XX statutes that require every licensee to be afforded due process and an impartial hearing of any matter that may come before the Board. The Office of Attorney General, State of XX has strict procedures in place that require the attorneys assigned to support the Board, Board staff and seated members of the Board to maintain impartiality. If a PROC/Board member becomes aware of information that might lead to a complaint filed with the Board office, an investigation would ensue and the Board member appointed to investigate would be the PROC/Board member. In that way, the investigation could proceed without involvement from (or taint to) any other Board members. The information that a PROC/Board member may become aware of is the same sort of evidentiary information that would be gathered from the CPA firm during the course of any such investigation. Secondly, if a PROC/Board member became aware of

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information that was of grave concern related to a CPA firm's attestation service quality, the PROC would be privy to the judgments made by the peer review team and the RAB which would provide a more complete context and information that would allow the PROC to understand the stances taken by the other professionals in the Program. The purpose of the Program is to enhance the quality of accounting and auditing services offered by the CPA profession. This allows the Program to do just that while enhancing transparency with the PROC members in each jurisdiction, not just larger ones. No one would want the Program to be used as a shield to prevent critically important service quality or CPA firm personnel cooperation issues from being available to the regulating Board. However, that risk and the risk of bias on behalf of a Board member who also serves as a PROC, while small, are eroding trust between the Program and state boards when the risks are used to refute transparency. No one is served by a Peer review process if CPA firms are promised certain confidentiality protections that may prevent the state Board from being aware of issues that may require action. In fact, the Program is pushing for more transparency in such matters.

#### SBOA #4

While the Board understands the concept of confidentiality and conflicts of interest, it is challenging when it is revealed a firm's work presents a threat to the public and it is made apparent to the representative of a state board PROC and they are precluded from reporting the findings. Should the program be a vehicle that 'protects' firms that may be a threat to those that rely on the information? If other information, however, is discovered that could be a major concern to a state board it seems to fly against what we are trying to accomplish with a Peer Review Program if it remains 'locked in a drawer'.

#### SBOA #5

The xx structure for the staff of the Board or PROC does not present a conflict of interest in accordance with the state laws, rules or regulations for enforcement activity. However, the AICPA's peer review standards identify that there is a conflict of interest for state employees who are involved with the Board and PROC. The changes prevent state employees from attending PICPA Peer Review Committee meetings and receiving information from the Administrative Entity due to AICPA's definition of conflict of interest. This definition has hampered the PROCs ability to carry out its statutory and regulatory requirements for the peer review program. We suggest that the AICPA reconsider its definition of conflict of interest as it pertains to the peer review program for state employees. The burden of determining if a conflict of interest exists should depend on the legal counsel interpretation in each state depending on state structure. The staff of the PROCs should have the same level of access to the peer review information as the PROC members. Restrictions in the latest amendments suggests that state employees who solely work with the peer review program would be allowed to access this information. This is not an option in many states, including XX. Additionally, it would not be a prudent use of the licensees and firms' fees for which staff positions are funded. Further, the AICPA's standards could be perceived to overreach its authority in dictating what state employees' roles are to their Board and PROCs. While the State's Peer Review Oversight Committee members are not prevented from attending the Administering Entity's meetings, it is important to note that the staff that carry out the



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functions on behalf of the PROC on a daily basis and should be allowed to attend these meetings.

**3. Firms' lack of knowledge about confidentiality**

SBOA #2

It is widely misunderstood by CPA firms enrolled in the Program that the Board receives cooperation and information from the Program. CPA firms do not appear to understand that the information available to the Board is limited in nature and that the Program AEs are not required to cooperate with state boards.

SBOA #3

There is also a misconception that firms believe all information is provided to the Board from the Administering Entity (AE). Requesting a firm to provide the AE with specific information for release versus a blanket approval of communication is often difficult. XX state requires any information relating to the peer review process to be sent to the Board that would indicate they are in compliance with peer review if the peer review report and letter of completion have not been finalized. The Board has numerous firms that we are waiting for that information and do not know where they are in the process other than they are extremely delayed and far past their due dates for a variety of reasons that might not be the firm's fault. When the Board contacts these firms we often hear comments such as: I thought it was finished, my peer reviewer has everything, what is a letter of completion, the Society is supposed to send that to you, etc. We indicate that the AE is unable to provide information to the Board without the specified consent of the firm. It is difficult to tell the firm what specific information they should authorize the AE to release when they do not know where in the process the peer review is themselves. Yet the examples of what a firm can submit authorizing the AE to release information is far more involved and detailed than the majority of firms will have knowledge of.

SBOA #4

The offer that CPA firms could authorize release of specific information is not always helpful since the CPA firm doesn't always know exactly what the Board office needs to evidence enrollment and compliance with the program.

As the XX Board staff has worked with firms in the peer review program, it has become very apparent that most of them are not aware of what information is provided to a Board by an AE.

SBOA #5

Even though the firms' peer review information is required by law to register as a public accountancy firm in XX state, there is a misconception that their information is shared with the Board and PROC.



EXCERPTS FROM THE AICPA CODE OF PROFESSIONAL CONDUCT

**1.110 Conflicts of Interest**

.11 In cases where an identified *threat* may be so significant that no *safeguards* will eliminate the *threat* or reduce it to an *acceptable level*, or the *member* is unable to implement effective *safeguards*, the *member* should (a) decline to perform or discontinue the *professional services* that would result in the conflict of interest; or (b) terminate the relevant relationships or dispose of the relevant interests to eliminate the *threat* or reduce it to an *acceptable level*.

*Disclosure of a Conflict of Interest and Consent*

.12 When a conflict of interest exists, the *member* should disclose the nature of the conflict of interest to *clients* and other appropriate parties affected by the conflict and obtain their consent to perform the *professional services*. The *member* should disclose the conflict of interest and obtain consent even if the *member* concludes that *threats* are at an *acceptable level*.

.13 Disclosure and consent may take different forms. The following are examples:

a. General disclosure to *clients* of circumstances in which the *member*, in keeping with common commercial practice, does not provide services exclusively for any one *client* (for example, in a particular service in a particular market sector) in order for the *client* to provide general consent accordingly. Such disclosure might be made in a *member's* standard terms and conditions for the engagement.

b. Specific disclosure to affected *clients* of the circumstances of the particular conflict including an explanation of the situation and any planned *safeguards*, sufficient to enable the *client* to make an informed decision with respect to the matter and to provide specific consent.

.14 The *member* should determine whether the nature and significance of the conflict of interest is such that specific disclosure and specific consent are necessary, as opposed to general disclosure and general consent. For this purpose, the *member* should exercise professional judgment in evaluating the circumstances that create a conflict of interest, including the parties that might be affected, the nature of the issues that might arise and the potential for the particular matter to develop in an unexpected manner.

.15 When a *member* has requested specific consent from a *client* and that consent has been refused by the *client*, the *member* should (a) decline to perform or discontinue *professional services* that would result in the conflict of interest; or (b) terminate the relevant relationships or dispose of the relevant interests to eliminate the *threat* or reduce it to an *acceptable level*, such that consent can be obtained, after applying any additional *safeguards*, if necessary.

.16 The *member* is encouraged to document the nature of the circumstances giving rise to the conflict of interest, the *safeguards* applied to eliminate or reduce the *threats* to an *acceptable level*, and the consent obtained.

.17 When addressing conflicts of interest, including making disclosures and seeking guidance of third parties, a *member* should remain alert to the requirements of the "[Confidential Client Information Rule](#)" [1.700.001] and the "[Confidential Information Obtained From Employment or Volunteer Activities](#)" interpretation [1.400.070] of the "Acts Discreditable Rule" [1.400.001]. In addition, federal, state, or local statutes, or regulations concerning confidentiality of *client* information may be more restrictive than the requirements contained in the Code of Professional Conduct.

**Summary of Survey Results Received as of April 5, 2019**

On February 6, 2019, an email was sent to all SBOA Executive Directors and Chairs/Presidents requesting feedback on Chapter 3 of the Oversight Handbook (Agenda Item 1B) and responses to a brief survey about information SBOAs need regarding the AICPA Peer Review Program. State CPA Society CEOs, Deputy CEOs, CPAs on Staff and Peer Review Administrators were also made aware of this outreach. As of April 5, 2019:

- 25 - State Boards of Accountancy responded
- 1 -State Board of Accountancy had two individuals respond
- 26 -Total survey responses received as of April 3, 2019

Below are the survey results including some of comments received for each question.

**Question #1: Do you need to know when a firm’s review is scheduled:**

Yes 46%

No 54%

Some reasons for needing to know when a firm’s review is scheduled:

- Ability to monitor compliance with the process
- Determine timeline when firms request an extension

**Question #2: Do you need to know when a firm’s peer review has begun?**

Yes 38%

No 62%

Some reasons for needing to know when a firm’s peer review has begun:

- To determine if any delays were a result of Board registrant non-compliance or simply a sponsoring organization timing issue between RAB meetings
- Helpful in the event delays or extensions are needed.

**Question #3: Do you need to know when the review will be presented to the peer review committee?**

Yes 54%

No 46%

Some reasons for needing to know when the review will be presented to the peer review committee:

- Avoids sending notices to the firm if it is progressing and in compliance
- Determine if the firm is in compliance with statutory requirements
- Helps to determine when results can be expected.

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**Question #4: Do you need to know when the review was accepted by the peer review committee?**

Yes 73%

No 27%

Some reasons for needing to know when the review was accepted by the peer review committee:

- Helps to monitor or determine compliance
- Corresponds with due date within the Board's licensing system
- Want to know report rating

**Question #5: Do you need information about remedial (corrective) actions required of the firm?**

Yes 85%

No 15%

Some reasons for needing to know about remedial (corrective) actions required of the firm:

- Determine if additional corrective actions should be given to the firm
- Helps to track compliance with remediation efforts
- The corrective action indicates severity of the firm failing to receive a pass report
- To understand the nature of issues
- Monitor compliance with statutory requirements
- Determine if the peer review program is fulfilling the goal of helping firm improve

**Question #6: At any time, can SBOA staff access AICPAs FSBA and run numerous reports?**

Yes 69%

No 31%

Informational responses to AICPAs FSBA:

- Inactive board due to lack of funding
- Not needed
- Info outdated
- New and haven't made necessary arrangements
- At times, information does not show up
- Reports not easy to run

## Hearing Panel Referral Guidance

### Why is this on the Agenda?

As currently written, the RAB Handbook requires all referrals of firms to the AICPA Peer Review Board (Board) for a hearing due to noncooperation to be "...supported by a two-thirds vote of the administering entity's full peer review committee." This requirement was implemented to solicit input from the committee due to the importance of possible outcomes of a hearing (firm enrollment termination).

This agenda item seeks to:

- Simplify the process and lessen the volume of noncooperation instances that require consideration by the full peer review committee (RAB consideration required, except for specific cases)
- Provide more guidance on assessing noncooperation prior to referral to the Board for hearing

Many hearing referrals are due to a firm's failure to comply with actions required by a RAB (for instance, accepting or completing an implementation plan or corrective action) and are fairly straightforward. Further, reenrollment after a firm's enrollment termination for these types of noncooperation is more routine, requiring that the firm complete the action for which they were terminated. In these types of cases, the requirement for committee vote appears unnecessarily burdensome. The proposed guidance also emphasizes that disagreement guidance should be followed if a disagreement is the reason for the firm's seeming noncooperation.

In omission noncooperation cases (firm withheld information material to the peer review), referral to a hearing panel is expected without further RAB/committee consideration if the review's acceptance is recalled for a material departure. Reenrollment of a firm terminated for omission generally requires approval by a hearing panel. The proposed guidance introduces a nimbler approach by allowing a RAB to approve (by simple majority vote) referral to the Board for a hearing in these instances.

Fewer hearing referrals are due to a history of firm noncooperation or more substantial matters that cannot be remediated by a firm's completion of a delinquent action (for instance, consecutive non-passing peer reviews, or failure to correct deficiencies/significant deficiencies). Reenrollment of a firm terminated for these situations generally requires approval by a hearing panel. The proposed guidance promotes a more robust assessment prior to referral, focusing more upon comprehensive and effective remediation efforts by the firm, including consideration of completed corrective actions.

The proposed guidance revision also bifurcates the ultimate referral responsibility such that when a firm receives three or more consecutive non-passing peer reviews and referral is mandatory, the RAB (rather than committee) may approve referral. Effectively, this change expedites the referral process in the most egregious cases. In all other failure to improve cases, referral must be made by a two-thirds vote of the full peer review committee so that when more judgment is required, a larger group considers the matter.

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**Feedback Received**

The AATF reviewed the proposed change about the required vote and thought it to be reasonable. The STF has reviewed and approved the proposed change for your consideration.

**PRIMA Impact**

N/A

**AE Impact**

The proposed guidance is intended to be nimbler and lessen administrative burden and full peer review committee consideration.

**Communications Plan**

Guidance, upon approval by the Board, will be discussed at upcoming monthly AE calls and incorporated into PRIMA help articles.

The warning letter sent to firms upon acceptance of a non-pass peer review report has been revised to provide more clarity related to its responsibility to remediate and the possibility of noncooperation if it fails to do so, whether or not it complies with any corrective actions assigned by a RAB or committee.

A reviewer's alert article related to effective corrective actions for firms receiving a non-pass peer review will be sent as soon as possible after approval.

Committee and RAB member training will be revised accordingly

**Manual Production Cycle (estimated)**

June 2019

**Effective Date**

Upon approval.

**Board Consideration**

Review and approve the proposed changes to AICPA Peer Review Program Report Acceptance Body Handbook included as attachment A.

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## PRP Section 3300

### *AICPA Peer Review Program Report Acceptance Body Handbook*

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#### Chapter 6

#### Monitoring Corrective Actions and Implementation Plans

##### Corrective Actions

#### IV. Determining Noncooperation of Reviewed Firms

~~Paragraph .05h of the standards notes that~~ firms (and individuals) enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity, and the [AICPA Peer Review Board \(board\)](#) in all matters related to the peer review, including taking remedial, corrective actions as needed. ([standards sec. 1000 par. .05h](#))

Instances of noncooperation by a firm would include, but are not limited to ([standards sec. 1000 par. .144](#))

- ~~• refusal to cooperate~~
- failure to correct deficiencies or significant deficiencies after consecutive corrective actions required by the committee on the same peer review.
- deficiencies that indicate the firm to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.
- receiving peer reviews with recurring deficiencies or significant deficiencies that are not corrected.
- failure to receive a pass report after receiving a peer review rating of *pass with deficiencies* or *fail* and the firm received notification through a method providing proof of receipt that a consecutive peer review report rating of *pass with deficiencies* or *fail* may be considered a failure to cooperate with the administering entity.

In addition, ~~a AICPA Peer Review Board (board) R~~ resolution states:

A firm is deemed as failing to cooperate once the review has commenced by:

- not responding to inquiries.
- withholding information significant to the peer review, for instance but not limited to:

- i. failing to discuss communications received by the reviewed firm relating to allegations or investigations in the conduct of accounting, auditing, or attestation engagements from regulatory, monitoring, or enforcement bodies.
- ii. omission or misrepresentation of information relating to its accounting and auditing practice as defined by the AICPA *Standards for Performing and Reporting on Peer Reviews*, including, but not limited to, engagements performed under *Government Auditing Standards*; audits of employee benefit plans, audits performed under FDICIA, audits of broker-dealers, and examinations of service organizations (~~Service Organizations Control~~[SOC] 1 and SOC 2 engagements).
  - not providing documentation including, but not limited to, the representation letter, quality control documents, engagement working papers, all aspects of functional areas.
  - not responding to MFCs or FFCs timely.
  - limiting access to offices, personnel or other.
  - not facilitating the arrangement for the exit conference on a timely basis.
  - failing to timely file the report, and the response thereto related to its peer review, if applicable.
  - failing to cooperate during oversight.
  - failing to timely acknowledge and complete required corrective actions or implementation plans.

In most instances, if a firm is deemed not to be cooperating after the firm received notification through fair procedures, the administrator or the technical reviewer should advise the administering entity's RAB concerning this fact. The RAB should assess the facts and circumstances to determine whether there is a disagreement or if the firm is not cooperating. If there is a disagreement, the guidance in the RAB Handbook Chapter 7 should be followed to resolve the disagreement. If the RAB concludes that the firm is not cooperating, it should refer the matter to either the full peer review committee or the board (see Referral to Board discussion in this section). Documentation of the referral decision is required.

~~after the firm received notification through fair procedures or if there is a disagreement. If there is a disagreement, the guidance in the RAB Handbook Chapter 7 should be followed to resolve the disagreement. If a firm is deemed not to be cooperating, the RAB or the technical reviewer should advise the administering entity's peer review committee concerning this fact. In such circumstances, the administering entity's peer review committee should consider whether additional requirements for remedial or corrective actions are adequate responses to the situation. If, after the firm received notification through fair procedures, the committee deems that the firm is still not cooperating, it should refer the matter to the AICPA Peer Review Board with a recommendation that the AICPA Peer Review Board appoint a hearing panel to consider whether the firm's enrollment in the AICPA Peer Review Program should be terminated or whether some other action should be taken. firm actions consideration by the administering entity's peer review committee. Such a referral should be supported by a two-thirds vote of the administering entity's full peer review committee.~~



~~Submission Referral of a firm for termination hearing must include supporting documentation such as, but not limited to, warning letters issued to the firm, information of other correspondence whether verbal or written, notes from committee meetings (if applicable), and a timeline outlining the various communications. AICPA staff will submit a "Notice of Hearing" to the firm via certified mail. If a decision is made by the hearing panel to terminate a firm's enrollment in the program, firms with AICPA members will have the right to appeal to the AICPA Joint Trial Board for a review of the hearing panel's findings. As to AICPA members, the fact that a firm's enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe (sec. 1000 par. 145). Firms without AICPA members will have the right to appeal pursuant to fair procedures established by the board for a review of the hearing panel's findings. Notification to be sent to Firms Receiving Initial Pass with Deficiencies or Fail Reports~~

~~The board has determined that notification, through a method providing proof of receipt should be sent to the firm whenever the firm has received a pass with deficiencies or fail report.~~

~~The notification includes a copy of the resolution and notifies the firm that if the firm fails to receive a pass report rating on its next peer review, the full committee of the administering entity may refer the matter to the Board for it to consider whether a hearing should be held for the firm's failure to cooperate with the administering entity. This notification is required as part of the fair procedures if the committee determines that a firm is not cooperating and refers the firm to the Board for consideration of termination.~~

### Failing to Improve on Consecutive Peer Reviews

Reviewed firms failing to improve on consecutive peer reviews as a result of not correcting deficiencies or significant deficiencies, ~~would may~~ be deemed as non-cooperating ~~if the following criteria are met:~~

~~Failing to receive a pass report after receiving if it is notified via certified mail, or other delivery method providing proof of receipt, after a peer review report rating of pass with deficiencies or fail and the firm received notification through a method providing proof of receipt that a consecutive peer review report rating of pass with deficiencies or fail may be considered a failure to cooperate with the administering entity. (Interpretation No. 5h-1—Excerpt from AICPA Peer Review Board Resolution Adopted April 29, 1996 with amendments through January 1, 2009, May 3, 2011, August 8, 2012, January 30, 2014, September 30, 2014, and November 14, 2014, and September 27, 2016.):~~

### Determining When to Refer a Firm to the Board for Noncooperation

~~If the firm fails to receive a pass report rating on its next peer review, the~~Upon notification by the technical reviewer or administrator that the firm may not be cooperating due to failure to improve on consecutive peer reviews, the RAB, ~~and ultimately the administering entity's peer review committee,~~ must assess whether this should be deemed as noncooperation by the firm. This assessment involves careful evaluation of the facts and circumstances of each ~~needs to be considered on a case-by-case basis.~~ For instance:



First Report Was	Second Report Was	Recommended Action
Pass with Deficiencies	Pass	None
Pass with Deficiencies	Pass with Deficiencies	Assessment after results of corrective action(s)
Pass with Deficiencies	Fail	Assessment after results of corrective action(s); Presumption of referral
Fail	Pass	None
Fail	Pass with Deficiencies	Assessment after results of corrective actions(s)
Fail	Fail	Assessment after results of corrective action(s); Presumption of referral
Three consecutive non-pass reports		Referral

## Assessment

The ~~decision to~~ assessment of the firm's attempted improvement to determine if the firm should be referred to the ~~b~~Board should include reviewing the previous peer review documents including the report(s), LOR(s) and results from related corrective follow-up actions. ~~Committee considerations~~ The assessment should include, but not be limited to:

- ~~Has the firm improved at all? Does the firm appear to be attempting to improve? Examples may include evidence of actions outside of those in the firm's Letter of Response or corrective actions to resolve deficiencies or significant deficiencies.~~
- Did the firm implement planned response and Were the prescribed corrective actions appropriate to address the cause of the deficiencies or significant deficiencies; and to allow the firm an opportunity demonstrate the effectiveness of the changes implemented? For example, CPE coupled with pre- or post-issuance review on subsequent engagements.
- Did the firm implement actions outside of those in the firm's letter of response or corrective actions to resolve deficiencies or significant deficiencies?
- Do actions taken by the firm appear genuine?
- Has the firm improved at all relative to the deficiencies or significant deficiencies identified?
- Are the deficiencies repetitive or substantially the same as before?
- Did the firm have numerous deficiencies in the previous peer review that were just replaced with different ones?
- Although the deficiencies met the criteria to include in the peer review report(s), what specifically is the nature of deficiencies as compared to previous reviews?
- Was the firm afforded an appropriate amount of time to improve? For example, dDid an accelerated review limit cover a period that provided the firm sufficient time to correct deficiencies?

After a RAB's careful review of the ~~preceding considerations~~ facts and circumstances, the firm should be referred to the ~~b~~Board (~~see table below~~) if it is evident the firm did not implement the ~~corrective~~ actions ~~it stated it would in either its letter(s) of response or complete~~ required corrective actions required to date, deficiencies in previous peer reviews are ~~included-repeated~~ in the current peer review, or the firm has not made attempts to appropriately design or comply with its system of quality control. See summary of administering entity responsibilities in this section table below for instances requiring further assessment by committee prior to referral to board.

~~An example when a firm should not be referred to the Board for noncooperation might be~~ When ~~at~~ the firm has demonstrated improvement from the last peer review, but other deficiencies were noted causing a consecutive *pass with deficiencies* or *fail* report, ~~referral to the board for noncooperation may not be necessary~~. In ~~such circumstances~~ ~~this case~~, it would appear that the firm had taken actions that corrected the prior reported deficiency. However, in doing so, it may have created new deficiencies. The firm is deemed to be cooperating because it took remedial actions to correct the original deficiencies. Instead of referring the firm to the ~~b~~Board, the firm should be ~~required to take given~~ corrective actions that will allow the firm to rectify the deficiency.

It is presumed that a RAB will refer a firm that receives a report with a peer review rating of fail after having received either a peer review rating of pass with deficiencies or fail in its prior peer review will be referred to the board for noncooperation. This presumption may be overcome by circumstances evaluated during the assessment, such as evidence of aggressive actions by the firm to correct the deficiencies or significant deficiencies. For example, a RAB may decide not to refer a firm that incorporates outside party pre-issuance review of the type of engagements that led to the deficiency or significant deficiency because, based upon early implementation of this change in quality control, the RAB anticipates a pass peer review report to result from on the firm's next peer review. The specific nature of the significant deficiencies may also overcome the presumption of referral. For example, if a firm received two consecutive fail ratings in engagement reviews, the nature of the significant deficiencies and number of occurrences may result in the RAB deciding not to refer but requiring more targeted corrective actions.

If a firm receives three consecutive reports with a peer review rating of pass with deficiencies or fail, the administering entity shall refer the matter to the board for it to consider whether a hearing should be held for the firm's failure to cooperate with the administering entity.

Firms that voluntarily elect to cease performing certain ~~audit and attest~~ engagement types or engagements in certain industries specifically related to the deficiencies or significant deficiencies in its most recent ~~If a firm's previous system peer review resulted in a~~ report with a peer review rating of pass with deficiencies or fail ~~may notify the due to significant audit deficiencies and the firm subsequently gave up its audit practice and notified the~~ administering entity in writing or in the letter of response ~~of this decision~~. In such cases, ~~the~~ ~~the~~ committee may decide that the firm should not be referred to the ~~b~~Board for noncooperation. There is no requirement to return such reviews to the original RAB that decided to refer the firm.

~~If a firm receives a report with a peer review rating of fail after having received either a peer review rating of pass with deficiencies or fail in its prior peer review, there is a presumption that the assessment of the full committee of the administering entity would result in a referral of the matter to the Board for it~~



<b><u>Noncooperation Type<sup>1</sup>, including but not limited to</u></b>	<b><u>RAB</u></b>	<b><u>Peer Review Committee</u></b>
<ul style="list-style-type: none"> <li>• <u>timely file the report and/or response</u></li> <li>• <u>cooperate during oversight</u></li> <li>• <u>timely acknowledge and complete required corrective actions or implementation plans</u></li> </ul>	<u>must be supported by simple majority vote</u>	
<u>Withholding information significant to the peer review</u>	<u>Referral to board hearing panel must be supported by simple majority vote</u>	<u>No action required</u>
<u>Failure to improve as evidenced by failing to receive a pass report rating subsequent to:</u> <ul style="list-style-type: none"> <li>• <u>One peer review rating of pass with deficiencies or fail (2 total consecutive non-pass reports)</u></li> <li>• <u>More than one consecutive peer review rating of pass with deficiencies or fail (3 or more consecutive non-pass reports)</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Assessment (see above)</u> <u>Referral Recommendation to full peer review committee must be supported by RAB simple majority vote</u></li> <li>• <u>Assessment (see above)</u> <u>Referral to board hearing panel is presumptively mandatory; must be supported by RAB simple majority vote</u></li> </ul>	<ul style="list-style-type: none"> <li>• <u>Referral to board hearing panel must be supported by two-thirds vote of full peer review committee</u></li> <li>• <u>No action required</u></li> </ul>
<u>Failure to correct deficiencies or significant deficiencies after consecutive corrective actions on the same peer review</u>	<u>Referral Recommendation to full peer review committee must be supported by RAB simple majority vote</u>	<u>Referral to board hearing panel must be supported by two-thirds vote of full peer review committee</u>
<u>Performance so seriously deficient that educational and remedial corrective actions or implementation plans are not adequate</u>	<u>Referral Recommendation to full peer review committee must be supported by RAB simple majority vote</u>	<u>Referral to board hearing panel must be supported by two-thirds vote of full peer review committee</u>

<b><u>Noncooperation Type<sup>1</sup>, including but not limited to</u></b>	<b><u>RAB</u></b>	<b><u>Peer Rreview Ccommittee</u></b>
<u>Other instances of noncooperation where determination of sufficiency or appropriateness of firm actions warrant consideration by the administering entity's peer review committee</u>	<u>Recommendation to full peer review committee must be supported by RAB simple majority vote</u> <u>Referral to board hearing panel must be supported by simple majority vote</u>	<u>Referral to board hearing panel must be supported by two-thirds vote of full peer review committee</u>

Referral of a firm for hearing must include supporting documentation such as, but not limited to, warning letters issued to the firm, evidence of other correspondence whether verbal or written, notes or assessments from RAB or committee meetings (if applicable), and a timeline outlining the various communications.

Upon referral, the board will appoint a hearing panel to consider whether the firm's enrollment in the AICPA Peer Review Program should be terminated or whether some other action should be taken. Firms whose enrollment in the AICPA Peer Review Program is terminated will have the right to appeal pursuant to fair procedures established by the board.

**Document Retention Guidance**

**Why is this on the Agenda?**

Current document retention guidelines require revision to more accurately reflect current practice, including changes since the transition from PRISM to PRIMA, and to allow reviewers, administering entities, and the AICPA to more effectively adhere to guidance in other areas, such as determining firm noncooperation.

**Feedback Received**

None.

**PRIMA Impact**

Document retention guidelines are being updated and will be part of the PRIMA enhancements. As such, document retention guidelines will be automated in PRIMA.

**AE Impact**

The proposed guidance is intended to assist AEs in adhering to the Program.

**Communications Plan**

Guidance, upon approval by the Board, will be discussed at upcoming monthly AE calls and incorporated into PRIMA help articles. Additionally, administrative and reviewer's alert articles will be sent as soon as possible after approval.

**Manual Production Cycle (estimated)**

June 2019

**Effective Date**

Upon approval

**Board Consideration**

Review and approve the proposed changes to the AICPA Peer Review Standards Interpretations included as attachment A.

25-1

*Question*—Paragraph .25 of the standards notes that all peer review documentation should not be retained for an extended period of time after the peer review’s completion, ~~with the exception of certain documents that are maintained until the subsequent peer review’s acceptance and completion. What period of time should peer review documentation be retained and what documentation should be maintained until the subsequent peer review’s acceptance and completion? How long should peer review documents be retained?~~

*Interpretation*—Peer review documentation prepared during system and engagement reviews, ~~with the exception of those documents described in the following paragraphs,~~ should be retained by the reviewing firm, ~~or association in an association-formed review team,~~ until 120 days after the peer review is completed and by, ~~the administering entity, and the association in an association formed review team (if applicable) until 120 days after the peer review is completed (see ) or 42 months if firm is unenrolled or does not perform engagements requiring a peer review.~~

~~If the administering entity refers the firm to a hearing of the board due to non-cooperation, peer review documentation prepared during system and engagement reviews should be retained by the administering entity until the appeals period has ended. The appeals period ends 30 days from the date that the hearings process is completed (that is, the date of the decision notice letter, upon receipt of a plea of guilty by the firm, or the date of the administering entity’s request to stop the hearings process). Peer review documentation should be retained by the administering entity for an additional 120 days after the end of the appeals period. If the reason the firm is referred for non-cooperation is due to failing to submit documentation or requested revisions to the review team or the administering entity, the reviewing firm and the association in an association formed review team (if applicable) should also adhere to these retention guidelines.~~

~~If the firm appeals the hearings decision, the administering entity, reviewing firm (if applicable), and the association in an association formed review team (if applicable) should retain peer review documentation until 120 days after the appeals panel decision.~~

~~The reviewing firm and administering entities should retain the following documents until the firm’s subsequent peer review has been as follows:~~

<u>Most Recently Completed<sup>1</sup> Peer Review Documents (as applicable)</u>	<u>Retention</u>	
	<u>Enrolled Firms<sup>2</sup></u>	<u>Unenrolled Firms<sup>3</sup></u>
<ul style="list-style-type: none"> <li>• <u>Finding for Further Consideration Form(s)</u></li> <li>• <u>Firm Representation Letter</u></li> <li>• <u>Letter(s) requesting the reviewed firm's completion of an implementation plan</u></li> <li>• <u>Supporting documents evidencing completion of corrective actions and implementation plans</u></li> <li>• <u>Engagement Letter (CART reviews only)</u></li> <li>• <u>Letter(s) relating to peer review document recall considerations</u></li> </ul>	<u>120 days after completion of subsequent review</u>	<u>42 months after the resignation, drop, or termination date (see below for determining termination date)</u>
<p><u>When a firm receives a report with a pass rating:</u></p> <ul style="list-style-type: none"> <li>• <u>Peer review report</u></li> <li>• <u>Letter notifying the firm that its peer review has been accepted</u></li> <li>• <u>Letter(s) notifying the firm that the implementation plan has been completed</u></li> </ul>	<u>120 days after completion of subsequent review</u>	<u>42 months after the resignation, drop, or termination date</u>
<p><u>When a firm receives a report with a non-pass rating:</u></p> <ul style="list-style-type: none"> <li>• <u>Peer review report</u></li> <li>• <u>Letter of response</u></li> </ul>	<u>120 days after completion of a subsequent review with a pass report, not to exceed three peer reviews</u>	<u>42 months after the resignation, drop, or termination date</u>

<sup>1</sup> Completion is defined by Interpretation 25-2.

<sup>2</sup> Enrolled firms are defined by the standards (paragraph .02).

<sup>3</sup> Unenrolled firms, for the purpose of this interpretation, are firms not enrolled AICPA Peer Review Program due to resignation, drop, or termination from the Program.



<u>Most Recently Completed<sup>1</sup> Peer Review Documents (as applicable)</u>	<u>Retention</u>	
	<u>Enrolled Firms<sup>2</sup></u>	<u>Unenrolled Firms<sup>3</sup></u>
<ul style="list-style-type: none"> <li><u>Letter notifying the firm that its peer review has been accepted</u></li> <li><u>Letter(s) indicating that the peer review documents have been accepted with the understanding that the firm agrees to take certain actions</u></li> <li><u>Letter(s) notifying the firm that the implementation plan has been completed</u></li> <li><u>Letter(s) notifying the firm that required actions have been completed</u></li> </ul>		
<ul style="list-style-type: none"> <li><u>All other documents</u></li> </ul>	<u>Completion Date for the Review:</u> <ul style="list-style-type: none"> <li><u>120 days after completion of the review</u></li> </ul>	<u>Completion Date for the Review:</u> <ul style="list-style-type: none"> <li><u>120 days after completion of the review</u></li> </ul> <u>No Completion Date for the Review:</u> <ul style="list-style-type: none"> <li><u>42 months after the resignation, drop, or termination date</u></li> </ul>

~~a. Peer review report and the firm's response, if applicable~~

~~b. Letter notifying the firm that its peer review has been accepted~~

~~c. Letter indicating that the peer review documents have been accepted with the understanding that the firm agrees to take certain actions, if applicable. The administering entity should retain the version signed by the firm~~

~~d. Letter notifying the firm that certain required actions have been completed, if applicable. Finding for Further Consideration (FFC) forms, if applicable~~

- ~~f.—Letter requesting the reviewed firm’s completion of an implementation plan, if applicable (the administering entity should retain the version signed by the firm)~~
- ~~g.—Letter notifying the firm that the implementation plan has been completed, if applicable~~
- ~~h.—Letter(s) relating to peer review document recall considerations~~
- ~~i.—Written representations from management of the reviewed firm~~
- ~~j.—Scheduling information~~

~~If the firm received two consecutive pass with deficiency(ies) or fail peer review reports, the administering entity should retain both the prior and current peer review reports until the subsequent peer review has been completed.~~

~~Administering entities may also retain the following administrative materials until the firm’s subsequent peer review has been completed:~~

- ~~a.—Engagement letters~~
- ~~b.—Review team appointment acceptance letters~~
- ~~c.—Due date extension and year end change requests and approvals~~
- ~~d.—Settlement agreements received by the administering entity from the AICPA Professional Ethics Division related to individual members’ performance on accounting, auditing, or attestation engagements~~

~~The administering entity’s peer review committee or the board may indicate that any or all documentation for specific peer reviews should be retained for a longer period of time than specified in the preceding paragraphs because, for example, the review has been selected for oversight. All peer review documentation is subject to oversight or review by the administering entity, the board, or other bodies the board may designate, including their staff. All peer review documentation prepared by the administering entities is subject to oversight.~~

If a firm has been enrolled in an peer review program administered by an entity approved by the board fully involved in the administration of the AICPA Peer Review Program but has not undergone a peer review in the last three years and six months since its last peer review because the firm has not performed engagements and issued reports requiring it to have a peer review, the documents previously noted should still be retained for 42 months after completion of the previous peer review. The administering entity may also choose to retain the administrative documents ~~noted~~, as applicable.

If a firm’s most recent peer review was under the auspices of another peer review program administered by an entity not approved by the board, even if conducted in accordance with the AICPA *Standards for Performing and Reporting on Peer Reviews*, the documents are not required to be retained for purposes of the Pprogram.

25-3

*Question*—[Interpretation No. 25-1](#) and paragraph .25 of the standards notes that all peer review documentation should not be retained for an extended period of time after the peer review’s completion, ~~with~~

~~the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion.~~ May the AICPA retain any peer review documentation (or data derived from that documentation) beyond the relevant documentation retention requirements outlined in [Interpretation No. 25-1](#) (retention requirements)? If so, for what purpose?

*Interpretation*—Yes, certain peer review documentation may be retained beyond the retention requirements if such documentation is needed to comply with peer review standards and guidance. For example, the peer review report ~~rating~~ may be retained in order to track the number of consecutive non-pass peer review reports a firm has received.

In addition, the AICPA may retain data derived from peer review documentation beyond the aforementioned retention requirements in order to monitor trends in peer review, facilitate research and otherwise promote quality in the accounting and auditing services provided by CPA firms. ~~Any s~~Such data provided to others will exclude firm identifying information (for example, firm name, location, and employer identification number) that could link the data back to a firm, firm's client, review or reviewer. This data may only be provided to parties outside of the AICPA with the firm's consent. The AICPA will describe the nature of the data which may be shared and the reason behind the request when asking for consent from firms.

## Standing Task Force Updates

### Why is this on the Agenda?

Each of the standing task forces of the PRB will provide this information to the Board at each open session meeting to gather feedback on the nature and timing of agenda items that will be considered in the future. The items included in this report represent an evergreen list that will be continually updated to be responsive to feedback received.

### Education and Communication Task Force

#### Accomplished since last PRB meeting:

- Discussed the agenda for the upcoming Peer Review Conference
- Reviewed and approved a group of proposed Conference Cases
- Continued monitoring of progress related to various initiatives to improve the peer reviewer pool, based on Staff analyses of peer reviewers by state, including must-select reviewers (see agenda item 1.5A).
- Continued monitoring of peer review website content and implementing changes where appropriate.
- Updated various training offerings including the:
  - Initial Training Framework Live Seminar Case Study
  - Live seminar Peer Review Update course offered by the State Societies

#### Upcoming tasks:

- Will offer the following webcasts:
  - Are You Ready – designed for firms about to undergo a peer review, scheduled for May 3<sup>rd</sup> at 1pm
  - Must Select Update for Reviewers of Broker-Dealer Engagements, scheduled for May 15<sup>th</sup> at 2pm
- Update the following training courses:
  - Introductory Training Course for New RAB members
  - Introductory Training Course for New Technical Reviewers
  - Technical Reviewer Update Training
- Begin development of various nano-learning modules
- Finalize the Peer Review Conference agenda
- Finalize all Conference content, including presentations, cases and other materials
- Continue to execute plan to improve the peer reviewer pool with a state-by-state focus, including must-select reviewers
- Continue to identify and implement improvements to the Peer Review website
- Offer alternative training sessions, including must-select training sessions at
  - EBP Conference – May 6<sup>th</sup> - 8<sup>th</sup>.
  - Engage – June 9<sup>th</sup> - 13<sup>th</sup> (for the team captain and review captain ongoing training requirement)
  - NFP Industry Conference – June 10<sup>th</sup> - 12<sup>th</sup>.

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## Standards Task Force

### Accomplished since last PRB meeting:

- Continued discussions related to the project to clarify the peer review standards (for additional information, see agenda item 1.5B)
- Approved revisions to guidance related to referrals for AICPA PRB hearing panels (agenda item 1.3)
- Approved revisions to guidance related to document retention (agenda item 1.4)
- Approved revisions to PRP 6100 Appendix B, *AICPA Peer Review Program Engagement Questionnaire* which:
  - Remove the specific engagement questions for April 2019 checklist update as these questions are addressed in the reviewer's engagement checklists.
  - Remove the entire appendix for September 2019 checklist update, to be presented for approval at the August PRB meeting.
- Approved revisions to Engagement Review checklists to have one checklist per level of service for SSARS engagements. New SSARS checklists for April 2019 checklist update will be:
  - PRP 23200 – *Engagement Reviews: General Compilation Engagement Checklist for Engagements Performed in Accordance with SSARS*
  - PRP 23250 - *Engagement Reviews: General Preparation Engagement Checklist for Engagements Performed in Accordance with SSARS*
  - PRP 23300 – *Engagement Reviews: General Review Engagement Checklist for Engagements Performed in Accordance with SSARS*
- Discussed considerations of conflicts of interest for committee members
- Discussed the PCAOB language in an Engagement Review report with changes to be considered during the clarity project
- Discussed the impact of failing to develop or document expectations when performing analytical procedures in a review engagement on a peer review report.
- Discussed potential guidance changes to enhance the reviewer pool (see agenda item 1.5A).

### Upcoming tasks:

- Continued focus on the clarity project
  - For additional information, see Agenda Item 1.5B
- Additional discussion on the failure to develop or document expectations when performing analytical procedures in a review engagement
- Additional discussion on the new risk assessment peer review guidance, specifically when noncompliance is included in the peer review report
- Continued consideration of QCM review guidance revisions
- Discussion of how peer review guidance should address cybersecurity advisory services
- Assessment of potential guidance needed in response to further PRIMA enhancements
- Potential development of a Risk Assessment Toolkit in narrative form

## Oversight Task Force

### Accomplished since last PRB meeting:

- Approved administering entity (AE) oversight visit reports and responses
- Approved and deferred AE plans of administration for 2019
- Reviewed AE benchmark summary forms and feedback received

- 
- Approved revised RAB Handbook guidance for example familiarity threats policies and procedures
  - Monitored Enhanced Oversight results
  - Reviewed sample of Enhanced Oversight reports for consistency
  - Discussed type of feedback issued by AEs as a result of the Enhanced Oversight
  - Monitored reviewer performance
  - Discussed revisions to Oversight Handbook Chapter 3 – *Confidentiality of Peer Review Information in the Regulatory Environment*

**Upcoming tasks:**

- Approve responses from AEs to AE oversight visit reports
- Review AE benchmark summary forms and feedback received
- Revise AE benchmarks based on results from the pilot period and feedback received
- Develop rules of procedures for Program administration non-compliance
- Approve RAB observation reports
- Review AE responses to RAB observation reports
- Monitor results of Enhanced Oversight
- Monitor reviewer performance

**Discussion to Enhance the Reviewer Pool**

**Why is this on the Agenda?**

As part of the Enhancing Audit Quality Initiative, and as has been discussed at previous Open Sessions, the ECTF and the STF have considered ways to enhance the reviewer pool or otherwise make it easier for firms to find qualified reviewers or review teams.

These task forces are asking members of the PRB and other attendees if there are any potential ideas that could be explored that would enhance the reviewer pool.

**Objectives**

As stated, the objective of this item is to enhance the reviewer pool, making it easier for firms to find qualified reviewers, by breaking down barriers to entry and increasing the pool of viable candidates for any particular review.

**Previously Discussed Ideas**

During December 3<sup>rd</sup> ECTF meeting and the April 4<sup>th</sup> STF meeting, task force members discussed several potential ideas to enhance the reviewer pool, including but not limited to:

- Modifying the requirement to have the majority of peer review procedures in a System Review to be performed at the reviewed firm's office. (Standards paragraph .08)
- Modifying the requirement for a team captain to be a partner. (Standards paragraph .32)

**Feedback Received**

Some administering entities have alerted Staff that firms in their area often struggle to find qualified reviewers. Analysis performed by Staff indicates that some states have reviewer shortages, based on the number of firms in their state.

**Board Considerations**

1. Are there any ideas, other than those listed, that Staff should also consider?

## Update on Clarified Peer Review Standards

### Why is this on the Agenda?

The STF will have an update on the project to clarify peer review standards as a standing agenda item during the Task Force Update portion of upcoming PRB open session meetings.

Staff is currently drafting guidance related to:

- system reviews,
- general peer reviewer responsibilities
- firm responsibilities, and
- administration (including administrator, technical reviewer and Committee/RAB responsibilities).

The following is a summary of the meetings related to the clarity project since the last PRB Meeting:

- April 2, 2019 – The sub task force for system reviews\* had their initial meeting to discuss PR-C sec. 210, which will contain guidance for peer reviewers performing system reviews.
- April 23, 2019 – The sub task force for general responsibilities\*\* will have had their initial meeting to discuss PR-C sec. 200, which contains general guidance for any and all peer reviewers.
- May 2, 2019 – The entire STF will have met to
  - review changes to PR-C secs. 220 and 320 (guidance for reviewers and firms related to engagement reviews) from the January 29<sup>th</sup> meeting
  - discuss specific items from the system review sub task force related to PR-C sec. 210
  - schedule future meetings for clarity.

\* System Review Sub Task Force members: Dawn Brenner, Barbara Lewis, Kristen Mascis, and Cathy Schweigel

\*\*General Responsibilities Sub Task Force members: Andrew Pope, Ethan Miller, Lori Warden, and Karen Welch

### Board Considerations

The purpose of this item is to provide an update on progress made to date related to the project to clarify the peer review standards and related guidance.

While the task force is not seeking specific feedback on any given item presented at this time, PRB members and observers are invited to ask any questions or provide any commentary deemed necessary.



Agenda Item 1.11A

**Firms Dropped from the AICPA Peer Review Program for Non-Cooperation  
between January 1, 2019 and March 31, 2019**

Firm Number	Firm Name	State
900001004410	Charles R Griffin	AK
900010143316	Roger F. Mills	AL
900010151319	Simmons & Company	AL
900010084526	Crass & Smith, P. A.	AR
900008967153	DCA, PLLC	AR
900010154884	Christopher Peer CPA, PC	AZ
900008283606	Daniel C Shufelt, CPA PLLC	AZ
900010108448	Frazier, Spoon and Company, PLLC	AZ
900255347542	James C Mahoney CPA Professional Corp.	AZ
900010128760	Karl A. Zeier P. C.	AZ
900005247753	Kristine A Cecil, CPA, PC	AZ
900001044581	Louis Stamler	AZ
900010126582	Lumbard & Associates, P.L.L.C.	AZ
900010127595	Vandeventer & Palmer, P. C.	AZ
900000851003	A. M. Tchobanian CPA, A. C.	CA
900255185407	Alan Chabok, CPA, An Accountancy Corporation	CA
900010154789	Alex C. Anguiano	CA
900010130669	Anita M. Waits A. C.	CA
900005599688	Anthony Salzman CPA	CA
900011608729	Apodaca & Co.	CA
900255271974	Audit One, Inc., AAC	CA
900010026182	Berg & Wexelman	CA
900005729952	Bette Anne Poirier CPA	CA
900255346011	Bextil Accounting	CA
900010101956	Boler & Associates P. A. C.	CA
900001116411	Brian K. Saito	CA
900011534569	Brian M. Burns	CA
900010085217	Brockhouse & Hallum	CA
900011955795	Canas Accountancy Corporation	CA
900010155348	Chaney & Associates	CA
900001041646	Charles E. Bondy	CA
900011593929	Choi & Song Corp.	CA
900005790138	CNYU, Inc. DBA: CNY Accountants & Consultants	CA
900009215957	Cummins & Regenhardt, Inc., CPAs	CA
900011550909	D & D Income Tax Services, Inc. P.C.	CA
900003900008	Darrel Whitehead CPAs ACC	CA

900011360409	Darrell J. Dwyer, CPA	CA
900011551909	David Bray CPA	CA
900009964527	David H Chan, CPA	CA
900255192950	David L. Scarbrough, CPA & Company	CA
900003836605	Dickson & Associates, CPA	CA
900010141605	Diebert & Associates	CA
900011326390	Eugene Liboff, CPA	CA
900011482249	Francis Floyd Pierce	CA
900010119273	Fred Maidenberg CPA, A. P. C.	CA
900010118706	Gabor Frank	CA
900010125901	Gary A. Gilbreath, CPA	CA
900010124471	Gary R. Miller	CA
900010128523	Gordon W. McNamee	CA
900255348900	Greg M. Seigel	CA
900255270654	Harold Bernard Kudler, CPA	CA
900255190988	Heath J. Haggerty II CPA dba Pacific Beach Tax Center	CA
900001125346	Henry Kim	CA
900010110488	J. Stephen Hawkins & Co., CPAs	CA
900001141937	James E. Phillips	CA
900010155111	Jamie Parks Cody, CPA, APC	CA
900011574092	Jang-Shik (Jay) Kim	CA
900255169138	Jeffrey Forbes CPA	CA
900255349140	Jeffrey Orr CPA	CA
900010129713	Jesus P. Bartolo CPA, A. C.	CA
900003949855	Jinsung Hahn, CPA & Associates Inc.	CA
900255274072	John B. Fullerton	CA
900010154272	John M Murao CPA	CA
900005677336	John P. Johns	CA
900255021570	John R. Bates, CPA	CA
900011558249	Jong H. Kwak, CPA, APC	CA
900255180388	Joseph Proctor, CPA	CA
900005806994	JWB Tax and Financial Services	CA
900010148487	JWM CPA & Company, P.C.	CA
900010106519	Karen Block & Co., An Accountancy Corp.	CA
900010105665	Ken Rubin & Company	CA
900010149900	Khandelwal & Associates, AAC	CA
900006608739	Kim R Coyle CPA & Associates Inc	CA
900010093164	Kotsikos & Hansen, A. C.	CA
900255186860	Kuo & Associates APC	CA
900007032368	Latham Nadboralski & Lin CPAs	CA
900255184267	Loo & Associates, AC	CA

900011612949	Lyons & Lyons	CA
900255347525	Martin H Luttkus	CA
900255348916	Massanda D'Johns CPA	CA
900011801375	Matthews Wallace & Co.	CA
900003726136	May Consulting Group, Inc.	CA
900010046517	McElrath, Geyer, Sandler & Fisher, Inc.	CA
900011556109	Metcalf & Scott Accountancy Corporation	CA
900000003581	Michael Campos	CA
900009816723	Miller & Mehr	CA
900011577949	Nelson N. Chien	CA
900001195162	Philip Hung	CA
900006901222	Pors & Associates	CA
900010133352	R. C. Spalding & Co.	CA
900255331891	Redwine & Tegerstrand	CA
900011598249	Renee Seals CPA	CA
900010137520	Robert E. McDonald dba REM Associates	CA
900010083085	Robert Farias, CPA	CA
900011536072	Rothman & Javaheri, CPAs	CA
900010134161	Russell & Company	CA
900011580409	Scott Peck, CPA & Associates, APC	CA
900009645656	Sidney W Noyes CPA	CA
900000549258	Stanley T. Matsui	CA
900001035355	Stephen G. Gavlick CPA APC	CA
900001000118	Stephen L. German A. C.	CA
900011552032	Steven A. Kovary, CPA, dba Steven A. Kovary, CPA & Co.	CA
900011559689	Susan Jones, CPA	CA
900011442889	SYR ACCOUNTANCY, APC	CA
900010114066	T.James Williams & Co. A.C.	CA
900011438951	Thomas F. Palmeri, CPA	CA
900010120258	Thomas Kieth Rackerby	CA
900010115308	Vera O Halpern An Accountancy Corp	CA
900006294334	Zante & Associates	CA
900003737236	Zhai & Wang, LLP	CA
900010075420	Dye & Whitcomb, LLC	CO
900000285750	Emanuel Garber	CO
900010129589	Felde & Associates, CPA's, LLC	CO
900005084554	Focal Point Business Solutions, LLC dba Jones Group	CO
900010118186	Lawrence L. Doute	CO
900010129342	Milisen & Company, Inc.	CO
900010099893	Schulz & Company, P. C.	CO

900004431344	Tina Choi, PC	CO
900010113230	Vernon L. Morris Jr. CPA	CO
900005652087	Watson & Stoll, CPAs, LLC	CO
900010111835	Barry Gould, CPA	CT
900010146955	Costello Company, LLC	CT
900006596029	CPA Tax Solutions LLC	CT
900011643350	Glen Bascetta	CT
900001002319	Israel I. Gordon P. C.	CT
900010084814	Jacobsen & Company, P.C.	CT
900010102467	James H Brumbaugh	CT
900011649850	Kevin Wenig, CPA, LLC	CT
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900010155967	Mezzapelle & Associates, LLC	CT
900003949696	Paul A. Kostopoulos, CPA	CT
900255180053	Rodney Dennis, CPA	CT
900010112150	A. G. Hill & Associates, P. C.	DC
900255312032	Berry Newton, CPA PLLC	DC
900011620552	John C. Walsh & Co., PC	DC
900010092722	Sombar & Company, CPA, PC	DE
900009928323	Brandie Ann Snyder CPA PA	FL
900005910821	Cesar A. Cifuentes, CPA, PA	FL
900010094320	Hershkowitz & Kunitzer, P.A.	FL
900081128878	John Newton Shannahan III	FL
900010043660	Lucas, Herndon, Hyers & Pennywitt	FL
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900005644697	SunCoast CPA Group, PLLC	FL
900010152555	Vidussi, Goldsmith, Hull & Co., LLC	FL
900003804450	Baldwin & Associates, PC	GA
900010084879	D. K. Wilson CPA, P. C.	GA
900255214762	Deborah C. Parks CPA PC	GA
900010147698	Derita Harden Puckett	GA
900255187367	Esther G Suarez CPA PC	GA
900010136421	Geer & Associates, PC	GA
900001102096	Grace Cooley Scholfield	GA
900005118826	Griffin & Associates, PC	GA
900008919954	Jana H. Bledsoe CPA	GA
900011609011	Jeffery Faile & Associates, P.C.	GA
900001166272	Juravel & Company, LLC	GA
900010124339	Kim & Choi, P. C.	GA
900081158207	Luther Mack Shealy Jr	GA

900010154212	McDonald & Associates, P.C	GA
900008849546	McHugh CPA Group, Inc.	GA
900255348862	Michael R Moss CPA PC	GA
900010090854	Peri & Alvarado, CPAs	GA
900010095735	R. McClendon, CPA, PC	GA
900010153537	Sewell & Company, Inc.	GA
900010132659	Zora Meyers CPA, P. C.	GA
900010114592	Glen Tetsuo Yoshimura	HI
900255227132	Hattori CPA, LLC	HI
900010061211	Herbert M. Nakayama	HI
900255108092	Mary H. Orwig, CPA, Inc	HI
900011455349	Ronald G. Hawkes, CPA	HI
900010078190	Yee & Takamatsu CPA Inc	HI
900255348936	Anthony Ward PLLC	IA
900008758965	Applegate Tax & Accounting LLC	IA
900009174353	Blue Oak CPA	IA
900005251285	Bruce Jensen CPA	IA
900010144295	Erichsen Kallsen & Associates, CPA's, LLP	IA
900005433750	Michael A. Eick CPA	IA
900005094679	Swedean & Company, CPA	IA
900001014526	Thomas M. Donald	IA
900010152638	Tom Engelmann	IA
900002261849	Frye & Vauk CPAs LLP	ID
900005629092	Reliant Group, Inc.	ID
900080138301	Robert Thomas Chapman	ID
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900005480647	Campbell Accounting LLC	IL
900010152166	DeMarco, Kinnaman, Lewis & Co	IL
900010154051	Domino and Associates, Ltd.	IL
900008898414	Elena Y Olshansky, CPA	IL
900007940348	Elizabeth A. Haire CPA PC	IL
900008745386	Evolve Attestation Services, Inc. dba Evolve Financial I	IL
900010080407	Frank J. Marynowski P.C.	IL
900010094254	Garrigan & Kovatch, Ltd	IL
900006114057	Green CPA LLC	IL
900010092171	Gualandri & Company P. C.	IL
900255184714	James S. Stefo, Sr.	IL
900010153924	Jeffrey S. Fries, CPA	IL
900000003373	John A. Losurdo P. C.	IL
900008967450	Lerman CPA Group, Inc.	IL

900010144468	M.A. Melodie Karnezis	IL
900010153121	Michael Condill & Company, Ltd	IL
900005378404	Mohan Group LLC	IL
900255183009	Packard & Associates, Inc.	IL
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900255189238	Ralph A. Land, CPA	IL
900011382312	Robert J. Zielnicki, CPA	IL
900081542103	Smart Millennium Solutions LTD	IL
900010110904	Thomas W. Hammar CPA P.C.	IL
900008070505	Callahan CPA Group PC	IN
900010123771	CLH, LLC	IN
900006361118	Curtis L. Coonrod CPA, PC	IN
900255270980	David L. Culp, CPA, PC	IN
900005157399	Gatlin CPA Group	IN
900006273895	Greg Fraize, CPA, LLC	IN
900255270901	Management & CPA Services	IN
900255272852	Mary Lea Brown, CPA	IN
900003814177	Sanders Accounting P.C.	IN
900002236544	Smith & Co.	IN
900006457015	Sovereign CPA Services	IN
900005865503	Todd W. Parker, CPA, P.C.	IN
900010112313	Weidner and Company, P. C.	IN
900010130034	William R. Haworth, CPA	IN
900001115521	Richard A. Eisberg	KS
900008679106	ARGI CPAs & Advisors, PLLC	KY
900007330877	John M Halicks CPA	KY
900010105343	Rye, Wright & Hiegel, PLLC	KY
900255180672	Trevor B. Gough CPA, PLLC	KY
900010093538	Allen & Baxter (APAC)	LA
900001001713	Gary Radelat CPA A Limited Liability Company	LA
900004163840	Armand & Company, P.C	MA
900010129461	Arthur M. Corbett CPA, P. C.	MA
900007784046	Azmeena Pathan	MA
900010114882	Bannon & Company, P. C.	MA
900255348440	Boyer & Company PC	MA
900004332140	Bruce Fox PC	MA
900010102194	DeBairos & Mathias	MA
900011718772	Dennis J. Fontecchio, CPA	MA
900010106797	Dexter Stevens	MA
900010147656	Dorman and Associates, P.C.	MA

900010141805	Edmund J. Dennehy Jr., P. C.	MA
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900010112969	Kevin J. Deedy, CPA LLC	MA
900000243556	L. T. Falcone P. C.	MA
900010081294	Micciantuono & Company, P.C.	MA
900255270653	Morris N. Robinson, CPA	MA
900010119461	Nicholas M. Allen	MA
900081003764	Paul E Sullivan	MA
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900010135372	Vimal Raheja	MA
900010122904	William L. Pratt	MA
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900001133924	Abdel H Makhoul	MD
900255182654	Albert St. Hillaire	MD
900010147154	Cronin & Associates, PA	MD
900010142001	David C. Metzler	MD
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900001174918	Roxane R. Tishkevich	MD
900011781755	Tax Experience CPA Inc.	MD
900010149848	The Riggs Group, P.C.	MD
900010103192	Davidson Associates	ME
900010098938	Robert C. Grieshaber P. A.	ME
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900010103436	Caroline P. Lowe CPA PLC	MI
900008481558	David E. Wilson, CPA	MI
900005148987	Dorothy L. Howard, CPA PLLC	MI
900001008515	Edward M. Bedikian	MI
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900255191596	Gary G. Renfro, CPA, LLC	MI
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900010076435	Jocks & Associates PC	MI
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900255226683	Thomas R. Cole	MI
900010037164	W. R. Thompson, PC	MI
900010104239	Walter G. Bojan CPA, P. C.	MI
900255187671	Wendy Smith Accounting & Tax Service, Inc	MI
900004587426	Bruce D. Keller P.C.	MN
900010145664	Ronald L. Leckelt, Ltd.	MN
900001078685	Stuart J. Bonniwell, CPA	MN
900011444415	Ford CPA, LLC	MO
900001086189	Gruber & Company LLC	MO
900255270913	Karen Rentschler, CPA, LLC	MO
900010044960	Mare and Company	MO
900010101915	Poppen & Associates, CPA's, P. C.	MO
900255184346	Waterman & Associates, LLC	MO
900011353129	Clyde Brandt CPA	MT
900010142911	Gage Accounting, P.C.	MT
900001058538	Kenneth A Kiemele	MT
900011334530	Mara L Helland & Co PC	MT
900010154399	Penor & Associates CPAs PC	MT
900010142561	Schafer & Co PLLC	MT
900011697914	Zoeller CPA PC	MT
900010141857	David K. Raye, CPA, P.C.	NC
900000250355	E.D. Ferguson, Inc.	NC
900011593431	Glenn E. Turner PA Certified Public Accountant	NC
900004341455	J.T. Kammerer CPA, PLLC	NC
900011601189	James A. Wall, Jr., CPA	NC
900010098070	Lane & Pridgen, CPA, P. A.	NC
900010125001	Porter & Company, P.C., CPA's	NC
900255285922	Stanford R. Jordan, CPA, PLLC	NC
900010131960	Valerie Denning	NC
900010002645	Amy L. Sisson CPA	NE
900010137682	David W. Hamm	NE
900010072592	HBE Becker Meyer Love, LLP	NE
900255273117	Anthony M. Rispoli, CPA, LLC	NJ
900009679063	Backos Group, PC	NJ
900005722118	Bruce G. Steinthal, CPA	NJ
900006664461	Daniel M. Monroe & Associates, LLC	NJ



900010082998	Ditmars, Perazza & Co.	NJ
900005866933	Hopler & Company, Certified Public Accountants LLC	NJ
900001164492	Joseph Mielczarek CPA	NJ
900010083845	Kelly, Lee & Co.	NJ
900005390315	Leopold Galliera CPA	NJ
900010090703	Olsen & Thompson, P. A.	NJ
900005431584	Tabor & Company LLC	NJ
900010083552	Vitt & San Filippo. L. L. C.	NJ
900006428319	Wagner, Shields & Jennings, PC	NJ
900010151433	Weismann and Associates LLC	NJ
900000289650	Gary E. Gaylord Ltd.	NM
900011625149	Antonio S. Wilson Jr, CPA	NV
900255183034	Cathy Jensen Boutahiri MSA CPA PLLC	NV
900005824888	CDS Consulting LLC	NV
900005170498	Edward Novick, CPA	NV
900005324653	Hall Family CPA PC	NV
900003880034	John Cunha CPA, P.C.	NV
900011626250	John F Gardner CPA	NV
900011634214	Lavonne D. Hing, CPA	NV
900006541976	LaVonne Duhon, CPA	NV
900004965492	Martin Jones & Associates	NV
900010148493	McCarthy Kaster CPAs Ltd	NV
900010118058	Agbimson & Co., PLLC	NY
900010138574	Arto Dursunian	NY
900001036960	Brian Staples	NY
900000174530	Carl P. Cronheim	NY
900255189455	David Gronsbell & Co., CPA, PC	NY
900011551492	Englard CPA PC	NY
900255348326	Jay Benzon CPA	NY
900010091010	Jenkins, Beecher & Bethel LLP	NY
900004421198	Judith M. Brown, CPA	NY
900001132900	Kevin Bonanno	NY
900005858791	KL CPA & Associates, LLC	NY
900010105890	Laurence Rothblatt & Company	NY
900010043680	Lucas, Tucker & Co	NY
900010145817	M. R. Morton & Co.	NY
900000080325	Michael B Bornstein	NY
900255348070	Michael Damsky CPA, P.C.	NY
900010115495	Michael Lee & Company	NY
900001172254	Nicholas J. Johannets	NY
900007913753	R. Berger & Company, Inc	NY

900255347932	Rina Esterov Esq, CPA, CFE	NY
900010134841	Romanzo & Company, CPA's, LLC	NY
900010070482	Tarlow & Co., CPA, PC	NY
900001191198	Victor S. Chien	NY
900255349260	Vincent J. Gilroy Jr, CPA, PC	NY
900010097779	Volkman & Company	NY
900010114588	Wayne M. Scripa	NY
900255274012	Beverly S. Golden	OH
900255270696	Business Management Services	OH
900005562208	Daniel F. Kraemer CPA	OH
900255273970	David J Ebner CPA LLC dba Johnson McClintock Tax & Accounting LLC	OH
900004611473	Debra A. Speck, CPA, LLC	OH
900255055092	Diane Clevenger Aukland, CPA	OH
900010139620	Harms and Associates	OH
900010152491	Marc S Gutter CPA, Inc.	OH
900255247917	Mark W. Boslett Inc CPA	OH
900010117842	Martinelli & Company, LLC	OH
900003812993	Morettini & Associates, LLC	OH
900004034606	Mowry, Marty & Bain INC	OH
900010126666	Newsome & Company	OH
900002265632	Thomas C Mulisano CPA, LLC	OH
900255348538	CDPC	OK
900255189148	Christopher L. McCown, CPA	OK
900255189181	Debbie R. White, CPA	OK
900008154146	George M Kern CPA, PC	OK
900005611430	Northeastern Oklahoma Accounting, PLLC	OK
900001177156	Robert Goold CPA	OR
900010138321	Avrach & Company PC	PA
900010007931	Breznicky Associates PC	PA
900010153362	Gruss & Co., PC	PA
900255348093	JEM Tax Consulting, LLC	PA
900001099848	Kathy L. Hess	PA
900010132867	Mark Kneeream & Associates PC	PA
900010128869	Michael E. Reilly	PA
900010153769	Michael J. Davis, PC	PA
900000854360	Michael J. Theobald Jr.	PA
900010124657	Michael Messina	PA
900010150434	Morici Accounting and Advisory Services, LLC	PA
900000711622	Rich Accounting & Consulting	PA
900010145508	Robert J. DiSciullo	PA

900010133848	Sean T. Sullivan, CPA, PC	PA
900010047874	Sidlow, Metelits, Dicht & Co., PC	PA
900005390346	Thomas J. Bordlemay CPA	PA
900007649351	Thomas P. Kirwin, CPA	PA
900001157196	Victor R. Tranquillo	PA
900010105506	W. B. Kania & Associates, LLC	PA
900012297095	Weinstein & Company, P.C.	PA
900005602191	Cordero Otero & Vargas Gonzalez, CPA, PSC.	PR
900007272895	CorpTactics Audit Group PSC	PR
900001069887	Edwin Vidal	PR
900010111091	Hector M. Sanchez Moll, CSP Contadores Publicos Autorizados	PR
900010084433	Israel Dominicci & Co., P.S.C.	PR
900000028385	Jorge M. Azize	PR
900001162017	Jose M. Barletta Rodriguez	PR
900010121319	Juan A. Rivera, CPA	PR
900255034976	Juan Carlos Zuniga, CPA	PR
900010139518	Navarro, Morgado & Associates, PSC	PR
900010111918	Nieves Velazquez & Co., P.S.C.	PR
900008353634	Oscar E. Cullen	PR
900010130542	Pedro Juan Rivera Concepcion	PR
900010146300	Perdomo Ferrer & Company	PR
900008291328	Rafael Enrique Rivera, CPA	PR
900255248371	Ricky Rodriguez, CPA	PR
900006680668	Soto Espada CPA, PSC	PR
900010084880	Soto-Busigo & Co.	PR
900007251513	Torres-Gomez & Colon-Ouslan, CPA, PSC	PR
900009300613	William A. Mendez Diaz	PR
900010117319	William Torres Cruz	PR
900010025896	Goluses & Company LLP	RI
900010153485	Nicholson & Co	RI
900004380458	Pascarella & Gill, PC CPAs	RI
900010149162	Aikman & Roberts, CPA's, LLC	SC
900011746773	Allen Chandler CPA, PLLC	SC
900255184376	Batson Accounting & Tax, P.A.	SC
900001053326	David N. Wirth CPA, P. A.	SC
900255270935	Erin Long Accounting & Consulting, LLC	SC
900001058263	Faulkenberry & Poston, CPA's	SC
900010122776	Jeffrey B. Montjoy CPA, P. C.	SC
900255180540	John E. Todd, CPA, PA	SC
900007144933	LEXINGTON HENDRIX REALTY (E&A), LLC	SC

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900010107601	Parker, Hunter, Skipper CPA's, LLC	SC
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900005101691	Terry S. Morris, CPA PA	SC
900255048239	Walker & Company, LLC	SC
900005558238	Empire Accounting & Financial Services	SD
900011676272	Johnny W. Hash, CPA, PC	TN
900255307651	McMillian Accounting & Consulting, PC	TN
900255270520	Randall K. Sprouse, CPA	TN
900255348227	Robert A. Caldwell, CPA	TN
900011672353	Roy E. Sinkovich, CPA	TN
900010131421	Alan Derby P.C.	TX
900004844764	Ann E. Williams, PC	TX
900010091088	Armstrong Accountancy PC	TX
900255105532	Atul B. Kothari, CPA, LLC	TX
900000004702	Bette Kiser	TX
900005438461	Bonnie Siff CPA, PC	TX
900008186934	Brian P Thompson CPA LLC	TX
900006403980	Catherine L. Ozment, CPA	TX
900005767963	Charles H. Houston, CPA	TX
900010092978	Childers - Martin, PLLC	TX
900005771474	Claudell Bradby CPA	TX
900010127709	Clifton Dennis Tarpley	TX
900010124435	Dan Jefferson Company, P. C.	TX
900004388691	Duncan, Sowers & Company, PLLC	TX
900001054039	Earle D. Crim Jr P. C.	TX
900006599252	Ed Hill & Company, CPAs, LLC	TX
900011357829	Erin Miller CPA, PLLC	TX
900010122787	Evans & Chastain, L. L. C.	TX
900010085476	Farmer, Fuqua & Huff, P.C.	TX
900001156561	Frederick S. Herzer CPA, PC	TX
900081007473	Gerald Kellogg	TX
900010138489	Gregory R. Seibert	TX
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900006232634	John L Mottram CPA, LLC	TX
900001141333	John Marshall Ezell	TX
900006221357	Julie J. Pfeil, CPA, PLLC	TX
900010128536	K. Michael Conaway	TX
900008477188	Karl Locker CPA PC	TX

900010125617	Ken Morrison P. C.	TX
900010155748	Klein, Kraus & Company, LLC	TX
900008857068	Kontrena L. Best, CPA	TX
900010145925	Larry A. Stapp P.C.	TX
900255185289	Linda Teneyuque Gonzalez, CPA	TX
900010122740	Logan & Associates	TX
900009792403	M Vafa Riaz PC	TX
900004170812	Mann Seop Choi CPA, P.C.	TX
900005195290	Marleana Cudd, CPA	TX
900010139889	Mary L. Needler PC	TX
900010092928	Mayrath & Co., PC	TX
900010138416	Michael D. Lawrence Jr., Inc.	TX
900010018325	Milberger, Nesbitt & Ask, LLP CPA's	TX
900008646753	Mosel & Ginn, PLLC	TX
900006461319	Norberto Torres, CPA, EA	TX
900010063514	Norman Seeman & Co, PC	TX
900010154282	Perryman Chaney Russell, LLP	TX
900010122005	Powell, Ebert, & Smolik, P. C.	TX
900010150241	R. Mendoza & Company, P.C.	TX
900010033159	R.C. Neal P.C.	TX
900008394802	Robert L Ramey PC	TX
900001155967	Robert R. Green	TX
900010147658	Roberto G. Torres & Company, P.C.	TX
900003813763	Robinson Accountancy LLC	TX
900007144792	Shawn Wiemer CPA, P.C.	TX
900001083669	Smith & Smith CPA'S	TX
900005348989	Stevens & Matthews LLP	TX
900006228264	Tammie E. Jones, P.C.	TX
900005327686	Ty Taylor, CPA	TX
900255186664	Vick and Grohman CPAs, PLLC	TX
900010131171	Wesley F. Crowley	TX
900000023287	William Arthur CPA, PC	TX
900001003128	William E. Boyd Jr.	TX
900006263169	4 Seven Accounting LLC	UT
900010150847	A CPA, P. C.	UT
900004477264	Biesinger & Kofford, CPAs, PLLC	UT
900010093253	Dalton, Gilchrist & Harden	UT
900011326953	Dean S. Robinson, CPA	UT
900010152771	JDGlenn & Associates, PC	UT
900081116352	John Albert Balden	UT
900006405294	Pinnacle Accountancy Group	UT

900011770205	Robert W. Nielson, PC	UT
900255181169	Russell W. James, CPA, PC	UT
900004425294	Shaw & Associates PC	UT
900010147124	Snyder Consulting	UT
900011604814	Balance Accounting and Tax Services LLC	VA
900255214695	Christopher Cantara, CPA	VA
900005214180	Chunilal S Patel, CPA	VA
900009634756	DH Accounting & Tax Company, PC	VA
900010125323	Elizabeth L. Roberts	VA
900010112433	ES & Associates	VA
900255214733	Fahim & O'Toole, LLC	VA
900010096035	Fentress & Webb, P. C.	VA
900010102811	Gary R Roth & Associates, PLLC	VA
900008778727	Ghamera Financial Consulting	VA
900006098599	Harry Jernigan CPA Attorney, P.C.	VA
900255348881	J. B. Horner, CPA	VA
900007769904	Linda K. Curtis, CPA	VA
900255333785	Myadvisor360	VA
900007273333	Richard J. Beason CPA PC	VA
900010135305	Robert Barnes Consulting, Inc.	VA
900008093692	Joel Lee CPA PC	VI
900010128828	Richard Stark	VT
900010093835	Salvador and Babic, P. C.	VT
900011793837	Anderson & Associates	WA
900011454489	Edward Yee CPA	WA
900008389843	Garber Sanchez CPA and Advisors LLC	WA
900011980815	Herrin & Company CPAs	WA
900007790104	Hilsinger & Company SJI PS	WA
900011789595	James D Bacon CPA PS	WA
900011778317	James W McKean CPA	WA
900009844564	Nextgen Accounting PLLC	WA
900011793095	Oliveira CPA	WA
900009559416	Paul DeLong CPAs	WA
900081038290	Richard W Metcalf CPA	WA
900010116374	Rick O'Leary and Company	WA
900010083931	VSH, PLLC	WA
900010149565	Wallace & Associates PS	WA
900010146489	Dunn, Jeffries, Hering & Wong LLP	WI
900010153673	Grant Accounting Svc, CPA LLC	WI
900255348262	Hau & Associates S.C.	WI
900011767375	Rugotska & Rugotska CPAs LLC	WI

900255057142	Strive Tax & Accounting, LLC	WI
900001081988	Wegner & Associates, LLC	WI
900010152783	Collins & Company, CPAs	WV
900010097258	D L Williamson & Co PLLC	WV
900255348188	Eric J. Ayersman CPA, AC	WV
900005248902	Jamie L. Davis, CPA, PLLC	WV
900010136981	Jeffrey E. Lewis	WV
900255185270	Murray, Queen & Company, PLLC	WV
900004505672	Pitrolo & Associates, PLLC	WV
900010134120	Roger L. Kent Jr., CPA	WV
900004429460	SM Magnone, CPA	WV
900005642394	Strader & Associates	WV
900010155102	W. D. Burnette II, CPA	WV
900010145776	William A. Lipps, CPA, PLLC	WV
900005557902	Integrity Business Systems CPA LLC	WY
900001103904	Kraig Kobert CPA P.C.	WY
900255180754	Rocky Mountain Accounting Services	WY



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**Firms Whose Enrollment Was Terminated from the AICPA Peer Review Program since Reporting at the January 2019 Meeting**

Failure to complete a corrective action:

The AICPA Peer Review Program terminated the following firms' enrollment in the AICPA Peer Review Program for failure to cooperate. The firms did not complete corrective actions designed to remediate deficiencies identified in the firm's most recent peer review.

None Reported.

Consecutive non-pass reports in system reviews

The AICPA Peer Review Program terminated the following firms' enrollment in the AICPA Peer Review Program for failure to cooperate by failing to design a system of quality control, and/or sufficiently complying with such a system, that would provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects, such that the firm received consecutive pass with deficiency or fail reports.

Amie L. Ursabia, CPA, A Professional Corporation – Laguna Niguel, CA  
Russell, Tyner & Co., P.C. – Valrico, FL

Noncooperation related to omission or misrepresentation of information:

The AICPA Peer Review Program terminated the following firm's enrollment in the AICPA Peer Review Program for failure to cooperate. The firm either omitted or misrepresented information that should have been provided to their administering entity relating to its accounting and auditing practice.

Kissling Jasko Bonds & Co – Rocky River, OH

Firm terminations are also published on our website at:

<https://www.aicpa.org/forthepublic/prfirmterm/>





**AICPA<sup>®</sup>**

Peer Review  
Program



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### Attachment 3

According to NASBA the following are the substantive and outstanding issues/concerns raised regarding the present revisions to Chapter 3 of the Oversight Handbook:

- NASBA believes the new Introduction and Background language in (A) continues to mischaracterize the nature of state boards of accountancy obligations. While NASBA recognizes the by-laws and confidential nature of the AICPA's peer review process, peer review requirements and their enforcement are a legal requirement. They are not mandated by state boards of accountancy, but by state legislatures which have enacted these requirements in law. State boards of accountancy are charged by statute with enforcing/overseeing these requirements. The guidance fails to acknowledge that state law may mandate the administering entities compliance with state laws and rules that override the concepts contained in Chapter 3.
- Footnote 1 assumes that all state boards of accountancy employees have a conflict of interest regardless of the segregation of duties or safeguards in place that may occur within the structure of a state board of accountancy office. NASBA believes that the state boards of accountancy should determine that appropriate safeguards are in place to ensure their staff liaisons do not have any conflict of interest. This same theory impacts the rest of Chapter 3, also. The staff liaison should have access to the same information as the PROC, at the discretion of the state boards of accountancy, in consultation with its legal counsel.
- In response to Conflicts of Interest, the document should be consistent to only require non-attendance or access to confidential information for "those portions of meetings" where such information is discussed.



## North Carolina State Board of Certified Public Accountant Examiners

February 18, 2019

AICPA Peer Review Board  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, North Carolina 27707-8110

Members of the AICPA Peer Review Board:

The AICPA Peer Review Board recently deferred its approval of revisions to Chapter 3 of the AICPA Oversight Handbook to provide additional time for state boards of accountancy to provide feedback. Chapter 3, entitled Confidentiality of Peer Review Information in the Regulatory Environment, provides guidance to be followed by the peer review program Administering Entities (AEs). The North Carolina State Board of CPA Examiners (Board) has reviewed the proposed changes and offers the following comments.

While the Board appreciates the fact that it is being given an opportunity to provide feedback for the proposed changes, it is concerning that state boards, as the entities charged with public protection and most impacted by these changes, were not engaged during the initial stages of the process.

The proposed language updates to Chapter 3 appear to be minimal and have no substantive changes to the content. Therefore, the Board does not object to the proposed changes. However, the more important matter discussed in Chapter 3 involves the transparency of the AICPA Peer Review Program (PR Program) and what type of information should be shared with state boards of accountancy. The stated purpose of the PR Program is the enhancement of the quality of accounting and auditing services by the CPA profession. The North Carolina Accountancy Act requires peer review for all registered firms performing attestation services and relies on information obtained through the peer review process to identify potential service quality issues with its registered firms.

The PR Program was originally designed to assist professionals in performing quality services and provide educational opportunities to address identified deficiencies. However, the perceptions and expectations of the PR Program have evolved over time. Governmental oversight agencies and other users of audited financial statements have come to rely on the results of the PR Program as an indicator of the quality of accounting and auditing services

performed by CPA firms. For example, the Government Auditing Standards speak to the PR Program in addressing CPA firms' systems of quality control and assurance. The Board itself also utilizes the PR Program to help identify firms that may need an independent review to make sure that those firms are in compliance with the standards and rules adopted by the Board. Chapter 3 affirms that the AEs and the PR Program can disclose to state boards of accountancy only the following information:

1. The firm's name and address,
2. The firm's enrollment in the program,
3. The date of acceptance and period covered by the firm's most recently accepted peer review; and
4. If applicable, whether the firm's enrollment in the program has been dropped or terminated.

Any other information than what is identified above is considered confidential and "should not be provided to anyone except as permitted in this Chapter". The above information is process oriented and provides limited information as to the quality outcomes of firms' PR Program results. In Chapter 3, B. 5, specific firm peer review documents are identified that may be shared with state boards of accountancy, but only after firms authorize the AE to allow access to that information, that include:

1. Peer review report which has been accepted by the AE,
2. The firm's letter of response accepted by the AE (if applicable),
3. The acceptance letter from the AE,
4. Letter(s) accepting the documents signed by the firm with the understanding that the firm agrees to take any actions required by the AE, if applicable; and
5. Letter signed by the AE notifying the firm that required actions have been appropriately completed, if applicable.

The above information speaks more to the firms' PR Program results and should readily be made available to all state boards of accountancy. This Board recommends that the AICPA Peer Review Board consider including this information as publicly available and disclosable to all state boards of accountancy upon request. This would be in addition to the processes already available through Facilitated State Board Access.

We are also aware of a concern of a potential conflict of interest and how state boards of accountancy perform oversight responsibilities to both the AEs and the PR Program activities from a regulatory perspective. The concern is whether state board of accountancy representative(s), who might also be involved in enforcement actions against CPAs and CPA

firms, should be allowed access to additional PR program information. While the role of the state board representative(s) is different when overseeing the PR Program activities versus determining whether a CPA firm requires some disciplinary action, the information necessary to make an informed decision is the same. Rather than restricting the flow of information due to a conflict of interest, the process should be transparent such that state boards of accountancy representative(s) have access to all information available to make informed, professional decisions. It should also be noted that information gathered from the PR Program related to CPA firm activities are just part of any evidence that state boards of accountancy would gather in reviewing a particular CPA firm's services.

The Board appreciates the AICPA Peer Review Board's efforts to improve the effectiveness of the peer review process by reviewing all aspects of the PR Program. The goal to improve the quality of CPA firms' accounting and auditing practices is one that is supported by this Board in its efforts to serve the public interest.

Sincerely,

A handwritten signature in cursive script, appearing to read "L. Samuel Williams, Jr.", written in black ink.

L. Samuel Williams, Jr., CPA  
President

DRN



## State of Wyoming Board of Certified Public Accountants

MARK GORDON, GOVERNOR

VIKKI G. NUNN, CPA  
ROBERT B. DICKERSON, CPA  
STEVEN R. LAIRD, PUBLIC MEMBER

ELIZABETH M. OTT CPA  
ROXANNE P. OSTLUND, CPA  
PAMELA IVEY, EXECUTIVE DIRECTOR

February 27, 2019

AICPA Peer Review Board  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, NC 27707-8110

Members of the AICPA Peer Review Board,

The AICPA Peer Review Board recently deferred its approval of revisions to Chapter 3 of the AICPA Oversight Handbook to provide additional time for state boards of accountancy to provide feedback. Chapter 3, entitled *Confidentiality of Peer Review Information in the Regulatory Environment*, provides guidance to be followed by the peer review program Administering Entities (AEs). The Wyoming Board of Certified Public Accountants (Board) has reviewed the proposed modifications and offers the following comments.

While the Board appreciates the fact that it is being given an opportunity to provide feedback regarding the proposed modifications, it is concerning that state boards, as the entities charged with public protection and most impacted by these changes, were not engaged during the initial stages of the project to craft modifications to the program.

The proposed language modifications appear to be minimal in nature and; therefore, do not appear to result in substantive content changes. The Board does not object to those proposed modifications.

The more critical topic discussed in Chapter 3 of the Handbook pertains to the transparency of the AICPA Peer Review Program (Program) and the kinds of information that should be shared with state boards of accountancy. The purpose of the Program is to enhance the quality of accounting and auditing services offered by the CPA profession. The Board's practice act and rules require all registered firms performing attestation services to submit to peer review. The Board is reliant upon the Program to identify areas of potential concern relative to service quality issues with respect to attestation services offered by CPA firms. The Board is interested in supporting an education process when appropriate; however, there will be times that stronger action may need to be taken in the interest of public protection.

It is widely misunderstood by CPA firms enrolled in the Program that the Board receives cooperation and information from the Program. CPA firms do not appear to understand that the information available to the Board is limited in nature and that the Program AEs are not required to cooperate with state boards.

Therefore, as an example, if a CPA firm has not completed its enrollment in the Program in a timely manner, is terminated from the Program and then subsequently meets the requirements for reenrollment, the CPA firm is often under the impression that the Program is forthcoming with information to evidence that the CPA firm is in the process of reenrollment. The Board office spends unnecessary time and resources chasing down information regarding reenrollment. This evidence could have and should have been made available to the Board through the AICPA Facilitated State Board Access (FSBA) platform. Obviously, if the CPA firm failed to maintain enrollment in the Program, the Board is charged with the responsibility to verify the word of the CPA firm that the enrollment process has been started.

All the Board asks is for cooperation with respect to things of this nature. The offer that CPA firms could authorize release of specific information is not always helpful since the CPA firm doesn't always know exactly what the Board office needs to evidence enrollment and compliance with the program. A modification of the program to open up additional information to the Board would help this agency that has limited staff and time to chase down evidence and it would help the CPA firms served by the Program by making the process easier for them.

With respect to the Board's Peer Review Oversight Committee (PROC) and constraints placed upon it by the Program, the Board asks the members of the AICPA Peer Review Board to consider the following comments:

Small states such as Wyoming do not have a large pool of qualified CPAs to serve as PROCs to the Board. A member of the Board serves as the sole member of the PROC based upon a two-year appointment. We have heard countless times how important it is for PROCs to attend Review Acceptance Board (RAB) meetings to ensure that the acceptance process is sufficient in order for the Board to rely on the Program's effectiveness and outcomes. We have also been told that a PROC member who serves also as a seated member of the Board is not welcome at RAB meetings owing to some sort of potential conflict of interest. The concern shared with the Board's Executive Director is that information potentially obtained during a RAB meeting that reflects poor service quality rendered by a CPA firm registered in Wyoming could be unfairly used against the firm in a disciplinary action. That response is insulting and demeaning and assumes that the Board is eager to discipline its licensees and seeks opportunities to do so.

There are a couple of areas of concern regarding that argument. First, the Board is bound by Wyoming statutes that require every licensee to be afforded due process and an impartial hearing of any matter that may come before the Board. The Office of Attorney General, State of Wyoming has strict procedures in place that require the attorneys assigned to support the Board, Board staff and seated members of the Board to maintain impartiality. If a PROC/Board member becomes aware of information that might lead to a complaint filed with the Board office, an investigation would ensue and the Board member appointed to investigate would be the PROC/Board member. In that way, the investigation could proceed without involvement from (or taint to) any other Board members. The information that a PROC/Board member may become aware of is the same sort of evidentiary information that would be gathered from the CPA firm during the course of any such investigation.

Secondly, if a PROC/Board member became aware of information that was of grave concern related to a CPA firm's attestation service quality, the PROC would be privy to the judgments made by the peer review team and the RAB which would provide a more complete context and information that would allow the PROC to understand the stances taken by the other professionals in the Program.. The purpose of the Program is to enhance the quality of accounting and auditing services offered by the CPA profession. This allows the Program to do just that while enhancing transparency with the PROC members in each jurisdiction, not just larger ones. No one would want the Program to be used as a shield to prevent critically important service quality or CPA firm personnel cooperation issues from being available to the regulating Board. However, that risk and the risk of bias on behalf of a Board member who also serves as a PROC, while small, are eroding trust between the Program and state boards when the risks are used to refute transparency. No one is served by a Peer review process if CPA firms are promised certain confidentiality protections that may prevent the state Board from being aware of issues that may require action. In fact, the Program is pushing for more transparency in such matters.

The Board does appreciate the opportunity to offer this feedback and thanks the AICPA Peer Review Board's efforts to improve the effectiveness of the peer review process by reviewing all aspects of the Program. The goal of improving the quality of CPA firms' accounting and auditing practices is one that this Board supports as an important element in its being able to meet its responsibility of public protection.

If the AICPA Peer Review Board wishes to explore the recommendations from this Board further, please do contact the Board office so that an appointment with pertinent Board members, Board staff and attorneys could be arranged.

Sincerely,



Pamela Ivey

Executive Director

Copy: Board Members  
Office of Attorney General, State of Wyoming





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## Attachment 6

**BUSINESS AND PROFESSIONS CODE**  
**DIVISION 3. Professions and Vocations Generally**  
**CHAPTER 1. Accountants**  
**ARTICLE 4. Applications, Registrations, Permits Generally**

### § 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 another 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 another 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 another comprehensive basis of accounting.

(J) A recommendation as to whether the preparation of nondisclosure compiled financial statements on another 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.)*

#### **§ 5076.1. Peer Review Oversight Committee.**

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

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

- (1) In connection with disciplinary proceedings of the board.
- (2) In connection with legal proceedings in which the board is a party.
- (3) In response to an official inquiry by a federal or state governmental regulatory agency.
- (4) In compliance with a subpoena or summons enforceable by court order.
- (5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

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

*(Amended by Stats. 2011, Ch. 448, Sec. 9. Effective January 1, 2012.)*



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## Attachment 7

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

#### **§ 38. Purpose of this Article.**

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

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

#### **§ 39. Definitions.**

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

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

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

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

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

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

(f) Peer Reviewer: A certified public accountant holding a valid and active license to practice public accounting in good standing issued by this state or some other state who

(1) maintains a currency of knowledge in professional standards governing accounting and auditing engagements,

(2) meets the qualifications of Section 48(c) of this Article, and

(3) is unaffiliated with the firm being reviewed.

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

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

#### **§ 40. Enrollment and Participation.**

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

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

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

#### **§ 41. Firm Responsibilities.**

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

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

#### **§ 42. Exclusions.**

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

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

(2) Firms, which as their highest level of work, perform only preparation engagements (with or without disclaimer reports) in accordance with the provisions of the Statements on Standards for Accounting and Review Services (SSARS).

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

#### **§ 43. Extensions.**

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

(b) If the extension granted extends past the firm's reporting date, the firm shall notify the Board of the extension and provide proof of the extension. The firm shall report the results of the peer review to the Board on form PR-1 (Rev. 11/17), as referenced in Section 45, within 45 days of the peer review report being accepted by a Board-recognized peer review program.

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

#### **§ 44. Notification of Expulsion.**

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

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

#### **§ 45. Reporting to the Board.**

(a) Beginning on January 1, 2014, at the time of renewal, a licensee shall report to the Board specific peer review information as required on Form PR-1 (Rev. 11/17), which is hereby incorporated by reference.

(b) Prior to January 1, 2014, the date for existing California licensees to report peer review results, on the form indicated in subsection (a), shall be based on the licensee's license number according to the following schedule: for license numbers ending with 01-33 the reporting date is no later than July 1, 2011; for license numbers ending with 34-66 the reporting date is no later than July 1, 2012; for license numbers ending with 67-00 the reporting date is no later than July 1, 2013.

(c) A licensee's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, his/her peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act. Failure to submit a completed Form PR-1 (Rev. 11/17) shall be grounds for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

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

#### **§ 46. Document Submission Requirements.**

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

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

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

(2) If the firm received a peer review report issued under Section 48(b)(1)(B) or (b)(2)(B) it shall submit the copy of peer review report including any materials documenting the prescription of remedial or corrective actions imposed by a Board-recognized peer review program provider. In addition, a firm shall also submit any materials, if available, documenting completion of any or all of the prescribed remedial or corrective actions.

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

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

#### **§ 47. Peer Review Oversight Committee.**

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

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



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

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

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

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

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

#### **§ 48. Minimum Requirements for a Peer Review Program.**

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

##### **(a) Peer Review Types**

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

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

(2) For firms only performing engagements under the Statements on Standards for Accounting and Review Services (SSARS) or under Statements on Standards on Attestation Engagements (SSAEs) not encompassed in review performed under subsection (a)(1), the firm shall undergo a peer review designed to test a cross-

section of a firm's engagements to assess whether the engagements were performed in conformity with the applicable professional standards.

(b) Peer Review Report Issuance

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

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

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

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

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

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

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

(C) A peer review report indicating that a peer reviewer or peer review team

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

#### (c) Peer Reviewer Qualifications

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

- (1) Have a valid and active license in good standing to practice public accounting issued by this state or other state.
- (2) Be actively involved and practicing at a supervisory level in a firm's accounting and auditing practice.
- (3) Maintain a currency of knowledge of the professional standards related to accounting and auditing, including those expressly related to the type or kind of practice to be reviewed.
- (4) Provide the Board-recognized peer review program provider with his/her qualifications to be a reviewer, including recent industry experience.
- (5) Be associated with a firm that has received a peer review report issued in accordance with subsection (b)(1)(A) or (b)(2)(A) of this section or has received a peer review rating of pass or unmodified as part of the American Institute of Certified Public Accountants Peer Review Program as part of the firm's last peer review.

#### (d) Planning and Performing Peer Reviews

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

- (1) For peer reviews performed in accordance with subsection (a)(1) of this section, a peer review program's guidelines and/or standards shall include the following:
  - (A) Ensuring that prior to performing a peer review, a peer reviewer or a peer review team takes adequate steps in planning a peer review to include the following: (i) obtain the results of a firm's prior peer review (if applicable), (ii) obtain sufficient understanding of the nature and extent of a firm's accounting and auditing practice, (iii) obtain a sufficient understanding of a firm's system of quality control and the manner in which the system is monitored by a firm, and (iv) select a representative cross-section of a firm's engagements.

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

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

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

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

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

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

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

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

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

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

(D) Establish and document procedures for an adjudication process designed to resolve any disagreement(s) which may arise out of the performance of a peer

review, and resolve matters which may lead to the dismissal of a firm from the provider's peer review program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Reference: Section 5076, Business and Professions Code.*

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

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

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

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

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

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

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

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

- (1) Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms.
- (2) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the quality of reviewers' working papers in connection with the acceptance of reviews.
- (3) Statistical data maintained by the Board-recognized peer review program provider related to its role in the administration of peer reviews.
- (4) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the qualifications of its reviewers.
- (5) Sufficient documents to conduct sample reviews of peer reviews accepted by the Board-recognized peer review program provider. These may include, but are not limited to; the report; reviewer working papers prepared or reviewed by the Board-recognized peer review program's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, including, but not limited to, the imposition of required remedial or corrective actions; the monitoring procedures applied; and the results.

(b) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provide the reason(s) for expulsion. The Board-recognized peer review

program provider shall submit this information to the Board within 30 days of notifying the firm of its expulsion.

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

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

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

#### **§ 48.4. Reconsideration of a Denied Applicant.**

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

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

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

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

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

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

#### **§ 48.5. Withdrawal of Board Recognition.**

(a) The Board may rescind and withdraw its recognition of a peer review program if it is determined that the peer review program is not in compliance with the requirements of this Article, the provider failed to respond to an informational request by the Board or the



Peer Review Oversight Committee, or the provider made any material misrepresentation of fact related to any information required to be submitted to the Board or the Peer Review Oversight Committee.

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

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

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

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

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

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

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

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

#### **§ 48.6. Records of Proceedings.**

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

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

**California Board of Accountancy**2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833*phone:* (916) 263-3680    *fax:* (916) 263-3675    *web:* [www.cba.ca.gov](http://www.cba.ca.gov)

Attachment 8

April 3, 2019

Daniel Dustin, CPA  
Vice-President of State Board Relations  
National Association of State Boards of Accountancy  
150 4<sup>th</sup> Avenue North  
Nashville, TN 37219

Tom Parry, CPA  
Chair, Peer Review Board  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, NC 27707-8110

Dear Mr. Dustin and Mr. Parry:

The California Board of Accountancy (CBA) would like to thank the National Association of State Boards of Accountancy (NASBA) and American Institute of CPAs (AICPA) for the opportunity to review and provide feedback on the proposed revisions to Chapter 3 of the Oversight Handbook of the AICPA.

At its March 2019 meeting, the CBA reviewed the AICPA proposed revisions, concerns raised by NASBA, and two letters sent to the AICPA from boards of accountancy in North Carolina and Wyoming. After consideration of the materials, the CBA determined that to provide substantive feedback on the proposed revisions, it was necessary to have its Peer Review Oversight Committee (PROC) review the information. The PROC next meets on May 3, 2019 and will report back to the CBA its observations at the CBA's meeting on May 16-17, 2019.

The CBA appreciates the opportunity to provide feedback and comments regarding this matter. Should you have any questions regarding this matter, please direct them to Dominic Franzella, Chief, Enforcement Division by telephone at (916) 561- 4310 or by email at [dominic.franzella@cba.ca.gov](mailto:dominic.franzella@cba.ca.gov).

Sincerely,

A handwritten signature in black ink that reads 'George Famalett'.

George Famalett, CPA, President  
California Board of Accountancy

Daniel Dustin, CPA

Tom Parry, CPA

April 3, 2019

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c: Members, California Board of Accountancy

John F. Dailey, Jr., CPA, Chair, National Association of State Boards of Accountancy,  
Compliance Assurance Committee

Linda McCrone, CPA, California Society of Certified Public Accountants,  
Director of Technical Services

Patti Bowers, Executive Officer



## NEVADA STATE BOARD OF ACCOUNTANCY

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Attachment 9

March 4, 2019

American Institute of Certified Public Accountants  
AICPA Peer Review Board  
220 Leigh Farm Road  
Durham, NC 27707-8110

Dear Members of the AICPA Peer Review Board:

The Nevada State Board of Accountancy appreciates the opportunity to provide feedback to the AICPA Peer Review Board (PRB) in connection with the proposed changes to Chapter 3 of the AICPA Oversight Handbook, titled *Confidentiality of Peer Review Information in the Regulatory Environment*.

The proposed revisions to the chapter do not appear to be substantive or cause any outstanding issues based on the intent of the changes. The Board does not have any comments or concern with regard to the proposed revisions. However, the Board believes there are a number of outstanding issues that are not addressed with the proposed revisions. Specifically, those that involve the "transparency" of the Peer Review Program (PRP) and the type of information that should be available to the state boards of accountancy (SBOA).

The Board believes that the Peer Review Program is still educational when the firms are compliant with the peer review process, however there are firms that are continually non-compliant throughout the process which eventually ends in some type of enforcement intervention in order to gain compliance. There is also a misconception that firms believe all information is provided to the Board from the Administering Entity (AE).

The Board understands that the information provided by a firm to an SBOA needs to be objective and measurable and not subjective, however requesting a firm to provide the AE with specific information for release versus a blanket approval of communication is often difficult. Nevada requires any information relating to the peer review process to be sent to the Board that would indicate they are in compliance with peer review if the peer review report and letter of completion have not been finalized. The Board has numerous firms that we are waiting for that information and do not know where they are in the process other than they are extremely delayed and far past their due dates for a variety of reasons that might not be the firm's fault. When the Board contacts these firms we often hear comments such as: I thought it was finished, my peer reviewer has everything, what is a letter of completion, the Society is supposed to send that to you, etc. We indicate that the AE is unable to provide information to the Board without the specified consent of the firm. It is difficult to tell the firm what specific information they should authorize the AE to release when they do not know where in the process the peer review is themselves. Yet the examples of what a firm can submit authorizing the AE to release information is far more involved and detailed than the majority of firms will have knowledge of.

AICPA Peer Review Board

March 4, 2019

Page 2

While the information provided in Chapter 3 is somewhat helpful, it does not alleviate the communication loop holes that continue to occur. The Board sending non-compliance letters causing the firm to place pressure on the AE doesn't seem to be an efficient way of handling the process. The Board has utilized warning letters however without substantive information that would indicate compliance it often ends with formal disciplinary complaints. This ends up costing everyone a lot of time and possible legal expenses when the issue could have been avoided by the receipt of better information and communication between the firm, AE and Board.

The Board believes that additional information that could be provided to the SBOA may help resolve the communication issues. Information that would be helpful should include items such as a copy of the enrollment letter, the due date of the next required peer review, if the peer review has been scheduled, if any extensions have been authorized by the AE in connection with follow up or scheduling, any information that would indicate that the firm is in process or in compliance with the program.

The Board would be interested in seeing revisions to Chapter 3 that would add the sharing of additional information to assist the Boards in their charge and requirements for peer review. We appreciate the AICPA Peer Review Board's continued efforts in improving the peer review process and its further review of the peer review program.

If further clarification regarding the above is warranted, please do not hesitate to contact the Board through its President and/or Executive Director.

Sincerely,



Viki A. Windfeldt  
Executive Director

cc: Nevada Board of Accountancy Members



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May 24, 2019

**Attachment 10**

Tom Parry, CPA  
Chair, Peer Review Board  
American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, NC 27707-8110

Daniel Dustin, CPA  
Vice-President of State Board Relations  
National Association of State Boards of Accountancy  
150 4th Avenue North  
Nashville, TN 37219

Dear Mr. Parry and Mr. Dustin:

The California Board of Accountancy (CBA) would like to thank the American Institute of CPAs (AICPA) and the National Association of State Boards of Accountancy (NASBA) for the opportunity to review and provide feedback on the AICPA proposed revisions to Chapter 3 of the Peer Review Program Oversight Handbook (Oversight Handbook).

On April 3, 2019, the CBA sent a letter to inform NASBA and the AICPA that the CBA will provide a formal response letter regarding the proposed revisions to the Oversight Handbook after its review during the May 2019 PROC and CBA meetings.

During its May 2019 meeting, the CBA discussed feedback from the May 2019 PROC meeting regarding the January and May 2019 AICPA iterations of proposed revisions to Chapter 3 of the Oversight Handbook, comments from NASBA and State Boards of Accountancy, and considered CBA Statutes and Regulations that governs the California Peer Review Program.

The PROC recognize that peer review began as an educational and remedial tool developed within the framework of a private membership organization. Furthermore, the CBA understands AICPA, the Peer Review Board, and administering entities are constrained by internal by-laws regarding confidentiality and conflict of interest.

However, legislation made peer review part of a regulatory framework and the CBA implemented a mandatory peer review requirement as part of its license renewal process.

After a thorough review and analysis of materials relating to the AICPA proposed revisions to Chapter 3 of the Oversight Handbook, the PROC and staff finds that the existing California Peer Review Program and the CBA Statutes and Regulations does not present a conflict of interest for staff, and the PROC has adequate procedures in-place to safeguard confidentiality. The existing CBA regulatory framework ensures consumer protection and raises public trust.

Additionally, the California Peer Review Program provides the recognized peer review program provider substantial jurisdiction over the peer review program administration process, educational framework, and confidentiality standards.

The CBA concurs with the top three common observations AICPA received from NASBA and State Boards of Accountancy and have additional feedback for the AICPA considerations:

- AICPA should place consumer protection ahead of confidentiality, which is consistent with the CBA mission
- AICPA's interpretation of peer review functions within a regulatory environment is general and do not apply to the CBA
- State Boards of Accountancy are charged by legal statutes with enforcing and overseeing its Peer Review Program requirements to ensure consumer protection and engender public trust
- AICPA may want to reconsider its definition of conflict of interest and take into account state regulations that governs peer review in its revisions to Chapter 3 of the Oversight Handbook

The CBA appreciates the opportunity to provide feedback and comments regarding this matter. Should you have any questions regarding this matter, please direct them to Dominic Franzella, Chief, Enforcement Division by telephone at (916) 561-4310 or by email at [dominic.franzella@cba.ca.gov](mailto:dominic.franzella@cba.ca.gov).

Sincerely,

George Famalett, CPA, President  
California Board of Accountancy

c: Members, California Board of Accountancy  
Linda McCrone, California Society of Certified Public Accountants,  
Director of Technical Services  
Members, Peer Review Oversight Committee  
Patti Bowers, Executive Officer



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**CBA Item I.D.**  
May 16, 2019

## **Presentation from the Office of Professional Examination Services Regarding Evaluation of the Uniform CPA Examination and Professional Ethics Examination**

**Presented by: Tracy Montez, Chief, Division of Program and Policy Review**  
**Heidi Lincer, Chief, Office of Professional Examination Services**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with reference information to supplement the presentation from the Department of Consumer Affairs (DCA) Office of Professional Examination Services (OPES) regarding evaluation of the Uniform CPA Examination (CPA Exam) and Professional Ethics Examination (PETH) (**Attachment 1**).

### **Consumer Protection Objectives**

This agenda item helps ensure that the CBA continues to fulfill its mission of consumer protection and adheres to DCA policies.

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

No specific action required on this agenda item.

### **Background**

Business and Professions Code (BPC) section 139 (**Attachment 2**) requires DCA to develop a policy regarding examination development and validation, and occupational analysis. DCA's OPES developed the Licensure Examination Validation Policy OPES 18-02 (**Attachment 3**), which requires that all DCA licensure examinations be periodically evaluated to ensure they meet accepted technical and professional standards. The purpose of these evaluations is to establish substantial evidence of the validity of the examinations.

These evaluations are mandated for both state-specific and national examinations, such as the CPA Exam and PETH. The evaluations must include an evaluation of the occupational analysis, the examination development process, the examination administration and security procedures, and examination content to assess its applicability to California Practice.



## **Presentation from the Office of Professional Examination Services Regarding Evaluation of the Uniform CPA Examination and Professional Ethics Examination**

Page 2 of 2

The CPA Exam is developed by the American Institute of Certified Public Accountants with significant input and assistance by the National Association of State Boards of Accountancy and state boards of accountancy. It is designed to assess the knowledge and skills entry-level CPAs need to practice public accountancy.

The PETH exam is developed and administered by the California Society of Certified Public Accountants. Passage of the PETH exam is required for candidates applying for a California CPA License. The PETH exam is a self-study course covering key topics in ethics and professional conduct.

### **Comments**

OPES is charged with conducting comprehensive evaluations for DCA's examination programs. In partnership with the CBA, OPES will determine whether the CPA Exam and PETH meet the standards outlined in BPC section 139. The evaluation includes a California-specific occupational analysis, a national examination review, and comparison study to determine the extent to which California-specific practice is assessed by the national examination.

Representatives from DCA and OPES will be presenting an overview of the steps to ensure the CBA is in compliance with BPC section 139 and what is outlined in the OPES Informational Series No. 10: Review of National Licensure Examinations (**Attachment 4**).

The review of the CPA Exam and PETH are tentatively scheduled for fiscal year (FY) 2020-21.

### **Fiscal/Economic Impact Considerations**

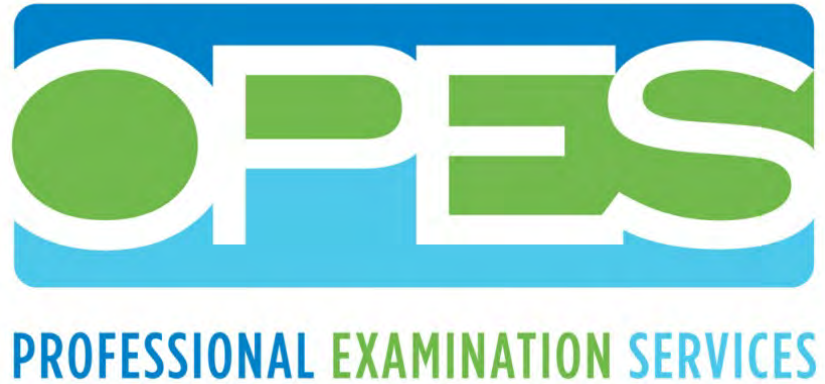
The cost associated with conducting the mandated evaluation is approximately \$215,000. The CBA will be seeking a budget augmentation for FY 2020-21, to secure funding for the OPES evaluations.

### **Recommendation**

Staff do not have a recommendation on this agenda item.

### **Attachments**

1. PowerPoint Presentation: Occupational Analysis and National Examination Review
2. Business and Professions Code Section 139
3. Department of Consumer Affairs Licensure Examination Policy OPES 18-02
4. Office of Professional Examination Services Informational Series No. 10: Review of National Licensure Examinations



# Occupational Analysis and National Examination Review

Heidi Lincer, Ph.D., OPES Chief

Tracy Montez, Ph.D., DPPR Chief

May 16, 2019

The Office of Professional Examination Services provides:

Professional consulting services in examination validation and development to DCA's boards, bureaus, and committees

Recommendations based on regulations, professional guidelines, and technical standards related to licensure examinations

# OPES Clients

## Boards



- Acupuncture
- Architects
- Barbering and Cosmetology
- Behavioral Sciences
- Chiropractors
- Court Reporters
- Dental
- Dental Hygiene
- Structural Pest Control

- Optometry
- Pharmacy
- Psychology
- Speech Language Pathology, Audiology, and Hearing Aid Dispensers
- Veterinary Medicine
- Vocational Nursing and Psychiatric Technicians

## Bureaus



- Automotive Repair
- Cemetery and Funeral
- Household Goods and Services
- Professional Fiduciaries
- Security and Investigative Services

## Committees



- Landscape Architects
- Registered Dental Assistants
- Registered Veterinarian Technicians

## External



- Real Estate
- Nursing Home Administrators

These are the  
Regulations,  
Standards,  
and  
Guidelines we  
follow

**Business and Professions Code Section 139**

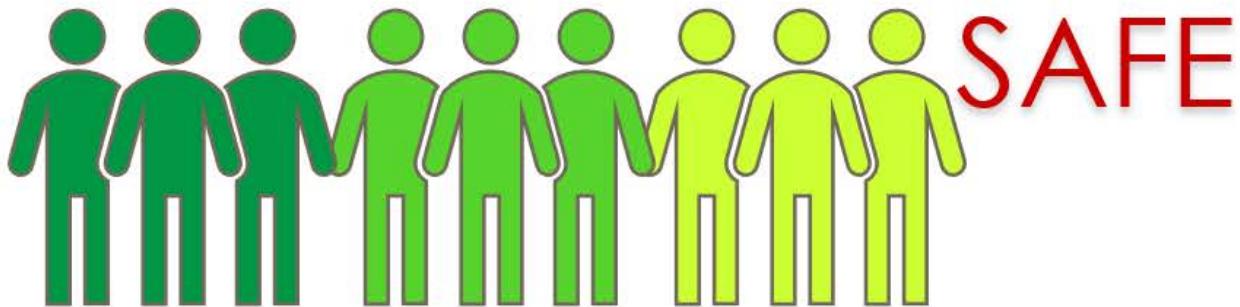
**Principles for the Validation and Use of Personnel Selection Procedures** (Society of Industrial and Organizational Psychology)

**Standards for Educational and Psychological Testing** (American Educational Research Association, American Psychological Association, National Council on Measurement in Education)

# Licensure Examinations

Must provide a reliable method for identifying practitioners who are able to practice safely and competently

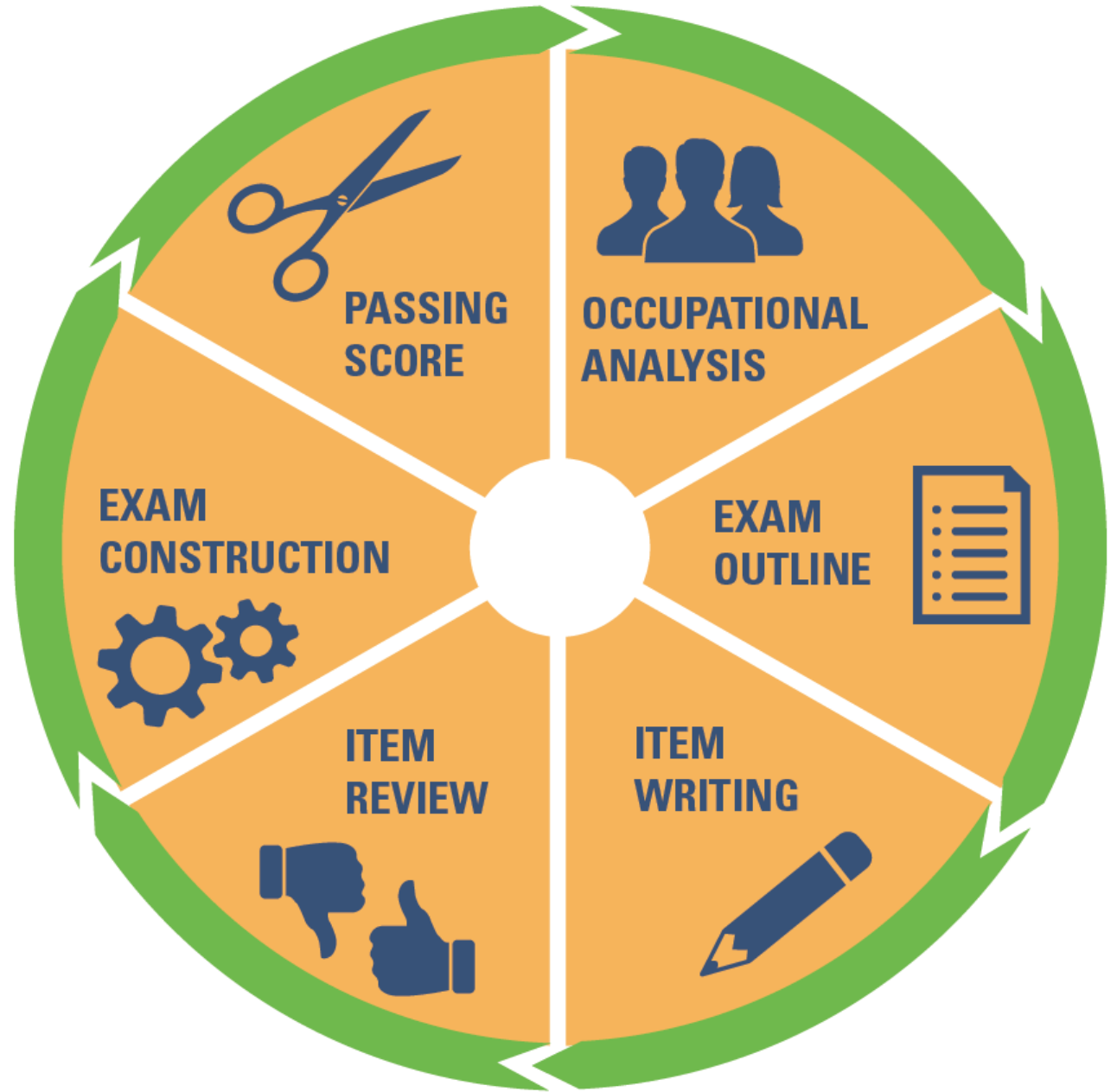
Focus on **entry-level** tasks and knowledge important for **public protection**



# Examination Development Cycle

Occupational Analysis (OA) defines practice in terms of:

- Actual **tasks** that new licensees must be able to perform safely and competently at the time of licensure
- Essential **knowledge** required for safe and effective practice



# Occupational Analyses should be performed every 5-7 years

Occupational analyses capture significant changes in a profession's tasks and job demands, scope of practice, equipment, technology, required knowledge, skills and abilities, or laws and regulations governing the profession.





Provides a description of current practice

Provides basis for legislation and policy

## Occupational Analysis

Provides the basis of job-related, fair, and legally defensible examinations

Establishes examination validity by linking examination content to critical job competencies

# Occupational Analysis Process



- Research the profession and conduct SME telephone interviews



- Develop task and knowledge statements with SMEs



- Develop and administer OA survey



- Analyze survey data and demographics

- Review survey results with SMEs



- Develop examination content outline with SMEs



Board recruits  
sufficient number  
of representative  
SMEs



OPES facilitates  
process and  
ensures  
psychometric  
standards are met



# Business and Professions Code section 139 Requirements for National Examination Reviews

Must meet psychometric and legal standards

California practitioners must be represented

Must be reviewed for California content

# Review of national examinations has three parts



Psychometric  
Evaluation

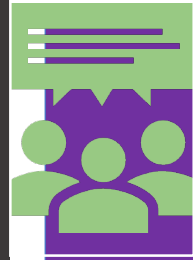


SMEs compare  
national OA  
to California OA

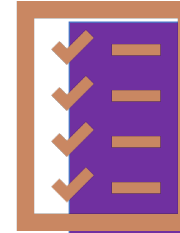


Identification of any  
critical entry level  
content that is not  
assessed

# Psychometric Evaluation



Evaluate occupational analysis



Review procedures for developing examination



Review procedures for establishing passing scores



Review examination scoring and passing rates



Review administration and security procedures



Review information available to candidates

# SMEs compare national OA to California OA

National examinations test core, mainstream practice.



**FULL PRACTICE**

California examinations test what is unique about practice in the state.

- **Geology**
- **Weather**
- **California health and safety laws**
- **California-specific practice areas**



# OPES recommendations are based on the results of the OA and National Review



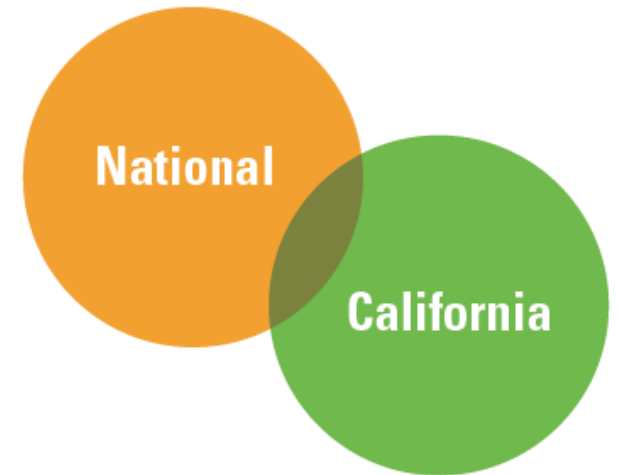
## **OPES recommendation:**

- National examination
- California law examination



## **OPES recommendation:**

- National examination
- California-specific law and practice examination



## **OPES recommendation:**

- California examination



Thank you!

Any questions?



**California Board of Accountancy**  
2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833

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## Attachment 2

### Business and Professions Code Section 139

(a) The Legislature finds and declares that occupational analyses and examination validation studies are fundamental components of licensure programs. It is the intent of the Legislature that the policy developed by the department pursuant to subdivision (b) be used by the fiscal, policy, and sunset review committees of the Legislature in their annual reviews of these boards, programs, and bureaus.

(b) Notwithstanding any other provision of law, the department shall develop, in consultation with the boards, programs, bureaus, and divisions under its jurisdiction, and the Osteopathic Medical Board of California and the State Board of Chiropractic Examiners, a policy regarding examination development and validation, and occupational analysis. The department shall finalize and distribute this policy by September 30, 1999, to each of the boards, programs, bureaus, and divisions under its jurisdiction and to the Osteopathic Medical Board of California and the State Board of Chiropractic Examiners. This policy shall be submitted in draft form at least 30 days prior to that date to the appropriate fiscal, policy, and sunset review committees of the Legislature for review. This policy shall address, but shall not be limited to, the following issues:

- (1) An appropriate schedule for examination validation and occupational analyses, and circumstances under which more frequent reviews are appropriate.
- (2) Minimum requirements for psychometrically sound examination validation, examination development, and occupational analyses, including standards for sufficient number of test items.
- (3) Standards for review of state and national examinations.
- (4) Setting of passing standards.
- (5) Appropriate funding sources for examination validations and occupational analyses.
- (6) Conditions under which boards, programs, and bureaus should use internal and external entities to conduct these reviews.
- (7) Standards for determining appropriate costs of reviews of different types of examinations, measured in terms of hours required.
- (8) Conditions under which it is appropriate to fund permanent and limited term positions within a board, program, or bureau to manage these reviews.

## **Business and Professions Code Section 139**

Page 2 of 2

(c) Every regulatory board and bureau, as defined in Section 22, and every program and bureau administered by the department, the Osteopathic Medical Board of California, and the State Board of Chiropractic Examiners, shall submit to the director on or before December 1, 1999, and on or before December 1 of each subsequent year, its method for ensuring that every licensing examination administered by or pursuant to contract with the board is subject to periodic evaluation. The evaluation shall include (1) a description of the occupational analysis serving as the basis for the examination; (2) sufficient item analysis data to permit a psychometric evaluation of the items; (3) an assessment of the appropriateness of prerequisites for admittance to the examination; and (4) an estimate of the costs and personnel required to perform these functions. The evaluation shall be revised and a new evaluation submitted to the director whenever, in the judgment of the board, program, or bureau, there is a substantial change in the examination or the prerequisites for admittance to the examination.

(d) The evaluation may be conducted by the board, program, or bureau, the Office of Professional Examination Services of the department, the Osteopathic Medical Board of California, or the State Board of Chiropractic Examiners or pursuant to a contract with a qualified private testing firm. A board, program, or bureau that provides for development or administration of a licensing examination pursuant to contract with a public or private entity may rely on an occupational analysis or item analysis conducted by that entity. The department shall compile this information, along with a schedule specifying when examination validations and occupational analyses shall be performed, and submit it to the appropriate fiscal, policy, and sunset review committees of the Legislature by September 30 of each year. It is the intent of the Legislature that the method specified in this report be consistent with the policy developed by the department pursuant to subdivision (b).

*(Amended by Stats. 2009, Ch. 307, Sec. 1. (SB 821) Effective January 1, 2010.)*



## DEPARTMENTAL POLICY



<b>TITLE</b>	<b>LICENSURE EXAMINATION VALIDATION POLICY</b>		
<b>POLICY OWNER</b>	OFFICE OF PROFESSIONAL EXAMINATION SERVICES		
<b>POLICY NUMBER</b>	OPES 18-02	<b>SUPERCEDES</b>	OPES 12-01
<b>ISSUE DATE</b>	October 17, 2018	<b>EFFECTIVE</b>	IMMEDIATELY
<b>DISTRIBUTE TO</b>	ALL EMPLOYEES		
<b>ORIGINAL APPROVED BY</b>	*Original Signature on File Dean R. Grafilo Director		
<b>NUMBER OF PAGES</b>	1 of 9	<b>ATTACHMENTS</b>	NONE

**POLICY**

It is the policy of the Department of Consumer Affairs (DCA) that occupational analyses and examination development studies are fundamental components of licensure programs. Licensure examinations with substantial validity evidence are essential in preventing unqualified individuals from obtaining professional licenses. To that end, licensure examinations must be:

- Developed following an examination outline that is based on a current occupational analysis.
- Regularly evaluated.
- Updated when tasks performed or prerequisite knowledge in a profession or on a job change, or to prevent overexposure of test questions.
- Reported annually, in terms of validation activities, to the Legislature.

**APPLICABILITY**

This policy applies to all employees, governmental officials, contractors, consultants, and temporary staff of DCA; and any of its divisions, bureaus, boards, and other constituent agencies. Within this policy, the generic acronym "DCA" applies to all of these entities. For purposes of this policy, "board" shall refer to all boards, bureaus, or committees.

**PURPOSE**

The purpose of this policy is to meet the mandate of Business and Professions (B&P) Code section 139 (a) and (b) directing DCA to develop a policy regarding examination development and validation, and occupational analyses; and B&P Code section 139 (c) and (d) directing DCA to evaluate and report annually to the Legislature the methods used by each regulatory entity for ensuring that their licensing examinations are subject to periodic evaluations.

On September 30, 1999, the Office of Professional Examination Services (OPES) completed and distributed to its clients an internal publication “Examination Validation Policy” in compliance with B&P Code section 139 (a) and (b). In 2000, DCA policy “Licensing Examinations – Reporting Requirements” (OER-00-01) was established to meet the mandate of B&P Code section 139 (c) and (d). OER-00-01 has since been abolished. This new policy addresses the provisions of all four subsections of B&P Code section 139: (a), (b), (c), and (d).

## **AUTHORITY**

- Business and Professions Code section 139 (a), (b), (c), and (d)
- Business and Professions Code section 101.6
- Government Code section 12944 (a) of the Fair Employment and Housing Act
- *Uniform Guidelines on Employee Selection Procedures (1978)*, adopted by the Equal Employment Opportunity Commission, Civil Service Commission (EEOC), Department of Labor, and Department of Justice
- Civil Rights Act of 1964, as amended

## **DEFINITIONS**

**Content domain** is the realm of behaviors, knowledge, skills, abilities, or other characteristics that a particular test is intended to measure, as reflected by its examination outline, and about which the scores are generally intended to be generalized.

**Content-related evidence of validity** is the evidence that shows the extent to which the content on a selection procedure is a representative sample of work-related personal characteristics, work performance or other work activities or outcomes.

**Criterion-referenced passing score** is a specified point in a distribution of scores at or above which candidates are considered successful in the selection process. By definition, the criterion referenced passing score is related to a minimally acceptable competence criterion and is the same for all applicant groups.

**Entry level** in licensure testing refers to newly-licensed individuals. In relation to examination development workshops, licensees 0-5 years post-licensure are generally considered sufficiently close to “entry-level” to provide substantive information about this area.

**Examination development specialists** are individuals who are trained, experienced, and skilled in licensure-related occupational analysis; licensure-related examination planning, development, validation, administration, scoring, and analysis; and the professional and technical standards, laws, and regulations related to these tasks.

**Examination outline** is organized around the content domains drawn directly from the results of an occupational analysis. The content domains are comprised of the knowledge, skills, and abilities that have been determined to be the essential elements of competency for the occupation being assessed. In addition to the listing of content domains, the examination outline specifies the number or proportion of items that are planned to be included on each test form for each content domain. These proportions reflect the relative importance of each content domain to competency in the occupation. They are sometimes also referred to as test specifications, test plans, or test blueprints.

**Minimum acceptable competence** is the minimum level of knowledge, skill, and ability required of newly-licensed individuals that, when the profession is performed at this level, would not cause harm to the public health, safety, or welfare.

**Occupational analysis** is a method used to gain an understanding of the work behaviors and activities required, or the worker requirements (i.e., knowledge, skills, abilities, and other personal characteristics), and the context or environment in which an organization and individual may operate. For occupational licensing, the term occupational analysis is preferred over job analysis or practice analysis because the scope of analysis is across a profession, not an individual job.

**Reliable measurement/reliability** is the degree to which scores for a group of candidates are consistent over one or more potential sources of error (e.g., time, raters, items, conditions of measurement, etc.) in the application of a measurement procedure.

**Review (Audit) of a national licensure examination** is an analysis of a nationally developed and administered licensure examination for a profession. The goals of the review are 1) an assessment of whether professional testing standards are being met and 2) the identification of any critical aspects of the profession that is practiced in California and should be (but is not) tested nationally.

**Subject matter experts** (SMEs) are licensees who have a thorough knowledge of the work behaviors, activities, and responsibilities of job incumbents and the knowledge, skills, abilities and other characteristics needed for effective performance on the job. To participate in examination development workshops, SMEs should be practitioners currently possessing an active license in good standing and who are active in their profession. When contracting for their services, DCA refers to SMEs as Expert Consultants.

**Validation** is the process by which evidence of content accuracy is gathered, analyzed, and summarized.

**Validity** is the “degree to which accumulated evidence and theory support specific interpretations of test scores entailed by proposed uses of a test.” Validity is not a property inherent in a test; it is the degree to which the decisions based on that test are accurate. For licensing examinations, validity is interpreted as correctly differentiating between persons who are qualified to competently and safely practice a profession from those who are not.

## **PROVISIONS**

### **A. VALIDATION TOPICS**

**B&P Code section 139 (b)** requires OPES to address eight specific topics, plus any other topics necessary to ensure that licensing examinations conducted on behalf of DCA are validated according to accepted technical and professional standards.

#### **1. AN APPROPRIATE SCHEDULE FOR EXAMINATION VALIDATION AND OCCUPATIONAL ANALYSIS AND CIRCUMSTANCES UNDER WHICH MORE FREQUENT REVIEWS ARE APPROPRIATE**

##### **Occupational Analysis Schedule**

Generally, an occupational analysis and examination outline should be updated every five years to be considered current; however, many factors are taken into consideration when determining the need for a different interval. For instance, an occupational analysis and examination outline must be updated whenever there are significant changes in a profession's job tasks and/or demands, scope of practice, equipment, technology, required knowledge, skills and abilities, or laws and regulations governing the profession. The board is responsible for promptly notifying the examination development specialist of any significant changes to the profession. This is true both for California-specific and national licensure examination-related occupational analyses.

### **Examination Validation Schedule**

New forms of a licensure examination assist in the legal defensibility of the examination, prevent overexposure of test items, and keep the examination current. The decision to create an examination, or new forms of an examination, is made by the board responsible for the license in consultation with the examination development specialist. The creation of new examination forms depends on the needs of the testing program and the number of people taking the examination.

## **2. MINIMUM REQUIREMENTS FOR PSYCHOMETRICALLY SOUND EXAMINATION VALIDATION, EXAMINATION DEVELOPMENT, AND OCCUPATIONAL ANALYSES, INCLUDING STANDARDS FOR SUFFICIENT NUMBER OF TEST ITEMS**

Boards have the ultimate responsibility to ensure that a licensure examination meets technical, professional, and legal standards and protects the health, safety, and welfare of the public by assessing a candidate's ability to practice at or above the level of minimum acceptable competence.

The inferences made from the resulting scores on a licensing examination are validated on a continuous basis. Gathering evidence in support of an examination and the resulting scores is an on-going process. Each examination is created from an examination outline that is based upon the results of a current occupational analysis that identifies the job-related critical tasks, and related knowledge, skills, and abilities necessary for safe and competent practice. Examinations are designed to assess those knowledge, skills, and abilities. To ensure that examinations are job-related, SMEs must participate in all phases of examination development.

All aspects of test development and test use, including occupational analysis, examination development, and validation, should adhere to accepted technical and professional standards to ensure that all items on the examination are psychometrically sound, job-related, and legally defensible. These standards include those found in *Standards for Educational and Psychological Testing*, referred to in this policy as the *Standards*; and the *Principles for Validation and Use of Personnel Selection Procedures*, referred to in this policy as the *Principles*.

The *Standards* and *Principles* are used as the basis of all aspects of the policies contained in this document. The EEOC *Uniform Guidelines on Employee Selection Procedures* (1978) provide direction on the legal defensibility of selection-related examinations.

Other professional literature that defines and describes testing standards and influences professionals is produced by the following organizations:

- *American Educational Research Association (AERA)*
- *American Psychological Association (APA)*
- *Council on Licensure, Enforcement, and Regulation (CLEAR)*
- *Equal Employment Opportunity Commission (EEOC)*
- *Institute for Credentialing Excellence (ICE)*
- *National Council of Measurement in Education (NCME)*
- *Society for Industrial and Organizational Psychology (SIOP)*

### **Minimum Requirements for Psychometrically Sound Occupational Analysis**

The minimum requirements for a psychometrically sound occupational analysis are as follows:

- Adhere to a content validation strategy or other psychometrically sound examination development method as referenced in a recognized professional source.
- Develop an examination outline from the occupational analysis.
- Gather data from a sample of current licensees in the State of California that represents the geographic, professional, and other relevant categories of the profession.

### **Minimum Requirements for Psychometrically Sound Examination Development and Validation**

The minimum requirements for psychometrically sound examination development and validation are as follows:

- Adhere to the *Standards and Principles*.
- Document the process following recommendations in the *Standards and Principles*.
- Conduct with a trained examination development specialist in consultation with SMEs.
- Use an examination outline and psychometrically sound item-writing guidelines.
- Follow established security procedures.

### **Standards for Sufficient Number of Test Items**

The number of items in an examination should be sufficient to ensure content coverage and provide reliable measurement. Both empirical data and the judgment and evaluation by SMEs should be used to establish the number of items within an examination. The empirical data should include results from an occupational analysis, item analysis, and test analysis.

The item bank for a licensure examination should contain a sufficient number of items such that: 1) at least one new form of the examination could be generated if a security breach occurred; and 2) items are not exposed too frequently to repeating examinees. Boards should develop an examination retake policy that minimizes the overexposure of test items.



### **3. SETTING PASSING STANDARDS**

Passing score standards for licensure examinations must:

- Follow a process that adheres to accepted technical and professional standards.
- Adhere to a criterion-referenced passing score methodology that uses minimum competence at an entry-level to the profession.

An arbitrary fixed passing score or percentage, such as 70 percent, does not represent minimally acceptable competence. Arbitrary passing scores are not legally defensible.

If a board has an appeals process for candidates who are not successful in their examination, once a criterion-referenced passing score has been determined for a multiple-choice examination, the board shall not change a candidate's score without consultation with the examination development specialist.

### **4. STANDARDS FOR REVIEW OF STATE AND NATIONAL EXAMINATIONS**

All licensure examinations appropriated for use in California professions regulated by DCA should be validated according to accepted technical and professional standards, as described elsewhere in these provisions. At a minimum, the following factors must be considered in a review of state and national examination programs:

- Right to access information from all studies and reports from test vendors (local or national)
- Right of state agency to review recent examination
- Description of methodology used to establish content-related validity
- Occupational analysis report and frequency of updates
- Method to ensure standards are set for entry-level practice
- Examination outline and method to link to the occupational analysis
- Information about the sample of practitioners surveyed
- Item development process (experts used, editing methods, etc.)
- Sufficient size of item banks
- Pass-point setting methodology
- Examination security methods; examination administration processes
- Examination reliability
- Pass/fail ratio
- Statistical performance of examinations

The suitability of an occupational analysis conducted on a national level to validate a national exam that is/could be used in California and for use in examination development in California for a California only exam must be determined by: 1) a review of the methodology of the occupational analysis, including the demographics of the practitioners upon which it is based to ensure California practice is appropriately represented; and 2) a comparison study between a current California occupational analysis of the profession and the national occupational analysis to assess the validity of the national examination content for California practice.

## **5. APPROPRIATE FUNDING SOURCES FOR EXAMINATION VALIDATIONS AND OCCUPATIONAL ANALYSES**

Budget line items should be designated exclusively for examination development and occupational analyses projects. To assure validity, maintain consistency, preserve security, and ensure the integrity of the examination program, the budget line items need to be continuous appropriations.

Boards should budget for costs associated with examination and occupational analysis development; contracting with a computer-based testing vendor for electronic examination administration; and projecting for expenses associated with travel and per diem for SMEs who participate in examination development and occupational analysis workshops. Boards that administer examinations by paper and pencil should also consider the expense of examination proctors, including their travel and per diem expenses; examination site rental; additional security resources; and printing costs for the preparation guides and examination booklets.

Boards must have the budgetary flexibility to adapt to unexpected or additional program needs. For example, the potential for catastrophic incidents such as a security breach and the cost to replace the compromised examination should be considered in determining overall examination-related costs.

Boards contract via intra-agency contracts (IACs) with OPES for examination-related services. Currently, boards request OPES' services and submit a Budget Change Proposal (BCP) to obtain expenditure authority if they do not already have a budget line item for these expenditures. Boards are then charged, and OPES is reimbursed through the IACs for occupational analyses, national examination reviews, and ongoing examination development, evaluation, construction, and publication services. Consulting and psychometric expertise and test scoring and item analysis (TSIA) services, among others, continue to be funded by distributed administrative costs (pro rata).

## **6. CONDITIONS UNDER WHICH BOARDS SHOULD USE INTERNAL AND EXTERNAL ENTITIES TO CONDUCT THESE REVIEWS**

A board may choose to use external and/or internal resources for licensure examination development and/or review of state and national licensure examinations, and must determine the most logical application of those resources.

OPES is the internal resource for examination review and California-specific examination development services for DCA. OPES also conducts reviews of national examination programs to ensure compliance with California requirements.

If OPES is unable to provide the requested service, external development and review may occur. External examination development or review of a national licensure examination occurs when the board contracts with a qualified private testing firm.

## 7. STANDARDS FOR DETERMINING APPROPRIATE COSTS OF REVIEWS OF DIFFERENT TYPES OF EXAMINATIONS, MEASURED IN TERMS OF HOURS REQUIRED

The *Standards* provide “a basis for evaluating the quality of testing practices.” These criteria can be used to identify tasks that must be performed in the development and validation of a licensure examination. Costs are applied to the performance of each task, based on its difficulty, available technology, and the complexity of the profession.

OPES has a defined fee schedule that is based on the number of hours to complete each phase of the project. An occupational analysis and an examination development project will require different tasks to be performed; therefore, the number of hours varies from one phase to another. The time and tasks required depends on the profession, type of exam, number of forms, frequency of administration, technology resources, and other factors.

## 8. CONDITIONS UNDER WHICH IT IS APPROPRIATE TO FUND PERMANENT AND LIMITED-TERM POSITIONS WITHIN A BOARD TO MANAGE THESE REVIEWS

Because examinations are critical to the mandate for consumer protection, it is necessary that if a board provides an examination, it should maintain examination support staff. The number of support staff needed is determined by each board’s examination requirements and secured through the budget process.

Factors that may affect change in the number of needed staff support include, but are not limited to the following:

- An increase in the number of times an examination is offered.
- A change of method by which an examination is administered, for example:
  - from paper to computer-based testing administration
  - from oral panel to written examination format
  - from written-only to the addition of a practical examination.
- A change of examination administration, for example:
  - from a national to a California-based examination, or vice-versa
  - a change in examination administration vendors.
- A unique circumstance such as a breach of examination security.
- A change in legislative mandates.

## B. YEARLY REPORTING REQUIREMENTS

**B&P Code section 139 (c)** specifies that every regulatory board shall submit to DCA on or before December 1 of each year its method for ensuring that every licensing examination is subject to periodic evaluation. These evaluations must include four components:

1. A description of the occupational analysis serving as the basis for the examination.
2. Sufficient item analysis data to permit a psychometric evaluation of the items.
3. An assessment of the appropriateness of prerequisites for admittance to the examination.
4. An estimate of the costs and personnel required to perform these functions.

**B&P Code section 139 (d)** states that the evaluation specified in section 139 (c) may be conducted either by the Board, Bureau, Committee, OPES, or a qualified private testing firm.

OPES compiles this information annually into a report for the appropriate fiscal, policy, and review committees of the Legislature. This report is consolidated into DCA's Annual Report.

## **VIOLATIONS**

Validation ensures that licensing examinations are psychometrically sound, job-related, and legally defensible. Failure to follow the provisions of this policy may result in licensing persons who do not meet the minimum level of competency required for independent and safe practice, exposing California consumers and DCA's regulatory entities to considerable risk of harm by unqualified licensees.

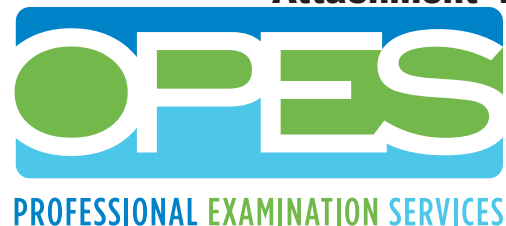
## **REVISIONS**

Determination of the need for revisions to this policy is the responsibility of OPES at (916) 575-7240. Specific questions regarding the status or maintenance of this policy should be directed to the Division of Programs & Policy Reviews at (916) 574-7402.

## **RELATED DOCUMENTS**

Departmental Policy Memorandum "Examination Security": OPES 16-01  
Departmental Policy "Participation in Examination Workshops": OPES 18-01

# REVIEW OF NATIONAL LICENSURE EXAMINATIONS



## Mandate

It is the policy of the Department of Consumer Affairs (DCA) that “all [national] licensure examinations appropriated for use in California professions regulated by DCA should be validated according to accepted technical and professional standards” (DCA Policy OPES 18-02, section A4). This validation includes a review of the examination’s development, administration, and security procedures, as well as a review of the examination content to assess its applicability to California practice.

## Review

If a national examination is used as part of the requirements for California licensure, the national examination program must be reviewed. This includes a review of the occupational analysis used as the basis for the national examination, including the percentage of California participants. To determine the suitability of the national examination content for California practice, a California-specific occupational analysis is conducted. The results of the California occupational analysis are compared with the results of the national occupational analysis.

In a review of a national examination program, the following factors must be considered:

- Methodology used to establish content-related validity
- Occupational analysis methodology, including sampling and the percentage of California participants
- Occupational analysis frequency
- Method used to construct the examination outline
- Method used to ensure that standards are set for entry-level practice
- Item development process (subject matter experts used, editing methods, etc.)
- Size of item banks
- Pass-point setting methodology
- Examination security methods
- Examination administration procedures
- Examination reliability
- Examination passing rates
- Statistical performance of examinations

DCA’s Office of Professional Examination Services (OPES) provides consulting services and technical assistance to DCA boards, bureaus, and committees to meet the validation requirements for licensure examinations.

*(Continued on back)*

<b>Standards</b>	All aspects of licensure examination use, including occupational analysis, examination development, and validation, should adhere to accepted technical (psychometric) standards and professional guidelines (e.g., <i>Standards for Educational and Psychological Testing</i> (2014)).
<b>Procedure</b>	First, the DCA licensing entity and OPES hold a planning meeting to discuss the national examination review. The discussion covers time lines, costs, roles, responsibilities, and expectations. Second, OPES develops an intra-agency contract. Third, the DCA licensing entity contacts the group developing the national examination; licensing entity staff will often have a relationship with this group. The licensing entity explains the nature of, and reasons for, the review; introduces OPES; and requests that the national examination developers identify a primary contact for the review. Finally, OPES contacts the national examination developers to begin the review.
<b>Linkage Study</b>	<p>OPES performs a linkage study to compare the content of the national examination with the results of the California-specific occupational analysis. The purpose of the linkage study is to determine the extent to which the content of the national examination reflects critical California practice. When an occupational analysis is conducted on a national level, California practice must be appropriately represented in the analysis for the results to be valid for use in California.</p> <p>The linkage study also determines whether a state-specific examination is recommended. If there is sufficient state-specific content, OPES will work with subject matter experts to develop an examination outline based on the California-specific content (e.g., state laws and regulations). The outline will minimize overlap with the national examination. The overall goal is to ensure assessment of critical entry-level knowledge without duplicating content and creating an unnecessary burden to examinees.</p>
<b>Security</b>	OPES has a process in place to protect the security of the information necessary for the review. OPES will provide a nondisclosure agreement to be reviewed and approved by the national examination provider. If the national provider requests changes to the agreement, the changes are negotiated between the national provider and the DCA Legal Affairs Division. Upon project completion, OPES will prepare a report summarizing the results of the review. Depending on the nature of the findings, OPES can either develop a confidential report and present it orally to members of the DCA licensing entity in closed session, or develop a public report and present it to members in open session, or take a combination of these two actions.
<b>Time Line</b>	National examination reviews typically take six to nine months to complete. Various factors affect the time line. The most common delays are nondisclosure agreement negotiations and the time necessary for the national provider to compile the requested information for OPES.
<b>Contact</b>	To learn more about these and other examination-related services, please contact OPES at (916) 575-7240.

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**Secretary/Treasurer Report**  
**Fiscal Month 8 Financial Report**

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NANCY J. CORRIGAN, CPA  
•  
SECRETARY/TREASURER

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**FISCAL MONTH 8 FINANCIAL STATEMENT FOR FISCAL YEAR 2018-19**

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The California Board of Accountancy (CBA) continues to work closely with the Department of Consumer Affairs' (DCA) Budget Office regarding its current fiscal year (FY) budget. The Fiscal Month (FM) 8 Financial Report (page 2) reflects the most recent information available regarding actual expenditures and projections to year-end.

Actual expenditures as of February 28, 2019 are at \$9,416,234 or 65 percent of the CBA budget. The CBA is projected to end FY 2018-19 with a surplus of approximately \$49,000.

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**PROJECTION VARIANCES BETWEEN FM 6 AND FM 8**

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The actual expenditures reflected on the FM 8 report for FY 2018-19 are based on preliminary information and are subject to change.

Projections are based on either a three-year average or straight-line projection<sup>1</sup>. The projected year-end surplus stated on the FM 6 report was approximately \$20,000 (or .1 percent) while the FM 8 report reflects a projected year-end surplus of approximately \$49,000 (or .3 percent). The variances between the FM 6 and FM 8 projections were a result of using the standard methodology in conjunction with internal tracking methods and anticipated costs to provide more narrow and accurate projections to year-end.

In addition, Enforcement projections, specifically in the areas of Attorney General and Office of Administrative Hearings, were also adjusted based on anticipated costs associated with upcoming litigation.

Nondiscretionary spending areas such as Departmental Pro Rata are consistent with the previous FM 6 report projections and are expected to be fully expended.

The CBA will continue to closely monitor expenditures and provide updates as they become available.

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**FISCAL YEAR-END STATEMENT FOR 2017-18**

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At the time of preparing this budget report, the CBA had not received FY 2017-18 final numbers, including revenues and expenditures. It was advised at the March CBA meeting that DCA would have this information available by March 2019; however, the final year-end reconciling process in FI\$Cal is more complex than DCA anticipated and DCA is now projecting it will be complete after June 30, 2019. An update of the challenges in transitioning to the FI\$Cal system is explained in further detail in the April 18, 2019 DCA memorandum (**Attachment**).

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<sup>1</sup> A straight-line projection would contain the same monthly expense for each month of the entire fiscal year. Standard methodology could include three year average or straight line projection depending on category.

# Secretary/Treasurer Report – Fiscal Month 8 Financial Report

Page 2 of 7

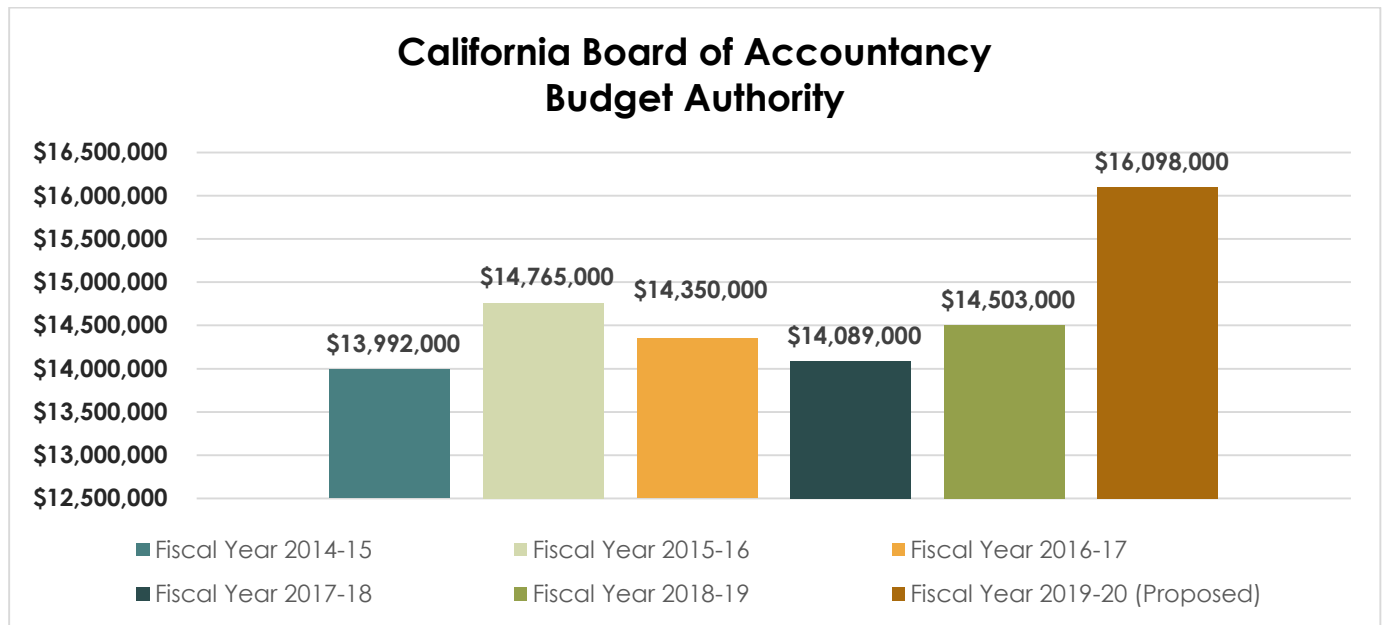
**CALIFORNIA BOARD OF ACCOUNTANCY - 0704  
BUDGET REPORT  
FY 2018-19 EXPENDITURE PROJECTION  
FISCAL MONTH 8 (prelim)  
CBA PROJECTIONS**

OBJECT DESCRIPTION	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19					
	ACTUAL	ACTUAL	ACTUAL	BUDGET	CURRENT YEAR	PERCENT	PROJECTIONS	UNENCUMBERED	
	EXPENDITURES	EXPENDITURES	EXPENDITURES	STONE	EXPENDITURES	SPENT	TO YEAR END	BALANCE	
	(MONTH 13)	(MONTH 13)	(Prelim FM 12)	2018-19	2/28/2019				
<b>PERSONNEL SERVICES</b>									
Salary & Wages (Staff)	5,205,772	5,198,342	5,278,637	5,592,000	3,540,121	63%	5,177,167	414,833	
Statutory Exempt (EO)	127,519	125,559	136,603	114,000	91,200	80%	136,800	(22,800)	
Temp Help Reg (Seasonals)	310,832	391,768	360,658	137,000	223,449	163%	337,103	(200,103)	
BL 12-03 Blanket	94,506	80,624	81,095		66,182	0%	93,646	(93,646)	
Board Member Per Diem	15,300	10,600	5,800	10,000	2,800	28%	14,300	(4,300)	
Committee Members (DEC)	11,800	11,000	8,100	11,000	4,400	40%	16,100	(5,100)	
Overtime	54,830	47,852	15,754	42,000	95,154	227%	100,000	(58,000)	
Staff Benefits	2,806,748	2,954,590	3,089,880	3,282,000	2,111,788	64%	3,169,588	112,412	
<b>TOTALS, PERSONNEL SVC</b>	<b>8,627,307</b>	<b>8,820,335</b>	<b>8,976,527</b>	<b>9,188,000</b>	<b>6,135,094</b>	<b>67%</b>	<b>9,044,704</b>	<b>143,296</b>	
<b>OPERATING EXPENSE AND EQUIPMENT</b>									
General Expense	323,736	355,487	186,699	190,000	146,157	77%	228,861	(38,861)	
Fingerprint Reports	44,230	14,184		123,000	9,246	8%	13,869	109,131	
Minor Equipment	86,490	45,250	73,940	49,000	27,054	55%	54,084	(5,084)	
Printing	274,918	418,922	414,989	90,000	203,566	226%	310,490	(220,490)	
Communication	48,561	54,937	45,363	48,000	33,901	71%	50,852	(2,852)	
Postage	259,573	271,611	212,151	137,000	87,004	64%	185,778	(48,778)	
Insurance	0	93	26,479		0		0	0	
Travel In State	248,411	183,605	104,376	134,000	45,543	34%	134,000	0	
Travel, Out-of-State	4,031	4,275	4,887		2,293	0%	12,584	(12,584)	
Training	35,930	37,650	11,941	23,000	24,100	105%	30,607	(7,607)	
Facilities Operations	553,596	599,274	609,269	628,000	401,628	64%	652,442	(24,442)	
C & P Services - Interdept.			365	4,000		0%	0	4,000	
C & P Services - External	103,415	55,219	31,570	238,000	59,065	25%	106,999	131,001	
<b>DEPARTMENTAL SERVICES:</b>									
OIS Pro Rata	288,193	427,936	481,000	271,000	180,667	67%	271,000	0	
Administration Pro Rata	1,197,737	1,188,382	1,260,000	1,410,000	940,000	67%	1,410,000	0	
DOI - ISU Pro Rata	31,461	29,436	36,000	47,000	31,333	67%	47,000	0	
Communications Division	83,000	149,274	80,000	93,000	62,000	67%	93,000	0	
PPRD Pro Rata	0	6,538	72,000	79,000	52,667	67%	79,000	0	
<b>INTERAGENCY SERVICES:</b>									
Interagency Services				1,000	10,530	1053%	15,795	(14,795)	
Consolidated Data Center	90,745	128,515	71,796	36,000	46,438	129%	109,657	(73,657)	
DP Maintenance & Supply	108,616	55,728	43,459	50,000	37,336	75%	64,268	(14,268)	
Central Admin Svc-ProRata	566,974						0	0	
<b>EXAM EXPENSES:</b>									
C/P Svcs-External Expert Administrative	165,998	173,105	102,493		89,510	0%	147,199	(147,199)	
<b>ENFORCEMENT:</b>									
Attorney General	896,411	1,054,876	1,027,546	1,077,000	555,315	52%	991,925	85,075	
Office Admin. Hearings	80,123	106,822	33,458	231,000	91,060	39%	153,780	77,220	
Court Reporters	30,597	19,703	7,725		32,149	0%	47,525	(47,525)	
Evidence/Witness Fees	0	662	4,411	186,000	4,329	2%	7,500	178,500	
DOI - Investigations	0	49,509	34,000	115,000	76,667	67%	115,000	0	
<b>MISC:</b>									
Major Equipment				55,000	31,582	57%	75,582	(20,582)	
Special Items of Expense	337						0	0	
Other (Vehicle Operations)		400					0	0	
<b>TOTALS, OE&amp;E</b>	<b>5,523,083</b>	<b>5,431,393</b>	<b>4,975,917</b>	<b>5,315,000</b>	<b>3,281,140</b>	<b>62%</b>	<b>5,408,797</b>	<b>(93,797)</b>	
<b>TOTAL EXPENSE</b>	<b>14,150,390</b>	<b>14,251,728</b>	<b>13,952,444</b>	<b>14,503,000</b>	<b>9,416,234</b>	<b>65%</b>	<b>14,453,501</b>	<b>49,499</b>	
Sched. Reimb. - External/Private	(3,290)	(2,115)	(3,760)	(19,000)			(19,000)	0	
Sched. Reimb. - Fingerprints	(41,160)	(14,308)	(12,103)	(185,000)			(185,000)	0	
Sched. Reimb. - Other	(294)	0						0	
Sched Interdepartmental	(33,561)	0		(92,000)			(92,000)	0	
Unsched. Reimb. - Other	(1,380,867)	(330,798)	(348,470)					0	
<b>NET APPROPRIATION</b>	<b>12,691,218</b>	<b>13,904,507</b>	<b>13,588,111</b>	<b>14,207,000</b>	<b>9,416,234</b>	<b>66%</b>	<b>14,157,501</b>	<b>49,499</b>	
<b>SURPLUS/(DEFICIT):</b>								<b>0.3%</b>	



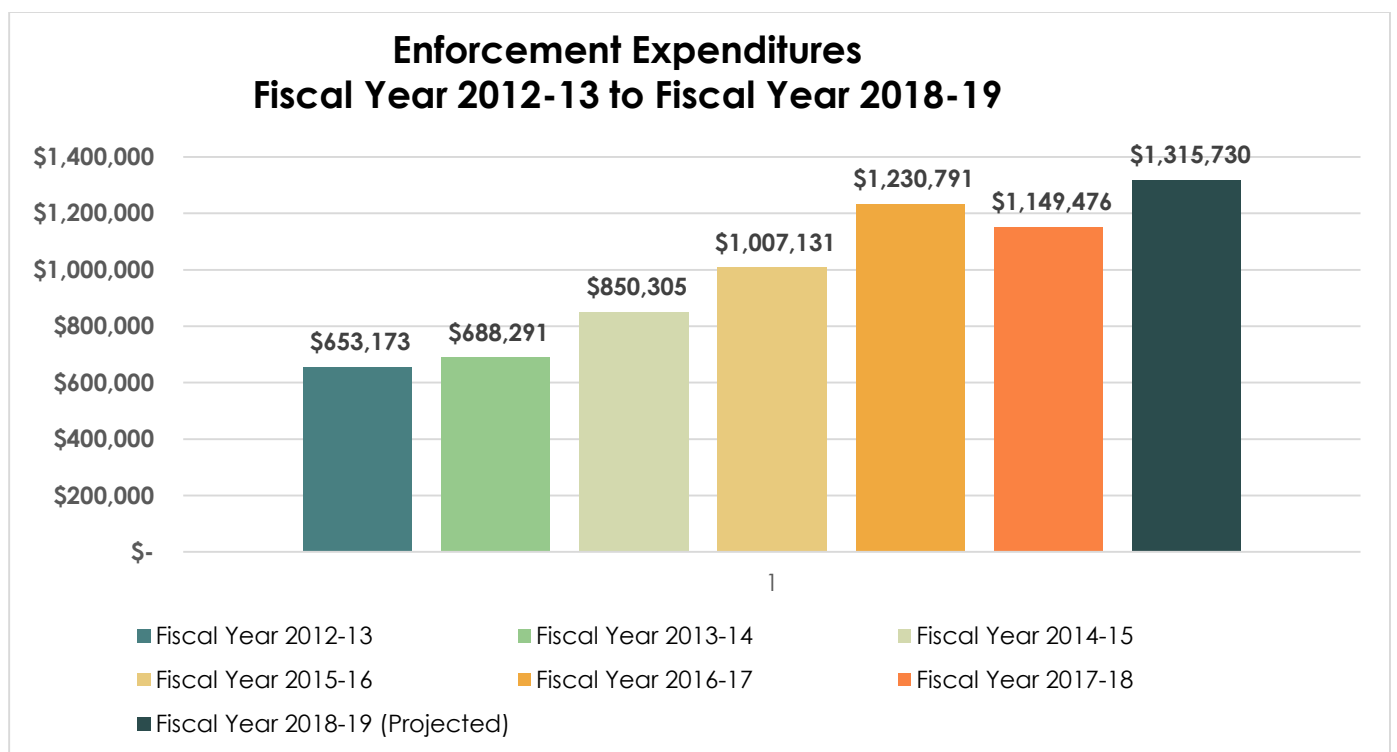
**BUDGET AUTHORITY**

The CBA’s budget for FY 2018-19 is \$14,503,000 and the proposed budget for FY 2019-20 is \$16,098,000.



**ENFORCEMENT EXPENDITURES**

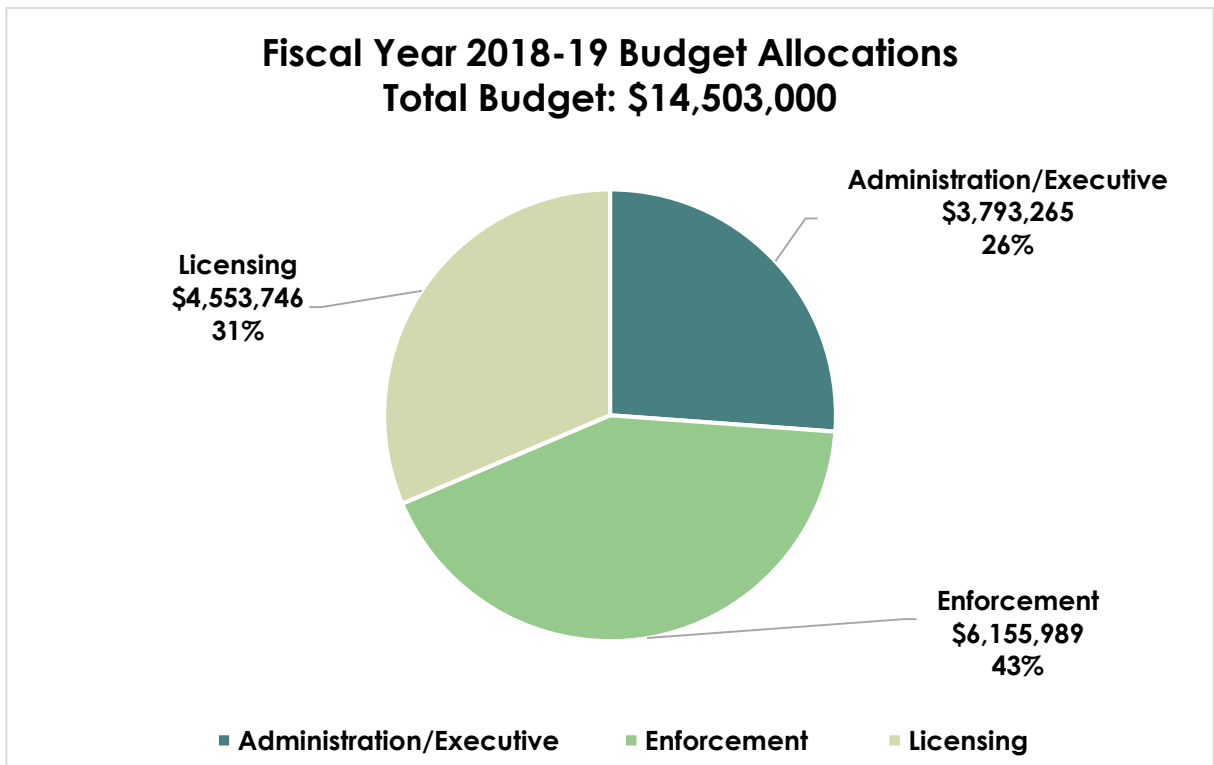
The following provides an overview of the CBA’s Enforcement Expenditures for the prior six fiscal years and projected costs for the current fiscal year.



**BUDGET ALLOCATION BY DIVISION**

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The chart below identifies the CBA’s budget allocations based on the number of staff assigned to each Division.



**REVENUES**

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Due to the implementation issues with the FI\$Cal system, DCA is unable to provide revenue reports at this time. Staff will continue monitoring and provide additional information once it becomes available.

# Secretary/Treasurer Report – Fiscal Month 8 Financial Report

Page 5 of 7

## CALIFORNIA BOARD OF ACCOUNTANCY FUND CONDITION

The CBA's Fund Condition statement reflects that the CBA will end FY 2018-19 with approximately 15 months in reserve. This number may fluctuate as DCA finalizes the FY 2017-18 year-end financial report.

### 0704 - California Board of Accountancy Analysis of Fund Condition

Prepared 12/31/2018

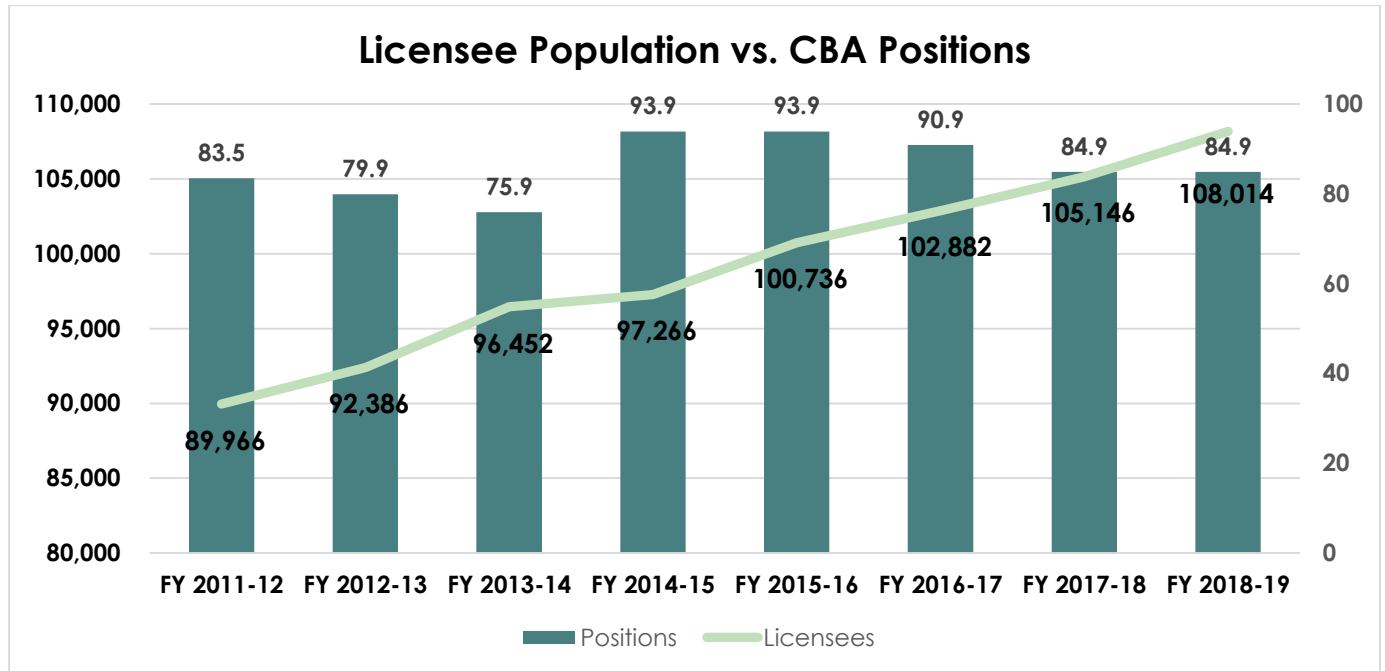
(Dollars in Thousands)

Governor's Budget FY 2019-20

	PY 2017-18	CY 2018-19	Governor's Budget BY 2019-20
<b>BEGINNING BALANCE</b>	\$ 31,789	\$ 27,486	\$ 22,224
Prior Year Adjustment	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 31,789	\$ 27,486	\$ 22,224
<b>REVENUES AND TRANSFERS</b>			
Revenues:			
4129200 Other regulatory fees	\$ 215	\$ 187	\$ 192
4129400 Other regulatory licenses and permits	\$ 4,445	\$ 4,259	\$ 4,388
4127400 Renewal fees	\$ 5,447	\$ 5,301	\$ 5,460
4121200 Delinquent fees	\$ 255	\$ 208	\$ 218
4143500 Miscellaneous services to the public	\$ 1	\$ -	\$ -
4163000 Income from surplus money investments	\$ 84	\$ 67	\$ 53
4171400 Escheat of unclaimed checks and warrants	\$ 4	\$ -	\$ -
4172500 Miscellaneous revenues	\$ 27	\$ -	\$ -
Totals, Revenues	\$ 10,478	\$ 10,022	\$ 10,312
Transfers from Other Funds			
Totals, Revenues and Transfers	\$ 10,478	\$ 10,022	\$ 10,312
Totals, Resources	\$ 42,267	\$ 37,508	\$ 32,536
<b>EXPENDITURES</b>			
Disbursements:			
1111 Department of Consumer Affairs Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 13,793	\$ 14,207	\$ 15,802
8890 Financial Information System for California (State Operations)	\$ 19	\$ 1	\$ -4
9892 Supplemental Pension Payments (State Operations)	\$ -	\$ 179	\$ 390
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	\$ 969	\$ 897	\$ 752
Total Disbursements	\$ 14,781	\$ 15,284	\$ 16,940
<b>FUND BALANCE</b>			
Reserve for economic uncertainties	\$ 27,486	\$ 22,224	\$ 15,596
<b>Months in Reserve</b>	21.6	15.7	10.8

**LICENSEE POPULATION VS. STAFF LEVEL**

The CBA presently has 84.9 permanent positions. The following chart provides a comparison between the CBA’s licensee population and its staffing levels for the current and prior seven fiscal years.



**GUIDE TO READING THE FINANCIAL STATEMENT**

OBJECT DESCRIPTION	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018			PROJECTIONS TO YEAR END	UNENCUMBERED BALANCE
	ACTUAL EXPENDITURES (MONTH 13)	ACTUAL EXPENDITURES (MONTH 13)	ACTUAL EXPENDITURES (Prelim FM12)	BUDGET STONE 2018-19	CURRENT YEAR EXPENDITURES 2/28/2019	PERCENT SPENT		
<b>PERSONNEL SERVICES</b>								
Salary & Wages (Staff)	5,205,772	5,198,342	5,278,637	5,592,000	3,540,121	63%	5,177,167	414,833
Statutory Exempt (EO)	127,519	125,559	136,603	114,000	91,200	80%	136,800	(22,800)
Temp Help Reg (Seasonals)	310,832	391,768	360,658	137,000	223,449	163%	337,103	(200,103)
BL 12-03 Blanket	94,506	80,624	81,095		66,182	0%	93,646	(93,646)
Board Member Per Diem	15,300	10,600	5,800	10,000	2,800	28%	14,300	(4,300)
Committee Members (DEC)	11,800	11,000	8,100	11,000	4,400	40%	16,100	(5,100)
Overtime	54,830	47,852	15,754	42,000	95,154	227%	100,000	(58,000)
Staff Benefits	2,806,748	2,954,590	3,089,880	3,282,000	2,111,788	64%	3,169,588	112,412
<b>TOTALS, PERSONNEL SVC</b>	<b>8,627,307</b>	<b>8,820,335</b>	<b>8,976,527</b>	<b>9,188,000</b>	<b>6,135,094</b>	<b>67%</b>	<b>9,044,704</b>	<b>143,296</b>
<b>OPERATING EXPENSE AND MAINT</b>								
General Expense	323,736	355,487	186,699	190,000	146,157	77%	228,861	(38,861)
Fingerprint Reports	44,230	14,184		123,000	9,246	8%	13,869	109,131

**OBJECT DESCRIPTION**  
Provides the name of the budget category (or line item) where expenditures occur

**BUDGET STONE**  
Identifies the amount "budgeted" for the corresponding line item

**PERCENTAGE SPENT**  
Provides a percentage reference of how much of the budget for a particular line item has been spent

**ACTUAL EXPENDITURES**  
This column is provided for reference and reflects the CBA's actual expenditures in each budget area for the prior three fiscal years. FY 2017-18 provides preliminary numbers.

**CURRENT YEAR EXPENDITURES**  
Identifies how much has been expended in the current fiscal year, as of February 28, 2019

**PROJECTIONS TO YEAR END**  
This identifies what the CBA expects to expend for each line item through fiscal year-end.

Major Equipment				55,000	31,582	57%	75,582	(20,582)
Special Items of Expense	337						0	0
Other (Vehicle Operations)		400					0	0
<b>TOTALS, OE&amp;E</b>	<b>5,523,083</b>	<b>5,431,393</b>	<b>4,975,917</b>	<b>5,315,000</b>	<b>3,281,140</b>	<b>62%</b>	<b>5,408,797</b>	<b>(93,797)</b>
<b>TOTAL EXPENSE</b>	<b>14,150,390</b>	<b>14,251,728</b>	<b>13,952,444</b>	<b>14,503,000</b>	<b>9,416,234</b>	<b>65%</b>	<b>14,453,501</b>	<b>49,499</b>
Sched. Reimb. - External/Private	(3,290)	(2,115)	(3,760)	(19,000)			(19,000)	0
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Sched. Reimb. - Other	(294)	0						0
Sched Interdepartmental	(33,561)	0		(92,000)			(92,000)	0
Unsched. Reimb. - Other	(1,380,867)	(330,798)	(348,470)					0
<b>NET APPROPRIATION</b>	<b>12,691,218</b>	<b>13,904,507</b>	<b>13,588,111</b>	<b>14,207,000</b>	<b>9,416,234</b>	<b>66%</b>	<b>14,157,501</b>	<b>49,499</b>
<b>SURPLUS/(DEFICIT):</b>								<b>0.3%</b>

**TOTAL EXPENDITURES**  
Identifies the total amount that has been expended in the current fiscal year, as of February 28, 2019

**SURPLUS**  
Identifies the remaining balance in the budget, after accounting for all expenditures. Any surplus monies will revert to the CBA's Accountancy Fund Reserve.



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**OFFICE OF ADMINISTRATIVE SERVICES / FISCAL OPERATIONS**  
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## MEMORANDUM

<b>DATE</b>	<b>April 18, 2019</b>
<b>TO</b>	ALL Board Executive Officers / Bureau Chiefs
<b>FROM</b>	Janice Shintaku-Enkoji, Chief Fiscal Operations
<b>SUBJECT</b>	<b>DCA FI\$Cal Status Update (April 2019)</b>

This memo provides an update on DCA's efforts implementing the FI\$Cal system, the new statewide system for budgets, accounting, and procurement that the State of California has implemented for all state departments.

DCA transitioned to FI\$Cal in July 2017. While DCA has experienced one full fiscal year using the system and is fast approaching the end of a second year, the transition continues to pose challenges in the reconciliation and closing of fiscal year 2017-18.

In DCA's previous FI\$Cal update memo from last February, it was projected that year-end financial statements would start being produced in March 2019. Since that time, DCA has learned of additional reconciliation requirements that have impacted the previous estimated timeline. Specifically, while DCA has completed its fund reconciliation between FI\$Cal and the State Controller's Office, additional reconciliation steps must occur within submodules of the FI\$Cal system itself.

A significant number of issues between the modules within FI\$Cal have been uncovered as DCA has progressed in this additional reconciliation effort. Each item requires extensive research to diagnose, and individual tickets must be submitted to FI\$Cal staff for correction. The final year-end reconciling process in FI\$Cal is considerably more complex than originally anticipated and DCA now projects the preparation of final financial reports for FY 2017-18 after June 30, 2019.

DCA acknowledges this setback in the budget process and is working diligently in partnership with the Department of Finance and FI\$Cal to complete the reconciliation and year-end process as quickly as possible.

We appreciate your continued patience and understanding as we work to complete these additional technical and workload challenges.



**California Board of Accountancy**  
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Sacramento, CA 95833

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**CBA Item III.B.**  
May 16, 2019

**Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

**Presented by: Deanne Pearce, Assistant Executive Officer**

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**Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information to identify possible fee changes that produce sufficient revenues to more closely align with expenditures and build its Accountancy Fund (Reserve) that secures funds for future operational needs, maintains its enforcement program, and enables the CBA to meet its consumer protection mandate.

**Consumer Protection Objectives**

The CBA must maintain sufficient funds to ensure it can meet its consumer protection mandate, pursuant to Business and Professions Code (BPC) section 5000.1.

**Action(s) Needed**

The CBA will be asked to deliberate and provide direction to staff regarding an increase in fee level for license renewal and initial licensure, first time examination applications, accountancy firm application, and application for retired license status. The action taken by the CBA is needed to more closely align revenues and expenditures and build a 24 Month in Reserve (MIR<sup>1</sup>).

**Background**

In 2000, the license renewal and initial licensure fees were set at \$200. The fees remained at this level until July 2011, when the CBA reduced the fees to \$120. At the time, there was a statutory requirement to keep the CBA's Reserve level at nine MIR. This requirement prompted the CBA to reduce those fees and operate at a negative cash flow to draw down its Reserve as it was approaching 17 MIR, a historically high level at that time.

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<sup>1</sup> MIR is a calculation of the number of months of anticipated budgeted expenditures the CBA has in the Accountancy Fund Reserve.

**Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

Page 2 of 16

In July 2012, following the first year of reduced fees, the CBA determined that the reduction did not have the anticipated impact to the Reserve level. Therefore, the CBA initiated another reduction that became effective in July 2014. For a two-year period, those fees were \$50.

In fiscal year (FY) 2014-15, the CBA conducted an analysis of its Reserve and fee structure and initiated a rulemaking to return the license renewal and initial license fees to \$200. This was done to more closely align revenues and expenditures and increase the Reserve, which at the time was projected to be at approximately six months.

The Department of Finance (DOF) disapproved the regulatory proposal and, as a result, the license renewal fee of \$120 was reinstated beginning July 1, 2016. The disapproval was likely based on the CBA's upcoming receipt of General Fund loan repayments, which would have a positive impact to the Reserve. Without the increase in license renewal and initial license fees, the CBA continued to operate in a negative cash flow.

In January 2018, the CBA took action to increase the license renewal and initial license fees to the statutory maximum of \$250. Based on the information available at that time, the increased fee would more closely align revenues and expenditures, provide sufficient funds in the Reserve for future CBA operations, and progress towards a 24 MIR, as recommended by the Legislature.

Since then, projections have changed and the Department of Consumer Affairs (DCA) has provided revised information regarding the CBA's projected Reserve with a \$250 license renewal and initial license fee level. Based on this new information (**Attachment 1**), the \$250 fee level will not be sufficient to address its current projected expenditures in future years, which will continue to reduce the CBA's Reserve.

At the March 2019 CBA meeting, an agenda item was presented to discuss possible fee increases for license renewal and initial licensure. As the present statutory limit is \$250, a further fee increase may only occur after the statutory limit is increased to \$500, which is presently being proposed as part of the CBA's Sunset Review. Prior to making a decision to change the license renewal and initial license fee, the CBA directed staff to review and provide a proposal that includes increases to other fee categories.

### **Comments**

The CBA's revenues are derived from the assessment of fees for various services that are provided to examination and licensure applicants, licensees, and other stakeholders. The Legislature has established a maximum fee level amount in statute and the CBA has authority to adopt, through regulation, the specific fee assessed, at or below the statutory limit. A regulatory change must be adopted by the CBA and then approved through various control agencies and eventually the Office of Administrative Law (OAL).



## **Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

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The CBA is presently operating in a yearly negative cash flow as expenditures are outpacing revenues by approximately \$4 million to \$5 million per year. The negative cash flow has significantly reduced the CBA's MIR and will continue to do so in future years absent changes in its fee levels.

Further supporting the need for a fee level increase is the Legislature's direction to maintain a 24 MIR. During the CBA's 2015 Sunset Review, the Legislature recommended that the Reserve remain at, or near, 24 MIR, which would position the CBA to handle large enforcement matters. The CBA must also ensure it has sufficient funds in its Reserve if it must rely on Business and Profession Code section 5025.2., which authorizes the CBA to expend an additional \$2 million to fund unanticipated enforcement and litigation activities.

To ensure sufficient funds exist for future expenses, the CBA will need to take action to increase the license renewal and initial license fee to an amount greater than \$250 and consider increasing other CBA fees.

To assist the CBA in determining how to address the structural imbalance in its budget and identify the fees and fee levels to change, the following information is being provided:

- Structure of the CBA Budget and Spending Authority
- Future Budget Augmentation Needs
- Future Legislative Impacts to CBA Revenues
- Fee Analysis
- Statutory and Regulatory Fee Levels
- Options for Fee Increases
- Fee Levels for Other Professions and Other State Boards of Accountancy

### Structure of the CBA Budget and Spending Authority

The CBA operates in a fiscally responsible manner, ensuring that its expenditures are focused on activities that support its consumer protection mandate. The CBA's budget is comprised of two primary areas of spending authority including: 1) personnel services, which includes monies to pay for salaries, staff benefits and, CBA per diem and 2) operating expenses and equipment, which includes, but is not limited to, monies for facility rent, office supplies, travel expenses, and enforcement (Attorney General, Office of Administrative Hearings, etc.).

Within these two areas, the CBA has discretionary and non-discretionary spending authority as identified on **Attachment 2**. Within the discretionary spending, there are areas where the CBA could reduce its expenditures, which would produce budgetary

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savings at the conclusion of each fiscal year. The savings (referred to as surplus) would revert to the CBA's Reserve.

Options the CBA could consider changes within its discretionary spending that would reduce its expenditures include:

- Hold open vacant positions
- Rescind the Budget Change Proposals for staffing positions that would become effective FY 2019-20
- Reduce the number of CBA and committee meetings or hold all, but two, CBA meetings at the CBA's Sacramento office
- Eliminate training and reduce, to the extent possible, the purchasing of office supplies
- Require individuals utilizing a credit card for CBA services to pay the associated transaction fee

The CBA's non-discretionary spending consists primarily of staff salaries and benefits and pro rata paid to DCA. The only option the CBA would have within these areas to reduce expenditures would be to hold open vacant positions. This would create salary savings, but would negatively impact CBA operations.

A reduction in expenditures would contribute towards addressing the structural imbalance between its revenues and expenditures; however, it would be minimal and insignificant.

Future Budget Augmentation Needs

As identified previously, the CBA works to operate in a fiscally responsible manner. However, as the accounting profession evolves, technology changes, and the licensee population increases, there is a greater demand for CBA services. As this occurs, the CBA periodically needs to pursue budget augmentations to secure funds to meet its consumer protection mandate. Budget augmentations are taken from the CBA's Reserve fund, further underscoring the importance of ensuring that it remains at a healthy level.

Presently, the CBA anticipates that future budget augmentations will be needed in the areas of information technology, credit card acceptance, examination validation, and enforcement, as the following describes. Although the following figures are not included in any of the attachments reflecting fund condition projections and a formal request for funding has not been submitted (referred to as a Budget Change Proposal), the CBA may wish to consider these as decisions are made on future fee levels.

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***Information Technology***

The CBA will be undergoing regular audits by various outside agencies to ensure it is meeting statewide and industry established security protocols. The CBA may be pursuing future budget augmentations for a minimum of \$40,000 per year to address these information technology needs.

***Credit Card Acceptance***

The CBA launched an online license renewal option in December 2018, allowing licensees to pay the fee with a credit card. The CBA entered into an agreement with a vendor to provide the credit card payment option. The CBA elected to pay the credit card acceptance fee of two percent in lieu of passing the cost to the user. The cost of the contract for FY 2018-19 was \$47,000, based on projected usage from December 2018 to June 2019. For FY 2019-20, the CBA contract would be for \$95,000 based on an 80 percent usage rate.

Additionally, staff will be working to implement an online credit card payment option for examination and CPA licensure applicants. The yearly cost of the contract could increase to approximately \$200,000.

Another consideration to the credit card acceptance fee is that it functions as a percentage of the transaction amount (\$120 license renewal or \$180 for a delinquent license renewal). The costs previously mentioned are based on the current fee levels. As the renewal fee increases – and if the examination fee increases – the CBA's credit card acceptance costs will also increase.

The contract for credit card transaction fees is in the category of discretionary spending. The CBA could decide to have users pay the associated credit card transaction fee.

***Examination Validation***

Pursuant to BPC section 139 and consistent with DCA Licensure Examination Validation Policy OPES 18-02, the examinations used by the CBA must be regularly evaluated to ensure they meet accepted technical and professional standards. The last evaluation was conducted in 1999. Staff recently met with a representative from DCA's Office of Professional Examination Services who indicated that the CBA would need to plan for this evaluation in FY 2020-21. The CBA will be pursuing a future budget augmentation of \$200,000 to ensure sufficient funds are available for this evaluation.

***Enforcement***

The CBA has seen a significant increase in enforcement matters and related costs in recent years. Enforcement expenditures have nearly doubled since FY 2012-13, due to the resolution of aging inventory and ensuring licensees maintain compliance with new and existing regulatory requirements.

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Enforcement is the CBA's top priority as it works to meet its consumer protection mandate. To enable the CBA to meet this mandate, sufficient funds must exist within its yearly authorized budget and in its Reserve. The CBA has the authority, pursuant to BPC section 5025.2 to request a budget augmentation for up to \$2 million to address unanticipated enforcement matters or litigation. Staff continues to monitor the enforcement expenditures and may request future budget augmentations to ensure it has adequate funds to take enforcement action against those who violate CBA laws and regulations.

Future Legislative Impacts to CBA Revenues

Earlier this year, two pieces of legislation were introduced that, if enacted into law, could have an impact on CBA fee levels and its projected revenues.

***Assembly Bill 544***

Assembly Bill (AB) 544 proposes to limit the maximum fee for the renewal of a license in an inactive status to no more than 50 percent of the renewal fee for an active license. The bill would also prohibit a board from requiring payment of accrued and unpaid renewal fees as a condition of reinstating an expired license or registration.

Presently, licensees who are renewing in an inactive status pay the same fee as licensees who are renewing active. Those renewing in an inactive status do not have to meet the CBA's continuing education requirements. They do, however, still receive a license that reflects an updated license expiration date and the status of inactive. Approximately 33 percent of the CBA's renewal revenue, or \$1,800,000 per year, is comprised of inactive license renewal fees.

If AB 544 were to be enacted, under the current license renewal fee level of \$120, an inactive license renewal fee would be \$60. If enacted into law, this would reduce CBA revenue by approximately \$900,000 per year.

Under the second provision in the bill, the CBA would be prohibited from collecting unpaid and accrued renewal fees for a license or registration that is expired. Presently, an individual who is renewing an expired license that is delinquent more than one renewal cycle (but not expired over five years<sup>2</sup>) must pay the back renewal fees and one delinquent fee.

The CBA projects that there would be approximately 220 licenses or registrations per year that are delinquent more than one renewal cycle. This could reduce CBA revenue by approximately \$54,000 per year.

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<sup>2</sup> Pursuant to BPC section 5070.7, a permit that is not renewed within five years following its expiration may not be renewed, restored, or reinstated thereafter, and the certificate of the holder of the permit shall be canceled immediately upon expiration of the five-year period.

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***Assembly Bill 613***

AB 613 proposes to authorize each board within DCA to increase every four years any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index (CPI) for the preceding four years, subject to specified conditions. The bill further proposes to require the DCA Director to approve any fee increase proposed by a board except under specified circumstances.

This proposal would provide an additional pathway to increase CBA fees, that would be outside of the current rulemaking process. It is difficult to provide an estimate on the impact as it would be based on several factors, including: the change in the CPI in the prior four years, how much of an increase (not to exceed the four-year CPI change and the statutory maximum), and what fees would be changed. This proposal would build, not reduce, CBA revenue.

Fee Analysis

DCA has indicated that future fee level changes should be supported by a fee analysis, which would be completed by a non-state government agency, as DCA stated they are unable to prepare one. In order to pursue this, the CBA will need to conduct a search of available firms, enter into a contract, and then schedule the analysis. This process could take a minimum of four to six months and may cost a minimum of \$40,000 to \$50,000.

In determining a fee level, the fee for the specified service cannot exceed the cost of performing the service. A fee analysis is used to determine appropriate fee levels. Staff can prepare preliminary determinations on fee levels, but an outside entity ultimately performs the fee analysis. The outcome of the fee analysis will be submitted to OAL with the proposed rulemaking package to support the fee level change.

Based on a fee analysis conducted in prior years by CBA staff (**Attachment 3**), it is anticipated that a future fee analysis would support an increase in the license renewal fee.

Statutory and Regulatory Fee Levels

At the March 2019 meeting, staff presented the CBA with information on possible increases in the license renewal and initial license fee level. During its deliberations, the CBA requested that increases in other CBA fees be presented for consideration. The CBA cannot increase a fee to an amount that exceeds the statutory limit.

The following provides an overview of the statutory limit and regulatory level of the CBA's fees:

**Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

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<b>Fee</b>	<b>Statutory Limit</b>	<b>Regulatory Level (current fee amount)</b>
<b>Application Fee for CPA</b>	\$250	\$250
<b>Application fee for firms</b>	\$250	\$150
<b>First Time Exam</b>	\$600	\$100
<b>Repeat Exam</b>	\$75	\$50
<b>Initial Permit – 2 Year</b>	\$250	\$120
<b>Initial Permit – 1 Year</b>	\$125	\$60
<b>Initial Permit – Firms</b>	\$250	\$120
<b>Biennial Renewal</b>	\$250	\$120
<b>Delinquent Biennial Renewal</b>	\$125	\$60
<b>Certification</b>	\$25	\$25
<b>Retired Status License</b>	\$250	\$75
<b>Retired Status Restoration</b>	\$2,000	\$50

Based on this information, in addition to the license renewal and initial license fee, staff reviewed the following fees to determine the feasibility of increases:

- Application fee for accountancy firm licensure
- First-time examination application fee
- Repeat examination application fee
- Application fee for retired status license
- Application for restoration of retired status license

As staff conducted its review on the above fees, it concluded that the repeat examination application and the application for restoration of a retired status license fees should not be considered for a fee increase.

The repeat examination application fee is presently set at \$50 and the statutory limit is \$75. However, based on the workload associated with processing these applications, it would likely not support a higher level fee as repeat applications are approved upon receipt and no additional review of education is necessary. Additionally, it's possible that an increase could be viewed as a barrier to licensure and discourage individuals from applying to finish the Uniform CPA Examination (CPA Exam) or from retaking failed sections of the CPA Exam.

**Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

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The application fee for restoration of retired status license is presently set at \$50 and the statutory limit is \$2,000. Based on the workload associated with this service, it would likely not support a significant increase in the fee level. Additionally, since the implementation of the retired status license in July 2014, the CBA has received less than 20 applications for restoration of a retired status license. An increase in this fee amount would not have a significant impact on CBA revenues.

Options for Fee Increases

Staff have identified four options for CBA consideration to meet a 24 MIR level as recommended by the Legislature:

- Option 1: Emergency Rulemaking for license renewal and initial licensure fee to \$250 and subsequent increase to license renewal and initial licensure fee to an amount greater than \$250
- Option 2: Two-step fee level increase for license renewal and initial licensure and increases in other CBA-related fees
- Option 3: Large fee increase for one renewal cycle, followed by a reduced fee for future renewal cycles
- Option 4: Establish a minimum for the license renewal and initial license fee in legislation

With the exception of Option 4, the CBA would need to pursue a rulemaking to change any of its fee levels. A regular rulemaking could take up to 24 months and emergency rulemaking would take significantly less time.

The following is provided to guide the CBA in determining the most feasible option to ensure the CBA has sufficient resources to meet its consumer protection mandate:

- The selected fee level(s) should ensure that the CBA has a structurally balanced budget and generates sufficient revenue to cover its yearly authorized expenditures.
- The CBA has limited discretionary spending it can reduce without impacting consumer protection and the services provided to stakeholders.
- Due to ongoing increases in its Enforcement costs, the CBA needs sufficient reserves in the event it must request supplemental Enforcement funding, pursuant to BPC 5025.2.
- The CBA needs sufficient funds in its Reserve to address future budget augmentation needs.
- The Legislature has recommended the CBA maintain 24 MIR level.
- A \$250 fee level increase alone is not sufficient to align the CBA's revenues with expenditures.

**Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

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- If OAL disapproves the CBA's rulemaking to increase the license renewal and initial license fee to \$250, it is anticipated that the CBA will become insolvent by FY 2022-23
- Increases in Examination fees could be considered a barrier to licensure

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**OPTION 1**

**Emergency rulemaking for license renewal and initial licensure fee to \$250 and subsequent increase to license renewal and initial licensure fee to an amount greater than \$250**

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Under this option (**Attachment 4**), the CBA would take action to pursue an emergency rulemaking and make a finding of emergency to implement the previously approved fee level of \$250 for license renewal and initial licensure. If approved, it's anticipated the increase may be implemented on or about January 1, 2020. This would need to be followed by a second rulemaking proposal (not an emergency rulemaking) to increase the fee to an amount greater than \$250, which would take effect in July 2021.

This option only would impact the license renewal and initial license fees.

*Scenario 1:*

- License renewal and initial licensure fee of \$250 starting January 1, 2020 and ongoing

*Scenario 2:*

- License renewal and initial licensure fee of \$250 starting January 1, 2020 and an increase to \$300 beginning FY 2021-22 and ongoing

*Scenario 3:*

- License renewal and initial licensure fee of \$250 starting January 1, 2020 and an increase to \$350 beginning FY 2021-22 and ongoing

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**OPTION 2**

**Two-step fee level increase for license renewal and initial licensure and increases in other CBA-related fees via a regular rulemaking**

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Staff prepared many options for CBA consideration, taking into account increases in various CBA-related fees and statutory limitations, with the goal of ensuring revenues more closely align with expenditures and build the CBA's Reserve.

**Attachments 5, 6, 7, and 8** each contain three scenarios regarding possible fee level changes. Each scenario considers a two-step increase to the license renewal and initial



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licensure fee, with the first step setting the fee at \$250 beginning FY 2021-22. Scenario 2 and Scenario 3 include increases to the accountancy firm application, first time examination application and application for retired status license fees.

**Attachment 5 – \$250/\$300 License Renewal and Initial License Fee**

Attachment 5 provides the following three scenarios of fee levels:

*Scenario 1:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$300 for FY 2022-23 and ongoing

*Scenario 2:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$300 for FY 2022-23 and ongoing
- Accountancy firm application fee increase from \$150 to \$200
- First-time examination application fee increase from \$100 to \$150
- Application for retired status license fee increase from \$75 to \$125

*Scenario 3:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$300 for FY 2022-23 and ongoing
- Accountancy firm application fee increase from \$150 to \$250
- First-time examination application fee increase from \$100 to \$200
- Application for retired status license fee increase from \$75 to \$250

**Attachment 6 – \$350 License Renewal and Initial License Fee**

Attachment 6 provides the following three scenarios of fee levels:

*Scenario 1:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$350 for FY 2022-23 and ongoing

*Scenario 2:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$350 for FY 2022-23 and ongoing
- Accountancy firm application fee increase from \$150 to \$200

**Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

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- First-time examination application fee increase from \$100 to \$150
- Application for retired status license fee increase from \$75 to \$125

*Scenario 3:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$350 for FY 2022-23 and ongoing
- Accountancy firm application fee increase from \$150 to \$250
- First-time examination application fee increase from \$100 to \$200
- Application for retired status license fee increase from \$75 to \$250

**Attachment 7 – \$400 License Renewal and Initial License Fee**

Attachment 7 provides the following three scenarios of fee levels:

*Scenario 1:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$400 for FY 2022-23 and ongoing

*Scenario 2:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$400 for FY 2022-23 and ongoing
- Accountancy firm application fee increase from \$150 to \$200
- First-time examination application fee increase from \$100 to \$150
- Application for retired status license fee increase from \$75 to \$125

*Scenario 3:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$400 for FY 2022-23 and ongoing
- Accountancy firm application fee increase from \$150 to \$250
- First-time examination application fee increase from \$100 to \$200
- Application for retired status license fee increase from \$75 to \$250

**Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

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**Attachment 8 – \$450 License Renewal and Initial License Fee**

Attachment 8 provides the following three scenarios of fee levels:

*Scenario 1:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$450 for FY 2022-23 and ongoing

*Scenario 2:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$450 for FY 2022-23 and ongoing
- Accountancy firm application fee increase from \$150 to \$200
- First-time examination application fee increase from \$100 to \$150
- Application for retired status license fee increase from \$75 to \$125

*Scenario 3:*

- Two-step increase for license renewal and initial licensure fee of \$250 in FY 2021-22 and \$450 for FY 2022-23 and ongoing
- Accountancy firm application fee increase from \$150 to \$250
- First-time examination application fee increase from \$100 to \$200
- Application for retired status license fee increase from \$75 to \$250

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**OPTION 3**

**Large fee increase for one renewal cycle, followed by a reduced fee for future renewal cycles via a regular rulemaking**

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To quickly increase revenue and obtain a 24 MIR level, the CBA could consider a one-time increase to the license renewal and initial licensure fee to the proposed statutory maximum of \$500 for a two-year period starting FY 2021-22 and then reduce the renewal fee to \$300 beginning FY 2023-24 (**Attachment 9**).

Although this fee level would enable the CBA to reach a 24 MIR level in future years, the CBA would need to first determine whether the workload associated with the license renewal process would justify \$500. Additionally, this fee level is significantly higher than the present fee of \$120.

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**OPTION 4**

**Establish a minimum amount for the license renewal and initial license fee in statute**

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The CBA could consider requesting a statutory change to BPC section 5134(f) to establish a minimum fee to be assessed for license renewal and initial license. A statutory change, if approved, would require licensees and licensure applicants to be subject to the fee level when the statute becomes effective on January 1, 2020, or unless a later date is specified in statute.

This option would not require a regulation as the minimum established in statute would automatically create a new fee level. Under this option, the statute would still contain a statutory maximum that would allow the CBA to increase fees in the future via a rulemaking.

**Attachment 10** provides three scenarios for a statutory change to establish a minimum fee level for license renewal and initial licensure, including:

*Scenario 1:*

- Increase the license renewal and initial licensure fee to \$300 beginning on January 1, 2020

*Scenario 2:*

- Increase the license renewal and initial licensure fee to \$325 beginning on January 1, 2020

*Scenario 3:*

- Increase the license renewal and initial licensure fee to \$350 beginning on January 1, 2020

Fee Levels for Other Professions and Other State Boards of Accountancy

The fee levels of other professions in California and other state boards of accountancy (**Attachment 11**) are provided for CBA reference. Each profession and state board of accountancy has a unique structure that impacts its budget and guides its expenditures. There are many variables including, but not limited to, complexity of application processes, volume of applicants, licensee population, and number of staff.

Additionally, with regard to other state boards of accountancy, the structure of their organization may not mirror the CBA and DCA. Other state boards of accountancy may be housed within a professional licensure agency and have staff that are responsible for a number of licensed professions, not just accountancy. With this in mind, the fees assessed are likely not comparable to the CBA.

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### **Fiscal/Economic Impact Considerations**

There will be a fiscal and economic impact to applicants for the CPA Exam, applications for CPA licensure, licensees, and accountancy firms. The degree of the impact will be based on the identified fee level(s).

### **Recommendation**

Staff recommend the CBA take action and select the option and fee levels that will meet the Legislature's recommendation to be at, or near, 24 MIR and provide a sufficient Reserve level to meet the CBA's operational and Enforcement needs to achieve its consumer protection mandate. The options and scenarios that support staff's recommendation include:

- Option 1 – Emergency Rulemaking for license renewal and initial licensure fee of \$250 starting January 1, 2020 and a regular rulemaking to increase to \$350 beginning FY 2021-22 and ongoing (**Attachment 4**)
- Option 2 – \$450 License Renewal and Initial License Fee and Increases to Other CBA-Related Fees – Scenarios 1, 2, and 3 (**Attachment 8**)
- Option 3 – \$500 Fee Level for One Renewal Cycle, followed by a Reduced Fee for Future Renewal Cycles (**Attachment 9**)
- Option 4 – Establish a Minimum for the License Renewal and Initial License Fee in Statute – Scenarios 2 and 3 (**Attachment 10**)

The CBA's Legal Counsel will be available at the meeting to assist in crafting a motion that is reflective of the outcome of the CBA's deliberations.

### **Attachments**

1. Fund Projection with Fee Increase of \$250
2. Overview of California Board of Accountancy Non-Discretionary and Discretionary Spending
3. California Board of Accountancy Internal Fee Analysis - 2015
4. Emergency Rulemaking Fee Increase Proposal
5. Analysis of Fund Condition – \$300 License Renewal and Initial License Fee
6. Analysis of Fund Condition – \$350 License Renewal and Initial License Fee
7. Analysis of Fund Condition – \$400 License Renewal and Initial License Fee
8. Analysis of Fund Condition – \$450 License Renewal and Initial License Fee
9. Analysis of Fund Condition – One-time Increase to \$500, Future Reduction to \$300
10. Minimum Fee Level Established in Statute
11. Renewal Fees for Other Professions and Other State Boards of Accountancy

**Discussion and Possible Action to Make Changes to California Board of Accountancy Fee Levels by One of the Following Options: 1) Initiate a Regular Rulemaking or an Emergency Rulemaking to Increase Fees in Title 16, California Code of Regulations, Section 70 – Fees, or 2) Propose a Statutory Change to Business and Professions Code Section 5134, Regarding Fees**

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12. Proposed Text for California Code of Regulations Section 70

13. Proposed Statutory Text for Business and Professions Code Section 5134 – Fees

**0704 - California Board of Accountancy  
Analysis of Fund Condition**

(Dollars in Thousands)

Governor's Budget FY 2019-20

**Fee Increase of \$250**

	PY 2017-18	CY 2018-19	Governor's Budget BY 2019-20	BY+1 2020-21	BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 31,789	\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,319	\$ 7,400	\$ 6,148	\$ 4,557
Prior Year Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 31,789	\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,319	\$ 7,400	\$ 6,148	\$ 4,557
<b>REVENUES AND TRANSFERS</b>								
Revenues:								
4129200 Other regulatory fees	\$ 215	\$ 187	\$ 192	\$ 188	\$ 192	\$ 192	\$ 192	\$ 192
4129400 Other regulatory licenses and permits	\$ 4,445	\$ 4,259	\$ 4,388	\$ 4,259	\$ 4,664	\$ 4,664	\$ 4,664	\$ 4,664
4127400 Renewal fees	\$ 5,447	\$ 5,301	\$ 5,460	\$ 5,301	\$ 11,330	\$ 11,330	\$ 11,330	\$ 11,330
4121200 Delinquent fees	\$ 255	\$ 208	\$ 219	\$ 211	\$ 456	\$ 456	\$ 456	\$ 456
4143500 Miscellaneous services to the public	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4163000 Income from surplus money investments	\$ 84	\$ 67	\$ 53	\$ 25	\$ 22	\$ 18	\$ 14	\$ 8
4171400 Escheat of unclaimed checks and warrants	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4172500 Miscellaneous revenues	\$ 27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 10,478	\$ 10,022	\$ 10,312	\$ 9,984	\$ 16,664	\$ 16,660	\$ 16,656	\$ 16,650
Transfers from Other Funds								
Totals, Revenues and Transfers	\$ 10,478	\$ 10,022	\$ 10,312	\$ 9,984	\$ 16,664	\$ 16,660	\$ 16,656	\$ 16,650
Totals, Resources	\$ 42,267	\$ 37,508	\$ 32,536	\$ 25,580	\$ 24,983	\$ 24,060	\$ 22,804	\$ 21,207
<b>EXPENDITURES</b>								
Disbursements:								
1111 Department of Consumer Affairs Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 13,793	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 19	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ -	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations)	\$ 969	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 14,781	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>								
Reserve for economic uncertainties	\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,319	\$ 7,400	\$ 6,148	\$ 4,557	\$ 2,618
<b>Months in Reserve</b>	21.6	15.7	10.8	5.7	5.0	4.0	2.9	1.7



**California Board of Accountancy**  
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## Attachment 2

### Overview of California Board of Accountancy Non-Discretionary and Discretionary Spending

<b>PERSONNEL SERVICES – 63 percent of CBA Budget</b>	
<b>Non-Discretionary</b>	<b>Discretionary</b>
Salary & Wages (Permanent Staff)	Temporary Help
Staff Benefits	Board member Per Diem
	Committee Member Per Diem
	Overtime
<b><i>\$8,988,000 or 62 percent of CBA Budget</i></b>	<b><i>\$200,000 or 1 percent of CBA Budget</i></b>
<b>OPERATING EXPENSE AND EQUIPMENT – 37 percent of CBA Budget</b>	
<b>Non-Discretionary</b>	<b>Discretionary</b>
Fingerprint Reports	General Expense
Insurance	Minor and Major Equipment
Facilities Operations	Printing and Postage
<b>Departmental Services (DCA Pro Rata):</b>	Communication
Office of Information Services	Travel (in-state and out-of-state)
DCA Administration	Training
Division of Investigation (DOI)	Contracts (Internal and External)
Communications Division	Credit Card Transaction Fees
Program and Policy Review Division	<b>Enforcement:</b>
<b>Exam Expenses:</b>	Office of Attorney General
Uniform CPA Examination Contract	Office of Administrative Hearings
<b>Enforcement:</b>	Court Reporters
DOI Investigations	Evidence/Witness Fees
<b><i>\$2,766,000 or 19 percent of CBA Budget</i></b>	<b><i>\$2,549,000 or 18 percent of CBA Budget</i></b>



**California Board of Accountancy Internal Fee Audit - Completed in 2015 Attachment 3**

ACTIVE INDIVIDUAL CPA/PA BIENNIAL RENEWAL					
ACTIVE INDIVIDUAL CPA/PA APPS 26,121		TOTAL APPS 41,274		% of Renewal Apps 63.29%	
Function	Classification	Min/Activity	Occurrences	Total Time (hours)	Assumptions/Comments
Direct Tasks					(fractional occurrence equivalents calculated per year)
Application intake, date stamp for tracking, sort batch by licensee #	OT	2	1.0000	0.0333	
Assign cashier number associated with application, update licensee record, forward to CBA cashiering	OT	7	0.1117	0.0130	4,612 payments processed at CBA. All remaining payments processed at DCA headquarters
Application Review to determine Continuing Education (CE) necessary	SSA	5	1.0000	0.0833	
CE Worksheet Review, update contact information and license record	OT	13	1.0000	0.2167	100% of CPA renewal apps are reviewed to ensure proper CE is taken
Check and Verification of Peer Review Form	OT	5	1.0000	0.0833	
Process CE extension request	SSA	20	0.0096	0.0032	Assume 250 per year out of 26,121 total individual apps every year
Issue extension letter	SSA	5	0.0096	0.0008	Assume 250 per year out of 26,121 total individual apps every year
Re-Review of CE submitted	SSA	15	0.0096	0.0024	Assume 250 per year out of 26,121 total individual apps every year
Draft and send 1st deficiency Letter and Update Record	SSA	10	0.2166	0.0361	5,659 deficiencies out of 26,121 active applications in FY 13-14
Issue 2nd Deficiency Letter and Update Record	SSA	5	0.0542	0.0045	assumes 25% of the deficient will not respond to the 1st letter timely and will receive a second letter
Review Compliance Documents	SSA	5	0.1213	0.0101	Assumes 80% of deficient individuals eventually comply and submit compliance documents, 70% of which will be less complex in nature, requiring a SSA to review
Review More Complex Compliance Documents	AGPA	15	0.0520	0.0130	30% of the compliance docs are more complex requiring an AGPA to review
Complete recommendation to Enforcement for non-compliance	AGPA	30	0.0433	0.0217	20% of deficient individuals do not comply
Audit of CE, initial letter requesting proof of course completion	SSA	5	0.0276	0.0023	75 audits per month, 900 per year out of 26,088 annual renewal apps
Issue 1st Non-Compliance Letter and Update Record	SSA	5	0.0028	0.0002	Assumes 10% will not respond timely
Issue 2nd Non-Compliance Letter and Update Record	SSA	5	0.0007	0.0001	Assumes 24 % of the non-compliance population will still not respond
Review Course Completion Documents	SSA	10	0.0154	0.0026	Assumes 80% of audited individuals will submit compliance documents, 70% of which will be less complex in nature, requiring a SSA to review
Review More Complex Course Completion Documents	AGPA	15	0.0066	0.0017	30% of the compliance docs are more complex requiring an AGPA to review
Complete recommendation to Enforcement for non-compliance	AGPA	30	0.0055	0.0028	20% of the audited individuals never respond
Deceased CPAs - Update record, pull file and schedule for archiving	OT	5	0.0010	0.0001	40 per year, only applies to active/inactive individual CPAs
No Fee Enclosed - draft and send letter, update record	OT	5	0.0032	0.0003	132 per year
Underpaid renewals - draft and prepare letter, update record	OT	15	0.0133	0.0033	547 per year
Overpay or duplicate payment - process refund request, send request to DCA, update record	OT	15	0.0012	0.0003	48 per year
No Renewal Necessary - draft and send letter, update record	OT	7	0.0020	0.0002	84 per year
Returned license renewal applications and wall certificates - flage and update record for invalid address	OT	3	0.0198	0.0010	816 per year
Process Address Change Forms	OT	3	0.0523	0.0026	2,160 annually
Respond to general clerical phone calls	OT	5	0.3659	0.0305	25,172 phone calls received for Renewals. This assumes 60% of calls are handled by OTs and remaining 40% are handled by analysts
Respond to complex analytical phone calls	SSA	5	0.2440	0.0203	
Respond to general clerical e-mails	OT	5	0.1404	0.0117	14,488 e-mails received for renewals. This assumes 60% of e-mails are handled by OTs and remaining 40% are handled by analysts
Respond to complex analytical e-mails	SSA	5	0.2106	0.0176	
Respond to walk-in inquiries at reception	SSA	7.5	0.0025	0.0003	Assumes 2 walk ins weekly
Filing	OT	1	1.0000	0.0167	Assumes 1 per application
<b>Indirect Tasks</b>					
Monthly Meeting Attendance	OT	60	0.0012	0.0012	4 OTs @ 1 hr/mth, 12 mths per yr/26088 apps
Attend unit meetings	SSA	60	0.0015	0.0015	5 SSAs @ 1 hr/mth, 12 mths per yr/26088 apps
Attend unit meetings	AGPA	60	0.0006	0.0006	2 AGPAs @ 1 hr /mth, 12 mths per yr/26088 apps
Sort batches of renewals from mailroom	OT	15	0.0116	0.0029	assume 2x daily, everyday
Schedule and compile records for archiving	OT	1	0.0058	0.0001	assume once per day, 240 days per year
Review and update handbooks/website information/procedures	AGPA	4800	0.0001	0.0079	performed quarterly
Prepare Special Reports	AGPA	4800	0.0000	0.0039	Assume 2X annually
Draft issue papers/statistics for Board meetings	AGPA	2,400	0.0001	0.0058	Six times per year
Draft NASBA quickpoll	AGPA	240	0.0003	0.0012	Monthly per PY
General Oversight of SSAs and OTs	AGPA	480	0.0013	0.0101	2 Coordinators @ 10% of duties per duty statements
Approve/deny legislative review course providers	AGPA	5,200	0.0002	0.0168	8 times per year
OPERATING COSTS (OE&E) FOR RCC UNIT					includes rent, prorata, general expenses, etc.
Total Annual Operating Expenses for RCC Unit	\$412,673.00				per CBA FY 14-15 mid year cost center breakdown
Operating Expenses per PY	\$37,515.73				11 PYs in the RCC Unit
Operating Expense Cost per Hour	\$21.12				assumes 1,776 hours/year for 1 PY
LICENSING MANAGEMENT OVERSIGHT					
Total Operating Budget for Licensing Administration	\$476,863.00				includes salaries, benefits of managers & their OE&E
Licensing Administration Cost per PY	\$15,383.32				31 PYs total - Prac Priv (1), RCC (11), Exams (6), Initial Licensing (13)
Licensing Administration Cost per Hour	\$8.66				assumes 1,776 hours/year for 1 PY
ADMINISTRATION & EXECUTIVE SUPPORT					
Total Operating Budgets for Admin & Exec	\$2,673,388.00				includes salaries and benefits for 19.4 PYs & their OE&E
Admin & Exec Support Cost per PY	\$28,470.59				93.9 PYs in all of Board of Accountancy
Admin & Exec Support Cost per Hour	\$16.03				assumes 1,776 hours/year for 1 PY
ENFORCEMENT DISTRIBUTED COST PER APPLICATION					
Total Operating Budget for Enforcement	\$6,687,876.00				includes salaries, benefits, and OE&E
% of Investigative Cases Involving Active Individual CPAs	80.00%				FY 11-12 actual statistics
Applicable Cost to be Distributed	\$5,350,300.80				
# of Active CPA renewals in a given year	26,121				
Approximate Enforcement Distributed Cost per Renewal Application	\$204.83				
<b>TOTAL OVERHEAD/SUPPORT COSTS PER PY PER HOUR</b>	<b>\$45.82</b>				
TOTAL OT HOURS PER CPA/PA RENEWAL	0.4172				
HOURLY RATE OF OT	\$27.67				assumes salaries @ midstep, benefits @ 37.65%
DIRECT OT COST PER CPA/PA RENEWAL	\$11.54				assumes 1,776 hours/year for 1 PY
OT OVERHEAD/SUPPORT COST	\$19.11				
<b>TOTAL OT COST PER CPA/PA RENEWAL</b>	<b>\$30.66</b>				
TOTAL SSA HOURS PER CPA/PA RENEWAL	0.1853				
HOURLY RATE OF SSA	\$33.78				
DIRECT SSA COST PER CPA/PA RENEWAL	\$6.26				
SSA OVERHEAD/SUPPORT COST	\$8.49				
<b>TOTAL SSA COST PER CPA/PA RENEWAL</b>	<b>\$14.75</b>				
TOTAL AGPA HOURS PER CPA/PA RENEWAL	0.0854				
HOURLY RATE OF AGPA	\$45.33				
DIRECT AGPA COST PER CPA/PA RENEWAL	\$3.87				
AGPA OVERHEAD/SUPPORT COST	\$3.91				
<b>TOTAL AGPA COST PER CPA/PA RENEWAL</b>	<b>\$7.78</b>				
<b>DISTRIBUTED ENFORCEMENT COST PER CPA/PA RENEWAL</b>	<b>\$204.83</b>				
<b>TOTAL COSTS PER CPA/PA RENEWAL</b>	<b>258.02</b>				

California Board of Accountancy Analysis of Fund Condition

One Step Increase \$250

	CY 2018-19	Governor's Budget					
		BY 2019-20	BY+1 2020-21	BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 18,813	\$ 18,820	\$ 19,019	\$ 18,888	\$ 18,421
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,560	\$ 4,875	\$ 5,019	\$ 5,019	\$ 5,019	\$ 5,019
4127400 Renewal fees	\$ 5,301	\$ 8,395	\$ 11,670	\$ 12,020	\$ 12,020	\$ 12,020	\$ 12,020
4121200 Delinquent fees	\$ 208	\$ 329	\$ 470	\$ 484	\$ 484	\$ 484	\$ 484
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 56	\$ 57	\$ 56	\$ 55	\$ 53
Totals, Revenues	\$ 10,022	\$ 13,529	\$ 17,268	\$ 17,782	\$ 17,781	\$ 17,780	\$ 17,778
<b>EXPENDITURES</b>							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 18,813	\$ 18,820	\$ 19,019	\$ 18,888	\$ 18,421	\$ 17,610
<b>Months in Reserve</b>	<b>15.7</b>	<b>13.1</b>	<b>12.8</b>	<b>12.7</b>	<b>12.4</b>	<b>11.9</b>	<b>11.2</b>

Two Step Increase Scenario \$250 / \$300

	CY 2018-19	Governor's Budget					
		BY 2019-20	BY+1 2020-21	BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 18,813	\$ 18,820	\$ 21,658	\$ 24,174	\$ 26,362
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,560	\$ 4,875	\$ 5,159	\$ 5,159	\$ 5,159	\$ 5,159
4127400 Renewal fees	\$ 5,301	\$ 8,395	\$ 11,670	\$ 14,414	\$ 14,414	\$ 14,414	\$ 14,414
4121200 Delinquent fees	\$ 208	\$ 329	\$ 470	\$ 581	\$ 581	\$ 581	\$ 581
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 56	\$ 65	\$ 72	\$ 79	\$ 84
Totals, Revenues	\$ 10,022	\$ 13,529	\$ 17,268	\$ 20,421	\$ 20,428	\$ 20,435	\$ 20,440
<b>EXPENDITURES</b>							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 18,813	\$ 18,820	\$ 21,658	\$ 24,174	\$ 26,362	\$ 28,213
<b>Months in Reserve</b>	<b>15.7</b>	<b>13.1</b>	<b>12.8</b>	<b>14.5</b>	<b>15.9</b>	<b>17.0</b>	<b>17.8</b>

Two Step Increase Scenario \$250 / \$350

	CY 2018-19	Governor's Budget					
		BY 2019-20	BY+1 2020-21	BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 18,813	\$ 18,820	\$ 24,297	\$ 29,460	\$ 34,303
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,560	\$ 4,875	\$ 5,299	\$ 5,299	\$ 5,299	\$ 5,299
4127400 Renewal fees	\$ 5,301	\$ 8,395	\$ 11,670	\$ 16,809	\$ 16,809	\$ 16,809	\$ 16,809
4121200 Delinquent fees	\$ 208	\$ 329	\$ 470	\$ 677	\$ 677	\$ 677	\$ 677
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 56	\$ 73	\$ 88	\$ 103	\$ 116
Totals, Revenues	\$ 10,022	\$ 13,529	\$ 17,268	\$ 23,060	\$ 23,075	\$ 23,090	\$ 23,103
<b>EXPENDITURES</b>							
Disbursements:							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 18,813	\$ 18,820	\$ 24,297	\$ 29,460	\$ 34,303	\$ 38,817
<b>Months in Reserve</b>	<b>15.7</b>	<b>13.1</b>	<b>12.8</b>	<b>16.3</b>	<b>19.4</b>	<b>22.1</b>	<b>24.6</b>

Analysis of Fund Condition - \$300 License Renewal and Initial License Fee

SCENARIO 1

Current Fees (other than Permits, Renewal and Delinquent Fees):

Registration Part/Corp. Fee - \$150  
 First-Time Exam Application Fee - \$100  
 Retired CPA/PA Fee - \$75

	CY 2018-19	Governor's Budget BY 2019-20	BY+1 2020-21	\$250		\$300	
				BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,098	\$ 11,577	\$ 13,727
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,019	\$ 5,159	\$ 5,159	\$ 5,159
4127400 Renewal fees	\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,019	\$ 14,414	\$ 14,414	\$ 14,414
4121200 Delinquent fees	\$ 208	\$ 219	\$ 226	\$ 484	\$ 581	\$ 581	\$ 581
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 27	\$ 27	\$ 35	\$ 41	\$ 46
Totals, Revenues	\$ 10,022	\$ 10,312	\$ 10,595	\$ 17,751	\$ 20,391	\$ 20,397	\$ 20,402
<b>EXPENDITURES</b>							
Disbursements:							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,098	\$ 11,577	\$ 13,727	\$ 15,540
<b>Months in Reserve</b>	<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.1</b>	<b>7.6</b>	<b>8.9</b>	<b>9.8</b>

SCENARIO 2

Proposed Fees (other than Permits, Renewal and Delinquent Fees):

Eff 2021-22  
 Registration Part/Corp. Fee - \$200  
 First-Time Exam Application Fee - \$150  
 Retired CPA/PA Fee - \$125

	CY 2018-19	Governor's Budget BY 2019-20	BY+1 2020-21	\$250		\$300	
				BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,551	\$ 12,482	\$ 15,086
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,440	\$ 5,580	\$ 5,580	\$ 5,580
4127400 Renewal fees	\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,049	\$ 14,443	\$ 14,443	\$ 14,443
4121200 Delinquent fees	\$ 208	\$ 219	\$ 226	\$ 484	\$ 581	\$ 581	\$ 581
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 27	\$ 29	\$ 37	\$ 45	\$ 52
Totals, Revenues	\$ 10,022	\$ 10,312	\$ 10,595	\$ 18,204	\$ 20,843	\$ 20,851	\$ 20,858
<b>EXPENDITURES</b>							
Disbursements:							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,551	\$ 12,482	\$ 15,086	\$ 17,355
<b>Months in Reserve</b>	<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.4</b>	<b>8.2</b>	<b>9.7</b>	<b>11.0</b>

SCENARIO 3

Proposed Fees (other than Permits, Renewal and Delinquent Fees):

Eff 2021-22  
 Registration Part/Corp. Fee - \$250  
 First-Time Exam Application Fee - \$200  
 Retired CPA/PA Fee - \$250

	CY 2018-19	Governor's Budget BY 2019-20	BY+1 2020-21	\$250		\$300	
				BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 10,044	\$ 13,471	\$ 16,573
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,860	\$ 6,000	\$ 6,000	\$ 6,000
4127400 Renewal fees	\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,121	\$ 14,516	\$ 14,516	\$ 14,516
4121200 Delinquent fees	\$ 208	\$ 219	\$ 226	\$ 484	\$ 581	\$ 581	\$ 581
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 27	\$ 30	\$ 40	\$ 50	\$ 58
Totals, Revenues	\$ 10,022	\$ 10,312	\$ 10,595	\$ 18,697	\$ 21,339	\$ 21,349	\$ 21,357
<b>EXPENDITURES</b>							
Disbursements:							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 15,596	\$ 8,930	\$ 10,044	\$ 13,471	\$ 16,573	\$ 19,341
<b>Months in Reserve</b>	<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.7</b>	<b>8.9</b>	<b>10.7</b>	<b>12.3</b>

Analysis of Fund Condition - \$350 License Renewal and Initial License Fee

<b>SCENARIO 1</b>				\$250		\$350				
<b>Current Fees</b> (other than Permits, Renewal and Delinquent Fees):				<b>Governor's Budget</b>						
Registration Part/Corp. Fee - \$150				CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5
First-Time Exam Application Fee - \$100				2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Retired CPA/PA Fee - \$75										
<b>BEGINNING BALANCE</b>				\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,098	\$ 14,216	\$ 19,013
<b>REVENUES AND TRANSFERS</b>										
Revenues:										
4129200	Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202	\$ 202	\$ 202
4129400	Other regulatory licenses and permits	\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,019	\$ 5,299	\$ 5,299	\$ 5,299	\$ 5,299	\$ 5,299
4127400	Renewal fees	\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,019	\$ 16,809	\$ 16,809	\$ 16,809	\$ 16,809	\$ 16,809
4121200	Delinquent fees	\$ 208	\$ 219	\$ 226	\$ 484	\$ 677	\$ 677	\$ 677	\$ 677	\$ 677
4163000	Income from surplus money investments	\$ 67	\$ 53	\$ 27	\$ 27	\$ 43	\$ 57	\$ 70	\$ 70	\$ 70
Totals, Revenues				\$ 10,022	\$ 10,312	\$ 10,595	\$ 17,751	\$ 23,030	\$ 23,044	\$ 23,057
<b>EXPENDITURES</b>										
Disbursements:										
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446	\$ 17,446	\$ 17,446
8880	Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements				\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>										
Reserve for economic uncertainties				\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,098	\$ 14,216	\$ 19,013	\$ 23,481
<b>Months in Reserve</b>				<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.1</b>	<b>9.3</b>	<b>12.3</b>	<b>14.9</b>

<b>SCENARIO 2</b>				\$250		\$350				
<b>Proposed Fees</b> (other than Permits, Renewal and Delinquent Fees):				<b>Governor's Budget</b>						
Eff 2021-22				CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5
Registration Part/Corp. Fee - \$200				2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
First-Time Exam Application Fee - \$150										
Retired CPA/PA Fee - \$125										
<b>BEGINNING BALANCE</b>				\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,550	\$ 15,121	\$ 20,373
<b>REVENUES AND TRANSFERS</b>										
Revenues:										
4129200	Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202	\$ 202	\$ 202
4129400	Other regulatory licenses and permits	\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,440	\$ 5,720	\$ 5,720	\$ 5,720	\$ 5,720	\$ 5,720
4127400	Renewal fees	\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,048	\$ 16,839	\$ 16,839	\$ 16,839	\$ 16,839	\$ 16,839
4121200	Delinquent fees	\$ 208	\$ 219	\$ 226	\$ 484	\$ 677	\$ 677	\$ 677	\$ 677	\$ 677
4163000	Income from surplus money investments	\$ 67	\$ 53	\$ 27	\$ 29	\$ 45	\$ 61	\$ 76	\$ 76	\$ 76
Totals, Revenues				\$ 10,022	\$ 10,312	\$ 10,595	\$ 18,203	\$ 23,483	\$ 23,499	\$ 23,514
<b>EXPENDITURES</b>										
Disbursements:										
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446	\$ 17,446	\$ 17,446
8880	Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements				\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>										
Reserve for economic uncertainties				\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,550	\$ 15,121	\$ 20,373	\$ 25,298
<b>Months in Reserve</b>				<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.4</b>	<b>9.9</b>	<b>13.2</b>	<b>16.0</b>

<b>SCENARIO 3</b>				\$250		\$350				
<b>Proposed Fees</b> (other than Permits, Renewal and Delinquent Fees):				<b>Governor's Budget</b>						
Eff 2021-22				CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5
Registration Part/Corp. Fee - \$250				2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
First-Time Exam Application Fee - \$200										
Retired CPA/PA Fee - \$250										
<b>BEGINNING BALANCE</b>				\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 10,044	\$ 16,110	\$ 21,858
<b>REVENUES AND TRANSFERS</b>										
Revenues:										
4129200	Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202	\$ 202	\$ 202
4129400	Other regulatory licenses and permits	\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,860	\$ 6,140	\$ 6,140	\$ 6,140	\$ 6,140	\$ 6,140
4127400	Renewal fees	\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,121	\$ 16,911	\$ 16,911	\$ 16,911	\$ 16,911	\$ 16,911
4121200	Delinquent fees	\$ 208	\$ 219	\$ 226	\$ 484	\$ 677	\$ 677	\$ 677	\$ 677	\$ 677
4163000	Income from surplus money investments	\$ 67	\$ 53	\$ 27	\$ 30	\$ 48	\$ 65	\$ 82	\$ 82	\$ 82
Totals, Revenues				\$ 10,022	\$ 10,312	\$ 10,595	\$ 18,697	\$ 23,978	\$ 23,995	\$ 24,012
<b>EXPENDITURES</b>										
Disbursements:										
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446	\$ 17,446	\$ 17,446
8880	Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements				\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>										
Reserve for economic uncertainties				\$ 22,224	\$ 15,596	\$ 8,930	\$ 10,044	\$ 16,110	\$ 21,858	\$ 27,281
<b>Months in Reserve</b>				<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.7</b>	<b>10.6</b>	<b>14.1</b>	<b>17.3</b>

Analysis of Fund Condition - \$400 License Renewal and Initial License Fee

<b>SCENARIO 1</b>				\$250		\$400	
<b>Current Fees</b> (other than Permits, Renewal and Delinquent Fees):				<b>Governor's Budget</b>			
Registration Part/Corp. Fee - \$150				<b>CY</b>	<b>BY</b>	<b>BY+1</b>	<b>BY+2</b>
First-Time Exam Application Fee - \$100				<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Retired CPA/PA Fee - \$75							<b>2022-23</b>
							<b>2023-24</b>
							<b>2024-25</b>
<b>BEGINNING BALANCE</b>				\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200	Other regulatory fees		\$ 187	\$ 192	\$ 197	\$ 202	\$ 202
4129400	Other regulatory licenses and permits		\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,019	\$ 5,439
4127400	Renewal fees		\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,019	\$ 19,205
4121200	Delinquent fees		\$ 208	\$ 219	\$ 226	\$ 484	\$ 774
4163000	Income from surplus money investments		\$ 67	\$ 53	\$ 27	\$ 27	\$ 50
Totals, Revenues				\$ 10,022	\$ 10,312	\$ 10,595	\$ 17,751
<b>EXPENDITURES</b>							
Disbursements:							
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)		\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769
8880	Financial Information System for California (State Operations)		\$ 1	\$ -4	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)		\$ 179	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)		\$ 897	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements				\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583
<b>FUND BALANCE</b>							
Reserve for economic uncertainties				\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,098
<b>Months in Reserve</b>				<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.1</b>
							<b>11.1</b>
							<b>15.7</b>
							<b>19.9</b>

<b>SCENARIO 2</b>				\$250		\$400	
<b>Proposed Fees</b> (other than Permits, Renewal and Delinquent Fees):				<b>Governor's Budget</b>			
Eff 2021-22				<b>CY</b>	<b>BY</b>	<b>BY+1</b>	<b>BY+2</b>
Registration Part/Corp. Fee - \$200				<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
First-Time Exam Application Fee - \$150							<b>2022-23</b>
Retired CPA/PA Fee - \$125							<b>2023-24</b>
							<b>2024-25</b>
<b>BEGINNING BALANCE</b>				\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200	Other regulatory fees		\$ 187	\$ 192	\$ 197	\$ 202	\$ 202
4129400	Other regulatory licenses and permits		\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,440	\$ 5,860
4127400	Renewal fees		\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,048	\$ 19,234
4121200	Delinquent fees		\$ 208	\$ 219	\$ 226	\$ 484	\$ 774
4163000	Income from surplus money investments		\$ 67	\$ 53	\$ 27	\$ 29	\$ 53
Totals, Revenues				\$ 10,022	\$ 10,312	\$ 10,595	\$ 18,203
<b>EXPENDITURES</b>							
Disbursements:							
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)		\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769
8880	Financial Information System for California (State Operations)		\$ 1	\$ -4	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)		\$ 179	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)		\$ 897	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements				\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583
<b>FUND BALANCE</b>							
Reserve for economic uncertainties				\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,550
<b>Months in Reserve</b>				<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.4</b>
							<b>11.7</b>
							<b>16.6</b>
							<b>21.1</b>

<b>SCENARIO 3</b>				\$250		\$400	
<b>Proposed Fees</b> (other than Permits, Renewal and Delinquent Fees):				<b>Governor's Budget</b>			
Eff 2021-22				<b>CY</b>	<b>BY</b>	<b>BY+1</b>	<b>BY+2</b>
Registration Part/Corp. Fee - \$250				<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
First-Time Exam Application Fee - \$200							<b>2022-23</b>
Retired CPA/PA Fee - \$250							<b>2023-24</b>
							<b>2024-25</b>
<b>BEGINNING BALANCE</b>				\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200	Other regulatory fees		\$ 187	\$ 192	\$ 197	\$ 202	\$ 202
4129400	Other regulatory licenses and permits		\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,860	\$ 6,280
4127400	Renewal fees		\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,121	\$ 19,306
4121200	Delinquent fees		\$ 208	\$ 219	\$ 226	\$ 484	\$ 774
4163000	Income from surplus money investments		\$ 67	\$ 53	\$ 27	\$ 30	\$ 56
Totals, Revenues				\$ 10,022	\$ 10,312	\$ 10,595	\$ 18,697
<b>EXPENDITURES</b>							
Disbursements:							
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)		\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769
8880	Financial Information System for California (State Operations)		\$ 1	\$ -4	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)		\$ 179	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)		\$ 897	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements				\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583
<b>FUND BALANCE</b>							
Reserve for economic uncertainties				\$ 22,224	\$ 15,596	\$ 8,930	\$ 10,044
<b>Months in Reserve</b>				<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.7</b>
							<b>12.3</b>
							<b>17.5</b>
							<b>22.3</b>

Analysis of Fund Condition - \$450 License Renewal and Initial License Fee

SCENARIO 1			Governor's Budget		\$250		\$450		
Current Fees (other than Permits, Renewal and Delinquent Fees):			CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5
Registration Part/Corp. Fee - \$150			2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
First-Time Exam Application Fee - \$100									
Retired CPA/PA Fee - \$75									
<b>BEGINNING BALANCE</b>			\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,098	\$ 19,496	\$ 29,590
<b>REVENUES AND TRANSFERS</b>									
Revenues:									
4129200	Other regulatory fees		\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400	Other regulatory licenses and permits		\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,019	\$ 5,579	\$ 5,579	\$ 5,579
4127400	Renewal fees		\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,019	\$ 21,600	\$ 21,600	\$ 21,600
4121200	Delinquent fees		\$ 208	\$ 219	\$ 226	\$ 484	\$ 871	\$ 871	\$ 871
4163000	Income from surplus money investments		\$ 67	\$ 53	\$ 27	\$ 27	\$ 58	\$ 89	\$ 118
Totals, Revenues			\$ 10,022	\$ 10,312	\$ 10,595	\$ 17,751	\$ 28,310	\$ 28,341	\$ 28,370
<b>EXPENDITURES</b>									
Disbursements:									
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)		\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880	Financial Information System for California (State Operations)		\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)		\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)		\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements			\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>									
Reserve for economic uncertainties			\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,098	\$ 19,496	\$ 29,590	\$ 39,371
<b>Months in Reserve</b>			<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.1</b>	<b>12.8</b>	<b>19.1</b>	<b>24.6</b>

SCENARIO 2			Governor's Budget		\$250		\$450		
Proposed Fees (other than Permits, Renewal and Delinquent Fees):			CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5
Eff 2021-22			2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Registration Part/Corp. Fee - \$200									
First-Time Exam Application Fee - \$150									
Retired CPA/PA Fee - \$125									
<b>BEGINNING BALANCE</b>			\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,550	\$ 20,401	\$ 30,949
<b>REVENUES AND TRANSFERS</b>									
Revenues:									
4129200	Other regulatory fees		\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400	Other regulatory licenses and permits		\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,440	\$ 6,000	\$ 6,000	\$ 6,000
4127400	Renewal fees		\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,048	\$ 21,629	\$ 21,629	\$ 21,629
4121200	Delinquent fees		\$ 208	\$ 219	\$ 226	\$ 484	\$ 871	\$ 871	\$ 871
4163000	Income from surplus money investments		\$ 67	\$ 53	\$ 27	\$ 29	\$ 61	\$ 93	\$ 123
Totals, Revenues			\$ 10,022	\$ 10,312	\$ 10,595	\$ 18,203	\$ 28,763	\$ 28,795	\$ 28,825
<b>EXPENDITURES</b>									
Disbursements:									
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)		\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880	Financial Information System for California (State Operations)		\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)		\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)		\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements			\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>									
Reserve for economic uncertainties			\$ 22,224	\$ 15,596	\$ 8,930	\$ 9,550	\$ 20,401	\$ 30,949	\$ 41,185
<b>Months in Reserve</b>			<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.4</b>	<b>13.4</b>	<b>20.0</b>	<b>26.1</b>

SCENARIO 3			Governor's Budget		\$250		\$450		
Proposed Fees (other than Permits, Renewal and Delinquent Fees):			CY	BY	BY+1	BY+2	BY+3	BY+4	BY+5
Eff 2021-22			2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Registration Part/Corp. Fee - \$250									
First-Time Exam Application Fee - \$200									
Retired CPA/PA Fee - \$250									
<b>BEGINNING BALANCE</b>			\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 10,044	\$ 21,390	\$ 32,434
<b>REVENUES AND TRANSFERS</b>									
Revenues:									
4129200	Other regulatory fees		\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400	Other regulatory licenses and permits		\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,860	\$ 6,420	\$ 6,420	\$ 6,420
4127400	Renewal fees		\$ 5,301	\$ 5,460	\$ 5,624	\$ 12,121	\$ 21,701	\$ 21,701	\$ 21,701
4121200	Delinquent fees		\$ 208	\$ 219	\$ 226	\$ 484	\$ 871	\$ 871	\$ 871
4163000	Income from surplus money investments		\$ 67	\$ 53	\$ 27	\$ 30	\$ 64	\$ 97	\$ 129
Totals, Revenues			\$ 10,022	\$ 10,312	\$ 10,595	\$ 18,697	\$ 29,258	\$ 29,291	\$ 29,323
<b>EXPENDITURES</b>									
Disbursements:									
1111	DCA Regulatory Boards, Bureaus, Divisions (State Operations)		\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880	Financial Information System for California (State Operations)		\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892	Supplemental Pension Payments (State Operations)		\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900	Statewide General Admin. Expenditures (Pro Rata) (State Operations)		\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements			\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>									
Reserve for economic uncertainties			\$ 22,224	\$ 15,596	\$ 8,930	\$ 10,044	\$ 21,390	\$ 32,434	\$ 43,168
<b>Months in Reserve</b>			<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>6.7</b>	<b>14.1</b>	<b>20.9</b>	<b>27.4</b>

## Analysis of Fund Condition - One-Time Increase to \$500, Future Decrease to \$300 for License Renewal and Initial License

	CY 2018-19	Governor's Budget		\$500		\$300	
		BY 2019-20	BY+1 2020-21	BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 15,596	\$ 8,930	\$ 22,298	\$ 35,376	\$ 37,597
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,388	\$ 4,521	\$ 5,719	\$ 5,719	\$ 5,159	\$ 5,159
4127400 Renewal fees	\$ 5,301	\$ 5,460	\$ 5,624	\$ 23,995	\$ 23,995	\$ 14,414	\$ 14,414
4121200 Delinquent fees	\$ 208	\$ 219	\$ 226	\$ 968	\$ 968	\$ 581	\$ 581
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 27	\$ 67	\$ 106	\$ 112	\$ 118
Totals, Revenues	\$ 10,022	\$ 10,312	\$ 10,595	\$ 30,951	\$ 30,990	\$ 20,468	\$ 20,474
<b>EXPENDITURES</b>							
Disbursements:							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operation)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 15,596	\$ 8,930	\$ 22,298	\$ 35,376	\$ 37,597	\$ 39,482
<b>Months in Reserve</b>	<b>15.7</b>	<b>10.8</b>	<b>6.1</b>	<b>14.9</b>	<b>23.3</b>	<b>24.3</b>	<b>25.0</b>



California Board of Accountancy Analysis of Fund Condition

SCENARIO 1 \$300	Governor's Budget						
	CY 2018-19	BY 2019-20	BY+1 2020-21	BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 20,052	\$ 22,625	\$ 25,474	\$ 28,002	\$ 30,201
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,626	\$ 5,010	\$ 5,159	\$ 5,159	\$ 5,159	\$ 5,159
4127400 Renewal fees	\$ 5,301	\$ 9,524	\$ 13,995	\$ 14,414	\$ 14,414	\$ 14,414	\$ 14,414
4121200 Delinquent fees	\$ 208	\$ 373	\$ 564	\$ 581	\$ 581	\$ 581	\$ 581
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 68	\$ 76	\$ 84	\$ 90	\$ 96
Totals, Revenues	\$ 10,022	\$ 14,768	\$ 19,834	\$ 20,432	\$ 20,440	\$ 20,446	\$ 20,452
<b>EXPENDITURES</b>							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 20,052	\$ 22,625	\$ 25,474	\$ 28,002	\$ 30,201	\$ 32,064
<b>Months in Reserve</b>	<b>15.7</b>	<b>13.9</b>	<b>15.4</b>	<b>17.1</b>	<b>18.4</b>	<b>19.5</b>	<b>20.3</b>

SCENARIO 2 \$325	Governor's Budget						
	CY 2018-19	BY 2019-20	BY+1 2020-21	BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 20,672	\$ 24,531	\$ 28,709	\$ 32,569	\$ 36,105
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,659	\$ 5,079	\$ 5,230	\$ 5,230	\$ 5,230	\$ 5,230
4127400 Renewal fees	\$ 5,301	\$ 10,088	\$ 15,158	\$ 15,612	\$ 15,612	\$ 15,612	\$ 15,612
4121200 Delinquent fees	\$ 208	\$ 396	\$ 613	\$ 631	\$ 631	\$ 631	\$ 631
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 73	\$ 86	\$ 97	\$ 108	\$ 118
Totals, Revenues	\$ 10,022	\$ 15,388	\$ 21,120	\$ 21,761	\$ 21,772	\$ 21,783	\$ 21,793
<b>EXPENDITURES</b>							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 20,672	\$ 24,531	\$ 28,709	\$ 32,569	\$ 36,105	\$ 39,309
<b>Months in Reserve</b>	<b>15.7</b>	<b>14.4</b>	<b>16.7</b>	<b>19.2</b>	<b>21.4</b>	<b>23.3</b>	<b>25.1</b>

SCENARIO 3 \$350	Governor's Budget						
	CY 2018-19	BY 2019-20	BY+1 2020-21	BY+2 2021-22	BY+3 2022-23	BY+4 2023-24	BY+5 2024-25
<b>BEGINNING BALANCE</b>	\$ 27,486	\$ 22,224	\$ 21,290	\$ 26,429	\$ 31,928	\$ 37,114	\$ 41,980
<b>REVENUES AND TRANSFERS</b>							
Revenues:							
4129200 Other regulatory fees	\$ 187	\$ 192	\$ 197	\$ 202	\$ 202	\$ 202	\$ 202
4129400 Other regulatory licenses and permits	\$ 4,259	\$ 4,691	\$ 5,146	\$ 5,299	\$ 5,299	\$ 5,299	\$ 5,299
4127400 Renewal fees	\$ 5,301	\$ 10,653	\$ 16,320	\$ 16,809	\$ 16,809	\$ 16,809	\$ 16,809
4121200 Delinquent fees	\$ 208	\$ 417	\$ 658	\$ 677	\$ 677	\$ 677	\$ 677
4163000 Income from surplus money investments	\$ 67	\$ 53	\$ 79	\$ 95	\$ 111	\$ 126	\$ 139
Totals, Revenues	\$ 10,022	\$ 16,006	\$ 22,400	\$ 23,082	\$ 23,098	\$ 23,113	\$ 23,126
<b>EXPENDITURES</b>							
Disbursements:							
1111 DCA Regulatory Boards, Bureaus, Divisions (State Operations)	\$ 14,207	\$ 15,802	\$ 16,118	\$ 16,440	\$ 16,769	\$ 17,104	\$ 17,446
8880 Financial Information System for California (State Operations)	\$ 1	\$ -4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
9892 Supplemental Pension Payments (State Operations)	\$ 179	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390	\$ 390
9900 Statewide General Admin. Expenditures (Pro Rata) (State Operations)	\$ 897	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752	\$ 752
Total Disbursements	\$ 15,284	\$ 16,940	\$ 17,261	\$ 17,583	\$ 17,912	\$ 18,247	\$ 18,589
<b>FUND BALANCE</b>							
Reserve for economic uncertainties	\$ 22,224	\$ 21,290	\$ 26,429	\$ 31,928	\$ 37,114	\$ 41,980	\$ 46,517
<b>Months in Reserve</b>	<b>15.7</b>	<b>14.8</b>	<b>18.0</b>	<b>21.4</b>	<b>24.4</b>	<b>27.1</b>	<b>29.5</b>



**California Board of Accountancy**

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Sacramento, CA 95833

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**Attachment 11**

## Fee Levels for Other California Professions and Other State Boards of Accountancy

Renewal Fees for Other California Professions		
Profession	Current Fee	Statutory Fee
Architect	\$300	\$400
Physical Therapist	\$300	\$300
Veterinarian	\$350	\$500
Pharmacist	\$372	\$505
Psychologist	\$430	\$500
Dentist	\$650	\$800
Physician	\$820	\$827*

*\*(includes a mandatory \$25 for Physician Loan Repayment Program and \$12 for the CURES/PDMP program.*

**NOTE: Some of the above boards have minimum fee levels established in statute for various application and licensure fees.**

Renewal Fees for Other State Boards of Accountancy	
Profession	Current Fee
Texas	\$66 - annually <i>includes a \$10 scholarship fee</i>
Nevada	\$140 – annually
Arizona	\$300 – biennially
Florida	\$250 – biennially
Illinois	\$120 – triennially
New York	\$292 – triennially <i>includes a continuing education fee</i>
Oregon	\$255 - biennially
Washington	\$230 - triennially



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## Attachment 12

### Proposed Regulatory Text California Code of Regulations Title 16. Professions and Vocational Regulations Division 1. State Board of Accountancy Article 10. Fees

#### § 70. Fees.

~~(a)(1) From July 1, 2014 to June 30, 2016, the application fee for the computer-based Uniform Certified Public Accountant Examination shall be \$50 for issuance of the Authorization to Test to first-time applicants and \$25 for issuance of the Authorization to Test to repeat applicants.~~

~~(2) Commencing July 1, 2016, the application fee for the computer-based Uniform Certified Public Accountant Examination shall be \$400 \_\_\_\_\_ for issuance of the Authorization to Test to first-time applicants and \$50 for issuance of the Authorization to Test to repeat applicants.~~

~~(b)(1) From July 1, 2014 to June 30, 2016, the application fee for issuance of a certified public accountant certificate shall be \$50.~~

~~(2) Commencing July 1, 2016, the application fee for issuance of a certified public accountant certificate shall be \$250.~~

~~(c)(1) From July 1, 2014 to June 30, 2016, the application fee for registration as a partnership or as a corporation, including registration under a new name as a partnership or as a corporation, shall be \$30.~~

~~(2) Commencing July 1, 2016, the application for registration as a partnership or as a corporation, including registration under a new name as a partnership or as a corporation, shall be \$150 \_\_\_\_\_.~~

~~(d)(1) From July 1, 2014 to June 30, 2016, the fee for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$50.~~

~~(2) Commencing July 1, 2016, the fee for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$120 \_\_\_\_\_. unless subsection (j) applies.~~

~~(e)(1) [Reserved]~~

~~(2) For licenses expiring between July 1, 2014 and June 30, 2016, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$50.~~

~~(3) For licenses expiring after June 30, 2016, the fee for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$120 \_\_\_\_\_. unless subsection (j) applies.~~

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

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

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

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

(3) This subsection shall be inoperative until January 1, 2019.

(i)(1) The fee to be charged a licensee for submission of an application for a license in a retired status pursuant to Section 15.1 shall be \$75 \_\_\_\_\_.

(2) The fee to restore a license from a retired status to an active status shall be \$50.

~~(j) By May 31, 2015, the Board shall conduct a review of its actual and estimated costs. Based on this review, the Board shall determine the appropriate level of fees for the initial permit to practice pursuant to subsection (d) and renewal of the permit to practice pursuant to subsection (e) in order to maintain the Board's contingent fund reserve balance at an amount equal to approximately three months of estimated annual authorized expenditures. If the Board determines that fees of less than \$120 are indicated, the Board shall fix the fees by regulation at the indicated amounts by July 1, 2016.~~

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



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## Attachment 13

### Proposed Statutory Language Business and Professions Code Section 5134 – Fees

5134. Fees The amount of fees prescribed by this chapter is as follows:

- (a) The fee to be charged to each applicant for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600). The board may charge a reexamination fee not to exceed seventy-five dollars (\$75) for each part that is subject to reexamination.
- (b) The fee to be charged to out-of-state candidates for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600) per candidate.
- (c) The application fee to be charged to each applicant for issuance of a certified public accountant certificate shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).
- (d) The application fee to be charged to each applicant for issuance of a certified public accountant certificate by waiver of examination shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).
- (e) The fee to be charged to each applicant for registration as a partnership or professional corporation shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).
- (f) The biennial fee for the renewal of each of the permits to engage in the practice of public accountancy specified in Section 5070 shall be \_\_\_\_\_ and shall not exceed \_\_\_\_\_ ~~two hundred fifty dollars (\$250)~~.
- (g) The application fee to be charged to each applicant for a retired status license, as described in Section 5070.1, shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).
- (h) The application fee to be charged to each applicant for restoration of a license in a retired status to an active status pursuant to subdivision (f) of Section 5070.1 shall be fixed by the board at an amount not to exceed one thousand dollars (\$1,000).

(i) The delinquency fee shall be 50 percent of the accrued renewal fee.

(j) The initial permit fee is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the permit is issued, except that, if the permit is issued one year or less before it will expire, then the initial permit fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the permit is issued. The board may, by regulation, provide for the waiver or refund of the initial permit fee where the permit is issued less than 45 days before the date on which it will expire.

(k) (1) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 with an authorization to sign attest reports shall be fixed by the board at an amount not to exceed one hundred twenty-five dollars (\$125).

(2) The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 without an authorization to sign attest reports shall be fixed by the board at an amount not to exceed 80 percent of the fee authorized under paragraph (1).

(l) The fee to be charged for the certification of documents evidencing passage of the certified public accountant examination, the certification of documents evidencing the grades received on the certified public accountant examination, or the certification of documents evidencing licensure shall be twenty-five dollars (\$25).

(m) The board shall fix the fees in accordance with the limits of this section and any increase in a fee fixed by the board shall be pursuant to regulation duly adopted by the board in accordance with the limits of this section.

(n) It is the intent of the Legislature that, to ease entry into the public accounting profession in California, any administrative cost to the board related to the certified public accountant examination or issuance of the certified public accountant certificate that exceeds the maximum fees authorized by this section shall be covered by the fees charged for the biennial renewal of the permit to practice.

# Communications and **OUTREACH**

[www.cba.ca.gov](http://www.cba.ca.gov)

May 2019

## Outreach Events

### **April 11: California State University, San Bernardino**

The CBA co-hosted an event at California State University, San Bernardino (CSUSB) on April 11, 2019. The event, "Pathway to CPA Licensure," was a follow up to last year's successful event at CSUSB. This year's event was attended by 190 students and featured the following guests/speakers:

- Michael M. Savoy, CPA, CBA member, Keynote Speaker
- Lewis E. Sharpstone, CPA, CalCPA Chair
- Kathy Johnson, CPA, Past CalCPA Chair, CBA Enforcement Advisory Committee Member, and current CSUSB Faculty member



Michael M. Savoy, CPA, and Kathy Johnson, CPA, led a panel discussion at the event



Michael M. Savoy, CPA, with CBA staff Delia Tomas, Jennifer Jackson, Aaron Bone, Suzanne Gracia, and Jennifer Huddy

### **April 26: California Financial Literacy Fair**

The CBA participated in the California Financial Literacy Resource Fair on April 26, 2019, at the State Capitol.

Hosted by the Department of Business Oversight in recognition of Financial Literacy Month in April, the fair provides resources from various state agencies and other organizations to consumers that increase their understanding of saving, investing, and credit choices. Staff attended the event and distributed the CBA's *Consumer Assistance Booklet*.

Staff also made available the License Lookup function on the CBA website and information regarding the requirements for CPA licensure for interested attendees.



Jennifer Jackson, CBA Exam Analyst, provided valuable consumer protection information

## Upcoming Outreach Events

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### **“From Community College to CPA”**

Due to the tremendous success of the November 30, 2018, outreach event at Pasadena City College, which included CBA Member Nancy J. Corrigan, CPA, as the featured speaker, CalCPA will host two more “From Community College to CPA” events. The format will be similar to past events. Staff will work with President George Famalett, CPA, to identify speakers. The events are scheduled to take place on May 3, 2019, at Saddleback College in Mission Viejo and on May 9, 2019, at Evergreen Valley College in San Jose.

## E-News

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<b>E-News Subscriptions</b>	<b>Total</b>
Consumer Interest	4,649
Examination Applicant	3,153
Licensing Applicant	3,809
California Licensee	9,926
Out-Of-State Licensee	2,517
Statutory/Regulatory	8,059
CBA Meeting Information & Agenda Materials	3,881
UPDATE Publication	7,709
<b>Total Subscribers</b>	<b>14,239</b>
<b>Total Subscriptions</b>	<b>43,703</b>

## Continued Collaborations with CalCPA

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Staff continue to work with CalCPA in identifying outreach opportunities for licensees and licensing candidates.

Staff are looking forward to continued collaborations with CalCPA as the new Chief Executive Officer, Anthony Pugliese, CPA, takes the helm from Loretta Doon, CPA, who is retiring in June 2019.

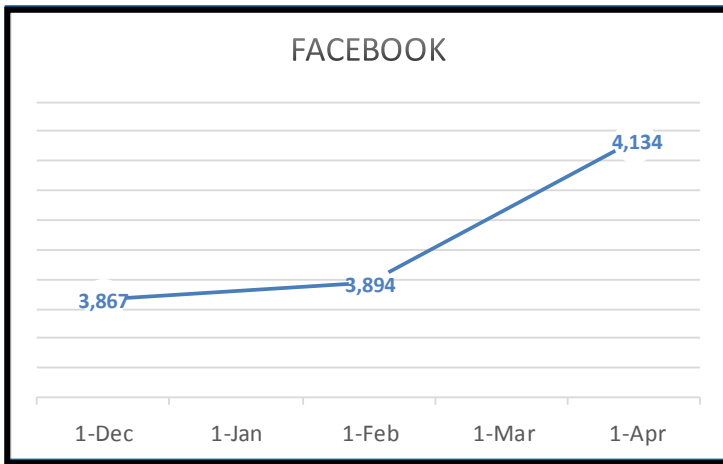


Updates will be provided to keep CBA members apprised of upcoming events. Additionally, Staff may be contacting CBA members for related speaking engagements and other outreach opportunities in support of the CBA's consumer protection mission.

## Social Media Update

Staff continue to increase social media engagement through the use of newly created graphics and fresh content relevant to licensees, applicants, and stakeholders.

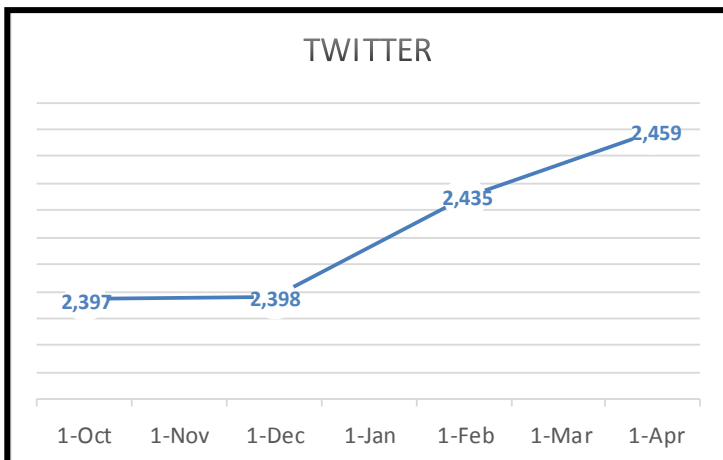
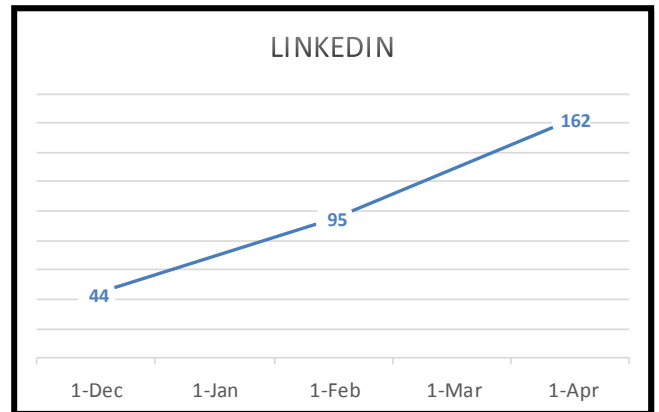
Staff are also exploring new ways to respond to direct messages via social media, increasing response time and providing quicker channels of information for members of the public.



### SOCIAL MEDIA STATS

 4,134

 2,459







California Board of Accountancy

CBA Item VIII.A.  
May 16, 2019

# ENFORCEMENT ACTIVITY REPORT

[www.cba.ca.gov](http://www.cba.ca.gov)

As of March 31, 2019

## COMPLAINTS RECEIVED

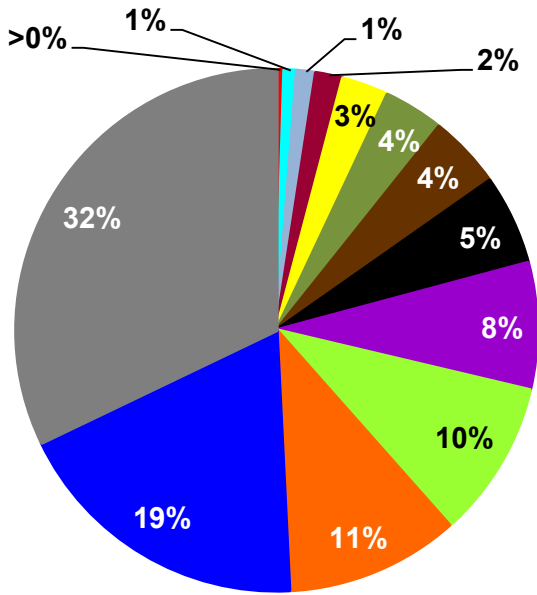
The California Board of Accountancy’s (CBA) Enforcement Division receives complaints from both internal and external sources. Complaints received are issued complaint numbers and assigned a Complaint Type (CT) based on the initial matter identified. The CT may change as the case investigation proceeds and may result in multiple violations.

### Complaints/Records of Convictions Received

<b>FY 2018/19</b> (9 months of data)	<b>2,314 Received</b> – Internal 1,486 – External 828
<b>FY 2017/18</b>	<b>2,435 Received</b> – Internal 1,568 – External 867
<b>FY 2016/17</b>	<b>2,508 Received</b> – Internal 1,904 – External 604

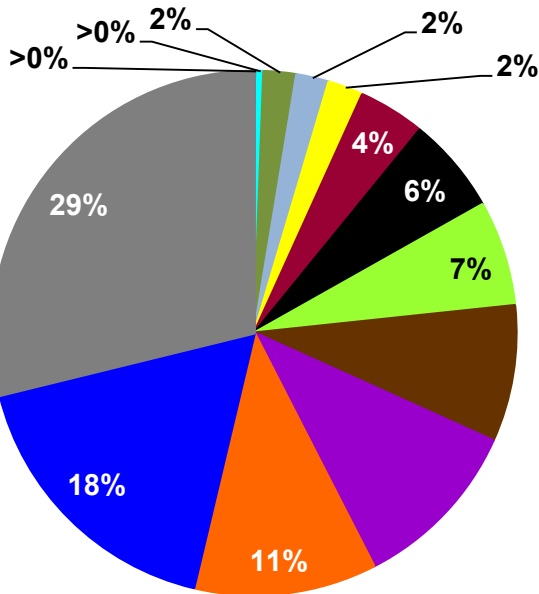
- For the first nine months of fiscal year (FY) 2018/19, the CBA received 2,314 complaints, with 64 percent of these complaints being internal referrals. The total number of complaints received during this timeframe has increased by 38 percent compared to the same time period in FY 2017/18, from 1,673 to 2,314.

## COMPLAINT TYPES RECEIVED



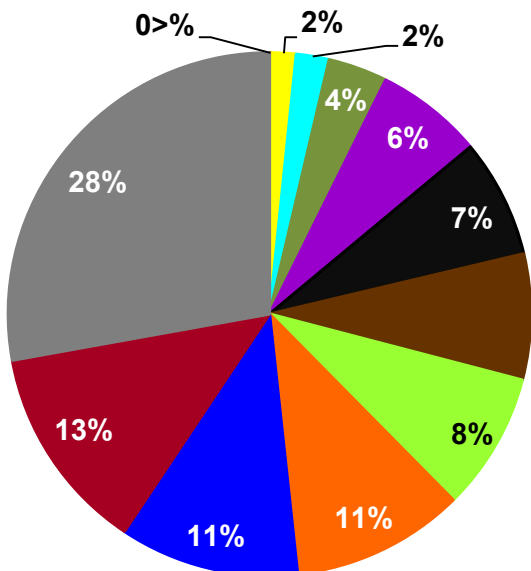
### Fiscal Year 2018/2019

- Employee Benefit Plan Audit (11, >0%)
- Audit (18, 1%)
- Reportable Events (27, 1%)
- Accountancy Licensee Database (39, 2%)
- PCAOB/SEC and Out-of State (67, 3%)
- Practice Privilege (86, 4%)
- Tax (105, 4%)
- Convictions and Subsequent Arrest (129, 5%)
- Other (182, 8%)
- Application (226, 10%)
- Unlicensed Activity (249, 11%)
- Peer Review Related (432, 19%)
- Renewal Deficiency (743, 32%)



### Fiscal Year 2017/2018

- Employee Benefit Plan Audit (5, >0%)
- Audit (9, >0%)
- Practice Privilege (49, 2%)
- Reportable Events (49, 2%)
- PCAOB/SEC and Out-of State (53, 2%)
- Accountancy Licensee Database (100, 4%)
- Convictions and Subsequent Arrest (145, 6%)
- Application (158, 7%)
- Tax (205, 8%)
- Other (261, 11%)
- Unlicensed Activity (274, 11%)
- Peer Review Related (425, 18%)
- Renewal Deficiency (702, 29%)



### Fiscal Year 2016/2017

- Employee Benefit Plan Audit (3, >0%)
- PCAOB/SEC and Out-of State (38, 2%)
- Audit (51, 2%)
- Practice Privilege (92, 4%)
- Other (166, 6%)
- Convictions and Subsequent Arrest (184, 7%)
- Tax (195, 8%)
- Applications (214, 8%)
- Unlicensed Activity (268, 11%)
- Peer Review Related (278, 11%)
- Accountancy Licensee Database (321, 13%)
- Renewal Deficiency (698, 28%)

## INVESTIGATIONS

The number of complaints assigned for investigations and closed.

Investigations	FY 2016/17	FY 2017/18	FY 2018/19 9 months of data
Investigations Assigned	2,185	2,436	2,313
Investigations Closed	2,222	2,356	2,833
Average Days to Close	175	201	126

For FY 2018/19, the average number of days to close decreased from 136 to 126, an eight percent decrease since the last report.

Investigations Closed	FY 2018/19 9 months of data
Total Closed FY 2018/19	2,833
Closed within 0-6 Months	2,240
Closed within 6-12 Months	353
Closed within 12-18 Months	164
Closed within 18-21 Months	18
Closed within 21-24 Months	22
Closed >24 Months	36

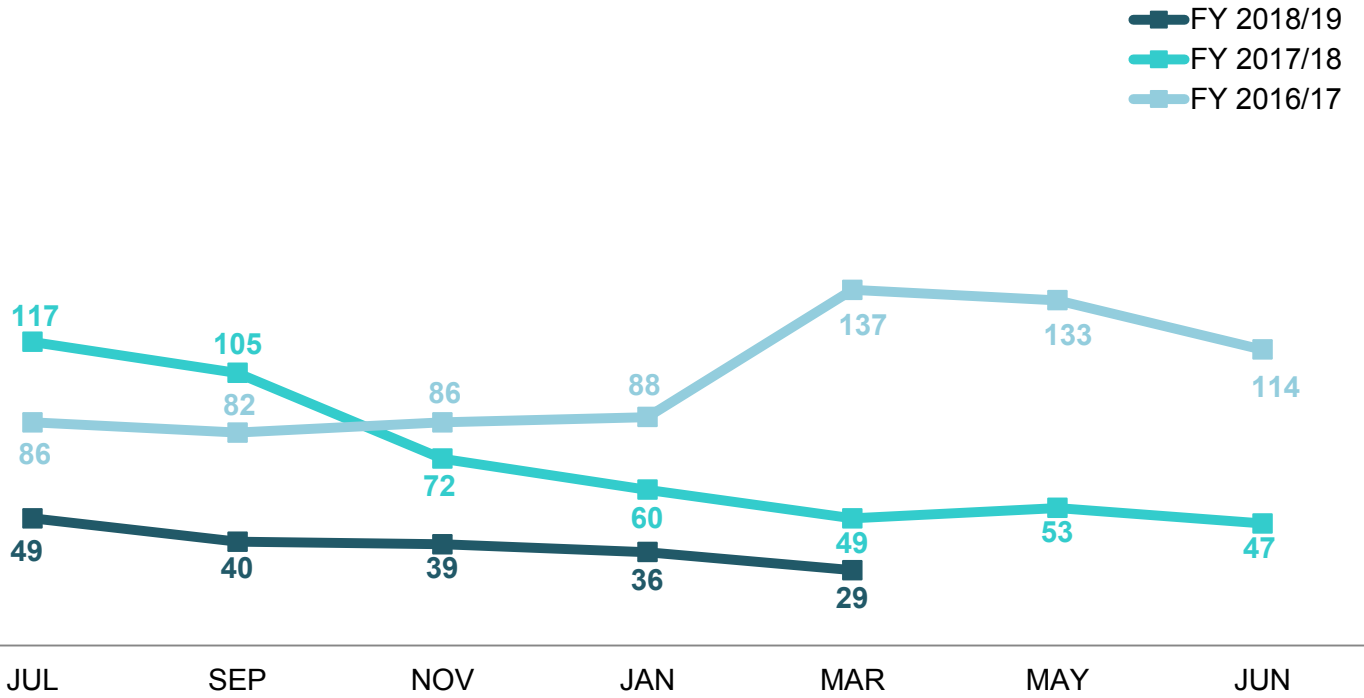
- Of the total 2,833 investigations closed during FY 2018/19, 2,240 or 79 percent were closed within six months from the initial complaint investigation date. Further, 2,593 investigations or 92 percent were closed within one year.

## INVESTIGATIONS PENDING

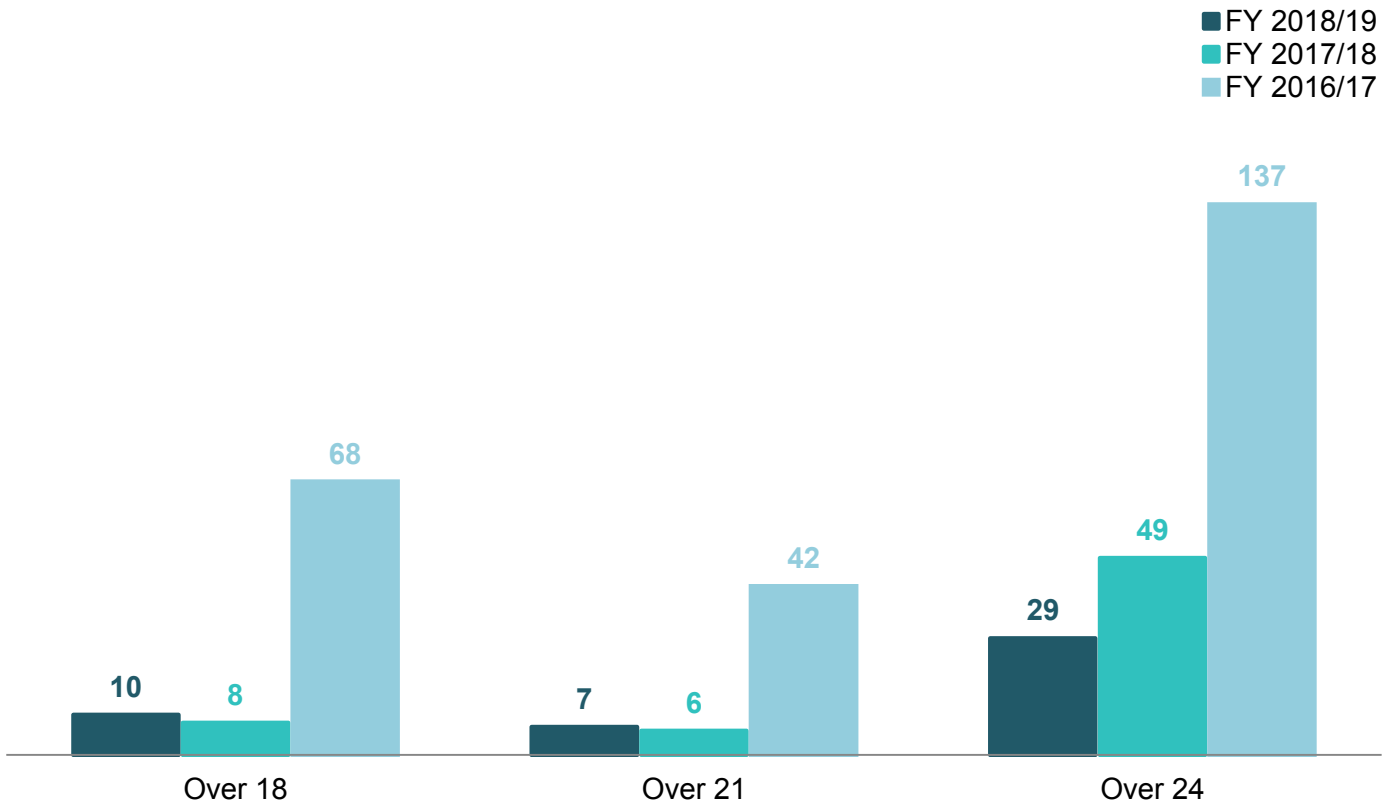
Investigations Pending	FY 2016/17	FY 2017/18	FY 2018/19 9 months of data
Total Investigations Pending	1,080	1,172	656
0-6 Months	545	797	507
6-12 Months	250	200	84
12-18 Months	95	104	19
18-21 Months	24	19	10
21-24 Months	52	5	7
>24 Months	114	47	29
Average Age of Open Cases (days)	172	186	150

- Of the total 656 pending cases as of March 31, 2019, nearly 77 percent were less than six months old and approximately 90 percent were less than one year old.
- Staff have made significant efforts to complete investigations for older matters. At this time last fiscal year, the number of complaints pending over 24 months was 49 while the same data point for this fiscal year shows only 29 complaints pending over 24 months, a 41 percent decrease.
- For FY 2018/19, a total of 36 cases over 24 months were closed.
- Of the 29 investigations pending over 24 months, staff have completed or are near completion on 20 of the cases, as follows:
  - Five cases have an investigation report completed and will either be closed or referred to the Attorney General’s (AG) Office prior to the next report
  - 11 cases have been investigated and will be closed by the next report
  - Four cases has been investigated and referred for disciplinary action

### INVESTIGATIONS PENDING | OVER 24 MONTHS



### INVESTIGATIONS PENDING | OVER 18, 21, and 24 MONTHS – MARCH TRENDS

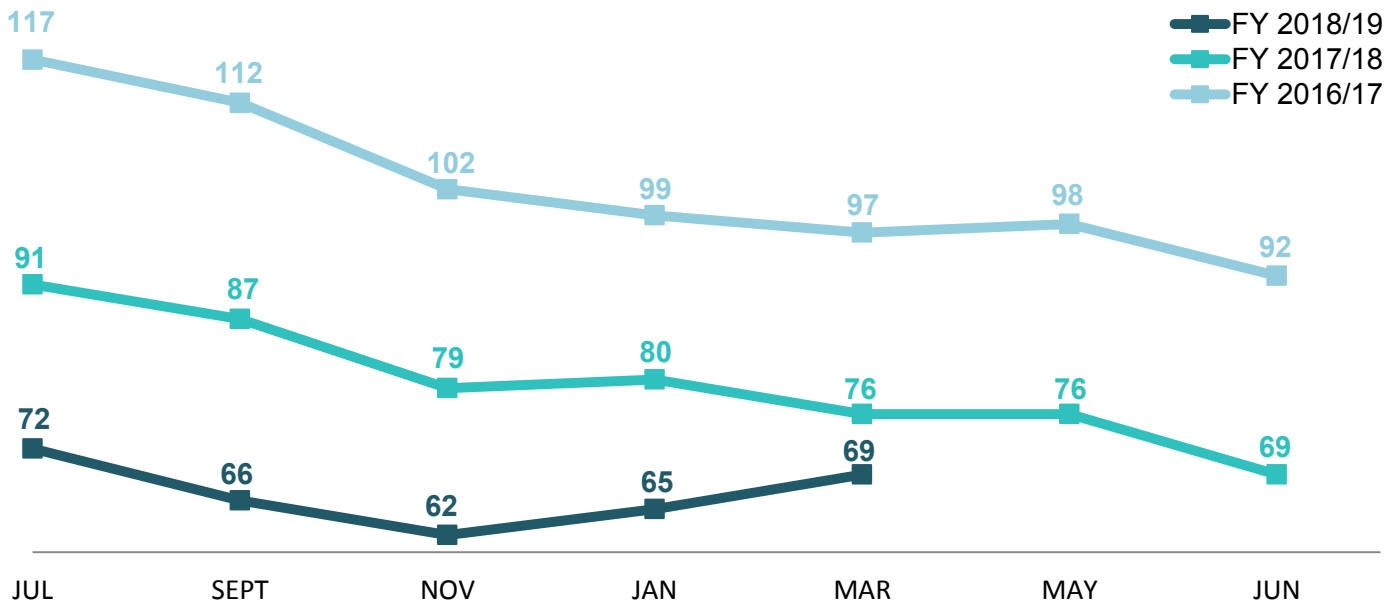


## DISCIPLINE

As part of its mission of consumer protection, the CBA referred matters to the AG's Office for imposition of discipline.

Discipline	FY 2016/17	FY 2017/18	FY 2018/19 9 months of data
Attorney General Referrals	83	81	57
Accusations Filed	98	73	49
Statement of Issues Filed	1	1	1
Petitions for Revocation Filed	6	6	4

## DISCIPLINE | COMPLAINTS PENDING at ATTORNEY GENERAL'S OFFICE



As of March 31, 2019, there were 69 complaints pending at the AG's Office. Staff work diligently to address aging disciplinary cases by actively monitoring for the filing of a Notice of Defense (NOD). If no NOD is received, staff request that the AG's Office prepare a default decision. When an NOD is received, staff work quickly to offer settlement terms and if a settlement cannot be reached, to set the matter for hearing.

## DISCIPLINE | AGE of COMPLAINTS PENDING at ATTORNEY GENERAL'S OFFICE

Pending at AG	FY 2016/17	FY 2017/18	FY 2018/19 9 months of data
<i>Total Pending at AG's Office</i>	92	69	69
0-6 Months	44	22	41
6-12 Months	23	31	12
12-18 Months	13	12	5
18-21 Months	1	2	5
21-24 Months	4	0	2
>24 Months	7	2	4

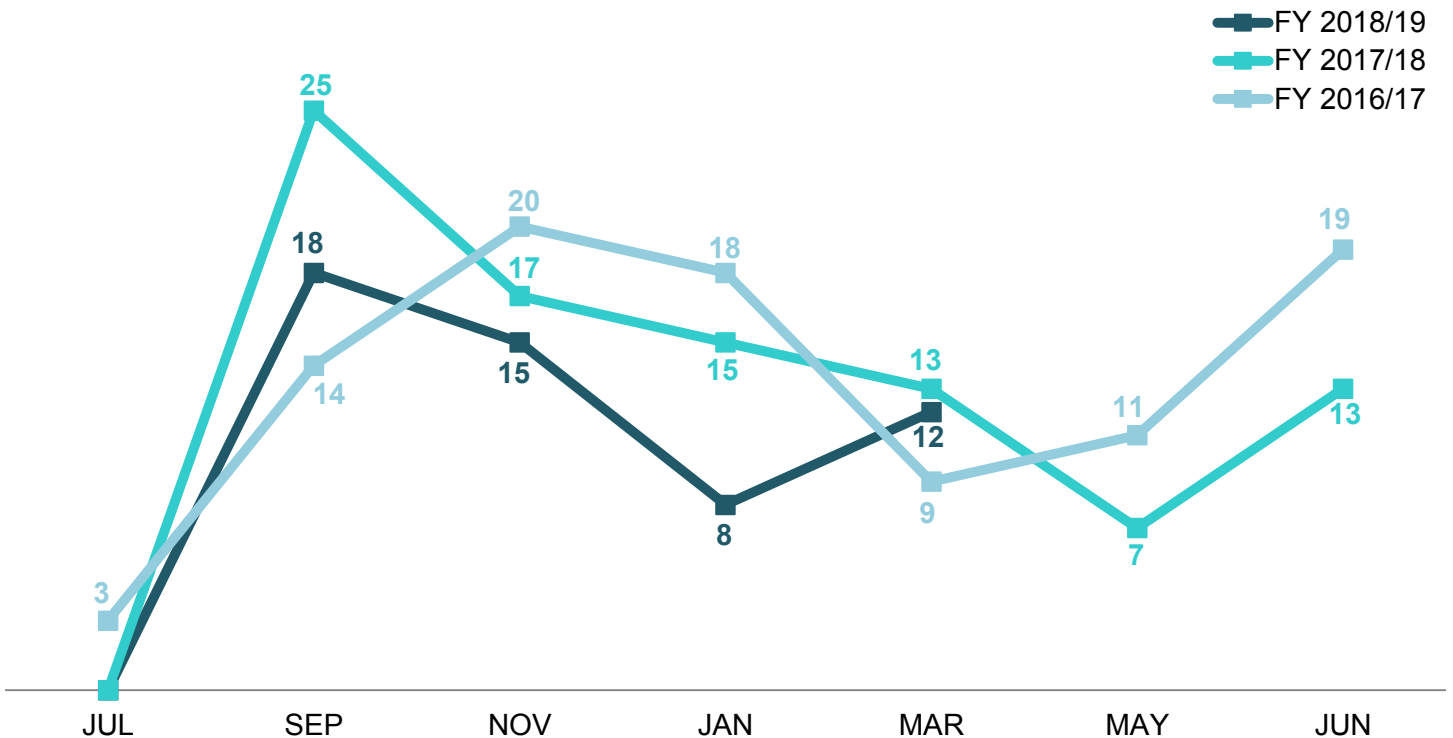
- Of the 69 cases at the AG's Office, 59 percent are less than six months old, and approximately 77 percent are less than 12 months old.
- There are four cases pending at the AG's Office for more than 24 months. The current status of the cases are as follows:
  - A Writ was filed with the California 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. The CBA submitted its appeal to the superior court and currently a ruling from the Court of Appeals is pending.
  - One case had an adopted decision and is scheduled to take effect in April 2019.
  - One case requires assistance from the AG's Office, as part of the investigation.
  - One case has a pending stipulated settlement for consideration at the May 2019 meeting.

## DISCIPLINE | FINAL ORDERS

Disciplinary Actions	FY 2016/17	FY 2017/18	FY 2018/19 9 months of data
Final Decision Orders	94	90	53
– Stipulated Settlement	74	68	34
– Proposed Decision	7	6	4
– Default Decision	13	16	15

As of March 31, 2019 the CBA took action on 53 matters, the majority of which were through stipulated settlements.

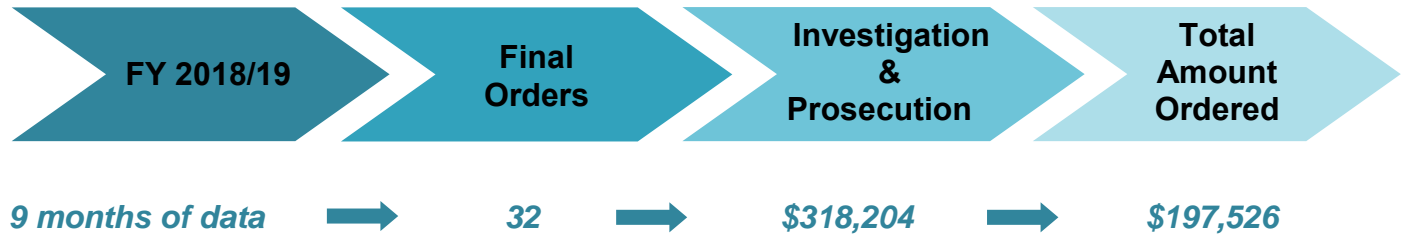
## DISCIPLINE | FINAL ORDER TREND





## DISCIPLINE | COST ORDERS

Pursuant to Business and Professions Code section 5107, the Legislature authorizes the CBA to recover investigation and prosecution costs. These costs include the time spent by staff to conduct the investigation and the time spent by the AG's Office to prosecute each case.



Cost Recovery amount ordered is only 62 percent of total investigation and prosecution cost.

## COST RECOVERY

Cost Recovery	FY 2016/17	FY 2017/18	FY 2018/19 9 months of data
Amount Ordered	\$395,585	\$374,339	\$197,526
-Number of Decisions	59	56	32
Amount Collected	\$324,987	\$316,621	\$229,625

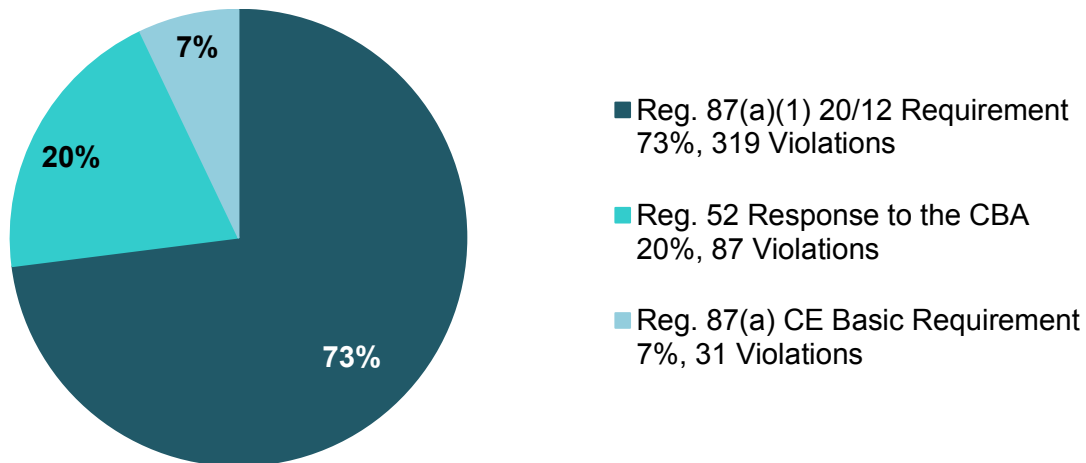
- Disciplinary cases resulting in ordered cost recovery are generally the result of a licensee placed on probation. Licensees typically pay cost recovery in monthly payments throughout the term of probation. As such the costs are paid within a two to two-and-one-half year timeframe.
- The “Amount Collected,” referenced above includes payments on cost recovery amounts ordered from both prior and current years. The “Amount Ordered,” reflects only the amount ordered in FY 2018/19 and will never reconcile with the “Amount Collected.”

## CITATIONS AND FINES

Citations	FY 2016/17	FY 2017/18	FY 2018/19 9 months of data
- Total Citations Issued	156	127	409
- Total Fines Assessed	\$55,650	\$55,230	\$127,260
- Fine Average	\$357	\$435	\$312
Average Number of Days from Receipt of Complaint to Issuance of Citation	160	231	178

### CITATIONS AND FINES | FY 2018/19 TOP 3 VIOLATIONS

Seven months of data



The fine amount assessed varies from \$100 to \$5,000 and is determined on a case-by-case basis. Factors that may increase or decrease the fine amount include aggravating or mitigating circumstances, and length of time the violation occurred.

The total number of citations issued for FY 2018/19 as of March 31, 2019 is 409. The number has outpaced prior fiscal year-end total citations issued. The increase is a direct result of a recent internal workload shift within the Enforcement Division regarding violation of CBA Regulation 87(a)(1), a requirement since 2009 commonly referred to as the 20/12 requirement. Previously, the CBA License Renewal Unit handled 20/12 initial violations and issued warning letters. As of FY 2018/19 the Enforcement Division handles all license renewal applications identified to have violated the 20/12 requirement and make determinations on a case-by-case basis whether to issue a warning letter or a citation and fine.

The average number of days from receipt of a complaint to issuance of a citation has decreased by 23 percent since the last fiscal year-end report, from 231 to 178.

## UNLICENSED ACTIVITY

Complaints received and initially identified to be “Unlicensed” CTs have matters involving CPAs or firms operating with an expired license, individuals without a CPA license, or unregistered accounting firms.

Complaints Received	FY 2018/19 9 months of data
Practice without Permit	15
Individuals without a CPA License	80
Unregistered Firms	154
<b>TOTAL</b>	<b>249</b>

Investigations	
Investigations Pending <i>(Includes cases received from prior years)</i>	112
- Referred to Division of Investigation	13
<b>TOTAL</b>	<b>125</b>

Outcomes	
Citations Issued	23
Closed for Compliance	285
Referred to District Attorney/Local Law Enforcement	3
<b>TOTAL</b>	<b>311</b>

## FRANCHISE TAX BOARD | INTERCEPT PROGRAM

In FY 2015/16 the CBA began using the Franchise Tax Board (FTB) Intercept Program in an effort to collect unpaid administrative fines associated with the issuance of citations. The initial collection amount submitted to the FTB was significant and the pool of unpaid administrative fines dated back to FY 2011/12.

FTB Intercept Program	FY 2016/17	FY 2017/18	FY 2018/19 9 months of data	BALANCE
Referred to FTB	\$10,150	\$14,500	\$17,650	\$329,300
Collected by FTB	\$22,921	\$10,142	\$5,132	\$75,611
Uncollected	--	--	--	\$253,689

Between FY 2015/16 and FY 2017/18, the CBA referred to FTB, a total of \$311,650 of uncollected fees associated with the issuance of citations. By the end of FY 2017/18, on behalf of the CBA, the FTB retrieved \$70,479 of uncollected fees, resulting in an end of year balance of \$241,171 of uncollected fees.

## PROBATION MONITORING

Monitoring Activity	FY 2018/19
Numbers of Licensees on Probation as of Last Report	166
New Probationers Since the Last Report	6
Number of Probationer(s) Off Probation	4
Total number of Probationers	168
Out-of-State Probationers	16
Probation Orientations Held Since Last Report	2
Total Probation Orientations Completed	33
Number of Outstanding Orientations to Complete	1
Number of Practice Investigations Completed	0
Number of Work Samples Reviewed in FY 2018/19	4
Referrals to Revoke Probation	1

- 12 probation orientations have been scheduled to take place after March 31, 2019.

## PROBATION MONITORING | VIOLATIONS DETECTED

CPAs disciplined for various violations may be placed on probation for an ordered amount of time with required terms. To ensure probationers successfully fulfill their probationary terms, the CBA Probation Monitoring Unit continuously reviews individual probation files and identifies violations, notifies probationers, records all monitoring activities, and communicates with the probationers to obtain compliance with probation terms.

Violations detected for FY 2018/19 as of March 31, 2019 includes:

Probation Violation(s) Types	Detected
Cost Reimbursement	10
Obey All Laws	2
Submit Written Quarterly Report	15
Active License Status	1
Restricted Practice	1
Regulatory Review Course	1
Peer Review	2
Continuing Education	2
<b>TOTAL</b>	<b>34</b>

## DIVISION HIGHLIGHTS AND RECRUITMENT EFFORTS

As of June 2018, the CBA Enforcement Division commenced participation in the Department of Consumer Affairs (DCA) Enforcement Workgroup Meeting with a focus on enforcement statistical reporting and monitoring.

The DCA Enforcement Workgroup met on February 4, 2019 to discuss performance measures.

The Enforcement Division has hired a new full-time Associate Governmental Program Analyst for the Non-Technical Investigative Unit.

The CBA Enforcement Division is recruiting for the following positions:

- One full-time ICPA for the Technical Investigations Unit
- One ICPA Retired Annuitant for the Technical Investigations Unit



# Licensing Activity Report

## Fiscal Year 2018/19

July 1, 2018 – March 31, 2019

### Licensing Division Highlights

#### Online Credit Card Payment System

The California Board of Accountancy (CBA) License Renewal Payment Portal was launched on Monday, December 10, 2018. Since the launch of the online payment system, the CBA has received a total of 1,736 online payments through March 31, 2019 with an average of 15 transactions daily.

#### Online CPA Application

The CBA is in the testing phase of the online initial CPA license application, which will allow candidates to submit their CPA license application electronically.

The initial CPA license application will be made available to applicants that have passed the Uniform CPA Examination as a California candidate; however, the CBA anticipates this option being available for all candidates in the near future.

#### Outreach

Staff attended an outreach event at California State University at San Bernardino (CSUSB). CBA Member Michael M. Savoy, CPA provided a presentation to students on "The Rewards and Value of the CPA License" and participated on a panel with other CPAs providing insight to students and answering questions.

Staff who attended provided information regarding the Uniform CPA Examination and CPA licensure requirements and provided individual assessments of student's transcripts.

This was the second year the CBA was invited to speak at CSUSB.

#### Uniform CPA Examination Candidate Pipeline

The American Institute of Certified Public Accountants Board of Examiners (BOE) provided their February 2019 meeting highlights (**Attachment**). On page 2 of the attachment, you will find the Financial Oversight Group volumes and financial update regarding the decrease in new candidates entering the pipeline. The update also provides possible reasons candidate numbers are decreasing, which members expressed interest at previous CBA meetings.

### Licensing Division Snapshot

Fiscal Year 2018/19  
9 months of data

#### **53,064 Applications Received**

4,696	First Time Exam
11,526	Repeat Exam
2,692	CPA License
654	Accounting Firms
33,496	Renewal

#### **92,534 Stakeholder Inquiries**

39,478 Emails

- 41% Initial Licensure
- 28% Examination
- 31% Renewal

53,056 Telephone Calls

- 41% Initial Licensure
- 32% Examination
- 27% Renewal

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### Qualifications Committee Subcommittee Meeting

May 8, 2019

*California Board of Accountancy  
2450 Venture Oaks Way  
Suite 420  
Sacramento, CA 95833*

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## Licensing Division Highlights (Cont.)

### Staffing

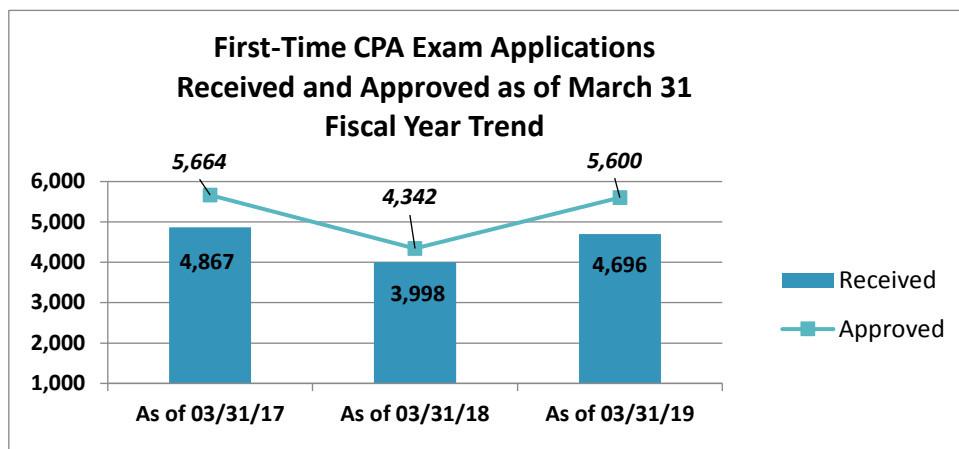
The Licensing Division is currently recruiting to fill the following vacancies:

- Licensing Division Chief
- Initial Licensing Unit Associate Governmental Program Analyst Coordinator
- Renewal and Continuing Competency Unit Program Technician II
- Renewal and Continuing Competency Unit Staff Services Analyst

# Uniform CPA Examination Statistics

<b>FY 2018/19</b> (9 months of data)	<b>17,126 Approved</b> -First-Time Sitter 5,600 -Repeat Sitter 11,526
<b>FY 2017/18</b>	<b>20,568 Approved</b> -First-Time Sitter 5,573 -Repeat Sitter 14,995
<b>FY 2016/17</b>	<b>26,036 Approved</b> -First-Time Sitter 7,061 -Repeat Sitter 18,975

- As of March 31, 2019, staff identified 398 first-time applications for the Uniform CPA Examination (CPA Exam) with a deficiency where applicants needed additional documentation for approval of the application. Among these, the most common deficiencies identified were related to transcripts not including the conferral date of a bachelor's degree or shortage of accounting units.
- The Examination Unit is processing first-time CPA Exam applications within 30 days of receipt.
- For the first nine months of FY 2018/19, the total number of first-time applications *received* has increased by 17 percent compared to the same time period last fiscal year, from 3,998 to 4,696.
- For the first nine months of FY 2018/19, the total number of first-time applications *approved* has increased by 29 percent compared to the same time period last fiscal year, from 4,342 to 5,600.





# Initial Licensing Statistics

## Individual

**FY 2018/19**  
(9 months of data)

**3,352 Approved**  
-Attest Authority 876  
-General Authority 2,476

**FY 2017/18**

**2,187 Approved**  
-Attest Authority 578  
-General Authority 1,609

**FY 2016/17**

**3,339 Approved**  
-Attest Authority 954  
-General Authority 2,385

## Firms

**FY 2018/19**  
(9 months of data)

**422 Approved**  
-Corporation 187  
-Partnership 42  
-Fictitious Name Permit 126  
-Out-of-State Registrations 67

**FY 2017/18**

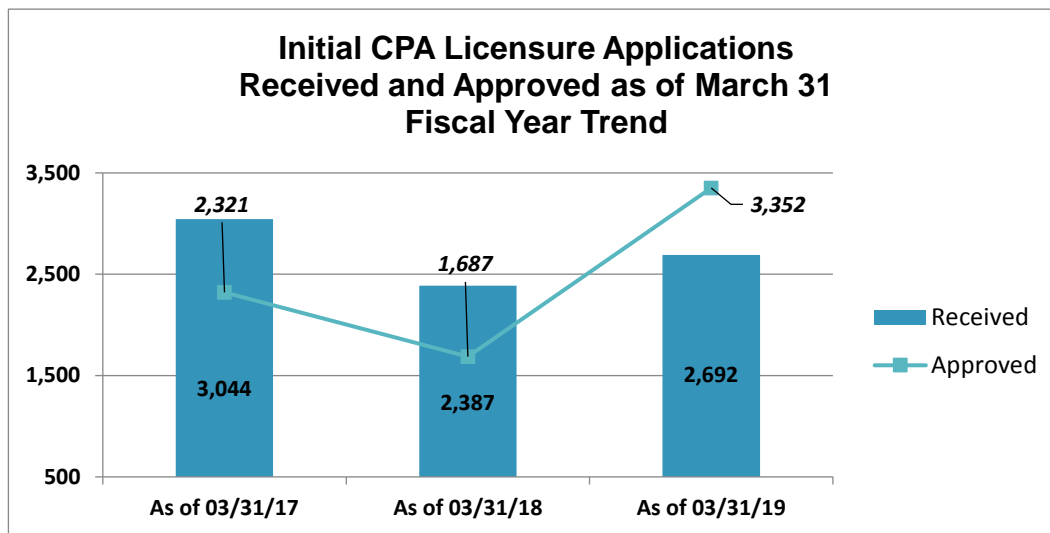
**354 Approved**  
-Corporation 173  
-Partnership 48  
-Fictitious Name Permit 84  
-Out-of-State Registrations 49

**FY 2016/17**

**418 Approved**  
-Corporation 202  
-Partnership 70  
-Fictitious Name Permit 76  
-Out-of-State Registrations 70

## Initial Licensing Statistics (cont.)

- As of March 31, 2019, staff identified 730 applications with a deficiency where additional documentation is required from the applicant to approve the application. Among these, the most common deficiencies identified were related to an educational deficiency, incomplete applications (*i.e* missing signature, unanswered questions), and *Criminal Conviction Disclosure Form* not submitted.
- The Initial Licensing Unit is processing initial CPA license applications and accounting firm applications within 30 days of receipt. Processing is defined as an initial review of an application where applicants either receive a pre-approval notification requesting the initial license fee for issuance of a license number or a deficiency letter identifying any outstanding items.
- For the first nine months of FY 2018/19, the total number of CPA applications *received* has increased by 12 percent compared to the same time period last fiscal year, from 2,387 to 2,692.
- For the first nine months of FY 2018/19, the total number of CPA applications *approved* has increased by 98 percent compared to the same time period last fiscal year, from 1,687 to 3,352. The significant increase may be attributed to success in resolving the backlog of applications that were pending over 30 days.



## License Renewal Statistics

<b>FY 2018/19</b> (9 months of data)	<b>33,496 Renewed</b> -CPA/PA 33,499 -Accounting Firms 2,715
<b>FY 2017/18</b>	<b>44,943 Renewed</b> -CPA/PA 42,919 -Accounting Firms 2,024
<b>FY 2016/17</b>	<b>45,374 Renewed</b> -CPA/PA 43,008 -Accounting Firms 2,366

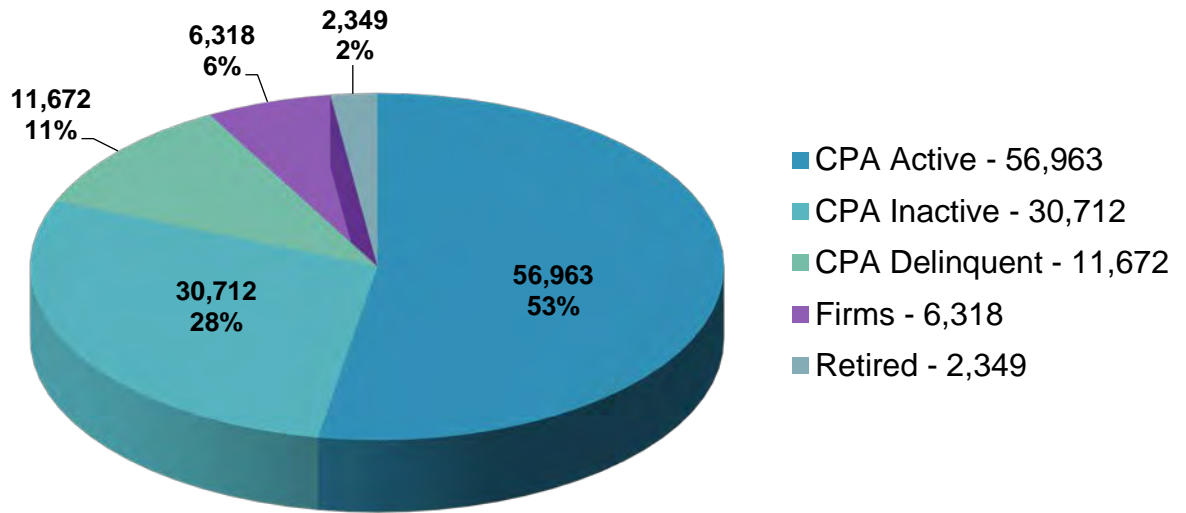
Compliance Reviews	FY 2018/19 9 months of data
License Renewals Reviewed	19,409
<i>Deficient Applications</i>	1,963
<i>Compliance Processed</i>	1,805
Continuing Education Audits	600
<i>Outstanding Audits</i>	237
<i>Compliance Processed</i>	363
Enforcement Referrals	897

Retired	FY 2018/19 9 months of data
Retired Status Received	304
Retired Status Approved	274

# Population Statistics

Population	FY 2016/17	FY 2017/18	FY 2018/19 9 months
CPA	95,186	96,487	99,347
<i>Active</i> <sup>1</sup>	56,577	55,747	56,963
<i>Inactive</i>	29,123	29,952	30,712
<i>Delinquent</i> <sup>2</sup>	9,486	10,788	11,672
CPA Retired	1,613	2,051	2,349
Accountancy Firms	6,620	6,843	6,318
<i>Corporation</i>	4,536	4,665	4,281
<i>Partnership</i>	1,547	1,582	1,379
Out-of-State Firm Registration	537	596	658
<b>Totals</b>	<b>103,419</b>	<b>105,381</b>	<b>108,014</b>

## Population by License and Registration Type as of March 31, 2019



<sup>1</sup> Represents active CPAs and includes Public Accountants (PA).

<sup>2</sup> Delinquent consists of licensees who have not submitted their renewal form and renewals in process pending review.

**AICPA BOARD OF EXAMINERS (BOE)  
MEETING HIGHLIGHTS****February 21 - 22, 2019****Participants**

**BOE Members:** Diego Baca, Doug Behn, Barry Berkowitz, Helen Brown-Liburd, Alison Cheng, Al Cohen, Michael Daggett, Jeanne Dee, Evan DeFord, Shelly Holzman, Jeff Hoops (Chair), Audrey Katcher, Daniel Sweetwood, Michael Watts, Tom Weirich

**Remote BOE Members:** David de Silva, Jim Wollack

**AICPA Staff:** Michael Decker (Staff Liaison), Rich Gallagher, John Mattar

**Remote AICPA Staff:** Robin Stackhouse

**NASBA ERB Staff:** Sheena Murphy

The AICPA thanks BOE members Michael Daggett, Jeanne Dee, Ola Smith, and Dan Sweetwood for their service on the BOE and for their support and guidance to the CPA Exam's staff.

**State Board Committee (SBC) update:** At a prior SBC meeting, the SBC received an update from AICPA communications on their "Next Stop CPA" podcast series, on Exam blueprint and other download increases, and on the planned key message regarding the forthcoming Practice Analysis.

The SBC discussed the pending approval and implementation of Continuous Testing and the struggles of state boards to adopt supporting language in either their rules or regulations.

**Psychometric Oversight Committee (POC) update:** The POC have focused on two key areas in its November 2018 meeting. The first area was ideas about test design for the future, as the Exam evolves to keep aligned with changes in the profession. The second area was about ways to enhance the Practice Analysis process. The POC discussed a number of options with staff for consideration. These included ways to enhance survey work and alternatives to surveys.

The POC also reviewed an initial draft of a Validity Argument Report. The POC was very pleased to see this document and the progress that has been made. The POC recommended that this document be an internal document.

**Content Committee (CC) update:** The CC continues to support the Exam's content development efforts, research into an updated Authoritative Literature and research items, and the pending Practice Analysis focused on the impact of technology's revolution on the role of a newly-licensed CPA.

The CC was pleased to hear that no issues were found in the launch of the new REG section in 19Q1.

**David de Silva and Barry Berkowitz led a general discussion on state boards' issues**, providing insight on the perspective of the State Boards' current views on the Exam and the profession, including:

- Anti-regulation activities
- State boards' general support for continuous testing but challenges with implementing it
- Peer review renewals
- Weakening finances and an increase in the number of umbrella boards
- Challenges to staffing state boards

**Financial Oversight Group (FOG), volumes and financial update:** The BOE reviewed the 2018 actuals and 2019 forecast in detail.

- New candidates entering the pipeline in 2018 was 36,968, almost 3,000 less than 2017
  - The average (back to 2008) is 42,394
- Domestic section volumes were 196,973, the lowest since 2006
- Only 200,000 domestic section volumes are forecasted for 2019
- Why?
  - Candidates are taking, 0.15 – 0.2, on average, fewer sections per year
  - Increased no-show rates to 9.7% from an average of approximately 7%
  - High-stakes testing and securing a license is typically lower in a strong economy
  - B&I hiring of accounting graduates at higher salaries than starting CPA salaries
    - No 150 hour requirement or CPA license required
  - Firms' growth is in consulting and advisory, not in audit and tax
    - CPA not required
  - Growth in CISSA, CFP, CFA, credentials
  - Immigration and green card volatility

The BOE and the Exams team have approved a 2019 budget reflecting lower volumes and additional cost reductions to manage the breakeven contract through 2024.

**Michael Decker and Richard Gallagher**, led the BOE in an in-depth discussion on the future of the Exam and the upcoming Practice Analysis. The 2019 goals and objectives (4) are:

1. Maintain currency and relevancy of the Exam amidst the technology revolution and its impact on audit data analytics and other areas of the profession, for the knowledge and skills required of a newly licensed CPA
2. Focus content knowledge and skills on what is most critical for newly licensed CPA practice.
  - a. Explore and be especially critical of areas of the Exam that are no longer required knowledge or skills of a newly-licensed CPA
3. Increase simplicity and efficiency to improve the candidate experience
  - a. Explore and implement (with the appropriate approvals) changes to test construction, test development, item types, scoring methodologies, etc. to remove elements that are adding complexity and cost, or are no longer benefiting the candidate.
4. Be prepared to align the Exam with the Evolution of the CPA committee's recommendations

These four goals resulted in the formation of the following 5 workstreams:

1. Continue with planned continuous updates to the Exam and its blueprints
  - a. 2019 Blueprint updates / 2020 Blueprint updates likely
  - b. Audit Data Analytics A and B
  - c. BEC section enhancements in the IT areas
  - d. Sample Test improvements
  - e. Exam Blueprints released January 2019 and effective July 2019 include:
    - i. AUD – Data analytics, BEC – Information Technology, and REG – Tax treatment clarity
2. Research the impact of the technology revolution (e.g., audit data analytics, automation, etc.) on the Exam, via a focused Practice Analysis
3. Reduce the breadth of Exam content (pruning) by completing a prioritization exercise of each section's areas, groups, and topics to better focus on knowledge and skills required of a newly-licensed CPA
  - a. Prioritized ranking of content areas, groups, and topics
    - i. By the content subcommittees, NASBA appointees (pending), Sue Coffey's Public Accounting group, and potentially others
4. Improve candidate experience by increasing the Exam's simplicity and efficiency, explore implementing (with appropriate approvals) revised test construction, test development, item types, scoring methodologies, etc. where the candidate or the Exam are no longer benefiting from the current approach.
  - a. The current list of items being explored includes:
    - i. Eliminating multi-stage adaptive testing
    - ii. Eliminating double jeopardy in the scoring of task-based simulations
    - iii. Changing the pretest process for task-based simulations
    - iv. Changing our research questions and the use of the Authoritative Literature
    - v. Eliminating the essay question in BEC
5. Remain engaged with the "Evolution of the CPA" committee and its findings or recommendations



The Exams Team is targeting the end of 2019 for delivering a 2019 Research Paper which will include the following categories of information:

- Continuous Exam updates
  - BOE and its committees' approval of 2020 blueprint changes, item types, standards, etc.
- Exposure Draft section
  - **Planned** Exam and blueprint updates supported by Practice Analysis data and other research where public exposure and feedback is required.
- Invitation to Comment section
  - **Recommended** potential Exam and blueprint updates supported by Practice Analysis data and other research where public exposure and feedback is required.
    - Forecasted release dates are not planned and will be based on feedback received and future developments

*Obtaining meaningful and timely feedback on the Research Paper from the state boards and societies is critical to ensuring the CPA exam remains relevant. To allow for sufficient review while avoiding sequential steps [of review] and any delays in implementing Exam updates, the BOE and Exam's staff are requesting that state boards and societies plan now to meet in 20Q1 so that all public feedback can be received by March 31, 2020. We ask your help in alerting the state boards and state societies soon so that they will have sufficient time to schedule meetings and plan a thorough and timely review*

The BOE approved the 2019 Practice Analysis as a major project.





**AICPA Strategic Initiatives update:** Exams staff and the BOE discussed the following key initiatives:

- The Exams environment recently completed a successful SOC II audit and are currently underway with a SOC for Cyber audit.
- Penetration testing is scheduled for April 2019.

Regarding international expansion into India:

- Securing a No-Objection Certificate (NOC) from ICAI not likely / required.
- The short-term approach is therefore:
  - a. Launch in Nepal and Sri Lanka in 2019 (estimated)
    - i. Indians are a 60 – 90 minute flight away. May put pressure on India to allow testing in India. Test the market.
- The long-term approach:
  - a. Secure a formal legal opinion from an Indian law firm
  - b. Strengthen relationship with ICAI and discuss potential “offerings”
  - c. Launch in India with ICAI “support” in 2019 / 2020 (estimated)

Continuous testing is testing with no planned black-out dates, and retesting of a failed section within a quarter / window is allowed. NASBA is taking the lead on securing legislative support from the Boards and a July 2020 launch is currently targeted.

Exams communications’ key messages for 2019 include:

- The Exam is updated regularly and remains current with the profession
- The Exam is not updated only after a Practice Analysis
- No such thing as a “continuous Practice Analysis”
- Regular updates vs. “big-bang releases”
- Audit data analytics is currently assessed in the Exam
- Read the blueprints!

**Sheena Murphy, NASBA’s Director of the Examination Review Board (ERB),** shared with the BOE that 2019 audit planning was underway.



**California Board of Accountancy**  
 2450 Venture Oaks Way, Suite 300  
 Sacramento, CA 95833

phone: (916) 263-3680 fax: (916) 263-3675 web: www.cba.ca.gov



**CBA Item X.A.**  
 May 16, 2019

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

**MINUTES OF THE  
 March 21, 2019  
 CBA MEETING**

**DoubleTree by Hilton – San Diego Downtown Hotel  
 1646 Front Street  
 San Diego, CA 92101  
 Telephone: (619) 239-6800**

Roll Call and Call to Order.

California Board of Accountancy (CBA) President George Famalett, CPA, called the meeting to order at 11:53 a.m. on Thursday, March 21, 2019 at the DoubleTree by Hilton – San Diego Downtown Hotel and recessed at 12:15 p.m. The CBA reconvened into open session from 1:32 p.m. until 1:49 p.m. The CBA convened into closed session from 1:50 p.m. until 2:02 p.m. Open session reconvened from 2:04 p.m. until 4:30 p.m. Closed session reconvened from 4:35 p.m. until 5:42 p.m. President Famalett adjourned the meeting at 5:43 p.m.

CBA Members

March 21, 2019

George Famalett, CPA, President	11:53 a.m. to 5:43 p.m.
Mark J. Silverman, Esq., Vice-President	11:53 a.m. to 5:43 p.m.
Nancy J. Corrigan, CPA, Secretary/Treasurer	11:53 a.m. to 5:43 p.m.
Alicia Berhow	11:53 a.m. to 5:43 p.m.
Jose A. Campos, CPA	11:53 a.m. to 5:43 p.m.
Mary M. Geong, CPA	11:53 a.m. to 5:43 p.m.
Karriann Farrell Hinds, Esq.	11:53 a.m. to 5:43 p.m.
Dan Jacobson, Esq.	11:53 a.m. to 5:43 p.m.
Xochitl A. León	Absent
Luz Molina Lopez	11:53 a.m. to 5:43 p.m.
Carola A. Nicholson, CPA	Absent
Deidre Robinson	Absent
Katrina L. Salazar, CPA	2:37 p.m. to 5:34 p.m.
Michael M. Savoy, CPA	11:53 a.m. to 5:43 p.m.

### Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Aaron Bone, Information and Planning Officer  
Ileana Butu, Legal Counsel, DCA  
Dominic Franzella, Chief, Enforcement Division  
Dorothy Osgood, Enforcement Supervising ICPA  
Rebecca Reed, Board Relations Analyst  
Carl W. Sonne, Deputy Attorney General, Department of Justice

### Committee Chairs and Members

Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee (EAC)  
Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee (PROC)

### Other Participants

Brian Attard, Center for Public Interest Law  
Adam Berg, Administrative Law Judge, Office of Administrative Hearings  
Jason Fox, California Society of CPAs  
R. Richard Hawkins, CPA  
Pilar Oñate-Quintana, The Oñate Group  
Paul Franklin Spann, CPA

#### I. Report of the President.

##### A. Update on the California Board of Accountancy's Sunset Review.

President Famalett reported that on February 26, 2019, he, Vice-President Silverman, and Ms. Bowers participated in the Sunset Review Hearing. He stated that they only received one clarifying question from a Senator after making their prepared remarks.

Mr. Famalett stated that staff are continuing to work through the next steps as the Legislature votes on Assembly Bill 1521, which would extend the CBA's sunset date.

##### B. National Association of State Boards of Accountancy Committee Interest Form.

President Famalett stated that members interested in serving on a National Association of State Boards of Accountancy (NASBA) committee should submit an application by the deadline of May 3, 2019.

##### C. National Association of State Boards of Accountancy 2019-20 Request for Vice Chair Recommendations.

Ms. Reed stated that the NASBA Nominating Committee was seeking requests for recommendations from all state boards to serve as Vice Chair for the 2019-20 year. She stated that the deadline to submit recommendations to serve as

the NASBA Vice Chair is April 16, 2019 and that the CBA had not received any requests for support from individuals seeking to serve as Vice Chair.

- D. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

There was no report on this agenda item.

- E. Department of Consumer Affairs Director's Report on Departmental Activities.

This item was a written report only.

## II. Report of the Vice-President.

- A. Recommendations for Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee.

**It was moved by Mr. Jacobson and seconded by Mr. Campos to appoint David L. Kral, CPA and Chris Tegtmeyer, CPA, to the Enforcement Advisory Committee.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Molina Lopez, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. Hinds, Ms. León, Ms. Nicholson, Ms. Robinson, and Ms. Salazar.**

**Abstain: None.**

**It was moved by Mr. Savoy and seconded by Ms. Berhow to reappoint Douglas Aguilera, CPA, William Donnelly, CPA, and Thomas Gilbert, CPA, to the Enforcement Advisory Committee.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Molina Lopez, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. Hinds, Ms. León, Ms. Nicholson, Ms. Robinson, and Ms. Salazar.**

**Abstain: None.**

- B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee.

**It was moved by Mr. Campos and seconded by Mr. Jacobson to reappoint Kristian George, CPA, Angela Honzik, CPA, Cliff J. Leiker, CPA, and José Palma, CPA, to the Qualifications Committee.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Molina Lopez, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. Hinds, Ms. León, Ms. Nicholson, Ms. Robinson, and Ms. Salazar.**

**Abstain: None.**

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

**It was moved by Mr. Savoy and seconded by Ms. Berhow to reappoint Jeffrey De Lyser, CPA, Kevin Harper, CPA, and Sharon Selleck, CPA, to the Peer Review Oversight Committee.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Mr. Jacobson, Ms. Molina Lopez, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. Hinds, Ms. León, Ms. Nicholson, Ms. Robinson, and Ms. Salazar.**

**Abstain: None.**

III. Report of the Secretary/Treasurer.

- A. Review of the California Board of Accountancy Fund Condition, 2017-18 Fiscal Year-End Financial Statement, Fiscal Year 2018-19 Mid-Year Financial Statement, and Discussion of Possible Fee Changes.

Ms. Corrigan reported that the CBA had not yet received the final revenue and expenditure numbers for fiscal year (FY) 2017-18 due to the transition to the FI\$Cal accounting software. She stated that staff anticipate receiving the information from the Department of Consumer Affairs (DCA) soon and, once received, will be presented to the CBA for review.

Ms. Corrigan stated that staff has received information for the FY 2018-19 Mid-Year Financial Report, which reflects the most recent Information available regarding actual and projected expenditures through year-end.

Ms. Corrigan stated that CBA expenditures as of December 31, 2018 were approximately \$7 million. She stated that the CBA is currently projected to end FY 2018-19 with an approximate surplus of \$20,000.

Ms. Corrigan stated that the Consolidated Data Center Costs have increased this year due to the projected cost to perform the CBA's Information Technology Audit. She stated that there will be future Information Technology security audits, which will continue to increase this expenditure.

Ms. Corrigan stated that the Enforcement Expenditures continue to increase and are presently projected to reach nearly \$1.3 million. She stated that these include costs for the Attorney General, Office of Administrative Hearings, Court Reporters, Evidence and Witness fees, Expert Consultants, and Division of Investigation.

Ms. Pearce reported that in 2011, the CBA took steps to lower its fees, with the goal of reducing the CBA's Reserve, which at the time exceeded the statutory limit of nine months. She stated that prior to the reduction, the license renewal and initial licensee fee was \$200. She stated that when the fee was reduced, it was originally set at \$120; however, it was reduced a second time to \$50 to further reduce the Reserve.

Ms. Pearce stated that in 2015, the CBA attempted to restore the fee back to \$200. She stated that this was not approved due to scheduled repayments of loans from the General Fund and, subsequently, the fee returned to the \$120 level beginning July 2016.

Ms. Pearce stated that the CBA has been operating in a negative cash flow for approximately eight years. She stated that the CBA does not collect enough revenue to cover its approved expenditure authority. She stated that because of this, funds are pulled from the CBA's Reserve and, over time, has reduced the months in the Reserve.

Ms. Pearce stated that in January 2018, the CBA approved an increase in its license renewal and initial licensee fee to \$250, the statutory maximum. She stated that based on projected revenues and expenditure data available at that time, the \$250 fee level would more closely align revenues and expenditures, provide sufficient resources in the Reserve Fund, and progress towards a 24 months in Reserve level as recommended by the Legislature.

Ms. Pearce stated that recently DCA provided the CBA with updated projections reflecting the \$250 fee level. She stated that with the updated projections, the CBA's approved fee increase of \$250 would not provide a sufficient revenue stream to address expenditures or build the Reserve Fund. She stated that the months in Reserve level continues to decrease each year.

Ms. Pearce stated that the CBA's current and projected expenditures have increased due to various reasons including implementation of supplemental

pension payments, increased employee compensation, benefits, and retirement costs, and budget augmentations to address increased operating expenses.

Ms. Pearce stated that based on the updated projections, the CBA will need to increase the license renewal and initial license fee to an amount greater than \$250. She stated that \$250 is presently the statutory maximum that can be charged and a regulatory change for an increase would have to occur after the maximum is increased to \$500 as requested in the CBA's Sunset Review Report.

Ms. Pearce stated that there are two paths the CBA could take to create an increased revenue flow. She stated that one path is to do a single fee increase for an amount greater than \$250, which would occur after the statutory maximum has been raised. The second would be to initiate two fee increases, which would include implementing the current pending rulemaking to \$250, and then initiate a second fee increase after the statutory maximum has been raised.

Ms. Pearce stated that if the CBA were to initiate a single fee increase, it would take action to withdraw the pending rulemaking and following the anticipated approval to increase the statutory maximum amount to \$500 on January 1, 2020, the CBA would initiate a new rulemaking for a license renewal and initial licensee fee amount greater than \$250.

Ms. Pearce stated that there are two advantages for a single increase. First it avoids changing renewal fee amounts over multiple renewal cycles, and second a single fee increase would not create any additional workload for review and approval by DCA, Business, Consumer Services, and Housing Agency (BCSHA) and Department of Finance (DOF).

Ms. Pearce stated that if the CBA were to initiate two fee increases, the pending regulatory fee increase of \$250 would continue with an anticipated effective date of January 1, 2021. Following approval of legislation to increase the statutory maximum, a second fee increase would be initiated via regulation, with an anticipated effective date of July 1, 2022.

Ms. Pearce stated that one of the disadvantages of the two-fee increase would be the creation of multiple increases for licensees and, contrary to the single option, would create additional workload for DCA, BCSHA, and DOF.

Ms. Berhow inquired if during the Sunset Review it was recommended by the Legislature to increase the maximum statutory fee.

Ms. Pearce stated that staff requested the increase in the statutory maximum.

Ms. Geong inquired if the fee could be increased from \$250 to \$500 in one increase.

Ms. Pearce stated that the amount of the second fee increase would be determined by the CBA.

Mr. Campos stated that the CBA already has approved a \$250 fee increase and staff have already asked the Legislature to increase the statutory fee limit. He stated that he was opposed to counting on the increase to the statutory fee limit. He stated that if the CBA were to withdraw its pending fee increase request and the Legislature did not approve the increase to the statutory fee limit, then the CBA would need to start over with the fee request.

Mr. Campos stated that if the CBA is going to make changes to the fees, staff should look at the CBA's overall fee structure including an increase to the examination fees.

Mr. Silverman stated that the CBA's statutory fee limit has been at the \$250 level for about 30 years, and the CBA has not asked to increase the statutory fee level in many years. He stated that there have been increases in inflation and payroll costs, among other things over the years. He stated that the CBA is within the realm of reasonableness to increase the fees.

Ms. Hinds stated that the CBA is in the process of requesting the fee increase now and have the support of the Legislature for the fee increase. She stated that this does not mean we need to increase the fees to the limit at this time.

Ms. Hinds stated that staff should look at the fee structures of other licensing boards and how those boards operate.

Ms. Molina Lopez asked if the CBA needs to reach the 24 months in Reserve level as speedy as possible?

Ms. Pearce stated that the Legislature did not give the CBA a timeframe in which to reach the 24 months in Reserve. She stated that the sooner the CBA reaches that level, the sooner it ensures the CBA has the resources for operational needs.

Ms. Bowers stated, to clarify, the CBA would not need to take formal action to withdraw the pending regulatory fee increase. She stated that staff would continue to work the pending fee increase request through the process. She stated that over the next couple of weeks, staff will be meeting with legislative staff and Legislators to discuss the CBA's increase to its statutory fee cap. She stated that in those conversations, staff can get a sense of where the Legislature stands on the increase.

Ms. Pearce stated that renewal fees for other licensed professionals range between \$300 for architects to \$820 for physicians, for a two-year period.

Ms. Pearce stated that the fee scenarios provided only reflect an increase in license renewal and initial licensure fees. She stated that the only other fee



that may have a material impact on the Reserve are the fees assessed by first time applicants for the Uniform CPA Examination (CPA Exam). She stated that none of the fee scenarios includes projected funding for the CBA's Business Modernization Plan.

Ms. Pearce stated that if the CBA would like to consider other fees, staff can provide further information at the May CBA meeting.

Ms. Molina Lopez inquired on what the anticipated date would be for the Legislature to approve our request to increase the statutory fee limit.

Mr. Bone stated that in early April staff will be meeting with the Legislature regarding the statutory fee increase to assess its receptiveness.

Ms. Bowers stated that there are other boards that have a minimum fee level (floor) set in statute. She stated that knowing that there is other model language where the floor is set, it would not be surprising if that dialogue occurs with the Legislature.

Ms. Hinds stated that it would make sense if the CBA were allowed to request a floor in statute with authority to raise the fees and set the CBA's fee schedule accordingly. She stated that way we would only be going to the Legislature one time to change the CBA's statutory fee limits. She stated then as a board, the CBA could determine how we would implement the fee increases.

Ms. Bowers stated that this option gives control of setting CBA fees to the Legislature. She stated that if the language is incorporated into the CBA's Sunset Bill and there is disagreement with the floor that is set legislatively, then the CBA would need to address that.

Ms. Butu stated that boards can have incremental increases within one regulation packet, but the fees need to stay within your statutory fee limit.

Mr. Campos suggested that we continue with the current regulation package, increasing the fees to \$250; we continue with our efforts to increase the statutory fee limit; and the CBA reassess in May based on the feedback that will be provided from upcoming meetings with the Legislature.

Ms. Hinds stated that any request to raise fees should be accompanied with additional details that address all of the issues. She stated that we need to show that the CBA is raising fees because there is a need and not because we are spending the money unnecessarily.

**It was moved by Mr. Silverman and seconded by Mr. Jacobson to withdraw the pending rulemaking to increase the license renewal and initial license fees to \$250 and following the approval to increase the statutory maximum amount to \$500 on January 1, 2020, initiate a**

**rulemaking to increase renewal and initial license fees to an amount greater than \$250.**

**Yes: Mr. Jacobson, Ms. Molina Lopez, Mr. Savoy, and Mr. Silverman.**

**No: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, and Ms. Salazar.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

**The motion did not pass.**

IV. Report of the Executive Officer.

A. Update on the California Board of Accountancy's Communications and Outreach.

Mr. Bone stated that staff will be conducting an outreach event on April 11, 2019 at the California State University, San Bernardino. He stated staff will also be participating in CalCPA community college events at Miramar College in San Diego and Saddleback College in Mission Viejo.

Mr. Bone stated that staff will be conducting an outreach event at California State Polytechnic University, Pomona in conjunction with the September CBA meeting.

Mr. Fox thanked the CBA and staff for all of their assistance with outreach events.

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

A. Enforcement Advisory Committee.

1. Report of the February 7, 2019 Enforcement Advisory Committee Meeting.

Mr. Rosenbaum reported that EAC members reviewed 10 closed case files and held two investigative hearings.

B. Qualifications Committee.

1. Report of the January 23, 2019 Qualifications Committee Meeting.

Ms. Pearce stated that at the January QC meeting and sub-committee meeting, there were a total of seven Section 69 reviews and one personal

appearance. She stated that the QC recommended five of those for approval of a CPA license, and three were deferred.

Ms. Hinds reported that she had the opportunity to participate in the open session of the QC meeting. She stated that at that meeting, QC members inquired about the status of the Attest Experience Form that is going through the rulemaking process. Ms. Sanchez stated that we should see movement on that regulation this year.

### C. Peer Review Oversight Committee.

#### 1. An Educational Overview of the California Peer Review Program.

Mr. Franzella stated that peer review is a study of an accounting firm's accounting and auditing work by an unaffiliated CPA following professional standards. He stated that the purpose of peer review is to promote quality in the accounting and auditing services provided by accounting standards to ensure that licensees are adhering to professional standards. He stated that as a condition of active status license renewal, accounting firms must undergo peer review if they have provided an accounting and auditing service during the preceding three years.

Mr. Franzella stated that there are statutes and CBA Regulations that govern the peer review program. He stated the regulations state which licensees must complete peer review, firm responsibilities and enrollment requirements, reporting requirements, and the minimum requirements providers must meet to be approved by the CBA to perform peer reviews in California. He stated that presently, the CBA only recognizes the American Institute of CPAs (AICPA) as an approved peer review program provider. He stated that the AICPA uses administering entities to administer its program with CalCPA acting as the administering entity in California.

Mr. Franzella stated that as part of the peer review program, the CBA maintains an active oversight process to ensure that CBA-approved peer review program providers meet the minimum standards outlined by the CBA in regulation. He stated that the PROC provides recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

#### 2. Report of the February 15, 2019, 2018, Peer Review Oversight Committee Meeting.

Mr. De Lyser reported that the PROC reviewed, provided edits, and approved its 2018 PROC Annual Report.

Mr. De Lyser stated that the PROC provided feedback on next steps regarding the development of a framework to monitor the California peer reviewer population.

Mr. De Lyser stated that the PROC reviewed and discussed a NASBA paper with proposed revisions to the Uniform Accountancy Acts' (UAA) Model Rules, which was also discussed at the Committee on Professional Conduct meeting.

3. Presentation and Possible Adoption of the Peer Review Oversight Committee 2018 Annual Report.

Mr. De Lyser stated that the 2018 PROC Annual Report includes information on various activities and accomplishments, information on the oversight functions performed by the PROC, and various statistical information.

Mr. De Lyser stated that in an effort to ensure clarity and readability of the report, the PROC performed a significant overhaul for CBA consideration. The primary shift simplified the presentation of the oversight functions performed by the PROC into three main areas which include PROC Observed Activities, Peer Review-Related Reports and Publications Reviewed by the PROC, and Other Activities.

Mr. De Lyser stated that in 2018 the PROC undertook several important initiatives to improve the oversight of the peer review program. These initiatives included Oversight procedures of the California Society of CPAs administration of the AICPA Peer Review Program.

Mr. De Lyser stated that the PROC concluded that the AICPA Peer Review Program functions effectively in accordance with the standards adopted by the CBA.

Ms. Corrigan inquired on how the PROC actively monitors the PRIMA system.

Mr. De Lyser stated that the PROC regularly receives reports on the effective functioning of the PRIMA system, PROC members often go on-site to CalCPA and log into the PRIMA system to review reports, and PROC members often sit in and observe meetings of the AICPA Review Board via telephone.

Ms. Corrigan inquired on the higher number of nonconforming peer review engagements than peer reviewers that was identified by subject matter experts (SME).

Mr. De Lyser that there has been some discussion among the different participants within the entire peer review process from those that administer the peer review, peer reviewers and to those who are on the AICPA peer review board as to how that system and process is functioning. He stated

that SMEs have targeted reviews of certain engagements and that there are many different variables that cause different findings.

Mr. De Lyser stated that the objective of a peer reviewer is to give an opinion regarding the overall quality control process of a particular accounting firm and not an individual engagement.

Ms. Corrigan inquired if the PROC should look into SMEs regarding this matter.

Mr. De Lyser stated that would be a good idea, but may be difficult for the AICPA to give the PROC specific information regarding those items targeted to California. He stated that the PROC may look at the findings and report back to the CBA as a general sense of the overall findings over the entire United States.

Mr. Franzella stated that the PROC could ask the AICPA why the AICPA looks at these reports with two different kinds of standards.

Mr. Campos inquired on the decline of peer reviews from prior years. He inquired if there is not as many peer reviews needed or if this is due to a backlog.

Mr. De Lyser stated that the PROC has not received any reports of a backlog of peer reviews. He stated that there is a trend towards firms being consolidated together and that has been a significant factor regarding the amount of peer reviews in California.

**It was moved by Mr. Campos and seconded by Ms. Geong to adopt the 2018 PROC Annual Report.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

4. Discussion and Possible Action Regarding the Progress of the Development of the Proposed Framework to Monitor the California Peer Reviewer Population.

Mr. Franzella stated that this agenda item was to provide the CBA the opportunity to consider prior correspondences to and from the CBA to the AICPA and CalCPA regarding the peer reviewer population, and to approve

a proposed CBA follow-up letter requesting the AICPA to work collaboratively with the PROC and CBA to develop a revised framework to monitor the California peer reviewer population. He stated that while CalCPA is either included as an addressee or copied on all the letters, the AICPA is the primary repository of all statistical information related to its peer review program and is the primary audience for the letters the CBA has sent.

Mr. Franzella stated that the CBA first placed upon the PROC the responsibility of monitoring the peer reviewer population in mid-2017. He stated that since that time, the CBA, PROC, and staff have been working to ascertain the data and statistic the AICPA has on the peer reviewer population. He stated that overall, the information received is insufficient and does not allow the CBA and PROC the ability to comprehensively assess the peer reviewer population.

Mr. Franzella stated that in some of the letters, the data received has raised concern related to the population. He stated that the AICPA notes that the national average of firms to peer reviewers is 14.65 to 1, yet California's ratio is 30.25 to 1.

Mr. Franzella stated that as part of a questionnaire given by the AICPA, to 350 peer reviewers, nearly one-half of the peer reviewers were performed by individuals 61 and older and that 40 percent did not intend to retire by 2020. He stated that 60 percent did intend to retire by 2020.

Mr. Franzella stated that as peer review is a condition of license renewal any decrease in the peer reviewer population could create potential barriers for licensees to timely find a peer reviewer. He stated that in prior letters to the AICPA, much of the requests were to identify if data was available and to see what information the AICPA had.

Mr. Franzella stated that the approach being presented for CBA consideration with the proposed letter to the AICPA requests the AICPA collect specific data points that will provide information on which to access or assess the peer reviewer population. He stated that the letter further requests that AICPA work with the CBA to develop a timeline that accounts for the development of a framework to monitor the California peer reviewer population and will allow the AICPA to initiate the data collection process by early 2020 and implement reporting by the beginning of 2021.

Mr. Franzella stated that the timeline should consider the necessary time for research and system development to generate statistics being requested, and time to develop a report to be delivered to the CBA and PROC.

Mr. Campos inquired if the CBA needs to send another letter to the AICPA and if anything would change by sending another letter.

Mr. Franzella stated that the purpose of the prior letters was to try and solicit information that was available to the AICPA. He stated that in the course of those communications, it became clear that the AICPA did not have the information or was not collecting the information the CBA believed important. He stated that the approach with the current letter is to tell the AICPA what information the CBA would like to receive regarding specific data points and to provide analysis that specifically pertains to the California peer reviewer population and if the AICPA is unable to provide the requested information, attend a future meeting and explain why they are unable to provide the information.

Mr. Campos stated that in prior correspondence the AICPA has stated that even if it collected the information, it may be unable to share it for the same reasons that NASBA was unable to share certain information for confidentiality reasons.

Mr. Campos stated that he was unable to determine if the statistics regarding retiring peer reviewers was at an individual partner level or a firm level and if that would affect the statistics.

Mr. Franzella stated that many of the peer reviews that the CBA see are done by small firms or sole practitioners and a small number of peer reviewers will conduct a large amount of peer reviews. He stated that if one of those individuals were to cease conducting peer reviews there would be a dramatic effect on the peer reviewer population.

Mr. Campos inquired on how the California peer reviewer population is defined and is it somebody in California or somebody in a neighboring state that is willing to conduct a California peer review. He stated that maybe staff should clarify that in the letter to the AICPA.

Mr. Franzella stated that generally, he looks at any peer reviewer that is approved by CalCPA and that could mean it is somebody from a neighboring state. He stated that he is receptive to receiving that information from the AICPA, especially if a neighboring state is conducting a California peer review. He stated that is an important component to know if a neighboring state that is familiar with California, conducts the peer review.

Mr. Campos requested that staff broaden the scope of the letter to not just include California Peer Reviewer population information, but also include information on a national level.

**It was moved by Mr. Campos and seconded by Ms. Hinds to approve the proposed follow-up letter to the AICPA and delegate authority to the CBA president to work with staff in making necessary revisions to the draft letter.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

VI. Petition Hearing.

- A. R. Richard Hawkins II., CPA License Number 55450/R. R. Hawkins & Associates International, APC Corporation License Number 6533 – Petition for Reinstatement of Revoked Certificates.

The CBA heard Mr. Hawkins' petition for reinstatement of CPA license number 55450 and Corporation license number 6533.

- VII. 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 Petition.

VIII. Report of the Enforcement Chief.

- A. Enforcement Activity Report.

Mr. Franzella provided an overview of this item.

IX. Report of the Licensing Chief.

- A. Licensing Activity Report.

Ms. Pearce provided an overview of this item.

Ms. Geong inquired on where California stands in the overall performance of the CPA Exam pass rates and why California is not within the top three jurisdictions, even though California has the most candidates.

Mr. Famalett stated that maybe staff should reach out to the University of California system and inquire why California's pass rate is lower than most jurisdictions.

- B. Update Regarding the California Board of Accountancy Online Initial Certified Public Accountant Application.



Ms. Pearce stated that the purpose of this agenda item is to provide the CBA with an update on the upcoming implementation of an online initial licensing application to apply for a CPA license.

Ms. Pearce stated that the CBA presently uses an online application for candidates applying for the CPA Exam. She stated that CPA Exam candidates create an online client account, complete the application, which generates a remittance form. She stated that the form is printed and mailed to the CBA along with the application fee. She stated that as their application is processed, candidates are able to login to their client account to check the status of their application as well as view their CPA Exam scores. She stated that with the online application for initial licensure, candidates will have the same ability to check the status of their application.

Ms. Pearce stated that Information Technology staff have been working diligently on the web interface portion of the online initial CPA license application.

Mr. Campos inquired if a testing phase would be coming regarding on-line applications.

Ms. Pearce stated that at this time, staff are testing the application internally and expect to start testing externally within the next few weeks.

Mr. Campos inquired if licensure applicants will be able to start completing the on-line licensure application prior to completing the CPA Exam.

Ms. Pearce stated that as of now, applicants would need to complete the CPA Exam prior to applying for CPA licensure.

X. Report on the Committee on Professional Conduct, Legislative Committee, and Enforcement Program Oversight Committee.

A. Committee on Professional Conduct.

1. Report of the March 21, 2019, Committee on Professional Conduct Meeting.
2. Discussion and Possible Action Regarding Continuing Professional Education Reciprocity.

Mr. Jacobson stated that NASBA developed the UAA Model Rules as part of its effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions. He stated that although many of the CBA Regulations mirror the UAA Model Rules, the CBA maintains independence in the establishment of its requirements in California.

Mr. Jacobson stated that UAA Model Rule 6-7 establishes provisions for continuing education (CE) reciprocity, which allows CPAs to meet only the CE requirements of the state where their principal place of business is located. It was noted that California is one of 24 jurisdictions that does not presently have CE reciprocity.

Mr. Jacobson stated that the Committee on Professional Conduct (CPC) discussed the value of continuing to require ethics and regulatory review CE courses, if the CBA adopted a CE reciprocity policy.

**The CPC recommended the CBA direct staff to continue researching topic of CE reciprocity and place a discussion on a future CBA meeting agenda.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

3. Discussion and Possible Action to Provide Comments to the National Association of State Boards of Accountancy on Proposed Revisions to the Uniform Accountancy Act's Model Rules, Published January 2019 Relating to the Administration of Peer Review.

Mr. Jacobson stated that in 2004, NASBA developed the UAA Model Rules as part of its effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions. He stated that the most recent version of the UAA Model Rules was released January 2019, with a comment deadline of June 30, 2019. He stated that the NASBA-proposed revisions relate to various aspects of peer review programs.

Mr. Jacobson stated that staff presented a proposed comment letter for CBA approval and suggested that the CBA may wish to explore possible changes to CBA Regulations related to the submission of peer review documents and attest document retention.

**The CPC recommended the CBA approve the proposed comment letter to NASBA regarding the most resent version of the UAA Model Rules and, direct staff to perform the necessary research related to the submission of peer review documentation and attest documentation and retention, and report back at a future CBA meeting.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

4. Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook.

Mr. Jacobson stated that the purpose of this agenda item is to provide the CBA an opportunity to consider offering comments to the American Institute of CPAs revisions to Chapter 3 of the Peer Review Oversight Handbook.

Mr. Jacobson stated that NASBA and various state boards of accountancy have raised concerns with the content of Chapter 3 of the Oversight Handbook and recommend that the CBA's Peer Review Oversight Committee review the matter and report back at the May 2019 CBA meeting.

**The CPC recommended that the CBA direct the Peer Review Oversight Committee to evaluate the revisions to Chapter 3 of the revised Peer Review Oversight Handbook and report on its findings at the May 2019 CBA meeting.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

B. Legislative Committee.

1. Report of the March 21, 2019, Legislative Committee Meeting.
2. California Board of Accountancy 2019 Legislative Tracking Chart.

This was a written report only.

3. Review and Approval of Responses to Questions from the Sunset Background Paper, Proposed Changes to the Business and Professions Code Related to the California Board of Accountancy's Fees, and Consideration of Possible Position on Assembly Bill (AB) 1521.

Ms. Corrigan stated that the purpose of this item was to provide the CBA the opportunity to approve draft responses to questions posed by the Legislature, as part of the sunset review process and take a position on AB 1521, the bill to extend the CBA's sunset date until January 1, 2024.

Ms. Corrigan stated that the item would provide the CBA the opportunity to discuss options to expedite an increase to the CBA's fees.

Ms. Corrigan stated that in the CBA's proposed responses to its sunset questions, it contains language related to a change in the CBA's fee structure. She stated that the proposed responses indicate agreement with the Legislature's recommendation to not return to a substantial relationship standard for certain financial crimes described in AB 2138 and withdraw the CBA's request related to the term "directly and adversely" related.

**The Legislative Committee (LC) recommended the CBA approve the draft responses to the Legislature's sunset review questions.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

Ms. Corrigan stated that with regard to AB 1521, staff stated the analysis is drafted based upon the amendments that are proposed to be included within the bill. She stated that the proposed amendments include the CBA's requests related to the electronic distribution of the UPDATE newsletter, collecting email addresses from applicants and licensees, and a non-substantive amendment. She stated the proposed amendments include the CBA's requests related to AB 2138, except it does not include the removal of the term "directly and adversely" related.

**The LC recommended the CBA approve a Support position on AB 1521 and include in its position letter that it looks forward to collaborating on amendments to enable the CBA to have adequate revenue to fund its operations and maintain a prudent Reserve.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, Ms. Robinson, and Mr. Savoy.**

**Abstain: None.**

4. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position.

a. Senate Bill 51 – Financial Institutions: Cannabis.

Ms. Corrigan stated that Senate Bill (SB) 51 would establish cannabis limited charter banks and cannabis limited charter credit unions to provide specific financial services to the cannabis industry.

Ms Corrigan stated that staff recommended maintaining a Watch position.

The LC did not take any action on this item.

b. Senate Bill 53 – Open Meetings.

Ms. Corrigan stated that SB 53 would subject state two-member advisory committees to the requirements of the Bagley-Keene Open Meeting Act, which include publishing a 10-day meeting notice and agenda, opening the meeting to the public, recording the meeting, and publishing minutes. She stated that the LC discussed options that may help the CBA advocate for its position on the bill.

Ms. Corrigan stated that staff recommended the CBA maintain an Oppose position on SB 53.

The LC did not take any action on this item.

5. Review and Consideration of Possible Positions on Legislation.

a. Assembly Bill 193 – Professions and Vocations.

Ms. Corrigan stated that AB 193 would require DCA to conduct a comprehensive review of all licensing requirements for each profession regulated by a DCA board or bureau and to identify unnecessary licensing requirements. She stated that DCA would be required to begin its work by January 1, 2021 and apply for any federal funds that are available to support this purpose.

Ms. Corrigan stated that the bill also deletes certain licensing requirements related to the practice of barbering, cosmetology, and custom upholstery.

**The LC recommended the CBA approve a Watch position on Assembly Bill 193.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, Ms. Robinson, and Mr. Savoy.**

**Abstain: None.**

- b. Assembly Bill 312 – State Government: Administrative Regulations: Review.

Ms. Corrigan stated that AB 312 would require each state agency to, on or before January 1, 2022, review all its regulations, identify any regulations that are duplicative, overlapping, inconsistent, or out of date, revise those identified regulations, and report its findings and actions taken to the Legislature and Governor.

**The LC recommended the CBA approve a Watch position on Assembly Bill 312.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, Ms. Robinson, and Mr. Savoy.**

**Abstain: None.**

- c. Assembly Bill 476 – Department of Consumer Affairs: Task Force: Foreign-Trained Professionals.

Ms. Corrigan stated that AB 476 would require DCA to create a task force to study and issue a report regarding the licensing of professionals trained outside of the United States. The task force would be required to submit a report to the Legislature by January 1, 2021 that identifies strategies to integrate foreign-trained professionals, state and national

licensing regulations that potentially pose unnecessary barriers to practice, and best practices to integrate foreign-trained professionals into the workforce of other states.

**The LC recommended the CBA approve a Watch position on Assembly Bill 476.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: Mr. Savoy.**

- d. Assembly Bill 613 – Professions and Vocations: Regulatory Fees.

Ms. Corrigan stated that AB 613 would authorize each board within DCA to increase, no more than once every four years, any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index for the preceding four years. The bill requires the DCA Director to approve any fee increase proposed by a board, except under specified circumstances. AB 613 creates a new process that is separate and complementary to the CBA's existing procedure to change its fees.

**The LC recommended the CBA approve a Support position on Assembly Bill 613.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

- e. Assembly Bill 768 – Professions and Vocations.

Ms. Corrigan stated that, according to the author's staff, AB 768 will not be moving forward.

The LC did not take any action on this item.

f. Assembly Bill 802 – Reports to the Legislature.

Ms. Corrigan stated that AB 802 would require state and local agencies to submit reports electronically, and not by printed copy, to designated legislative officials.

Ms. Corrigan stated that for reports involving data collection or analysis, the bill would require a state agency to post all data used to generate the report on the agency's internet website at the time the report is posted.

**The LC recommended the CBA approve a Watch position on Assembly Bill 802.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

g. Assembly Bill 931 – State and Local Boards and Commissions:  
Representation: Appointments.

Ms. Corrigan stated that AB 931 requires, on and after January 1, 2025, the composition of each state and local board and commission with appointed members to have a specified minimum number of women board members or commissioners based on the total number of board members or commissioners on that board. She stated that the bill makes related findings and declarations. She stated that due to the current membership of the CBA, the bill would not impact the composition of the CBA.

Ms. Corrigan stated that the LC indicated that it wished to receive additional information regarding the implementation of AB 931, including what impacts it may have to the ability to achieve quorum, and whether the author plans to include requirements related to ethnic diversity.

**The LC recommended the CBA approve a Watch position and issue a comment letter to the author requesting information related to the implementation of the bill.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**



**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

h. Assembly Bill 1140 – Tax Preparers: Disclosures.

Ms. Corrigan stated that AB 1140 would require a tax preparer registered with the California Tax Education Council to make specified written disclosures to a client who is applying for the California Earned Income Tax Credit that include the total amount of all fees being charged by the tax preparer and the amount of the tax refund the client would receive without paying the tax preparer's fees. She stated that the bill would also require a tax preparer to make the written disclosures available in English and certain non-English languages.

**The LC recommended the CBA approve a Support position on Assembly Bill 1140.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

i. Assembly Bill 1271 – Licensing Examinations: Report.

Ms. Corrigan stated that this bill would require DCA, on or before January 1, 2021, to provide a report to the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development that contains specified information relating to licensing examinations for each licensed profession and vocation under the department's jurisdiction.

Ms. Corrigan stated that the author's office indicated that this is a spot bill and that staff will monitor it for future amendments.

**The LC recommended the CBA approve a Watch position on Assembly Bill 1271.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

- j. Assembly Bill 1521 – Accountancy: California Board of Accountancy.

This item was previously addressed under LC Item III.

- k. Assembly Bill 1525 – Cannabis: Financial Institutions.

Ms. Corrigan stated that AB 1525 states that a certified public accountant or accounting firm does not commit a crime under California law solely for providing professional accounting services to persons licensed to engage in commercial cannabis activity.

Ms. Corrigan stated that the bill also provides that authorized persons or businesses do not commit a crime, under California law, if they receive deposits, or provide specified transportation or financial services to persons licensed to engage in commercial cannabis activity. She stated that the bill also includes certain requirements for cannabis businesses to share data with financial institutions.

**The LC recommended the CBA approve a Watch position on Assembly Bill 1525.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

- l. Assembly Bill 1545 – Civil Penalty Reduction Policy.

Ms. Corrigan stated that AB 1545 would require a state agency to assist a small business, as defined, in complying with all statutes and regulations administered by the state agency and in any enforcement action by the state agency. She stated that the bill would require a state agency to establish a policy, by December 31, 2020, that provides for the reduction of civil penalties for violations of regulatory or statutory requirements by a small business under appropriate circumstances.

**The LC recommended the CBA approve a Watch position on Assembly Bill 1545.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

m. Senate Bill 601 – State Agencies: Licenses: Fee Waiver.

Ms. Corrigan stated that SB 601 would authorize a state agency that issues any business license to reduce or waive any required fees for licensure, renewal of licensure, or the replacement of a physical license who was displaced by a declared emergency.

Ms. Corrigan stated that a representative from the author's office, Senator Morrell, spoke to the LC through a conference call and urged the CBA to support SB 601.

**The LC recommended the CBA approve a Support position on Senate Bill 602.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

6. Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring.

a. Assembly Bill 286 – Taxation: Cannabis.

b. Assembly Bill 545 – Cannabis: Bureau of Cannabis Control: Cannabis Control Appeals Panel.

c. Assembly Bill 626 – Conflicts of Interest.

d. Assembly Bill 780 – Accountants.

- e. Assembly Bill 862 – Professional licenses.
- f. Assembly Bill 1132 – The Information Practices Act of 1977.
- g. Assembly Bill 1184 – Public Records.
- h. Assembly Bill 1264 – Department of Consumer Affairs.
- i. Assembly Bill 1417 – Cannabis licensing.
- j. Assembly Bill 1678 – Cannabis.
- k. Assembly Bill 1752 – Consumers.
- l. Senate Bill 496 – Financial Abuse of Elder or Dependent Adults.
- m. Senate Bill 522 – Taxation.
- n. Senate Bill 546 – Unlicensed activity.
- o. Senate Bill 700 – Business and Professions: Noncompliance with Support Orders and Tax Delinquencies.
- p. Senate Bill 749 – California Public Records Act.

Staff reported that these bills are being monitored by staff, and include spot bills and bills related to the cannabis industry.

The LC did not take any action on these items.

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

#### C. Enforcement Program Oversight Committee.

1. Report of the March 21, 2019 Enforcement Program Oversight Committee Meeting.
2. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 98, Disciplinary Guidelines and Model Orders; Section 99, Substantial Relationship Criteria; and Section 99.1, Rehabilitation Criteria for Denials, Suspensions, Revocations,

Restorations, Reduction of Penalty, and to Adopt Title 16, California Code of Regulations Section 99.2, Directly and Adversely Financial Crime Criteria.

Ms. Corrigan stated that staff reported on proposed changes to Title 16, California Regulations, section 98 – Disciplinary Guidelines and Model Orders; section 99 – Substantial Relationship Criteria; and Section 99.1 – Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty; and to adopt a new regulation section 99.2 – Directly and Adversely Financial Crime Criteria.

Ms. Corrigan stated that the language for the Disciplinary Guidelines and CBA Regulations sections 98, 99, and 99.1 were originally considered by the CBA at our last meeting.

Ms. Corrigan stated that CBA Regulation section 99.2 on directly and adversely financial crime criteria is a new section for the CBA's consideration.

Mr. Jacobson provided his input on the staff proposed text in CBA Regulations section 99 regarding substantial relationship criteria related to subsection (b)(4), specifically, the term "personal judgment."

**The Enforcement Program Oversight Committee moved to Initiate a Rulemaking to:**

- **Approve the amended text to the Disciplinary Guidelines and Model Orders 10th Edition;**
- **Approve the amended regulatory text in CBA Regulations sections 98, 99, and 99.1;**
- **Approve the proposed regulatory text and adopt CBA Regulations section 99.2;**
- **Direct staff to submit the text to the Director of the Department of Consumer Affairs and the Business, Consumer Services, and Housing Agency for review; and**
- **If no adverse comments are received, authorize the Executive Officer to take all steps necessary to initiate the rulemaking process, make any non-substantive changes to the package, and set the matter for hearing.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: Mr. Jacobson.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

XI. Meeting Minutes.

- A. Adoption of the Minutes of the January 17, 2019, California Board of Accountancy Meeting.
- B. Acceptance of the Minutes of the November 15, 2018, Committee on Professional Conduct Meeting.
- C. Acceptance of the Minutes of the January 17, 2019, Legislative Committee Meeting.
- D. Acceptance of the Minutes of the January 17, 2019, Enforcement Program Oversight Committee Meeting.
- E. Acceptance of the Minutes of the October 23, 2018, Qualifications Committee Meeting.
- F. Acceptance of the Minutes of the December 6, 2018, Enforcement Advisory Committee Meeting.
- G. Acceptance of the Minutes of the December 7, 2018, Peer Review Oversight Committee Meeting.

**It was moved by Mr. Campos and seconded by Ms. Berhow to approve CBA Item XI.A and accept CBA Items XI.B – G.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: Ms. Salazar.**

XII. Other Business.

- A. American Institute of Certified Public Accountants.
  - 1. Report on Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

a. State Board Committee.

Ms. Salazar stated during the February 12, 2019 conference call, the State Board Committee discussed the roll out of continuous testing nationally. She stated the Content Committee is seeking nominations for volunteers from national firms for the committee. She stated that the Content Committee is the committee that is responsible for the technical content of the CPA Exam.

Ms. Salazar stated that national pass rates of the CPA Exam were down from previous years. She stated that the discussion from the AICPA is that this will be a trend in the future.

Ms. Salazar stated that data analytics are already in the blueprints for the CPA Exam and the AICPA has released sample tests for candidates. She stated that while this is not a test preparation tool, it allows familiarity with pre exam navigation.

Ms. Salazar stated that there was discussion regarding India as a future testing location.

B. National Association of State Boards of Accountancy.

1. Report of the National Association of State Boards of Accountancy Pacific Regional Director.

Ms. Salazar stated that during the February 11, 2019 regional call, there was discussion regarding the newly formed task force to discuss the 150-hour educational requirement for licensure. She stated that the purpose of the task force is to determine if the 150 educational requirement, which has been adopted nationally, is achieving the desired outcomes for students that are applying for licensure.

Ms. Salazar stated that NASBA is launching their CPE Audit Service, which is an updated reiteration of the CPE audit tool.

Ms. Salazar stated that NASBA will be holding the Western Regional Meeting in Salt Lake City, Utah in June. She stated that there will be a new board member orientation at the Western Regional Meeting. She stated the meeting agenda includes the evolution the profession, peer review, and discussion regarding the Non-Compliance with Laws and Regulation challenge.

2. Discussion and Approval of Staff Responses to the National Association of State Boards of Accountancy's Focus Questions.

Ms. Reed reported that the purpose of this item was to provide the CBA with the proposed staff responses to the NASBA focus questions.

**It was moved by Mr. Campos and seconded by Mr. Silverman to approve the proposed responses to the NASBA focus questions.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Corrigan, Mr. Famalett, Ms. Geong, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, Ms. Salazar, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Absent: Ms. León, Ms. Nicholson, and Ms. Robinson.**

**Abstain: None.**

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

- a. Bylaws Committee.

There was no report on this agenda item.

- b. Diversity Committee.

There was no report on this agenda item.

### XIII. Closing Business.

- A. Public Comments.

There were no public comments.

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

There were no comments for this agenda item.

- XIV. Closed Session: Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Will Convene Into Closed Session to Deliberate on Enforcement Matters.

- XV. Closed Session: Pursuant to Government Code Section 11126(e), the California Board of Accountancy Will Convene Into Closed Session to Receive Advice From Legal Counsel on Litigation.

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



- B. *Lanfeng Zhao and ELZ Accountancy Corporation v. California Board of Accountancy*, Los Angeles Superior Court, Case No. 18STCP02951.
- C. *Lowell A. Baisden v. Patti Bowers Executive Officer, Board of Accountancy, Department of Consumer Affairs, State of California, Evan J. Geilenkirchen, and Jane M. Geilenkirchen*, Fifth Appellate District Court of Appeal, Case No. F076662.
- D. *Subramaniam Easwara Ramanan and Neeka Accountancy Corporation v. California Board of Accountancy, Department of Consumer Affairs, State of California*, Sixth District Court of Appeal, Case No. H041566.

Adjournment.

President Famalett adjourned the meeting at 5:43 p.m. on Thursday, March 21, 2019.

\_\_\_\_\_ George Famalett, CPA, President

\_\_\_\_\_ Nancy J. Corrigan, 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.



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**DRAFT**

**EPOC Item I.  
CBA Item X.B.  
May 16, 2019**

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

**MINUTES OF THE  
March 21, 2019  
ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE MEETING**

DoubleTree Hilton San Diego – Downtown Hotel  
1646 Front Street  
San Diego, CA 92101  
Telephone: (619) 239-6800

Roll Call and Call to Order.

Ms. Nancy Corrigan called the meeting of the California Board of Accountancy’s (CBA) Enforcement Program Oversight Committee (EPOC) to order at 10:48 a.m. on Thursday, March 21, 2019 at the DoubleTree Hilton in San Diego. Ms. Corrigan requested that the roll be called.

Members

Nancy J. Corrigan, CPA, Chair	10:48 a.m. – 11:51 a.m.
Alicia Berhow	10:48 a.m. – 11:51 a.m.
Karriann Farrell Hinds, Esq.	10:48 a.m. – 11:51 a.m.
Dan Jacobson, Esq.	10:48 a.m. – 11:51 a.m.
Katrina L. Salazar, CPA	Absent.
Michael M. Savoy, CPA	10:48 a.m. – 11:51 a.m.
Mark J. Silverman, Esq.	10:48 a.m. – 11:51 a.m.

CBA Members Observing

Jose A. Campos, CPA  
George Famalett, CPA  
Mary M. Geong, CPA  
Luz Molina Lopez

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Aaron Bone, Information and Planning Officer  
Ileana Butu, Legal Counsel, Department of Consumer Affairs  
Dominic Franzella, Chief, Enforcement Division  
Dorothy Osgood, CPA, Supervising Investigative CPA  
Rebecca Reed, Board Relations Analyst  
Carl Sonne, Deputy Attorney General, Department of Justice

Committee Chairs and Members

Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee  
Joe Rosenbaum, CPA, Chair, Enforcement Advisory Committee

Other Participants

Brian Attard, Center for Public Interest Law  
Jason Fox, California Society of Certified Public Accountants  
Pilar Oñate-Quintana, The Oñate Group

- I. Approve Minutes of the January 17, 2019 Enforcement Program Oversight Committee Meeting.

**It was moved by Mr. Savoy and seconded by Mr. Jacobson to approve the minutes of the January 17, 2019 EPOC meeting.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Mr. Jacobson, Mr. Savoy, and Mr. Silverman.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Salazar.**

**The motion passed.**

- II. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations (CCR) Section 98, Disciplinary Guidelines and Model Orders; Section 99, Substantial Relationship Criteria; and Section 99.1, Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty, and to Adopt Title 16, California Code of Regulations Section 99.2, Directly and Adversely Financial Crime Criteria

Mr. Franzella provided EPOC members with a summary of activities that took place during the January 2019 CBA meeting regarding staff proposed language to amend Title 16, CCR section 98 – Disciplinary Guidelines and Model Orders, section 99 – Substantial Relationship Criteria; and section 99.1 – Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty in order to

conform with Assembly Bill (AB) 2138. He informed the members that staff considered and incorporated, where appropriate, model language developed by the Department of Consumer Affairs (DCA) in the current iteration being presented.

Mr. Franzella presented staff proposed changes to the CCR section 99, regarding substantial relationship criteria. He noted that staff modified the language since the January 2019 CBA meeting to more closely align with the DCA model language.

Mr. Franzella presented staff proposed changes to the CCR section 99.1, regarding rehabilitation criteria. He noted that staff included language from AB 2138 directly into the proposed text.

Mr. Franzella presented a staff recommended format change that would add a new subsection, specifically subsection (b), to increase clarity on criteria for rehabilitation. He further presented a new staff created CCR section 99.2 relating to directly and adversely financial crime criteria.

Mr. Franzella noted that a decision to adopt the proposed text is necessary at this CBA meeting in order to meet the July 1, 2020 implementation calendar developed by DCA.

The EPOC discussed staff proposed text in the CCR section 99 regarding substantial relationship criteria, specifically, subsection 99(b)(4), regarding the phrase, “personal judgment.”

**It was motioned by Mr. Jacobson to adopt the entirety of the staff proposed changes to amend the CCR, with the redaction of the phrase “or personal” under Title 16, CCR section 99(b)(4).**

**The motion died due to lack of receiving a second.**

The EPOC and Ms. Butu discussed various examples and interpretations of the phrases “personal judgment” and “substantial relationships.” The EPOC determined the phrase “personal judgment” to be appropriate for inclusion in the staff proposed regulation.

**It was moved by Mr. Savoy and seconded by Mr. Silverman to adopt the staff proposed recommendations to:**

- **amend text in the CBA Disciplinary Guidelines and Model Orders 10<sup>th</sup> Edition**
- **amend regulatory text in CCR sections 98, 99, and 91.1**
- **approve regulatory text and adopt CCR section 99.2**
- **direct staff to submit the text to the Director of the Department of Consumer Affairs and the Business, Consumer Services, and Housing Agency for review and authorize the Executive Officer to take all steps necessary to initiate the rulemaking processing, make non-substantive changes to the package, and set the matter for hearing.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Mr. Savoy and Mr. Silverman.**

**No: Mr. Jacobson.**

**Abstain: None.**

**Absent: Ms. Salazar.**

**The motion passed.**

III. Public Comments.

None.

IV. Agenda for Next Meeting.

None.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at 11:51 a.m.



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**DRAFT**

**CPC Item I.  
CBA Item X.C.  
May 16, 2019**

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

**MINUTES OF THE  
March 21, 2019  
COMMITTEE ON PROFESSIONAL CONDUCT MEETING**

DoubleTree by Hilton San Diego – Downtown Hotel  
1646 Front Street  
San Diego, CA 92101  
Telephone: (619) 239-6800

Roll Call and Call to Order.

Dan Jacobson, Esq., called the meeting of the California Board of Accountancy’s (CBA) Committee on Professional Conduct (CPC) to order at 9:00 a.m. on Thursday, March 21, 2019, at the DoubleTree by Hilton San Diego – Downtown Hotel. Mr. Jacobson requested that the roll be called.

CPC Members

Dan Jacobson, Esq.	Present
Jose A. Campos, CPA	Present
Mary M. Geong, CPA	Absent
Alicia Berhow	Present
Luz Molina Lopez	Present
Michael M. Savoy, CPA, President	Present
Karriann Farrell Hinds, Esq.	Present

CBA Members Observing

Nancy J. Corrigan, CPA  
Joseph Rosenbaum, CPA

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer

Dominic Franzella, Chief, Enforcement Division  
Dorothy Osgood, Supervising Investigative CPA  
Rich Andres, Information Technology Staff  
Aaron Bone, Information and Planning Officer  
Rebecca Reed, Board Relations Analyst  
Ileana Butu, Legal Counsel, DCA  
Carl Sonne, Deputy Attorney General, Department of Justice

Other Participants

Pilar Oñate-Quintana, The Oñate Group  
Jason Fox, Division Director, Government Relations, CalCPA

- I. Approve Minutes of the November 15, 2018 CPC Meeting.

**It was moved by Mr. Campos and seconded by Ms. Molina Lopez to adopt the minutes of the November 15, 2018 CPC meeting.**

**Yes: Mr. Campos, Ms. Molina Lopez, Ms. Berhow, and Mr. Savoy.**

**No: None.**

**Abstain: Mr. Jacobson.**

**Absent: Ms. Geong and Ms. Hinds.**

**The motion passed.**

- II. Discussion and Possible Action Regarding Continuing Professional Education Reciprocity

Ms. Pearce reported that the National Association of State Boards of Accountancy developed the Uniform Accountancy Act, or UAA, Model Rules as part of its effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions. Although many of the CBA Regulations mirror the UAA Model Rules, the CBA maintains independence in the establishment of its requirements in California.

She stated that UAA Model Rule 6-7 establishes provisions for CE reciprocity, which allows CPAs to meet only the CE requirements of the state where their principal place of business is located. It was noted that California is one of 24 jurisdictions that does not presently have CE reciprocity.

Mr. Savoy stated that this reciprocity issue is different than mobility, in that it requires multiple certificates in multiple states, and he does not agree to accept CE from other jurisdictions as what should be governing California. Particularly, the course on

regulations that is required in California should, at a minimum, be required of other states' licensees, as well as anything else that is specific to California.

Mr. Campos stated he is in favor of hearing more about the implications of this issue since the need is not as great as it used to be when people were required to be licensed in every state. He also inquired what the CBA thinks the frequency of need for this would be and would like to have further dialogue regarding this issue.

Mr. Jacobson asked whether an out-of-state licensee who met their home state's CE requirements could practice in California, pursuant to our mobility program. Ms. Pearce stated that individual could do so, if they met California's other mobility requirements.

Mr. Campos stated that he would like information from staff regarding the timing window of renewal periods, and whether there is flexibility in deadlines to meet CE requirements.

Ms. Berhow asked about the amount of licenses that a CPA could possess at one time.

Mr. Campos indicated that a licensee, for example, practicing in a certain region of the United States could have a license in each of the relevant jurisdictions.

**It was moved by Mr. Campos and seconded by Ms. Berhow to recommend that the CBA direct staff to continue researching this topic and place a discussion on a future CBA meeting agenda.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Jacobson, Ms. Molina Lopez, and Mr. Savoy.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Hinds and Ms. Geong**

**The motion passed.**

### III. Discussion and Possible Action to Provide Comments to the National Association of State Boards of Accountancy on Proposed Revisions to the Uniform Accountancy Act's Model Rules, Published January 2019 Relating to the Administration of Peer Review

Mr. Franzella reported that in 2004, NASBA developed the UAA Model Rules as part of its effort to update and promote uniformity in the regulatory schemes governing the practice of accountancy in the various jurisdictions. The most recent version of the UAA Model Rules was released January 2019, with a comment deadline of June 30, 2019. The NASBA-proposed revisions relate to various aspects of peer review programs.



Mr. Franzella presented a proposed comment letter for CBA approval and suggested that the CBA may wish to explore possible changes to CBA Regulations related to the submission of peer review documents and attest document retention.

Mr. Jacobson asked whether the new UAA Model Rule related to the submission of peer review documents would lead to unnecessary filings from licensees. Mr. Franzella expected that this would not be a significant issue for staff.

Mr. Campos stated that there are significant confidentiality concerns related to the uploading of peer review documents to the portal operated by the peer review administering entity. He inquired about possible staff concerns with the coordination and sharing of documents with administering entities and the firm completing peer review.

Mr. Franzella stated that the documents currently being submitted to CBA are the report, letter of acceptance, and any remedial corrective actions. He indicated that substandard peer reviews are sent to the CBA for investigatory purposes and are somewhat protected from disclosure under the Public Records Act (PRA). Mr. Franzella further stated that staff have not explored whether other peer review reports, for example "Pass, with Deficiencies," may be required to be disclosed pursuant to a PRA request.

Mr. Campos referenced a mandatory document and retention policy indicated on the cover memo for this item and asked if that was one of the items that Mr. Franzella believes required further research. Mr. Franzella confirmed that was correct.

**It was moved by Mr. Campos and seconded by Mr. Savoy to recommend that the CBA approve the proposed comment letter and direct staff to perform the necessary research related to the submission of peer review documentation and attest documentation and retention, and report back at a future CBA meeting.**

**Yes: Ms. Berhow, Mr. Campos, Mr. Jacobson, Ms. Molina Lopez, and Mr. Savoy.**

**No: None.**

**Abstain: Ms. Hinds.**

**Absent: Ms. Geong.**

**The motion passed.**

#### IV. Discussion and Possible Action on Providing Comments to the American Institute of Certified Public Accountants Regarding Revisions to Chapter 3 of the Peer Review Oversight Handbook

Mr. Franzella stated that the purpose of this agenda item is to provide the CBA an opportunity to consider providing comments to the American Institute of CPAs revisions to Chapter 3 of the Peer Review Oversight Handbook (PROC).

Mr. Franzella noted that NASBA and various state boards of accountancy have raised concerns with the content of Chapter 3 of the Oversight Handbook and recommend that the CBA's Peer Review Oversight Committee review the matter and report back at the May 16, 2019 CBA meeting.

Mr. Campos inquired whether proposed changes have already been distributed to the PROC members. Mr. Franzella replied that staff had not yet done so, but was first seeking direction from the CBA. Mr. Campos encouraged that these materials be distributed to the PROC in advance of the typical deadlines and that the PROC was the appropriate body to consult on this issue and provide advice to the CBA.

**It was moved by Mr. Campos and seconded by Ms. Molina Lopez to recommend that the CBA direct the Peer Review Oversight Committee to evaluate the revisions to chapter 3 of the revised Peer Review Oversight Handbook and report on its findings at the May 2019 CBA meeting.**

**Yes: Ms. Berhow, Mr. Campos, Ms. Hinds, Mr. Jacobson, Ms. Molina Lopez, and Mr. Savoy.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Geong.**

**The motion passed.**

V. Public Comments.

None.

VI. Agenda Items for Next Meeting.

None.

There being no further business, the meeting was adjourned at 9:28 a.m.



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**DRAFT**

**LC Item I.  
 CBA Item X.D.  
 May 16, 2019**

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

**MINUTES OF THE  
 March 21, 2019  
 LEGISLATIVE COMMITTEE MEETING**

DoubleTree by Hilton San Diego – Downtown Hotel  
 1646 Front Street  
 San Diego, CA 92101  
 Telephone: (619) 239-6800

Roll Call and Call to Order.

Luz Molina Lopez called the meeting of the California Board of Accountancy's (CBA) Legislative Committee (LC) to order at 9:34 a.m. on Thursday, March 21, 2019, at the DoubleTree by Hilton San Diego – Downtown Hotel. Ms. Lopez requested that the roll be called.

LC Members

Luz Molina Lopez, Chair	Present
Alicia Berhow	Present
Nancy J. Corrigan, CPA	Present
Karriann Farrell Hinds, Esq.	Present
Mary M. Geong, CPA	Present
Carola A. Nicholson, CPA	Absent
Deidre Robinson	Absent

CBA Members Observing

Jose A. Campos, CPA  
 George Famalett, CPA, President  
 Dan Jacobson, Esq.  
 Michael M. Savoy, CPA  
 Mark J. Silverman, Esq., Vice-President

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer  
 Deanne Pearce, Assistant Executive Officer

Rich Andres, Information Technology Staff  
Aaron Bone, Information and Planning Officer  
Ileana Butu, Legal Counsel, DCA  
Dominic Franzella, Chief, Enforcement Division  
Dorothy Osgood, Supervising Investigative CPA  
Rebecca Reed, Board Relations Analyst  
Carl Sonne, Deputy Attorney General, Department of Justice

Other Participants

Jeffrey De Lyser, CPA, Chair, Peer Review Oversight Committee  
Jason Fox, California Society of CPAs (CalCPA)  
Pilar Oñate-Quintana, The Oñate Group  
Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee  
Brian Attard, Center for Public Interest Law  
Tess Scherkenback, Office of Senator Mike Morrell, *via conference call*

- I. Approve Minutes of the January 17, 2019 LC Meeting.

**It was moved by Ms. Berhow and seconded by Ms. Hinds to adopt the minutes of the January 17, 2019 LC meeting.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Geong, Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

- II. California Board of Accountancy 2019 Legislative Tracking Chart.

The LC did not take any action on this item as it was a written report only.

- III. Review and Approval of Responses to Questions from the Sunset Background Paper, Proposed Changes to the Business and Professions Code Related to the California Board of Accountancy's Fees, and Consideration of Possible Position on Assembly Bill 1521

Mr. Bone reported that the purpose of this agenda item was to provide the CBA the opportunity to approve draft responses to questions posed by the Legislature as part of the sunset review process and take a position on Assembly Bill (AB) 1521, which would extend the CBA's sunset date until January 1, 2024.

Mr. Bone stated that in the CBA's proposed responses to its sunset questions, it contains language related to a change in the CBA's fee structure. Further, the

proposed responses indicate agreement with the Legislature's recommendation to not return to a substantial relationship standard for certain financial crimes described in AB 2138 and withdraw the CBA's request related to the term "directly and adversely" related.

Ms. Berhow asked why Assemblymember Chiu was in objection to the "directly and adversely" related language. Mr. Bone stated that, in conversations with the author's staff, Assemblymember Chiu felt strongly about this provision and it would more closely tie any potential criminal history with the duties and responsibilities of practicing public accountancy and that this issue is important to him.

Ms. Corrigan asked whether the CBA would be negatively impacted in the future by stating now that we are seeking to "eliminate" the use of temporary staff, rather than stating we are seeking a "controlled reduction." Ms. Bowers stated that the compromise to garner support for permanent staffing augmentation was via the elimination of temporary staff, and in the future could be revisited based on business needs with appropriate justification. Currently, the CBA is using temporary staff to do permanent work.

Ms. Corrigan stated the CBA has not had discussions about whether the Dynamex decision may impact the practice of public accountancy. She inquired whether further research should be done to ensure the CBA was presenting a complete, thorough, and accurate response. Mr. Bone replied that the Legislature has not indicated that information from the CBA was missing, and due to the broad-reaching implications of the Dynamex decision, this is a standard question posed to all boards and bureaus going through sunset review.

**It was moved by Ms. Berhow and seconded by Ms. Corrigan to recommend that the CBA approve the draft responses to the Legislature's sunset review questions.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

With regard to AB 1521, staff stated that the analysis is drafted based upon the amendments that are proposed to be included within the bill. The proposed amendments include the CBA's requests related to the electronic distribution of the UPDATE newsletter, collecting email addresses from applicants and licensees, and a non-substantive omnibus amendment. The proposed amendments include the

CBA's requests related to AB 2138, except it does not include the removal of the term "directly and adversely" related.

Ms. Berhow asked whether the CBA would make the request to potentially raise the fee. Mr. Bone stated that the CBA has already directed staff to seek an increase in the statutory maximum from \$250 to \$500.

Mr. Bone stated that staff recommends a Support position, with a statement indicating that the CBA looks forward to working with the Legislature to continue discussions regarding fees.

Ms. Berhow sought clarification as to whether the LC would recommend a Support or Support if Amended position. Mr. Bone recommended a Support position, with a caveat of including in a Support letter that the CBA looks to have further discussions on bill amendments.

**It was moved by Ms. Berhow and seconded by Ms. Hinds to recommend that the CBA approve a Support position on AB 1521 and include in its position letter a statement regarding working with the Legislature in the future on amendments to enable the CBA to have adequate revenue to fund its operations and maintain a prudent reserve.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

Mr. Bone stated that staff are exploring options to expedite a fee increase, asking DCA and other authorities to accelerate the review of CBA-related rulemakings, pursuing the emergency rulemaking available to CBA under current law, and pursuing discussions with legislative staff for possible changes in statute that would further fee-related goals.

The LC deferred discussion on options for a fee increase to the Secretary/Treasurer Report during the CBA meeting.

#### IV. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position.

A. Senate Bill 51 – Financial Institutions: Cannabis.

Mr. Bone stated that Senate Bill (SB) 51 would establish cannabis limited charter banks and cannabis limited charter credit unions to provide specific financial services to the cannabis industry.

Ms. Berhow inquired whether the author's staff has asked the CBA to take a position on this bill. Mr. Bone stated that they have expressed interest in the CBA's position but discussions have not gone further.

Mr. Bone recommended maintaining a Watch position.

#### B. Senate Bill 53 – Open Meetings.

Mr. Bone indicated that SB 53 would subject state two-member advisory committees to the requirements of the Bagley-Keene Open Meeting Act, which include publishing a 10-day meeting notice and agenda, opening the meeting to the public, recording the meeting, and publishing minutes. The bill passed the Governmental Organization Committee by a 14-0 vote.

Ms. Molina Lopez asked for clarification on the support that this bill has received, as that stands in contrast to the CBA's position. Mr. Bone stated that the policy committee did vote for this bill, but it needs to go to fiscal committee next. Mr. Bone further stated that the bill will likely continue to receive support by the Legislature in recognition of "transparency," as it did in its previous iteration, AB 85 of 2015. The Legislature approved the prior version of this bill. The prior bill, AB 85 was vetoed by Governor Brown, but SB 53 may have a different result with a new Governor.

Ms. Berhow stated that this bill was unnecessary, and she continues to maintain opposition.

Ms. Molina Lopez inquired why this bill is going through the process as before and enjoying the same vigor. Ms. Berhow further asked for additional information regarding the necessity for this bill. Mr. Bone stated that the author's staff offered one example of a problem this bill is seeking to solve, a meeting between the Governor's Office and the University of California (UC) Regents.

Ms. Molina Lopez further asked if staff was aware of the UC Regents' position on this bill. Mr. Bone stated he did not have that information. Ms. Molina Lopez stated she would like to know the UC Regents' position on the bill.

Ms. Hinds inquired whether it would be helpful for the CBA to request to testify at the hearing regarding this bill. Mr. Bone stated it is an option, but it would be a challenge because the issue of transparency is very popular, and the argument being made is very subtle in a meeting before the Legislature on why the current status of open meeting laws is sufficient.

Ms. Hinds inquired whether other strategies could be used, including identifying other legislators to consult with regarding the CBA's position, which shows the CBA

being supportive of the transparency goal while articulating our concerns about limiting the CBA's open meeting availability. Mr. Bone stated that staff and legal counsel have discussed proposing amendments to the author's staff, and they have expressed willingness to consider amendments regarding two-person meetings.

Mr. Bone recommended the CBA maintain an Oppose position.

V. Review and Consideration of Possible Positions on Legislation

A. Assembly Bill 193 – Professions and Vocations.

Mr. Bone reported that AB 193 would require DCA to conduct a comprehensive review of all licensing requirements for each profession regulated by a DCA board or bureau and to identify unnecessary licensing requirements. DCA would be required to begin its work by January 1, 2021, and apply for any federal funds that are available to support this purpose.

Mr. Bone noted that the bill also deletes certain licensing requirements related to the practice of barbering, cosmetology, and custom upholstery.

**It was moved by Ms. Berhow and seconded by Ms. Hinds to recommend that the CBA approve a Watch position on AB 193.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

B. Assembly Bill 312 – State Government: Administrative Regulations: Review.

Mr. Bone stated that AB 312 would require each state agency to, on or before January 1, 2022, review all its regulations, identify any regulations that are duplicative, overlapping, or out of date, revise those identified regulations, and report its findings and actions taken to the Legislature and Governor. The CBA's costs to implement this bill are unknown at this time.

Ms. Molina Lopez inquired whether the bulk of this work would fall to DCA or to CBA. Mr. Bone replied that each agency with rulemaking authority would have their own associated workload.

**It was moved by Ms. Hinds and seconded by Ms. Berhow to recommend that the CBA approve a Watch position on AB 312.**



**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

C. Assembly Bill 476 – Department of Consumer Affairs: Task Force: Foreign-Trained Professionals.

Mr. Bone indicated that AB 476 would require DCA to create a task force to study and issue a report regarding the licensing of professionals trained outside of the United States. The task force would be required to submit a report to the Legislature by January 1, 2021, that identifies strategies to integrate foreign-trained professionals, state and national licensing regulations that potentially pose unnecessary barriers to practice, and best practices to integrate foreign-trained professionals into the workforce of other states.

Ms. Molina Lopez stated that this bill aims to reduce barriers to licensing, and would be something that the CBA would want to move toward.

**It was moved by Ms. Berhow and seconded by Ms. Corrigan to recommend that the CBA approve a Watch position on AB 476.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

D. Assembly Bill 613 – Professions and Vocations: Regulatory Fees.

Mr. Bone reported that AB 613 would authorize each board within DCA to increase, no more than once every four years, any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index (CPI) for the preceding four years. The bill requires the DCA Director to approve any fee increase proposed by a board, except under specified circumstances.

AB 613 creates a new process that is separate and complementary to the CBA's existing regulatory process to change its fees.

Ms. Molina Lopez inquired whether the CPI would ever allow for a decrease in fee amounts. Mr. Bone stated that the fee speaks only to increases and the bill is permissive, meaning there is no requirement to the CBA, but merely an expedited pathway for raising fees based on the CPI.

Ms. Molina Lopez asked for clarification whether this would eliminate the need for the rulemaking process in requesting fee increases. Mr. Bone stated that this is a separate process to increase fees, limited to the changes based on the CPI.

Ms. Butu inquired whether this was a statutory increase and if there would be an associated adjustment of the statutory maximum. Mr. Bone stated that the bill did not address this matter and that the timing of the fee increase would also need to be addressed.

**It was moved by Ms. Hinds and seconded by Ms. Berhow to recommend that the CBA approve a Support position on AB 613.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

E. Assembly Bill 768 – Professions and Vocations.

Mr. Bone stated that, according to the author's staff, AB 768 will not be moving forward.

F. Assembly Bill 802 – Reports to the Legislature.

According to Mr. Bone, AB 802 would require state and local agencies to submit reports electronically, and not by printed copy, to designated legislative officials.

For reports involving data collection or analysis, the bill would require a state agency to post all data used to generate the report on the agency's internet website at the time the report is posted.

**It was moved by Ms. Berhow and seconded by Ms. Hinds to recommend that the CBA approve a Watch position on AB 802.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

G. Assembly Bill 931 – State and Local Boards and Commissions: Representation: Appointments.

Mr. Bone stated that AB 931 requires, on and after January 1, 2025, the composition of each state and local board and commission with appointed members to have a specified minimum number of women board members or commissioners based on the total number of board members or commissioners on that board. The bill makes related findings and declarations. Due to the current membership of the CBA, the bill would not impact its composition.

Ms. Berhow asked for clarification regarding the language of this bill and whether this would be a mandate. Mr. Bone confirmed it would mandate in statute a specific ratio of women board members. Ms. Berhow asked what would happen if not enough women applied to serve as a board member, specifically, would the position stay vacant or are there provisions to allow another person to be appointed.

Ms. Molina Lopez asked whether the LC should recommend a Support position of this bill. Ms. Berhow stated that she was leaning toward an Oppose position, to ensure that people are applying to the board in the best interest of the public.

Ms. Hinds expressed concern regarding not knowing what effect this bill would have for boards that do not meet the 50 percent mandate and asked for clarification from the author's staff. Additionally, the mandated collection of data would be a concern, as there are not requirements in place currently for data collection.

Ms. Berhow stated that there have been quorum issues in the past with the CBA, and would like further clarification from the author's office regarding meeting quorum and impeding the business of the CBA.

Mr. Bone stated that there is a section in the Government Code that states that it is the intent of the Legislature that formulas or specific ratios shall not be used when determining appointments.

Ms. Geong asked whether ethnic diversity of a board would be addressed in this bill. Staff stated that this bill does not address ethnic diversity. Ms. Geong requested that the author's staff be contacted to address this discrepancy.

**It was moved by Ms. Geong and seconded by Ms. Hinds to recommend that the CBA approve a Watch position on AB 931.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

H. Assembly Bill 1140 – Tax Preparers: Disclosures.

Mr. Bone reported that AB 1140 would require a tax preparer registered with the California Tax Education Council (CTEC) to make specified written disclosures to a client who is applying for the California Earned Income Tax Credit that include the total amount of all fees being charged by the tax preparer and the amount of the tax refund the client would receive without paying the tax preparer's fees. The bill would also require a tax preparer to make the written disclosures available in English and certain non-English languages.

Ms. Hinds inquired why staff recommended a Watch position on this bill, as opposed to Support. Mr. Bone stated that the bill does not impact the CBA, as it is aimed at tax preparers who are registered with CTEC. In discussions with the author's office, it stated that not many tax clients of CPAs will be eligible, as it is based on low-income requirements.

Ms. Hinds further stated that the CBA takes positions on bills that do not directly impact the CBA but are consistent with the mission of the CBA with regard to consumer protection and in support of transparency, and this seems like a bill which could garner additional credibility with the CBA's support.

**It was moved by Ms. Hinds and seconded by Ms. Corrigan to recommend that the CBA approve a Support position on AB 1140.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

I. Assembly Bill 1271 – Licensing Examinations: Report.

Mr. Bone reported that this bill would require the Department of Consumer Affairs, on or before January 1, 2021, to provide a report to the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development that contains specified information relating to licensing examinations for each licensed profession and vocation under the department's jurisdiction.

Mr. Bone reported that the author's office indicated this is a spot bill and that staff will monitor it for future amendments.

**It was moved by Ms. Berhow and seconded by Ms. Hinds to recommend that the CBA approve a Watch position on AB 1525.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

J. Assembly Bill 1521 – Accountancy: California Board of Accountancy.

Mr. Bone reported this item was previously addressed under LC Item III.

K. Assembly Bill 1525 – Cannabis: Financial Institutions.

Mr. Bone reported that AB 1525 states that a certified public accountant or accounting firm does not commit a crime under California law solely for providing professional accounting services to persons licensed to engage in commercial cannabis activity.

Mr. Bone indicated the bill also provides that authorized persons or businesses do not commit a crime, under California law, if they receive deposits, or provide specified transportation or financial services to persons licensed to engage in commercial cannabis activity. This bill also includes certain requirements for cannabis businesses to share data with financial institutions.

Ms. Molina Lopez asked whether this bill was intended as an alternative method to aid the cannabis industry with banking needs beyond an earlier bill reviewed by the CBA for establishing financial institutions specific to the cannabis industry. Mr. Bone confirmed that the author's office is intending to facilitate the banking needs of the cannabis industry, and the bill's fact sheet states that the bill "would

create a safe harbor under state law for financial institutions and accountants that provide services to the cannabis industry.”

**It was moved by Ms. Molina Lopez and seconded by Ms. Hinds to recommend that the CBA approve a Watch position on AB 1525.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

L. Assembly Bill 1545 – Civil Penalty Reduction Policy.

Mr. Bone reported that this bill would require a state agency to assist a small business, as defined, in complying with all statutes and regulations administered by the state agency and in any enforcement action by the state agency. The bill would require a state agency to establish a policy, by December 31, 2020, that provides for the reduction of civil penalties for violations of regulatory or statutory requirements by a small business under appropriate circumstances.

Ms. Molina Lopez inquired whether the CBA would be burdened with establishing which businesses are small businesses. Mr. Bone stated that the definition of “small business” in the bill is based on information that the CBA does not possess, including certain types of criteria that would require rulemakings and forms for collecting the data.

Ms. Molina Lopez inquired whether self-reporting by licensees would meet the mandates required by this bill. Mr. Bone deferred to legal counsel. Ms. Butu stated that a regulation would have to be done to collect this type of information, because any government entity must have authority for the information it collects. Further, in the case of collecting information outside of what is currently required, a rulemaking would need to be done.

**It was moved by Ms. Berhow and seconded by Ms. Corrigan to recommend that the CBA approve a Watch position on AB 1545.**

**Yes: Ms. Berhow, Ms. Corrigan, Ms. Hinds, Ms. Geong, and Ms. Molina Lopez.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicholson and Ms. Robinson.**

**The motion passed.**

M.Senate Bill 601 – State Agencies: Licenses: Fee Waiver.

Mr. Bone reported that SB 601 would authorize a state agency that issues any business license to reduce or waive any required fees for licensure, renewal of licensure, or the replacement of a physical license for those who have been displaced by a declared emergency.

Ms. Scherkenback, representative from bill's author, Senator Mike Morrell, spoke to the LC via conference call to urge the CBA to support SB 601.

Ms. Scherkenback stated that SB 601 would authorize a state agency that offers a professional license to decide to reduce or waive fees for licensure for a person or business who has been displaced by a state or federal emergency within one year of the emergency. Ms. Scherkenback further stated that there is current precedent in Business and Professions Code for the Board of Optometry to reduce or waive fees for a person who has been displaced by federal or state emergencies.

Ms. Scherkenback further stated that this bill is a powerful tool to encourage economic recovery after a disaster. She stated that the bill has received support from organizations such as the R Street Institute and the California Fire Foundation.

Ms. Molina Lopez asked whether the period of one year for waiting is consistent with Board of Optometry. Ms. Scherkenback replied that it is consistent.

Ms. Berhow asked how the costs for implementing this bill would be incurred, whether by CBA or DCA or the state. Ms. Scherkenback replied that the bill is entirely permissive, which means the board which issues the license would make the determination for making fee waivers or reductions, if at all, and costs would be incurred by the individual agency. Mr. Bone says the bill is silent on this point, but that the implication is that each state agency would incur the costs.

Ms. Berhow further inquired how much this bill would cost the CBA. Mr. Bone stated that information would be based on the future emergencies and that projections would be difficult.

**It was moved by Ms. Berhow and seconded by Ms. Corrigan to recommend that the CBA take a Support position on SB 601.**

**Yes: Ms. Molina Lopez, Ms. Berhow, Ms. Corrigan, Ms. Hinds, and Ms. Geong.**

**No: None.**

**Abstain: None.**

**Absent: Ms. Nicolson and Ms. Robinson.**

**The motion passed.**

VI. Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring

A. Assembly Bill 286 – Taxation: Cannabis.

B. Assembly Bill 545 – Cannabis: Bureau of Cannabis Control: Cannabis Control Appeals Panel.

C. Assembly Bill 626 – Conflicts of Interest.

D. Assembly Bill 780 – Accountants.

E. Assembly Bill 862 – Professional licenses.

F. Assembly Bill 1132 – The Information Practices Act of 1977.

G. Assembly Bill 1184 – Public Records.

H. Assembly Bill 1264 – Department of Consumer Affairs.

I. Assembly Bill 1417 – Cannabis licensing.

J. Assembly Bill 1678 – Cannabis.

K. Assembly Bill 1752 – Consumers.

L. Senate Bill 496 – Financial Abuse of Elder or Dependent Adults.

M. Senate Bill 522 – Taxation.

N. Senate Bill 546 – Unlicensed activity.

O. Senate Bill 700 – Business and professions: noncompliance with support orders and tax delinquencies.

P. Senate Bill 749 – California Public Records Act.

The LC did not take action on these items.

VII. Agenda Legislative Items for Future Meeting. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future Legislative Committee meeting agenda and/or whether



to hold a special meeting of the Legislative Committee to discuss such items pursuant to Government Code section 11125.4

VIII. Public Comments

None.

IX. Agenda Items for Next Meeting

None.

There being no further business to be conducted, the meeting was adjourned at 10:42 a.m.



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CBA Item X.E.
May 16, 2019

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE
February 7, 2019
ENFORCEMENT ADVISORY COMMITTEE (EAC) MEETING

Marriott Burbank Airport Hotel
Room Producer A & B
2500 North Hollywood Way
Burbank, CA 91505
(818) 843-6000

Roll Call and Call to Order.

EAC Chair, Joseph Rosenbaum, CPA, called to order the regularly scheduled meeting of the EAC at 9:01 a.m. on February 7, 2019 at the Marriott Burbank Airport Hotel.

Mr. Rosenbaum read the following into the record:

"The CBA's mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount."

Members

- Joseph Rosenbaum, CPA, Chair Present
Doug Aguilera, CPA, Vice-Chair Present
Jeffrey De Lyser, CPA Present
William Donnelly, CPA Present
Thomas Gilbert, CPA Present
Kathy Johnson, CPA Present
Michael Johnson, CPA Absent
José Palma, CPA Present
Nasi Raissian, CPA Present
Jim Songey, CPA Present

CBA Member:

Nancy J. Corrigan, CPA

CBA Staff and Legal Counsel

Gregory Francis, Investigative CPA

Dominic Franzella, Chief, Enforcement Division

Kay Lewis, Investigative CPA

Denise Murata, Enforcement Analyst

Kari O'Connor, Enforcement Manager

Dorothy Osgood, Supervising Investigative CPA

Ben Simcox, Deputy Chief, Enforcement Division

Carl Sonne, Deputy Attorney General, Department of Justice

I. Report of the Committee Chair (**Joseph Rosenbaum**).

A. Approval of the December 7, 2018 EAC Meeting Minutes.

**It was moved by Mr. De Lyser and seconded by Mr. Donnelly to approve the minutes of the December 7, 2018 EAC meeting.**

**Yes: Mr. Aguilera, Mr. De Lyser, Mr. Donnelly, Ms. Johnson, Mr. Palma, Ms. Raissian, Mr. Rosenbaum and Mr. Songey.**

**No: None.**

**Abstain: None**

**Absent: Mr. Johnson**

**The motion passed.**

II. Report of the CBA Liaison.

A. Report of the January 17, 2019 CBA and Committee Meetings (**Nancy J. Corrigan**).

Ms. Corrigan announced that at the January 17, 2019 meeting the CBA approved the 2020 CBA meeting dates and locations for 2020. Additionally, Ms. Corrigan stated that the 2019-2021 CBA Strategic Plan was approved.

Ms. Corrigan stated that the CBA was provided an update on the upcoming Sunset Review hearing scheduled for February 26, 2019. Furthermore, Dean Grafilo, Director of the Department of Consumer Affairs, attended the CBA meeting and provided an update on the departmental activities, including the Business Modernization Project. Ms. Corrigan noted that the next CBA meeting will be on March 21-22, 2019 in San Diego.

III. Report of the Enforcement Chief (**Dominic Franzella**).

A. Enforcement Activity Report (EAR).

Mr. Franzella provided an overview of the most current report for fiscal year 2018/2019. He reported that for the first five months of the fiscal year, the CBA received approximately 1,100 complaints. He stated that 1,500 cases have been closed and the average days to close cases has decreased. Furthermore, of the 1,500 closed cases, 72 percent of the cases were closed within the first six months of the complaint, and 88 percent were closed within one year.

Mr. Franzella stated that the CBA has referred 27 matters to the Attorney General's Office and taken disciplinary action on 27 matters in the current fiscal year.

B. Report on Accusations and Final Disciplinary Orders Effective November 1, 2018 to December 31, 2018.

Mr. Franzella reported on this agenda item. Mr. Franzella noted that between November 1, 2018 to December 31, 2018, the CBA filed three accusations and took nine disciplinary actions.

IV. Public Comments for Items not on the Agenda.

No public comment was given

V. Review Enforcement Files on Individual Licensees.

[Closed Session: The EAC met in closed session to review and deliberate on enforcement files as authorized by Government Code section 11126(c)(2) and Business and Professions Code section 5020.]

VI. Conduct Closed Hearings.

[The Committee met in closed session as authorized by Government Code sections 11126(c)(2) and (f)(3) and Business and Professions Code section 5020 to conduct closed sessions to interview and consider possible disciplinary action against an individual licensee or applicant prior to the filing of an accusation.]

VII. Adjournment.

The established subcommittees convened for investigative hearings from 10:00 a.m. to 11:59 a.m. The EAC general meeting reconvened as a quorum to vote on recommendations from the subcommittees at 12:00p.m.

Having no further business to conduct, the EAC general meeting closed session adjourned at approximately 12:01p.m.

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Joseph Rosenbaum, CPA, Chair  
Enforcement Advisory Committee

Prepared by: Denise Murata, Enforcement Analyst



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**CBA Item X.F.**  
May 16, 2019

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

**MINUTES OF THE  
February 15, 2019  
PEER REVIEW OVERSIGHT COMMITTEE (PROC) MEETING**

California Board of Accountancy  
2450 Venture Oaks Way, Suite 420  
Sacramento, CA 95833  
Telephone: (916) 263-3680

Call to Order, Roll Call, Establishment of Quorum, and Opening Remarks.

Jeffrey De Lyser, CPA, PROC Chair, called the meeting of the PROC to order at 10:00 a.m. on Friday, February 15, 2019. The meeting adjourned at 12:20 p.m.

Members

Jeffrey De Lyser, CPA, Chair	10:00 a.m. – 12:20 p.m.
Kevin Harper, CPA, Vice-Chair	10:00 a.m. – 12:20 p.m.
Renee Graves, CPA	10:00 a.m. – 12:20 p.m.
Alan Lee, CPA	10:00 a.m. – 12:20 p.m.
Iryna Oreshkova, CPA	10:00 a.m. – 12:20 p.m.
Sharon Selleck, CPA	10:00 a.m. – 12:20 p.m.
Fiona Tam, CPA	10:00 a.m. – 12:20 p.m.

CBA Member

Mary M. Geong, CPA, CBA Member Liaison

CBA Staff

Dominic Franzella, Chief, Enforcement Division  
Kari O'Connor, Enforcement Manager  
Siek Run, Enforcement Analyst  
Ben Simcox, CPA, Deputy Chief, Enforcement Division

Other Participants

Linda McCrone, CPA, California Society of Certified Public Accountants (CalCPA)  
Jason Fox, CalCPA  
Mr. De Lyser read the following into the record:

“The CBA’s mission is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

This mission is derived from the statutory requirement that protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.”

Mr. De Lyser thanked the CBA for appointing Ms. Geong and Ms. Salazar as CBA member liaisons to the PROC and Ms. Iryna Oreshkova, CPA, as a new member of the PROC.

I. Report of the Committee Chair.

A. Approval of the December 7, 2018 Peer Review Oversight Committee Meeting Minutes.

**It was moved by Mr. Harper and seconded by Ms. Graves to approve the meeting minutes.**

**Yes: Mr. De Lyser, Ms. Selleck, Ms. Graves, Ms. Tam, Mr. Lee, Mr. Harper, and Ms. Oreshkova.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

B. Report on the January 17, 2019 California Board of Accountancy Meeting.

Ms. Geong noted that at the January 17, 2019 meeting, the CBA appointed Ms. Oreshkova to the PROC. She further noted that the CBA approved the 2020 CBA meeting dates and locations, announced 2019 CBA committee liaison assignments and approved the 2019-2021 CBA Strategic Plan.

Ms. Geong stated that the CBA received an update regarding the upcoming Sunset Review hearing on February 26, 2019. She further noted that President Famalett, Vice-President Silverman, and the CBA Executive Officer Patti Bowers will attend and provide testimony.

Ms. Geong indicated that the CBA reviewed proposed legislation and took positions on two bills. She concluded that the next CBA meeting will be held in San Diego on March 21-22, 2019.

C. Discussion of Emerging Issues and/or National Standards Regarding the Peer Review Program Impacting California.

None.

II. Report on Peer Review Oversight Committee Oversight Activities Conducted Since December 7, 2018 and Future Activities.

A. Report on the January 23, 2019 California Society of Certified Public Accountants Report Acceptance Body Meeting.

Ms. Selleck reported on this agenda item. She noted that the Report Acceptance Body (RAB) reviewed 25 system reviews, 36 engagement reviews, two corrective actions, and a disagreement panel took place at the beginning of the meeting. She concluded that 20 of the reviews resulted with pass, 13 pass with deficiencies, and 12 fail. Of the 12 failed reviews, nine were engagement reviews and failed due to issues related to headers. She noted that there were good discussions among members and practitioners.

B. Report on the January 30, 2019 American Institute of Certified Public Accountants Peer Review Board Meeting.

Mr. Lee reported on this agenda item. He noted that the meeting focused on the American Institute of Certified Public Accountants (AICPA) anticipated changes that would take place between the end of April and early May 2019.

Mr. Lee highlighted upcoming changes from AICPA that would impact the AICPA Oversight Handbook, access to information, policies and procedures developed by administering entities, and revisions to PROC member appointments and annual confidentiality requirement. He further noted changes that would impact independence and conflict of interest, quality control material, and consideration of continuing education courses as a corrective action or part of an implementation plan for accounting firms with failed peer review reports with significant deficiencies.

Mr. De Lyser indicated a need to follow-up on the proposed changes to the AICPA Oversight Handbook.

Mr. Franzella reported that the CBA will review the AICPA proposed revisions to the Oversight Handbook at an upcoming CBA meeting. He noted that the changes impact Chapter 3 of the Oversight Handbook, which focuses on the PROC membership appointment process and confidentiality. He further noted that the National Association of State Boards of Accountancy (NASBA) is seeking feedback from boards regarding the proposed revisions.

Mr. Franzella concluded that the CBA is waiting for a copy of the revised AICPA Oversight Handbook and may have the PROC review and consider potential impacts to the PROC.



C. Report on the February 5, 2019 California Society of Certified Public Accountants Report Acceptance Body Meeting.

Ms. Graves reported on this agenda item. She noted that the RAB reviewed 41 reviews, of which 30 were engagement reviews and 11 were system reviews. Of the 41 reviews, 29 passed, seven passed with deficiencies, and five failed. She noted that the RAB discussed topics related to team captain feedbacks, corrective actions and implementation plans, and that a disagreement panel took place. Ms. Graves concluded that the RAB discussions were robust.

D. Report on Notices Posted on the American Institute of Certified Public Accountants' and National Association of State Boards of Accountancy's Websites Regarding Changes and Updates to the Peer Review Program.

Ms. Selleck reported on this agenda item. She highlighted the NASBA proposed revisions to the Uniform Accountancy Act and its June 30, 2019 deadline for comments.

E. Assignment of Future Peer Review Oversight Committee Oversight Roles, Responsibilities, Activities, and Assignments.

Mr. De Lyser presented this agenda item. He highlighted new 2019 PROC oversight activities and requested PROC members to participate and accept new assignments for upcoming PROC oversight activities.

The PROC briefly discussed out-of-state administering entities oversight selection procedures and proceeded to assign oversight activities.

Out-of-State Administering Entities:

- Pennsylvania – Mr. Harper
- Illinois – Ms. Graves

CalCPA RAB Meeting(s):

- February 28, 2019 – Mr. Lee at 2:00 p.m. (In-person)
- April 23, 2019 – Ms. Oreshkova at 2:00 p.m. (In-person)

CBA Meeting(s):

- March 21, 2019 – Mr. De Lyser (In-person)

AICPA NASBA/Website Updates

- Ms. Selleck

III. Report of the Enforcement Chief.

A. Discussion and Possible Action on the Draft 2018 Peer Review Oversight Committee Annual Report.

Mr. Franzella reported on this agenda item. He requested that the PROC provide any edits or suggestions to the PROC 2018 Annual Report, approve it for presentation at the CBA's March 2019 meeting, and to delegate authority for the PROC Chair to work with staff on additional revisions to the annual report prior to its presentation at the March 2019 CBA meeting.

The PROC discussed and provided edits and suggestions to the PROC 2018 Annual Report's format, language, context, and statistical information.

**It was moved by Mr. Harper and seconded by Ms. Graves to accept the PROC 2018 Annual Report with edits and delegated authority for the Chair to work with staff on additional changes to the annual report prior to its presentation at the March 2019 CBA Meeting.**

**Yes: Mr. De Lyser, Ms. Selleck, Ms. Graves, Ms. Tam, Mr. Lee, Mr. Harper, and Ms. Oreshkova.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

B. Discussion and Possible Action Regarding the National Association of State Boards of Accountancy Revisions to the Uniform Accountancy Act's Model Rules, Published January 2019.

Mr. Franzella reported on this agenda item. He summarized the NASBA proposed revisions to the Uniform Accountancy Act (UAA) Model Rules, specifically section 7 as it relates to peer review. He requested that the PROC review and provide feedback to staff for inclusion in a presentation at the March 2019 CBA meeting.

The PROC discussed and considered the NASBA proposed revisions to the UAA Model Rules and potential impacts to the CBA's administration of its peer review program. The PROC and CBA staff determined that the NASBA proposed revisions to UAA Model Rules did not provide enhancements to the CBA's administration of its peer review program.

Mr. Franzella concluded his report by noting two areas within the proposed revisions to the UAA Model Rules that the CBA should further review. The two

areas are Model Rule 7-2, regarding submission of peer review documents and Model Rule 7-9, regarding attest documentation and retention.

C. Discussion and Possible Action Regarding the Progress of the Development of a Proposed Framework to Monitor the California Peer Reviewer Population.

Mr. Franzella reported on this agenda item. He requested that the PROC review multiple correspondences between the CBA, AICPA, CalCPA, a draft letter to AICPA regarding the California Peer Reviewer Population, and to provide feedback for inclusion in a presentation at the March 2019 CBA meeting.

Mr. Franzella summarized the PROC efforts and challenges over the past two years with collecting and evaluating peer reviewer population statistics obtained from AICPA. He concluded that the communication and statistics collected were insufficient and could not be used to accurately evaluate the California Peer Reviewer Population.

Mr. Franzella presented to the PROC, a set of staff developed data points, necessary to comprehensively monitor the California Peer Reviewer Population. The PROC reviewed and provided feedback to staff. The data points would be incorporated into a draft letter to AICPA.

Mr. Franzella noted that the draft letter requests AICPA to work with the CBA and the PROC to develop a revised framework to monitor the California Peer Reviewer Population, to initiate data collection by 2020, and to commence reporting to the CBA by 2021. He further noted that the PROC's efforts relating the California Peer Reviewer Population has received positive feedback from NASBA.

The PROC discussed and recognized the possibility of limited access to peer reviewer population statistics and decided to wait for results and findings from its communication with AICPA.

**It was moved by Ms. Graves and seconded by Ms. Selleck to approve the staff proposed peer reviewer population framework with the PROC provided edits.**

**Yes: Mr. De Lyser, Ms. Selleck, Ms. Graves, Ms. Tam, Mr. Lee, Mr. Harper, and Ms. Oreshkova.**

**No: None.**

**Abstain: None.**

**Absent: None.**

**The motion passed.**

IV. Closing Business.

A. Public Comments for Items Not on the Agenda.

Ms. McCrone reported that Ms. Marcia Hein from the AICPA will conduct peer reviewer trainings in July 2019 at the CalCPA Burlingame office. She noted that peer review training dates will be available at the May 2019 PROC meeting.

B. Agenda Items for Future Peer Review Oversight Committee Meetings.

None.

V. Adjournment.

Having no further business to conduct, Mr. De Lyser adjourned the meeting at 12:20 p.m. on Friday, February 15, 2019.

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Jeffrey De Lyser, CPA, Chair

Siek Run, Enforcement Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-4366.



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**EPOC Item II.**  
**CBA Item XII.A.2.**  
May 16, 2019

## **Discussion and Possible Action Regarding Enforcement-Related Activities Associated with Unlicensed Practice**

**Presented by: Dominic Franzella, Chief, Enforcement Division**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with information on how the Enforcement Program addresses matters involving unlicensed practice.

### **Consumer Protection Objectives**

Consistent with the CBA's mission of consumer protection, investigating unlicensed activity is an important element to ensuring that consumers are receiving services from appropriately licensed professionals.

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

No specific action is required on this agenda item, although staff welcome any additional activities the CBA would request the Enforcement Program perform.

### **Background**

As part of its recent adoption of the *2019-2021 Strategic Plan*, the CBA highlighted the topic of unlicensed activity by including the following goal: "Inform stakeholders on enforcement efforts being performed regarding unlicensed practice." Additionally, the topic of unlicensed practice is a topic the Legislature routinely requests information on from the various Department of Consumer Affairs (DCA) boards and bureaus during the sunset review process.

### **Comments**

While most cases undertaken by the Enforcement Program focus on technical services performed by licensees, criminal convictions, discipline by other governmental agencies, and various administrative violations associated with maintaining licensure, it also routinely performs investigations into unlicensed activity.

## **Discussion and Possible Action Regarding Enforcement-Related Activities Associated with Unlicensed Practice**

Page 2 of 4

The CBA actively investigates unlicensed activities from both external/consumer complaints and internally identified matters. When the CBA receives correspondence, including applicant experience forms, license renewal applications, and peer review reporting forms, it reviews the information to assess potential for unlicensed activity.

The CBA takes proactive measures to review the Internet (including Craigslist, LinkedIn, and other social media websites) for advertisements that claim to provide accounting services. Also, various disciplinary orders adopted by the CBA result in licensees losing their ability to practice public accountancy. Staff regularly review the Internet to determine if revoked or surrendered licensees are still practicing public accountancy or if they are using the CPA designation without a valid license.

The CBA opens and investigates cases when it identifies any potential unlicensed activity. The CBA sends a letter to individuals identified to be practicing without a license and inquires about their present practice activities. If individuals are a current licensee with an expired license or unregistered accounting firm, the CBA works to gain compliance.

In instances where individuals are using protected terms, such as accounting and auditing, the CBA seeks to determine if the services they are providing rise to the level requiring licensure as a CPA. In these instances, the CBA works with the individuals to adjust their respective marketing materials to remove various terms, indicate that the services being performed do not require a license, or both.

If the CBA identifies that the work performed does rise to the level of needing to be licensed or individuals fail to address their advertising materials, the CBA will refer the matter to the DCA Division of Investigation (DOI). If the investigation results in sufficient evidence demonstrating the practice of public accounting, the case is referred to the appropriate District Attorney's office for consideration of filing misdemeanor charges.

Members recently requested to have additional information related to unlicensed activities. At the end of 2018, staff began including high-level information related to complaints received during fiscal year (FY) 2018-19. As part of the March 2019 meeting Enforcement Activity Report (EAR), staff included a new section to the report titled "Unlicensed Activity." The new section provides information on the number of complaints received, investigations pending, and outcomes (including closure, citation, and referrals to local law enforcement/District Attorney).

While referrals to local law enforcement/District Attorney are rare, below are examples of matters referred to local enforcement/District Attorney:

- The Los Angeles District Attorney secured a conviction of an individual for misdemeanor violations of Business and Professions Code (BPC) sections 5050

## Discussion and Possible Action Regarding Enforcement-Related Activities Associated with Unlicensed Practice

Page 3 of 4

(Practice without a Permit) and 5055 (Title of Certified Public Accountant).<sup>1</sup> The individual was placed on three years' summary probation and ordered to pay restitution to the CBA in the amount of \$7,276.75.

- The Los Angeles District Attorney's Office secured a conviction of grand theft and practicing public accounting without a license.<sup>2</sup> The individual received five years' probation, ordered to pay restitution to the victim of approximately \$15,000, ordered to cease practicing as a CPA (including removing information about being a CPA from the website), and community service.
- The Alameda County District Attorney's Office filed criminal charges of forgery and mortgage fraud, felonies, against an individual.<sup>3</sup>
- The Marin County District Attorney's Office filed criminal charges of theft under false pretenses, a felony.<sup>4</sup>

To continue to increase activities associated with unlicensed practice, staff are working to develop a more streamlined process for filing a complaint when consumers or licensees wish to notify the CBA regarding unlicensed activity. The present complaint form is designed more for filing complaints where there is issue with professional services rendered by a licensed professional.

A new and more focused form is being developed, which will be available electronically, and will be placed on the website under a banner titled "Report Unlicensed Activity" (or a title substantially similar). Staff are looking to have the banner also appear in the License Lookup section. This will allow individuals to perform a lookup of a licensee and if no results appear to more easily file a report with the CBA.

BPC section 148 and CBA Regulations section 95.6 allow the CBA issue citations to individuals for unlicensed practice. The citation may include an administrative fine, an

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<sup>1</sup> The individual was previously licensed by the CBA but had his license revoked via a default decision in 2012. The Enforcement Program received a consumer complaint indicating the individual continued to practice as a CPA. The matter was referred to the DCA DOI and, after DCA DOI completed the investigation the Enforcement Program forwarded DCA DOI's findings to the Los Angeles District Attorney's Office for consideration of filing criminal charges.

<sup>2</sup> The individual was previously licensed by the CBA, but had his license revoked via a default decision in 2010. The Enforcement Program received a consumer complaint indicating the individual continued to practice as a CPA. The matter was referred to the DCA DOI and, after DCA DOI completed the investigation the Enforcement Program forwarded DCA DOI's findings to the Los Angeles District Attorney's Office for consideration of filing criminal charges.

<sup>3</sup> The individual photoshopped a Nevada Board of Accountancy "wall certificate" to indicate she was a licensed CPA for the purposes of securing lower rates of insurance and to secure a loan. The individual came to the CBA's attention based on a referral from Nevada and she was living in the Bay Area. The matter was referred to DCA DOI, which subsequently referred to the Alameda District Attorney.

<sup>4</sup> The CBA received information that the individual had performed multiple Employee Benefit Plan audits. The matter was referred to the DCA DOI and, after DCA DOI completed the investigation the Enforcement Program forwarded DCA DOI's findings to the Marin County District Attorney's Office for consideration of filing criminal charges.

## **Discussion and Possible Action Regarding Enforcement-Related Activities Associated with Unlicensed Practice**

Page 4 of 4

order of abatement fixing a reasonable time period for abatement of the violation, or both.

While the CBA does issue citations to existing licensees found to be practicing without a valid license (whether expired or inactive) and to licensees operating unregistered firms (corporations, partnerships, or sole proprietorships), it has not historically issued citations to individuals that are not existing licensees.

As noted on page 2, the CBA generally works to obtain compliance through education and an interactive process to have the individual adjust advertising and solicitation materials. This is generally successful. When the CBA is unable to obtain the compliance or when the CBA is alerted to individuals performing services that require licensure (*i.e.* audits, review, etc.), staff generally collaborate with DCA DOI to determine if practice activities are occurring and whether it warrants referral to local law enforcement.

Staff believe this practice is prudent, especially considering the United States Supreme Court's decision in *North Carolina State Board of Dental Examiners v. Federal Trade Commission* (2015). This decision had far-reaching impacts related to state-action antitrust immunity.

If the CBA wants staff to modify its practice related to issuing citations, the CBA could direct staff to perform further research in this area and report back to the CBA. Additionally, if there are other activities related to unlicensed practice the CBA wants staff to take, members can direct staff to perform additional research on any activities and report back to the CBA 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 but welcome any additional activities the CBA would request the Enforcement Program perform.

### **Attachment**

None.





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**CPC Item II**  
**CBA Item XII.B.2**  
May 16, 2019

## **Discussion and Possible Action Regarding the Possibility of Allowing California Candidates to Take the Uniform CPA Examination Prior to Degree Conferral**

**Presented by: Deanne Pearce, Assistant Executive Officer**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to discuss whether the CBA should explore the possibility of allowing California candidates to sit for the Uniform CPA Examination (CPA Exam) prior to receiving degree conferral.

### **Consumer Protection Objectives**

Allowing California candidates to sit prior to degree conferral will provide greater flexibility to applicants for the CPA Exam, which is a requirement for CPA licensure.

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

The CBA will be asked if it wishes to explore modifying the CPA Exam education requirements allowing candidates to test prior to degree conferral.

### **Background**

At the March 2019 CBA meeting, CBA Member, Mary Geong, CPA, requested this topic to be included on the agenda to discuss the possibility of allowing candidates to sit for the CPA Exam prior to conferral of a bachelor's degree or higher.

Under the current provision outlined in Business and Professions Code (BPC) section 5093(b)(1) (**Attachment 1**), the CBA requires CPA Exam candidates to meet the following educational requirements prior to receiving approval to sit for the CPA Exam:

- Conferral of a baccalaureate degree or higher from a nationally or regionally accredited U.S. degree-granting educational institution or the equivalent foreign education
- 24 semester units in accounting subjects
- 24 semester units in business-related subjects

## **Discussion and Possible Action Regarding the Possibility of Allowing California Candidates to Take the Uniform CPA Examination Prior to Degree Conferral**

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### **Comments**

To assist members in their discussions regarding this topic, staff have provided information regarding CBA's process for approving candidates for the CPA Exam, California's exception for delayed degree conferral, and other states' provisions that allow candidates to sit for the CPA Exam prior to degree conferral.

#### CBA's Process for Approving Candidates for the CPA Exam

To apply for the CPA Exam, candidates submit an application to the CBA, which is reviewed by staff within 30 days to determine eligibility. Based on current statutory provisions, candidates must provide transcripts showing degree conferral prior to receiving approval.

In most cases, applicants complete their education for a bachelor's degree and graduate during the month of May. Conferral of a bachelor degree can take up to six weeks to be posted to official transcripts depending on the school. This process limits the ability for graduates to sit for their CPA Exam sections during the summer months before beginning employment and/or internships to obtain experience for the CPA license.

Similar to the CBA, all states require the submission of an official transcript from those who have completed the educational requirement at the time of applying for the CPA Exam. However, a few states include exceptions for candidates that are nearing completion of their degree program.

#### California's Exception for Delayed Degree Conferral

California makes an exception for candidates in a program that results in the conferral of a bachelor degree upon completion of either a master's degree or the 150 semester units required for CPA licensure if certain conditions are met as described in BPC section 5093(A)(b)(1).

To qualify for the CPA Exam, a candidate must have completed all bachelor degree requirements, including 24 semester units each in accounting and business-related subjects. Candidates meeting this criteria must submit a letter from their school including the following information:

1. A statement they are enrolled and in good standing in a program that will result in the conferral of a bachelor's degree upon completion of either a master's degree or the required 150 semester units.
2. A statement that they have completed all requirements, including general education and elective requirements, for a bachelor's degree and the only reason the college or university has yet to confer the degree is because they are enrolled in a program that confers a bachelor's degree upon completion of either a master's degree or the required 150 semester units.

## Discussion and Possible Action Regarding the Possibility of Allowing California Candidates to Take the Uniform CPA Examination Prior to Degree Conferral

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3. The date on which the bachelor degree requirements were met.

This exception was created after the law changed and required applicants to complete 150 semester units for CPA licensure, including 20 units of accounting study (which can be met with a specified Master's Degree) and 10 units of ethics study. Schools increasingly began creating Master's level programs to meet CPA licensure requirements and as part of the program, the Bachelor's degree isn't awarded until 150 units are completed or the Master's Degree is issued.

### Other States' Provisions to Allow Candidates to Take the CPA Exam prior to Degree Conferral.

Staff identified three states that allow candidates to take the CPA Exam prior to Degree Conferral: Washington, Nebraska, and Missouri.

Under Washington Administrative Code, WAC 4-30-060(2) (**Attachment 2**), for those who are currently enrolled in a degree program and anticipate to meet their CPA Exam requirements within 180 days following the examination, may apply for the CPA Exam and receive approval to test prior to degree conferral.

Washington candidates meeting this criteria must submit a completed Certificate of Enrollment to verify they are currently enrolled and "in-progress" and the courses and/or degree requirements will be completed within 180 days. The candidate must then submit their final official transcript showing completion of all coursework and/or degree within 210 days of taking the first CPA Exam section.

Nebraska also has a provision outlined in their statutes under the Nebraska Accountancy Act section 1-116 (**Attachment 3**) that allows a candidate to sit for the exam prior to degree conferral if the candidate is expected to meet the requirements no later than 60 days following the date taking their first CPA Exam section. The candidate must submit the final transcript reflecting earned degree and requirements within 90 days of the test date. Missouri has a similar provision in the Missouri Revisor of Statutes section 326.280 (**Attachment 4**) but does not specify a timeframe for submitting final transcripts.

In comparison to the CBA's examination eligibility requirements, Washington, Nebraska, and Missouri all require a total of 150 semester units but have core requirements similar to the CBA with a slight fluctuation in the number of accounting subjects and business-related subjects.

Should the CBA wish to pursue including a provision similar to these states, it would require legislation to make a statutory change to BPC section 5093.

## **Discussion and Possible Action Regarding the Possibility of Allowing California Candidates to Take the Uniform CPA Examination Prior to Degree Conferral**

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Additionally, Washington, Nebraska, and Missouri contract with CPA Examination Services (CPAES)<sup>1</sup> to process applications for their CPA Exam candidates. All documentation is submitted directly to CPAES to determine eligibility and submission deadlines are monitored by CPAES. California is not contracted with CPAES and all application processing is completed in-house. Including a provision similar to these states would require the need to establish and implement a tracking mechanism for all candidates to ensure requirements have been met. Implementing a tracking system in advance of the CBA's Business Modernization Project would require manual tracking could negatively impact processing timeframes.

As an alternative, staff can explore working with colleges and universities, from where a majority of CPA Exam candidates submit transcripts from, to possibly receive transcripts electronically for recent graduates who have completed their degree requirements but are awaiting degree conferral. CBA may also consider accepting a letter from the school to certifying a candidate has completed all degree requirements and the date the degree will be posted to the transcript.

### **Fiscal/Economic Impact Considerations**

There is no fiscal/economic impact considerations.

### **Recommendation**

Should the CBA desire to move forward pursuing a statutory change allow CPA Exam candidates to sit for the CPA Exam prior to receiving conferral of a bachelor's degree, staff recommend implementation to occur during the business modernization project which will launch in July 2019.

In the interim, if the CBA would like staff to pursue exploring the possibility of electronic submission of transcripts for recent graduates, staff will bring research back to the CBA for consideration at a future meeting.

### **Attachments**

1. Business and Professions Code Section 5093
2. Washington Administrative Code WAC 4-30-060
3. Nebraska Accountancy Act 1-116
4. Missouri Revisor of Statutes 326.280

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<sup>1</sup> National Association of State Boards of Accountancy's flagship program, CPAES, provides a comprehensive array of services related to the CPA Exam including application processing, credential evaluations, and score reporting.



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## **Attachment 1**

### **Business and Professions Code Section 5093**

(a) To qualify for the certified public accountant license, an applicant who is applying under this section shall meet the education, examination, and experience requirements specified in subdivisions (b), (c), and (d), or otherwise prescribed pursuant to this article. The board may adopt regulations as necessary to implement this section.

(b) (1) An applicant for admission to the certified public accountant examination under this section shall present satisfactory evidence that the applicant has completed a baccalaureate or higher degree conferred by a degree-granting university, college, or other institution of learning accredited by a regional or national accrediting agency included in a list of these agencies published by the United States Secretary of Education under the requirements of the federal Higher Education Act of 1965 as amended (20 U.S.C. Sec. 1001 et seq.), or meeting, at a minimum, the standards described in subdivision (c) of Section 5094. The total educational program shall include a minimum of 24 semester units in accounting subjects and 24 semester units in business-related subjects. This evidence shall be provided at the time of application for admission to the examination, except that an applicant who applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may provide this evidence at the time of application for licensure.

(A) An applicant enrolled in a program at an institution as described in this paragraph that grants conferral of a baccalaureate degree upon completion of the 150 semester units required by paragraph (2) of this subdivision may satisfy the requirements of this paragraph if the applicant's institution mails the applicant's official transcript or its equivalent together or separately with a letter signed by the institution's registrar, or its equivalent, directly to the board pursuant to subdivision (c) of Section 5094. The letter shall include all of the following:

(i) A statement that the applicant is enrolled and in good standing in a program that will result in the conferral of a baccalaureate degree upon completion of either a master's degree or the 150 semester units required by paragraph (2) of this subdivision.

(ii) A statement that the applicant has completed all requirements, including general education and elective requirements, for a baccalaureate degree and the only reason the college or university has yet to confer the degree is because the applicant is enrolled in a program that confers a baccalaureate degree upon completion of either a master's degree or the 150 semester units required by paragraph (2) of this subdivision.

## Business and Professions Code Section 5093

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(iii) The date on which the applicant met all of the college's or university's requirements for conferral of a baccalaureate degree.

(B) The total educational program for an applicant described in subparagraph (A) shall include a minimum of 24 semester units in accounting subjects and 24 semester units in business-related subjects. This evidence shall be provided at the time of application for admission to the examination, except that an applicant who applied, qualified, and sat for at least two subjects of the examination for the certified public accountant license before May 15, 2002, may provide this evidence at the time of application for licensure.

(2) An applicant for issuance of the certified public accountant license under this section shall present satisfactory evidence that the applicant has completed at least 150 semester units of college education, including a baccalaureate or higher degree conferred by a college or university, meeting, at a minimum, the standards described in Section 5094, the total educational program to include a minimum of 24 semester units in accounting subjects, 24 semester units in business-related subjects, and, after December 31, 2013, shall also include a minimum of 10 units of ethics study consistent with the requirements set forth in Section 5094.3 and 20 units of accounting study consistent with the regulations promulgated under subdivision (c) of Section 5094.6. This evidence shall be presented at the time of application for the certified public accountant license. Nothing in this paragraph shall be deemed inconsistent with Section 5094 or 5094.6. Nothing in this paragraph shall be construed to be inconsistent with prevailing academic practice regarding the completion of units.

(c) An applicant for the certified public accountant license shall pass an examination prescribed by the board.

(d) (1) The applicant shall show, to the satisfaction of the board, that the applicant has had one year of qualifying experience. This experience may include providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills.

(2) To be qualifying under this section, experience shall have been performed in accordance with applicable professional standards. Experience in public accounting shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy. Experience in private or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy.

(3) Notwithstanding paragraph (2), the board may, by regulation, allow experience in academia to be qualifying under this section.

(e) Applicants completing education at a college or university located outside of this state, meeting, at a minimum, the standards described in Section 5094, shall be deemed to meet the educational requirements of this section if the board determines that the education is substantially equivalent to the standards of education specified under this chapter.

**Business and Professions Code Section 5093**

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(f) An applicant who has successfully passed the examination requirement specified under Section 5082 on or before December 31, 2013, may qualify for the certified public accountant license without satisfying the 10 semester units of study set forth in Section 5094.3 or 20 semester units of accounting study consistent with the regulations promulgated under Section 5094.6, if the applicant completes all other requirements for the issuance of a license on or before December 31, 2015.

*(Amended by Stats. 2014, Ch. 400, Sec. 5. (SB 1467) Effective January 1, 2015.)*

**Washington Administrative Code WAC 4-30-060**

**What are the education requirements to qualify to apply for the CPA examination?**

(1) **Education requirements:** Effective July 1, 2000, to apply for the CPA examination you must have completed:

- (a) At least one hundred fifty semester hours (two hundred twenty-five quarter hours) of college education, including;
- (b) A baccalaureate or higher degree; and
- (c) An accounting major or concentration as defined as at least:
  - (i) Twenty-four semester hours (thirty-six quarter hours) or the equivalent in accounting subjects of which at least fifteen semester hours must be at the upper level or graduate level (an upper level course is defined as a course that frequently carries completion of a lower level course(s) as a prerequisite); and
  - (ii) Twenty-four semester hours (thirty-six quarter hours) or the equivalent in business administration subjects at the undergraduate or graduate level.

(2) **One hundred eighty-day provision:** If you expect to meet the education requirements of this section within one hundred eighty days following the examination, you will be eligible to take the CPA examination provided you submit a signed Certificate of Enrollment from the educational institution in which you are enrolled stating that you will meet the board's education requirements within one hundred eighty days following the day you first sit for any one section of the examination. If you apply for the exam using the one hundred eighty-day provision, then within two hundred ten days of first sitting for any section of the exam, you must provide the examination administrator complete documentation demonstrating that you met the board's education requirements within one hundred eighty days of first sitting for any one section of the exam. If you do not provide such documentation within the required two hundred ten-day time period, your exam score(s) will not be released and you will not be given credit for any section(s) of the examination. Applicants failing to provide such documentation must reapply as a first-time applicant.

(3) **Education obtained outside the United States:** If you obtained all or a portion of your education outside the United States you must have your education evaluated by a board approved foreign education credential evaluation service. The board will establish the criteria for board approval of foreign education credential evaluation services. The board does not provide education credential evaluation services.

(4) **Semester versus quarter hours:** As used in these rules, a "semester hour" means the conventional college semester hour. Your quarter hours will be converted to semester hours by multiplying them by two-thirds.

(5) **Accreditation standards:** For purposes of this rule, the board will recognize colleges and universities which are accredited in accordance with (a) through (c) of this subsection.



## Washington Administrative Code WAC 4-30-060

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(a) The college or university must be accredited at the time your education was earned by a regionally or nationally accrediting agency recognized by the board.

(b) If an institution was not accredited at the time your education was earned but is so accredited at the time your application is filed with the board, the institution will be deemed to be accredited for the purpose of (a) of this subsection provided that it:

(i) Certifies that your total educational program would qualify the applicant for graduation with a baccalaureate degree during the time the institution has been accredited; and

(ii) Furnishes the board satisfactory proof, including college catalogue course numbers and descriptions, that the preaccrediting courses used to qualify you for a concentration in accounting are substantially equivalent to postaccrediting courses.

(c) If your degree was received at an accredited college or university as defined by (a) or (b) of this subsection, but the educational program which was used to qualify you for a concentration in accounting included courses taken at nonaccredited institutions, either before or after graduation, such courses will be deemed to have been taken at the accredited institution from which your degree was received, provided the accredited institution either:

(i) Has accepted such courses by including them in its official transcript; or

(ii) Certifies to the board that it will or would accept such courses for credit toward graduation.

(6) **Alternative to accreditation:** If you graduated from a degree-granting institution that was not accredited at the time your degree was received or at the time your application was filed, you will be deemed to be a graduate of an accredited college or university if a credentials evaluation service approved by the board certifies that your degree is equivalent to a degree from an accredited college or university as defined in subsection (5) of this section. The board does not provide education credential evaluation services.

[Statutory Authority: RCW [18.04.055](#), [18.04.105](#). WSR 16-10-018, § 4-30-060, filed 4/22/16, effective 5/23/16. Statutory Authority: RCW [18.04.055](#)(5), [18.04.105](#)(1). WSR 10-24-009, amended and recodified as § 4-30-060, filed 11/18/10, effective 12/19/10; WSR 05-01-137, § 4-25-710, filed 12/16/04, effective 1/31/05; WSR 02-04-064, § 4-25-710, filed 1/31/02, effective 3/15/02. Statutory Authority: RCW [18.04.055](#)(5). WSR 95-20-065, § 4-25-710, filed 10/3/95, effective 11/3/95; WSR 93-12-071, § 4-25-710, filed 5/27/93, effective 7/1/93.]

**Missouri Revisor of Statutes Chapter 326.280**

**326.280. License issued, when — reexamination and fees — temporary license issued, when.** — 1. A license shall be granted by the board to any person who meets the requirements of this chapter and who:

(1) Is a resident of this state or has a place of business in this state or, as an employee, is regularly employed in this state;

(2) Has attained the age of eighteen years;

(3) Is of good moral character;

(4) Either:

(a) Applied for the initial examination prior to June 30, 1999, and holds a baccalaureate degree conferred by an accredited college or university recognized by the board, with a concentration in accounting or the substantial equivalent of a concentration in accounting as determined by the board; or

(b) Applied for the initial examination on or after June 30, 1999, and has at least one hundred fifty semester hours of college education, including a baccalaureate or higher degree conferred by an accredited college or university recognized by the board, with the total educational program including an accounting concentration or equivalent as determined by board rule to be appropriate;

(5) Has passed an examination in accounting, auditing and such other related subjects as the board shall determine is appropriate; and

(6) Has had one year of experience. Experience shall be verified by a licensee and shall include any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills including governmental accounting, budgeting or auditing. The board shall promulgate rules and regulations concerning the verifying licensee's review of the applicant's experience.

2. The board may prescribe by rule the terms and conditions for reexaminations and fees to be paid for reexaminations.

3. A person who, on August 28, 2001, holds an individual permit issued pursuant to the laws of this state shall not be required to obtain additional licenses pursuant to sections [326.280 to 326.286](#), and the licenses issued shall be considered licenses issued pursuant to sections [326.280 to 326.286](#). However, such persons shall be subject to the provisions of section [326.286](#) for renewal of licenses.

4. Upon application, the board may issue a temporary license to an applicant pursuant to this subsection for a person who has made a prima facie showing that the applicant meets all of the requirements for a license and possesses the experience required. The temporary license shall be effective only until the board has had the opportunity to investigate the applicant's qualifications for licensure pursuant to subsection 1 of this section and notify the applicant that the applicant's application for a license has been granted or rejected. In no event shall a temporary license be in effect for more than twelve months after the date of issuance nor shall a temporary license be reissued to the same applicant. No fee shall be charged for a temporary license. The holder of a temporary license which has not expired, been suspended or revoked shall be deemed to be the holder of a license issued pursuant to this section until the temporary license expires, is terminated, suspended or revoked.

5. An applicant for an examination who meets the educational requirements of subdivision (4) of subsection 1 of this section or who reasonably expects to meet those requirements within sixty days after the examination shall be eligible for examination if the applicant also meets the requirements of subdivisions (1), (2) and (3) of subsection 1 of this section. For an applicant admitted to examination on the reasonable expectation that the applicant will meet the educational requirements within sixty days, no license shall be issued nor credit for the examination or any part thereof given unless the educational requirement is in fact met within the sixty-day period.

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(L. 2001 H.B. 567, A.L. 2002 H.B. 1600, A.L. 2017 S.B. 395)

**Nebraska Accountancy Act 1-116**

**1-116. Certified public accountant; examination; eligibility.** Prior to January 1, 1998, a person shall be eligible to take the examination described in section 1-114 if he or she meets the requirements of subdivision (1)(a) of section 1-114.

Any person making initial application on or after January 1, 1998, to take the examination described in section 1-114 shall be eligible to take the examination if he or she has completed at least one hundred fifty semester hours or two hundred twenty-five quarter hours of postsecondary academic credit and has earned a baccalaureate or higher degree from a college or university accredited by a regional accrediting agency recognized by the United States Department of Education or a similar agency as determined to be acceptable by the board. The person shall demonstrate that accounting, auditing, business, and other subjects at the appropriate academic level as required by the board are included within the required hours of postsecondary academic credit. A person who expects to complete the postsecondary academic credit and earn the degree as required by this section within sixty days following when the examination is held shall be eligible to take such examination, but such person shall not receive any credit for such examination unless evidence satisfactory to the board showing that such person has completed the postsecondary academic credit and earned the degree as required by this section is received by the board within ninety days following when the examination is held. The board shall not prescribe the specific curricula of colleges or universities. If the applicant is an individual, the application shall include the applicant's social security number.

**Source:** Laws 1957, c. 1, § 11, p. 59; Laws 1976, LB 619, § 2; Laws 1984, LB 473, § 6; Laws 1991, LB 75, § 5; Laws 1997, LB 114, § 13; Laws 1997, LB 752, § 49; Laws 1999, LB 346, § 1; Laws 2009, LB31, § 7, Laws 2014, LB 967.



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**CPC Item III.**  
**CBA Item XII.B.3.**  
May 16, 2019

## **Discussion and Possible Action Regarding Continuing Education Reciprocity; Waiver of Renewal Requirements**

**Presented by: Deanne Pearce, Assistant Executive Director**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the opportunity to continue discussions on the topic of continuing education (CE)<sup>1</sup> reciprocity as stated in the National Association of State Boards of Accountancy (NASBA) Uniform Accountancy Act Model Rules<sup>2</sup> (UAA Model Rules).

### **Consumer Protection Objectives**

Pursuant to Business and Professions Code section 5026, the Legislature determined it is in the public interest to require certified public accountants (CPA) to comply with CE requirements adopted by the CBA as a prerequisite to license renewal. Completion of CE assists CPAs in maintaining competency and currency of knowledge when providing services to consumers, upholding the CBA's mission of consumer protection.

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

The CBA is being asked to determine whether it would like to offer CE reciprocity in California.

### **Background**

At the March 2019 meeting, the CBA discussed the topic of CE reciprocity as outlined in Rule 6-7 of the NASBA UAA Model Rules to determine whether California should explore moving toward CE reciprocity.

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<sup>1</sup> The CBA refers to education received from providers as continuing education (CE); however, NASBA refers to education as continuing professional education (CPE).

<sup>2</sup> The UAA Model Rules is comprised of the complete text of a regulation that may be adopted, substituted, or added to provisions of the law already in effect in place of any accountancy law now in effect. Although many of the CBA Regulations mirror the UAA Model Rules, the CBA maintains independence in the establishment of its requirements in California.

## Discussion and Possible Action Regarding Continuing Education Reciprocity; Waiver of Renewal Requirements

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The CBA requested the topic be included on a future agenda to allow further discussions to determine if there is an actual need for CE reciprocity in California and what impact it would have on California specific CE renewal requirements. Staff were also asked to consider how CE would be reviewed when licensees seek CE reciprocity from jurisdictions with varied renewal cycles.

### Comments

UAA Model Rule 6-7 (**Attachment 1**) establishes provisions for CE reciprocity, which allows CPAs to meet only the CE requirements of the state where their principal place of business is located.

Out of 55 accountancy board jurisdictions (**Attachment 2**), 25 have full CE reciprocity; one has partial CE reciprocity, but will enact full reciprocity into legislation effective October 1, 2019; one has signed legislation that implements CE reciprocity in 2021; and four filed legislation in 2018. California is one of 24 jurisdictions that does not presently have CE reciprocity.

To assist the CBA in its deliberations on this topic, the following information is being provided: 1) overview of CBA license renewal requirements, 2) volume of licensees who may request CE reciprocity, 3) states that offer CE reciprocity, and 4) issues to consider and steps necessary to implement CE reciprocity.

### Overview of CBA License Renewal Requirements

Presently, to ensure licensees are maintaining competency while providing services to consumers, the CBA requires CPAs to complete, and provide verification of completion, 80 hours of CE at the time of license renewal. As part of the 80 hours of CE, the CBA has specific requirements for technical CE, including the two-hour Board-approved Regulatory Review course that licensees are required to complete once every six years, four hours of ethics, and if subject, eight hours of preparation engagement, 24 hours of accounting and auditing or governmental auditing, and four hours of fraud. An overview of these CE requirements is included as (**Attachment 3**).

### Volume of Licensees Who May Request CE Reciprocity

In an effort to identify the volume of licensees that may request CE reciprocity, the CBA looked at the population of CPAs who have an out-of-state address. While not all of these licensees have a principal place of business in another state, it provides a starting point for discussion purposes.

Approximately 10 percent of the licensee population retains an out-of-state address and may take advantage of CE reciprocity.

## **Discussion and Possible Action Regarding Continuing Education Reciprocity; Waiver of Renewal Requirements**

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### States That Offer CE Reciprocity

Staff contacted the states of Nevada, Kentucky, and North Carolina, to obtain information on how they facilitate CE reciprocity for their licensee population. Each of the states contacted have varying ways they facilitate this option.

#### *Nevada*

Nevada allows the option for a CPA, with an active license in good standing in their “home state,” to receive a waiver of the CE requirements. The CPA must demonstrate compliance with the CE requirements of that state by signing a statement to that effect at the time of license renewal. This statement is used in lieu of CE verification. Nevada does not review each state’s specific CE laws to determine the equivalence to Nevada’s law nor does it compare CE taken in states with differing renewal cycles, such as the two-year versus the three-year renewal cycle.

If the state in which the CPA resides does not have continuing education requirements, the applicant must comply with the requirements set forth in Nevada’s rules. Nevada’s waiver applies to CPAs licensed in all states, except Wisconsin which did not have CE requirements at the time Nevada implemented CE reciprocity.

#### *Kentucky*

For CE reciprocity in Kentucky, a CPA must certify, at the time of renewal, that they met the CE requirements in the state where their principal place of business is located. This requirement is satisfied by the CPA providing proof that they hold an active license in that state. If that state has no CE requirements, then the CPA must meet Kentucky’s CE requirements.

Kentucky does not review each state’s specific CE laws to determine the equivalence to Kentucky’s law nor does it compare CE taken in states with differing renewal cycles.

#### *North Carolina*

North Carolina offers CE reciprocity to CPAs who are non-residents. A non-resident licensee may satisfy the annual CE requirements in the jurisdiction in which they are licensed and currently work or reside. At the time of online renewal, the CPA must acknowledge that they have met the CE requirements of that state by selecting a statement provided within the form.

North Carolina does not review each state’s specific CE laws to determine the equivalence to North Carolina’s law nor does it compare CE taken in states with differing renewal cycles.

If there is no ethics CE requirement in the jurisdiction where the CPA currently works or resides, the CPA must comply with the North Carolina ethics requirement. Additionally, if there is no annual CPE requirement in the jurisdiction in which the CPA works or resides, the CPA must meet North Carolina’s CE requirements.

## **Discussion and Possible Action Regarding Continuing Education Reciprocity; Waiver of Renewal Requirements**

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### Issues to Consider and Next Steps

As the CBA deliberates this option, the following issues should be considered when determining whether to offer CE reciprocity:

- Does the CBA want to provide a waiver of all CE or include an exception to exclude the CBA-approved Regulatory Review course, or other California CE requirements from the waiver?
- Does the CBA want to deny a licensee from qualifying for CE reciprocity if the state of their principal place of business has no CE requirements?
- Is the CBA comfortable with waiving the work specific CE requirements, including accounting and auditing, governmental auditing, and preparation engagements?
- Does the CBA only want to allow CE reciprocity for states that have similar renewal cycles (e.g. state with two-year renewal cycles).

If the CBA were to consider offering CE reciprocity, preliminary implementation concepts could include requiring a licensee, at the time of renewal, to certify to the following:

- They are licensed in the jurisdiction in which they have a principal place of business
- They have a current and valid license in the jurisdiction in which they have a principal place of business
- They have complied with the CE requirements in the state where they have a principal place of business

Further, due to states having different renewal cycles (annually, biennially, triennially), the CBA could incorporate provisions to ensure flexibility exists to accommodate this variance.

According to the information provided by NASBA, some jurisdictions that have adopted CE reciprocity retain authority to determine if the CE requirements of another state are equivalent to that board's CE requirements. Should the CBA move towards CE reciprocity, it's possible to include this discretionary language to account for states that may alter their CE requirements in a manner that is not consistent with the CBA.

If the CBA believes that it would like to move towards CE reciprocity, staff can work with Department of Consumer Affairs Legal Counsel to develop proposed language for consideration at a future meeting.

### **Fiscal/Economic Impact Considerations**

There may be a possible fiscal/economic impact to California CE providers that may result from a decrease in the number of CPAs completing CE in California due to CE reciprocity.



## **Discussion and Possible Action Regarding Continuing Education Reciprocity; Waiver of Renewal Requirements**

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### **Recommendation**

Staff do not have a recommendation on this item.

### **Attachments**

1. Uniform Accountancy Act Model Rule 6-7
2. AICPA and NASBA CPE Reciprocity Adoption Map
3. Overview of California Board of Accountancy Continuing Education Requirements



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## Attachment 1

### **Uniform Accountancy Act Model Rule 6-7 Continuing Education Reciprocity**

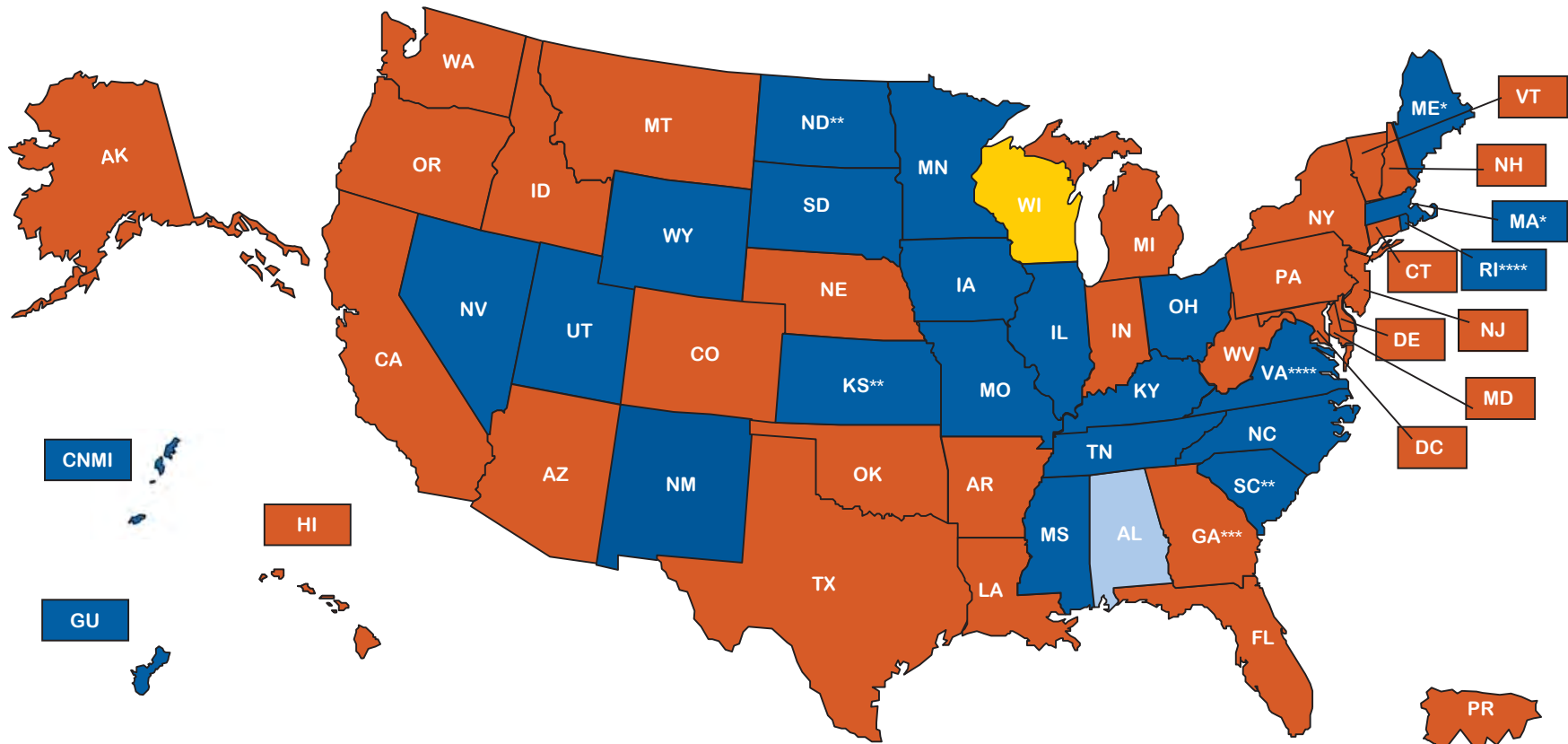
A non-resident licensee seeking renewal of a certificate in this state shall be determined to have met the CPE requirement (including the requirements of Rule 6-4(a)) of this rule by meeting the CPE requirements for renewal of a certificate in the state in which the licensee's principal place of business is located.

(a) Non-resident applicants for renewal shall demonstrate compliance with the CPE renewal requirements of the state in which the licensee's principal place of business is located by signing a statement to that effect on the renewal application of this state.

(b) If a non-resident licensee's principal place of business state has no CPE requirements for renewal of a certificate, the non-resident licensee must comply with all CPE requirements for renewal of a certificate in this state.



# CPE Reciprocity Adoption



- States that have **full CPE reciprocity**
- States that have **partial CPE reciprocity**
- States that have **no CPE reciprocity**
- States that have **no CPE requirement**

- \* The Boards have not promulgated any rules to implement the statutory provision.
- \*\* The Board has the authority to determine if the CPE requirements of another state are equivalent to the Board's requirements
- \*\*\* The Georgia Board is in the process of having to promulgate rules under its new statute
- \*\*\*\* Rhode Island and Virginia have full CPE reciprocity for states with an ethics requirement; this excludes AL, GA, ND, SD, UT, and WI.





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## Attachment 3

### Overview of California Board of Accountancy Continuing Education Requirements

A total of 80 hours of continuing education (CE) must be completed in the two-year period immediately 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 if more than six years have lapsed since the licensee last completed a Board-approved Regulatory Review
- If subject to the Government Auditing or Accounting and Auditing (A&A) CE requirement, as described in sections 87(c) and 87(d) of the CBA Regulations, a licensee must complete 24 hours of CE as described in those sections.
- If subject to the Preparation Engagement CE requirement, as described in sections 87(e) of the CBA Regulations, a licensee must complete eight hours of CE as described in those sections and four hours of Fraud CE.
- If subject to the Government Auditing, A&A, or the Preparation Engagement CE requirement, a licensee must also complete four hours of Fraud CE specifically related to the prevention, detection, and/or reporting of fraud affecting financial statements.
- The remaining hours may be completed in qualifying technical or non-technical subject matter of the licensee's choosing, so long as a minimum of 40 hours are completed in technical subject matter.

**Technical subject areas:** *accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in section 87(b) of the CBA Regulations, 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.*

**Non-technical subject areas:** *communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.*



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**LC Item II**  
**CBA Item XII.C.2.**  
 May 16, 2019

## California Board of Accountancy 2019 Legislative Tracking Chart

<u>Bill#</u>	<u>Author</u>	<u>Topic</u>	<u>Version</u>	<u>Board Position</u>	<u>Location/Status</u> (As of May 1, 2019)
AB 193	Patterson	Professions and Vocations	3/05/19	Watch	Assembly Business and Professions (B&P) Committee
AB 312	Cooley	State Government: Administrative Regulations: Review	1/29/19	Watch	Assembly Appropriations Committee – Suspense File
AB 476	Rubio, Blanca	Department of Consumer Affairs: Task Force: Foreign-Trained Professionals	2/02/19	Watch	Assembly Appropriations Committee – Suspense File
AB 613	Low	Professions and Vocations: Regulatory Fees	2/14/19	Support	Senate Rules – Pending Referral
AB 802	Stone, Mark	Reports to the Legislature	2/20/19	Watch	Assembly Appropriations Committee
AB 931	Boerner Horvath	Local Boards and Commissions: Representation: Appointments	2/20/19	Watch	Assembly Appropriations Committee
AB 1140	Stone, Mark	Tax Preparers: Disclosures	2/21/19	Support	Assembly Appropriations Committee
AB 1271	Diep	Licensing Examinations: Report	2/21/19	Watch	Assembly B&P Committee

**California Board of Accountancy 2019 Legislative Tracking Chart**

Page 2 of 2

AB 1521	Assembly B&P Committee	Accountancy: California Board of Accountancy	2/22/19	Support	Assembly Appropriations Committee – Suspense File
AB 1525	Jones-Sawyer	Cannabis: Financial Institutions	2/22/19	Watch	Assembly B&P Committee
AB 1545	Obernolte	Civil Penalty Reduction Policy	2/22/19	Watch	Assembly Appropriations Committee
SB 601	Morrell	State Agencies: Licenses: Fee Waiver	2/22/19	Support	Senate Appropriations Committee
SB 51	Hertzberg	Financial Institutions: Cannabis	12/04/18	Watch	Senate Appropriations Committee
SB 53	Wilk	Open Meetings	12/10/18	Oppose	Assembly Rules – Pending Referral

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 193**

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<b>Subject:</b>	Professions and Vocations.	<b>CBA Position:</b>	<b>WATCH</b>
<b>Version:</b>	March 20, 2019	Author:	Patterson
<b>Status:</b>	Assembly Business and Professions Committee	Sponsor:	Author

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### **Summary**

Beginning January 1, 2021, Assembly Bill (AB) 193 (**Attachment 1**) would require the Department of Consumer Affairs (DCA) to conduct a comprehensive review of all licensing requirements for each profession regulated by a DCA board or bureau and to identify unnecessary licensing requirements. The bill requires each board under DCA to report every two years certain data and information related to the licensure of active duty military, veterans, and military spouses.

AB 193 also deletes certain licensing requirements related to the practice of barbering, cosmetology, and custom upholstery.

### **Recent Amendments**

On March 20, 2019, AB 193 was amended to require each board within DCA, including the California Board of Accountancy (CBA), to report to DCA, beginning February 1, 2021, and every two years thereafter, an assessment on the board's progress in implementing policies to "facilitate licensure portability" for active duty service members, veterans, and military spouses.

### **Recommendation**

**Maintain Watch Position.** Staff recommend the CBA maintain its Watch position on AB 193. The recent amendments add a modest biennial reporting requirement to all DCA boards related to licensure portability for active duty service members, veterans, and military spouses.

Further, the bill missed a deadline to pass out of policy committees by April 26 and is therefore unlikely to move forward this year.

### **Background**

According to the fact sheet (**Attachment 2**):

"Occupational licensing can create serious burdens for workers, predominantly low-income and entry-level workers, without always ensuring an overall public benefit. In fact, studies have shown time and time again that unnecessary occupational licensing requirements hurt the economy and workers alike.

Burdensome licensure requirements prevent individuals, especially low-income individuals, from entering the workforce. Additionally, the Brookings Institution found that occupational licensing requirements can result in almost three million fewer jobs nationwide, with an estimated cost to consumers of over \$200 billion.”

## **Analysis**

As amended on March 20, 2019, AB 193 would have three impacts, as discussed below and on page three of this analysis.

### DCA Board Reporting Requirement Regarding Licensure Portability for Active Duty, Veterans, and Military Spouses

Presently, Business and Professions Code (BPC) sections 114, 114.3, 114.5, 115, 115.4, 115.5, and 115.6 require each DCA board to, generally, do the following:

- Reinstatement, without examination or penalty, a license of an individual whose license expired while on active duty in the military (BPC sections 114 and 115).
- Waive the renewal fees and continuing education requirements for a licensee called to active military duty (BPC section 114.3).
- Inquire whether the applicant is currently, or previously, served in the military and post information on its website about the ability for veteran applicants to apply military experience and training, if applicable, toward licensure requirements (BPC section 114.5).
- Expedite the initial licensure process for an applicant who served as an active duty member of the military and was honorably discharged (BPC section 115.4).
- Expedite the licensure process for an applicant who is married to, or in a domestic partnership or other legal union, to an active duty member of the military, holds a current license in another U.S. state or territory, and who has been assigned to a duty station in California (BPC section 115.5).
- Issue temporary licenses to specified license types from certain DCA boards. This requirement does not apply to the CBA (BPC section 115.6).

The most recent amendments to AB 193 requires each board within DCA to report beginning February 1, 2021 and every two years thereafter the following data related to its work to facilitate licensure among active duty military, veterans, and military spouses:

- The number of active duty service members, veterans, and military spouses who applied for licensure for each of the previous two calendar years.
- The board’s process for expediting applications for active duty service members, veterans, and military spouses, the average processing time for an expedited application, and the number of expedited application requests received in each of the previous two calendar years.
- The number of applications for waived renewal fees submitted by active duty service members in each of the previous two calendar years.



- If the board issues temporary licenses pursuant to BPC section 115.6, the duration of, and requirements for obtaining, the temporary license.
- Whether an applicant may apply, and the requirements, for licensure by endorsement.
- A list of the states with which the board maintains reciprocity agreements, if any.

#### Reducing Occupational Licensing Requirements

The bill makes the following changes to California's occupational licensing requirements:

- Deletes the act of shampooing from the definition of barbering, thereby removing the requirement to hold a license to engage in that activity.
  - Requires unlicensed persons, prior to shampooing a client's hair, to disclose to their client that they are unlicensed.
- Deletes the act of applying makeup from the definition of cosmetology, thereby removing the requirement to hold a license to engage in that activity.
  - Requires unlicensed persons, prior to applying makeup to a client, to disclose to their client that they are unlicensed.
- Deletes the requirement that a person engaged in the practice of custom upholstery obtain a license from DCA's Bureau of Household Goods and Services (the Bureau).

#### Review of DCA Licensing Requirements

AB 193 also requires DCA, beginning January 1, 2021, to conduct a "comprehensive review of all licensing requirements for each profession regulated by a board within the department and identify unnecessary licensing requirements." The bill directs DCA to apply for federal funds (**Attachment 3**) made available specifically "for the purposes of reviewing, updating, and eliminating overly burdensome licensing requirements."

Further, DCA would be required to report to the Legislature on January 1, 2023, and every two years thereafter until the department has completed its review, on DCA's progress in conducting the review. The bill requires a final report to the Legislature no later than January 1, 2033 and requires it include all of the following:

- The professions reviewed by DCA in the preceding two years.
- Unnecessary licensing requirements identified by DCA for each profession reviewed.
- For each unnecessary licensing requirement, DCA's recommendation to the Legislature to keep, modify, or eliminate the unnecessary licensing requirement.
- For each unnecessary licensing requirement that DCA recommends to keep, facts supporting the DCA's recommendation.

AB 193 authorizes DCA to use national licensing standards, where applicable, as a baseline for evaluating the necessity of licensing requirements. The bill defines an

“unnecessary licensing requirement” as one that does not satisfy either of the following criteria:

- Protects the health and safety of the public or a licensee.
- Satisfies a national licensing or certification requirement.

It is unclear whether, according to the bill language, any of the CBA’s requirements for licensure would be considered an “unnecessary licensing requirement.” However, the bill requires DCA to identify those unnecessary licensing requirements and provide a recommendation whether to keep, modify, or eliminate them.

### **Fiscal Estimate**

The CBA’s costs are unknown at this time, however, the CBA receives very few applications from active duty, veterans, and military spouses.

The other required reports in the bill would be completed by DCA, potentially leading to an increase in the CBA’s pro-rata payments.

Further, AB 193 requires DCA to apply for federal funds available specifically for the purposes of reviewing, updating, and eliminating “overly burdensome licensing requirements.”

Any secured federally funds may reduce the CBA’s costs to comply with the bill. However, if DCA does not obtain federal funds, it, and the various boards, would still be required to comply with the bill.

### **Support/Opposition**

Support: None on file.

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

- Senate Bill 247 (Moorlach), 2017-2018 Legislative Session. Would repeal the requirements for an individual to obtain a license to perform the following activities: fitting or selling hearing aids, locksmithing, barbering or the application of makeup, disposing of cremated human remains, and performing custom upholstery services. The bill also modifies the regulation of certain landscapers, tree service contractors, and private investigators. (Was not approved by the Legislature). The CBA adopted an Oppose position.
- Senate Bill 999 (Morrell), 2017-2018 Legislative Session. Would repeal the requirements of an individual to obtain a license to perform shampooing,

arranging, dressing, curling, and waving the hair. (Was not approved by the Legislature). The CBA did not take a position.

**Attachments**

1. AB 193
2. AB 193 Fact Sheet
3. U.S. Department of Labor News Release Regarding Grant Funding to Help Reform Licensing Requirements and Increase Portability

AMENDED IN ASSEMBLY MARCH 20, 2019

AMENDED IN ASSEMBLY MARCH 5, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 193**

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**Introduced by Assembly Member Patterson**  
**(Coauthors: Assembly Members Choi, Gallagher, Lackey, Melendez,**  
**and Voepel)**

(Coauthors: Senators Bates, Morrell, and Nielsen)

January 10, 2019

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An act to amend Sections 7316, 19011, 19017, 19051, 19059.5, 19060.6, and 19170 of, to add and repeal Section 101.5 of, and to repeal Sections 19010.1 and 19052 of, the Business and Professions Code, and to amend Section 110371 of the Health and Safety Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 193, as amended, Patterson. Professions and vocations.

(1) Existing law establishes the Department of Consumer Affairs in the Business, Consumer Services, and Housing Agency to, among other things, ensure that certain businesses and professions that have potential impact upon the public health, safety, and welfare are adequately regulated.

This bill would require the department, beginning on January 1, 2021, to conduct a comprehensive review of all licensing requirements for each profession regulated by a board within the department and identify unnecessary licensing requirements, as defined by the bill. *The bill, beginning February 1, 2021, and every 2 years thereafter, would require each board within the department to submit to the department an*

*assessment on the board's progress in implementing policies to facilitate licensure portability for active duty service members, veterans, and military spouses that includes specified information.* The bill would require the department to report to the Legislature on ~~January~~ *March* 1, 2023, and every 2 years thereafter, on the department's ~~progress;~~ *progress in conducting its review,* and would require the department to issue a final report to the Legislature no later than ~~January~~ *March* 1, 2033. The bill would require the biennial reports *to the Legislature to include the assessment information submitted by each board to the department,* to identify the professions ~~reviewed;~~ *reviewed by the department,* each unnecessary licensing requirement, and the department's recommendations to the Legislature on whether to keep, modify, or eliminate the unnecessary licensing requirement. The bill would require the department to apply for federal funds that have been made available specifically for the purpose of reviewing, updating, and eliminating overly burdensome licensing requirements, as provided.

(2) Existing law, the Barbering and Cosmetology Act, provides for the licensure and regulation of the practice of cosmetology by the State Board of Barbering and Cosmetology in the department and defines the practice of both barbering and cosmetology to include shampooing the hair of any person. The act also specifies that, within the practice of cosmetology, there is the specialty branch of skin care, which includes applying makeup.

This bill would delete shampooing another person from the practice of barbering and cosmetology, and would delete the act of applying makeup on another person from the specialty practice of skin care. The bill would require a person who does not hold a barbering or cosmetology license to disclose that fact before the unlicensed person applies makeup to or shampoos the hair of another person.

(3) Existing law provides for the regulation of custom upholsterers by the Bureau of Household Goods and Services in the department, and requires every custom upholsterer to hold a custom upholsterer's license.

This bill would delete those provisions requiring licensure of custom upholsterers.

~~(4) The bill would make conforming and other nonsubstantive changes.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) Many entities, including the Federal Trade Commission, the  
4 United States Department of Labor, and the Milton Marks “Little  
5 Hoover” Commission on California State Government Organization  
6 and Economy, have acknowledged the unnecessary burdens that  
7 occupational licensing places on otherwise qualified workers.

8 (b) Unnecessary licensing increases costs for consumers and  
9 restricts opportunities for workers.

10 (c) Researchers show that occupational licensing restrictions  
11 can result in almost three million fewer jobs and a cost of over  
12 \$200,000,000,000 to consumers.

13 (d) The Institute for Justice estimates that burdensome licensing  
14 in California results in a loss of 195,917 jobs and \$22,000,000,000  
15 in misallocated resources.

16 (e) California is the most broadly and onerously licensed state  
17 in the nation and has been identified as the nation’s worst licensing  
18 environment for workers in lower-income occupations.

19 (f) Licensing is also believed to disproportionately affect  
20 minorities and exacerbate income inequality.

21 SEC. 2. Section 101.5 is added to the Business and Professions  
22 Code, to read:

23 101.5. (a) The department shall apply for federal funds that  
24 have been made available specifically for the purposes of  
25 reviewing, updating, and eliminating overly burdensome licensing  
26 requirements.

27 (b) Beginning on January 1, 2021, the department shall conduct  
28 a comprehensive review of all licensing requirements for each  
29 profession and shall identify unnecessary licensing requirements.  
30 The department shall conduct the review whether or not the state  
31 receives federal funds pursuant to subdivision (a).

32 (c) (1) *Beginning on February 1, 2021, and every two years*  
33 *thereafter, each board identified in Section 101 shall submit to the*  
34 *department an assessment on the board’s progress in implementing*  
35 *policies to facilitate licensure portability for active duty service*  
36 *members, veterans, and military spouses. The assessment shall*  
37 *include the following information:*

1 (A) *The number of active duty service members, veterans, and*  
2 *military spouses who applied for licensure for each of the previous*  
3 *two calendar years.*

4 (B) *The board's process for expediting applications for active*  
5 *duty service members, veterans, and military spouses, the average*  
6 *processing time for an expedited application, and the number of*  
7 *expedited application requests received in each of the previous*  
8 *two calendar years.*

9 (C) *The number of applications for waived renewal fees*  
10 *submitted by active duty service members in each of the previous*  
11 *two calendar years.*

12 (D) *If the board issues temporary licenses pursuant to Section*  
13 *115.6, the duration of, and requirements for obtaining, the*  
14 *temporary license.*

15 (E) *Whether an applicant may apply, and the requirements, for*  
16 *licensure by endorsement.*

17 (F) *A list of the states with which the board maintains*  
18 *reciprocity agreements, if any.*

19 (2) *The department shall submit the information received*  
20 *pursuant to paragraph (1) as part of the report required to be*  
21 *submitted to the Legislature pursuant to subdivision (d).*

22 (e)

23 (d) *The department shall report to the Legislature on ~~January~~*  
24 *March 1, 2023, and every two years thereafter until the department*  
25 *has completed its review, on the department's progress in*  
26 *conducting the review. The department shall issue a final report*  
27 *to the Legislature no later than ~~January~~ March 1, 2033. Each*  
28 *biennial report shall be organized by board and shall include all*  
29 *of the following:*

30 (1) *The professions reviewed by the department in the preceding*  
31 *two years.*

32 (2) *Unnecessary licensing requirements identified by the*  
33 *department for each profession reviewed.*

34 (3) *For each unnecessary licensing requirement, the department's*  
35 *recommendation to the Legislature to keep, modify, or eliminate*  
36 *the unnecessary licensing requirement.*

37 (4) *For each unnecessary licensing requirement that the*  
38 *department recommends to keep, facts supporting the department's*  
39 *recommendation.*

1 (5) *The information submitted to the department pursuant to*  
2 *paragraph (2) of subdivision (c).*

3 ~~(d)~~

4 (e) The department may use national licensing standards, where  
5 applicable, as a baseline for evaluating the necessity of licensing  
6 requirements.

7 ~~(e)~~

8 (f) For purposes of this section, the following definitions apply:

9 (1) *“Military spouse” means a person who is married to, or in*  
10 *a domestic partnership or other legal union with, an active duty*  
11 *member of the Armed Forces of the United States who is assigned*  
12 *to a duty station in this state under official active duty military*  
13 *orders.*

14 ~~(1)~~

15 (2) *“Profession” means a profession or vocation regulated by a*  
16 *board identified in Section 101.*

17 ~~(2)~~

18 (3) *“Unnecessary licensing requirement” means a licensing*  
19 *requirement that does not satisfy either of the following criteria:*

20 (A) *Protects the health and safety of the public or a licensee.*

21 (B) *Satisfies a national licensing or certification requirement.*

22 ~~(f)~~

23 (g) A report to be submitted pursuant to subdivision ~~(e)~~ (d) shall  
24 be submitted in compliance with Section 9795 of the Government  
25 Code.

26 ~~(g)~~

27 (h) Notwithstanding Section 10231.5 of the Government Code,  
28 this section is repealed on January 1, 2034.

29 SEC. 3. Section 7316 of the Business and Professions Code is  
30 amended to read:

31 7316. (a) The practice of barbering is all or any combination  
32 of the following practices:

33 (1) Shaving or trimming the beard or cutting the hair.

34 (2) Giving facial and scalp massages or treatments with oils,  
35 creams, lotions, or other preparations either by hand or mechanical  
36 appliances.

37 (3) Singeing, arranging, dressing, curling, waving, chemical  
38 waving, hair relaxing, or dyeing the hair or applying hair tonics.

39 (4) Applying cosmetic preparations, antiseptics, powders, oils,  
40 clays, or lotions to scalp, face, or neck.



- 1 (5) Hairstyling of all textures of hair by standard methods that  
2 are current at the time of the hairstyling.
- 3 (b) The practice of cosmetology is all or any combination of  
4 the following practices:
- 5 (1) Arranging, dressing, curling, waving, machineless permanent  
6 waving, permanent waving, cleansing, cutting, relaxing, singeing,  
7 bleaching, tinting, coloring, straightening, dyeing, applying hair  
8 tonics to, beautifying, or otherwise treating by any means, the hair  
9 of any person.
- 10 (2) Massaging, cleaning, or stimulating the scalp, face, neck,  
11 arms, or upper part of the human body, by means of the hands,  
12 devices, ~~apparatus~~ *apparatus*, or appliances, with or without the  
13 use of cosmetic preparations, antiseptics, tonics, lotions, or creams.
- 14 (3) Beautifying the face, neck, arms, or upper part of the human  
15 body, by use of cosmetic preparations, antiseptics, tonics, lotions,  
16 or creams.
- 17 (4) Removing superfluous hair from the body of any person by  
18 the use of depilatories or by the use of tweezers, chemicals, or  
19 preparations or by the use of devices or appliances of any kind or  
20 description, except by the use of light waves, commonly known  
21 as rays.
- 22 (5) Cutting, trimming, polishing, tinting, coloring, cleansing,  
23 or manicuring the nails of any person.
- 24 (6) Massaging, cleansing, treating, or beautifying the hands or  
25 feet of any person.
- 26 (c) Within the practice of cosmetology there exist the specialty  
27 branches of skin care and nail care.
- 28 (1) Skin care is any one or more of the following practices:
- 29 (A) Giving facials, giving skin care, removing superfluous hair  
30 from the body of any person by the use of depilatories, ~~tweezers~~  
31 *tweezers*, or waxing, or applying eyelashes to any person.
- 32 (B) Beautifying the face, neck, arms, or upper part of the human  
33 body, by use of cosmetic preparations, antiseptics, tonics, lotions,  
34 or creams.
- 35 (C) Massaging, cleaning, or stimulating the face, neck, arms,  
36 or upper part of the human body, by means of the hands, devices,  
37 apparatus, or appliances, with the use of cosmetic preparations,  
38 antiseptics, tonics, lotions, or creams.
- 39 (2) Nail care is the practice of cutting, trimming, polishing,  
40 coloring, tinting, cleansing, manicuring, or pedicuring the nails of

1 any person or massaging, cleansing, or beautifying from the elbow  
2 to the fingertips or the knee to the toes of any person.

3 (d) The practice of barbering and the practice of cosmetology  
4 do not include any of the following:

5 (1) The mere sale, fitting, or styling of wigs or hairpieces.

6 (2) Natural hair braiding. Natural hair braiding is a service that  
7 results in tension on hair strands or roots by twisting, wrapping,  
8 weaving, extending, locking, or braiding by hand or mechanical  
9 device, provided that the service does not include haircutting or  
10 the application of dyes, reactive chemicals, or other preparations  
11 to alter the color of the hair or to straighten, curl, or alter the  
12 structure of the hair.

13 (3) Threading. Threading is a technique that results in removing  
14 hair by twisting thread around unwanted hair and pulling it from  
15 the skin and the incidental trimming of eyebrow hair.

16 (4) Shampooing hair. However, before a person who does not  
17 hold a barbering or cosmetology license shampoos the hair of  
18 another person, the unlicensed person shall disclose verbally or in  
19 writing to the other person that they do not hold a barbering or  
20 cosmetology license.

21 (5) Applying makeup. However, before a person who does not  
22 hold a barbering or cosmetology license applies makeup to another  
23 person, the unlicensed person shall disclose verbally or in writing  
24 to the other person that they do not hold a barbering or cosmetology  
25 license.

26 (e) Notwithstanding paragraph (2) of subdivision (d), a person  
27 who engages in natural hairstyling, which is defined as the  
28 provision of natural hair braiding services together with any of the  
29 services or procedures defined within the regulated practices of  
30 barbering or cosmetology, is subject to regulation pursuant to this  
31 chapter and shall obtain and maintain a barbering or cosmetology  
32 license as applicable to the services respectively offered or  
33 performed.

34 (f) Electrolysis is the practice of removing hair from, or  
35 destroying hair on, the human body by the use of an electric needle  
36 only.

37 “Electrolysis” as used in this chapter includes electrolysis or  
38 thermolysis.

39 SEC. 4. Section 19010.1 of the Business and Professions Code  
40 is repealed.

1 SEC. 5. Section 19011 of the Business and Professions Code  
2 is amended to read:

3 19011. “Manufacturer” means a person who, either by  
4 themselves or through employees or agents, makes any article of  
5 upholstered furniture or bedding in whole or in part, using either  
6 new or secondhand material.

7 SEC. 6. Section 19017 of the Business and Professions Code  
8 is amended to read:

9 19017. “Owner’s material” means any article or material  
10 belonging to a person for their own, or their tenant’s use, that is  
11 sent to any manufacturer or bedding renovator or used in repairing  
12 or renovating.

13 SEC. 7. Section 19051 of the Business and Professions Code  
14 is amended to read:

15 19051. Every upholstered-furniture retailer, unless the person  
16 holds an importer’s license, a furniture and bedding manufacturer’s  
17 license, a wholesale furniture and bedding dealer’s license, or a  
18 retail furniture and bedding dealer’s license, shall hold a retail  
19 furniture dealer’s license.

20 (a) This section does not apply to a person whose sole business  
21 is designing and specifying for interior spaces, and who purchases  
22 specific amenable upholstered furniture items on behalf of a client,  
23 provided that the furniture is purchased from an appropriately  
24 licensed importer, wholesaler, or retailer. This section does not  
25 apply to a person who sells “used” and “antique” furniture as  
26 defined in Sections 19008.1 and 19008.2.

27 (b) This section does not apply to a person who is licensed as  
28 a home medical device retail facility by the State Department of  
29 Health Services, provided that the furniture is purchased from an  
30 appropriately licensed importer, wholesaler, or retailer.

31 SEC. 8. Section 19052 of the Business and Professions Code  
32 is repealed.

33 SEC. 9. Section 19059.5 of the Business and Professions Code  
34 is amended to read:

35 19059.5. Every sanitizer shall hold a sanitizer’s license unless  
36 the person is licensed as a home medical device retail facility by  
37 the State Department of Health Services or as an upholstered  
38 furniture and bedding manufacturer, retail furniture and bedding  
39 dealer, or retail bedding dealer.

1 SEC. 10. Section 19060.6 of the Business and Professions  
2 Code is amended to read:

3 19060.6. Every person who, on their own account, advertises,  
4 solicits, or contracts to manufacture upholstered furniture or  
5 bedding, and who either does the work themselves or has others  
6 do it, shall obtain the particular license required by this chapter  
7 for the particular type of work that the person solicits or advertises  
8 that the person will do, regardless of whether the person has a shop  
9 or factory.

10 SEC. 11. Section 19170 of the Business and Professions Code  
11 is amended to read:

12 19170. (a) The fee imposed for the issuance and for the  
13 biennial renewal of each license granted under this chapter shall  
14 be set by the chief, with the approval of the director, at a sum not  
15 more nor less than that shown in the following table:

	Maximum	Minimum
	fee	fee
19 Importer’s license .....	\$940	\$120
20 Furniture and bedding manufacturer’s		
21 license .....	940	120
22 Wholesale furniture and bedding		
23 dealer’s license .....	675	120
24 Supply dealer’s license .....	675	120
25		
26 Sanitizer’s license .....	450	80
27 Retail furniture and bedding dealer’s license .....	300	40
28 Retail furniture dealer’s license .....	150	20
29 Retail bedding dealer’s license .....	150	20
30		

31 (b) Individuals who, in their own homes and without the  
32 employment of any other person, make, sell, advertise, or contract  
33 to make pillows, quilts, quilted pads, or comforters are exempt  
34 from the fee requirements imposed by subdivision (a). However,  
35 these individuals shall comply with all other provisions of this  
36 chapter.

37 (c) Retailers who only sell “used” and “antique” furniture as  
38 defined in Sections 19008.1 and 19008.2 are exempt from the fee  
39 requirements imposed by subdivision (a). Those retailers are also  
40 exempt from the other provisions of this chapter.

1 (d) A person who makes, sells, or advertises upholstered  
2 furniture and bedding as defined in Sections 19006 and 19007,  
3 and who also makes, sells, or advertises furniture used exclusively  
4 for the purpose of physical fitness and exercise, shall comply with  
5 the fee requirements imposed by subdivision (a).

6 (e) A person who has paid the required fee and who is licensed  
7 as an upholstered furniture and bedding manufacturer under this  
8 chapter shall not be required to additionally pay the fee for a  
9 sanitizer’s license.

10 ~~SEC. 12. Section 110371 of the Health and Safety Code is~~  
11 ~~amended to read:~~

12 ~~110371. (a) A professional cosmetic manufactured on or after~~  
13 ~~July 1, 2020, for sale in this state shall have a label affixed on the~~  
14 ~~container that satisfies all of the labeling requirements for any~~  
15 ~~other cosmetic pursuant to the Federal Food, Drug, and Cosmetic~~  
16 ~~Act (21 U.S.C. Sec. 301, et seq.), and the federal Fair Packaging~~  
17 ~~and Labeling Act (15 U.S.C. Sec. 1451, et seq.):~~

18 ~~(b) The following definitions shall apply to this section:~~

19 ~~(1) “Ingredient” has the same meaning as in Section 111791.5.~~

20 ~~(2) “Professional” means a person that has been granted a license~~  
21 ~~by the State Board of Barbering and Cosmetology to practice in~~  
22 ~~the field of cosmetology, barbering, or esthetics.~~

23 ~~(3) “Professional cosmetic” means a cosmetic product as it is~~  
24 ~~defined in Section 109900 that is intended or marketed to be used~~  
25 ~~only by a professional on account of a specific ingredient, increased~~  
26 ~~concentration of an ingredient, or other quality that requires safe~~  
27 ~~handling, or is otherwise used by a professional.~~



# ASSEMBLYMAN JIM PATTERSON, 23<sup>RD</sup> DISTRICT

## AB 193 (PATTERSON) OCCUPATIONAL LICENSING REFORM

### SUMMARY

Occupational licensing can create serious burdens for workers, predominantly low-income and entry-level workers, without always ensuring an overall public benefit. Veterans and the spouses of active duty service members are especially impacted by state-level licensing requirements.

This bill seeks to modernize the current occupational licensing regulations that Department of Consumer Affairs oversees, require reporting on license portability for military members and their spouses, and completely remove licensure requirements for a handful of occupations that pose no public health or safety threat.

### EXISTING LAW

Currently, California overall ranks as the most onerously licensed state.<sup>1</sup> In order to wash somebody's hair and get paid for it, one must be a licensed shampooer, which requires 1,500 hours of education – that's more education hours than an EMT.

California as a whole requires some sort of licensure for 76 out of 102 lower-income jobs. These licensure requirements create serious hurdles to low-income communities seeking entry into the job market, with some licensure fees costing over \$3,000.

The Legislature has passed numerous pieces of legislation to help active duty service members and

their spouses, as well as honorably discharged veterans, obtain licensure in California more easily, including SB 1226 (2014), AB 186 (2014), AB 1904 (2012) and AB 2783 (2010).

### PROBLEM

When licensure requirements are duplicative or overly burdensome, they prevent individuals, especially low-income individuals, from entering the workforce. The Brookings Institution has found that occupational licensing requirements can result in almost 3 million fewer jobs nationwide, with an estimated cost to consumers of over \$200 billion.<sup>2</sup>

Additionally, military veterans and active military spouses have a difficult time becoming licensed in California, for a variety of reasons. For example, because many of the state licensing boards do not accept military training and experience toward licensure requirements, male veterans between the ages of 25 and 35 have a higher unemployment rate than their civilian counterparts.<sup>3</sup> Although the Legislature has attempted to ease this burden for service members and their family members, the Department of Consumer Affairs has not yet reported on the efficacy of these many measures.

### SOLUTION

The solution is to ensure that all licensing requirements serve the purpose of protecting employees and the public, without acting as a barrier to entry into the career field. AB 193 targets

<sup>2</sup> [http://www.hamiltonproject.org/assets/legacy/files/downloads\\_and\\_links/reforming\\_occupational\\_licensing\\_morris\\_kleiner\\_final.pdf](http://www.hamiltonproject.org/assets/legacy/files/downloads_and_links/reforming_occupational_licensing_morris_kleiner_final.pdf)

<sup>3</sup> The Little Hoover Commission. *Jobs for Californians: Strategies to Ease Occupational Licensing Barriers*. (2016). Report # 234.

<sup>1</sup> *License to work: A National Study of Burdens from Occupational Licensing* (2nd ed., pp. 52-53, Rep.).

a handful of occupations which pose no threat to public health or safety –shampooers, makeup artists, upholsterers.

This bill would also require the Department of Consumer Affairs to begin a review process of all licensure requirements, and to identify any duplicative, irrelevant, or otherwise unnecessary requirements, and make suggestions to the Legislature regarding action to take. The federal government has set aside money for this sole purpose, and DCA would be required to apply for this money to help cover any costs to the state. The department will also be required to submit a report to the Legislature every two years documenting its findings and actions.

Additionally, AB 193 will require DCA, in the same biennial report to the Legislature, to report on the efficacy of various pieces of recent legislation that sought to increase licensure portability for service members, veterans, and family members of active duty military.

## **CONTACT**

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**Christine Rose**

Legislative Director

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# News Release

## U.S. DEPARTMENT OF LABOR ANNOUNCES GRANTS TO HELP REFORM LICENSING REQUIREMENTS AND INCREASE PORTABILITY

**WASHINGTON, DC** – As part of the U.S. Department of Labor’s ongoing efforts to encourage occupational licensing reform, the Department today announced \$7.5 million in funds to help review and streamline occupational licensing rules. Funds will be available to states, and associations of states, to review, eliminate and reform licensing requirements, and to promote portability of state licenses. Additionally, grant funding will be available to post-secondary institutions and occupational licensing partners to address barriers to licensure for veterans and transitioning service members.

“Excessive licensing raises the cost of entry, often prohibitively, for many careers, barring many Americans from good, family-sustaining jobs. In 1950, only 1 in 20 jobs required an occupational license. Today, more than 1 in 4 require a license to work,” said U.S. Secretary of Labor Alexander Acosta. “These grants are part of the Department of Labor’s efforts to eliminate and streamline excessive licensing requirements. If licenses are unnecessary, eliminate them. If they are necessary for health and safety, then streamline them and work with other states for reciprocity.”

### **Grant Funds for States to Review and Streamline Licensing Requirements:**

Individual states may apply for between \$100,000 and \$450,000 for a three-year grant. An existing association of states can apply for up to \$1 million for a three-year grant. The Department intends to make funding available for up to 20 states, and may also fund one to two associations of states.

Successful applicants will objectively analyze the relevant licensing criteria, potential portability issues, and whether licensing requirements are overly broad or burdensome. Importantly, applicants should provide specific plans of action designed to reduce excessive licensing. Applicants are also encouraged to consider the potential of alternative approaches to licensing that would be adequate to protect public health and safety (such as professional certification).

### **Grant Funds to Address Licensure Challenges for Veterans and Transitioning Service Members:**



To address barriers to licensure for veterans and transitioning service members, applicants for funded projects will select one or more licensed occupations, and conduct academic credit and gap analyses between military education and training in selected licensed occupations. Based on these analyses, grantees will develop bridge training curricula customized to close those gaps to enable veterans to qualify for state licensure in the selected occupation. Each awardee will identify and address licensing requirements in high-demand occupation areas such as transportation, healthcare, protective service, and mechanical/construction occupations. Successful applicants will support the development and wide dissemination of appropriate accelerated educational and licensing programs.

For additional information on grant eligibility and how to apply for funds, visit <http://www.grants.gov>.

**Agency:** Office of the Secretary

**Date:** April 12, 2018

**Release Number:** 18-0587-NAT

**Contact:** Eric Holland

**Phone Number:** [202-693-4676](tel:202-693-4676)

**Email:** [holland.eric.w@dol.gov](mailto:holland.eric.w@dol.gov)

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 312**

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Subject:	State Government: administrative regulations: review.	<b>CBA Position:</b>	<b>WATCH</b>
Version:	January 29, 2019	Author:	Cooley
Status:	Assembly Appropriations Committee – Suspense File	Sponsor:	Author

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### **Summary**

Assembly Bill (AB) 312 (**Attachment 1**) would require each state agency to, on or before January 1, 2022, review its regulations, identify any regulations that are duplicative, overlapping, inconsistent, or out-of-date, revise those identified regulations, as provided, and report its findings and actions taken to the Legislature and Governor, as specified.

### **Recommendation**

**Maintain Watch Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Watch position on AB 312. This bill has not been amended since the CBA took its position during the March 21, 2019 meeting.

### **Background**

Existing law authorizes various state entities, including the CBA, to adopt, amend, or repeal regulations for various specified purposes.

### **Analysis**

The bill requires each state agency to complete the following by January 1, 2022:

- Review all provisions of the California Code of Regulations adopted by that state agency.
- Identify any regulations that are duplicative, overlapping, inconsistent, or out-of-date.
- Adopt, amend, or repeal regulations to reconcile or eliminate any duplication, overlap, inconsistencies, or out-of-date provisions, and shall comply with the Administrative Procedure Act.
- Hold at least one noticed public hearing, which shall be noticed on the internet website of the state agency, for the purposes of accepting public comment on proposed revisions to its regulations.

## **AB 312**

Page 2 of 2

- Notify the appropriate policy and fiscal committees of each house of the Legislature of the revisions to regulations that the state agency proposes to make at least 30 days prior to initiating the rulemaking process.
- Report to the Governor and the Legislature on the state agency's compliance with this chapter, including the number and content of regulations the state agency identifies as duplicative, overlapping, inconsistent, or out-of-date, and the state agency's actions to address those regulations.

If this bill takes effect January 1, 2020, the CBA would have two years to complete the required review and implement any resulting regulatory changes.

### **Fiscal Estimate**

The CBA's costs to implement AB 312 would be minor and absorbable.

### **Support/Opposition**

Support: None on file.

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

- AB 2871 (Cooley and Calderon), 2017-18 Legislative Session.
- AB 12 (Cooley), 2017-18 Legislative Session.
- AB 12 (Cooley), 2015-16 Legislative Session.

These bills would have imposed the same requirements as AB 312. (They were not approved by the Legislature.) The CBA did not take a position on those bills.

### **Attachments**

1. AB 312
2. AB 312 Fact Sheet

**ASSEMBLY BILL****No. 312**

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**Introduced by Assembly Member Cooley  
(Coauthor: Assembly Member Frazier)**

January 29, 2019

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An act to add and repeal Chapter 3.6 (commencing with Section 11366) of Part 1 of Division 3 of Title 2 of the Government Code, relating to state agency regulations.

## LEGISLATIVE COUNSEL'S DIGEST

AB 312, as introduced, Cooley. State government: administrative regulations: review.

Existing law authorizes various state entities to adopt, amend, or repeal regulations for various specified purposes. The Administrative Procedure Act requires the Office of Administrative Law and a state agency proposing to adopt, amend, or repeal a regulation to review the proposed changes for, among other things, consistency with existing state regulations.

This bill would require each state agency to, on or before January 1, 2022, review its regulations, identify any regulations that are duplicative, overlapping, inconsistent, or out of date, revise those identified regulations, as provided, and report its findings and actions taken to the Legislature and Governor, as specified. The bill would repeal these provisions on January 1, 2023.

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. Chapter 3.6 (commencing with Section 11366)  
2 is added to Part 1 of Division 3 of Title 2 of the Government Code,  
3 to read:

4  
5 CHAPTER 3.6. REGULATORY REFORM

6  
7 Article 1. Findings and Declarations

8  
9 11366. The Legislature finds and declares all of the following:

10 (a) The Administrative Procedure Act (Chapter 3.5 (commencing  
11 with Section 11340), Chapter 4 (commencing with Section 11370),  
12 Chapter 4.5 (commencing with Section 11400), and Chapter 5  
13 (commencing with Section 11500)) requires agencies and the  
14 Office of Administrative Law to review regulations to ensure their  
15 consistency with law and to consider impacts on the state’s  
16 economy and businesses, including small businesses.

17 (b) However, the act does not require agencies to individually  
18 review their regulations to identify overlapping, inconsistent,  
19 duplicative, or out-of-date regulations that may exist.

20 (c) At a time when the state’s economy is slowly recovering,  
21 unemployment and underemployment continue to affect all  
22 Californians, especially older workers and younger workers who  
23 received college degrees in recent years but are still awaiting their  
24 first great job, and with state government improving but in need  
25 of continued fiscal discipline, it is important that state agencies  
26 systematically undertake to identify, publicly review, and eliminate  
27 overlapping, inconsistent, duplicative, or out-of-date regulations,  
28 both to ensure they more efficiently implement and enforce laws  
29 and to reduce unnecessary and outdated rules and regulations.

30  
31 Article 2. Definitions

32  
33 11366.1. For the purposes of this chapter, the following  
34 definitions shall apply:

35 (a) “State agency” means a state agency, as defined in Section  
36 11000, except those state agencies or activities described in Section  
37 11340.9.

1 (b) “Regulation” has the same meaning as provided in Section  
2 11342.600.

3  
4 Article 3. State Agency Duties  
5

6 11366.2. On or before January 1, 2022, each state agency shall  
7 do all of the following:

8 (a) Review all provisions of the California Code of Regulations  
9 adopted by that state agency.

10 (b) Identify any regulations that are duplicative, overlapping,  
11 inconsistent, or out of date.

12 (c) Adopt, amend, or repeal regulations to reconcile or eliminate  
13 any duplication, overlap, inconsistencies, or out-of-date provisions,  
14 and shall comply with the process specified in Article 5  
15 (commencing with Section 11346) of Chapter 3.5, unless the  
16 addition, revision, or deletion is without regulatory effect and may  
17 be done pursuant to Section 100 of Title 1 of the California Code  
18 of Regulations.

19 (d) Hold at least one noticed public hearing, which shall be  
20 noticed on the internet website of the state agency, for the purposes  
21 of accepting public comment on proposed revisions to its  
22 regulations.

23 (e) Notify the appropriate policy and fiscal committees of each  
24 house of the Legislature of the revisions to regulations that the  
25 state agency proposes to make at least 30 days prior to initiating  
26 the process under Article 5 (commencing with Section 11346) of  
27 Chapter 3.5 or Section 100 of Title 1 of the California Code of  
28 Regulations.

29 (g) (1) Report to the Governor and the Legislature on the state  
30 agency’s compliance with this chapter, including the number and  
31 content of regulations the state agency identifies as duplicative,  
32 overlapping, inconsistent, or out of date, and the state agency’s  
33 actions to address those regulations.

34 (2) The report shall be submitted in compliance with Section  
35 9795 of the Government Code.

36 11366.3. (a) On or before January 1, 2022, each agency listed  
37 in Section 12800 shall notify a department, board, or other unit  
38 within that agency of any existing regulations adopted by that  
39 department, board, or other unit that the agency has determined  
40 may be duplicative, overlapping, or inconsistent with a regulation

1 adopted by another department, board, or other unit within that  
2 agency.

3 (b) A department, board, or other unit within an agency shall  
4 notify that agency of revisions to regulations that it proposes to  
5 make at least 90 days prior to a noticed public hearing pursuant to  
6 subdivision (d) of Section 11366.2 and at least 90 days prior to  
7 adoption, amendment, or repeal of the regulations pursuant to  
8 subdivision (c) of Section 11366.2. The agency shall review the  
9 proposed regulations and make recommendations to the  
10 department, board, or other unit within 30 days of receiving the  
11 notification regarding any duplicative, overlapping, or inconsistent  
12 regulation of another department, board, or other unit within the  
13 agency.

14 11366.4. An agency listed in Section 12800 shall notify a state  
15 agency of any existing regulations adopted by that agency that  
16 may duplicate, overlap, or be inconsistent with the state agency's  
17 regulations.

18 11366.45. This chapter shall not be construed to weaken or  
19 undermine in any manner any human health, public or worker  
20 rights, public welfare, environmental, or other protection  
21 established under statute. This chapter shall not be construed to  
22 affect the authority or requirement for an agency to adopt  
23 regulations as provided by statute. Rather, it is the intent of the  
24 Legislature to ensure that state agencies focus more efficiently and  
25 directly on their duties as prescribed by law so as to use scarce  
26 public dollars more efficiently to implement the law, while  
27 achieving equal or improved economic and public benefits.

28  
29  
30

Article 4. Repeal

31 11366.5. This chapter shall remain in effect only until January  
32 1, 2023, and as of that date is repealed, unless a later enacted  
33 statute, that is enacted before January 1, 2023, deletes or extends  
34 that date.

## **AB 312 (Cooley)**

### Regulatory Review and Major Regulation Economic Impact Reporting

#### **Bill Summary**

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AB 312 strengthens the accountability and transparency of the regulatory process by requiring that state agencies complete a top-to-bottom review by January 1, 2022, of all current and new regulations to ensure that they are not duplicative, overlapping, inconsistent, or outdated.

#### **Problem**

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Numerous economists and business leaders agree that one of the greatest obstacles to California job growth is the "thicket" of government regulations that constrain business owners. Duplicative and inconsistent regulations leave business owners confused and often times out of compliance despite their best efforts. In addition, the burdensome regulatory scheme often discourages innovation and new business ventures.

#### **Solution**

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California's regulatory system needs careful review and accountability. To that end, AB 312 requires that each state agency initiate a top-to-bottom review of current and new regulations looking for duplicative, inconsistent, overlapping, or outdated regulations. Agencies will have two years to complete this review so that it can be completed in a comprehensive and timely manner.

#### **Background**

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Under the Administrative Procedures Act (APA), state agencies that wish to promulgate a regulation must first have it reviewed by the OAL and have public notice and input. Additionally, AB 1111 (1979) and SB 1754 (1980) mandated the Office of Administrative Law (OAL) to oversee an orderly review by each state agency of all the regulations they administered with the purpose of reducing the number of regulations and simplifying and improving quality. Since that time, top-to-bottom reviews of state agencies' regulations have been few and far between, leading to outdated, duplicative or overlapping regulations that are not automatically purged or updated with the passage of new regulations. The last top-to-bottom review of regulations was initiated by Governor Pete Wilson in 1995.

#### **For More Information**

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**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 476**

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<b>Subject:</b>	Department of Consumer Affairs: task force: foreign-trained professionals	<b>CBA Position:</b>	<b>WATCH</b>
<b>Version:</b>	February 12, 2019	<b>Author:</b>	Rubio
<b>Status:</b>	Assembly Appropriations Committee – Suspense File	<b>Sponsor:</b>	Author

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### **Summary**

Assembly Bill (AB) 476 (**Attachment 1**) would require the Department of Consumer Affairs (DCA) to create a task force to study and issue a report regarding the licensing of professionals trained outside of the United States (US).

### **Recommendation**

**Maintain Watch Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Watch position on AB 476. This bill has not been amended since the CBA took its position during the March 21, 2019 meeting.

### **Background**

According to the fact sheet (**Attachment 2**), California is home to an estimated 10 million immigrants, many of whom possess various skill sets and levels of education from their native country. Of this population, approximately two million have obtained a degree, with 48 percent having received their education outside of the US. The author states that the biggest barrier faced by those with non-US degrees is the accreditation process implemented by regulatory agencies for the licensing of professionals with experience or education outside the US.

### **Analysis**

AB 476, also known as the California Opportunity Act of 2019, directs DCA to establish a 15-person task force consisting of the following members:

- The DCA Director, or the director's designee, who serves as the chair of the task force.
- One member appointed by each of the following state officials: Governor, President pro Tempore of the Senate, and Speaker of the Assembly.

- One member each from the following educational bodies: Regents of the University of California, Trustees of the California State University, and the Board of Governors of the California Community Colleges.
- Four members appointed by the Governor who are representatives of the private sector from diverse regions in the state.
- Four members appointed by the Governor who are representatives of nonprofit organizations that serve the immigrant community from diverse regions in the state.

By January 1, 2021, the bill requires the task force to submit a report to the Legislature of its findings and recommendations regarding the licensing of foreign-trained professionals that includes, but is not limited to, the following:

- Strategies to integrate foreign-trained professionals and methods of implementing those strategies, including those recommended by the Little Hoover Commission in its October 2016 report, *Jobs for Californians: Strategies to Ease Occupational Licensing Barriers*.
- Identification of state and national licensing regulations that potentially pose unnecessary barriers to practice for foreign-trained professionals, and opportunities to advocate for corresponding changes to national licensing requirements.
- Identification of best practices in integrating foreign-trained professionals into the workforce in other states.

The task force may include in the report guidelines for full licensure and conditional licensing of foreign-trained professionals.

AB 476 directs the task force to solicit input from the following entities:

- The Little Hoover Commission
- The California Workforce Development Board
- The Department of Industrial Relations
- In- and out-of-state licensing entities
- Professional associations
- Labor and workforce organizations

### **Fiscal Estimate**

The CBA's costs are unknown at this time. This task force would be created by DCA, thereby increasing its costs and potentially leading to an increase in the CBA's pro-rata.

According to an analysis prepared by the Assembly Appropriations Committee, DCA would incur one-time costs in the amount of \$538,000 to establish and staff the task force, hold public hearings, provide logistical support such as travel and meeting costs, and report its recommendations to the Legislature. The reported costs include four limited-term positions to support the activities of the task force and per diem/travel reimbursements for task force members.

### **Support/Opposition**

Support: None on file.

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2019.

### **Related Bills**

Assembly Bill 827 (Rubio), 2017-2018 Legislative Session. Would have the same effect as AB 476 (was not approved by the Legislature).

### **Attachments**

1. AB 476
2. AB 476 Fact Sheet

**ASSEMBLY BILL****No. 476**

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**Introduced by Assembly Member Blanca Rubio**February 12, 2019

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An act to add Section 110.5 to the Business and Professions Code, relating to professions and vocations.

## LEGISLATIVE COUNSEL'S DIGEST

AB 476, as introduced, Blanca Rubio. Department of Consumer Affairs: task force: foreign-trained professionals.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law establishes the Bagley-Keene Open Meeting Act, which requires state boards, commissions, and similar state-created multimember bodies to give public notice of meetings and conduct their meetings in public unless authorized to meet in closed session.

This bill, the California Opportunity Act of 2019, would require the Department of Consumer Affairs to create a task force, as specified, to study and write a report of its findings and recommendations regarding the licensing of foreign-trained professionals with the goal of integrating foreign-trained professionals into the state's workforce, as specified. The bill would authorize the task force to hold hearings and invite testimony from experts and the public to gather information. The bill would require the task force to submit the report to the Legislature no later than January 1, 2021, as specified.

The bill also would require the task force to meet at least once each calendar quarter, as specified, and to hold its meetings in accordance with the Bagley-Keene Open Meeting Act. The bill would require each member of the task force to receive per diem and reimbursement for

expenses incurred, as specified, and would require the task force to solicit input from a variety of government agencies, stakeholders, and the public, including, among others, the Little Hoover Commission and the California Workforce Development Board.

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. This act shall be known as the California  
2 Opportunity Act of 2019.

3 SEC. 2. Section 110.5 is added to the Business and Professions  
4 Code, to read:

5 110.5. (a) The Department of Consumer Affairs shall create  
6 a task force to study, and write the report described in subdivision  
7 (c) regarding, the licensing of foreign-trained professionals with  
8 the goal of integrating foreign-trained professionals into the state's  
9 workforce.

10 (b) The task force shall consist of the following 15 members:

11 (1) The Director of Consumer Affairs, or the director's designee,  
12 who shall serve as the chair of the task force.

13 (2) One member appointed by the Governor.

14 (3) One member appointed by the President pro Tempore of the  
15 Senate.

16 (4) One member appointed by the Speaker of the Assembly.

17 (5) One member of the Regents of the University of California.

18 (6) One member of the Trustees of the California State  
19 University.

20 (7) One member of the Board of Governors of the California  
21 Community Colleges.

22 (8) Four members appointed by the Governor who are  
23 representatives of the private sector from diverse regions in the  
24 state.

25 (9) Four members appointed by the Governor who are  
26 representatives of nonprofit organizations that serve the immigrant  
27 community from diverse regions in the state.

28 (c) (1) The task force shall write a report of its findings and  
29 recommendations regarding the licensing of foreign-trained  
30 professionals, that include, but are not limited to, the following:

1 (A) Strategies to integrate foreign-trained professionals and  
2 methods of implementing those strategies, including those  
3 recommended by the Little Hoover Commission in its October  
4 2016 report entitled Jobs for Californians: Strategies to Ease  
5 Occupational Licensing Barriers (Report #234).

6 (B) Identification of state and national licensing regulations that  
7 potentially pose unnecessary barriers to practice for foreign-trained  
8 professionals, corresponding changes to state licensing  
9 requirements, and opportunities to advocate for corresponding  
10 changes to national licensing requirements.

11 (C) Identification of best practices learned from similar efforts  
12 to integrate foreign-trained professionals into the workforce in  
13 other states.

14 (2) The task force may include in the report guidelines for full  
15 licensure and conditional licensing of foreign-trained professionals.

16 (3) The task force may hold hearings and invite testimony from  
17 experts and the public to gather information.

18 (d) The task force shall submit the report described in  
19 subdivision (c) to the Legislature no later than January 1, 2021,  
20 and in compliance with Section 9795 of the Government Code.

21 (e) The following shall also apply:

22 (1) The task force shall meet at least once each calendar quarter.  
23 The task force shall meet at least once in northern California, once  
24 in central California, and once in southern California to facilitate  
25 participation by the public.

26 (2) A majority of the appointed task force shall constitute a  
27 quorum. Task force meetings shall be held in accordance with the  
28 Bagley-Keene Open Meeting Act (Article 9 (commencing with  
29 Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of  
30 the Government Code).

31 (3) (A) Each member shall receive a per diem of one hundred  
32 dollars (\$100) for each day actually spent in the discharge of  
33 official duties, and shall be reimbursed for traveling and other  
34 expenses necessarily incurred in the performance of official duties.

35 (B) Notwithstanding any other law, a public officer or employee  
36 shall not receive per diem salary compensation for serving on the  
37 task force on any day when the officer or employee also received  
38 compensation for their regular public employment.

- 1 (4) The task force shall solicit input from a variety of
- 2 government agencies, stakeholders, and the public, including, but
- 3 not limited to, the following:
- 4 (A) The Little Hoover Commission.
- 5 (B) The California Workforce Development Board.
- 6 (C) The Department of Industrial Relations.
- 7 (D) In- and out-of-state licensing entities.
- 8 (E) Professional associations.
- 9 (F) Labor and workforce organizations.

**AB 476 (Rubio)**  
**Evaluation of Foreign Degrees**  
*California Opportunity Act of 2019*

### **Bill Summary**

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Assembly Bill 476 will prompt the Department of Consumer Affairs (DCA) to create a task force that will study and make recommendations to improve foreign degree evaluation process for professional licenses.

### **Existing Law**

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Business and Professions Code §101.6 authorizes the boards, bureaus, and commissions (boards) within DCA to set qualifications that individuals must meet to set an industry standard that ensures the public is being provided a safe and effective service. Many of the professions within the scope of DCA require training or educational attainment at a postsecondary institution to meet the qualifications that are set either by regulation or statute.

Through this section regulation boards are able to establish a process to evaluate education or training that has been obtained outside the United States.

### **Background**

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California is home to an estimated 10 million immigrants in the state, many of whom possess various skill sets and levels of education from their native country. Of this population approximately two million have obtained a bachelor, PhD or professional degree with 48% having received their education outside the United States. Aside from facing the immediate obstacles of adjusting to the culture and practices of a new country, immigrants with foreign degrees face challenges of re-entering their profession causing them to be underemployed or working a sector below their skill level. Some of these barriers include a lack of access to English proficiency programs, legal status, or access to professional networks. However, the biggest barrier that those with foreign degrees' face is the accreditation process that regulatory agencies have implemented for licensing professionals with experience or education outside the country.

Barriers from regulatory agencies include access to information regarding process, timeliness of degree evaluation, and the acceptance of foreign credentials among others.

By underutilizing immigrants who are trained professionals, California continues to lose the opportunity to increase tax revenue and address the shortage within industries, which may rely on licensing through a board.

### **Details of the Bill**

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AB 476 will establish a fourteen-member task force made up of key stakeholders including members from the private sector, immigrant community. This task force will submit a report by January 1, 2019 to the legislature regarding any legislative or regulatory recommendations that makes.

### **Support**

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None on File

### **Opposition**

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None on File

### **For More Information**

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Monica Madrid  
 Office of Assemblywoman Blanca E. Rubio  
 State Capitol, Rm. 5175  
 (916) 319-2048  
[Monica.Madrid@asm.ca.gov](mailto:Monica.Madrid@asm.ca.gov)



**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 613**

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<b>Subject:</b>	Professions and vocations: regulatory fees.	<b>CBA Position:</b>	<b>SUPPORT</b>
<b>Version:</b>	February 14, 2019	<b>Author:</b>	Low
<b>Status:</b>	Senate Rules Committee	<b>Sponsor:</b>	Author

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### **Summary**

Assembly Bill (AB) 613 (**Attachment 1**) would authorize each board within the Department of Consumer Affairs (DCA) to increase, no more than once every four years, any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index for the preceding four years, subject to specified conditions.

The bill would require the DCA Director to approve any fee increase proposed by a board, except under specified circumstances.

### **Recommendation**

**Maintain Support Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Support position on AB 613. This bill has not been amended since the CBA took its position during the March 21, 2019 meeting.

### **Background**

Existing law requires the CBA to follow the Administrative Procedure Act (APA) and conduct a rulemaking whenever it seeks to change its fees.

### **Analysis**

If a board wishes to pursue the fee increase authorized by the bill, that board shall provide its calculations and proposed fee, rounded to the nearest whole dollar, to the DCA Director. The DCA Director shall approve the fee increase unless any of the following apply:

- The board has unencumbered funds in an amount that is equal to more than the board's operating budget for the next two fiscal years.
- The fee would exceed the reasonable regulatory costs to the board in administering the provisions for which the fee is authorized.
- The Director determines that the fee increase would be injurious to the public health, safety, or welfare.

According to the bill, this fee increase is not subject to the requirements of the APA.

## **AB 613**

Page 2 of 2

To define the California Consumer Price Index, AB 613 references Revenue and Taxation Code section 2212, which reads as follows:

“Percentage change in the cost of living” means the percentage change from April 1 of the prior year to April 1 of the current year in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.

According to the author’s staff, the bill creates a process that is separate and complimentary to the existing rulemaking process to change the board fees and would not alter the CBA’s current fee setting authority. Rather, the bill would provide boards another option to increase their fees to keep up with cost increases. The author’s staff indicated that they intend to clarify this point in a future amendment to the bill.

### **Fiscal Estimate**

There is no cost associated with this bill. The CBA could exercise the authority granted in the bill to provide modest increases to its revenue.

### **Support/Opposition**

Support: California Board of Accountancy

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

None.

### **Attachments**

1. AB 613
2. AB 613 Fact Sheet
3. California Board of Accountancy Support Letter

**ASSEMBLY BILL****No. 613**

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**Introduced by Assembly Member Low**February 14, 2019

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An act to add Section 101.1 to the Business and Professions Code, relating to professions and vocations, and making an appropriation therefor.

## LEGISLATIVE COUNSEL'S DIGEST

AB 613, as introduced, Low. Professions and vocations: regulatory fees.

Existing law establishes the Department of Consumer Affairs, which is comprised of boards that are established for the purpose of regulating various professions and vocations, and generally authorizes a board to charge fees for the reasonable regulatory cost of administering the regulatory program for the profession or vocation. Existing law establishes the Professions and Vocations Fund in the State Treasury, which consists of specified special funds and accounts, some of which are continuously appropriated.

This bill would authorize each board within the department to increase every 4 years any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index for the preceding 4 years, subject to specified conditions. The bill would require the Director of Consumer Affairs to approve any fee increase proposed by a board except under specified circumstances. By authorizing an increase in the amount of fees deposited into a continuously appropriated fund, this bill would make an appropriation.

Vote: majority. Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

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

1 SECTION 1. Section 101.1 is added to the Business and  
2 Professions Code, to read:

3 101.1. (a) Notwithstanding any other law, no more than once  
4 every four years, any board listed in Section 101 may increase any  
5 fee authorized to be imposed by that board by an amount not to  
6 exceed the increase in the California Consumer Price Index, as  
7 determined pursuant to Section 2212 of the Revenue and Taxation  
8 Code, for the preceding four years in accordance with the  
9 following:

10 (1) The board shall provide its calculations and proposed fee,  
11 rounded to the nearest whole dollar, to the director and the director  
12 shall approve the fee increase unless any of the following apply:

13 (A) The board has unencumbered funds in an amount that is  
14 equal to more than the board’s operating budget for the next two  
15 fiscal years.

16 (B) The fee would exceed the reasonable regulatory costs to the  
17 board in administering the provisions for which the fee is  
18 authorized.

19 (C) The director determines that the fee increase would be  
20 injurious to the public health, safety, or welfare.

21 (2) The adjustment of fees and publication of the adjusted fee  
22 list is not subject to the Administrative Procedure Act (Chapter  
23 3.5 (commencing with Section 11340) of Part 1 of Division 3 of  
24 Title 2) of the Government Code.

25 (b) For purposes of this section, “fee” includes any fees  
26 authorized to be imposed by a board for regulatory costs. “Fee”  
27 does not include administrative fines, civil penalties, or criminal  
28 penalties.

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## OFFICE OF ASSEMBLYMEMBER

**Evan Low**

TWENTY-EIGHTH ASSEMBLY DISTRICT  
 CHAIR, BUSINESS & PROFESSIONS COMMITTEE

**E-MAIL**  
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# ASSEMBLY BILL 613: Regulatory Fee Adjustments by CPI

## SUMMARY

AB 613 authorizes certain regulatory boards under the Department of Consumer Affairs (DCA) to adjust their licensing fees once every four years by an amount not to exceed the increase in the California Consumer Price Index (CPI) for the preceding four years.

## BACKGROUND

Approximately three dozen regulatory boards and bureaus are under the jurisdiction of the DCA, licensing myriad occupations and professions such as physicians, contractors, barbers, and automotive repair dealers. Each of these boards is funded almost entirely through the collection of fees from licensees, with no General Fund allocations being made to any boards or bureaus.

## PROBLEM

Each board's licensing fee structure is specific to that entity's practice act—some fees are specifically prescribed in statute, while others are contained in regulations. Currently, a board seeking to increase its fees will either have to seek legislation or go through the full Administrative Procedures Act to do so. Because both of these processes are cumbersome, the habit of many boards is to delay addressing revenue shortfalls until their special funds are no longer healthy enough to support ongoing operations. By then, the proposed fee adjustment follows such a prolonged period of time that the resulting increase is significant. This creates substantial uncertainty for licensees and causes even the most necessary fee adjustments to become controversial.

## SOLUTION

AB 613 would allow for a regulatory board to adjust its fees administratively, without going through legislative or regulatory procedures, in proportion to CPI increases.

The Consumer Price Index, simplified, is a tool used to statistically approximate the purchasing power of a dollar as it changes over time due to inflation and other economic factors. Changes in CPI can be used to calculate the change in market value for a specific monetary figure between two dates. For example, services worth \$10 in 2009 are estimated to now cost \$11.92 in 2019.

By allowing boards to easily adjust fees by an amount that simply conforms with CPI, boards are able to make modest, regularly scheduled changes to what they charge licensees, which will promote healthier fund conditions without the need for formal rulemaking. The impact of changes in fees would be less significant for licensees, and the effects of inflation will cease to be a factor in future deficiencies in boards' special funds.

For many boards, fee adjustments are necessitated not only due to inflation over the years, but because program workload has substantially changed or other factors have significantly altered the balance between fee revenue and board expenses. For these fee adjustments, boards would fully retain the authority to go through their existing process for increasing fees they currently charge to licensees. However, those increases should remain lower overall due to the boards' ability grow revenue gradually through CPI-linked adjustments over time.

## SUPPORT

*Support list in formation.*



**California Board of Accountancy**  
2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833

phone: (916) 263-3680 fax: (916) 263-3675 web: [www.cba.ca.gov](http://www.cba.ca.gov)



Attachment 3

March 27, 2019

The Honorable Evan Low  
State Capitol, Room 4126  
Sacramento, CA 95814

**Bill: AB 613**  
**Position: Support**

Dear Assemblymember Low:

On March 21, 2019, the California Board of Accountancy (CBA) voted to take a Support position on Assembly Bill (AB) 613, as introduced.

AB 613 would authorize each board within the Department of Consumer Affairs (DCA) to increase, no more than once every four years, any fee authorized to be imposed by that board by an amount not to exceed the increase in the California Consumer Price Index for the preceding four years.

As your office is aware, DCA boards and bureaus must undergo the rulemaking process, as required by the Administrative Procedure Act, to increase fees to address revenue shortfalls. AB 613 would provide the CBA additional flexibility and authority to modestly adjust its fees in line with changing economic conditions.

Therefore, the CBA has taken a Support position on AB 613.

If you have questions, please contact Aaron Bone, Information and Planning Officer, at (916) 561-1782 or [aaron.bone@cba.ca.gov](mailto:aaron.bone@cba.ca.gov).

Sincerely,

A handwritten signature in black ink that reads 'George Famalett'.

George Famalett, CPA  
President

c: Members, California Board of Accountancy  
Patti Bowers, Executive Officer  
Robert Sumner, Principal Consultant, Assembly Committee on Business and Professions  
Bill Lewis, Principal Consultant, Assembly Republican Caucus

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 802**

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<b>Subject:</b>	Reports to the Legislature.	<b>CBA Position:</b>	<b>WATCH</b>
<b>Version:</b>	April 10, 2019	<b>Author:</b>	Stone
<b>Status:</b>	Assembly Floor	<b>Sponsor:</b>	Author

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### **Summary**

Assembly Bill (AB) 802 (**Attachment 1**) would require state and local agencies to submit all reports electronically to the Secretary of the Senate, Chief Clerk of the Assembly, and Legislative Counsel, rather than printed copies. Further, the bill states that reports required to be submitted to a legislative committee, shall be provided electronically to that committee. This bill eliminates the requirement that state agencies separately submit a one-page report summary directly to the members of the Legislature.

For reports involving data collection or analysis, the bill would require a state agency to post all data used to generate the report on the agency's internet website at the time the report is posted.

### **Recent Amendments**

On April 10, 2019, the bill was amended to change the data reporting requirement. Previously, AB 802 required an agency to post on their website the data used to generate a report. Instead, the bill now requires agencies to post the relevant data on the State of California's Open Data Portal ([www.data.ca.gov](http://www.data.ca.gov)) or another central open data repository designated by the Government Operations Agency.

### **Recommendation**

**Maintain Watch Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Watch position on AB 802.

### **Background**

According to the author (**Attachment 2**), state and local agencies are tasked by the Legislature to produce oversight and informational reports that are used to inform policy decisions.

Existing law requires state agencies to submit reports to the Legislature in three forms: to the Secretary of the Senate (printed copy), Chief Clerk of the Assembly (electronic copy), and Legislative Counsel (electronic or printed copy). Currently, state agencies must also provide electronic copies of the summary directly to each member of the appropriate house or houses of the Legislature.

## **Analysis**

AB 802 would update report submission requirements so that they are exclusively delivered electronically to designated legislative officials, and committees, as specified. The bill also requires a state agency to include in its report and summary a web address where the report can be downloaded and a telephone number for ordering hard copies. Currently, the CBA delivers both electronic and hard copies of its reports to the Legislature.

Additionally, the state agency will be required to post data used to generate the report to the State of California's Open Data Portal ([www.data.ca.gov](http://www.data.ca.gov)) or another open data repository designated by the Governmental Operations Agency. To comply with this requirement, the CBA may require the assistance of the Department of Consumer Affairs' Office of Information Services.

The bill only requires the publishing of data "to the extent the data is otherwise subject to public disclosure under state and federal law."

Depending upon the report in question, the data publishing requirements of AB 802 would require a minor increase in staff time required to prepare and submit the required data to a state open data portal.

## **Fiscal Estimate**

The fiscal impact to the CBA is unknown. The bill would lead to minor savings to the CBA's print/delivery costs, but may increase staff workload related to the preparation and submission of data to a state open data portal.

## **Support/Opposition**

Support: None on file.

Opposition: None on file.

## **Effective/Operative Date**

January 1, 2020.

## **Related Bills**

None.

## **Attachments**

1. AB 802
2. AB 802 Fact Sheet



AMENDED IN ASSEMBLY APRIL 10, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL****No. 802****Introduced by Assembly Member Mark Stone**

February 20, 2019

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An act to amend Sections 9795 and 10242.5 of the Government Code, relating to the Legislature.

## LEGISLATIVE COUNSEL'S DIGEST

AB 802, as amended, Mark Stone. Reports to the Legislature.

Existing law requires a report that is required or requested by law to be submitted by a state or local agency to the Members of either house of the Legislature generally to instead be submitted as a printed copy to the Secretary of the Senate, as an electronic copy to the Chief Clerk of the Assembly, and as an electronic or printed copy to the Legislative Counsel. Existing law requires a state agency to provide an electronic copy of the summary of its report directly to each Member of the appropriate house of the Legislature. Existing law requires a state agency post its report on the agency's internet website and to include in the report the internet website where the report can be downloaded. Existing law requires the Legislative Counsel to make available on an internet website an electronic list of all reports that state and local agencies are required or requested by law to prepare and file with the Governor or the Legislature, and to include in the list any hyperlink to a report provided by a state or local agency.

This bill would require state and local agencies to submit all reports to the Secretary of the Senate, the Chief Clerk of the Assembly, and the Legislative Counsel electronically, rather than submitting a printed copy, and would eliminate the requirement that state agencies separately

submit the summary of the report directly to Members of the Legislature. For reports involving data collection or analysis, the bill would require a state agency to post ~~all data~~ *the datasets* used to generate the report ~~on the agency's internet website~~ *an open data repository internet website, as specified*, at the time the report is posted.

This bill would make a report that is required or requested by law to be submitted by a state or local agency to a committee of either or both houses of the Legislature subject to these provisions, including the requirements that the report be submitted electronically and included in the electronic list prepared by the Legislative Counsel.

*By imposing new duties on local agencies, the bill would impose a state-mandated local program.*

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

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

- 1 SECTION 1. Section 9795 of the Government Code is amended
- 2 to read:
- 3 9795. (a) (1) A report required or requested by law to be
- 4 submitted by a state or local agency to the Members of either house
- 5 of the Legislature generally, shall instead be submitted
- 6 electronically to the Secretary of the Senate, the Chief Clerk of
- 7 the Assembly, and the Legislative Counsel. A report required or
- 8 requested by law to be submitted by a state or local agency to a
- 9 committee of either or both houses of the Legislature shall be
- 10 submitted electronically to the committee; the Secretary of the
- 11 Senate or the Chief Clerk of the Assembly, or both the Secretary
- 12 of the Senate and the Chief Clerk of the Assembly, as applicable;
- 13 and the Legislative Counsel.
- 14 (2) Each report described in paragraph (1) shall include a
- 15 summary of its contents, not to exceed one page in length. Notice
- 16 of receipt of the report shall also be recorded in the journal of the

1 appropriate house or houses of the Legislature by the secretary or  
2 clerk of that house.

3 (3) In addition to and as part of the information made available  
4 to the public in electronic form pursuant to Section 10248, the  
5 Legislative Counsel shall make available a list of the reports  
6 submitted by state and local agencies, as specified in paragraph  
7 (1). If the Legislative Counsel receives a request from a member  
8 of the public for a report contained in the list, the Legislative  
9 Counsel is not required to provide a copy of the report and may  
10 refer the requester to the state or local agency, as the case may be,  
11 that authored the report, or to the California State Library as the  
12 final repository of public information.

13 (b) A report shall not be distributed to a Member of the  
14 Legislature unless specifically requested by that Member.

15 (c) Compliance with subdivision (a) shall be deemed to be full  
16 compliance with subdivision (c) of Section 10242.5.

17 (d) (1) A state agency report and summary subject to this section  
18 shall include an internet website where the report can be  
19 downloaded and a telephone number to call to order a hard copy  
20 of the report. A report submitted by a state agency subject to this  
21 section shall also be posted on the agency's internet website.

22 (2) For a state agency report subject to this section involving  
23 the collection or analysis of data, ~~the data datasets~~ used to generate  
24 the report shall be posted ~~by the state agency on the agency's~~  
25 ~~internet website~~ *on the state open data repository available at the*  
26 *internet website data.ca.gov, or another central open data*  
27 *repository designated by the Government Operations Agency for*  
28 *this purpose*, at the time the report is posted, but only to the extent  
29 ~~the data is these datasets are~~ otherwise subject to public disclosure  
30 under state and federal law. All ~~data datasets~~ shall be posted in a  
31 machine-readable format.

32 (e) For purposes of this section, "report" includes any study or  
33 audit.

34 SEC. 2. Section 10242.5 of the Government Code is amended  
35 to read:

36 10242.5. (a) The Legislative Counsel shall annually prepare,  
37 publish, and maintain an electronic list of all reports that state and  
38 local agencies are required or requested by law to prepare and file  
39 with the Governor, the Legislature, or a committee of either or  
40 both houses of the Legislature, or any combination thereof, in the

1 future or within the preceding year. The list shall include all of the  
2 following information:

3 (1) The name of the agency that is required or requested to  
4 prepare and file the report.

5 (2) The name of the committee of either or both houses of the  
6 Legislature with which the report was filed, if applicable.

7 (3) A brief description of the subject of the report.

8 (4) The date on which the report is to be completed and filed.

9 (5) The date on which the report was filed with the Legislative  
10 Counsel.

11 (b) The Legislative Counsel shall make the list of reports  
12 available to the public on an internet website and shall annually  
13 provide to each Member of the Legislature a hyperlink to the  
14 internet website whereby the list can be accessed.

15 (c) (1) Each state and local agency that is required or requested  
16 by law to prepare a report described in subdivision (a) shall file  
17 an electronic copy of the report with the Legislative Counsel. If  
18 the report is posted on an internet website, the agency filing the  
19 electronic copy shall provide to the Legislative Counsel a hyperlink  
20 whereby the report may be accessed.

21 (2) The Legislative Counsel shall include, on the internet website  
22 it maintains for purposes of this section, any hyperlinks provided  
23 by state and local agencies pursuant to paragraph (1).

24 (d) As used in this section:

25 (1) "Agency" includes any city, county, special district,  
26 department, board, bureau, or commission, including any task  
27 force or other similar body that is created by statute or resolution.  
28 "Agency" does not include the University of California.

29 (2) "Report" includes any study or audit.

30 (e) The Legislative Counsel shall update the list required by  
31 subdivision (a) by removing duplicate reports from the list. The  
32 Legislative Counsel shall also remove reports from the list as  
33 directed by Section 4 of Chapter 7 of the Statutes of 2010, or a  
34 subsequent statute that further requires the Legislative Counsel to  
35 remove reports included in the list.

36 SEC. 3. If the Commission on State Mandates determines that  
37 this act contains costs mandated by the state, reimbursement to  
38 local agencies and school districts for those costs shall be made

- 1 pursuant to Part 7 (commencing with Section 17500) of Division
- 2 4 of Title 2 of the Government Code.

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## AB 802 (Stone): Electronic Access to Legislative Reports

### **SUMMARY**

State and local agencies are tasked by the Legislature to produce oversight and informational reports, but the policies for submitting these reports need to be streamlined to facilitate agency submission and increase public access. AB 802 will ensure that agency reports can be submitted electronically rather than in print, and will require that datasets used to produce state agency reports be made publically available in the State's central data repository.

### **BACKGROUND**

The Legislature often requests that state and local agencies submit reports to inform policy decisions. These reports provide crucial oversight to ensure effective implementation of programs such as the Greenhouse Gas Reduction Fund and Medi-Cal.

Though preparation of these reports is funded by California taxpayers, data used to produce agency reports are rarely accessible to the public. In addition to increasing transparency and accountability, public data repositories can help government agencies, researchers, and private-sector innovators by revealing new possibilities for research and development and limiting redundant data collection.

### **EXISTING POLICY**

Section 9795 of the Government Code outlines existing procedures for submission of legislative reports. Adopted in 1996, Section 9795 simplified the submission process by requiring submission only to the Secretary of the Senate, the Chief Clerk of the Assembly, and Legislative Counsel, rather than to each Member individually. While report submissions to the Chief Clerk of the Assembly are to be provided electronically, submissions to the Secretary of the Senate must be in print,

and Legislative Counsel permits either electronic or print submissions.

To modernize government operations, California has demonstrated a growing commitment to facilitating open online access to government datasets. In 2015, the California Government Operations Agency (GovOps) developed [data.ca.gov](http://data.ca.gov), an online portal where agencies can voluntarily post data for public use. [Data.ca.gov](http://data.ca.gov) now hosts a growing collection of over 2,500 datasets from state agencies. This year, CalData produced detailed guidelines for open-access publication of government datasets in order to facilitate contributions to [data.ca.gov](http://data.ca.gov) by government agencies. ([handbook.data.ca.gov](http://handbook.data.ca.gov)).

Federal efforts have highlighted broad bipartisan support for expanding open access to datasets compiled by government agencies. The OPEN Government Data Act, signed into law on January 14, 2019, requires that any datasets in a federal agency's inventory be listed on the agency's website in standardized, non-proprietary formats.

### **SOLUTION**

AB 802 will modernize and simplify the report submission process by providing that all agency reports to the legislature be submitted electronically. AB 802 will also promote transparency and the free exchange of knowledge by requiring the datasets compiled by state agencies for legislative reports be made publically available at the State's central data repository, [data.ca.gov](http://data.ca.gov). By streamlining submission of legislative reports and facilitating open access to the corresponding datasets, AB 802 will strengthen California's commitments to accountability, efficiency, and innovation.

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 931**

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<b>Subject:</b>	Local Board and Commission: Representation: Appointments	<b>CBA Position:</b>	<b>WATCH</b>
<b>Version:</b>	April 22, 2019	<b>Author:</b>	Stone
<b>Status:</b>	Assembly Appropriations Committee – Suspense File	<b>Sponsor:</b>	Author

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### **Summary**

Assembly Bill (AB) 931 (**Attachment 1**) requires, on and after January 1, 2030, the composition of a board and commission of a city with a population of 50,000 or greater, to have a specified minimum number of women board members or commissioners. The bill makes related findings and declarations.

### **Amendments**

On April 22, 2019, the bill was substantially amended and now only impacts boards or commissions of a city with a population of 50,000 or greater.

### **Recommendation**

**Discontinue Following AB 931.** Staff recommend the California Board of Accountancy (CBA) approve a motion to discontinue following AB 931, as the bill no longer impacts state boards or commissions.

### **Background**

Current law, generally, authorizes a mayor, city council, and/or county board of supervisors to appoint members to boards, commissions, and committees within their respective jurisdiction.

### **Analysis**

On April 3, 2019, AB 931 was approved by the Assembly Local Government Committee on a 7-0 vote.

As amended on April 22, 2019, AB 931 would, beginning January 1, 2030, set the following requirements for the composition of an appointed board or commission of a city with a population of at least 50,000 people:

- If the number of board members or commissioners is five or more, the local board or commission shall have a minimum of 50 percent women board members or commissioners.

- If the number of board members or commissioners is four or fewer, the local board or commission shall have a minimum of one woman board member or commissioner.

The bill defines “woman” as an individual who self-identifies their gender as a woman, without regard to the person’s designated sex at birth.

AB 931 requires the Office of the Governor to collect and release, annually, at a minimum, and on an aggregate basis, demographic data provided by local board and commission applicants, nominees, and appointees relative to ethnicity, race, gender, gender identity, and sexual orientation. The data reported shall only be aggregated statistical data and not identify any individual applicant, nominee, or appointed board member or commissioner and indicate the percentage of respondents who declined to respond. This reporting requirement is limited to boards and commissions of a city with a population of 50,000 or greater.

The language of the bill states that its provisions are severable and that if any provision or application is held invalid by a court, that the other provisions or applications of the bill can take effect.

#### Findings and Declarations

Under AB 931, the Legislature would make the following findings and declarations:

1. Appointed commission members and board members at the local government level have the power to make important decisions impacting the daily lives, opportunities, and the future welfare of those living and working throughout various regions of the state.
2. The policy decisions taken by board and commission members with respect to the programs and services they oversee often have a direct and substantial impact on social, economic, and gender equality.
3. Access to board and commission membership frequently establishes a pathway to other governmental leadership positions.
4. Research, however, shows that decision-making bodies in certain geographic areas of California are comprised disproportionately of white males from privileged socioeconomic backgrounds.
5. For instance, an August 2018 report by the Center on Policy Initiatives entitled “Community Representation Report: Boards and Commissions in the San Diego Region” concluded that the five entities it studied were disproportionately white, male, economically advantaged, and professionally or politically connected to the established power structure.
6. It is critical to have boards and commissions comprised of those who more accurately reflect the gender make up of California communities, so that all Californians feel they are represented and have the ability to have their needs and issues heard and addressed by those who represent them in leadership roles.



7. Therefore, it is necessary for California to take affirmative steps to remedy the injustices resulting from underrepresentation of women in leadership positions in order to improve the lives and opportunities of all Californians.

Impact to the CBA

AB 931 has no impact to the CBA, or any other state board or commission.

**Fiscal Estimate**

There are no anticipated costs for the CBA.

**Support/Opposition**

Support: None on file.

Opposition: None on file.

**Effective/Operative Date**

January 1, 2030.

**Related Bills**

SB 984 (Skinner), 2017-2018 Legislative Session. Would have a similar impact as AB 931, but was limited to state bodies. The CBA adopted a Watch position (was not approved by the Legislature).

**Attachments**

1. AB 931
2. California Board of Accountancy Watch Position Letter

AMENDED IN ASSEMBLY APRIL 22, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 931**

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**Introduced by Assembly Member Boerner Horvath  
(Coauthors: Assembly Members Burke, Carrillo, Friedman, Gloria,  
McCarty, Petrie-Norris, Quirk-Silva, Luz Rivas, Blanca Rubio,  
Smith, and Wicks)**

(Coauthor: Senator Skinner)

February 20, 2019

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An act to add ~~Section 11142 to, and to add~~ Chapter 11.5 (commencing with Section 54977) to Part 1 of Division 2 of Title 5 ~~of, of~~ the Government Code, relating to *local* government boards.

LEGISLATIVE COUNSEL'S DIGEST

AB 931, as amended, Boerner Horvath. ~~State and local~~ *Local* boards and commissions: representation: appointments.

~~Existing law establishes various boards and commissions within state government. Under existing law, it is the policy of the State of California that the composition of these state boards and commissions broadly reflect the general public, including ethnic minorities and women. Under existing law, the Governor and other appointing authorities are responsible for nominating to these boards and commissions persons of different backgrounds, abilities, interests, and opinions.~~

Existing law ~~also~~ establishes the policy of the Legislature to ensure equal access to specific information about the many local regulating and advisory boards, commissions, and committees and to ensure equal opportunity to be informed of vacancies on those boards. Existing law requires each legislative body of a local agency to prepare an appointments list of all regular and ongoing boards, commissions, and

committees that are appointed by the legislative body of the local agency.

This bill, on and after January 1, ~~2025~~, 2030, would require the composition of ~~each state and~~ a local board and commission *of a city with a population of 50,000 or greater* with appointed members to have a specified minimum number of women board members or commissioners based on the total number of board members or commissioners on that ~~board~~. *board, thereby imposing a state-mandated local program.* The bill would also require the office of the Governor, with respect to those boards and commissions, to collect and release, annually, at a minimum, aggregated demographic data provided by ~~state and~~ local board and commission applicants, nominees, and appointees.

This bill would include findings that the changes proposed by this bill address a matter of statewide concern rather than a municipal affair and, therefore, apply to all ~~cities and counties~~, *cities*, including charter ~~cities and counties~~. *cities.*

*The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.*

*This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: ~~no~~-yes.

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

- 1 SECTION 1. The Legislature finds and declares as follows:
- 2 (a) Appointed commission members and board members at ~~both~~
- 3 ~~the state and~~ local government level have the power to make
- 4 important decisions impacting the daily lives, opportunities, and
- 5 the future welfare of those living and working throughout various
- 6 regions of the state.
- 7 (b) The policy decisions taken by board and commission
- 8 members with respect to the programs and services they oversee
- 9 often have a direct and substantial impact on social, economic,
- 10 and gender equality.

1 (c) Access to board and commission membership frequently  
2 establishes a pathway to other governmental leadership positions.

3 (d) Research, however, shows that decisionmaking bodies in  
4 certain geographic areas of California are comprised  
5 disproportionately of white males from privileged socioeconomic  
6 backgrounds.

7 (e) For instance, an August 2018 report by the Center on Policy  
8 Initiatives entitled “Community Representation Report: Boards  
9 and Commissions in the San Diego Region” concluded that the  
10 five entities it studied were disproportionately White, male,  
11 economically advantaged, and professionally or politically  
12 connected to the established power structure.

13 (f) It is critical to have boards and commissions comprised of  
14 those who more accurately reflect the gender make up of California  
15 communities, so that all Californians feel they are represented and  
16 have the ability to have their needs and issues heard and addressed  
17 by those who represent them in leadership roles.

18 (g) Therefore, it is necessary for California to take affirmative  
19 steps to remedy the injustices resulting from underrepresentation  
20 of women in leadership positions in order to improve the lives and  
21 opportunities of all Californians.

22 ~~SEC. 2. Section 11142 is added to the Government Code, to~~  
23 ~~read:~~

24 ~~11142. (a) (1) Beginning on and after January 1, 2025, each~~  
25 ~~state board and commission with appointed members shall comply~~  
26 ~~with the following:~~

27 ~~(A) If the number of board members or commissioners is five~~  
28 ~~or more, the state board or commission shall have a minimum of~~  
29 ~~50 percent women board members or commissioners.~~

30 ~~(B) If the number of board members or commissioners is four~~  
31 ~~or fewer, the state board or commission shall have a minimum of~~  
32 ~~one woman board member or commissioner.~~

33 ~~(2) For the purposes of this section, “woman” means an~~  
34 ~~individual who self-identifies her gender as a woman, without~~  
35 ~~regard to the individual’s designated sex at birth.~~

36 ~~(b) (1) The office of the Governor shall collect and release,~~  
37 ~~annually, at a minimum, and on an aggregate basis, both of the~~  
38 ~~following:~~

1 ~~(A) Demographic data provided by all state board and~~  
2 ~~commission applicants relative to ethnicity, race, gender, gender~~  
3 ~~identity, and sexual orientation.~~

4 ~~(B) Demographic data provided by all state board and~~  
5 ~~commission nominees or appointees relative to ethnicity, race,~~  
6 ~~gender, gender identity, and sexual orientation.~~

7 ~~(2) Any demographic data disclosed or released pursuant to this~~  
8 ~~subdivision shall disclose only aggregated statistical data and shall~~  
9 ~~not identify any individual applicant, nominee, or appointed board~~  
10 ~~member or commissioner.~~

11 ~~(3) Any demographic data disclosed or released pursuant to this~~  
12 ~~subdivision shall also indicate the percentage of respondents who~~  
13 ~~declined to respond.~~

14 ~~(e) The provisions of this section are severable. If any provision~~  
15 ~~of this section or its application is held invalid, that invalidity shall~~  
16 ~~not affect other provisions or applications that can be given effect~~  
17 ~~without the invalid provision or application.~~

18 ~~SEC. 3.~~

19 *SEC. 2.* Chapter 11.5 (commencing with Section 54977) is  
20 added to Part 1 of Division 2 of Title 5 of the Government Code,  
21 to read:

22  
23 CHAPTER 11.5. LOCAL BOARD AND COMMISSION COMPOSITION  
24

25 54977. (a) (1) ~~Beginning on~~*On* and after January 1, ~~2025,~~  
26 ~~2030,~~ each local board and commission with appointed members  
27 shall comply with the following:

28 (A) If the number of board members or commissioners is five  
29 or more, the local board or commission shall have a minimum of  
30 50 percent women board members or commissioners.

31 (B) If the number of board members or commissioners is four  
32 or fewer, the local board or commission shall have a minimum of  
33 one woman board member or commissioner.

34 (2) For the purposes of this section, “woman” means an  
35 individual who self-identifies her gender as a woman, without  
36 regard to the individual’s designated sex at birth.

37 (b) (1) The office of the Governor shall collect and release,  
38 annually, at a minimum, and on an aggregate basis, both of the  
39 following:

1 (A) Demographic data provided by all local board and  
2 commission applicants relative to ethnicity, race, gender, gender  
3 identity, and sexual orientation.

4 (B) Demographic data provided by all local board and  
5 commission nominees or appointees relative to ethnicity, race,  
6 gender, gender identity, and sexual orientation.

7 (2) Any demographic data disclosed or released pursuant to this  
8 subdivision shall disclose only aggregated statistical data and shall  
9 not identify any individual applicant, nominee, or appointed local  
10 board member or commissioner.

11 (3) Any demographic data disclosed or released pursuant to this  
12 subdivision shall also indicate the percentage of respondents who  
13 declined to respond.

14 (c) Each local board and commission shall provide the  
15 demographic information required by subdivision (b) to the office  
16 of the Governor in a form prescribed by that office.

17 (d) For purposes of this section, “local board and commission”  
18 means ~~all local~~ *nonelected* boards and commissions *of a city with*  
19 *a population of 50,000 or greater* that include ~~publicly~~ appointed  
20 members, including, but not limited to, those of cities, counties,  
21 and special districts. *members.*

22 (e) ~~This section applies to all cities and counties, including~~  
23 ~~charter cities and counties.~~

24 (f)

25 (e) The provisions of this section are severable. If any provision  
26 of this section or its application is held invalid, that invalidity shall  
27 not affect other provisions or applications that can be given effect  
28 without the invalid provision or application.

29 ~~SEC. 4.~~

30 *SEC. 3.* The Legislature finds and declares that addressing  
31 gender equality on appointed boards and commissions throughout  
32 the state is a matter of statewide concern and is not a municipal  
33 affair as that term is used in Section 5 of Article XI of the  
34 California Constitution. Therefore, Section ~~3~~ 2 of this act, adding  
35 Chapter 11.5 (commencing with Section 54977) to Part 1 of  
36 Division 2 of Title 5 of the Government Code, applies to all ~~cities~~  
37 ~~and counties,~~ *cities,* including ~~charter cities and counties.~~ *cities.*

38 *SEC. 4.* *If the Commission on State Mandates determines that*  
39 *this act contains costs mandated by the state, reimbursement to*  
40 *local agencies and school districts for those costs shall be made*

- 1 *pursuant to Part 7 (commencing with Section 17500) of Division*
- 2 *4 of Title 2 of the Government Code.*

O

**California Board of Accountancy**2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833

phone: (916) 263-3680 fax: (916) 263-3675 web: www.cba.ca.gov



April 10, 2019

**Attachment 2**The Honorable Tasha Boerner Horvath  
State Capitol, Room 4130  
Sacramento, CA 95814**Bill: AB 931**  
**Position: Watch**

Dear Assemblymember Boerner Horvath:

On March 21, 2019, the California Board of Accountancy (CBA) voted to take a Watch position on Assembly Bill (AB) 931, as introduced.

AB 931 requires, on and after January 1, 2025, the composition of each state and local board and commission with appointed members to have a specified minimum number of women board members or commissioners based on the total number of board members or commissioners on that board. You may be interested to know that the current membership of the CBA complies with the provisions of your bill.

During its discussion on AB 931, the CBA members raised two key questions about the implementation of this new policy, should your bill be enacted into law:

- Has the author considered whether to require ethnic diversity on state and local boards and commissions?
- What might occur if a board or commission lacked a quorum due to the requirements of the bill?

We would appreciate your feedback on those questions and any other information you can share regarding how you expect AB 931 to be implemented. Aaron Bone, the CBA's Information and Planning Officer will be in contact with your office regarding these questions.

If you wish to contact Mr. Bone, you may reach him at (916) 561-1782 or [aaron.bone@cba.ca.gov](mailto:aaron.bone@cba.ca.gov).

Sincerely,

A handwritten signature in black ink that reads 'George Famalett'.

George Famalett, CPA  
Presidentc: Members, California Board of Accountancy  
Patti Bowers, Executive Officer



**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1140**

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<b>Subject:</b>	Tax preparers: disclosures.	<b>CBA Position:</b>	<b>SUPPORT</b>
<b>Version:</b>	April 22, 2019	<b>Author:</b>	Stone
<b>Status:</b>	Assembly Appropriations Committee	<b>Sponsor:</b>	Prosperity Now

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### **Summary**

Assembly Bill (AB) 1140 (**Attachment 1**) would require a tax preparer registered with the California Tax Education Council (CTEC) to make specified written disclosures to all clients, indicating that individuals with income below \$66,000 may be eligible for free, in-person tax preparation through the Internal Revenue Service (IRS). The bill would also require the disclosures be available in English and certain non-English languages

### **Recent Amendments**

Since the March 2019 CBA meeting, AB 1140 was amended, as follows:

- Clarifies that all itemized costs and fees shall be disclosed in a table format
- Requires the consumer notice to include the tax preparer's federal preparer tax identification number
- Requires a statement be provided to clients stating that an individual with income below \$66,000 may be eligible for free, in-person tax preparation services through the IRS
  - Deletes the requirement to estimate the amount of the tax refund the client would receive without paying the tax preparer's fees
- Requires the Franchise Tax Board (FTB) to develop a model disclosure form, which would be made available on the FTB's website
- Provides the following penalties for violations of the disclosure requirement:
  - First time violations: A tax preparer is subject to a warning by the FTB
  - Second and subsequent violations: A tax preparer is subject to a fine of \$750 and discipline by the FTB. Any money collected pursuant to this requirement shall be used to fund outreach efforts related to the federal Volunteer Income Tax Assistance (VITA) program and the Earned Income Tax Credit (EITC).

### **Recommendation**

**Maintain Support Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Support position on AB 1140.

### **Background**

Existing law, the Tax Preparation Act, requires a tax preparer to register with CTEC and, among other things, requires a tax preparer to provide specified written disclosures to a client in connection with tax preparation services, including written disclosures

relating to refund anticipation loans. A violation of the provisions of the act is a misdemeanor, except as specified.

## **Analysis**

According to the fact sheet (**Attachment 2**), the bill is intended to help consumers compare prices across different tax preparers. The author's office argues that the high cost of paid tax preparation services and the lack of upfront pricing information has a significant impact on recipients of the EITC.

This bill would require that, before preparing a tax return for any client, a certified tax preparer shall provide a written disclosure to the client that contains all of the following information:

- The total amount of all costs and fees being charged by the tax preparer, which shall be itemized and presented in a table format.
- The tax preparer's federal preparer tax identification number.
- A statement that an individual with income below \$66,000 may be eligible for free, in-person tax preparation services through the Internal Revenue Service VITA program or online through free tax preparation software. The statement shall identify the IRS' internet websites where an individual may find additional information on each program. If the income eligibility threshold for those programs changes in subsequent years, the disclosure shall reflect the updated amount for the current tax year.

The required disclosures shall be printed on a single sheet of paper in not less than 20-point type and shall be signed and dated by the client. The tax preparer shall retain the document for at least three years. The written disclosures required to be provided in this section shall be made available in English and certain non-English languages.

## **Fiscal Estimate**

There are no costs to the CBA.

## **Support/Opposition**

Support: Prosperity Now (Sponsor)  
CBA (**Attachment 3**)

Opposition: California Society of Tax Consultants  
California Tax Education Council

## **Effective/Operative Date**

January 1, 2020.

## **Related Bills**

None.

## **Attachments**

1. AB 1140
2. AB 1140 Fact Sheet

3. California Board of Accountancy Support Position Letter

AMENDED IN ASSEMBLY APRIL 22, 2019

AMENDED IN ASSEMBLY APRIL 1, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1140**

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**Introduced by Assembly Member Mark Stone**

February 21, 2019

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An act to add Section 22252.2 to the Business and Professions Code, relating to business.

LEGISLATIVE COUNSEL'S DIGEST

AB 1140, as amended, Mark Stone. Tax preparers: disclosures.

Existing law, the Tax Preparation Act, requires a tax preparer to register with the California Tax Education Council and, among other things, requires a tax preparer to provide specified written disclosures to a client in connection with tax preparation services, including written disclosures relating to refund anticipation loans. A violation of the provisions of the act is a misdemeanor, except as specified.

This bill would require a tax preparer to make specified written disclosures to a client ~~who is claiming the California Earned Income Tax Credit or the federal Earned Income Tax Credit, before preparing the client's tax return,~~ including the total amount of all costs and fees being charged by the tax ~~preparer.~~ *preparer and a statement that an individual with income below \$66,000 may be eligible for free tax preparation services that also identifies the Internal Revenue Service's internet websites where the client may find additional information.* The bill would also require a tax ~~prepare~~ *preparer* to make the written disclosures available in English, Spanish, Chinese, Tagalog, Vietnamese,

and Korean. The bill would require the Franchise Tax Board to develop and post on its internet website a model disclosure form.

This bill would exempt violation of these provisions from the existing criminal sanctions, and would instead make a violation of the provisions subject to a warning by the ~~council~~ *Franchise Tax Board* for a first violation and, for a 2nd or subsequent violation, a fine of \$750 and discipline by the ~~council~~, *Franchise Tax Board*, as specified. *The bill would require the Franchise Tax Board to notify the council about a violation of these provisions.* The bill would require the penalty money collected pursuant to those provisions to be used, upon appropriation by the Legislature, for the federal Volunteer Income Tax Assistance program and Earned Income Tax Credit outreach efforts.

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 22252.2 is added to the Business and  
2 Professions Code, to read:  
3 22252.2. (a) Before preparing a tax return for a ~~client who is~~  
4 ~~claiming the California Earned Income Tax Credit or the federal~~  
5 ~~Earned Income Tax Credit~~, *client*, a tax preparer shall provide a  
6 written disclosure to the client that contains all of the following  
7 information:  
8 (1) The total amount of all costs and fees being charged by the  
9 tax preparer, which shall be itemized and presented in a table  
10 format.  
11 (2) A statement that ~~the client may be eligible for free tax~~  
12 ~~preparation services through the Internal Revenue Service~~  
13 ~~Volunteer Income Tax Assistance program, and the Internal~~  
14 ~~Revenue Service’s internet website where the client may find~~  
15 ~~additional information.~~ *an individual with income below sixty-six*  
16 *thousand dollars (\$66,000) may be eligible for free, in-person tax*  
17 *preparation services through the Internal Revenue Service*  
18 *Volunteer Income Tax Assistance program or online through free*  
19 *tax preparation software. The statement shall identify the Internal*  
20 *Revenue Service’s internet websites where an individual may find*  
21 *additional information on each program. If the income eligibility*  
22 *threshold for those programs changes in subsequent years, the*

1 *disclosure shall reflect the updated amount for the current tax*  
2 *year.*

3 (3) The tax preparer's federal preparer tax identification number.

4 (b) The disclosures required by this section shall be on a single  
5 sheet of paper and written in not less than 20-point type, and shall  
6 be signed and dated by the client. The tax preparer shall retain the  
7 document for at least three years.

8 (c) The written disclosures required to be provided in this section  
9 shall be made available in English and the five languages listed in  
10 Section 1632 of the Civil Code.

11 (d) The Franchise Tax Board shall develop a model disclosure  
12 form, which shall be made available on the Franchise Tax Board's  
13 internet website.

14 (e) (1) A violation of this section is not subject to subdivision  
15 (b) of Section 22256 or Section 22257. A tax preparer who violates  
16 this section is subject to the following penalties:

17 (1)

18 (A) For a first violation, the tax preparer is subject to a warning  
19 by the ~~council~~ *Franchise Tax Board*.

20 (2)

21 (B) For a second or subsequent violation, the tax preparer is  
22 subject to a fine of seven hundred fifty dollars (\$750) and discipline  
23 by the ~~council under Section 22253.3~~ *Franchise Tax Board*  
24 *consistent with the provisions of this act*. Moneys collected by the  
25 *Franchise Tax Board* pursuant to this section shall, upon  
26 appropriation by the Legislature, be used to fund the federal  
27 Volunteer Income Tax Assistance (VITA) program and Earned  
28 Income Tax Credit outreach efforts.

29 (2) *The Franchise Tax Board shall notify the council of a*  
30 *violation of this section.*

## AB 1140 (Stone): Cost Transparency for Tax Preparation Services

### SUMMARY

AB 1140 will require paid tax preparers to disclose all costs and fees associated with preparing a return for a client. Additionally, the measure will include a notice informing clients about free tax preparation services available to low and moderate income individuals.

### BACKGROUND

In order to make informed consumer decisions, it's crucial for people to be able to compare prices across different providers. When it comes to tax preparation services, the ability of consumers to get up front cost and fee information varies based on what type of professional assists them with tax preparation.

Paid tax preparers are the second largest group of tax professionals in the state and they currently have no obligation to give upfront cost or fee information to their clients. This lack of transparency can make it especially difficult for low-income individuals and families to comparison shop and these households often end up paying hundreds of dollars to have their taxes prepared.

The high cost of paid tax preparation services and the lack of upfront pricing hits Earned Income Tax Credit (EITC) recipients especially hard. The EITC is a refundable tax credit for low income households. Last year 2.8 million Californians received the federal EITC with the average person claiming the credit getting \$2,364. The state version of the EITC was enacted in 2015 and, for the 2018 tax year, an eligible family with three children can receive a refund of up to \$2,879. Additionally, Governor Newsom's 2019-20 budget proposes a significant expansion of the state's EITC from the current funding level of \$400 million to \$1 billion.

Though the cost of paid tax preparation varies across different providers, it is estimated that 25% of the EITC benefits that the state provides goes to paid tax preparation services<sup>ii</sup>. That means approximately \$100 million a year

that was intended to benefit low-income households goes to paid tax preparers instead of working Californians.

While individuals with under \$66,000 in income and nearly all EITC recipients are eligible to receive free tax preparation services either online or at Volunteer Income Tax Assistance (VITA) centers, few take advantage of it. A recent report on tax filing by federal EITC recipients found that only 2% of Californians who claim the federal EITC take advantage of these free services. Instead, 32% self-file and the remaining 65% turn to paid tax preparers<sup>i</sup>. Additionally, studies demonstrate that paid tax preparers have higher error rates than free volunteer-based tax preparation services<sup>ii</sup>.

Paid tax preparers also frequently offer low-income filers the option to receive a "Refund Anticipation Check" (RAC) that allows for the cost of tax preparation services to be taken out of a refund. However, the costs and fees associated with a RAC are often quite steep and there are no requirements that tax preparers notify filers about the costs of a RAC. For many Californians who live pay check to pay check, the ability to get a portion of their tax refund early is a necessity in order to pay bills and put food on the table – even if it means they lose out on hundreds of dollars they would have access to if they self-filed or used a free tax preparation service.

### EXISTING POLICY

California is one of the few states that currently regulate paid tax preparers. Before offering services, paid tax preparers are required to complete 60 hours of training, pass a competency exam, and register with the California Tax Education Council (CTEC). Additionally, they must take out a \$5,000 bond and complete an additional 20 hours of continuing education each year (B & P Code 22250 *et seq.*).

Despite the fact that individuals can get estimates and prices for most consumer services, paid tax preparers are not required to disclose their fees before starting on a client's tax return. Though there are no requirements around price transparency in California currently, in 2012, the City of Chicago passed an ordinance requiring tax preparers to provide all clients with a disclosure form detailing all costs and fees before any tax preparation services begin (Municipal Code of Chicago Ch. 4-44).

## **SOLUTION**

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AB 1140 will require paid tax preparers to provide all clients with a written notice of all costs and fees prior to starting tax preparation services. Additionally, the disclosure form will inform clients that they may be eligible for free tax preparation services and it will give the IRS website for locating such services. In order to ensure the price transparency and consumer protection provisions of the bill can extend to Californians with limited English proficiency, AB 1140 also requires that the document

provided by tax preparers is available to consumers in the five most commonly used non-English languages in the state (Spanish, Chinese, Tagalog, Vietnamese, and Korean).

This measure is an important step to ensuring that Californians have access to transparent prices and information when it comes to their tax preparation choices.

## **SUPPORT**

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Prosperity Now (sponsor)

## **OPPOSITION**

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California Society of Tax Consultants  
California Tax Education Council  
Several individuals

## **FOR MORE INFORMATION**

Contact: Sandra Nakagawa  
Office of Assemblymember Mark Stone  
(916) 319-2029  
Sandra.Nakagawa@asm.ca.gov

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<sup>1</sup> California Budget and Policy Center. URL: <https://calbudgetcenter.org/blog/expanding-access-to-free-tax-preparation-services-is-essential-to-making-the-cal-itc-a-success/>

<sup>ii</sup> National Consumer Law Center, 2016 URL: <http://www.nclc.org/images/pdf/pr-reports/TaxTimeReport2016.pdf>  
and IRS compliance study URL: <http://www.irs.gov/pub/irs-soi/EITCComplianceStudyTY2006-2008.pdf>



**California Board of Accountancy**2450 Venture Oaks Way, Suite 300  
Sacramento, CA 95833*phone:* (916) 263-3680    *fax:* (916) 263-3675    *web:* [www.cba.ca.gov](http://www.cba.ca.gov)

April 10, 2019

**Attachment 3**The Honorable Mark Stone  
State Capitol, Room 3146  
Sacramento, CA 95814**Bill: AB 1140**  
**Position: Support**

Dear Assemblymember Stone:

On March 21, 2019, the California Board of Accountancy (CBA) voted to take a Support position on Assembly Bill (AB) 1140, as introduced.

AB 1140, as introduced, would require a tax preparer registered with the California Tax Education Council to make specified written disclosures to a client applying for the California Earned Income Tax Credit.

The CBA has taken a Support position on AB 1140, as it is in line with our consumer protection mandate.

If you have questions, please contact Aaron Bone, Information and Planning Officer, at (916) 561-1782 or [aaron.bone@cba.ca.gov](mailto:aaron.bone@cba.ca.gov).

Sincerely,

A handwritten signature in black ink, appearing to read 'George Famalett'.

George Famalett, CPA  
Presidentc: Members, California Board of Accountancy  
Patti Bowers, Executive Officer

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1521**

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<b>Subject:</b>	Accountancy: California Board of Accountancy.	<b>CBA Position:</b>	<b>SUPPORT</b>
<b>Version:</b>	April 8, 2019	<b>Author:</b>	Assembly Committee on Business and Professions
<b>Status:</b>	Assembly Appropriations Committee – Suspense File	<b>Sponsor:</b>	Author

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### **Summary**

Assembly Bill (AB) 1521 (**Attachment 1**) is the California Board of Accountancy’s (CBA) sunset bill and extends the CBA’s authority from January 1, 2020 to January 1, 2024.

### **Recent Amendments**

On April 8, 2019, AB 1521 was amended to include the following provisions:

- Allows the CBA to electronically distribute the UPDATE newsletter
- Requires all applicants and licensees to provide a valid email address to the CBA
- Allows the CBA to deny an applicant for initial licensure if that person was disciplined by the federal government, the Public Company Accounting Oversight Board (PCAOB), or another country for any act substantially related to the functions, qualifications, or duties of a certified public accountant (CPA)
- Deletes the term “fiduciary” from the statute added by AB 2138 (Chapter 995, Statutes of 2018) that requires the CBA to develop regulations that authorize the denial of an application for initial licensure if the applicant committed certain felony financial crimes
- Makes a non-substantive amendment to Business and Professions Code (BPC) section 5100.1

### **Recommendation**

**Maintain Support Position.** Staff recommend the CBA maintain its Support position (**Attachment 2**).

### **Background**

The California State Legislature created the sunset review process in 1994 to further its oversight responsibilities. Each year, the Assembly Business and Professions (B&P) Committee and the Senate Business, Professions, and Economic Development Committee (the Committees) meet in a joint hearing to review the boards and bureaus under the Department of Consumer Affairs (DCA).

The term “sunset” is used because the statutory authority of those DCA boards and bureaus, including the CBA, contain a deadline for the Legislature to reauthorize the authority of that board or bureau.

## **Analysis**

As presently drafted, AB 1521 would do the following:

1. Extends the authority of the CBA, including the authority to appoint an Executive Officer, from January 1, 2020 to January 1, 2024.
2. Allows the CBA to electronically distribute the UPDATE newsletter.
3. Requires all applicants and licensees to provide a valid email address to the CBA at the time of application and renewal. Further, licensees would be required to provide a valid email address to the CBA by July 1, 2020 and notify the CBA within 30 days of any change to their email address.
4. Allows the CBA to deny an applicant for initial licensure if that person, within the preceding seven-years, was subjected to discipline by the federal government, the PCAOB, or another country for any act substantially related to the functions, qualifications, or duties of a CPA.
5. Deletes the term “fiduciary” from the statute added by AB 2138 (Chapter 995, Statutes of 2018) that requires the CBA to develop certain regulations that authorize the denial of an application for initial licensure if that person committed felony financial crimes directly and adversely related to the functions, qualifications, or duties of a CPA.

AB 1521 recasts this requirement for the CBA to promulgate regulations into a new code section placed in the Accountancy Act.

6. Makes a non-substantive amendment to BPC section 5100.1 by replacing the term “subsections” with “subdivisions.”

AB 1521 presently contains all of the statutory amendments requested by the CBA in its Sunset Report, except for language related to increasing the statutory maximum amount of its license renewal and initial licensure fees.

### Discussions with Legislative Staff Regarding CBA Fees and Fund Condition

On Tuesday, April 30, 2019, CBA staff met with staff from the Committees to discuss the CBA’s request to increase the statutory maximum amount of its license renewal and initial licensure fees and the CBA’s revenue and expenditure projections.

During that meeting, staff from the Committees indicated they would provide input on the CBA’s request related to this matter prior to the May 16, 2019 CBA meeting.

## **AB 1521**

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### **Fiscal Estimate**

Beginning in fiscal year 2020-21, AB 1521 is expected to create an annual savings of approximately \$290,000 due to reduced printing and postages costs related to the distribution of the CBA's UPDATE newsletter.

Costs associated with the other provisions of the bill are minor and absorbable.

### **Support/Opposition**

Support: CBA  
California Society of CPAs

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

None.

### **Attachments**

1. AB 1521
2. California Board of Accountancy Support Letter of AB 1521

AMENDED IN ASSEMBLY APRIL 8, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1521**

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**Introduced by Committee on Business and Professions**

February 22, 2019

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An act to amend Sections ~~5000 and 5015.6~~ of 480, 5000, 5008, 5015.6, 5070, 5070.1, 5070.2, 5070.5, 5070.6, 5073, 5096, 5096.12, 5100.1, 5151, and 5152.1 of, and to add Section 5100.2 to, the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1521, as amended, Committee on Business and Professions. Accountancy: California Board of Accountancy.

*(1) Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law establishes the California Board of Accountancy, which is within the Department of Consumer Affairs, and requires the board to license and regulate accountants in this state.*

*Existing law, operative on July 1, 2020, authorizes a board within the Department of Consumer Affairs to deny a license on grounds that the applicant has been convicted of a crime or has been subject to formal discipline only if specified conditions are met. These conditions include if the applicant has been convicted of a crime within the preceding 7 years from the date of application that is substantially related to the qualifications, functions, or duties of the business or profession for which the application is made, and for which the applicant is incarcerated or released from incarceration. Under existing law, the 7-year limitation does not apply if the applicant was, among other conditions, convicted of a financial crime currently classified as a felony*

*that is directly related to the fiduciary qualifications for specified licenses, including for applicants seeking licensure as accountants, pursuant to specified provisions.*

*This bill would remove the specific inclusion of applicants seeking licensure as accountants from those latter provisions regarding denial of a license. The bill, operative on July 1, 2020, in addition to those general grounds for denial of a license, would authorize the California Board of Accountancy to deny an applicant for a license if the applicant was convicted of a financial crime currently classified as a felony that is directly and adversely related to the qualifications, functions, or duties of a certified public accountant, per regulations adopted by the board. The bill would specify that the 7-year limitation described above would not apply in these cases. The bill would also authorize the board to deny an applicant for a license if the applicant, within the preceding 7 years from the application date, was subjected to disciplinary action by a federal government agency, specific oversight board, or another country for an act substantially related to the functions, qualifications, or duties of a certified public accountant.*

~~Existing law establishes the California Board of Accountancy, which is within the Department of Consumer Affairs, and requires the board to license and regulate accountants in this state. Existing~~

~~(2) Existing law authorizes the board California Board of Accountancy to appoint a person designated as an executive officer who is required to exercise various powers and perform various duties as delegated by the board. Existing law repeals these provisions on January 1, 2020.~~

~~This bill would extend the operation of the board and its authorization to designate an executive officer to January 1, 2024. The bill would also make various nonsubstantive changes.~~

~~(3) Existing law requires the California Board of Accountancy, not less than twice each year, to prepare and distribute to all licensees a report of the activities of the board, including amendments to the accountancy provisions and regulations, and matters of interest to the public and practitioners.~~

~~This bill would authorize the board to meet this requirement by distributing these materials via email or making them available on the board's internet website.~~

~~(4) Under existing law, the board may collect, but cannot require, a valid email address from each applicant at the time of application for a certified public accountant license. Existing law authorizes the board~~

*to establish, by regulation, a system for placing a licensee into a retired status, for certified public accountants and public accountants who are not actively engaged in practice. Existing law further authorizes a holder of a permit to engage in practice as a certified public accountant or public accountant to have their permit placed in a military inactive status, as specified.*

*This bill would require an applicant who has a valid email address to report that email to the board at the time of application or registration in any of the above circumstances.*

*(5) Existing law specifies the conditions in which a permit issued to a certified public accountant or a public accountant expires if it is not renewed. Under existing law, the board may collect, but not require, a valid email address from the applicant on the renewal form for an unexpired permit.*

*This bill would instead require each applicant for renewal who has a valid email address to report that email to the board on the renewal form. The bill would also require each permitholder with a valid email address, on or before July 1, 2020, to provide the board with that email address. The bill would require a permitholder to notify the board within 30 days of any change to their email address on file with the board and would permit the board to periodically require permitholders to confirm that their email address on file with the board is current.*

*(6) Existing law authorizes an expired permit, except as otherwise provided, to be renewed at any time within 5 years after its expiration upon filing an application for renewal on a form prescribed by the board, payment of all accrued and unpaid renewal fees, and providing evidence satisfactory to the board of compliance, as specified.*

*This bill would require an applicant, if that applicant has a valid email address at the time of application, to provide that email address to the board.*

*(7) Existing law establishes a procedure to apply for registration of a partnership to practice public accountancy.*

*This bill would require the partnership, if it has a valid email address at the time of registration, to provide that email address to the board.*

*(8) Existing law also establishes a procedure to allow an individual whose principal place of business is not in California and who has a valid and current license, certificate, or permit to practice public accountancy from another state to engage in practice in California. Under existing law, an individual who is required to cease practice because of disciplinary action, conviction of certain crimes, or other*

*specified reasons cannot practice public accountancy until notifying the board, on a form prescribed by the board, and receiving written permission from the board.*

*This bill would require an individual who has a valid email address to provide that address to the board at the time of notification.*

*(9) Under existing law, a certified public accounting firm that is authorized to practice in another state and that does not have an office in California may engage in the practice of public accountancy in California through the holder of a practice privilege if specified conditions are met. Existing law requires a firm that provides certain services, including an audit or review of a financial statement for an entity headquartered in California or a compilation of a financial statement under specified circumstances, to obtain a registration from the board.*

*This bill would require the firm, if it has a valid email address at the time of registration, to provide that email address to the board.*

*(10) Existing law requires an applicant for registration as an accountancy corporation to supply the board with all necessary and pertinent documents and information requested by the board concerning the applicant's plan of operation. Existing law requires the board, if it finds that the corporation is duly organized and qualified for the transaction of business and has paid the registration fee, to issue a certificate of registration. Existing law also requires each accountancy corporation to renew its permit to practice biennially and to pay the renewal fee fixed by the board.*

*This bill would require a corporation that has a valid email address to provide that email address to the board at the time of application or renewal.*

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 480 of the Business and Professions Code,  
2     as added by Section 4 of Chapter 995 of the Statutes of 2018, is  
3     amended to read:

4     480. (a) Notwithstanding any other provision of this code, a  
5     board may deny a license regulated by this code on the grounds  
6     that the applicant has been convicted of a crime or has been subject



1 to formal discipline only if either of the following conditions are  
2 met:

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

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

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

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

26 ~~(ii)~~

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

28 ~~(iii)~~

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

30 ~~(iv)~~

31 (iii) Chapter 11.3 (commencing with Section 7512) of Division

32 3.

33 ~~(v)~~

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

36 ~~(vi)~~

37 (v) Division 4 (commencing with Section 10000).

38 (2) The applicant has been subjected to formal discipline by a  
39 licensing board in or outside California within the preceding seven  
40 years from the date of application based on professional misconduct

1 that would have been cause for discipline before the board for  
2 which the present application is made and that is substantially  
3 related to the qualifications, functions, or duties of the business or  
4 profession for which the present application is made. However,  
5 prior disciplinary action by a licensing board within the preceding  
6 seven years shall not be the basis for denial of a license if the basis  
7 for that disciplinary action was a conviction that has been dismissed  
8 pursuant to Section 1203.4, 1203.4a, 1203.41, or 1203.42 of the  
9 Penal Code or a comparable dismissal or expungement.

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

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

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

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

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

39 (1) A board issuing a license pursuant to Chapter 3 (commencing  
40 with Section 5500), Chapter 3.5 (commencing with Section 5615),

1 Chapter 10 (commencing with Section 7301), Chapter 20  
2 (commencing with Section 9800), or Chapter 20.3 (commencing  
3 with Section 9880), of Division 3, or Chapter 3 (commencing with  
4 Section 19000) or Chapter 3.1 (commencing with Section 19225)  
5 of Division 8 may require applicants for licensure under those  
6 chapters to disclose criminal conviction history on an application  
7 for licensure.

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

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

21 (A) The denial or disqualification of licensure.

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

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

26 (D) The processes for the applicant to request a copy of ~~his or~~  
27 ~~her~~ *the applicant's* complete conviction history and question the  
28 accuracy or completeness of the record pursuant to Sections 11122  
29 to 11127 of the Penal Code.

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

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

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

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

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

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

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

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

18 (h) “Conviction” as used in this section shall have the same  
 19 meaning as defined in Section 7.5.

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

- 23 (1) The State Athletic Commission.
- 24 (2) The Bureau for Private Postsecondary Education.
- 25 (3) The California Horse Racing Board.

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

27 ~~SECTION 4.~~

28 *SEC. 2.* Section 5000 of the Business and Professions Code is  
 29 amended to read:

30 5000. (a) There is in the Department of Consumer Affairs the  
 31 California Board of Accountancy, which consists of 15 members,  
 32 7 of whom shall be licensees, and 8 of whom shall be public  
 33 members who shall not be licentiates of the board or registered by  
 34 the board. The board has the powers and duties conferred by this  
 35 chapter.

36 (b) The Governor shall appoint four of the public members, and  
 37 the seven licensee members as provided in this section. The Senate  
 38 Committee on Rules and the Speaker of the Assembly shall each  
 39 appoint two public members. In appointing the seven licensee

1 members, the Governor shall appoint individuals representing a  
2 cross section of the accounting profession.

3 (c) This section shall remain in effect only until January 1, 2024,  
4 and as of that date is repealed.

5 (d) Notwithstanding any other law, the repeal of this section  
6 renders the board subject to review by the appropriate policy  
7 committees of the Legislature. However, the review of the board  
8 shall be limited to reports or studies specified in this chapter and  
9 those issues identified by the appropriate policy committees of the  
10 Legislature and the board regarding the implementation of new  
11 licensing requirements.

12 *SEC. 3. Section 5008 of the Business and Professions Code is*  
13 *amended to read:*

14 5008. The board shall, from time to time, but not less than  
15 twice each year, prepare and distribute to all licensees, a report of  
16 the activities of the board, including amendments to this chapter  
17 and regulations adopted by the board, and may likewise distribute  
18 reports of other matters of interest to the public and to practitioners.  
19 *The board may meet this requirement by electronically distributing*  
20 *these materials via email or making them available on the board's*  
21 *internet website.*

22 ~~SEC. 2.~~

23 *SEC. 4. Section 5015.6 of the Business and Professions Code*  
24 *is amended to read:*

25 5015.6. The board may appoint a person exempt from civil  
26 service who shall be designated as an executive officer and who  
27 shall exercise the powers and perform the duties delegated by the  
28 board and vested in the executive officer by this chapter.

29 This section shall remain in effect only until January 1, 2024,  
30 and as of that date is repealed.

31 *SEC. 5. Section 5070 of the Business and Professions Code is*  
32 *amended to read:*

33 5070. (a) Permits to engage in the practice of public  
34 accountancy in this state shall be issued by the board only to  
35 holders of the certificate of certified public accountant issued under  
36 this chapter and to those partnerships, corporations, and other  
37 persons who, upon application approved by the board, are  
38 registered with the board under this chapter. Notwithstanding any  
39 other law, the board may register an entity organized and authorized  
40 to practice public accountancy under the laws of another state for

1 the purpose of allowing that entity to satisfy the registration  
2 requirement set forth in Section 5096.12, if (1) the certified public  
3 accountants providing services in California qualify for the practice  
4 privilege, and (2) the entity satisfies all other requirements to  
5 register in this state, other than its form of legal organization.

6 (b) All applicants for registration shall furnish satisfactory  
7 evidence that the applicant is entitled to registration and shall pay  
8 the fee as provided in Article 8 (commencing with Section 5130).  
9 Every partnership, corporation, and other person to whom a permit  
10 is issued shall, in addition to any other fee that may be payable,  
11 pay the initial permit fee provided in Article 8 (commencing with  
12 Section 5130).

13 (c) ~~The~~ Each applicant who has a valid email address shall  
14 report to the board ~~may collect, but shall not require, a valid~~  
15 ~~electronic mail that email~~ address at the time of application ~~for a~~  
16 ~~certified public accountant license. or registration.~~ In the interest  
17 of protecting an applicant's privacy, the ~~electronic mail email~~  
18 address shall not be considered a public record and shall not be  
19 disclosed pursuant to Section 27 or pursuant to a request under the  
20 California Public Records Act (Chapter 3.5 (commencing with  
21 Section 6250) of Division 7 of Title 1 of the Government Code),  
22 unless required pursuant to a court order by a court of competent  
23 jurisdiction.

24 (d) Each partnership, corporation, and other person issued a  
25 permit by the board to practice as a certified public accountant or  
26 as a public accountant shall be furnished with a suitable certificate  
27 evidencing that registration.

28 *SEC. 6. Section 5070.1 of the Business and Professions Code*  
29 *is amended to read:*

30 5070.1. (a) The board may establish, by regulation, a system  
31 for the placement of a license into a retired status, upon application,  
32 for certified public accountants and public accountants who are  
33 not actively engaged in the practice of public accountancy or any  
34 activity that requires them to be licensed by the board.

35 (b) No licensee with a license in a retired status shall engage in  
36 any activity for which a permit is required.

37 (c) The board shall deny an applicant's application to place a  
38 license in a retired status if the permit is subject to an outstanding  
39 order of the board, is suspended, revoked, or otherwise punitively

1 restricted by the board, or is subject to disciplinary action under  
2 this chapter.

3 (d) (1) The holder of a license that was canceled pursuant to  
4 Section 5070.7 may apply for the placement of that license in a  
5 retired status pursuant to subdivision (a).

6 (2) Upon approval of an application made pursuant to paragraph  
7 (1), the board shall reissue that license in a retired status.

8 (3) The holder of a canceled license that was placed in retired  
9 status between January 1, 1994, and January 1, 1999, inclusive,  
10 shall not be required to meet the qualifications established pursuant  
11 to subdivision (e), but shall be subject to all other requirements of  
12 this section.

13 (e) The board shall establish minimum qualifications to place  
14 a license in retired status.

15 (f) The board may exempt the holder of a license in a retired  
16 status from the renewal requirements described in Section 5070.5.

17 (g) The board shall establish minimum qualifications for the  
18 restoration of a license in a retired status to an active status. These  
19 minimum qualifications shall include, but are not limited to,  
20 continuing education and payment of a fee as provided in  
21 subdivision (h) of Section 5134.

22 (h) The board shall not restore to active or inactive status a  
23 license that was canceled by operation of law, pursuant to  
24 subdivision (a) of Section 5070.7, and then placed into retired  
25 status pursuant to subdivision (d). The individual shall instead  
26 apply for a new license, as described in subdivision (c) of Section  
27 5070.7, in order to restore ~~his or her~~ *the individual's* license.

28 (i) *At the time of application, if the applicant has a valid email*  
29 *address, the applicant shall provide that email address to the*  
30 *board.*

31 *SEC. 7. Section 5070.2 of the Business and Professions Code*  
32 *is amended to read:*

33 5070.2. (a) (1) Beginning January 1, 2014, a holder of a permit  
34 may apply to have ~~his or her~~ *the holder's* permit placed in a  
35 military inactive status if the holder of a permit is engaged in, and  
36 provides sufficient evidence of, active duty as a member of the  
37 California National Guard or the United States Armed Forces.

38 (2) The board shall deny an applicant's application for a military  
39 inactive status permit if the permit issued pursuant to Section 5070  
40 is canceled or if it is suspended, revoked, or otherwise punitively

1 restricted by the board or subject to disciplinary action under this  
2 chapter. *At the time of application, if the applicant has a valid*  
3 *email address, the applicant shall provide that email address to*  
4 *the board.*

5 (b) No holder of a permit in a military inactive status shall  
6 engage in any activity for which a permit is required.

7 (c) The holder of a permit in a military inactive status shall be  
8 exempt from all of the following:

9 (1) Payment of the biennial renewal fee described in subdivision  
10 (f) of Section 5134.

11 (2) The continuing education requirements of Section 5027.

12 (3) The peer review requirements of Section 5076.

13 (d) In order to convert a permit status from military inactive  
14 status prior to discharge from active duty as a member of the  
15 California National Guard or the United States Armed Forces, the  
16 holder of a permit in a military inactive status shall comply with  
17 all of the following requirements:

18 (1) Pay the current biennial renewal fee described in subdivision  
19 (f) of Section 5134.

20 (2) Meet continuing education requirements as prescribed by  
21 the board.

22 (3) Meet the peer review requirements as prescribed by the  
23 board.

24 (e) The holder of a permit in a military inactive status shall,  
25 within one year from ~~his or her~~ discharge from active duty as a  
26 member of the California National Guard or the United States  
27 Armed Forces, comply with all of the following requirements:

28 (1) Provide evidence to the board of the discharge date.

29 (2) Pay the current biennial renewal fee described in subdivision  
30 (f) of Section 5134.

31 (3) Meet continuing education requirements as prescribed by  
32 the board.

33 (4) Meet the peer review requirements as prescribed by the  
34 board.

35 (f) The board may adopt regulations as necessary to administer  
36 this section.

37 *SEC. 8. Section 5070.5 of the Business and Professions Code*  
38 *is amended to read:*

39 5070.5. (a) (1) A permit issued under this chapter to a certified  
40 public accountant or a public accountant expires at 12 midnight



1 on the last day of the month of the legal birthday of the licensee  
2 during the second year of a two-year term if not renewed.

3 (2) To renew an unexpired permit, a permitholder shall, before  
4 the time at which the permit would otherwise expire, apply for  
5 renewal on a form prescribed by the board, pay the renewal fee  
6 prescribed by this chapter, and give evidence satisfactory to the  
7 board that ~~he or she~~ *the permitholder* has complied with the  
8 continuing education provisions of this chapter.

9 (3) ~~The~~ *Each applicant for renewal who has a valid email*  
10 *address shall report that email address to the board may collect,*  
11 ~~but shall not require, a valid electronic mail address on the renewal~~  
12 ~~form described in paragraph (1). In the interest of protecting an~~  
13 ~~applicant's privacy, the electronic mail address shall not be~~  
14 ~~considered a public record and shall not be disclosed pursuant to~~  
15 ~~Section 27 or pursuant to a request under the California Public~~  
16 ~~Records Act (Chapter 3.5 (commencing with Section 6250) of~~  
17 ~~Division 7 of Title 1 of the Government Code), unless required~~  
18 ~~pursuant to a court order by a court of competent jurisdiction.~~

19 (b) A permit to practice as an accountancy partnership or an  
20 accountancy corporation expires at 12 midnight on the last day of  
21 the month in which the permit was initially issued during the  
22 second year of a two-year term if not renewed. To renew an  
23 unexpired permit, the permitholder shall, before the time at which  
24 the permit would otherwise expire, apply for renewal on a form  
25 prescribed by the board, pay the renewal fee prescribed by this  
26 chapter, and provide evidence satisfactory to the board that the  
27 accountancy partnership or accountancy corporation is in  
28 compliance with this chapter.

29 (c) *On or before July 1, 2020, each permitholder who has a*  
30 *valid email address shall provide that email address to the board.*

31 (d) *A permitholder shall notify the board within 30 days of any*  
32 *change to their email address on file with the board. The board*  
33 *may periodically, as it determines necessary, require permitholders*  
34 *to confirm that their email address on file with the board is current.*

35 *SEC. 9. Section 5070.6 of the Business and Professions Code*  
36 *is amended to read:*

37 5070.6. Except as otherwise provided in this chapter, an expired  
38 permit may be renewed at any time within five years after its  
39 expiration upon the filing of an application for renewal on a form  
40 prescribed by the board, payment of all accrued and unpaid renewal

1 fees and providing evidence satisfactory to the board of compliance  
2 as required by Section 5070.5. *At the time of application, if the*  
3 *applicant has a valid email address, the applicant shall provide*  
4 *that address to the board.* If the permit is renewed after its  
5 expiration, its holder, as a condition precedent to renewal, shall  
6 also pay the delinquency fee prescribed by this chapter. Renewal  
7 under this section shall be effective on the date on which the  
8 application is filed, on the date on which the accrued renewal fees  
9 are paid, or on the date on which the delinquency fee, if any, is  
10 paid, whichever last occurs. If so renewed, the permit shall continue  
11 in effect through the date provided in Section 5070.5 that next  
12 occurs after the effective date of the renewal, when it shall expire  
13 if it is not again renewed.

14 *SEC. 10. Section 5073 of the Business and Professions Code*  
15 *is amended to read:*

16 5073. (a) Application for registration of a partnership shall be  
17 made upon a form prescribed by the board. *At the time of*  
18 *registration, if the partnership has a valid email address, the*  
19 *partnership shall provide that email address to the board.* The  
20 board shall in each case determine whether the applicant is eligible  
21 for registration.

22 (b) A partnership that is so registered and that holds a valid  
23 permit issued under this article and that has at least one general  
24 partner who is licensed to practice using the designation “certified  
25 public accountant” or the abbreviation “C.P.A.” and one additional  
26 licensed person may use the words “certified public accountants”  
27 or the abbreviation “C.P.A.s” in connection with its partnership  
28 name.

29 (c) A partnership that is so registered and that holds a valid  
30 permit issued under this article and that has at least one general  
31 partner who is licensed to practice using the designation “public  
32 accountant” or the abbreviation “P.A.” and one additional licensed  
33 person may use the words “public accountants” or the abbreviation  
34 “P.A.s” in connection with its partnership name.

35 (d) Notification shall be given to the board within one month  
36 after the admission to, or withdrawal of, a partner from any  
37 partnership so registered.

38 (e) Any registration of a partnership under this section granted  
39 in reliance upon Sections 5087 and 5088 shall terminate forthwith  
40 if the board rejects the application under Sections 5087 and 5088

1 of the general partner who signed the application for registration  
2 as a partnership, or any partner personally engaged in the practice  
3 of public accountancy in this state, or any resident manager of a  
4 partnership in charge of an office in this state.

5 *SEC. 11. Section 5096 of the Business and Professions Code*  
6 *is amended to read:*

7 5096. (a) An individual whose principal place of business is  
8 not in this state and who has a valid and current license, certificate,  
9 or permit to practice public accountancy from another state may,  
10 subject to the conditions and limitations in this article, engage in  
11 the practice of public accountancy in this state under a practice  
12 privilege without obtaining a certificate or license under this  
13 chapter if the individual satisfies one of the following:

14 (1) The individual has continually practiced public accountancy  
15 as a certified public accountant under a valid license issued by any  
16 state for at least 4 of the last 10 years.

17 (2) The individual has a license, certificate, or permit from a  
18 state that has been determined by the board to have education,  
19 examination, and experience qualifications for licensure  
20 substantially equivalent to this state's qualifications under Section  
21 5093.

22 (3) The individual possesses education, examination, and  
23 experience qualifications for licensure that have been determined  
24 by the board to be substantially equivalent to this state's  
25 qualifications under Section 5093.

26 (b) The board may designate states as substantially equivalent  
27 under paragraph (2) of subdivision (a) and may accept individual  
28 qualification evaluations or appraisals conducted by designated  
29 entities, as satisfying the requirements of paragraph (3) of  
30 subdivision (a).

31 (c) An individual who qualifies for the practice privilege under  
32 this section may engage in the practice of public accountancy in  
33 this state, and a notice, fee, or other requirement shall not be  
34 imposed on that individual by the board.

35 (d) An individual who qualifies for the practice privilege under  
36 this section may perform the following services only through a  
37 firm of certified public accountants that has obtained a registration  
38 from the board pursuant to Section 5096.12:

39 (1) An audit or review of a financial statement for an entity  
40 headquartered in California.

1 (2) A compilation of a financial statement when that person  
2 expects, or reasonably might expect, that a third party will use the  
3 financial statement and the compilation report does not disclose a  
4 lack of independence for an entity headquartered in California.

5 (3) An examination of prospective financial information for an  
6 entity headquartered in California.

7 (e) An individual who holds a practice privilege under this  
8 article, and is exercising the practice privilege in California:

9 (1) Is subject to the personal and subject matter jurisdiction and  
10 disciplinary authority of the board and the courts of this state.

11 (2) Shall comply with the provisions of this chapter, board  
12 regulations, and other laws, regulations, and professional standards  
13 applicable to the practice of public accountancy by the licensees  
14 of this state and to any other laws and regulations applicable to  
15 individuals practicing under practice privileges in this state, except  
16 the individual is deemed, solely for the purpose of this article, to  
17 have met the continuing education requirements and ethics  
18 examination requirements of this state when the individual has  
19 met the examination and continuing education requirements of the  
20 state in which the individual holds the valid license, certificate, or  
21 permit on which the substantial equivalency is based.

22 (3) Shall not provide public accountancy services in this state  
23 from any office located in this state, except as an employee of a  
24 firm registered in this state. This paragraph does not apply to public  
25 accountancy services provided to a client at the client's place of  
26 business or residence.

27 (4) Is deemed to have appointed the regulatory agency of the  
28 state that issued the individual's certificate, license, or permit upon  
29 which substantial equivalency is based as the individual's agent  
30 on whom notices, subpoenas, or other process may be served in  
31 any action or proceeding by the board against the individual.

32 (5) Shall cooperate with any board investigation or inquiry and  
33 shall timely respond to a board investigation, inquiry, request,  
34 notice, demand, or subpoena for information or documents and  
35 timely provide to the board the identified information and  
36 documents.

37 (6) Shall cease exercising the practice privilege in this state if  
38 the regulatory agency in the state in which the individual's  
39 certificate, license, or permit was issued takes disciplinary action  
40 resulting in the suspension or revocation, including stayed

1 suspension, stayed revocation, or probation of the individual's  
2 certificate, license, or permit, or takes other disciplinary action  
3 against the individual's certificate, license, or permit that arises  
4 from any of the following:

5 (A) Gross negligence, recklessness, or intentional wrongdoing  
6 relating to the practice of public accountancy.

7 (B) Fraud or misappropriation of funds.

8 (C) Preparation, publication, or dissemination of false,  
9 fraudulent, or materially incomplete or misleading financial  
10 statements, reports, or information.

11 (7) Shall cease exercising the practice privilege in this state if  
12 convicted in any jurisdiction of any crime involving dishonesty,  
13 including, but not limited to, embezzlement, theft, misappropriation  
14 of funds or property, or obtaining money, property, or other  
15 valuable consideration by fraudulent means or false pretenses.

16 (8) Shall cease exercising the practice privilege if the United  
17 States Securities and Exchange Commission or the Public Company  
18 Accounting Oversight Board bars the individual from practicing  
19 before them.

20 (9) Shall cease exercising the practice privilege if any  
21 governmental body or agency suspends the right of the individual  
22 to practice before the body or agency.

23 (10) Shall report to the board in writing any pending criminal  
24 charges, other than for a minor traffic violation, in any jurisdiction  
25 within 30 days of the date the individual has knowledge of those  
26 charges.

27 (f) An individual who is required to cease practice pursuant to  
28 paragraphs (6) to (9), inclusive, of subdivision (e) shall notify the  
29 board within 15 calendar days, on a form prescribed by the board,  
30 and shall not practice public accountancy in this state pursuant to  
31 this section until ~~he or she~~ *the individual* has received from the  
32 board written permission to do so.

33 (g) An individual who fails to cease practice as required by  
34 subdivision (e) or who fails to provide the notice required by  
35 subdivision (f) shall be subject to the personal and subject matter  
36 jurisdiction and disciplinary authority of the board as if the practice  
37 privilege were a license and the individual were a licensee. An  
38 individual in violation of subdivision (e) or (f) shall, for a minimum  
39 of one year from the date the board learns there has been a violation  
40 of subdivision (e) or (f), not practice in this state and shall not have

1 the possibility of reinstatement during that period. If the board  
2 determines that the failure to cease practice or provide the notice  
3 was intentional, that individual's practice privilege shall be revoked  
4 and there shall be no possibility of reinstatement for a minimum  
5 of two years.

6 (h) The board shall require an individual who provides notice  
7 to the board pursuant to subdivision (f) to cease the practice of  
8 public accountancy in this state until the board provides the  
9 individual with written permission to resume the practice of public  
10 accountancy in this state.

11 (i) (1) An individual to whom, within the last seven years  
12 immediately preceding the date on which ~~he or she~~ *the individual*  
13 wishes to practice in this state, any of the following criteria apply,  
14 shall notify the board, on a form prescribed by the board, and shall  
15 not practice public accountancy in this state pursuant to this section  
16 until the board provides the individual with written permission to  
17 do so:

18 (A) ~~He or she~~ *The individual* has been the subject of any final  
19 disciplinary action by the licensing or disciplinary authority of any  
20 other jurisdiction with respect to any professional license or has  
21 any charges of professional misconduct pending against ~~him or~~  
22 ~~her~~ *that individual* in any other jurisdiction.

23 (B) ~~He or she~~ *The individual* has had ~~his or her~~ *their* license in  
24 another jurisdiction reinstated after a suspension or revocation of  
25 the license.

26 (C) ~~He or she~~ *The individual* has been denied issuance or  
27 renewal of a professional license or certificate in any other  
28 jurisdiction for any reason other than an inadvertent administrative  
29 error.

30 (D) ~~He or she~~ *The individual* has been convicted of a crime or  
31 is subject to pending criminal charges in any jurisdiction other  
32 than a minor traffic violation.

33 (E) ~~He or she~~ *The individual* has otherwise acquired a  
34 disqualifying condition as described in subdivision (a) of Section  
35 5096.2.

36 (2) An individual who fails to cease practice as required by  
37 subdivision (e) or who fails to provide the notice required by  
38 paragraph (1) shall be subject to the personal and subject matter  
39 jurisdiction and disciplinary authority of the board as if the practice  
40 privilege were a license and the individual were a licensee. An

1 individual in violation of subdivision (e) or paragraph (1) shall,  
2 for a minimum of one year from the date the board knows there  
3 has been a violation of subdivision (e) or paragraph (1), not practice  
4 in this state and shall not have the possibility of reinstatement  
5 during that period. If the board determines that the failure to cease  
6 practice or provide the notice was intentional, that individual shall  
7 be prohibited from practicing in this state in the same manner as  
8 if a licensee has ~~his or her~~ *that licensee's* practice privilege revoked  
9 and there shall be no possibility of reinstatement for a minimum  
10 of two years.

11 *(j) At the time of notification pursuant to subdivision (f) or (i),*  
12 *if the individual has a valid email address, that individual shall*  
13 *provide that email address to the board.*

14 *SEC. 12. Section 5096.12 of the Business and Professions Code*  
15 *is amended to read:*

16 5096.12. (a) A certified public accounting firm that is  
17 authorized to practice in another state and that does not have an  
18 office in this state may engage in the practice of public accountancy  
19 in this state through the holder of a practice privilege provided  
20 that:

21 (1) The practice of public accountancy by the firm is limited to  
22 authorized practice by the holder of the practice privilege.

23 (2) A firm that engages in practice under this section is deemed  
24 to consent to the personal, subject matter, and disciplinary  
25 jurisdiction of the board with respect to any practice under this  
26 section.

27 (b) The board may revoke, suspend, issue a fine pursuant to  
28 Article 6.5 (commencing with Section 5116), issue a citation and  
29 fine pursuant to Section 125.9, or otherwise restrict or discipline  
30 the firm for any act that would be grounds for discipline against a  
31 holder of a practice privilege through which the firm practices.

32 (c) A firm that provides the services described in subdivision  
33 (d) of Section 5096 shall obtain a registration from the board. *At*  
34 *the time of registration, if the firm has a valid email address, it*  
35 *shall provide that email address to the board.*

36 *SEC. 13. Section 5100.1 of the Business and Professions Code*  
37 *is amended to read:*

38 5100.1. Notwithstanding any other law, in causes for discipline  
39 against a licensee under ~~subsections~~ *subdivisions* (d), (h), or (l) of  
40 Section 5100, the board shall rely on the findings or events stated

1 in a certified or true and correct copy of the disciplinary or other  
 2 action as conclusive evidence for the purpose of determining  
 3 discipline.

4 *SEC. 14. Section 5100.2 is added to the Business and*  
 5 *Professions Code, to read:*

6 *5100.2. (a) In addition to the grounds for the denial of a*  
 7 *license pursuant to Section 480, the board may deny an applicant*  
 8 *for a license if either of the following conditions are met:*

9 *(1) The applicant was convicted of a financial crime currently*  
 10 *classified as a felony that is directly and adversely related to the*  
 11 *qualifications, functions, or duties of a certified public accountant,*  
 12 *pursuant to regulations adopted by the board. The seven-year*  
 13 *limitation as described in paragraph (1) of subdivision (a) of*  
 14 *Section 480 shall not apply.*

15 *(2) The applicant, within the preceding seven years from the*  
 16 *date of application, was subjected to a disciplinary action taken*  
 17 *by an agency of the federal government, the Public Company*  
 18 *Accounting Oversight Board, or another country for any act*  
 19 *substantially related to the functions, qualifications, or duties of*  
 20 *a certified public accountant.*

21 *(b) Notwithstanding any other law, in causes for denial of an*  
 22 *application for licensure pursuant to paragraph (2) of subdivision*  
 23 *(a) of this section, the board shall rely on the findings or events*  
 24 *stated in a certified or true and correct copy of the disciplinary or*  
 25 *other action as conclusive evidence for purposes of determining*  
 26 *whether to deny the application.*

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

28 *SEC. 15. Section 5151 of the Business and Professions Code*  
 29 *is amended to read:*

30 *5151. An applicant for registration as an accountancy*  
 31 *corporation shall supply to the board all necessary and pertinent*  
 32 *documents and information requested by the board concerning the*  
 33 *applicant’s plan of operation. The board may provide forms of*  
 34 *application. If the board finds that the corporation is duly organized*  
 35 *and existing under the General Corporation Law or the foreign*  
 36 *corporation is duly qualified for the transaction of intrastate*  
 37 *business pursuant to the General Corporation Law, that, except as*  
 38 *otherwise permitted under Section 5053 or 5079, each officer,*  
 39 *director, shareholder, or employee who will render professional*  
 40 *services is a licensed person as defined in the Moscone-Knox*



1 Professional Corporation Act, or a person licensed to render the  
2 same professional services in the jurisdiction or jurisdictions in  
3 which the person practices, and that from the application it appears  
4 that the affairs of the corporation will be conducted in compliance  
5 with law and the rules and regulations of the board, the board shall  
6 upon payment of the registration fee in the amount as it may  
7 determine, issue a certificate of registration. The applicant shall  
8 include with the application for each shareholder of the corporation  
9 licensed in a foreign country but not in this state or in any other  
10 state, territory, or possession of the United States, a certificate  
11 from the authority in the foreign country currently having final  
12 jurisdiction over the practice of accounting, which shall verify the  
13 shareholder's admission to practice in the foreign country, the date  
14 thereof, and the fact that the shareholder is currently in good  
15 standing as the equivalent of a certified public accountant or public  
16 accountant. If the certificate is not in English, there shall be  
17 included with the certificate a duly authenticated English translation  
18 thereof. The application shall be signed and verified by an officer  
19 of the corporation. *At the time of application, if the corporation*  
20 *has a valid email address, it shall provide that email address to*  
21 *the board.*

22 *SEC. 16. Section 5152.1 of the Business and Professions Code*  
23 *is amended to read:*

24 5152.1. Each accountancy corporation shall renew its permit  
25 to practice biennially and shall pay the renewal fee fixed by the  
26 board in accordance with Section 5134. *At the time of renewal, if*  
27 *the corporation has a valid email address, it shall provide that*  
28 *email address to the board.*

O

**California Board of Accountancy**

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April 10, 2019

**Attachment 2**

The Honorable Evan Low, Chair  
Assembly Committee on Business and Professions  
1020 N Street, Room 379  
Sacramento, CA 95814

**Bill: AB 1521**  
**Position: Support**

Dear Chairman Low:

On March 21, 2019, the California Board of Accountancy (CBA) voted to take a Support position on Assembly Bill (AB) 1521.

As amended on April 8, 2019, AB 1521 would do the following:

- Extends the CBA's sunset date to January 1, 2024.
- Authorizes the CBA to distribute its newsletter electronically.
- Requires all CBA applicants and licensees who possess a valid email address to provide it to the CBA.
- Revises the CBA's requirements to adopt regulations related to felony financial crimes that are directly and adversely related to the qualifications, functions, or duties of a certified public accountant.
- Corrects a non-substantive drafting error in Business and Professions Code section 5100.1.

We recognize that the current version of AB 1521 does not include language related to the CBA's request to increase the statutory maximum amount of its initial license and renewal fees.

Therefore, we look forward to working further with you and the Senate Business, Professions and Economic Development Committee on future amendments that will enable the CBA to have adequate revenue to fund its operations and maintain a prudent reserve.

In addition, I wish to express the CBA's appreciation to you and your staff for your collaborative approach and support during the CBA's Sunset Review.

If you have questions about this letter, please contact Aaron Bone, Information and Planning Officer, at (916) 561-1792 or [aaron.bone@cba.ca.gov](mailto:aaron.bone@cba.ca.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "George Famalett". The signature is written in a cursive style with a prominent initial "G".

George Famalett, CPA  
President

- c: Members, California Board of Accountancy
- Patti Bowers, Executive Officer
- Danielle Sires, Consultant, Assembly Business and Professions Committee
- Elissa Silva, Consultant, Senate Business, Professions and Economic Development Committee
- Bill Lewis, Principal Consultant, Assembly Republican Caucus

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1525**

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Subject:	Cannabis: Financial institutions	<b>CBA Position: WATCH</b>
Version:	February 22, 2019	Author: Jones-Sawyer
Status:	Assembly Business and Professions	Sponsor: Author

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### **Summary**

Assembly Bill (AB) 1525 (**Attachment 1**) states that a certified public accountant or certified public accounting firm “does not commit a crime under California law solely for providing professional accounting services” to persons licensed to engage in commercial cannabis activity.

Further, AB 1525, states that authorized persons or businesses do not commit a crime, under California law, if they receive deposits, provide specified transportation or financial services to persons licensed to engage in commercial cannabis activity.

In addition, the bill requires cannabis businesses to share specified data with financial institutions.

### **Recommendation**

**Maintain Watch Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Watch position on AB 1525. This bill has not been amended since the CBA took its position during the March 21, 2019 meeting.

### **Background**

According to the fact sheet (**Attachment 2**):

AB 1525 would create a safe harbor under state law for financial institutions and accountants that provide services to the cannabis industry.

In order to increase overall access to banking, this bill would also require cannabis businesses to share their track-and-trace data with banks to facilitate the ability of financial institutions to comply with due diligence reporting requirements to federal regulating agencies.

## **Analysis**

According to the author's staff, AB 1525 is intended to clarify that financial institutions and accountants that provide services to the cannabis industry are not committing any crimes under state law by virtue of providing financial or accounting services.

## **Fiscal Estimate**

The CBA's costs are unknown.

## **Support/Opposition**

Support: None on file.

Opposition: None on file.

## **Effective/Operative Date**

January 1, 2020.

## **Related Bills**

- Senate Bill (SB) 51 (Hertzberg), 2019-2020 Legislative Session. Would establish cannabis limited charter banks and cannabis limited charter credit unions to provide limited banking services to the cannabis industry. The CBA adopted a Watch position during the January 2019 CBA meeting.
- SB 930 (Hertzberg), 2017-2018 Legislative Session. Would have the same impact as SB 51. (Was not approved by the Legislature)

## **Attachments**

1. AB 1525
2. AB 1525 Fact Sheet

**ASSEMBLY BILL****No. 1525****Introduced by Assembly Member Jones-Sawyer**

February 22, 2019

An act to add Chapter 24 (commencing with Section 26260) to Division 10 of the Business and Professions Code, relating to cannabis.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1525, as introduced, Jones-Sawyer. Cannabis: financial institutions.

(1) Existing law, the Control, Regulate and Tax Adult Use of Marijuana Act (AUMA), approved by the voters as Proposition 64 at the November 8, 2016, statewide general election, regulates the cultivation, distribution, transport, storage, manufacturing, testing, processing, sale, and use of marijuana for nonmedical purposes by people 21 years of age and older. The Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA), among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities. MAUCRSA imposes duties on the Bureau of Cannabis Control in the Department of Consumer Affairs with respect to the creation, issuance, denial, suspension, and revocation of licenses issued for microbusinesses, transportation, storage, distribution, testing, and sale of cannabis and cannabis products pursuant to MAUCRSA. MAUCRSA requires the Department of Food and Agriculture, in consultation with the bureau, to establish a track and trace program for reporting the movement of cannabis and cannabis products throughout the distribution chain, as provided.

This bill would provide that an entity, as defined, that receives deposits, extends credit, conducts fund transfers, transports cash or

financial instruments on behalf of a financial institution, or provides other financial services, including public accounting, as provided, for a person licensed to engage in commercial cannabis activity does not commit a crime under any California law solely by virtue of receiving deposits, extending credit, conducting fund transfers, transporting cash or other financial instruments, or providing other financial services for the person. The bill would authorize a licensing authority to share application, licensee and regulatory information, including information in the track and trace program, with financial institutions, as defined. The bill would require a person licensed to engage in commercial cannabis activity to sign a waiver allowing licensing authorities to transmit that specified information to financial institutions.

AUMA, an initiative measure, authorizes the Legislature to amend the act to further the purposes and intent of the act with a 2/3 vote of the membership of both houses of the Legislature.

This bill would declare that its provisions further the purposes and intent of AUMA.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

1 SECTION 1. Chapter 24 (commencing with Section 26260)  
2 is added to Division 10 of the Business and Professions Code, to  
3 read:

4  
5 CHAPTER 24. FINANCIAL INSTITUTIONS

6  
7 26260. (a) An entity that receives deposits, extends credit,  
8 conducts fund transfers, transports cash or financial instruments  
9 on behalf of a financial institution, or provides other financial  
10 services for persons licensed to engage in commercial cannabis  
11 activity pursuant to this division does not commit a crime under  
12 any California law solely by virtue of receiving deposits, extending  
13 credit, conducting fund transfers, transporting cash or other  
14 financial instruments, or providing other financial services for the  
15 person.

16 (b) Licensing authorities are authorized to share application,  
17 licensee, and regulatory information, including information in the

1 track and trace system pursuant to Sections 26067 and 26068, with  
2 financial institutions.

3 (c) Persons licensed to engage in commercial cannabis activity  
4 pursuant to this division shall sign a waiver allowing licensing  
5 authorities to transmit application, licensee, and regulatory  
6 information, including information in the track and trace system  
7 pursuant to Sections 26067 and 26068, to financial institutions.

8 (d) For purposes of this section, “entity” means a licensee  
9 defined in Section 185 of the Financial Code, an armored car  
10 service licensed by the Department of the California Highway  
11 Patrol pursuant to Section 2510 of the Vehicle Code that has been  
12 contracted by a financial institution, or a person providing financial  
13 services to persons licensed to engage in commercial cannabis  
14 activity pursuant to this division.

15 (e) For the purposes of this section, “financial institutions”  
16 means any of the following:

17 (1) A bank, trust company, or industrial loan company doing  
18 business under the authority of, or in accordance with, a license,  
19 certificate, or charter issued by the United States or any state,  
20 district, territory, or commonwealth of the United States that is  
21 authorized to transact business in this state.

22 (2) A federally chartered savings and loan association, federal  
23 savings bank, or federal credit union that is authorized to transact  
24 business in this state.

25 (3) A savings and loan association, savings bank, or credit union  
26 organized under the laws of this or any other state that is authorized  
27 to transact business in this state.

28 (4) A licensee defined pursuant to Section 185 of the Financial  
29 Code.

30 (f) A certified public accountant or certified public accounting  
31 firm, which practices public accounting pursuant to Section 5050,  
32 does not commit a crime under California law solely for providing  
33 professional accounting services as specified to persons licensed  
34 to engage in commercial cannabis activity pursuant to this division.

35 SEC. 2. The Legislature finds and declares that Section 1 of  
36 this act, which adds Chapter 24 (commencing with Section 26260)  
37 to Division 10 of the Business and Professions Code, furthers the



- 1 purposes and intent of the Control, Regulate and Tax Adult Use
- 2 of Marijuana Act of 2016, as stated in Section 3 of that act.

O

# Reginald Byron Jones-Sawyer, Sr.

## 59<sup>th</sup> Assembly District



Attachment 2

### AB 1525 – Banking Cannabis Businesses

#### SUMMARY

AB 1525 would create a safe harbor under state law for financial institutions and accountants that provide services to the cannabis industry.

In order to increase overall access to banking, this bill would also require cannabis businesses to share their track-and-trace data with banks to facilitate the ability of financial institutions to comply with due diligence reporting requirements to federal regulating agencies.

#### BACKGROUND

Despite the robust cannabis industry in California and several other states, cannabis remains illegal at the federal level under the Controlled Substances Act. This classification has resulted in limited access to banking services for the cannabis industry because all financial institutions are heavily regulated by the federal government.

In 2013, the Department of Justice issued the Cole Memorandum to protect cannabis businesses operating legally under their own state laws, from federal prosecution. The following year, the Financial Crimes Enforcement Network (FinCEN) issued guidance for financial institutions to provide services to the cannabis industry based on the Cole Memo. The FinCEN guidance clarified that financial institutions could service the cannabis industry but had to comply with due diligence reporting obligations related to suspicious activity. The guidance requires that financial institutions file suspicious activity reports (SARs) for cannabis businesses based solely on the fact that these businesses deal with a controlled substance.

Having to comply with these costly and burdensome reporting requirements is a disincentive for banks to provide services to cannabis businesses. In these reports, financial institutions need to ensure that a business does not violate any state law or any federal priority. According to a recent FinCEN report, only 486 banks and credit

unions in the nation are currently banking cannabis businesses.

Providing financial institutions with access to a cannabis licensee's track-and-trace information can expedite the burdensome and costly task of filing SARs. Track-and-trace information tracks all cannabis products from cultivation to sale. This information verifies that every transaction associated with the product was lawful under state law for the purpose of filing SARs for a cannabis business.

#### THIS BILL

AB 1525 clarifies that financial institutions and accountants that provide services to the cannabis industry are not committing any crimes under state law by virtue of providing financial or accounting services.

This bill also requires commercial cannabis licensees to allow cannabis license authorities to share the business' track-and-trace data with financial institutions.

#### CONTACT

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**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1545**

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<b>Subject:</b>	Civil Penalty Reduction Policy.	<b>CBA Position:</b>	<b>WATCH</b>
<b>Version</b>	April 8, 2019	<b>Author:</b>	Obernolte
<b>Status:</b>	Assembly Appropriations Committee	<b>Sponsor:</b>	Author

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### **Summary**

Assembly Bill (AB) 1545 (**Attachment 1**) would require a state agency (excluding the Franchise Tax Board, California Department of Tax and Fee Administration (CDTFA), and State Board of Equalization) to assist a small business in complying with all statutes and regulations administered by the state agency and in any enforcement action by the state agency. The bill would, no later than December 31, 2020, require state agencies to create a policy, as specified, that provides for the reduction, and under certain circumstances waiver, of civil penalties for a small business based upon specified mitigating factors.

### **Recent Amendments**

Since the California Board of Accountancy's (CBA) March 21, 2019 meeting, the bill was amended, as follows:

- Excludes the CDTFA from the requirements of the bill
- Defines, among other criteria, that a small business is one that has average gross receipts of \$15 million or less, over the previous three years. Prior versions of the bill set this threshold as \$10 million or less

### **Recommendation**

**Maintain Watch Position.** Staff recommend the CBA maintain its Watch position on AB 1545.

### **Background**

According to Business and Professions Code (BPC) section 5116.1, licensees who violate any provisions in the Accountancy Act 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. However, for specified violations such as dishonesty, fraud, gross negligence, or embezzlement, a licensee may be assessed 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.

A licensee who is a natural person may be assessed an administrative penalty of not more than \$50,000 for the first violation and not more than \$100,000 for any subsequent violation.

According to the CBA's Disciplinary Guidelines and Model Orders, the following criteria should be considered in assessing administrative penalties.

- Nature and extent of actual and potential consumer harm
- Nature and extent of actual and potential harm to clients
- Nature and severity of the violation
- The role of the person in the violation
- The person's attitude toward his or her commission of the violations
- Recognition of wrongdoing
- Person's history of violations
- Nature and extent of cooperation with the CBA's investigation
- The person's ability to pay the administrative penalty
- The level of administrative penalty necessary to deter future violations
- Nature and extent to which the person has taken corrective action to ensure the violation will not recur
- Nature and extent of restitution to consumers harmed by violations
- 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
- Other aggravating or mitigating factors

Further, pursuant to CBA Regulations section 95.2, an administrative fine shall not be less than \$100 or more than \$5,000 for each investigation. CBA Regulations section 95.3 states the CBA shall give consideration to the following factors when assessing an administrative fine:

- The gravity of the violation
- The good or bad faith of the cited person or entity
- The history of previous violations
- Evidence that the violation was or was not willful
- The extent to which the cited person or entity has cooperated with the CBA's investigation
- The extent to which the cited person or entity has mitigated or attempted to mitigate any damage or injury caused by the violation

## **Analysis**

AB 1545 is nearly identical and would have a similar impact as AB 912, which was introduced in 2017, but failed to pass the Legislature. The CBA took a Watch position on AB 912 (**Attachment 2**).

According to the author's fact sheet (**Attachment 3**), "[s]mall businesses are the backbone of our economy, employing nearly 5 million Californians. Small business owners who already struggle to comply with California's overly complex regulatory system also face harsh, inflexible penalties, even for minor or first-time offenses."

AB 1545 creates the California Small Business Regulatory Fairness Act. The bill would benefit businesses that meet the following criteria:

- Independently owned and operated
- Not dominant in its field of operation
- Fewer than 100 employees
- Average annual gross receipts of \$15,000,000 or less over the previous three years

The CBA does not collect information about the number of employees or the average annual gross receipts. Therefore, this bill would require the CBA to change the initial license and renewal applications to incorporate questions to obtain this information.

In addition, the bill does not define the phrase "not dominant in its field of operation."

Furthermore, this bill would require that a state agency, by December 31, 2020, to "establish a policy to provide the reduction of civil penalties for violations of regulatory or statutory requirements by a small business under appropriate circumstances."

The policy shall exclusively apply to small businesses that meet all the following criteria:

- The violation by the small business did not involve willful or criminal conduct.
- The violation by the small business did not pose an imminent health, safety, or environmental threat.
- The small business has a low degree of culpability when its conduct is judged in light of its size, length of operation, and the sophistication of its owners or managers.

The bill requires the policy to include the factors that shall be considered when the agency determines if, and to what extent, the fine shall be reduced. The policy shall be designed to result in a range of reductions, based upon the following factors, which include, but are not limited to:

- The degree to which the small business cooperated during any investigation by the state agency.
- The degree to which the small business engaged in subsequent action to correct the violation, as appropriate.
- The prior history of the small business in meeting regulatory requirements of the agency.

## **AB 1545**

Page 4 of 4

- The degree to which the level of the penalty would impede the small business from continuing to conduct business.

The implementation of this new policy must be done through regulations, which can take an extended period of time to complete. Since the bill would go into effect January 1, 2020, the CBA would have less than one year to develop the required policy and complete the rulemaking process.

### **Fiscal Estimate**

The fiscal impact to the CBA is unknown. The bill could have a minor impact on the CBA due to reduced collection of fines for certain licensees.

### **Support/Opposition**

Support: None on file.

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

AB 912 (Oberholte), 2017-2018 Legislative session. Would have the same impact as AB 1545 (the bill was not approved by the Legislature).

### **Attachments**

1. AB 1545
2. California Board of Accountancy Letter to Author of AB 912
3. AB 1545 Fact Sheet

AMENDED IN ASSEMBLY APRIL 8, 2019

AMENDED IN ASSEMBLY MARCH 26, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1545**

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**Introduced by Assembly Member Obernolte**

February 22, 2019

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An act to add Chapter 3.7 (commencing with Section 11367) to Part 1 of Division 3 of Title 2 of the Government Code, relating to small business.

LEGISLATIVE COUNSEL'S DIGEST

AB 1545, as amended, Obernolte. Civil penalty reduction policy.

Existing law, the Administrative Procedure Act, governs the procedures for the adoption, amendment, or repeal of regulations by state agencies and requires, among other things, that a state agency make available to the public facts, evidence, documents, testimony, or other evidence on which the state agency relies to support the agency's determination that the proposed action will not have a significant adverse economic impact on business.

Existing law establishes the Office of Small Business Advocate, within the Governor's Office of Business and Economic Development, and establishes the duties and functions of the Director of the Office of Small Business Advocate including, among other duties, representing the views and interests of small businesses before other state agencies whose policies and activities may affect small businesses. Existing law requires each state agency that significantly regulates small business or that significantly impacts small business to designate at least one person who is required to serve as a small business liaison.

This bill would, with certain exceptions, require a state agency to assist a small business, as defined, in complying with all statutes and regulations administered by the state agency and in any enforcement action by the state agency. The bill would require a state agency to establish a policy, by December 31, 2020, that provides for the reduction of civil penalties for violations of regulatory or statutory requirements by a small business under appropriate circumstances. The bill would authorize the state agency to update the policy to reflect current issues and conditions affecting small businesses and the state agency.

This bill would require the state agency to post a current copy of the policy on the state agency’s internet website and, until June 30, 2024, to annually post specified information about enforcement actions and penalty reductions (annual report). The bill would require a state agency to notify the Office of Small Business Advocate of certain events relating to its policy and annual report.

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. This act shall be known, and may be cited, as the  
 2 California Small Business Regulatory Fairness Act.

3 SEC. 2. Chapter 3.7 (commencing with Section 11367) is added  
 4 to Part 1 of Division 3 of Title 2 of the Government Code, to read:

5  
 6 CHAPTER 3.7. CALIFORNIA SMALL BUSINESS REGULATORY  
 7 FAIRNESS ACT  
 8

9 11367. The following terms shall have the following meanings  
 10 for purposes of this chapter:

11 (a) “Small business” means a business that is all of the  
 12 following:

- 13 (1) Independently owned and operated.
- 14 (2) Not dominant in its field of operation.
- 15 (3) Has fewer than 100 employees.
- 16 (4) Has average annual gross receipts of ~~ten~~ *fifteen* million  
 17 dollars ~~(\$10,000,000)~~ *(\$15,000,000)* or less over the previous three  
 18 years.

19 (b) “State agency” means any state agency, department, board,  
 20 or commission that has significant rulemaking authority over small



1 businesses, except the Franchise Tax Board, the California  
2 Department of Tax and Fee Administration, or the State Board of  
3 Equalization.

4 11367.1. (a) A state agency shall do all of the following:

5 (1) Assist a small business in achieving compliance with statutes  
6 and regulations administered by the state agency. This requirement  
7 may be met through the implementation of the requirements in  
8 Section 11148.5.

9 (2) Assist a small business during an enforcement action by the  
10 state agency.

11 (3) (A) By December 31, 2020, establish a policy to provide  
12 for the reduction of civil penalties for violations of regulatory or  
13 statutory requirements by a small business under appropriate  
14 circumstances.

15 (B) The policy shall exclusively be applied to small businesses  
16 that meet all of the following criteria:

17 (i) The violation by the small business did not involve willful  
18 or criminal conduct.

19 (ii) The violation by the small business did not pose an imminent  
20 health, safety, or environmental threat.

21 (iii) The small business has a low degree of culpability when  
22 its conduct is judged in light of its size, length of operation, and  
23 the sophistication of its owners or managers.

24 (C) The policy shall include the factors that shall be considered  
25 when the agency determines if, and to what extent, the fine shall  
26 be reduced. The policy shall be designed to result in a range of  
27 reductions, based upon the following factors, which include, but  
28 are not limited to:

29 (i) The degree to which the small business cooperated during  
30 any investigation by the state agency.

31 (ii) The degree to which the small business engaged in  
32 subsequent action to correct the violation, as appropriate.

33 (iii) The prior history of the small business in meeting regulatory  
34 requirements of the agency.

35 (iv) The degree to which the level of the penalty would impede  
36 the small business from continuing to conduct business.

37 (b) The state agency may update the policy from time to time  
38 to reflect current issues and conditions affecting small businesses  
39 and the state agency.

1 (c) (1) The state agency shall post a current copy of the policy  
2 on the state agency’s internet website within 30 days of adoption  
3 or amendment of the policy.

4 (2) The state agency shall annually post information on the state  
5 agency’s internet website as to the aggregate number and category  
6 of enforcement actions that were reviewed pursuant to this section,  
7 the total number of small businesses and actions that qualified for  
8 civil penalty reductions in the report period, and the total dollar  
9 amount of reductions issued. The requirement for annual reporting  
10 imposed by this paragraph shall become inoperative on June 30,  
11 2024.

12 (d) The notice shall include a link to where the policy and annual  
13 utilization report pursuant to paragraph (2) of subdivision (c) is  
14 posted on the state agency’s internet website. The state agency  
15 shall notify the Office of Small Business Advocate within 15  
16 working days of the following situations occurring:

- 17 (1) The policy is adopted or amended.
- 18 (2) The annual utilization report is posted.
- 19 (3) The policy or the annual utilization report is relocated from  
20 the state agency’s internet website. The notice shall include a link  
21 to the new internet website location.
- 22 (4) The policy or the annual utilization report is removed from  
23 the state agency’s internet website. The notice shall include an  
24 explanation as to why the information was removed.



**California Board of Accountancy**  
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## Attachment 2

June 22, 2017

The Honorable Jay Obernolte  
State Capitol, Room 4116  
Sacramento, CA 95814

**Bill: AB 912**  
**Position: Watch**

Dear Assemblyman Obernolte:

On May 18, 2017, the California Board of Accountancy (CBA) voted to take a Watch position on Assembly Bill (AB) 912.

AB 912 would require the CBA to assist a small business in complying with all statutes and regulations including any enforcement actions. This bill would, no later than December 31, 2018, require the CBA to create a policy, as specified, that provides for the reduction, and under certain circumstances waiver, of civil penalties for a small business.

Currently, the CBA does not collect information from licensees regarding the number of employees or the average annual gross receipts. Therefore, this bill would require the CBA to change, through regulation, the initial license and renewal applications to obtain this information.

This bill would require the CBA to establish policies reducing civil penalties for small businesses. While the CBA appreciates your intent to support small businesses, this bill may be in conflict with the CBA's consumer protection mission. Specifically, this bill could prevent the CBA from addressing, via fine, a licensee's violation of the law. Consumers are not protected if licensees are not held accountable for failing to adhere to professional standards. Further, eliminating the monetary portion of an enforcement action does not serve as a deterrent for a licensee's future violations. As appropriate, the CBA presently assists licensees in gaining compliance with the law, while maintaining the integrity of its consumer protection mission.

For this reason, the CBA has taken a Watch position on AB 912.

Sincerely,

A handwritten signature in black ink that reads "Alicia Berhow". The signature is written in a cursive style with a large initial "A" and a distinct loop at the end of the name.

Alicia Berhow  
President

c: Assembly Appropriations Committee  
Members, California Board of Accountancy  
Patti Bowers, Executive Officer



# **FACT SHEET**

JAY OBERNOLTE  
Assemblyman, 33<sup>rd</sup> District



## **Assembly Bill 1545 – California Small Business Regulatory Fairness Act**

### **SUMMARY**

AB 1545 allows state agencies discretion when enforcing monetary penalties on small businesses for inadvertent first-time regulatory infractions.

### **BACKGROUND**

Existing law establishes the Office of Small Business Advocate and requires every state agency that regulates small businesses to have a designated small business liaison.

However, California is still consistently ranked the worst state in the country for attracting and retaining businesses. Overregulation of businesses in California – where the majority of businesses are small businesses – is a main complaint. When agencies enforce regulatory infractions, they are often bound by statutory formulas that develop penalties from which they are not allowed to deviate. This creates a major problem for small businesses that may not have the resources to keep up with the ever-changing nature of the California Regulatory system.

Many small businesses have been negatively affected by California's merciless regulatory system. One such example is the Heritage House Café in Vacaville. The owner opened her dream business inside a building that had been marked a historical landmark as it was the oldest commercial building in Vacaville. She was working hard to make her business thrive until a government compliance group consisting of nine agents from five different agencies descended on her business without warning. While she passed compliance with flying colors on most accounts, she was cited on issues having to do with the 100+ year-old building she was operating out of. She received a total of 7 citations with fines totaling over \$11,000. One of those citations that illustrates the egregiousness of the regulatory

environment in California was a \$1,500 fine for a damaged \$0.25 plastic cover on an electrical outlet.

Like most small businesses, the owner did not have \$11,000 of excess capital available, and she was forced to close her dream business over issues she would have happily complied with and fixed if given the opportunity.

### **PROBLEM**

Small businesses are the backbone of our economy, employing nearly 5 million Californians. Small business owners who already struggle to comply with California's overly complex regulatory system also face harsh, inflexible penalties, even for minor or first-time offenses.

### **SOLUTION**

AB 1545 will permit state agencies to help small businesses comply with state regulations by requiring state agencies to develop policies that allow for a reduction of penalties under certain narrowly-tailored circumstances, such as where the small business is a first-time offender, the violation was inadvertent, the small business takes action to correct the violation, and the small business is unable to pay the fine and might close because the penalty is too severe.

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
SB 51**

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<b>Subject:</b>	Financial Institutions: Cannabis	<b>CBA Position:</b>	<b>WATCH</b>
<b>Version:</b>	April 29, 2019	<b>Author:</b>	Hertzberg
<b>Status:</b>	Senate Appropriations Committee	<b>Sponsor:</b>	State Treasurer, Fiona Ma, CPA

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### **Summary**

Senate Bill (SB) 51 (**Attachment 1**) would establish cannabis limited charter banks (CLCBs) and cannabis limited charter credit unions (CLCCUs) to provide limited banking services to the cannabis industry. This bill would also create the Cannabis Limited Charter Bank and Credit Union Advisory Board (Board) comprised of the State Treasurer, the State Controller, the Chief of the Bureau of Cannabis Control, and the Director of the Department of Finance (non-voting member).

### **Recent Amendments**

Since the California Board of Accountancy's (CBA) March 21, 2019 meeting, SB 51 was amended, as follows:

- Adds an urgency requirement, stating the bill takes effect immediately upon approval of the Governor.
- Deletes the requirement that the Department of Business Oversight (DBO) post the fee schedules for each CLCB and CLCCU on its website. Instead, each CLCB and CLCCU would be required to post a fee schedule on their respective websites.
- Deletes the requirement for DBO to provide a report to the Senate Committee on Banking and Financial Institutions and the Senate Committee on Governance and Finance.
- States that this law would become inoperative if the federal government removes cannabis and cannabis-related substances from the federal schedule of controlled substances or enacts legislation that establishes protections for depository institutions that provide financial services to cannabis-related legitimate businesses.
  - If either event occurs, the bill requires DBO to post notice of the occurrence on its internet website, send notice to both the Secretary of State and the Office of Legislative Counsel, and provide guidance for the orderly resolution of all cannabis limited charter banks or credit unions licensed, as specified.

## **Recommendation**

**Maintain Watch Position.** Staff recommend the CBA maintain its Watch position on SB 51.

## **Background**

According to the fact sheet (**Attachment 2**), “SB 51 is an integral step toward integrating cannabis-related businesses into the California economy in a safe and transparent manner.”

The Control, Regulate and Tax Adult Use of Marijuana Act of 2016, an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under the act to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. The Medicinal and Adult-Use Cannabis Regulation and Safety Act, among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities.

## **Analysis**

SB 51 provides for the licensure and regulation of CLCBs and CLCCUs for the purpose of providing limited banking services, as defined, to cannabis businesses. The bill would require a person who desires to be licensed as a CLCB or CLCCU to submit an application to the DBO, and would require that person to elect to form under either California’s banking or credit union laws. The bill would authorize the DBO to charge an applicant for a cannabis limited charter bank or credit union license a reasonable fee.

SB 51 would authorize CLCBs and CLCCUs to accept and maintain cash deposits and issue special purpose checks that may only be used for the following:

- To pay fees or taxes to the state or a local jurisdiction,
- To pay rent on property associated with the account holder’s cannabis business,
- To pay vendors located in California for expenses related to goods and services associated with the account holder’s cannabis business, or
- To purchase bonds or interest-bearing notes or warrants backed by the full faith and credit of the state, or bonds or warrants of local jurisdictions.

These special purpose checks must include the following text on each check:

“This check is issued by [insert name of bank] and may only be deposited or cashed at this cannabis limited charter bank or credit union or another cannabis limited charter bank or credit union that agrees to accept the check.”

Furthermore, the bill states that this program would become inoperative under either of the following conditions:

## **SB 51**

Page 3 of 3

- The federal government, by legislative or executive action, removes cannabis and cannabis-related substances from the schedule of controlled substances, as defined in the Controlled Substances Act (21 U.S.C. Sec. 812; 21 C.F.R. Pt. 1308).
- The federal government enacts legislation that establishes protections for depository institutions that provide financial services to cannabis-related legitimate businesses.

If the program becomes inoperative, DBO shall provide guidance for the orderly resolution of all cannabis limited charter banks or credit unions licensed pursuant to this program. The resolution may involve, but is not limited to, conversion to a state bank, conversion to a state credit union, or a sale, merger, or conversion.

### **Fiscal Estimate**

An estimate of the fiscal impact of SB 51 is not available at this time. However, according to the Assembly Appropriations Committee analysis of SB 930 (a nearly identical bill introduced in the prior legislative session), that bill would have created ongoing costs to DBO in the range of \$2 million each year to adopt emergency regulations, process applications, conduct examinations, and enforce the provisions of the bill.

### **Support/Opposition**

Support: California State Treasurer, Fiona Ma, CPA (Sponsor)  
California Cannabis Industry Association  
City of Sacramento  
City of Santa Monica  
Rural County Representatives of California  
(partial list)

Opposition: Siskiyou County Sheriff's Office

### **Effective/Operative Date**

This bill takes effect immediately upon approval of the Governor.

### **Related Bills**

- SB 930 (Hertzberg), 2017-2018 Legislative Session. Would have the same impact as SB 51. (Was not approved by the Legislature)

### **Attachments**

1. SB 51
2. SB 51 Fact sheet



AMENDED IN SENATE APRIL 29, 2019

AMENDED IN SENATE MARCH 25, 2019

**SENATE BILL**

**No. 51**

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**Introduced by Senator Hertzberg**

(Principal coauthor: Assembly Member Bonta)

**(Coauthors: Senators *Bradford, Galgiani, Moorlach, Wieckowski,*  
*and Wiener*)**

(Coauthors: Assembly Members Jones-Sawyer, Lackey, and McCarty)

December 4, 2018

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An act to amend Sections 99, 185, 301, 329, 1003, and 14001.1 of, and to add Division 2.5 (commencing with Section 11000) to, the Financial Code, relating to ~~financial institutions~~; *institutions and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 51, as amended, Hertzberg. Financial institutions: cannabis.

(1) Existing law, the Financial Institutions Law, regulates the activities of various financial entities, including commercial banks, industrial banks, trust companies, credit unions, and savings and loan associations. The Banking Law defines and regulates state banks and commits the enforcement of banking laws to the Commissioner of Business Oversight. The California Credit Union Law provides for the licensure and regulation of credit unions by the Commissioner of Business Oversight and makes a willful violation of that law a crime.

The Control, Regulate and Tax Adult Use of Marijuana Act, an initiative measure approved as Proposition 64 at the November 8, 2016, statewide general election, authorizes a person who obtains a state license under the act to engage in commercial adult-use cannabis activity pursuant to that license and applicable local ordinances. The Medicinal

and Adult-Use Cannabis Regulation and Safety Act, among other things, consolidates the licensure and regulation of commercial medicinal and adult-use cannabis activities.

This bill would create the Cannabis Limited Charter Banking and Credit Union Law, to be administered by the Commissioner of Business Oversight and the Department of Business Oversight. The bill would create the Cannabis Limited Charter Bank and Credit Union Advisory Board and specify its composition, to include the Treasurer, the Controller, and the Chief of the Bureau of Cannabis Control, and commit to it the general responsibility for ensuring that this law functions in a safe and efficient way. The bill would prescribe the powers and duties of the board, including reviewing department enforcement reports, holding meetings that would be open to public comment, and issuing its own recommendations, which would be submitted to the Legislature and the Governor. The board would also be required to provide guidance on specified investment activities.

The bill would provide for the licensure and regulation of cannabis limited charter banks and credit unions for the purpose of providing banking services, as defined, to cannabis businesses. The bill would require a person who desires to be licensed as a cannabis limited charter bank or credit union to submit an application to the department, and would require that person to elect to form under either the Banking Law or the California Credit Union Law. The bill would authorize the department to charge an applicant for a cannabis limited charter bank or credit union license a reasonable fee. The bill would require a licensee to comply with all requirements in the Financial Institutions Law, and either the Banking Law or the California Credit Union Law, as applicable, except to the extent that any requirement of those laws are inconsistent with a provision of the Cannabis Limited Charter Banking and Credit Union Law. By expanding the application of the California Credit Union Law, a willful violation of which is a crime, the bill would impose a state-mandated local program. The bill would require a cannabis limited charter bank or credit union to adopt policies and practices to achieve the principles and goals outlined in the federal Bank Secrecy Act and cooperate with the federal Financial Crimes Enforcement Network. The bill would prohibit a cannabis limited charter bank or credit union from engaging in banking activity with any other financial institution that lacks a limited purpose charter issued under these provisions.

This bill would authorize a cannabis limited charter bank or credit union to issue to an account holder special purpose checks that would be valid for only specified purposes. The bill would authorize a cannabis limited charter bank or credit union to cash the checks it has issued, including those presented by parties that are not account holders, as specified. The bill would permit these checks to be used for the payment of state and local fees and taxes, payment of rent on property leased by, or on behalf of, the account holder's cannabis business, payment of vendors physically located in California, as specified, and the purchase of state and local bonds, as specified. The bill would provide that a person or entity is not required to accept these checks. The bill would require a cannabis limited charter bank or credit union to obtain and maintain insurance at all times that it is engaged in business, subject to certain requirements including that the insurance be in an amount acceptable to the commissioner. The bill would authorize a cannabis limited charter bank or credit union to charge fees for its banking services, and would require, in these circumstances, that each limited charter bank and credit union conspicuously post on its internet website the types of fees and their amounts, as specified. The bill would authorize a cannabis limited charter bank or credit union to enter into an agreement with another licensee to form a banking network, subject to the approval of the commissioner, to facilitate the provision of cannabis banking services.

The bill would require the Department of Business Oversight to adopt emergency regulations and would prohibit the department from issuing a license for these purposes prior to July 1, 2020, except as specified. ~~The bill would require the department to provide a specified report to the Senate Committee on Banking and Financial Institutions and the Senate Committee on Governance and Finance.~~

The bill would make the Cannabis Limited Charter Banking and Credit Union Law inoperative if the federal government removes cannabis and cannabis-related substances from the federal schedule of controlled substances or enacts legislation that establishes protections for depository institutions that provide financial services to cannabis-related legitimate businesses. The bill would also require the department, if either of these events occur, to post notice of the occurrence on its internet website, send notice to both the Secretary of State and the Office of Legislative Counsel, and provide guidance for the orderly resolution of all cannabis limited charter banks or credit unions licensed, as specified.

The bill would also make a statement of legislative findings.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

*This bill would declare that it is to take effect immediately as an urgency statute.*

Vote: ~~majority~~<sup>2/3</sup>. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

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

1 SECTION 1. The Legislature finds and declares:

2 (a) In November 2016, California voters passed Proposition 64,  
3 the Control, Regulate and Tax Adult Use of Marijuana Act,  
4 authorizing recreational use of marijuana subject to specified limits.  
5 Medicinal cannabis use has been legal under California law since  
6 1996 with the passage of Proposition 215, the Compassionate Use  
7 Act of 1996.

8 (b) Since 1996, a network of producers, distributors, and  
9 dispensaries have developed in California to serve the needs of  
10 the medical cannabis community. All of these businesses are  
11 expected to expand, and new businesses are expected to join them,  
12 in order to serve recreational cannabis users.

13 (c) Cannabis remains illegal under federal law. The United  
14 States Drug Enforcement Administration classifies cannabis as a  
15 Schedule I drug. As a result, the majority of financial institutions  
16 that take deposits, including banks, thrifts, and credit unions, do  
17 not serve cannabis businesses. This status precludes  
18 cannabis-related businesses from depositing income in, or engaging  
19 in other banking-related activities with, federally insured and  
20 regulated financial institutions and from using a federal  
21 clearinghouse to process their payments.

22 (d) Since most financial institutions will not serve cannabis  
23 businesses because of the conflict of federal law with state law,  
24 these businesses are unable to open and use checking accounts,  
25 make or receive electronic payments, or accept credit or debit  
26 cards.

1 (e) While income from the sale of cannabis products is  
2 considered ill-gotten gains by the federal government, that income  
3 is still taxable. The Internal Revenue Service specifically states in  
4 Publication 525, Taxable and Nontaxable Income, that “(i)llegal  
5 income, such as money from dealing illegal drugs, must be included  
6 in your income on Form 1040, line 21, or on Schedule C or  
7 Schedule C-EZ (Form 1040) if from your self-employment  
8 activity.”

9 (f) The need for banking services for the cannabis industry is  
10 at an all-time high, given that the industry is now expected to  
11 generate more than \$8,000,000,000 in revenue annually.

12 (g) The lack of banking services has created both regulatory  
13 and public safety issues. State and local governments must be able  
14 to audit and perform accounting and other accountability functions  
15 affecting cannabis-related businesses. This is made significantly  
16 more difficult when the majority of transactions are completed  
17 with cash.

18 (h) With financial services unavailable to cannabis businesses,  
19 these businesses are less able to pay taxes and follow California  
20 regulations governing cannabis.

21 (i) Additionally, the lack of access to financial services has  
22 created public safety issues for businesses that need to pay high  
23 security costs to safeguard their income and their employees, who  
24 risk being robbed when managing and transporting cash.

25 (j) California voters have spoken in support of the new cannabis  
26 laws. Without a change in law regarding financial services,  
27 businesses providing services that are lawful under state law may  
28 elect to remain underground and not become regulated, tax-paying  
29 California businesses, as the voters intended.

30 (k) In furtherance of the will of the voters, the California  
31 government has a responsibility to enact appropriate implementing  
32 legislation for Proposition 64. The current conflict with federal  
33 law creates a significant problem requiring legislative attention.  
34 The state has a duty to provide a mechanism to help these lawful  
35 businesses to gain access to banking services that is consistent  
36 with the will of California voters.

37 SEC. 2. Section 99 of the Financial Code is amended to read:

38 99. This division, Division 1.1 (commencing with Section  
39 1000), Division 1.2 (commencing with Section 2000), Division  
40 1.6 (commencing with Section 4800), Division 2 (commencing

1 with Section 5000), Division 2.5 (commencing with Section  
2 11000), Division 5 (commencing with Section 14000), Division  
3 7 (commencing with Section 18000), and Division 15 (commencing  
4 with Section 31000) shall be known, and may be cited, as the  
5 “Financial Institutions Law.”

6 SEC. 3. Section 185 of the Financial Code is amended to read:

7 185. “Licensee” has the following meanings:

8 (a) Any bank authorized by the commissioner pursuant to  
9 Section 1042 to transact banking or trust business.

10 (b) Any industrial bank authorized by the commissioner pursuant  
11 to Section 1042 to transact industrial banking business.

12 (c) Any trust company authorized by the commissioner pursuant  
13 to Section 1042 to transact trust business.

14 (d) Any foreign (other nation) bank that is licensed under Article  
15 2 (commencing with Section 1780) of Chapter 20 or under Article  
16 3 (commencing with Section 1800) of Chapter 20.

17 (e) Any person licensed by the commissioner as a money  
18 transmitter pursuant to Division 1.2 (commencing with Section  
19 2000).

20 (f) Any person authorized by the commissioner to conduct the  
21 business of a savings association pursuant to Division 2  
22 (commencing with Section 5000).

23 (g) Any credit union authorized by the commissioner to conduct  
24 business pursuant to Section 14154.

25 (h) Any foreign (other state) credit union licensed by the  
26 commissioner to conduct business pursuant to Chapter 11  
27 (commencing with Section 16000) of Division 5.

28 (i) Any foreign (other nation) credit union licensed by the  
29 commissioner to conduct business pursuant to Chapter 12  
30 (commencing with Section 16500) of Division 5.

31 (j) Any industrial loan company authorized by the commissioner  
32 to conduct insurance premium finance business pursuant to  
33 Division 7 (commencing with Section 18000).

34 (k) Any corporation licensed by the commissioner as a business  
35 and industrial development corporation pursuant to Section 31154.

36 (l) Any cannabis limited charter bank or credit union authorized  
37 by the commissioner to conduct banking services pursuant to  
38 Division 2.5 (commencing with Section 11000).

39 SEC. 4. Section 301 of the Financial Code is amended to read:

1 301. (a) This chapter is applicable to this division, Division  
2 1.1 (commencing with Section 1000), Division 1.2 (commencing  
3 with Section 2000), Division 1.6 (commencing with Section 4800),  
4 Division 2.5 (commencing with Section 11000), Division 5  
5 (commencing with Section 14000), Division 7 (commencing with  
6 Section 18000), and Division 15 (commencing with Section  
7 31000).

8 (b) Except as provided in subdivision (c), this article, and  
9 Articles 2 (commencing with Section 320) and 3 (commencing  
10 with Section 350) are applicable to the administration of laws by  
11 the Division of Corporations.

12 (c) Sections 329, 330, 332, 335, 336, 357, 378, 379, and 381  
13 are not applicable to the Division of Corporations.

14 SEC. 5. Section 329 of the Financial Code is amended to read:

15 329. (a) For purposes of this section, the following definitions  
16 apply:

17 (1) “Applicable law” means:

18 (A) With respect to any bank, Division 1.6 (commencing with  
19 Section 4800), and any of the following provisions:

20 (i) Article 6 (commencing with Section 405) of Chapter 3.

21 (ii) Article 3 (commencing with Section 1130) of Chapter 5 of  
22 Division 1.1.

23 (iii) Chapter 6 (commencing with Section 1200) of Division  
24 1.1.

25 (iv) Chapter 10 (commencing with Section 1320) of Division  
26 1.1.

27 (v) Chapter 14 (commencing with Section 1460) of Division  
28 1.1.

29 (vi) Article 1 (commencing with Section 1530) of Chapter 15  
30 of Division 1.1.

31 (vii) Chapter 16 (commencing with Section 1550) of Division  
32 1.1.

33 (viii) Chapter 20 (commencing with Section 1750) of Division  
34 1.1.

35 (ix) Section 456.

36 (x) Section 457.

37 (xi) Section 459.

38 (xii) Section 460.

39 (xiii) Section 461.

40 (xiv) Section 1331.

- 1 (xv) Chapter 21 (commencing with Section 1850) of Division  
2 1.1.
- 3 (xvi) Chapter 18 (commencing with Section 1660) of Division  
4 1.1.
- 5 (xvii) Chapter 19 (commencing with Section 1670) of Division  
6 1.1.
- 7 (B) With respect to any savings association, any provision of  
8 Division 1.6 (commencing with Section 4800) and Division 2  
9 (commencing with Section 5000).
- 10 (C) With respect to any insurance premium finance agency, any  
11 provision of Division 7 (commencing with Section 18000).
- 12 (D) With respect to any business and industrial development  
13 corporation, any provision of Division 15 (commencing with  
14 Section 31000).
- 15 (E) With respect to any credit union, any of the following  
16 provisions:
- 17 (i) Section 14252.
- 18 (ii) Section 14253.
- 19 (iii) Section 14255.
- 20 (iv) Article 4 (commencing with Section 14350) of Chapter 3  
21 of Division 5.
- 22 (v) Section 14401.
- 23 (vi) Section 14404.
- 24 (vii) Section 14408, only as that section applies to gifts to  
25 directors, volunteers, and employees, and the related family or  
26 business interests of the directors, volunteers, and employees.
- 27 (viii) Section 14409.
- 28 (ix) Section 14410.
- 29 (x) Article 5 (commencing with Section 14600) of Chapter 4  
30 of Division 5.
- 31 (xi) Article 6 (commencing with Section 14650) of Chapter 4  
32 of Division 5, excluding subdivision (a) of Section 14651.
- 33 (xii) Section 14803.
- 34 (xiii) Section 14851.
- 35 (xiv) Section 14858.
- 36 (xv) Section 14860.
- 37 (xvi) Section 14861.
- 38 (xvii) Section 14863.
- 39 (F) With respect to any money transmitter, any provision of  
40 Division 1.2 (commencing with Section 2000).



1 (G) With respect to any cannabis limited charter bank or credit  
2 union, any provision of Division 2.5 (commencing with Section  
3 11000).

4 (2) “Licensee” means any bank, savings association, credit  
5 union, trust company, cannabis limited charter bank or credit union,  
6 money transmitter, insurance premium finance agency, or business  
7 and industrial development corporation that is authorized by the  
8 commissioner to conduct business in this state.

9 (b) Notwithstanding any other provision of this code that applies  
10 to a licensee or a subsidiary of a licensee, after notice and an  
11 opportunity to be heard, the commissioner may, by order that shall  
12 include findings of fact which incorporates a determination made  
13 in accordance with subdivision (e), levy civil penalties against any  
14 licensee or any subsidiary of a licensee who has violated any  
15 provision of applicable law, any order issued by the commissioner,  
16 any written agreement between the commissioner and the licensee  
17 or subsidiary of the licensee, or any condition of any approval  
18 issued by the commissioner. The commissioner shall have the sole  
19 authority to bring any action with respect to a violation of  
20 applicable law subject to a penalty imposed under this section.

21 Except as provided in paragraphs (1) and (2), any penalty  
22 imposed by the commissioner may not exceed one thousand dollars  
23 (\$1,000) per day, provided that the aggregate penalty of all offenses  
24 in any one action against any licensee or subsidiary of a licensee  
25 shall not exceed fifty thousand dollars (\$50,000).

26 (1) If the commissioner determines that any licensee or  
27 subsidiary of the licensee has recklessly violated any applicable  
28 law, any order issued by the commissioner, any provision of any  
29 written agreement between the commissioner and the licensee or  
30 subsidiary, or any condition of any approval issued by the  
31 commissioner, the commissioner may impose a penalty not to  
32 exceed five thousand dollars (\$5,000) per day, provided that the  
33 aggregate penalty of all offenses in an action against any licensee  
34 or subsidiary of a licensee shall not exceed seventy-five thousand  
35 dollars (\$75,000).

36 (2) If the commissioner determines that any licensee or  
37 subsidiary of the licensee has knowingly violated any applicable  
38 law, any order issued by the commissioner, any provision of any  
39 written agreement between the commissioner and the licensee or  
40 subsidiary, or any condition of any approval issued by the

1 commissioner, the commissioner may impose a penalty not to  
2 exceed ten thousand dollars (\$10,000) per day, provided that the  
3 aggregate penalty of all offenses in an action against any licensee  
4 or subsidiary of a licensee shall not exceed 1 percent of the total  
5 assets of the licensee or subsidiary of a licensee subject to the  
6 penalty.

7 (c) Nothing in this section shall be construed to impair or impede  
8 the commissioner from pursuing any other administrative action  
9 allowed by law.

10 (d) Nothing in this section shall be construed to impair or impede  
11 the commissioner from bringing an action in court to enforce any  
12 law or order the commissioner has issued, including orders issued  
13 under this section. Nothing in this section shall be construed to  
14 impair or impede the commissioner from seeking any other  
15 damages or injunction allowed by law.

16 (e) In determining the amount and the appropriateness of  
17 initiating a civil money penalty under subdivision (b), the  
18 commissioner shall consider all of the following:

19 (1) Evidence that the violation or practice or breach of duty was  
20 intentional or was committed with a disregard of the law or with  
21 a disregard of the consequences to the institution.

22 (2) The duration and frequency of the violations, practices, or  
23 breaches of duties.

24 (3) The continuation of the violations, practices, or breaches of  
25 duty after the licensee or subsidiary of the licensee was notified,  
26 or, alternatively, its immediate cessation and correction.

27 (4) The failure to cooperate with the commissioner in effecting  
28 early resolution of the problem.

29 (5) Evidence of concealment of the violation, practice, or breach  
30 of duty or, alternatively, voluntary disclosure of the violation,  
31 practice, or breach of duty.

32 (6) Any threat of loss, actual loss, or other harm to the  
33 institution, including harm to the public confidence in the  
34 institution, and the degree of that harm.

35 (7) Evidence that a licensee or subsidiary of a licensee received  
36 financial gain or other benefit as a result of the violation, practice,  
37 or breach of duty.

38 (8) Evidence of any restitution paid by a licensee or subsidiary  
39 of a licensee of losses resulting from the violation, practice, or  
40 breach of duty.

1 (9) History of prior violations, practices, or breaches of duty,  
2 particularly where they are similar to the actions under  
3 consideration.

4 (10) Previous criticism of the institution for similar actions.

5 (11) Presence or absence of a compliance program and its  
6 effectiveness.

7 (12) Tendency to engage in violations of law, unsafe or unsound  
8 financial institutions practices, or breaches of duties.

9 (13) The existence of agreements, commitments, orders, or  
10 conditions imposed in writing intended to prevent the violation,  
11 practice, or breach of duty.

12 (14) Whether the violation, practice, or breach of duty causes  
13 quantifiable, economic benefit or loss to the licensee or the  
14 subsidiary of the licensee. In those cases, removal of the benefit  
15 or recompense of the loss usually will be insufficient, by itself, to  
16 promote compliance with the applicable law, order, or written  
17 agreement. The penalty amount should reflect a remedial purpose  
18 and should provide a deterrent to future misconduct.

19 (15) Other factors as the commissioner may, in their opinion,  
20 consider relevant to assessing the penalty or establishing the  
21 amount of the penalty.

22 (f) The amounts collected under this section shall be deposited  
23 in the appropriate fund of the department. For purposes of this  
24 subdivision, the term “appropriate fund” means the fund to which  
25 the annual assessments of fined licensees, or the parent licensee  
26 of the fined subsidiary, are credited.

27 SEC. 6. Section 1003 of the Financial Code is amended to read:

28 1003. Except where explicitly stated or the context provides  
29 otherwise, this division is applicable to the following:

30 (a) All corporations engaging in commercial banking, industrial  
31 banking, or the trust business.

32 (b) All national banking associations authorized to transact  
33 business in this state to the extent that the provisions of this division  
34 are not inconsistent with and do not infringe paramount federal  
35 laws governing national banking associations.

36 (c) All cannabis limited charter banks or credit unions that elect  
37 to form under this division to the extent that the provisions of this  
38 division are not inconsistent with Division 2.5 (commencing with  
39 Section 11000).

1 (d) All other corporations that subject themselves to the special  
2 provisions and sections of this division.

3 (e) All other persons, associations, copartnerships, or  
4 corporations who, by violating any of its provisions, become  
5 subject to the penalties provided for in this division.

6 SEC. 7. Division 2.5 (commencing with Section 11000) is  
7 added to the Financial Code, to read:

8

9 DIVISION 2.5. CANNABIS LIMITED CHARTER BANKING  
10 AND CREDIT UNION LAW

11

12 CHAPTER 1. GENERAL PROVISIONS

13

14 Article 1. Short Title and Construction

15

16 11000. This division is known, and may be cited, as the  
17 Cannabis Limited Charter Banking and Credit Union Law.

18

19 Article 2. Definitions

20

21 11005. For purposes of this chapter:

22 (a) “Applicant” means a person or entity that submits an  
23 application to be licensed by the state to provide banking services  
24 to a cannabis business pursuant to this division.

25 (b) “Banking services” means the provision of depository  
26 services with respect to cash or other funds and the issuance and  
27 acceptance of special purpose checks, including the acceptance  
28 and maintenance of deposit proceeds, consistent with the  
29 requirements and limitations provided by this chapter.

30 (c) “Board” means the Cannabis Limited Charter Bank and  
31 Credit Union Advisory Board.

32 (d) “Cannabis business” means a person licensed to engage in  
33 commercial cannabis activity under Division 10 (commencing  
34 with Section 26000) of the Business and Professions Code. The  
35 term “cannabis business” also includes an ancillary business or  
36 profession that serves a person licensed to engage in commercial  
37 cannabis activity under Division 10 (commencing with Section  
38 26000) of the Business and Professions Code.

39 (e) “Cannabis limited charter bank or credit union” means a  
40 person that receives a license following the approval of an

1 application pursuant to Chapter 3 (commencing with Section  
2 11040).

3 (f) “Commissioner” means the Commissioner of Business  
4 Oversight.

5 (g) “Department” means the Department of Business Oversight.

6 (h) “Licensee” means a cannabis limited charter bank or credit  
7 union.

8

9

CHAPTER 2. ADMINISTRATION

10

11 Article 1. The Cannabis Limited Charter Bank and Credit Union  
12 Advisory Board

13

14 11010. (a) There is hereby created the Cannabis Limited  
15 Charter Bank and Credit Union Advisory Board. The board shall  
16 be comprised of the Treasurer, the Controller, and the Chief of the  
17 Bureau of Cannabis Control. The Director of Finance shall serve  
18 as an ex officio, nonvoting member. Board members shall not be  
19 compensated for their services.

20 (b) The board shall be generally responsible for ensuring that  
21 the Cannabis Limited Charter Banking and Credit Union Law  
22 provides a safe and efficient way to pay state and local taxes and  
23 fees, to pay rent associated with the account holder’s cannabis  
24 business, to issue special purpose checks, and legally invest in  
25 California’s economy, while reducing burdens placed on local  
26 government that result from collecting and managing large sums  
27 of cash.

28 11011. In light of the particular challenges arising from  
29 cannabis business activities, the department shall submit reports  
30 of enforcement activities to the board for review annually or as  
31 the board may require. The board shall meet once a year, or more  
32 often as needed, at the board’s discretion, to review enforcement  
33 activity reports from the department. These meetings shall be  
34 noticed and open to public comment. The board shall evaluate the  
35 reports and the comments of the public and draft recommended  
36 actions to be taken legislatively or administratively, which shall  
37 be submitted to the Legislature and Governor. Recommendations  
38 provided to the Legislature shall be submitted in compliance with  
39 Section 9795 of the Government Code.

1 11012. The board shall provide guidance and education to  
2 registered broker-dealers and licensed investment advisors on how  
3 to accommodate account holders of cannabis limited charter banks  
4 and credit unions in purchasing, holding, and selling any of the  
5 investments described in paragraph (4) of subdivision (b) of Section  
6 11050.

7  
8  
9

## Article 2. Licensing

10 11020. (a) A person may act as a cannabis limited charter bank  
11 or credit union after obtaining a license pursuant to this division.

12 (b) A cannabis limited charter bank or credit union license is  
13 not transferable or assignable.

14 11021. A licensee shall comply with all requirements of the  
15 Financial Institutions Law (Division 1 (commencing with Section  
16 99)) and either the Banking Law (Division 1.1 (commencing with  
17 Section 1000)) or the California Credit Union Law (Division 5  
18 (commencing with Section 14000)), as applicable, except to the  
19 extent that any requirement of those laws are inconsistent with a  
20 provision of this division, in which case the provisions of this  
21 division shall prevail.

22 11025. A cannabis limited charter bank or credit union shall  
23 adopt policies and practices that allow it to achieve the principles  
24 and goals outlined in the federal Bank Secrecy Act (~~commencing~~  
25 ~~with 31~~ (31 U.S.C. Sec. 5311) and cooperate with the federal  
26 Financial Crimes Enforcement Network.

27 11026. The department shall adopt emergency regulations  
28 pursuant to Chapter 3.5 (commencing with Section 11340) of Part  
29 1 of Division 3 of Title 2 of the Government Code to implement  
30 this division. The adoption of these regulations is deemed to be  
31 an emergency and necessary for the immediate preservation of the  
32 public peace, health, or safety.

33 11027. (a) Except as provided in subdivision ~~(e)~~, (b), the  
34 department shall not issue a license under this chapter before July  
35 1, 2020.

36 ~~(b) On or before June 30, 2020, the department shall report to~~  
37 ~~the Senate Committee on Banking and Financial Institutions and~~  
38 ~~the Senate Committee on Governance and Finance regarding the~~  
39 ~~status of the regulations and the implementation of this chapter.~~

40 (e)

1 (b) Notwithstanding *subdivision* (a), the department may issue  
2 a license under this chapter before July 1, 2020, if the following  
3 conditions are met:

4 (1) The regulations required by Section 11026 have been  
5 adopted.

6 ~~(2) The report required by subdivision (b) has been received by~~  
7 ~~the Senate Committee on Banking and Financial Institutions and~~  
8 ~~the Senate Committee on Governance and Finance.~~

9 ~~(3) The Senate Committee on Banking and Financial Institutions~~  
10 ~~and the Senate Committee on Governance and Finance have met~~  
11 ~~in an open and public meeting to consider the report required by~~  
12 ~~subdivision (b).~~

13 ~~(4)~~

14 (2) The Commissioner of Business Oversight makes a written  
15 finding that the requirements of paragraphs (1) to (3), inclusive,  
16 ~~have requirement in paragraph (1) has~~ been met and the  
17 department is prepared to issue licenses, consistent with the  
18 regulations required by Section 11026, and posts the written finding  
19 on the department’s internet website.

20

21

### CHAPTER 3. APPLICATION

22

23 11040. An applicant that desires to be licensed to act as a  
24 cannabis limited charter bank or credit union pursuant to this  
25 division shall submit a completed application to the department  
26 in a form prescribed by the commissioner that satisfies the  
27 requirements of this chapter. An applicant that desires to be  
28 licensed to act as a limited charter bank or credit union pursuant  
29 to this division shall elect to form under either the Banking Law  
30 (Division 1.1 (commencing with Section 1000)) or the California  
31 Credit Union Law (Division 5 (commencing with Section 14000)),  
32 and shall comply with all requirements imposed by those laws, as  
33 applicable, except to the extent any requirement of those laws is  
34 inconsistent with the provisions of this chapter.

35 11042. The department may charge an applicant a reasonable  
36 fee for a cannabis limited charter bank or credit union license, not  
37 to exceed the costs of regulation.

## CHAPTER 4. AUTHORIZATIONS

1  
2  
3 11050. (a) A cannabis limited charter bank or credit union  
4 may issue to an account holder special purpose checks that shall  
5 be valid for only the purposes specified in subdivision (b). The  
6 following text shall be printed on each check in at least 12-point  
7 type, with the name of the issuing bank included: “This check is  
8 issued by [insert name of bank] and may only be deposited or  
9 cashed at this cannabis limited charter bank or credit union or  
10 another cannabis limited charter bank or credit union that agrees  
11 to accept the check.”

12 (b) Subject to the limitations of subdivision (d), a special  
13 purpose check issued by a cannabis limited charter bank or credit  
14 union may only be used for the following purposes:

15 (1) To pay fees or taxes to the state or a local jurisdiction.  
16 (2) To pay rent on property that is leased by, or on behalf of,  
17 the account holder’s cannabis business.  
18 (3) To pay a vendor that is physically located in California for  
19 expenses related to goods and services associated with the account  
20 holder’s cannabis business.  
21 (4) To purchase the following:

22 (A) Bonds, interest-bearing notes, or interest-bearing warrants  
23 of this state for which the faith and credit of this state are pledged  
24 for the payment of principal and interest.  
25 (B) Bonds or warrants, including, but not limited to, revenue  
26 warrants, of any county, city, metropolitan water district, California  
27 water district, California water storage district, irrigation district  
28 in the state, municipal utility district, or school district of this state.

29 (c) Subject to the limitations of subdivision (d), state and local  
30 government offices are authorized to accept a special purpose  
31 check issued by a cannabis limited charter bank or credit union.

32 (d) An individual or entity, private or public, is not required to  
33 accept a special purpose check issued by a cannabis limited charter  
34 bank or credit union pursuant to this section.

35 (e) A cannabis limited charter bank or credit union is authorized  
36 to cash a special purpose check presented to it by a person or entity  
37 that is not an account holder, if that limited charter bank or credit  
38 union previously issued that special purpose check to an account  
39 holder, and the check was used for one of the authorized purposes  
40 specified in subdivision (b).



1 11052. A cannabis limited charter bank or credit union shall  
2 obtain and maintain private insurance in an amount acceptable to  
3 the commissioner for the cannabis depository institution and its  
4 assets at all times while it is engaged in banking services. Private  
5 insurance shall not be unsatisfactory to the commissioner. In  
6 seeking and retaining private insurance, a cannabis limited charter  
7 bank or credit union may do all things and assume and discharge  
8 all obligations required of it that are not in conflict with state law.

9 11054. A cannabis limited charter bank or credit union may  
10 enter into an agreement with one or more other limited charter  
11 licensees in order to form a banking network. That agreement shall  
12 be subject to the approval of the commissioner. The network shall  
13 be for the purpose of assisting each other in providing services to  
14 cannabis businesses and each other. A network of this type shall  
15 not include any institution that is not a licensee under this division.

16 11056. A cannabis limited charter bank or credit union may  
17 provide accounts to people and entities other than cannabis  
18 businesses, pursuant to rules that may be adopted by the  
19 commissioner.

20 11058. A cannabis limited charter bank or credit union may  
21 charge fees for the banking services that it provides. Each cannabis  
22 limited charter bank and credit union that charges fees shall  
23 conspicuously post on its internet website the types of fees, and  
24 the amounts of fees, it charges for its services, in a format intended  
25 to provide transparency.

26  
27 CHAPTER 5. PROHIBITED PRACTICES  
28

29 11100. (a) A cannabis limited charter bank or credit union  
30 shall not engage in banking activity with any other financial  
31 institution that lacks a limited purpose charter issued under this  
32 division.

33 (b) A cannabis limited charter bank or credit union shall not  
34 engage in any activity under Division 1.1 (commencing with  
35 Section 1000) or Division 5 (commencing with Section 14000)  
36 other than activity required to accept deposits and perform actions  
37 described in Chapter 4.

CHAPTER 6. OPERATIVE CONDITIONS

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11101. (a) This division shall become inoperative if either of the following occurs, whichever occurs first:

(1) The federal government, by legislative or executive action, removes cannabis and cannabis-related substances from the schedule of controlled substances, as defined in the Controlled Substances Act (21 U.S.C. Sec. 812; 21 C.F.R. ~~Pt.~~ 1308).

(2) The federal government enacts legislation that establishes protections for depository institutions that provide financial services to cannabis-related legitimate businesses.

(b) Within 30 days of the occurrence of either event set forth in paragraph (1) or (2) of subdivision (a), the department shall do both of the following:

(1) Post notice of that occurrence on the homepage of its internet website, and send notice to both the Secretary of State and the Office of Legislative Counsel.

(2) Provide guidance for the orderly resolution of all cannabis limited charter banks or credit unions licensed pursuant to this division. The resolution may involve, but is not limited to, conversion to a state bank pursuant to Division 1.1 (commencing with Section 1000), conversion to a state credit union pursuant to Division 5 (commencing with Section 14000), or a sale, merger, or conversion pursuant to Division 1.6 (commencing with Section 4800).

SEC. 8. Section 14001.1 of the Financial Code is amended to read:

14001.1. This division is applicable to any person, other than a federal credit union engaging in the business of a credit union in this state. For purposes of this division, “person” shall have the meaning set forth in Section 5065 of the Corporations Code. This division is also applicable to any cannabis limited charter bank or credit union that elects to form under this division except to the extent that the provisions of this division are inconsistent with Division 2.5 (commencing with Section 11000).

SEC. 9. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty

1 for a crime or infraction, within the meaning of Section 17556 of  
2 the Government Code, or changes the definition of a crime within  
3 the meaning of Section 6 of Article XIII B of the California  
4 Constitution.

5 *SEC. 10. This act is an urgency statute necessary for the*  
6 *immediate preservation of the public peace, health, or safety within*  
7 *the meaning of Article IV of the California Constitution and shall*  
8 *go into immediate effect. The facts constituting the necessity are:*

9 *In order to eliminate public safety issues presented with*  
10 *managing and transporting cash because of the lack of access to*  
11 *financial services for cannabis businesses, to enable state and*  
12 *local governments to accurately perform accounting and other*  
13 *regulatory functions over the cannabis industry, and to enable*  
14 *cannabis businesses to comply with laws regulating the cannabis*  
15 *industry, it is necessary that this bill take effect immediately.*

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**Senate Bill 51**  
**Banking for the Cannabis Industry**  
As Introduced on December 4, 2018

Attachment 2

**SUMMARY**

SB 51 creates a limited-purpose, state-chartered bank license that would be administered and regulated by the Department of Business Oversight. Privately-funded banks that receive this charter would be able to provide limited banking services to licensed cannabis and cannabis-related businesses. Under SB 51, banks could issue checks to accountholders to be used only for the following purposes:

- Pay state and local taxes and fees,
- Pay vendors from California for goods and services provided to the cannabis business,
- Pay rent, and
- Purchase state and local bonds and other debt instruments.

**ISSUE**

In 1996, the passage of Proposition 215 legalized the use and consumption of medical marijuana in California, and the passage of Proposition 64 legalized the recreational use of cannabis by adults as of January 2018. However, due to cannabis' federal classification as a Schedule I drug, cannabis-related businesses are not able to deposit income with federally-insured financial institutions. The cannabis industry is expected to generate between \$8-20 billion annually. This is a massive industry that we can only expect will continue to grow; yet cultivation, distribution, and retail businesses alike have been forced to operate on a cash-only basis. This is not only impractical from an accounting perspective, but also presents a significant public safety issue.

During the first quarter of 2018 alone, the state collected almost \$34 million in marijuana sales taxes, and the Department of Finance estimates that the state will collect \$600 million in cannabis taxes in the upcoming fiscal year. However, unlike most businesses, those in the cannabis industry arrive to government offices with duffel bags of cash to fulfill their tax obligations. Standard oversight and accountability measures, like audits, become very difficult when most transactions are completed in cash. Additionally, these businesses face security risks because of the volume of cash in their possession. SB 51 is an integral step toward integrating cannabis-related businesses into the California economy in a safe and transparent manner.

**SB 51 (HERTZBERG)**

SB 51 allows cannabis-related businesses to open accounts and deposit income in banks that hold a limited purpose state charter created under this bill. The bill also authorizes these banks to obtain private insurance, in lieu of Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) insurance. SB 51 also creates an advisory board composed of the State Treasurer, Controller and the Chief of the Bureau of Cannabis Control as members, and the Director of the Department of Finance as an ex officio, nonvoting member. The Department of Business Oversight would be required to adopt emergency regulations and could not issue bank or credit union licenses before July 1, 2020.

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
SB 53**

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<b>Subject:</b>	Open Meetings	<b>CBA Position:</b>	<b>OPPOSE</b>
<b>Version:</b>	March 5, 2019	<b>Author:</b>	Wilk
<b>Status:</b>	Assembly Governmental Organization Committee	<b>Sponsor:</b>	Author

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### **Summary**

SB 53 (**Attachment 1**) amends the Bagley-Keene Open Meeting Act (Act) so that two-member advisory committees are considered to be a “state body,” therefore requiring them to comply with the various provisions of the Act. If signed into law, SB 53 would take effect immediately upon its approval.

### **Recommendation**

**Maintain Oppose Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Oppose position on SB 53. Staff request the CBA approve the proposed amendments that would mitigate the bill’s impact to the CBA (see **Analysis** section for further information).

### **Background**

#### Bagley-Keene Open Meeting Act

Whenever a state body meets, the Act requires those bodies to take certain actions prior to, during, and after a meeting, including:

- Issue a public notice at least 10 days in advance;
- Prepare formal agendas;
- Conduct meetings in public;
- Accept public testimony;
- Record the meeting; and
- Publish meeting minutes.

Under current law, the CBA and its committees, such as the Peer Review Oversight Committee (PROC), Qualifications Committee (QC), Enforcement Advisory Committee (EAC), and Mobility Stakeholder Group, are all state bodies and subject to the Act. Further, advisory committees established by the CBA, that consist of three or more members, are considered a state body and subject to the Act.

Government Code section 11126(f)(3) specifically authorizes the EAC to meet in closed session to consider disciplinary action against an individual CPA prior to the filing of an accusation against that CPA. Further, this statute authorizes the QC to meet in closed session to interview an individual applicant or CPA regarding the applicant’s qualifications. There is no similar authority for the PROC to conduct aspects of its business in closed session.

## **Analysis**

According to the author's fact sheet (**Attachment 2**), multiple state agencies have used a misinterpretation in the law so they "...can hold closed door meetings as long as they contain two rather than three members and do not vote to take action on items. These agencies purposefully limit their standing committees to two members for the explicit purpose of avoiding open meeting requirements."

### CBA Committee Use of Advisory Bodies

The CBA acts in an open and transparent manner, consistent with the Act. SB 53 would have substantive impacts to the CBA's operations, as the CBA uses advisory bodies to research or investigate specific issues and advise the full board or committee at a public meeting. These advisory bodies cannot take official actions independently.

During the 2017-18 fiscal year, the QC and PROC held multiple two-person advisory meetings related to the review of applications for licensure and oversight of the peer review program, respectively. As those meetings involved two members, or fewer, of QC and PROC, the meetings were not subject to the Act. If SB 53 is signed into law, those meetings may cease or may be subject to the Act.

### Effect on CBA Outreach and Communication Efforts

CBA outreach and communication efforts that involve more than one CBA member could be impacted by SB 53. For example, any discussions with the Governor's Administration or members of the Legislature, or attendance at an outreach event, that involve more than one CBA member may be subject to the Act.

### Concerns of Other DCA Boards

The California Veterinary Medical Board recently adopted an Oppose position on SB 53. In their letter (**Attachment 3**), that board raises a new concern about the impact of SB 53:

"In addition, the Board is concerned SB 53 would subject all meetings, discussions, and communications involving Executive Officers (EOs) and a single Board member to all of the public meeting requirements of the Bagley-Keene. To effectively carry out the Board's mission, policies, and day-to-day activities, EOs frequently communicate with the Board President and/or individual members. Further, the Board President (or another Board member) and the EO often participate in meetings with legislative members and/or their staff regarding legislation impacting the Board, its licensees, consumers, and animals, and assisting legislative members and their staff with bill amendments and negotiations with stakeholders."

Their letter further states:

"This provision will result in any meeting where a Board member is present, because of their official capacity as a representative of the Board, with just one other person, who could be a legislative member, the Board's EO, a Board staff member, the Director of the Department of Consumer Affairs (DCA), a national association representative, or even a person who provides DCA Board member

training, would have to be noticed and held as a public meeting. This will severely hinder the Legislature's, EO's, and Board's ability to operate and protect consumers."

Proposed Amendments

To mitigate the impact that SB 53 would have on CBA operations, staff request CBA approval of the following amendments. If approved by the CBA, staff would contact the author's office and the Assembly Governmental Organization Committee to advocate for amendments that would do the following:

1. Exempt from the bill communications, discussions, or meetings between staff of the CBA, DCA, or elsewhere within the Governor's Administration and a single member of the CBA or a CBA committee
2. Exempt from the bill PROC administrative site visits associated with an entity that administers a peer review program to ensure the entity is operating in accordance with standards adopted by the CBA
3. Continue to allow two CBA members or CBA committee members to participate in outreach events or discussions with the Legislature

SB 53 is expected to next be heard in the Assembly Governmental Organization Committee, as early as Wednesday, June 12, 2019. CBA staff will work with the members of that committee and attend a hearing to advocate for the CBA's position.

**Fiscal Estimate**

CBA staff will provide a estimated fiscal impact at the CBA meeting.

**Support/Opposition**

Support: CalAware  
California Association of Licensed Investigators  
California Newspaper Publishers Association

Opposition: California Board of Accountancy  
California Veterinary Medical Board

**Effective/Operative Date**

This is an urgency statute and becomes effective immediately upon signing by the Governor.

**Related Bills**

- AB 85 (Wilk), 2015-16 Legislative Session. Would have the same impact as SB 53. (Vetoed)
- AB 2058 (Wilk), 2013-14 Legislative Session, Amended the definition of "state body" to clarify that standing committees, even if composed of less than three members, are a "state body" for the purposes of the Act. (Vetoed)

- AB 2720 (Ting), Chapter 502, Statutes of 2014. Amended the Act to require a state body to publicly report any action taken at an open meeting, and the vote or abstention on that action, of each member present for the action.
- AB 245 (Grove), 2013-2014 Legislative Session. Would have repealed the exemption from the Act enacted in 2012 for the Western Climate Initiative (WCI) and instead would have subjected the WCI and its appointees to the Act when performing their duties. (Was not approved by the Legislature)
- AB 527 (Gaines), 2013-2014 Legislative Session. Would have repealed the exemption from the Bagley-Keene Open Meeting Act enacted in 2012 for the Western Climate Initiative (WCI) and provided that a contract between the state and WCI shall be subject to audit by the State Auditor. (Vetoed)
- AB 192 (Canciamilla), Chapter 243, Statutes of 2001. Made various changes to the Bagley-Keene Open Meeting Act, which governs meetings held by state bodies, to make it consistent with provisions of the Ralph M. Brown Act, which governs meetings of legislative bodies of local agencies.
- SB 95 (Ayala), Chapter 949, Statutes of 1997. Made numerous changes to the BagleyKeene Act by expanding the notice, disclosure and reporting requirements for open and closed meetings of state bodies.

**Attachments**

1. SB 53
2. SB 53 Fact Sheet
3. California Veterinary Medical Board SB 53 Oppose Letter



AMENDED IN SENATE MARCH 5, 2019

**SENATE BILL**

**No. 53**

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**Introduced by Senator Wilk**

~~(Coauthor: Assembly Member Lackey)~~

**(Coauthors: Senators Bates, Glazer, Jones, and Portantino)**

*(Coauthors: Assembly Members Choi, Gallagher, Lackey, Mathis, and  
Patterson)*

December 10, 2018

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An act to amend Section 11121 of the Government Code, relating to state government, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 53, as amended, Wilk. Open meetings.

The Bagley-Keene Open Meeting Act requires that all meetings of a state body, as defined, be open and public and that all persons be permitted to attend and participate in a meeting of a state body, subject to certain conditions and exceptions.

This bill would specify that the definition of "state body" includes an advisory board, advisory commission, advisory committee, advisory subcommittee, or similar multimember advisory body of a state body that consists of 3 or more individuals, as prescribed, except a board, commission, committee, or similar multimember body on which a member of a body serves in ~~his or her~~ *their* official capacity as a representative of that state body and that is supported, in whole or in part, by funds provided by the state body, whether the multimember body is organized and operated by the state body or by a private corporation.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . 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 11121 of the Government Code is  
2 amended to read:

3 11121. As used in this article, “state body” means each of the  
4 following:

5 (a) Every state board, or commission, or similar multimember  
6 body of the state that is created by statute or required by law to  
7 conduct official meetings and every commission created by  
8 executive order.

9 (b) A board, commission, committee, or similar multimember  
10 body that exercises any authority of a state body delegated to it by  
11 that state body.

12 (c) An advisory board, advisory commission, advisory  
13 committee, advisory subcommittee, or similar multimember  
14 advisory body of a state body, if created by formal action of the  
15 state body or of any member of the state body, and if the advisory  
16 body so created consists of three or more persons, except as  
17 provided in subdivision (d).

18 (d) A board, commission, committee, or similar multimember  
19 body on which a member of a body that is a state body pursuant  
20 to this section serves in ~~his or her~~ *their* official capacity as a  
21 representative of that state body and that is supported, in whole or  
22 in part, by funds provided by the state body, whether the  
23 multimember body is organized and operated by the state body or  
24 by a private corporation.

25 (e) Notwithstanding subdivision (a) of Section 11121.1, the  
26 State Bar of California, as described in Section 6001 of the  
27 Business and Professions Code. This subdivision shall become  
28 operative on April 1, 2016.

29 SEC. 2. This act is an urgency statute necessary for the  
30 immediate preservation of the public peace, health, or safety within  
31 the meaning of Article IV of the California Constitution and shall  
32 go into immediate effect. The facts constituting the necessity are:

1 In order to avoid unnecessary litigation and ensure the people's  
2 right to access the meetings of public bodies pursuant to Section  
3 3 of Article 1 of the California Constitution, it is necessary that  
4 this act take effect immediately.

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# SENATOR SCOTT WILK

## SENATE DISTRICT 21

Attachment 2



### SB 53: OPEN MEETINGS

#### ISSUE

Current law requires all standing committees of a local government entity or of the Legislature to hold meetings that are open to the public whether or not the standing committee takes action. However, existing law is slightly ambiguous for state bodies, resulting in some state agencies using this as a loophole. Multiple state agencies have used this misinterpretation to mean that standing committees can hold closed door meetings as long as they contain two rather than three members and do not vote to take action on items. These agencies purposefully limit their standing committees to two members for the explicit purpose of avoiding open meeting requirements.

#### BACKGROUND

The Government Code contains two parallel open meeting statutes: the Ralph M. Brown Act for legislative bodies of local governments and the Bagley-Keene Open Meeting Act for state board and commissions. Prior to 1993, the Brown Act contained language very similar to the current language in the Bagley-Keene Act regarding standing committees. However, in the 1990s, after a local government entity attempted to claim a loophole existed for two-member standing committees, the legislature promptly removed any ambiguity on the matter from the Brown Act [SB 1140 (Calderon) (Chapter 1138, Statutes of 1993)]. A conforming change was not made, however, to the Bagley-Keene Act, as no change was thought necessary at the time.

Both AB 2058 (Wilk, 2014) and AB 85 (Wilk, 2015) would have fixed this ambiguity and aligned the definitions in the Bagley-Keene Act with those in the Brown Act. Both were passed unanimously by the legislature with Governor Brown vetoing the measures, claiming they expanded on current law.

This leaves ambiguity in the Bagley-Keene Act, allowing state bodies to continue to deliberate and direct staff behind closed doors. These state agencies are allowing standing committees to interpret the language of the Bagley-Keene Act in a manner that is contrary to the intent of the Legislature and the public; that the government at all levels must conduct its business visible and transparent manner.

#### BILL SUMMARY

SB 53 would:

- Affirm Legislative intent that, declaratory of existing law, a two-member committee is a "state body".
- Clarify the language of the statute explaining that when two-member advisory committees are acting in an official capacity of a state body and are funded in whole or part by the state body, they are also subject to the full provisions of the Bagley-Keene Open Meeting Act

#### FOR MORE INFORMATION

**Staff:** Baltazar Cornejo  
Phone: 916-651-4021  
State Capitol Room: 3063  
Email: [Baltazar.Cornejo@sen.ca.gov](mailto:Baltazar.Cornejo@sen.ca.gov)



April 26, 2019

Attachment 3

Honorable Senator Scott Wilk  
State Capitol, Room 3063  
Sacramento, California 95814

Re: Senate Bill (SB) 53 (Wilk, 2019) - OPPOSE

Dear Senator Wilk:

The Veterinary Medical Board (Board) strongly supports transparency and the need for public participation and oversight of state entities. However, SB 53 will negatively impact the Board's ability to adequately and efficiently protect California consumers and animals. Therefore, the Board respectfully opposes SB 53.

The Board regulates the largest population of veterinarians and registered veterinary technicians in the nation. Its mission is to protect consumers and animals by regulating licensees, promoting professional standards, and diligently enforcing the Veterinary Medicine Practice Act (Act). Public protection is the Board's highest priority 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 is paramount.

The Board often relies on two-member subcommittees to conduct research, investigate potential issues, draft documents and provide summaries to the full Board or its committees for further consideration and discussion. These subcommittees have absolutely no decision-making authority. Relying on two members to conduct this pre-work enables the Board to have thoughtful, well-researched deliberations with the public and, ultimately, make public decisions in the best interest of consumers and animals in a more expedient manner.

Requiring these subcommittees to be subject to the Bagley-Keene Open Meeting Act (Bagley-Keene) every time they have a discussion would be overly burdensome, costly, and significantly delay consumer protection. This would ultimately result in the elimination of these subcommittees. Thereby, all workload would either be shifted to Board staff, who are already struggling with an unsustainable workload, or not be completed at all.

In addition, the Board is concerned SB 53 would subject all meetings, discussions, and communications involving Executive Officers (EOs) and a single Board member to all of the public meeting requirements of the Bagley-Keene. To effectively carry out the Board's mission, policies, and day-to-day activities, EOs frequently communicate with the Board President and/or individual members. Further, the Board President (or another Board member) and the EO often participate in meetings with legislative members and/or their staff regarding legislation impacting the Board, its licensees, consumers, and animals, and

assisting legislative members and their staff with bill amendments and negotiations with stakeholders.

EOs and individual Board members also conduct outreach events and attend meetings to educate students, applicants, faculty members, associations, state and federal government agencies and licensees on the Board, its processes, statutes, regulations, and matters impacting the profession and consumers. The Board's EO and members also participate in national meetings, such as the American Association of Veterinary State Boards, impacting national policy decisions related to regulating the practice of veterinary medicine. These events and meetings are imperative to fulfilling the Board's consumer protection mission.

The Senate Floor Analysis of SB 53 states that the purpose of the bill is to establish that "any multimember body that is funded by a state body, created by formal action, or served by a state official is defined as a state body and falls under the scope of the Bagley-Keene [emphasis added]." With respect to the term "state official," the bill provides that a "member of a body that is a state body pursuant to [the Bagley-Keene] serves in their official capacity as a representative of the state body" would be subject to the Bagley-Keene public meeting requirements.

This provision will result in any meeting where a Board member is present, because of their official capacity as a representative of the Board, with just one other person, who could be a legislative member, the Board's EO, a Board staff member, the Director of the Department of Consumer Affairs (DCA), a national association representative, or even a person who provides DCA Board member training, would have to be noticed and held as a public meeting. This will severely hinder the Legislature's, EO's, and Board's ability to operate and protect consumers.

For these reasons, the Board strongly opposes SB 53.

Sincerely,



Jaymie Noland, DVM, President  
Veterinary Medical Board



Cheryl Waterhouse, DVM, Vice-President  
Veterinary Medical Board

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
SB 601**

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<b>Subject:</b>	State agencies: licenses: fee waiver.	<b>CBA Position:</b>	<b>SUPPORT</b>
<b>Version:</b>	March 28, 2019	<b>Author:</b>	Morrell
<b>Status:</b>	Senate Appropriations Committee	<b>Sponsor:</b>	Author

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### **Summary**

Senate Bill (SB) 601 (**Attachment 1**) would authorize any state agency that issues any business license to reduce or waive any required fees for licensure, renewal of licensure, or replacement of a physical license for display for an individual or business within one year of being displaced or affected by a declared state or federal emergency.

### **Recent Amendments**

On March 28, 2019, SB 601 was amended, as follows:

- Clarifies that the provisions of the bill are effective upon a proclamation of a state emergency or declaration of a federal emergency.
- States that a person or business may benefit under the legislation if they are displaced or affected by the proclaimed or declared emergency.

### **Recommendation**

**Maintain Support Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Support position on SB 601.

### **Background**

According to the author (**Attachment 2**), in recent years, California has seen several of the most damaging and costly natural disasters in history. These disasters have decimated local economies and business, affecting more than 380,000 businesses identified by the Federal Emergency Management Agency.

The author indicates that the California State Board of Optometry (CSBO) already possesses the authority within Business and Professions Code section 3057(c) (**Attachment 3**) to reduce or waive fees for a person displaced by a federally declared emergency. The author believes the CSBO authority is “a powerful tool to encourage economic recovery in the wake of such a devastating year for Californians that ought to be expanded to all professions.”

## **Analysis**

SB 601 authorizes a state agency to reduce or waive certain fees within one year of a declared emergency, as defined in Government Code section 8558 (**Attachment 4**), if a person or business can establish to the satisfaction of a state agency that they were displaced by that emergency.

A state agency that issues business licenses would be authorized, but not required, to waive or reduce the following fees:

- Initial licensure
- Renewal of a license
- Replacement of a physical license for display or other document required to engage in business

Presently, the CBA's initial licensure and license renewal fees are \$120, but a pending rulemaking would increase those amounts to \$250. The CBA charges \$10 to issue a replacement wall certificate.

## **Fiscal Estimate**

The fiscal impact to the CBA is unknown. Any costs associated with this bill would be impacted by the frequency and severity of future disasters. If the CBA elects to not exercise the authority granted by the bill, it would have no cost impact.

## **Support/Opposition**

Support: None on file.

Opposition: None on file.

## **Effective/Operative Date**

January 1, 2020.

## **Related Bills**

None.

## **Attachments**

1. SB 601
2. SB 601 Fact Sheet
3. Business and Professions Code section 3057(c)
4. Government Code section 8558



AMENDED IN SENATE MARCH 28, 2019

**SENATE BILL**

**No. 601**

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**Introduced by Senator Morrell**  
*(Coauthors: Senators Bates, Borgeas, and Nielsen)*  
*(Coauthors: Assembly Members Dahle and Mathis)*

February 22, 2019

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An act to add Section 11009.5 to the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

SB 601, as amended, Morrell. State agencies: licenses: fee waiver.

Existing law requires various licenses to be obtained by a person before engaging in certain professions or vocations or business activities, including licensure as a healing arts professional by various boards within the Department of Consumer Affairs.

This bill would authorize any state agency that issues any business license to reduce or waive any required fees for licensure, renewal of licensure, or the replacement of a physical license for display if a person or business establishes to the satisfaction of the state agency that the person or business has been displaced *or affected* by a declared ~~emergency~~, *federal emergency or proclaimed state emergency*, as defined.

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 11009.5 is added to the Government
- 2 Code, to read:

- 1 11009.5. (a) Notwithstanding any other law, a state agency  
2 that issues any business license may, within one year of the  
3 ~~declaration~~ *proclamation* of an emergency as defined in Section  
4 ~~8558, 8558~~ *or a declared federal emergency*, reduce or waive any  
5 required fees for licensure, renewal of licensure, or the replacement  
6 of a physical license for display if a person or business establishes  
7 to the satisfaction of the state agency that the person or business  
8 has been displaced *or affected* by the *proclaimed or* declared  
9 emergency.
- 10 (b) For purposes of this section, “license” includes, but is not  
11 limited to, a certificate, registration, or other required document  
12 to engage in business.



# Senate California Legislature

**Mike Morrell**  
Senator, Twenty-Third District

## SB 601: License Fee Waivers for Businesses Affected by Emergencies

### BILL SUMMARY

SB 601 would authorize any state agency that issues a business or occupational license to reduce or waive fees for licensure, renewal of licensure, or replacement of a physical license for display, if a person or business has been displaced by a state or federally declared emergency within one year of the incident.

expenses pile up as victims must replace important documents and possessions, including licensing documents. Many of them lose everything and struggle to rebuild their lives and businesses. Anything the state can do to relieve pressure on those affected and ease their transition back to normalcy ought to be of the highest priority.

### BACKGROUND

In recent years, California has seen several of the most damaging and costly natural disasters in history. Among these were the Tubbs Fire which destroyed at least 8,400 structures and cost more than \$1 billion in insurance liability, the Southern California mud and debris flows which claimed 21 lives and damaged well over 400 structures, and the Camp Fire which claimed 85 lives and destroyed more than 18,800 structures.

According to the Institute for Justice, the average amount spent on licensing fees in California is \$486 and many occupations require a physically displayed license in the workplace. California is among the most onerously regulated economies in the nation and disaster victims often have neither the time nor resources to navigate the necessary steps to get back to work. They have already gone through the regulatory process to initially become licensed and whatever can be done to streamline the process of helping them get back to work will benefit the state's economy as it recovers from emergencies.

These disasters have decimated local economies and businesses, affecting an estimated 381,784 businesses identified by FEMA across nine counties: Butte, Lake, Mendocino, Napa, Nevada, Orange, Solano, Sonoma, and Yuba.

### SOLUTION

SB 601 would allow state licensing entities to reduce or waive the fees associated with licensure, including renewal of licensure or replacement of a physical license for display, in cases where a business has been displaced by a state or federally declared emergency within one year of the incident.

In an effort to streamline economic recovery efforts, there is precedent within the Business and Professions Code that empowers the Board of Optometry to reduce or waive fees for a person who is displaced by a federal or state emergency to encourage getting them back to work as soon as possible. This is a powerful tool to encourage economic recovery in the wake of such a devastating year for Californians that ought to be expanded to all professions.

### SUPPORT

R Street Institute (sponsor)

### BILL STATUS

**Introduced – 2/22/2019**

### PROBLEM

As evidenced by the recent fires that wreaked havoc throughout the state, Californians affected by disasters are severely economically disadvantaged. In the aftermath,



**California Board of Accountancy**  
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*phone:* (916) 263-3680    *fax:* (916) 263-3675    *web:* [www.cba.ca.gov](http://www.cba.ca.gov)



Attachment 3

**Business and Professions Code,  
Division 2. Healing Arts  
Chapter 7. Optometry  
Section 3057 (c). Requirements for Licensure**

**§3057 (c).** In cases where the person establishes, to the board's satisfaction, that he or she has been displaced by a federally declared emergency and cannot relocate to his or her state of practice within a reasonable time without economic hardship, the board may reduce or waive the fees required by paragraph (12) of subdivision (a).



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Attachment 4

**Business and Professions Code,  
Division 1. General  
Chapter 7. California Emergency Services Act  
Section 8558. General Definitions**

§ 8558. Three conditions or degrees of emergency are established by this chapter:

(a) "State of war emergency" means the condition that exists immediately, with or without a proclamation thereof by the Governor, whenever this state or nation is attacked by an enemy of the United States, or upon receipt by the state of a warning from the federal government indicating that such an enemy attack is probable or imminent.

(b) "State of emergency" means the duly proclaimed existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions such as air pollution, fire, flood, storm, epidemic, riot, drought, cyberterrorism, sudden and severe energy shortage, plant or animal infestation or disease, the Governor's warning of an earthquake or volcanic prediction, or an earthquake, or other conditions, other than conditions resulting from a labor controversy or conditions causing a "state of war emergency," which, by reason of their magnitude, are or are likely to be beyond the control of the services, personnel, equipment, and facilities of any single county, city and county, or city and require the combined forces of a mutual aid region or regions to combat, or with respect to regulated energy utilities, a sudden and severe energy shortage requires extraordinary measures beyond the authority vested in the California Public Utilities Commission.

(c) "Local emergency" means the duly proclaimed existence of conditions of disaster or of extreme peril to the safety of persons and property within the territorial limits of a county, city and county, or city, caused by conditions such as air pollution, fire, flood, storm, epidemic, riot, drought, cyberterrorism, sudden and severe energy shortage, plant or animal infestation or disease, the Governor's warning of an earthquake or volcanic prediction, or an earthquake, or other conditions, other than conditions resulting from a labor controversy, which are or are likely to be beyond the control of the services, personnel, equipment, and facilities of that political subdivision and require the combined forces of other political subdivisions to combat, or with respect to regulated energy utilities, a sudden and severe energy shortage requires extraordinary measures beyond the authority vested in the California Public Utilities Commission.

CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1271

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<b>Subject:</b>	Licensing Examinations: Report.	<b>CBA Position:</b>	<b>WATCH</b>
<b>Version:</b>	February 21, 2019	<b>Author:</b>	Diep
<b>Status:</b>	Assembly Business and Professions Committee	<b>Sponsor:</b>	Author

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### Summary

Assembly Bill (AB) 1271 (**Attachment**) would require the Department of Consumer Affairs (DCA) on or before January 1, 2021, to provide to the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development a report that contains specified information relating to licensing examinations for each licensed profession and vocation under the department's jurisdiction.

### Recommendation

**Maintain Watch Position.** Staff recommend the California Board of Accountancy (CBA) maintain its Watch position. AB 1271 has not been amended since the CBA's March 21, 2019 meeting.

### Background

Per the author's staff, AB 1271 is a spot bill. CBA staff are awaiting information about the author's future plans for the bill.

AB 1271 did not meet the April 26 deadline for policy committees to approve bills, therefore, this is a two-year bill.

### Analysis

AB 1271 would require DCA to provide a report to the Legislature that contains the following information regarding each licensed profession and vocation under its jurisdiction:

- Whether licensure requires completion of a board-approved education or training program;
- Whether licensure requires passage of a written or clinical licensing examination;
- Whether an examination fee is required in addition to any other initial licensure or application fees and, if so, the amount of the examination fee;
- Information on the average length of time between submitting a licensure application and taking the licensing examination, to the extent feasible; and

## **AB 1271**

Page 2 of 2

- Information on average passage rates for the licensing examination and, to the extent feasible, information on the percentage of yearly applicants who ultimately never receive a license due to one or more examination failures

### **Fiscal Estimate**

AB 1271 increases DCA's workload, which may lead to a corresponding increase to the CBA's pro-rata payments.

### **Support/Opposition**

Support: None on file.

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

None.

### **Attachment**

AB 1271

**ASSEMBLY BILL****No. 1271****Introduced by Assembly Member Diep**

February 21, 2019

An act relating to professions and vocations.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1271, as introduced, Diep. Licensing examinations: report.

Existing law provides for the licensure and regulation of professions and vocations by various boards that comprise the Department of Consumer Affairs.

This bill would require the department, on or before January 1, 2021, to provide a report to the Assembly Committee on Business and Professions and the Senate Committee on Business, Professions and Economic Development that contains specified information relating to licensing examinations for each licensed profession and vocation under the department's jurisdiction.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

- 1 SECTION 1. The intent of the Legislature in enacting this act
- 2 is to seek opportunities to reduce barriers to professional licensing
- 3 by eliminating licensing examinations that are found largely to
- 4 duplicate already required formal education and training.
- 5 SEC. 2. On or before January 1, 2021, the Department of
- 6 Consumer Affairs shall provide a report to the Assembly
- 7 Committee on Business and Professions and the Senate Committee



- 1 on Business, Professions and Economic Development that contains  
2 the following summary information for each licensed profession  
3 and vocation under its jurisdiction:
- 4 (a) Whether licensure requires completion of a board-approved  
5 education or training program.
  - 6 (b) Whether licensure requires passage of a written or clinical  
7 licensing examination.
  - 8 (c) Whether an examination fee is required in addition to any  
9 other initial licensure or application fees and, if so, the amount of  
10 the examination fee.
  - 11 (d) To the extent feasible, information on the average length of  
12 time between submitting a licensure application and taking the  
13 licensing examination.
  - 14 (e) Information on average passage rates for the licensing  
15 examination and, to the extent feasible, information on the  
16 percentage of yearly applicants who ultimately never receive a  
17 license due to one or more examination failures.

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 63**

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<b>Subject:</b>	State Government.	<b>Author:</b>	Fong
<b>Version:</b>	April 3, 2019	<b>Sponsor:</b>	Author
<b>Status:</b>	Assembly Appropriations Committee – Suspense File		

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### **Summary**

Assembly Bill (AB) 63 (**Attachment 1**) would require an agency that serves or furnishes information to the public, or engages in activity that involves public contact, to provide a plain-language online form that allows the public to assign an A, B, C, D, or F letter grade system to rate their experience with that agency.

### **Recommendation**

Staff recommend a **Watch** position on this bill.

### **Background**

Existing law requires state agencies to make available on the internet a plain-language form through which individuals may register complaints or comments relating to the performance of those agencies. The California Board of Accountancy (CBA) complies with this requirement through a complaint form that is hosted on the Department of Consumer Affairs website and is accessible through the CBA website.

Additionally, the CBA receives public input and feedback through its Stakeholder Satisfaction Survey. The CBA contracts with an outside vendor, SurveyMonkey®, to use their Internet-based platform to host this, and other, public surveys.

### **Analysis**

According to the author's fact sheet (**Attachment 2**):

“Currently, there is no public mechanism to provide feedback to state agencies. There is only a private web form that state agencies can view. The public cannot provide comments or ratings online so that state agencies have a public record to keep them accountable for the service they provide.”

Current law requires state agencies to make available a plain-language form, on the Internet, for the public to register complaints or comments relating to the performance of those agencies.

## **AB 63**

Page 2 of 2

AB 63 would change this requirement in two ways:

1. Allow the public to rate their experience with the agency using a letter grade (A through F).
2. Allow the public the option to display their comment or grade publicly among other public comments.

This bill would require the CBA to modify its website, accordingly.

### **Fiscal Estimate**

The fiscal impact to the CBA is unknown, but would have costs related to the reconfiguration of its website so grades and comments could be posted publicly.

### **Support/Opposition**

Support: None on file.

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

None.

### **Attachments**

1. AB 63
2. AB 63 Fact Sheet

AMENDED IN ASSEMBLY APRIL 3, 2019  
AMENDED IN ASSEMBLY MARCH 19, 2019  
CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 63**

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**Introduced by Assembly Member Fong**

December 3, 2018

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An act to amend Section 8331 of the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 63, as amended, Fong. State government.

Existing law requires state agencies to make available on the internet a plain-language form through which individuals can register complaints or comments relating to the performance of those agencies.

This bill would ~~require~~ *require, if the agency furnishes information or renders services to the public, or engages in any other state program or activity that involves public contact, that* the plain-language form made available on the internet pursuant to these provisions ~~to~~ utilize an A, B, C, D, and F grading system that individuals can use to rate their experience based upon the performance of ~~an~~ *the* agency. The bill would require individuals to be given the option whether to display their complaint, comment, or grade publicly among other complaints, comments, and grades posted publicly on an agency's internet website by other individuals.

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 8331 of the Government Code is amended  
2 to read:

3 8331. (a) (1) State agencies shall make available on the  
4 ~~Internet~~, *internet*, commencing July 1, 2001, unless otherwise  
5 authorized by the Department of Information Technology pursuant  
6 to Executive Order D-3-99, a plain-language form through which  
7 individuals can register complaints or comments relating to the  
8 performance of that agency. The agency shall provide instructions  
9 on filing the complaint electronically, or on the manner in which  
10 to complete and mail the complaint form to the state agency, or  
11 both, consistent with whichever method the agency establishes for  
12 the filing of complaints.

13 (2) ~~The~~*If the agency directly furnishes information or renders*  
14 *services to the public, including, but not limited to, providing*  
15 *public safety, protection, or prevention services, administering*  
16 *state benefits, implementing public programs, managing public*  
17 *resources or facilities, or holding public hearings, or engages in*  
18 *any other state program or activity that involves public contact,*  
19 *the plain-language form made available on the internet pursuant*  
20 *to this section shall utilize an A, B, C, D, and F grading system*  
21 *that individuals can use to rate their experience based upon the*  
22 *performance of the agency.*

23 (3) Complaints, comments, ~~and~~ *and, if applicable*, the A through  
24 F grades received by the agency shall be made publicly available  
25 on the agency's internet website. Individuals shall have the option  
26 whether to display their complaint, comment, or grade publicly  
27 among other complaints, comments, and grades made or given by  
28 other individuals posted on the agency's internet website.

29 (b) Any printed complaint form used by a state agency as part  
30 of the process of receiving a complaint against any licensed  
31 individual or corporation subject to regulation by that agency shall  
32 be made available by the agency on the ~~Internet~~ *internet*  
33 commencing July 1, 2001, unless otherwise authorized by the  
34 Department of Information Technology pursuant to Executive  
35 Order D-3-99. The agency shall provide instructions on filing the  
36 complaint electronically, or on the manner in which to complete  
37 and mail the complaint form to the state agency, or both, consistent

1 with whichever method the agency establishes for the filing of  
2 complaints.

3 (c) State agencies making a complaint form available on the  
4 ~~Internet~~ *internet* shall, to the extent feasible, do both of the  
5 following:

6 (1) Advise individuals calling the state agency to lodge a  
7 complaint of both of the following:

8 (A) The availability of the complaint form on the ~~Internet~~.  
9 *internet*.

10 (B) That many public libraries provide ~~Internet~~ *internet* access.

11 (2) Include on the ~~Internet~~ *internet* the location at which this  
12 information may be accessed in the telephone directory in order  
13 that citizens will be aware that they may contact the state agency  
14 via the ~~Internet~~ *internet* or by telephone.

15 (d) Public libraries, to the extent permitted through donations  
16 and other means, may do each of the following:

17 (1) Provide ~~Internet~~ *internet* access to their patrons.

18 (2) Advertise that they provide ~~Internet~~ *internet* access.

19 (e) Notwithstanding subdivision (a) of Section 11000, state  
20 agency as used in this section includes the California State  
21 University.

**AB 63 – STATE AGENCY ONLINE RATINGS**

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Assemblyman Vince Fong

**IN BRIEF**

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AB 63 would create a public online platform for California residents to provide public comments and grade state agencies on an A, B, C, D, or F scale.

**THE ISSUE**

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Currently, there is no public mechanism to provide feedback to state agencies. There is only a private web form that state agencies can view. The public cannot provide comments or ratings online so that state agencies have a public record to keep them accountable for the service they provide.

The Citizen Complaint Act of 1997 requires agencies to set up an internet portal to register public feedback. However, a lot has changed since 1997. We now expect to know how other people experience service, both good and bad, so that others can know what to expect. Companies can aggregate this feedback and find areas to improve. Such a system in government would benefit both constituents and state agencies.

The technology for this kind of platform already exists. Companies like Yelp allow consumers to rate and give feedback on their interactions with private businesses. By allowing a platform for feedback, companies can improve their performance. If California's state agencies had a similar feedback platform, the public could give input on how to make government services more intuitive.

Various state agencies, bureaus, and commissions are responsible for providing services like car registration, water well permits, and other vital services that keep the state running. Public feedback on the process would allow all Californians to feel heard by their government.

**THE SOLUTION**

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AB 63 creates an online platform for constituents to rate their interactions with California's state agencies and provide public comments on the service they receive. After an interaction with a state agency, constituents can publicly provide feedback on the experience rate how well they were served on a scale of A-F

The current feedback mechanism only allows the agencies to view comments they receive. AB 63 allows the public to see what kind of experiences other people have with their government. By doing this, constituents can see that they are being heard, and state agencies can see areas they excel in and areas that need improvement.

**FOR MORE INFORMATION**

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**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 535**

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<b>Subject:</b>	Personal Income Taxes: Credit: Professional License Fees.	<b>Author:</b>	Brough
<b>Version:</b>	April 8, 2019	<b>Sponsor:</b>	Author
<b>Status:</b>	Assembly Revenue and Taxation Committee		

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### **Summary**

Assembly Bill (AB) 535 (**Attachment 1**) would allow a taxpayer, beginning January 1, 2020 to claim a credit against their state income taxes for the costs paid or incurred to obtain a qualified initial professional license, as defined. The bill does not include a CPA license among the list of qualified professional licenses.

### **Background**

According to the author's fact sheet (**Attachment 2**):

“A report by the Little Hoover Commission [indicates that] one in five Californians must receive permission from the government to work. For a lower-income licensed occupation in California, applicants, on average, pay \$300 in licensing fees, spend 549 days in education and training, and pass one exam. The purpose of occupational licensing is consumer protection; however there are certain regulations in place that have erected barriers to entry into occupations.”

According to the author's office, AB 535 is a two-year bill.

### **Analysis**

AB 535 would implement the Job Employment Tax Credit and allows a taxpayer to claim a credit, against their California net tax, for the costs paid or incurred for an initial qualified professional license fee.

The bill defines “qualified professional license” as any license issued by the following state agencies:

- Department of Real Estate
- Board of Registered Nursing
- Board of Behavioral Sciences
- Contractors State License Board
- Board of Psychology



## **AB 535**

Page 2 of 2

The tax credit shall be in lieu of any other deduction that the taxpayer may otherwise claim with respect to the costs paid or incurred for an initial professional license fee. The bill specifies that the tax credit would be operative for five tax years, beginning in 2020 and ending after 2024.

Further, AB 535 provides the follow goals and objectives for this tax credit:

1. Reducing the burden of entering into a licensed profession
2. Increasing the number of mental healthcare professionals in California
3. Supporting California's effort to build affordable housing by increasing jobs in the housing market

The bill requires the Legislative Analyst's Office, each year while the tax credit is operative, to collaborate with the Franchise Tax Board to review the effectiveness of the tax credit.

### **Fiscal Estimate**

There is no cost to the CBA.

### **Support/Opposition**

Support: None on file.

Opposition: None on file.

### **Recommendation**

Staff do not have a recommended position on this bill.

### **Effective/Operative Date**

This bill would enact a tax levy, which takes effect immediately upon signature of the Governor, but the bill specifies the tax credit is operative for the 2020 to 2024 tax years.

### **Related Bills**

None.

### **Attachments**

1. AB 535
2. AB 535 Fact Sheet

AMENDED IN ASSEMBLY APRIL 8, 2019  
AMENDED IN ASSEMBLY MARCH 21, 2019  
CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 535**

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**Introduced by Assembly Member Brough**

February 13, 2019

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An act to add *and repeal* Section 17056.1~~to~~ of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 535, as amended, Brough. Personal income taxes: credit: professional license fees.

The Personal Income Tax Law allows various credits against the taxes imposed by that law. *Existing law requires any bill authorizing a new tax credit to contain, among other things, specific goals, purposes, and objectives that the tax credit will achieve, detailed performance indicators, and data collection requirements.*

This bill would allow a credit against those taxes for each taxable year beginning on or after January 1, 2020, *and before January 1, 2025*, in an amount equal to the cost paid or incurred during the taxable year for an initial professional license fee. *The bill also would include additional information required for any bill authorizing a new income tax credit.*

This bill would take effect immediately as a tax levy.

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 17056.1 is added to the Revenue and  
 2 Taxation Code, to read:

3 17056.1. (a) For taxable years beginning on or after January  
 4 1, 2020, *and before January 1, 2025*, there shall be allowed a credit  
 5 against the “net tax,” as defined by Section 17039, an amount equal  
 6 to the costs paid or incurred by a taxpayer for an initial qualified  
 7 professional license fee.

8 (b) (1) For purposes of this section, “qualified professional  
 9 license” means any license issued by the ~~Bureau of Real Estate~~  
 10 ~~Appraisers, Department of Real Estate~~, Board of Registered  
 11 Nursing, Board of Behavioral Sciences, Contractors’ State License  
 12 Board, or the Board of Psychology.

13 (2) For purposes of this section, “license” has the same definition  
 14 as in Section 23.7 of the Business and Professions Code.

15 (c) This credit shall be in lieu of any other deduction that the  
 16 taxpayer may otherwise claim pursuant to this part with respect to  
 17 the costs paid or incurred by a taxpayer for an initial professional  
 18 license fee.

19 (d) In the case where the credit allowed under this section  
 20 exceeds the “net tax,” the excess credit may be carried over to  
 21 reduce the “net tax” in the following taxable year and succeeding  
 22 five taxable years, if necessary, until the credit has been exhausted.

23 ~~(e) It is the intent of the Legislature to comply with Section 41.~~

24 *(e) This section shall remain in effect only until December 1,*  
 25 *2025, and as of that date is repealed.*

26 *SEC. 2. For purposes of complying with Section 41 of the*  
 27 *Revenue and Taxation Code, the Legislature finds and declares*  
 28 *all of the following with respect to Section 17056.1 of the Revenue*  
 29 *and Taxation Code, as added by this act:*

30 *(a) The specific goals, purposes, and objectives that Section*  
 31 *17056.1 of the Revenue and Taxation Code will achieve are:*

32 *(1) Reducing the burden of entering into a licensed profession.*

33 *(2) Increasing the number of mental healthcare professionals*  
 34 *in California.*

35 *(3) Supporting California’s effort to build affordable housing*  
 36 *by increasing jobs in the housing market.*

37 *(b) Detailed performance indicators for the Legislature to use*  
 38 *in determining whether Section 17056.1 of the Revenue and*

1 *Taxation Code meets the goals, purposes, and objectives listed in*  
2 *subdivision (a) are:*

3 *(1) The number of people being allowed the credit.*

4 *(2) The number of licenses provided by the Department of Real*  
5 *Estate, Board of Registered Nursing, Board of Behavioral Sciences,*  
6 *Contractors' State License Board, and the Board of Psychology.*

7 *(c) The Legislative Analyst's Office shall, on an annual basis*  
8 *beginning January 1, 2021, and each January 1 thereafter until*  
9 *Section 17056.1 of the Revenue and Taxation Code is repealed,*  
10 *collaborate with the Franchise Tax Board to review the*  
11 *effectiveness of the tax credit allowed by Section 17056.1 of the*  
12 *Revenue and Taxation Code. The review shall include, but is not*  
13 *limited to, an analysis of the demand for the tax credit and the*  
14 *economic impact of the tax credit.*

15 *(d) The data collection requirements for determining whether*  
16 *Section 17056.1 of the Revenue and Taxation Code is meeting,*  
17 *failing to meet, or exceeding the specific goals, purposes, and*  
18 *objectives listed in subdivision (a) are:*

19 *(1) To assist the Legislature in determining whether Section*  
20 *17056.1 of the Revenue and Taxation Code meets the specific*  
21 *goals, purposes, and objectives listed in subdivision (a), and in*  
22 *order to carry out its duties pursuant to subdivision (c), the*  
23 *Legislative Analyst's Office may request information from the*  
24 *Franchise Tax Board.*

25 *(2) The Franchise Tax Board shall provide any data requested*  
26 *by the Legislative Analyst's Office pursuant to this subdivision.*

27 ~~SEC. 2.~~

28 *SEC. 3.* This act provides for a tax levy within the meaning of  
29 Article IV of the California Constitution and shall go into  
30 immediate effect.

O



# WILLIAM P. BROUGH

ASSEMBLY DISTRICT 73

## AB 535 (Brough) Fact Sheet Job Employment Tax Credit

### BILL SUMMARY

**AB 535** would increase the amount of licensed mental health and housing professionals in California by providing a tax credit for initial licensing fees.

### PURPOSE OF THE BILL

A [report](#) by the Little Hoover Commission, one in five Californians must receive permission from the government to work. For a lower-income licensed occupation in California, applicants, on average, pay \$300 in licensing fees, spend 549 days in education and training, and pass one exam.

The purpose of occupational licensing is consumer protection; however there are certain regulations in place that have erected barriers to entry into occupations. For example, according to the [annual report](#) by the California Department of Consumer Affairs the following are initial fees for licensed professionals:

Psychologist: \$400

Registered Nurse: \$300 - \$750

Licensed Professional Clinical Counselor: \$200

Contractor: \$530

Real Estate Agent: \$305

### SOLUTION

To reduce the barrier of entry for licensed professionals, increase the number of mental healthcare professionals in California, and increase jobs in the housing market, **this bill would allow future licensed professions from the Board of Registered Nursing, Board of Behavioral Sciences, Board of Psychology, California Department of Real Estate, and the Contractors' State License Board to receive a tax credit for their initial licensing fees.**

**Staff Contact:**

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916-319-2073

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 544**

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<b>Subject:</b>	Professions and Vocations: Inactive License Fees and Accrued and Unpaid Renewal Fees.	<b>Author:</b>	Brough
<b>Version:</b>	March 21, 2019		
<b>Status:</b>	Assembly Appropriations Committee – Suspense File	<b>Sponsor:</b>	Author

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### **Summary**

Assembly Bill (AB) 544 (**Attachment 1**) would limit the maximum fee for the renewal of a license in an inactive status to no more than 50 percent of the renewal fee for an active license. The bill would also prohibit a board or bureau from requiring payment of accrued and unpaid renewal fees as a condition of reinstating an expired license or registration.

### **Background**

Existing law provides for the licensure and regulation of professions and vocations by various boards within the Department of Consumer Affairs (DCA). Existing law provides for the payment of a fee for the renewal of certain licenses, certificates, or permits in an inactive status, and, for certain licenses, certificates, and permits that have expired, requires the payment of all accrued fees as a condition of reinstatement.

According to the fact sheet (**Attachment 2**), “[t]he purpose of occupational licensing is consumer protection; however there are certain regulations in place that have erected barriers to entry or reentry into occupations.”

Further, the fact sheet notes that, “[f]or someone who might have decided to let his/her license lapse for a period of time to focus on raising children, dealing with personal or family illness, etc., it does not seem fair to require them to pay several years of accrued renewal fees to reinstate the license and start working again.”

### **Analysis**

AB 544 would limit the authority of the California Board of Accountancy (CBA), and all other DCA boards and bureaus, to set their own fees for those who renew in an inactive status. The bill also amends specific provisions related to the imposition of the payment of accrued renewal fees for the CBA and the following boards and bureaus:

## **AB 544**

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### Boards

Acupuncture Board  
Board of Barbering and Cosmetology  
Board of Behavioral Sciences  
Board for Professional Engineers, Land Surveyors, and Geologists  
Board of Registered Nursing  
Board of Vocational Nursing and Psychiatric Technicians  
Board of Psychology  
State Board of Chiropractic Examiners  
Dental Board of California  
California Architects Board  
California State Board of Optometry  
Contractors State License Board  
Court Reporters Board of California  
Landscape Architects Technical Committee  
Medical Board of California  
Osteopathic Medical Board of California  
Physician Assistant Board  
Physical Therapy Board of California  
Respiratory Care Board of California  
Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board  
Veterinary Medical Board

### Bureaus

Bureau of Automotive Repair  
Bureau of Household Goods and Services  
Bureau of Security and Investigative Services  
Cemetery and Funeral Bureau

### Impact to the CBA

AB 544 would have two impacts on the CBA:

*Inactive Licensees:* The CBA charges \$120 for those who renew their license, whether they renew in an active or inactive status. Under AB 544, the fee to renew a licensee in an inactive status would be limited to 50 percent of the active license renewal fee, or \$60 under the CBA's current fee structure.

The following table indicates the number of current CBA active and inactive licensees and the associated revenue. Presently, approximately 35 percent of the CBA's licensees renew in an inactive status.

Number of Licensees	Annual Renewal Revenue
56,664 (Active)	\$3,326,622
30,572 (Inactive)	\$1,791,258
87,236 (Total)	\$5,117,880

AB 544 would reduce the CBA’s inactive fee revenue by 50 percent, or approximately \$900,000 each year.

*Expired Licensees:* AB 544 amends Business and Professions Code (BPC) section 5076.6, which is within the Accountancy Act (see pages 14 and 15 of **Attachment 1**), to delete the requirement that a licensee renewing an expired license pay “all accrued and unpaid renewal fees.” The amended section instead requires the payment of one renewal fee.

Presently, an individual renewing an expired license that is delinquent more than one renewal cycle must pay all unpaid renewal fees (up to a maximum of three accrued renewal fees) and one delinquency fee. Instead, under AB 544, these licensees would only be required pay a single renewal fee (presently \$120) and a delinquency fee (presently \$60).

CBA staff estimate that, each year, approximately 340 licensees or registrations are delinquent more than one renewal cycle. This provision of AB 544 could reduce CBA revenue by approximately \$54,000 each year.

**Fiscal Estimate**

This bill would have a significant negative impact to the CBA’s revenue. The two impacts to the CBA’s authority to charge fees are estimated to decrease revenue by a total of \$954,000, annually.

**Recommendation**

Due to the impact on the CBA’s budget and the related limitations to CBA fee setting authority, staff recommend an **Oppose** position on this bill.

**Support/Opposition**

Support: None on file.

Opposition: Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board  
Veterinary Medical Board

**Effective/Operative Date**

January 1, 2020.



## **AB 544**

Page 4 of 4

### **Related Bills**

AB 1659 (Low, 2018) authorizes healing arts licensing boards to establish lower renewal fees for inactive licenses than for active licenses, and prohibits an inactive license holder from representing that he/she has an active license.

### **Attachment**

1. AB 544
2. AB 544 Fact Sheet

AMENDED IN ASSEMBLY MARCH 21, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 544**

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**Introduced by Assembly Member Brough**

February 13, 2019

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~~An act to amend Section 4073 of the Business and Professions Code, relating to healing arts.~~ *An act to amend Sections 121.5, 462, 703, 1006.5, 1718, 1718.3, 1936, 2427, 2456.3, 2535.2, 2538.54, 2646, 2734, 2892.1, 2984, 3147, 3147.7, 3524, 3774, 3775.5, 4545, 4843.5, 4901, 4966, 4989.36, 4999.104, 5070.6, 5600.2, 5680.1, 6796, 6980.28, 7076.5, 7417, 7672.8, 7725.2, 7729.1, 7881, 7883, 8024.7, 8802, 9832, 9832.5, 9884.5, 19170.5, and 19290 of the Business and Professions Code, relating to professions and vocations.*

LEGISLATIVE COUNSEL'S DIGEST

AB 544, as amended, Brough. ~~Prescriptions.~~ *Professions and vocations: inactive license fees and accrued and unpaid renewal fees.*

*Existing law provides for the licensure and regulation of professions and vocations by various boards within the Department of Consumer Affairs. Existing law provides for the payment of a fee for the renewal of certain licenses, certificates, or permits in an inactive status, and, for certain licenses, certificates, and permits that have expired, requires the payment of all accrued fees as a condition of reinstatement of the license, certificate, or permit.*

*This bill would limit the maximum fee for the renewal of a license in an inactive status to no more than 50% of the renewal fee for an active license. The bill would also prohibit a board from requiring payment of accrued and unpaid renewal fees as a condition of reinstating an expired license or registration.*

~~The Pharmacy Law provides for the licensure and regulation of pharmacists and pharmacies by the California State Board of Pharmacy, which is within the Department of Consumer Affairs, and authorizes a pharmacist filling a prescription order for a drug product prescribed by its brand or trade name to select another drug product with the same active chemical ingredients of the same strength, quantity, and dosage form, and of the same generic drug name of those drug products having the same active chemical ingredients, as specified.~~

~~This bill would make a nonsubstantive change to that provision.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.  
 State-mandated local program: no.

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

1     *SECTION 1. Section 121.5 of the Business and Professions*  
 2     *Code is amended to read:*

3     121.5. (a) Except as otherwise provided in this code, the  
 4     application of delinquency fees ~~or accrued and unpaid renewal~~  
 5     fees for the renewal of expired licenses or registrations shall not  
 6     apply to licenses or registrations that have lawfully been designated  
 7     as inactive or retired.

8     (b) *Notwithstanding any other law, a board shall not require a*  
 9     *person to pay accrued and unpaid renewal fees as a condition of*  
 10     *reinstating an expired license or registration.*

11     *SEC. 2. Section 462 of the Business and Professions Code is*  
 12     *amended to read:*

13     462. (a) Any of the boards, bureaus, commissions, or programs  
 14     within the department may establish, by regulation, a system for  
 15     an inactive category of licensure for persons who are not actively  
 16     engaged in the practice of their profession or vocation.

17     (b) The regulation shall contain the following provisions:

18     (1) The holder of an inactive license issued pursuant to this  
 19     section shall not engage in any activity for which a license is  
 20     required.

21     (2) An inactive license issued pursuant to this section shall be  
 22     renewed during the same time period in which an active license  
 23     is renewed. The holder of an inactive license need not comply with  
 24     any continuing education requirement for renewal of an active  
 25     license.

1 (3) The renewal fee for a license in ~~an active status shall apply~~  
2 ~~also for a renewal of a license in an inactive status, unless a lesser~~  
3 ~~renewal fee is specified by the board.~~ *status shall be no more than*  
4 *50 percent of the renewal fee for a license in an active status.*

5 (4) In order for the holder of an inactive license issued pursuant  
6 to this section to restore ~~his or her~~ *the* license to an active status,  
7 the holder of an inactive license shall comply with all the  
8 following:

9 (A) Pay the renewal fee.

10 (B) If the board requires completion of continuing education  
11 for renewal of an active license, complete continuing education  
12 equivalent to that required for renewal of an active license, unless  
13 a different requirement is specified by the board.

14 (c) This section shall not apply to any healing arts board as  
15 specified in Section 701.

16 *SEC. 3. Section 703 of the Business and Professions Code is*  
17 *amended to read:*

18 703. (a) An inactive healing arts license or certificate issued  
19 pursuant to this article shall be renewed during the same time  
20 period at which an active license or certificate is renewed. In order  
21 to renew a license or certificate issued pursuant to this article, the  
22 holder thereof need not comply with any continuing education  
23 requirement for renewal of an active license or certificate.

24 (b) ~~The~~ *Notwithstanding any other law, the* renewal fee for a  
25 license or certificate in an ~~active~~ *inactive* status shall ~~apply also~~  
26 ~~for renewal of a license or certificate in an inactive status, unless~~  
27 ~~a lower fee has been established by the issuing board.~~ *be no more*  
28 *than 50 percent of the renewal fee for a license in an active status.*

29 *SEC. 4. Section 1006.5 of the Business and Professions Code*  
30 *is amended to read:*

31 1006.5. Notwithstanding any other law, the amount of  
32 regulatory fees necessary to carry out the responsibilities required  
33 by the Chiropractic Initiative Act and this chapter are fixed in the  
34 following schedule:

35 (a) Fee to apply for a license to practice chiropractic: three  
36 hundred seventy-one dollars (\$371).

37 (b) Fee for initial license to practice chiropractic: one hundred  
38 eighty-six dollars (\$186).

39 (c) Fee to renew an ~~active or inactive~~ license to practice  
40 chiropractic: three hundred thirteen dollars (\$313).

- 1     (d) Fee to renew an inactive license to practice chiropractic:
- 2     no more than 50 percent of the renewal fee for an active license.
- 3     ~~(d)~~
- 4     (e) Fee to apply for approval as a continuing education provider:
- 5     eighty-four dollars (\$84).
- 6     ~~(e)~~
- 7     (f) Biennial continuing education provider renewal fee: fifty-six
- 8     dollars (\$56).
- 9     ~~(f)~~
- 10    (g) Fee to apply for approval of a continuing education course:
- 11    fifty-six dollars (\$56) per course.
- 12    ~~(g)~~
- 13    (h) Fee to apply for a satellite office certificate: sixty-two dollars
- 14    (\$62).
- 15    ~~(h)~~
- 16    (i) Fee to renew a satellite office certificate: thirty-one dollars
- 17    (\$31).
- 18    ~~(i)~~
- 19    (j) Fee to apply for a license to practice chiropractic pursuant
- 20    to Section 9 of the Chiropractic Initiative Act: three hundred
- 21    seventy-one dollars (\$371).
- 22    ~~(j)~~
- 23    (k) Fee to apply for a certificate of registration of a chiropractic
- 24    corporation: one hundred eighty-six dollars (\$186).
- 25    ~~(k)~~
- 26    (l) Fee to renew a certificate of registration of a chiropractic
- 27    corporation: thirty-one dollars (\$31).
- 28    ~~(l)~~
- 29    (m) Fee to file a chiropractic corporation special report:
- 30    thirty-one dollars (\$31).
- 31    ~~(m)~~
- 32    (n) Fee to apply for approval as a referral service: five hundred
- 33    fifty-seven dollars (\$557).
- 34    ~~(n)~~
- 35    (o) Fee for an endorsed verification of licensure: one hundred
- 36    twenty-four dollars (\$124).
- 37    ~~(o)~~
- 38    (p) Fee for replacement of a lost or destroyed license: fifty
- 39    dollars (\$50).
- 40    ~~(p)~~

1 (q) Fee for replacement of a satellite office certificate: fifty  
2 dollars (\$50).

3 ~~(q)~~

4 (r) Fee for replacement of a certificate of registration of a  
5 chiropractic corporation: fifty dollars (\$50).

6 ~~(r)~~

7 (s) Fee to restore a forfeited or canceled license to practice  
8 chiropractic: double the annual renewal fee specified in subdivision  
9 (c).

10 ~~(s)~~

11 (t) Fee to apply for approval to serve as a preceptor: thirty-one  
12 dollars (\$31).

13 ~~(t)~~

14 (u) Fee to petition for reinstatement of a revoked license: three  
15 hundred seventy-one dollars (\$371).

16 ~~(u)~~

17 (v) Fee to petition for early termination of probation: three  
18 hundred seventy-one dollars (\$371).

19 ~~(v)~~

20 (w) Fee to petition for reduction of penalty: three hundred  
21 seventy-one dollars (\$371).

22 *SEC. 5. Section 1718 of the Business and Professions Code is*  
23 *amended to read:*

24 1718. Except as otherwise provided in this chapter, an expired  
25 license may be renewed at any time within five years after its  
26 expiration on filing of application for renewal on a form prescribed  
27 by the board, and payment of ~~all accrued~~ *the* renewal and  
28 delinquency fees. If the license is renewed more than 30 days after  
29 its expiration, the licensee, as a condition precedent to renewal,  
30 shall also pay the delinquency fee prescribed by this chapter.  
31 Renewal under this section shall be effective on the date on which  
32 the application is filed, on the date on which the renewal fee is  
33 paid, or on the date on which the delinquency fee, if any, is paid,  
34 whichever last occurs. If so renewed, the license shall continue in  
35 effect through the expiration date provided in Section 1715 which  
36 next occurs after the effective date of the renewal, when it shall  
37 expire if it is not again renewed.

38 *SEC. 6. Section 1718.3 of the Business and Professions Code*  
39 *is amended to read:*

1 1718.3. (a) A license which is not renewed within five years  
2 after its expiration may not be renewed, restored, reinstated, or  
3 reissued thereafter, but the holder of the license may apply for and  
4 obtain a new license if the following requirements are satisfied:

5 (1) No fact, circumstance, or condition exists which would  
6 justify denial of licensure under Section 480.

7 (2) ~~He or she~~ *The person* pays all of the fees which would be  
8 required of ~~him or her if he or she~~ *if the person* were then applying  
9 for the license for the first time and ~~all the~~ renewal and delinquency  
10 fees which have accrued since the date on which he or she last  
11 renewed his or her license. *fees.*

12 (3) ~~He or she~~ *The person* takes and passes the examination, if  
13 any, which would be required of ~~him or her if he or she~~ *if the*  
14 *person* were then applying for the license for the first time, or  
15 otherwise establishes to the satisfaction of the board that with due  
16 regard for the public interest, ~~he or she~~ *the person* is qualified to  
17 practice the profession or activity in which ~~he or she~~ *again the*  
18 *person* seeks to be licensed.

19 (b) The board may impose conditions on any license issued  
20 pursuant to this section, as it deems necessary.

21 (c) The board may by regulation provide for the waiver or refund  
22 of all or any part of the examination fee in those cases in which a  
23 license is issued without an examination under this section.

24 *SEC. 7. Section 1936 of the Business and Professions Code is*  
25 *amended to read:*

26 1936. Except as otherwise provided in this article, an expired  
27 license may be renewed at any time within five years after its  
28 expiration by filing an application for renewal on a form prescribed  
29 by the hygiene board and payment of ~~all accrued~~ *the* renewal and  
30 delinquency fees. If the license is renewed after its expiration, the  
31 licensee, as a condition precedent of renewal, shall also pay the  
32 delinquency fee prescribed by this article. Renewal under this  
33 section shall be effective on the date on which the application is  
34 filed, on the date on which the renewal fee is paid, or on the date  
35 on which the delinquency fee, if any, is paid, whichever last occurs.  
36 If so renewed, the license shall continue in effect until the  
37 expiration date provided in Section 1935 that next occurs after the  
38 effective date of the renewal.

39 *SEC. 8. Section 2427 of the Business and Professions Code is*  
40 *amended to read:*

1 2427. (a) Except as provided in Section 2429, a license which  
2 has expired may be renewed at any time within five years after its  
3 expiration on filing an application for renewal on a form prescribed  
4 by the licensing authority and payment of ~~all accrued~~ *the* renewal  
5 ~~fees~~ *fee* and any other fees required by Section 2424. If the license  
6 is not renewed within 30 days after its expiration, the licensee, as  
7 a condition precedent to renewal, shall also pay the prescribed  
8 delinquency fee, if any. Except as provided in Section 2424,  
9 renewal under this section shall be effective on the date on which  
10 the renewal application is filed, on the date on which the renewal  
11 ~~fee or accrued renewal fees are~~ *is* paid, or on the date on which  
12 the delinquency fee or the delinquency fee and penalty fee, if any,  
13 are paid, whichever last occurs. If so renewed, the license shall  
14 continue in effect through the expiration date set forth in Section  
15 2422 or 2423 which next occurs after the effective date of the  
16 renewal, when it shall expire and become invalid if it is not again  
17 renewed.

18 (b) Notwithstanding subdivision (a), the license of a doctor of  
19 podiatric medicine which has expired may be renewed at any time  
20 within three years after its expiration on filing an application for  
21 renewal on a form prescribed by the licensing authority and  
22 payment of ~~all accrued~~ *the* renewal ~~fees~~ *fee* and any other fees  
23 required by Section 2424. If the license is not renewed within 30  
24 days after its expiration, the licensee, as a condition precedent to  
25 renewal, shall also pay the prescribed delinquency fee, if any.  
26 Except as provided in Section 2424, renewal under this section  
27 shall be effective on the date on which the renewal application is  
28 filed, on the date on which the renewal ~~fee or accrued renewal fees~~  
29 ~~are~~ *is* paid, or on the date on which the delinquency fee or the  
30 delinquency fee and penalty fee, if any, are paid, whichever last  
31 occurs. If so renewed, the license shall continue in effect through  
32 the expiration date set forth in Section 2422 or 2423 which next  
33 occurs after the effective date of the renewal, when it shall expire  
34 and become invalid if it is not again renewed.

35 *SEC. 9. Section 2456.3 of the Business and Professions Code*  
36 *is amended to read:*

37 2456.3. Except as provided in Section 2429, a license which  
38 has expired may be renewed at any time within five years after its  
39 expiration by filing an application for renewal on a form prescribed  
40 by the board and payment of ~~all accrued~~ *the* renewal ~~fees~~ *fee* and



1 any other fees required by Section 2455. Except as provided in  
 2 Section 2456.2, renewal under this section shall be effective on  
 3 the date on which the renewal application is filed, on the date on  
 4 which the renewal fee ~~or accrued renewal fees are~~ *is* paid, or on  
 5 the date on which the delinquency fee or the delinquency fee and  
 6 penalty fee, if any, are paid, whichever last occurs. If so renewed,  
 7 the license shall continue in effect through the expiration date set  
 8 forth in Section 2456.1 which next occurs after the effective date  
 9 of the renewal.

10 *SEC. 10. Section 2535.2 of the Business and Professions Code*  
 11 *is amended to read:*

12 2535.2. Except as provided in Section 2535.3, a license that  
 13 has expired may be renewed at any time within five years after its  
 14 expiration upon filing of an application for renewal on a form  
 15 prescribed by the board and payment of ~~all accrued and unpaid~~  
 16 ~~renewal fees.~~ *the renewal fee.* If the license is not renewed on or  
 17 before its expiration, the licensee, as a condition precedent to  
 18 renewal, shall also pay the prescribed delinquency fee. Renewal  
 19 under this section shall be effective on the date on which the  
 20 application is filed, on the date on which ~~all the renewal fees are~~  
 21 *fee is* paid, or on the date on which the delinquency fee is paid,  
 22 whichever last occurs. If so renewed, the license shall continue in  
 23 effect through the expiration date provided in Section 2535, after  
 24 the effective date of the renewal, when it shall expire and become  
 25 invalid if it is not again renewed.

26 *SEC. 11. Section 2538.54 of the Business and Professions Code*  
 27 *is amended to read:*

28 2538.54. Except as otherwise provided in this article, an expired  
 29 license may be renewed at any time within three years after its  
 30 expiration on filing of an application for renewal on a form  
 31 prescribed by the board, and payment of ~~all accrued and unpaid~~  
 32 ~~renewal fees.~~ *the renewal fee.* If the license is renewed after its  
 33 expiration the licensee, as a condition precedent to renewal, shall  
 34 also pay the delinquency fee prescribed by this article. Renewal  
 35 under this section shall be effective on the date on which the  
 36 application is filed, on the date on which the renewal fee is paid,  
 37 or on the date on which the delinquency fee, if any, is paid,  
 38 whichever last occurs. If so renewed, the license shall continue in  
 39 effect through the date provided in Section 2538.53 which next

1 occurs after the effective date of the renewal, when it shall expire  
2 if it is not again renewed.

3 *SEC. 12. Section 2646 of the Business and Professions Code*  
4 *is amended to read:*

5 2646. A license that has expired may be renewed at any time  
6 within five years after its expiration by applying for renewal as  
7 set forth in Section 2644. Renewal under this section shall be  
8 effective on the date on which the renewal application is filed, on  
9 the date on which the renewal fee ~~or accrued renewal fees are~~ *is*  
10 paid, or on the date on which the delinquency fee and penalty fee,  
11 if any, are paid, whichever last occurs. A renewed license shall  
12 continue in effect through the expiration date set forth in Section  
13 2644 that next occurs after the effective date of the renewal, at  
14 which time it shall expire and become invalid if it is not so  
15 renewed.

16 *SEC. 13. Section 2734 of the Business and Professions Code*  
17 *is amended to read:*

18 2734. Upon application in writing to the board and payment  
19 of ~~the a fee not to exceed 50 percent of the~~ biennial renewal fee,  
20 a licensee may have ~~his~~ *their* license placed in an inactive status  
21 for an indefinite period of time. A licensee whose license is in an  
22 inactive status may not practice nursing. However, such a licensee  
23 does not have to comply with the continuing education standards  
24 of Section 2811.5.

25 *SEC. 14. Section 2892.1 of the Business and Professions Code*  
26 *is amended to read:*

27 2892.1. Except as provided in Sections 2892.3 and 2892.5, an  
28 expired license may be renewed at any time within four years after  
29 its expiration upon filing of an application for renewal on a form  
30 prescribed by the board, payment of ~~all accrued and unpaid renewal~~  
31 ~~fees,~~ *the renewal fee,* and payment of any fees due pursuant to  
32 Section 2895.1.

33 If the license is renewed more than 30 days after its expiration,  
34 the licensee, as a condition precedent to renewal, shall also pay  
35 the delinquency fee prescribed by this chapter. Renewal under this  
36 section shall be effective on the date on which the application is  
37 filed, on the date on which ~~all the renewal fees are~~ *fee is* paid, or  
38 on the date on which the delinquency fee is paid, whichever last  
39 occurs. If so renewed, the license shall continue in effect through  
40 the date provided in Section 2892 which next occurs after the

1 effective date of the renewal, when it shall expire if it is not again  
2 renewed.

3 *SEC. 15. Section 2984 of the Business and Professions Code*  
4 *is amended to read:*

5 2984. Except as provided in Section 2985, a license that has  
6 expired may be renewed at any time within three years after its  
7 expiration on filing of an application for renewal on a form  
8 prescribed by the board and payment of ~~all accrued and unpaid~~  
9 ~~the renewal fees.~~ *fee*. If the license is renewed after its expiration,  
10 the licensee, as a condition precedent to renewal, shall also pay  
11 the prescribed delinquency fee, if any. Renewal under this section  
12 shall be effective on the date on which the application is filed, on  
13 the date on which ~~all the renewal fees are~~ *fee is* paid, or on the date  
14 on which the delinquency fee, if any, is paid, whichever last occurs.  
15 If so renewed, the license shall continue in effect through the  
16 expiration date provided in Section 2982 which next occurs after  
17 the effective date of the renewal, when it shall expire and become  
18 invalid if it is not again renewed.

19 *SEC. 16. Section 3147 of the Business and Professions Code*  
20 *is amended to read:*

21 3147. (a) Except as otherwise provided by Section 114, an  
22 expired optometrist license may be renewed at any time within  
23 three years after its expiration, and a retired license issued for less  
24 than three years may be reactivated to active status, by filing an  
25 application for renewal or reactivation on a form prescribed by the  
26 board, paying ~~all accrued and unpaid the renewal fees~~ *fee* or  
27 ~~reactivation fees~~ *fee* determined by the board, paying any  
28 delinquency fees prescribed by the board, and submitting proof of  
29 completion of the required number of hours of continuing education  
30 for the last two years, as prescribed by the board pursuant to  
31 Section 3059. Renewal or reactivation to active status under this  
32 section shall be effective on the date on which all of those  
33 requirements are satisfied. If so renewed or reactivated to active  
34 status, the license shall continue as provided in Sections 3146 and  
35 3147.5.

36 (b) Expired statements of licensure, branch office licenses, and  
37 fictitious name permits issued pursuant to Sections 3070, 3077,  
38 and 3078, respectively, may be renewed at any time by filing an  
39 application for renewal, paying ~~all accrued and unpaid renewal~~

1 ~~fees, the renewal fee~~, and paying any delinquency fees prescribed  
2 by the board.

3 *SEC. 17. Section 3147.7 of the Business and Professions Code*  
4 *is amended to read:*

5 3147.7. The provisions of Section 3147.6 shall not apply to a  
6 person holding a license that has not been renewed within three  
7 years of expiration, if the person provides satisfactory proof that  
8 ~~he or she~~ *the person* holds an active license from another state and  
9 meets all of the following conditions:

10 (a) Is not subject to denial of a license under Section 480.

11 (b) Applies in writing for restoration of the license on a form  
12 prescribed by the board.

13 (c) Pays ~~all accrued and unpaid~~ *the renewal fees fee* and any  
14 delinquency fees prescribed by the board.

15 (d) Submits proof of completion of the required number of hours  
16 of continuing education for the last two years.

17 (e) Takes and satisfactorily passes the board's jurisprudence  
18 examination.

19 *SEC. 18. Section 3524 of the Business and Professions Code*  
20 *is amended to read:*

21 3524. A license or approval that has expired may be renewed  
22 at any time within five years after its expiration by filing an  
23 application for renewal on a form prescribed by the board or  
24 Medical Board of California, as the case may be, and payment of  
25 ~~all accrued and unpaid renewal fees.~~ *the renewal fee*. If the license  
26 or approval is not renewed within 30 days after its expiration, the  
27 licensed physician assistant and approved supervising physician,  
28 as a condition precedent to renewal, shall also pay the prescribed  
29 delinquency fee, if any. Renewal under this section shall be  
30 effective on the date on which the application is filed, on the date  
31 on which ~~all the renewal fees are~~ *fee is* paid, or on the date on  
32 which the delinquency fee, if any, is paid, whichever occurs last.  
33 If so renewed, the license shall continue in effect through the  
34 expiration date provided in Section 3522 or 3523 which next occurs  
35 after the effective date of the renewal, when it shall expire, if it is  
36 not again renewed.

37 *SEC. 19. Section 3774 of the Business and Professions Code*  
38 *is amended to read:*

39 3774. On or before the birthday of a licensed practitioner in  
40 every other year, following the initial licensure, the board shall

1 mail to each practitioner licensed under this chapter, at the latest  
2 address furnished by the licensed practitioner to the executive  
3 officer of the board, a notice stating the amount of the renewal fee  
4 and the date on which it is due. The notice shall state that failure  
5 to pay the renewal fee on or before the due date and submit  
6 evidence of compliance with Sections 3719 and 3773 shall result  
7 in expiration of the license.

8 Each license not renewed in accordance with this section shall  
9 expire but may within a period of three years thereafter be  
10 reinstated upon payment of ~~all accrued and unpaid~~ the renewal  
11 fees and penalty fees required by this chapter. The board may also  
12 require submission of proof of the applicant's qualifications, except  
13 that during the three-year period no examination shall be required  
14 as a condition for the reinstatement of any expired license that has  
15 lapsed solely by reason of nonpayment of the renewal fee.

16 *SEC. 20. Section 3775.5 of the Business and Professions Code*  
17 *is amended to read:*

18 3775.5. The fee for an inactive license shall be ~~the same as~~ no  
19 more than 50 percent of the renewal fee for an active license for  
20 the practice of respiratory care as specified in Section 3775.

21 *SEC. 21. Section 4545 of the Business and Professions Code*  
22 *is amended to read:*

23 4545. Except as provided in Section 4545.2, a license that has  
24 expired may be renewed at any time within four years after its  
25 expiration on filing an application for renewal on a form prescribed  
26 by the board, payment of ~~all accrued and unpaid renewal fees, the~~  
27 *renewal fee*, and payment of all fees required by this chapter. If  
28 the license is renewed more than 30 days after its expiration, the  
29 holder, as a condition precedent to renewal, shall also pay the  
30 delinquency fee prescribed by this chapter. Renewal under this  
31 section shall be effective on the date on which the application is  
32 filed, on the date on which the renewal fee is paid, or on the date  
33 on which the delinquency fee, if any, is paid, whichever last occurs.  
34 If so renewed, the license shall continue in effect through the date  
35 provided in Section 4544 which next occurs after the effective date  
36 of the renewal, when it shall expire if it is not again renewed.

37 A certificate which was forfeited for failure to renew under the  
38 law in effect before October 1, 1961, shall, for the purposes of this  
39 article, be considered to have expired on the date that it became  
40 forfeited.

1     *SEC. 22. Section 4843.5 of the Business and Professions Code*  
2 *is amended to read:*

3     4843.5. Except as otherwise provided in this article, an expired  
4 certificate of registration may be renewed at any time within five  
5 years after its expiration on filing of an application for renewal on  
6 a form prescribed by the board, and payment of ~~all accrued and~~  
7 ~~unpaid renewal fees.~~ *the renewal fee.* If the certificate of  
8 registration is renewed more than 30 days after its expiration, the  
9 registrant, as a condition precedent to renewal, shall also pay the  
10 delinquency fee prescribed by this article. Renewal under this  
11 section shall be effective on the date on which the application is  
12 filed, on the date ~~all the renewal fees are~~ *fee is* paid, or on the date  
13 on which the delinquency fee, if any, is paid, whichever occurs  
14 last.

15     *SEC. 23. Section 4901 of the Business and Professions Code*  
16 *is amended to read:*

17     4901. Except as otherwise provided in this chapter, an expired  
18 license or registration may be renewed at any time within five  
19 years after its expiration on filing of an application for renewal on  
20 a form prescribed by the board, and payment of ~~all accrued and~~  
21 ~~unpaid renewal fees.~~ *the renewal fee.* If the license or registration  
22 is renewed more than 30 days after its expiration, the licensee or  
23 registrant, as a condition precedent to renewal, shall also pay the  
24 delinquency fee prescribed by this chapter. Renewal under this  
25 section shall be effective on the date on which the application is  
26 filed, on the date on which ~~all renewal fees are~~ *the renewal fee is*  
27 paid, or on the date on which the delinquency fee, if any, is paid,  
28 whichever last occurs. If so renewed, the license or registration  
29 shall continue in effect through the expiration date provided in  
30 Section 4900 that next occurs after the effective date of the renewal,  
31 when it shall expire if it is not again renewed.

32     *SEC. 24. Section 4966 of the Business and Professions Code*  
33 *is amended to read:*

34     4966. Except as provided in Section 4969, a license that has  
35 expired may be renewed at any time within three years after its  
36 expiration by filing of an application for renewal on a form  
37 provided by the board, paying ~~all accrued and unpaid renewal fees,~~  
38 *the renewal fee,* and providing proof of completing continuing  
39 education requirements. If the license is not renewed prior to its  
40 expiration, the acupuncturist, as a condition precedent to renewal,

1 shall also pay the prescribed delinquency fee. Renewal under this  
 2 section shall be effective on the date on which the application is  
 3 filed, on the date on which the renewal fee is paid, or on the date  
 4 the delinquency fee is paid, whichever occurs last. If so renewed,  
 5 the license shall continue in effect through the expiration date  
 6 provided in Section 4965, after the effective date of the renewal,  
 7 when it shall expire and become invalid if it is not again renewed.

8 *SEC. 25. Section 4989.36 of the Business and Professions Code*  
 9 *is amended to read:*

10 4989.36. A licensee may renew a license that has expired at  
 11 any time within three years after its expiration date by taking all  
 12 of the actions described in Section 4989.32 and by paying ~~all~~  
 13 ~~unpaid prior renewal fees and delinquency fees.~~ *the delinquency*  
 14 *fee.*

15 *SEC. 26. Section 4999.104 of the Business and Professions*  
 16 *Code is amended to read:*

17 4999.104. Licenses issued under this chapter that have expired  
 18 may be renewed at any time within three years of expiration. To  
 19 renew an expired license described in this section, the licensee  
 20 shall do all of the following:

21 (a) File an application for renewal on a form prescribed by the  
 22 board.

23 ~~(b) Pay all fees that would have been paid if the license had not~~  
 24 ~~become delinquent.~~

25 ~~(c)~~

26 (b) Pay ~~all~~ *the delinquency fees.* *fee.*

27 ~~(d)~~

28 (c) Certify compliance with the continuing education  
 29 requirements set forth in Section 4999.76.

30 ~~(e)~~

31 (d) Notify the board whether ~~he or she~~ *the licensee* has been  
 32 convicted, as defined in Section 490, of a misdemeanor or felony,  
 33 or whether any disciplinary action has been taken by any regulatory  
 34 or licensing board in this or any other state, subsequent to the  
 35 licensee's last renewal.

36 *SEC. 27. Section 5070.6 of the Business and Professions Code*  
 37 *is amended to read:*

38 5070.6. Except as otherwise provided in this chapter, an expired  
 39 permit may be renewed at any time within five years after its  
 40 expiration upon the filing of an application for renewal on a form

1 prescribed by the board, payment of ~~all accrued and unpaid renewal~~  
2 ~~fees~~ *the renewal fee*, and providing evidence satisfactory to the  
3 board of compliance as required by Section 5070.5. If the permit  
4 is renewed after its expiration, its holder, as a condition precedent  
5 to renewal, shall also pay the delinquency fee prescribed by this  
6 chapter. Renewal under this section shall be effective on the date  
7 on which the application is filed, on the date on which the ~~accrued~~  
8 ~~renewal fees are~~ *fee is* paid, or on the date on which the  
9 delinquency fee, if any, is paid, whichever last occurs. If so  
10 renewed, the permit shall continue in effect through the date  
11 provided in Section 5070.5 that next occurs after the effective date  
12 of the renewal, when it shall expire if it is not again renewed.

13 *SEC. 28. Section 5600.2 of the Business and Professions Code*  
14 *is amended to read:*

15 5600.2. Except as otherwise provided in this chapter, a license  
16 which has expired may be renewed at any time within five years  
17 after its expiration on filing of application for renewal on a form  
18 prescribed by the board, and payment of ~~all accrued and unpaid~~  
19 ~~renewal fees.~~ *the renewal fee*. If a license is renewed more than  
20 30 days after its expiration, the licenseholder, as a condition  
21 precedent to renewal, shall also pay the delinquency fee prescribed  
22 by this chapter. Renewal under this section shall be effective on  
23 the date on which the application is filed, on the date on which the  
24 renewal fee is paid, or on the date on which the delinquency fee,  
25 if any, is paid, whichever last occurs. If so renewed, the license  
26 shall continue in effect through the expiration date provided in this  
27 chapter which next occurs after the effective date of the renewal,  
28 when it shall expire if it is not again renewed.

29 *SEC. 29. Section 5680.1 of the Business and Professions Code*  
30 *is amended to read:*

31 5680.1. Except as otherwise provided in this chapter, a license  
32 that has expired may be renewed at any time within five years after  
33 its expiration on filing of an application for renewal on a form  
34 prescribed by the board, and payment of ~~all accrued and unpaid~~  
35 ~~renewal fees.~~ *the renewal fee*. If the license is renewed more than  
36 30 days after its expiration, the licenseholder, as a condition  
37 precedent to renewal, shall also pay the delinquency fee prescribed  
38 by this chapter. Renewal under this section shall be effective on  
39 the date on which the application is filed, on the date on which ~~all~~  
40 ~~the renewal fees are~~ *fee is* paid, or on the date on which the



1 delinquency fee, if any, is paid, whichever last occurs. If so  
 2 renewed, the license shall continue in effect through the date  
 3 provided in Section 5680 that next occurs after the effective date  
 4 of the renewal, when it shall expire if it is not again renewed.

5 *SEC. 30. Section 6796 of the Business and Professions Code*  
 6 *is amended to read:*

7 6796. Except as otherwise provided in this article, certificates  
 8 of registration as a professional engineer and certificates of  
 9 authority may be renewed at any time within five years after  
 10 expiration on filing of application for renewal on a form prescribed  
 11 by the board and payment of ~~all accrued and unpaid renewal fees.~~  
 12 *the renewal fee.* If the certificate is renewed more than 60 days  
 13 after its expiration, the certificate holder, as a condition precedent  
 14 to renewal, shall also pay the delinquency fee prescribed by this  
 15 chapter. Renewal under this section shall be effective on the date  
 16 on which the application is filed, on the date on which the renewal  
 17 fee is paid, or on the date on which the delinquency fee, if any, is  
 18 paid, whichever last occurs.

19 The expiration date of a certificate renewed pursuant to this  
 20 section shall be determined pursuant to Section 6795.

21 *SEC. 31. Section 6980.28 of the Business and Professions Code*  
 22 *is amended to read:*

23 6980.28. A locksmith license not renewed within three years  
 24 following its expiration may not be renewed thereafter. Renewal  
 25 of the license within three years, or issuance of an original license  
 26 thereafter, shall be subject to payment of any ~~and all fines~~ *fine*  
 27 assessed by the chief or the director ~~which are~~ *that is* not pending  
 28 appeal and all other applicable fees.

29 *SEC. 32. Section 7076.5 of the Business and Professions Code*  
 30 *is amended to read:*

31 7076.5. (a) A contractor may inactivate ~~his or her~~ *their* license  
 32 by submitting a form prescribed by the registrar accompanied by  
 33 the current active license certificate. When the current license  
 34 certificate has been lost, the licensee shall pay the fee prescribed  
 35 by law to replace the license certificate. Upon receipt of an  
 36 acceptable application to inactivate, the registrar shall issue an  
 37 inactive license certificate to the contractor. The holder of an  
 38 inactive license shall not be entitled to practice as a contractor until  
 39 ~~his or her~~ *their* license is reactivated.

1 (b) Any licensed contractor who is not engaged in work or  
2 activities which require a contractor's license may apply for an  
3 inactive license.

4 (c) Inactive licenses shall be valid for a period of four years  
5 from their due date.

6 (d) During the period that an existing license is inactive, no  
7 bonding requirement pursuant to Section 7071.6, 7071.8 or 7071.9  
8 or qualifier requirement pursuant to Section 7068 shall apply. An  
9 applicant for license having met the qualifications for issuance  
10 may request that the license be issued inactive unless the applicant  
11 is subject to the provisions of Section 7071.8.

12 (e) The board shall not refund any of the renewal fee which a  
13 licensee may have paid prior to the inactivation of ~~his or her~~ *the*  
14 license.

15 (f) An inactive license shall be renewed on each established  
16 renewal date by submitting the renewal application and paying the  
17 inactive renewal fee.

18 (g) An inactive license may be reactivated by submitting an  
19 application acceptable to the registrar, by paying ~~the full~~ *a fee no*  
20 *more than 50 percent of the* renewal fee for an active ~~license~~  
21 *license*, and by fulfilling all other requirements of this chapter. No  
22 examination shall be required to reactivate an inactive license.

23 (h) The inactive status of a license shall not bar any disciplinary  
24 action by the board against a licensee for any of the causes stated  
25 in this chapter.

26 *SEC. 33. Section 7417 of the Business and Professions Code*  
27 *is amended to read:*

28 7417. Except as otherwise provided in this article, a license  
29 that has expired for failure of the licensee to renew within the time  
30 fixed by this article may be renewed at any time within five years  
31 following its expiration upon application and payment of ~~all~~  
32 ~~accrued and unpaid~~ *the* renewal ~~fees~~ and delinquency fees. If the  
33 license is renewed after its expiration, the licensee, as a condition  
34 precedent to renewal, shall also pay the delinquency fee and meet  
35 current continuing education requirements, if applicable, prescribed  
36 by this chapter. Renewal under this section shall be effective on  
37 the date on which the application is filed, or on the date on which  
38 ~~the accrued renewal fees are~~ *fee is* paid, or on the date on which  
39 the delinquency fee, if any, is paid, whichever occurs last. If so  
40 renewed, the license shall continue in effect through the expiration

1 date provided in this article which next occurs following the  
2 effective date of the renewal, when it shall expire if it is not again  
3 renewed.

4 *SEC. 34. Section 7672.8 of the Business and Professions Code*  
5 *is amended to read:*

6 7672.8. All cremated remains disposer registrations shall expire  
7 at midnight on September 30 of each year. A person desiring to  
8 renew ~~his or her~~ *their* registration shall file an application for  
9 renewal on a form prescribed by the bureau accompanied by the  
10 required fee. A registration that has expired may be renewed within  
11 five years of its expiration upon payment of ~~all accrued and unpaid~~  
12 ~~renewal fees.~~ *the renewal fee.* The bureau shall not renew the  
13 registration of any person who has not filed the required annual  
14 report until ~~he or she~~ *the person* has filed a complete annual report  
15 with the department.

16 *SEC. 35. Section 7725.2 of the Business and Professions Code*  
17 *is amended to read:*

18 7725.2. Except as otherwise provided in this chapter, a license  
19 that has expired may be renewed at any time within five years after  
20 its expiration on filing of an application for renewal on a form  
21 prescribed by the bureau and payment of ~~all accrued and unpaid~~  
22 ~~renewal fees.~~ *the renewal fee.* If the license is not renewed within  
23 30 days after its expiration the licensee, as a condition precedent  
24 to renewal, shall also pay the delinquency fee prescribed by this  
25 chapter. Renewal under this section shall be effective on the date  
26 on which the application is filed, on the date on which ~~all the~~  
27 ~~renewal fees are~~ *fee is* paid, or on the date on which the  
28 delinquency fee, if any, is paid, whichever last occurs. If so  
29 renewed, the license shall continue in effect through the date  
30 provided in Section 7725 that next occurs after the effective date  
31 of the renewal, when it shall expire if it is not again renewed.

32 If a license is not renewed within one year following its  
33 expiration, the bureau may require as a condition of renewal that  
34 the holder of the license pass an examination on the appropriate  
35 subjects provided by this chapter.

36 *SEC. 36. Section 7729.1 of the Business and Professions Code*  
37 *is amended to read:*

38 7729.1. The amount of fees prescribed for a license or  
39 certificate of authority under this act is that fixed by the following  
40 provisions of this article. Any license or certificate of authority

1 provided under this act that has expired may be renewed within  
2 five years of its expiration upon payment of ~~all accrued and unpaid~~  
3 ~~renewal and regulatory fees.~~ *the renewal fee.*

4 *SEC. 37. Section 7881 of the Business and Professions Code*  
5 *is amended to read:*

6 7881. Except as otherwise provided in this article, certificates  
7 of registration as a geologist or as a geophysicist, or certified  
8 specialty certificates, may be renewed at any time within five years  
9 after expiration on filing an application for renewal on a form  
10 prescribed by the board and payment of ~~all accrued and unpaid~~  
11 ~~renewal fees.~~ *the renewal fee.* If the certificate is renewed more  
12 than 30 days after its expiration, the certificate holder, as a  
13 condition precedent to renewal, shall also pay the delinquency fee  
14 prescribed by this chapter. Renewal under this section shall be  
15 effective on the date on which the application is filed, on the date  
16 on which ~~all the renewal fees are~~ *fee is* paid, or on the date on  
17 which the delinquency fee, if any, is paid, whichever last occurs.  
18 If so renewed, the certificate shall continue in effect through the  
19 date provided in Section 7880 that next occurs after the effective  
20 date of the renewal, when it shall expire if it is not again renewed.

21 *SEC. 38. Section 7883 of the Business and Professions Code*  
22 *is amended to read:*

23 7883. A revoked certificate is subject to expiration as provided  
24 in this article, but it may not be renewed. If it is reinstated after its  
25 expiration, the holder of the certificate, as a condition precedent  
26 to its reinstatement, shall pay a reinstatement fee in an amount  
27 equal to the renewal fee in effect on the last regular date before  
28 the date on which it is ~~reinstated, plus all accrued and unpaid~~  
29 ~~renewal fees~~ *reinstated* and the delinquency fee, if any, accrued  
30 at the time of its revocation.

31 *SEC. 39. Section 8024.7 of the Business and Professions Code*  
32 *is amended to read:*

33 8024.7. The board shall establish an inactive category of  
34 licensure for persons who are not actively engaged in the practice  
35 of shorthand reporting.

36 (a) The holder of an inactive license issued pursuant to this  
37 section shall not engage in any activity for which a license is  
38 required.

39 (b) An inactive license issued pursuant to this section shall be  
40 renewed during the same time period in which an active license

1 is renewed. The holder of an inactive license is exempt from any  
 2 continuing education requirement for renewal of an active license.

3 (c) The renewal fee for a license in an active status shall ~~apply~~  
 4 ~~also for a renewal of a license in an inactive status, unless a lesser~~  
 5 ~~renewal fee is specified by the board.~~ *be no more than 50 percent*  
 6 *of the renewal fee for a license in an active status.*

7 (d) In order for the holder of an inactive license issued pursuant  
 8 to this section to restore ~~his or her~~ *their* license to an active status,  
 9 the holder of an inactive license shall comply with both of the  
 10 following:

- 11 (1) Pay the renewal fee.
- 12 (2) If the board requires completion of continuing education for  
 13 renewal of an active license, complete continuing education  
 14 equivalent to that required for renewal of an active license, unless  
 15 a different requirement is specified by the board.

16 *SEC. 40. Section 8802 of the Business and Professions Code*  
 17 *is amended to read:*

18 8802. Except as otherwise provided in this article, licenses  
 19 issued under this chapter may be renewed at any time within five  
 20 years after expiration on filing of application for renewal on a form  
 21 prescribed by the board and payment of ~~all accrued and unpaid~~  
 22 ~~renewal fees.~~ *the renewal fee.* If the license is renewed more than  
 23 30 days after its expiration, the licensee, as a condition precedent  
 24 to renewal, shall also pay the delinquency fee prescribed by this  
 25 chapter. Renewal under this section shall be effective on the date  
 26 on which the application is filed, on the date on which the renewal  
 27 fee is paid, or on the date on which the delinquency fee, if any, is  
 28 paid, whichever last occurs. If so renewed, the license shall  
 29 continue in effect through the date provided in Section 8801 which  
 30 next occurs after the effective date of the renewal, when it shall  
 31 expire if it is not again renewed.

32 *SEC. 41. Section 9832 of the Business and Professions Code*  
 33 *is amended to read:*

34 9832. (a) Registrations issued under this chapter shall expire  
 35 no more than 12 months after the issue date. The expiration date  
 36 of registrations shall be set by the director in a manner to best  
 37 distribute renewal procedures throughout the year.

38 (b) To renew an unexpired registration, the service dealer shall,  
 39 on or before the expiration date of the registration, apply for

1 renewal on a form prescribed by the director, and pay the renewal  
2 fee prescribed by this chapter.

3 (c) To renew an expired registration, the service dealer shall  
4 apply for renewal on a form prescribed by the director, pay the  
5 renewal fee in effect on the last regular renewal date, and pay ~~all~~  
6 ~~accrued and unpaid~~ the delinquency ~~and renewal fees.~~ *fee.*

7 (d) Renewal is effective on the date that the application is ~~filed,~~  
8 ~~filed and~~ the renewal fee is paid, and ~~all~~ delinquency fees are paid.

9 (e) For purposes of implementing the distribution of the renewal  
10 of registrations throughout the year, the director may extend by  
11 not more than six months, the date fixed by law for renewal of a  
12 registration, except that in that event any renewal fee that may be  
13 involved shall be prorated in a manner that no person shall be  
14 required to pay a greater or lesser fee than would have been  
15 required had the change in renewal dates not occurred.

16 *SEC. 42. Section 9832.5 of the Business and Professions Code*  
17 *is amended to read:*

18 9832.5. (a) Registrations issued under this chapter shall expire  
19 no more than 12 months after the issue date. The expiration date  
20 of registrations shall be set by the director in a manner to best  
21 distribute renewal procedures throughout the year.

22 (b) To renew an unexpired registration, the service contractor  
23 shall, on or before the expiration date of the registration, apply for  
24 renewal on a form prescribed by the director, and pay the renewal  
25 fee prescribed by this chapter.

26 (c) To renew an expired registration, the service contractor shall  
27 apply for renewal on a form prescribed by the director, pay the  
28 renewal fee in effect on the last regular renewal date, and pay ~~all~~  
29 ~~accrued and unpaid~~ the delinquency and renewal fees.

30 (d) Renewal is effective on the date that the application is ~~filed,~~  
31 ~~filed and~~ the renewal fee is paid, and ~~all~~ delinquency fees are paid.

32 (e) For purposes of implementing the distribution of the renewal  
33 of registrations throughout the year, the director may extend, by  
34 not more than six months, the date fixed by law for renewal of a  
35 registration, except that, in that event, any renewal fee that may  
36 be involved shall be prorated in such a manner that no person shall  
37 be required to pay a greater or lesser fee than would have been  
38 required had the change in renewal dates not occurred.

39 (f) This section shall remain in effect only until January 1, 2023,  
40 and as of that date is repealed.

1     *SEC. 43. Section 9884.5 of the Business and Professions Code*  
2     *is amended to read:*

3     9884.5. A registration that is not renewed within three years  
4     following its expiration shall not be renewed, restored, or reinstated  
5     thereafter, and the delinquent registration shall be canceled  
6     immediately upon expiration of the three-year period.

7     An automotive repair dealer whose registration has been canceled  
8     by operation of this section shall obtain a new registration only if  
9     ~~he or she~~ *the automotive repair dealer* again meets the requirements  
10    set forth in this chapter relating to registration, is not subject to  
11    denial under Section 480, and pays the applicable fees.

12    An expired registration may be renewed at any time within three  
13    years after its expiration upon the filing of an application for  
14    renewal on a form prescribed by the bureau and the payment of  
15    ~~all accrued~~ *the* renewal and delinquency fees. Renewal under this  
16    section shall be effective on the date on which the application is  
17    filed and ~~all~~ *the* renewal and delinquency fees are paid. If so  
18    renewed, the registration shall continue in effect through the  
19    expiration date of the current registration year as provided in  
20    Section 9884.3, at which time the registration shall be subject to  
21    renewal.

22    *SEC. 44. Section 19170.5 of the Business and Professions Code*  
23    *is amended to read:*

24    19170.5. (a) Except as provided in Section 19170.3, licenses  
25    issued under this chapter expire two years from the date of  
26    issuance. To renew ~~his or her~~ *a* license, a licensee shall, on or  
27    before the date on which it would otherwise expire, apply for  
28    renewal on a form prescribed by the chief, and pay the fees  
29    prescribed by Sections 19170 and 19213.1. If a licensee fails to  
30    renew ~~his or her~~ *their* license before its expiration, a delinquency  
31    fee of 20 percent, but not more than one hundred dollars (\$100),  
32    notwithstanding the provisions of Section 163.5, shall be added  
33    to the renewal fee. If the renewal fee and delinquency fee are not  
34    paid within 90 days after expiration of a license, the licensee shall  
35    be assessed an additional penalty fee of 30 percent of the renewal  
36    fee.

37    (b) Except as otherwise provided in this chapter, a licensee may  
38    renew an expired license within six years after expiration of the  
39    license by filing an application for renewal on a form prescribed

1 by the bureau, and paying ~~all accrued renewal, delinquent, the~~  
2 *renewal, delinquency, and penalty fees.*

3 (c) A license that is not renewed within six years of its expiration  
4 shall not be renewed, restored, reinstated, or reissued, but the holder  
5 of the license may apply for and obtain a new license if both of  
6 the following requirements are satisfied:

7 (1) No fact, circumstance, or condition exists which would  
8 justify denial of licensure under Section 480.

9 (2) The licensee pays ~~all the~~ *renewal, delinquency, and penalty*  
10 *fees that have accrued since the date on which the license was last*  
11 *renewed. fees.*

12 (d) The bureau may impose conditions on any license issued  
13 pursuant to subdivision (c).

14 *SEC. 45. Section 19290 of the Business and Professions Code*  
15 *is amended to read:*

16 19290. (a) Permits issued under this chapter expire two years  
17 from the date of issuance. To renew a permit, a permittee shall,  
18 on or before the date on which it would otherwise expire, apply  
19 for renewal on a form prescribed by the chief, and continue to pay  
20 the fees prescribed in Sections 19288 and 19288.1. Notwithstanding  
21 Section 163.5, if a permittee fails to renew the permit before its  
22 expiration, a delinquency fee of 20 percent of the most recent fee  
23 paid to the bureau pursuant to Sections 19288 and 19288.1 shall  
24 be added to the amount due to the bureau at the next fee interval.  
25 If the renewal fee and delinquency fee are not paid within 90 days  
26 after expiration of a permit, the permittee shall be assessed an  
27 additional fee of 30 percent of the most recent fee paid to the  
28 bureau pursuant to Sections 19288 and 19288.1.

29 (b) Except as otherwise provided in this chapter, a permittee  
30 may renew an expired permit within two years after expiration of  
31 the permit by filing an application for renewal on a form prescribed  
32 by the bureau, and paying ~~all accrued~~ fees.

33 (c) A permit that is not renewed within two years of its  
34 expiration shall not be renewed, restored, reinstated, or reissued,  
35 but the holder of the expired permit may apply for and obtain a  
36 new permit as provided in this chapter, upon payment of all fees  
37 that accrued since the date the permit was last renewed.

38 (d) The bureau may impose conditions on any permit issued  
39 pursuant to subdivision (c).



1 SECTION 1. ~~Section 4073 of the Business and Professions~~  
2 ~~Code is amended to read:~~

3 4073. (a) ~~A pharmacist filling a prescription order for a drug~~  
4 ~~product prescribed by its trade or brand name may select another~~  
5 ~~drug product with the same active chemical ingredients of the same~~  
6 ~~strength, quantity, and dosage form, and of the same generic drug~~  
7 ~~name as determined by the United States Adopted Names (USAN)~~  
8 ~~and accepted by the federal Food and Drug Administration (FDA),~~  
9 ~~of those drug products having the same active chemical ingredients.~~

10 (b) ~~In no case shall a selection be made pursuant to this section~~  
11 ~~if the prescriber personally indicates, either orally or in the~~  
12 ~~prescriber's own handwriting, "Do not substitute," or words of~~  
13 ~~similar meaning. Nothing in this subdivision shall prohibit a~~  
14 ~~prescriber from checking a box on a prescription marked "Do not~~  
15 ~~substitute"; provided that the prescriber personally initials the box~~  
16 ~~or checkmark. To indicate that a selection shall not be made~~  
17 ~~pursuant to this section for an electronic data transmission~~  
18 ~~prescription as defined in subdivision (c) of Section 4040, a~~  
19 ~~prescriber may indicate "Do not substitute," or words of similar~~  
20 ~~meaning, in the prescription as transmitted by electronic data, or~~  
21 ~~may check a box marked on the prescription "Do not substitute."~~  
22 ~~In either instance, it shall not be required that the prohibition on~~  
23 ~~substitution be manually initialed by the prescriber.~~

24 (c) ~~Selection pursuant to this section is within the discretion of~~  
25 ~~the pharmacist, except as provided in subdivision (b). The person~~  
26 ~~who selects the drug product to be dispensed pursuant to this~~  
27 ~~section shall assume the same responsibility for selecting the~~  
28 ~~dispensed drug product as would be incurred in filling a~~  
29 ~~prescription for a drug product prescribed by generic name. There~~  
30 ~~shall be no liability on the prescriber for an act or omission by a~~  
31 ~~pharmacist in selecting, preparing, or dispensing a drug product~~  
32 ~~pursuant to this section. In no case shall the pharmacist select a~~  
33 ~~drug product pursuant to this section unless the drug product~~  
34 ~~selected costs the patient less than the prescribed drug product.~~  
35 ~~Cost, as used in this subdivision, is defined to include any~~  
36 ~~professional fee that may be charged by the pharmacist.~~

37 (d) ~~This section shall apply to all prescriptions, including those~~  
38 ~~presented by or on behalf of persons receiving assistance from the~~  
39 ~~federal government or pursuant to the California Medical~~  
40 ~~Assistance Program set forth in Chapter 7 (commencing with~~

1 ~~Section 14000) of Part 3 of Division 9 of the Welfare and~~  
2 ~~Institutions Code.~~  
3 ~~(e) When a substitution is made pursuant to this section, the use~~  
4 ~~of the cost-saving drug product dispensed shall be communicated~~  
5 ~~to the patient and the name of the dispensed drug product shall be~~  
6 ~~indicated on the prescription label, except where the prescriber~~  
7 ~~orders otherwise.~~

O



## Assemblyman William Brough

### Issue

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According to a [report](#) by the Little Hoover Commission, one in five Californians must receive permission from the government to work. For a lower-income licensed occupation in California, applicants, on average, pay \$300 in licensing fees, spend 549 days in education and training, and pass one exam.

The purpose of occupational licensing is consumer protection; however there are certain regulations in place that have erected barriers to entry or reentry into occupations.

The California Department of Consumer Affairs' licensing boards have varying provisions related to placing licenses on inactive status and/or for reinstating a license that has been allowed to lapse/expire.

Some licensed professionals are allowed to place licenses on inactive status, but in most cases are still required to pay the full biennial license fees even though they are not engaging in the profession at all. Other licensing boards do not have a specific category of "inactive license," thus providing only the option of letting the license expire.

While some professions are allowed to reinstate an expired license within five years, many of those are required to pay all accrued renewal fees in addition to any applicable delinquency fees.

For someone who might have decided to let his/her license lapse for a period of time in order to focus on raising children, dealing with personal or family illness, etc., it does not seem fair to require them to pay several years of accrued renewal fees to reinstate the license and start working again.

### Solution

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To reduce the barrier of reentry for someone with an inactive or expired license, **this bill would limit the maximum fee for the renewal of a license in an inactive status to no more than 50% of the renewal fee for an active license. The bill would also prohibit a board from requiring payment of accrued and unpaid renewal fees as a condition of reinstating an expired license or registration.**

**AB 544** would not relieve a licensed professional of any continued education requirements. If a licensing board requires a fee to activate a license, this bill still requires that fee is paid. **AB 544** removes the barriers to reenter a licensed job by simply helping individuals who have an inactive or expired license afford to reactivate their license and get back to work.

### Similar Legislation

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**AB 1659 (Low, 2018)** Authorizes healing arts licensing boards to establish lower renewal fees for inactive licenses than for active licenses, and prohibits an inactive license holder from representing that he/she has an active license.

### Staff Contact

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**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1076**

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<b>Subject:</b>	Criminal Records: Automatic Relief.	<b>Author:</b>	Ting
<b>Version:</b>	March 27, 2019	<b>Sponsor:</b>	San Francisco District Attorney's Office
<b>Status:</b>	Assembly Appropriations Committee – Suspense File		Californians for Safety and Justice

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### **Summary**

Assembly Bill (AB) 1076 (**Attachment 1**) would require the Department of Justice (DOJ), beginning January 1, 2021, to review its criminal justice databases on a weekly basis, identify persons who meet specific conditions for relief by having either their arrest records or conviction records withheld from disclosure, and grant relief to an eligible person without a petition or motion being filed on the person's behalf. In addition, the bill would prohibit the DOJ from disclosing information concerning an arrest that has been granted relief to boards and bureaus within the Department of Consumer Affairs (DCA).

### **Background**

Existing law authorizes a person who was arrested and has successfully completed a pre-filing diversion program, a person who has successfully completed a specified drug diversion program, a person who has successfully completed a specified deferred entry of judgment program, and a person who has suffered an arrest that did not result in a conviction, under certain conditions, to petition the court to seal the person's arrest record. Under existing law, if a defendant successfully completes certain diversion programs, the arrest for the crime for which the defendant was diverted is deemed to have never occurred.

Existing law authorizes an eligible defendant to petition to withdraw the defendant's plea of guilty or nolo contendere and enter a plea of not guilty, if the defendant has fulfilled the conditions of probation, or if other specified circumstances are met.

If relief is granted, existing law requires the court to dismiss the accusation or information against the defendant and release the defendant from all penalties and disabilities resulting from the offense, with certain exceptions. Existing law also authorizes a defendant to file a similar petition if the defendant was convicted of a misdemeanor and not granted probation, was convicted of an infraction, or completed a sentence for certain felonies, and the defendant met specified conditions.

Further, under current law, the California Board of Accountancy (CBA) and other boards within DCA may deny an application for licensure on the grounds that the applicant has, among other things, been convicted of certain crimes or did certain acts involving dishonesty, fraud, or deceit.

In addition, the CBA is specifically prohibited from denying an application for licensure on the basis of any conviction, or on the basis of the acts underlying the conviction, that have been dismissed or expunged. If the conviction relief is not reflected on reports provided by DOJ, the applicant shall provide proof of dismissal to the CBA.

Effective July 1, 2020, pursuant to AB 2138 (Chapter 995 of 2018 Statutes) the CBA will only be able to deny an application for licensure under the following conditions:

- Conviction of a crime substantially related to the qualifications, functions, or duties of a CPA, within the preceding seven years
- Conviction of a serious felony or a felony financial crime directly and adversely related to the fiduciary functions, qualifications, or duties of a CPA
- The applicant was formally disciplined by a licensing board due to professional misconduct that would have been cause for discipline before the CBA

In addition, beginning July 1, 2020, the CBA may not deny a license on the basis of an arrest that resulted in a disposition other than a conviction, including an arrest that resulted in an infraction, citation, or juvenile adjudication.

## **Analysis**

According to the author's fact sheet (**Attachment 2**), "Individuals with criminal records face barriers in gaining employment, making them more likely to reoffend. This bill would open doors to those facing employment and housing barriers by automating the process of clearing an arrest or criminal record for eligible individuals."

Furthermore, the author states in their fact sheet, "Current law allows individuals to clear arrests that did not result in a conviction, and to clear convictions that are eligible for dismissal by petitioning the court. This imposes a burden on affected individuals to be made aware of their eligibility and retain an attorney to proactively file the necessary petition."

In short, AB 1076 changes the process to receive criminal record relief from a judicial, petition-based process, to an administrative process operated by DOJ.

### DOJ Process to Grant Criminal Record Relief

AB 1076, requires DOJ on a weekly basis to review the records in the statewide criminal justice databases, and grant them relief by having either their arrest records or convictions withheld from disclosure, with certain exceptions. The bill would require DOJ to grant relief to an eligible person, without requiring a petition or motion.

*Arrest Record Relief*

Under the bill, a person is eligible for arrest record relief if their arrest meets any of the following conditions:

- The arrest was for a misdemeanor offense and the charge was dismissed
- The arrest was for a misdemeanor offense, at least one calendar year has elapsed since the date of the arrest, and no conviction occurred, or the arrestee was acquitted of the charges
- The arrest was for an offense that is punishable by imprisonment, at least three calendar years have elapsed since the date of the arrest, and no conviction occurred, or the arrestee was acquitted of the charges
- The person successfully completed a pre-filing diversion program, a drug diversion program, a deferred entry of judgment program, a pretrial diversion program, or a diversion program, as specified

Under AB 1076, an arrest for which relief has been granted is deemed not to have occurred, and a person who has been granted arrest relief is released from any penalties and disabilities resulting from the arrest, and may answer any question relating to that arrest accordingly.

AB 1076 prohibits DOJ from disclosing information concerning an arrest that is granted relief to DCA boards and bureaus.

*Conviction Record Relief*

The bill states a person is eligible for conviction record relief if they meet all of the following conditions:

- The person is not required to register as a sex offender
- The person is not under active local, state, or federal supervision
- The person is not serving a sentence for any offense, or charged with the commission of any offense; and,
- The conviction meets one of the following criteria:
  - The defendant has completed their probation sentence without revocation
  - The defendant was convicted of an infraction, or of a misdemeanor and not granted probation, completed their sentence, and at least one calendar year has elapsed since the date of pronouncement of judgment
  - If the defendant was convicted of a felony and sentenced to time in the county jail and part of the sentence was suspended, as specified, and one year has elapsed following the defendant's completion of the sentence
  - If the defendant was convicted of a felony and sentenced to time in the county jail, and no part of the sentence was suspended, as specified, and two years have elapsed following the defendant's completion of the sentence

## **AB 1076**

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- The defendant was sentenced prior to 2011 for a crime for they would have been eligible for sentencing pursuant to certain sentencing reform legislation passed at that time, and two years have elapsed following the defendant's completion of the sentence

AB 1076 prohibits DOJ from disclosing information concerning a conviction that was granted relief to DCA boards and bureaus. Further, a court shall not disclose information to any person or entity about a conviction granted relief, except to the person whose conviction was granted relief or a criminal justice agency.

### Impact to CBA

This bill is not anticipated to impact the CBA's review and approval of applications for licensure, as applicants may already pursue criminal record relief to have certain convictions dismissed or expunged.

In addition, beginning July 1, 2020, the CBA is prohibited from denying an application for licensure based upon an arrest that does not result in a conviction.

### **Fiscal Estimate**

CBA staff do not anticipate any costs at this time.

### **Support/Opposition**

Support: San Francisco District Attorney George Gascón (Sponsor)  
Californians for Safety and Justice (Sponsor)  
ACLU  
California Attorneys for Criminal Justice  
California Public Defenders Association  
National Association of Social Workers  
(partial list)

Opposition: California Law Enforcement Association of Records Supervisors, Inc.

### **Recommendation**

Staff recommend a **Watch** position on this bill.

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

AB 972 (Bonta) would establish a process for courts to automatically redesignate as misdemeanors, felony convictions which are eligible to be reduced to misdemeanors because of the passage of Proposition 47 from 2014.

### **Attachments**

1. AB 1076

2. AB 1076 Fact Sheet



AMENDED IN ASSEMBLY MARCH 27, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1076**

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**Introduced by Assembly Member Ting**

February 21, 2019

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An act to add Sections 851.93 and 1203.425 to the Penal Code, relating to criminal records.

LEGISLATIVE COUNSEL'S DIGEST

AB 1076, as amended, Ting. Criminal records: automatic relief.

Existing law authorizes a person who was arrested and has successfully completed a prefiling diversion program, a person who has successfully completed a specified drug diversion program, a person who has successfully completed a specified deferred entry of judgment program, and a person who has suffered an arrest that did not result in a conviction, under certain conditions, to petition the court to seal the person's arrest record. Under existing law, if a defendant successfully completes certain diversion programs, the arrest for the crime for which the defendant was diverted is deemed to have never occurred.

Existing law authorizes a defendant to petition to withdraw the defendant's plea of guilty or nolo contendere and enter a plea of not guilty, if the defendant has fulfilled the conditions of probation, or if other specified circumstances are met, and the defendant is not then serving a sentence for any offense, on probation for any offense, or charged with the commission of any offense. If relief is granted, existing law requires the court to dismiss the accusation or information against the defendant and release the defendant from all penalties and disabilities resulting from the offense, with exceptions. Existing law also authorizes a defendant to file a similar petition if the defendant was convicted of

a misdemeanor and not granted probation, was convicted of an infraction, or completed a sentence for certain felonies, and the defendant met specified conditions.

This bill would, commencing January 1, 2021, require the Department of Justice, on a weekly basis, to review the records in the ~~state summary criminal history information database~~ *statewide criminal justice databases* and to identify persons who are eligible for relief by having their arrest records, or their criminal conviction records, withheld from disclosure. The bill would require the department to grant relief to an eligible person, without requiring a petition or motion. The bill would not limit petitions, motions, or orders for relief, as required or authorized by any other law.

The bill would require an update to the state summary criminal history information to document the relief granted. The bill would require the department, on a weekly basis, to *electronically* submit a notice to the superior court having jurisdiction over the criminal case, informing the court of all cases for which relief was granted. The bill would prohibit the court from disclosing information concerning an arrest or conviction granted relief, with exceptions.

The bill would authorize the prosecuting attorney to file a motion to prohibit the department from granting automatic relief for criminal conviction records as described above. If the court grants that motion, the bill would prohibit the department from granting relief, but the person would continue to be eligible for relief through other existing procedures, including petitions to the court.

*The bill would require the Department of Justice to annually publish statistics regarding relief granted pursuant to the provisions of this bill, as specified.*

*The bill would require a court, at the time of sentencing, to advise each defendant of their right to conviction relief pursuant to the provisions of this bill, as specified.*

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 851.93 is added to the Penal Code, to  
2 read:  
3 851.93. (a) (1) On a weekly basis, the Department of Justice  
4 shall review the records in the ~~state summary criminal history~~

1 ~~information database and shall identify persons who are eligible~~  
2 ~~for relief in their arrest records pursuant to Section 851.87, 851.90,~~  
3 ~~851.91, 1000.4, or 1001.9, and whose arrests meet the conditions~~  
4 ~~described in paragraph (2): statewide criminal justice databases,~~  
5 ~~and based on information in the Automated Criminal History~~  
6 ~~System, shall identify persons with records of arrest that meet the~~  
7 ~~criteria set forth in paragraph (2) and are eligible for arrest record~~  
8 ~~relief.~~

9 (2) A person is eligible for relief pursuant to this section, if the  
10 ~~underlying arrest shall meet all~~ *meets* any of the following  
11 conditions:

12 ~~(A) Either of the following criteria is met:~~

13 (A) *The arrest was for a misdemeanor offense and the charge*  
14 *was dismissed.*

15 (i)

16 (B) ~~The arrest is~~ *was* for a misdemeanor offense, ~~and~~ at least  
17 one calendar year has elapsed since the date of the ~~arrest.~~ *arrest,*  
18 *and no conviction occurred, or the arrestee was acquitted of any*  
19 *charges that arose, from that arrest.*

20 (ii)

21 (C) ~~The arrest is~~ *was* for a ~~felony offense~~ *an offense* that is  
22 punishable by imprisonment pursuant to paragraph (1) or (2) of  
23 subdivision (h) of Section 1170, ~~and~~ at least three calendar years  
24 have elapsed since the date of the ~~arrest.~~ *arrest, and no conviction*  
25 *occurred, or the arrestee was acquitted of any charges arising*  
26 *from, that arrest.*

27 ~~(B) A criminal conviction did not result based on the arrest.~~

28 (C) ~~Nothing in the arrest record indicates that proceedings~~  
29 ~~seeking conviction remain pending.~~

30 (D) *The person successfully completed any of the following,*  
31 *relating to that arrest:*

32 (i) *A prefiling diversion program, as defined in Section 851.87,*  
33 *administered by a prosecuting attorney in lieu of filing an*  
34 *accusatory pleading.*

35 (ii) *A drug diversion program administered by a superior court*  
36 *pursuant to Section 1000.5, or a deferred entry of judgment*  
37 *program pursuant to Section 1000 or 1000.8.*

38 (iii) *A pretrial diversion program, pursuant to Section 1000.4.*

39 (iv) *A diversion program, pursuant to Section 1001.9.*

1 (v) Any diversion program described in Chapters 2.8  
 2 (commencing with Section 1001.20), 2.8A (commencing with  
 3 Section 1001.35), 2.9 (commencing with Section 1001.50), 2.9A  
 4 (commencing with Section 1001.60), 2.9B (commencing with  
 5 Section 1001.70), 2.9C (commencing with Section 1001.80), or  
 6 2.9D (commencing with Section 1001.81), of Title 6.

7 (b) (1) The department shall grant relief to a person identified  
 8 pursuant to subdivision (a), without requiring a petition or motion  
 9 by a party for that relief.

10 ~~(2) Section 851.92 does not apply to relief granted pursuant to~~  
 11 ~~this section.~~

12 ~~(3)~~

13 (2) The state summary criminal history information shall  
 14 include, directly next to or below the entry or entries regarding the  
 15 person’s arrest record, a note stating “arrest relief granted,” listing  
 16 the date that the department granted relief, ~~and this section, and~~  
 17 ~~the section pursuant to which the relief was granted.~~ *section.* This  
 18 note shall be included in all statewide criminal databases with a  
 19 record of the arrest.

20 (3) *Except as otherwise provided in subdivision (d), an arrest*  
 21 *for which arrest relief has been granted is deemed not to have*  
 22 *occurred, and a person who has been granted arrest relief is*  
 23 *released from any penalties and disabilities resulting from the*  
 24 *arrest, and may answer any question relating to that arrest*  
 25 *accordingly.*

26 (c) (1) On a weekly basis, the department shall *electronically*  
 27 submit a notice to the superior court having jurisdiction over the  
 28 criminal case, informing the court of all cases for which relief was  
 29 granted pursuant to this section. The court shall not disclose  
 30 information concerning an arrest that is granted relief pursuant to  
 31 this section to any person or entity, except to the person whose  
 32 arrest was granted relief or a criminal justice agency, as defined  
 33 in Section 851.92.

34 (2) The department shall not disclose information concerning  
 35 an arrest that is granted relief pursuant to this section to a board,  
 36 as defined in Section 22 of the Business and Professions Code.

37 (d) ~~(1) Relief granted pursuant to this section is subject to the~~  
 38 ~~following conditions: does~~

39 (1) *Arrest relief does not relieve a person of the obligation to*  
 40 *disclose an arrest in response to a direct question contained in a*

1 questionnaire or application for employment as a peace officer, as  
2 defined in Section 830.

3 (2) Relief granted pursuant to this section has no effect on the  
4 ability of a criminal justice agency, as defined in Section 851.92,  
5 to access and use records that are granted relief. *relief to the same*  
6 *extent that would have been permitted for a criminal justice agency*  
7 *had relief not been granted.*

8 (3) Relief granted pursuant to this section does not affect a  
9 person's authorization to own, possess, or have in the person's  
10 custody or control any firearm, or the person's susceptibility to  
11 conviction under Chapter 2 (commencing with Section 29800) of  
12 Division 9 of Title 4 of Part 6, if the arrest would otherwise affect  
13 this authorization or susceptibility.

14 (4) Relief granted pursuant to this section does not affect any  
15 prohibition from holding public office that would otherwise apply  
16 under law as a result of the arrest.

17 (5) *Relief granted pursuant to this section is subject to the*  
18 *provisions of Section 11105.*

19 (e) This section shall not limit petitions, motions, or orders for  
20 arrest record relief, as required or authorized by any other law,  
21 including, but not limited to, Sections 851.87, 851.90, 851.91,  
22 1000.4, and 1001.9.

23 (f) *The department shall annually publish statistics regarding*  
24 *the total number of arrests granted relief pursuant to this section,*  
25 *by county, on the OpenJustice Web portal, as defined in Section*  
26 *13010.*

27 (f)

28 (g) This section shall be operative commencing January 1, 2021.

29 SEC. 2. Section 1203.425 is added to the Penal Code,  
30 immediately following Section 1203.42, to read:

31 1203.425. (a) (1) On a weekly basis, the Department of Justice  
32 shall review the records in ~~the state summary criminal history~~  
33 ~~information database and shall identify persons who are eligible~~  
34 ~~for relief in their criminal conviction records pursuant to Section~~  
35 ~~1203.4, 1203.4a, 1203.41, or 1203.42. the statewide criminal justice~~  
36 ~~databases, and based on information in the Automated Criminal~~  
37 ~~History System and the Supervised Release File, shall identify~~  
38 ~~persons with convictions that meet the criteria set forth in~~  
39 ~~paragraph (2) and are eligible for automatic conviction record~~  
40 ~~relief.~~

1 (2) A person is eligible for automatic conviction relief pursuant  
2 to this section if they meet all of the following conditions:

3 (A) The person is not required to register pursuant to Section  
4 290.

5 (B) The person is not under active local, state, or federal  
6 supervision, according to the Supervised Release File.

7 (C) The person is not currently serving a sentence for any  
8 offense and does not have any pending criminal charges.

9 (D) The conviction meets one of the following criteria:

10 (i) The defendant was sentenced to probation and has completed  
11 their term of probation without revocation.

12 (ii) The defendant was convicted of an infraction or  
13 misdemeanor and was not granted probation, has completed their  
14 sentence or paid their fine, and at least one calendar year has  
15 elapsed since the date of judgment.

16 (iii) The defendant was sentenced pursuant to subparagraph  
17 (B) of paragraph (5) of subdivision (h) of Section 1170, and one  
18 year has elapsed following the completion of sentence, or, the  
19 defendant was sentenced pursuant to subparagraph (A) of  
20 paragraph (5) of subdivision (h) of Section 1170, and two years  
21 has elapsed following the completion of sentence.

22 (iv) The defendant was sentenced before January 1, 2012 for a  
23 crime which, on or after January 1, 2012, would have been eligible  
24 for sentencing pursuant to subdivision (h) of Section 1170, and  
25 two years have elapsed following the defendant's completion of  
26 the sentence.

27 (b) (1) Except as specified in subdivision (g), the department  
28 shall grant relief, including dismissal of a conviction, to a person  
29 identified pursuant to subdivision (a), without requiring a petition  
30 or motion by a party for that relief.

31 (2) The state summary criminal history information shall  
32 include, directly next to or below the entry or entries regarding the  
33 person's criminal record, a note stating "relief granted," listing the  
34 date that the department granted relief, *relief and this section, and*  
35 ~~the section pursuant to which the relief was granted.~~ *section.* This  
36 note shall be included in all statewide criminal databases with a  
37 record of the conviction.

38 (3) *Except as otherwise provided in subdivision (d) and in*  
39 *Section 13555 of the Vehicle Code, a person granted conviction*  
40 *relief pursuant to this section shall be released from all penalties*

1 *and disabilities resulting from the offense of which he or she has*  
2 *been convicted.*

3 (c) (1) On a weekly basis, the department shall *electronically*  
4 submit a notice to the superior court having jurisdiction over the  
5 criminal case, informing the court of all cases for which relief was  
6 granted pursuant to this section. The court shall not disclose  
7 information concerning a conviction granted relief pursuant to this  
8 section to any person or entity, except to the person whose  
9 conviction was granted relief or a criminal justice agency, as  
10 defined in Section 851.92.

11 (2) The department shall not disclose information concerning  
12 a criminal conviction record that is granted relief pursuant to this  
13 section to a board, as defined in Section 22 of the Business and  
14 Professions Code.

15 (d) ~~(4)~~ Relief granted pursuant to this section *is subject to the*  
16 *following conditions:* ~~does~~

17 (1) *Relief granted pursuant to this section does not relieve a*  
18 *person of the obligation to disclose a criminal conviction in*  
19 *response to a direct question contained in a questionnaire or*  
20 *application for employment as a peace officer, as defined in Section*  
21 *830.*

22 (2) *Relief granted pursuant to this section does not relieve a*  
23 *person of the obligation to disclose the conviction in response to*  
24 *any direct question contained in any questionnaire or application*  
25 *for public office, for licensure by any state or local agency, or for*  
26 *contracting with the California State Lottery Commission.*

27 ~~(2)~~

28 (3) Relief granted pursuant to this section has no effect on the  
29 ability of a criminal justice agency, as defined in Section 851.92,  
30 to access and use records that are granted ~~relief~~. *relief to the same*  
31 *extent that would have been permitted for a criminal justice agency*  
32 *had relief not been granted.*

33 ~~(3)~~

34 (4) Relief granted pursuant to this section does not affect a  
35 person's authorization to own, possess, or have in the person's  
36 custody or control any firearm, or the person's susceptibility to  
37 conviction under Chapter 2 (commencing with Section 29800) of  
38 Division 9 of Title 4 of Part 6, if the criminal conviction would  
39 otherwise affect this authorization or susceptibility.

40 ~~(4)~~

1 (5) Relief granted pursuant to this section does not affect any  
 2 prohibition from holding public office that would otherwise apply  
 3 under law as a result of the criminal conviction.

4 (6) *In any subsequent prosecution of the defendant for any other*  
 5 *offense, the prior conviction may be pleaded and proved and shall*  
 6 *have the same effect as if the relief had not been granted.*

7 (e) This section shall not limit petitions, motions, or orders for  
 8 relief in a criminal case, as required or authorized by any other  
 9 law, including, but not limited to, Sections 1203.4, 1203.4a,  
 10 1203.41, and 1203.42.

11 (f) *The department shall annually publish statistics regarding*  
 12 *the total number of convictions granted relief pursuant to this*  
 13 *section, and the total number of convictions prohibited from*  
 14 *automatic relief pursuant to subdivision (h), by county, on the*  
 15 *OpenJustice Web portal, as defined in Section 13010.*

16 ~~(f)~~

17 (g) Subdivisions (a) to ~~(e)~~, (g) inclusive, shall be operative  
 18 commencing January 1, 2021.

19 ~~(g)~~

20 (h) No later than 90 calendar days before the date of a person’s  
 21 eligibility for relief pursuant to ~~Section 1203.4, 1203.4a, 1203.41,~~  
 22 ~~or 1203.42, this section~~, the prosecuting attorney or probation  
 23 department may file a motion to prohibit the department from  
 24 granting automatic relief pursuant to this section. If the court grants  
 25 that motion, the department shall not grant relief pursuant to this  
 26 section, but the person may continue to be eligible for relief  
 27 pursuant to Section 1203.4, 1203.4a, 1203.41, or 1203.42.

28 (i) *At the time of sentencing, the court shall advise a defendant,*  
 29 *either orally or in writing, of the provisions of this section and of*  
 30 *the defendant’s right, if any, to petition for a certificate of*  
 31 *rehabilitation and pardon.*



# AB 1076

## Arrest & Conviction Relief



### SUMMARY

Individuals with criminal records face barriers in gaining employment, making them more likely to reoffend. This bill would open doors to those facing employment and housing barriers by automating the process of clearing an arrest or criminal record for eligible individuals.

### BACKGROUND

Eight million California residents have criminal convictions on their records that hamper their ability to find work and housing, secure public benefits, or even get admitted to college. Millions more have old arrests on their record that never resulted in a conviction, but remain as obstacles to employment. Nearly 90% of employers, 80% of landlords, and 60% of colleges screen applicants' criminal records.

The *Survey of California Victims and Populations Affected by Mental Health, Substance Issues, and Convictions* found that 76% of individuals with a criminal conviction report instability in finding a job or housing, obtaining a license, paying for fines or fees, and having health issues. A National Institute of Justice study found that having a criminal record reduced the chance of getting a job offer or callback by 50%.

Lack of access to employment and housing are primary factors driving recidivism, criminal records are serious barriers to successful reentry and come at a great cost to California's economy. Nationally, it has been estimated that the U.S. loses roughly \$65 billion per year in terms of gross domestic product due to employment losses among people with criminal records.

Current law allows individuals to clear arrests that did not result in a conviction, and to clear convictions that are eligible for dismissal by petitioning the court. This imposes a burden on affected individuals to be made aware of their eligibility and retain an attorney to proactively file the necessary petition. Additionally, under that current petition-based record clearance model, each record costs the system \$3,757, whereas an automated system costs 4 cents per record. Millions of Californians find themselves in 'paper prisons' for life due to their criminal record. Barriers to accessing criminal record relief perpetuate the long history of disproportionate impact of the justice system on

socioeconomically disadvantaged communities, and communities of color in particular.

Less than 20% of eligible people have been estimated to obtain record clearance. Even if the process could be made available to all those eligible, the volume of petitions would place enormous resource demands on courts and prosecutors, and take years to process. California's record clearance laws are not meeting their full potential, preventing individuals from moving on, and harming families, communities, and California's economy.

### THIS BILL

AB 1076 requires the California Department of Justice (DOJ) to automate arrest and conviction relief by dismissing eligible convictions for individuals who have completed their probation and/or county jail sentence, arrests that did not result in a conviction for qualified misdemeanors one year after the arrest, and qualified non-serious, non-violent, non-sex felonies three years after arrest.

This bill will not require any action from a petitioner, thereby reducing significant barriers to employment and housing opportunities for millions of Californians.

### SUPPORT

San Francisco District Attorney George Gascón (Sponsor)  
 Californians for Safety and Justice (Sponsor)  
 ACLU  
 California Attorneys for Criminal Justice  
 California Public Defenders Association  
 Community Works  
 Feminists in Action  
 Indivisible San Diego Central  
 Initiate Justice  
 National Association of Social Workers  
 Southern California Coalition  
 We the People San Diego

### STAFF CONTACT

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**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1181**

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<b>Subject:</b>	Charitable Organizations.	<b>Author:</b>	Limón
<b>Version:</b>	April 25, 2019	<b>Sponsor:</b>	Attorney General
<b>Status:</b>	Assembly Appropriations Committee		Xavier Becerra

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### **Summary**

Assembly Bill (AB) 1181 (**Attachment 1**) requires financial records of certain solicitations for charitable purposes to be maintained according to specific accounting standards (apart from Generally Accepted Accounting Principles (GAAP)) and prohibits a charitable organization from reporting its noncash contributions in a way that is misleading or likely to cause confusion.

### **Background**

Existing law governing solicitations and sale solicitations for charitable purposes requires all financial records of a soliciting organization to be maintained on the basis of GAAP as defined by the American Institute of Certified Public Accountants (AICPA), the Governmental Accounting Standards Board (GASB), or the Financial Accounting Standards Board (FASB).

The following are the GAAP standards related to fair market valuations (FMV) and gifts-in-kind (GIK) for nonprofit organizations:

Inventory Items – 30-9: Inputs for measuring fair value of contributed inventory items may be obtained from published catalogs, vendors, independent appraisals, and other sources. If methods such as estimates, averages, or computational approximations, such as average value per pound or subsequent sales, can reduce the cost of measuring the fair value of inventory, use of those methods is appropriate, provided the methods are applied consistently, and the results of applying those methods are reasonably expected not to be materially different from the results of a detailed measurement of the fair value of contributed inventory.

Gifts-in-Kind – 30-11: Gifts in kind that can be used or sold shall be measured at fair value. In determining fair value, entities should consider the quality and quantity of the gifts, as well as any applicable discounts that would have been received by the entity, including discounts based on that quantity if the assets had been acquired in exchange transactions. Fair value would generally not increase when a gift in kind is passed from one entity to another. However, fair value could increase if an entity adds value to the gift, such as by cleaning and packaging the gift. Any increases should be evaluated to determine whether the entity did, in fact, add to the fair value of the assets.

## **Analysis**

AB 1181 removes AICPA and GASB from the list of organizations that define GAAP. Instead, the bill states that FASB is the sole entity, for purposes for this bill, that establishes GAAP.

The bill also would require charitable organizations that receive GIK, i.e. noncash donations, restricted by the donor from being used in the United State to assign a value to that GIK based upon the FMV of the end recipient market. The bill allows the charitable organization to make a reasonable estimate if the end recipient market value cannot be determined following a reasonable inquiry.

If the end recipient market is unknown when the GIK is received, the charitable organization shall value the contribution using only those markets in which the contribution is reasonably likely to be distributed or used. This determination must take all facts and circumstances into consideration, and be consistent with any restrictions (including donor) and the charitable organization's mission and purpose.

Further, the bill defines the following terms for purposes of these requirements:

- "End recipient market" means the market in the country where the noncash contribution is to be ultimately distributed
- "Fair value" means the price that the receiving charitable organization would receive if it sold the noncash contribution

Finally, the bill makes it an unlawful act to report noncash contributions in its audited financial statements and reports filed with the Attorney General of California (Attorney General), or solicitation materials, in a way that is misleading or likely to cause confusion.

According the Attorney General, who is the sponsor of AB 1181 (**Attachment 2**):

"AB 1181 addresses reported practices by charities that grossly inflate the value of their publicly reported revenue and program expenses, especially with respect to in-kind donations of pharmaceutical drugs. Overvaluation of [GIK] leads to an inflated total revenue for the charity...inflated revenue, in turn, can serve as a basis to hide excessive fundraising and administrative costs because these expenses would now appear small in comparison to the inflated total revenue."

The Attorney General's office argues that this is a far too common problem, and that the bill is necessary for consumer and donor protection, as it attempts to promote transparency and require that charities that accept GIK to use common sense to value those donations.

Below are two examples cited by the Attorney General's office, including opinions and characterizations provided by the Attorney General's office, which illustrate the type of conduct AB 1181 is intended to address:

- National Cancer Coalition – This organization increased its revenue in two years (September 2012 to 2014) from \$12 million to \$140 million by using U.S. prices for pharmaceutical donations, although virtually all of its donations went to foreign nations.

Pharmaceutical donations made up 80-97 percent of the organization's revenue. Using U.S. prices, this charity was able to tell donors that 97.7 percent of its resources went toward its charitable program services, 0.5 percent went to administrative expenses, and 1.76 percent went to fundraising. Had the charity used international prices, its revenue would be much lower and its program expenses would have been reduced to less than 60 percent.

- Giving Children Hope (GCH) – An Attorney General investigation revealed that, between July 1, 2012 and June 30, 2016, GCH inaccurately claimed in its public financial reporting and on its website, that 99 percent of all contributions provided direct aid. This representation was misleading and the result of deceptive reporting of GIK donations.

GCH created two subsidiaries, Giving Hope International and International Clinic Aid, which purchased pharmaceuticals from a wholesaler in the Netherlands for less than \$225,000. The two subsidiaries then donated those pharmaceuticals to GCH. GCH reported the total value for the pharmaceuticals as being over \$34.9 million, using U.S. drug prices rather than the actual purchase price paid by its affiliated subsidiaries.

Further, the Attorney General's office argues that the removal of AICPA and GASB from the process to establish GAAP is a technical change in the law to accurately reflect the role of FASB.

#### Comments from the Accounting Profession

The California Society of CPAs (CalCPA) has adopted an Oppose Unless Amended position (**Attachment 3**). In their letter, CalCPA states, in part:

"We recognize the importance of safeguarding California consumers by ensuring charitable organizations do not mislead California donors by misrepresenting their financial position in their solicitation of contributions. We also recognize that there are charitable organizations overstating valuations of a noncash contributions to inflate the efficiency in the use of donor funds in their programs. Despite our recognition of this problem, we have serious concerns with the proposed solution put forth by the Attorney General. We believe the public will be

better served with other disclosure requirements in the situations identified by the Attorney General.”

CalCPA argues that AB 1181 “would undermine uniform national accounting and valuation standards by essentially allowing California to set its own accounting standards and procedures that significantly deviate from those that are accepted and universally utilized throughout the United States.”

Further, CalCPA is concerned that the bill would require charitable organization to create two sets of financial and accounting records, leading to consumer confusion and significant increase the complexity and cost of preparing those records.

CalCPA proposes two alternative solutions:

1. Allow FASB to follow their process to create revised GAAP standards. FASB’s Not-for-Profit Advisory Committee has already commenced this work.
2. Amend AB 1181 to instead require charitable organizations that receive GIK restricted to delivery outside the United State to indicate this on filings with the Attorney General, on their website, and on the Internal Revenue Service Form 990, as appropriate.

The Financial Accounting Foundation (FAF) oversees FASB and GASB. Collectively, those organizations are responsible for establishing GAAP. Teresa S. Polley, FAF President and Chief Executive Officer, submitted a comment letter on AB 1181 (**Attachment 4**).

The letter expresses the concerns of Ms. Polley, and states that the bill’s requirements to prepare ...”financial statements in contradiction to GAAP standards [is] an unprecedented and frankly unworkable outcome that ultimately undermines the interests of those it intends to serve.”

The FAF letter continues:

“The very definitions of fair value and valuation reference markets involve many considerations and nuanced determinations. The approach taken in AB 1181 radically oversimplifies this complex task and ignores the genuine difficulties that nonprofit entities face when valuing GIKs.”

The FAF letter concludes:

“AB 1181, as drafted, represents significant damage to the uniform financial reporting standards that serve our capital markets in the United States so well. The underlying concerns about the fair value of GIKs are best addressed through an established, national collaborative process that is already underway at the FASB.”

### **Fiscal Estimate**

The fiscal impact to the CBA is unknown at this time.

### **Recommendation**

Staff recommend a **Watch** position on this bill. The CBA may wish to consider sending a comment letter to the author expressing any CBA views on AB 1181.

### **Support/Opposition**

Support: Attorney General of California (Sponsor)

Opposition: California Society of CPAs (unless amended)  
The Nonprofit Alliance

### **Effective/Operative Date**

January 1, 2020.

### **Related Bills**

None.

### **Attachment**

1. AB 1181
2. AB 1181 Sponsor Letter
3. California Society of CPAs Oppose Unless Amended Position Letter
4. Financial Accounting Foundation Comment Letter

AMENDED IN ASSEMBLY APRIL 25, 2019

CALIFORNIA LEGISLATURE—2019–20 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1181**

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**Introduced by Assembly Member Limón**

February 21, 2019

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An act to amend Section 17510.5 of the Business and Professions Code, and to amend Section 12599.6 of the Government Code, relating to charitable organizations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1181, as amended, Limón. Charitable organizations.

Existing law governing solicitations and sale solicitations for charitable purposes requires all financial records of a soliciting organization to be maintained on the basis of generally accepted accounting principles as defined by the American Institute of Certified Public Accountants, the Governmental Accounting Standards Board, or the Financial Accounting Standards Board.

This bill would require those financial records to be maintained on the basis of generally accepted accounting principles as established only by the Financial Accounting Standards Board. ~~The bill would also~~ *bill, despite this limitation, would* require a noncash contribution received by a charitable organization that is restricted by the donor from being used in the United States to be valued using the fair value of the end recipient ~~market. market or a reasonable estimate thereof if the end recipient market value cannot be ascertained following a reasonable inquiry. The bill would also require a charitable organization, if the end recipient market is unknown when the noncash contribution is received, to value the contribution using only those markets in which the contribution is reasonably likely to be distributed or used.~~

Existing law, the Uniform Supervision of Trustees and Fundraisers for Charitable Purposes Act, governs charitable corporations, unincorporated associations, trustees, commercial fundraisers, fundraising counsel, commercial coventurers, and other legal entities holding or soliciting property for charitable purposes over which the state or the Attorney General has enforcement and supervisory powers. The act authorizes the Attorney General to impose specified civil penalties for acts and omissions. The act imposes specific requirements on charitable organizations and commercial fundraisers for charitable purposes and prohibits specified acts and practices in the planning, conduct, or execution of any solicitation or charitable sales promotion, including misrepresenting the purpose of the charitable organization or the nature or purpose or beneficiary of a solicitation. Existing law requires charitable corporations, unincorporated associations, and trustees to file periodic written reports with the Attorney General under oath.

This bill would add to the list of prohibited actions reporting its noncash contributions in its audited financial statements, reports filed with the Attorney General, or solicitation materials, in a way that is misleading or likely to cause confusion. By expanding the crime of perjury with regard to statements made in the periodic written reports, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

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

- 1 SECTION 1. Section 17510.5 of the Business and Professions
- 2 Code is amended to read:
- 3 17510.5. (a) The financial records of a soliciting organization
- 4 shall be maintained on the basis of generally accepted accounting
- 5 principles as established by the Financial Accounting Standards
- 6 Board.
- 7 (b) The disclosure requirement of paragraph (4) of subdivision
- 8 (a) of Section 17510.3 shall be based on the same accounting



1 principles used to maintain the soliciting organization’s financial  
2 records.

3 (c) ~~If~~*Notwithstanding subdivision (a), if a noncash contribution*  
4 *received by a charitable organization is restricted by the donor so*  
5 *that it cannot be used in the United States, the contribution shall*  
6 *be valued using the fair value of the end recipient ~~market.~~ market*  
7 *or a reasonable estimate thereof if the end recipient market value*  
8 *cannot be ascertained following a reasonable inquiry. If the end*  
9 *recipient market is unknown when the noncash contribution is*  
10 *received, the charitable organization shall value the contribution*  
11 *using only those markets in which the contribution is reasonably*  
12 *likely to be distributed or used, taking all facts and circumstances*  
13 *into consideration, and which are consistent with any restrictions,*  
14 *including donor restrictions, and with its mission and charitable*  
15 *purpose.*

16 (d) For the purposes of this section:

17 (1) “End recipient market” means the market in the country  
18 where the ~~receiving charitable organization is located.~~ *noncash*  
19 *contribution is to be ultimately distributed.*

20 (2) “Fair value” means the price that the receiving charitable  
21 organization would receive if it sold the noncash contribution.

22 SEC. 2. Section 12599.6 of the Government Code is amended  
23 to read:

24 12599.6. (a) Charitable organizations and commercial  
25 fundraisers for charitable purposes shall not misrepresent the  
26 purpose of the charitable organization or the nature or purpose or  
27 beneficiary of a solicitation. A misrepresentation may be  
28 accomplished by words or conduct or failure to disclose a material  
29 fact.

30 (b) A charitable organization must establish and exercise control  
31 over its fundraising activities conducted for its benefit, including  
32 approval of all written contracts and agreements, and must ensure  
33 that fundraising activities are conducted without coercion.

34 (c) A charitable organization shall not enter into any contract  
35 or agreement with, or employ, any commercial fundraiser for  
36 charitable purposes or fundraising counsel for charitable purposes  
37 unless that commercial fundraiser or fundraising counsel is  
38 registered with the Attorney General’s Registry of Charitable  
39 Trusts or, if not registered, agrees to register prior to the  
40 commencement of any solicitation.

1 (d) A charitable organization shall not enter into any contract  
2 or agreement with, or raise any funds for, any charitable  
3 organization required to be registered pursuant to this act unless  
4 that charitable organization is registered with the Attorney  
5 General’s Registry of Charitable Trusts or, if not registered, agrees  
6 to register prior to the commencement of the solicitation.

7 (e) Each contribution in the control or custody of a commercial  
8 fundraiser for charitable purposes shall in its entirety and within  
9 five working days of receipt (1) be deposited in an account at a  
10 bank or other federally insured financial institution that is solely  
11 in the name of the charitable organization on whose behalf the  
12 contribution was solicited and over which the charitable  
13 organization has sole control of withdrawals or, (2) be delivered  
14 to the charitable organization in person, by Express Mail, or by  
15 another method of delivery providing for overnight delivery.

16 (f) Regardless of injury, the following acts and practices are  
17 prohibited in the planning, conduct, or execution of any solicitation  
18 or charitable sales promotion:

19 (1) Operating in violation of, or failing to comply with, any of  
20 the requirements of this act or regulations or orders of the Attorney  
21 General, or soliciting contributions after registration with the  
22 Attorney General’s Registry of Charitable Trusts has expired or  
23 has been suspended or revoked.

24 (2) Using any unfair or deceptive acts or practices or engaging  
25 in any fraudulent conduct that creates a likelihood of confusion or  
26 misunderstanding.

27 (3) Using any name, symbol, emblem, statement, or other  
28 material stating, suggesting, or implying to a reasonable person  
29 that the contribution is to or for the benefit of a particular charitable  
30 organization when that is not the fact.

31 (4) Misrepresenting or misleading anyone in any manner to  
32 believe that the person on whose behalf a solicitation or charitable  
33 sales promotion is being conducted is a charitable organization or  
34 that the proceeds of the solicitation or charitable sales promotion  
35 will be used for charitable purposes when that is not the fact.

36 (5) Misrepresenting or misleading anyone in any manner to  
37 believe that any other person sponsors, endorses, or approves a  
38 charitable solicitation or charitable sales promotion when that  
39 person has not given consent in writing to the use of the person’s  
40 name for these purposes.

1 (6) Misrepresenting or misleading anyone in any manner to  
2 believe that goods or services have endorsement, sponsorship,  
3 approval, characteristics, ingredients, uses, benefits, or qualities  
4 that they do not have or that a person has endorsement,  
5 sponsorship, approval, status, or affiliation that the person does  
6 not have.

7 (7) Using or exploiting the fact of registration with the Attorney  
8 General's Registry of Charitable Trusts so as to lead any person  
9 to believe that the registration in any manner constitutes an  
10 endorsement or approval by the Attorney General. The use of the  
11 following statement is not prohibited:  
12

13 "The official registration and financial information regarding  
14 (insert the legal name of the charity as registered with the Registry  
15 of Charitable Trusts) can be obtained from the Attorney General's  
16 internet website at <http://caag.state.ca.us/charities/>. Registration  
17 does not imply endorsement."  
18

19 (8) Representing directly or by implication that a charitable  
20 organization will receive an amount greater than the actual net  
21 proceeds reasonably estimated to be retained by the charity for its  
22 use.

23 (9) With respect to solicitations by commercial fundraisers for  
24 charitable purposes on behalf of law enforcement personnel,  
25 firefighters, or other persons who protect the public safety, issuing,  
26 offering, giving, delivering, or distributing any honorary  
27 membership cards, courtesy cards, or similar cards, or any stickers,  
28 emblems, plates, or other items that could be used for display on  
29 a motor vehicle, and that suggest affiliation with, or endorsement  
30 by any public safety personnel or a group comprising such  
31 personnel.

32 (10) (A) Soliciting for advertising to appear in a for-profit  
33 publication that relates to, purports to relate to, or that could  
34 reasonably be construed to relate to, any charitable purpose without  
35 making the following disclosures at the time of solicitation:

- 36 (i) The publication is a for-profit, commercial enterprise.  
37 (ii) The true name of the solicitor and the fact that the solicitor  
38 is a professional solicitor.  
39 (iii) The publication is not affiliated with or sponsored by any  
40 charitable organization.

1 (B) Where a sale of advertising has been made, the solicitor,  
2 prior to accepting any money for the sale, shall make to the  
3 purchaser the disclosures required by subparagraph (A) in written  
4 form and in conspicuous type.

5 (11) Representing that any part of the contributions solicited by  
6 a charitable organization will be given or donated to any other  
7 charitable organization unless that organization has consented in  
8 writing to the use of its name prior to the solicitation. The written  
9 consent shall be signed by one authorized officer, director, or  
10 trustee of the charitable organization.

11 (12) Representing that tickets to events will be donated for use  
12 by another, unless all of the following requirements have been  
13 met:

14 (A) The charitable organization or commercial fundraiser has  
15 commitments, in writing, from charitable organizations stating  
16 that they will accept donated tickets and specifying the number of  
17 tickets they are willing to accept.

18 (B) The donated tickets will not, when combined with other  
19 ticket donations, exceed either of the following:

20 (i) The number of ticket commitments the charitable  
21 organization or commercial fundraiser has received from charitable  
22 organizations.

23 (ii) The total attendance capacity of the site of the event.

24 (13) Reporting noncash contributions in its audited financial  
25 statements, reports filed with the Attorney General, or solicitation  
26 materials, in a way that is misleading or likely to cause confusion.

27 (g) A person shall not knowingly submit for filing on behalf of  
28 any charitable organization any statement, report, financial  
29 statement, attachment, or other information to be filed with the  
30 Attorney General that contains information, a statement, or an  
31 omission that is false or misleading.

32 (h) A ticket commitment from a charitable organization alone,  
33 as described in clause (i) of subparagraph (B) of paragraph (12)  
34 of subdivision (f), does not constitute written consent to use of the  
35 organization’s name in the solicitation campaign.

36 SEC. 3. No reimbursement is required by this act pursuant to  
37 Section 6 of Article XIII B of the California Constitution because  
38 the only costs that may be incurred by a local agency or school  
39 district will be incurred because this act creates a new crime or  
40 infraction, eliminates a crime or infraction, or changes the penalty

1 for a crime or infraction, within the meaning of Section 17556 of  
2 the Government Code, or changes the definition of a crime within  
3 the meaning of Section 6 of Article XIII B of the California  
4 Constitution.

O

**XAVIER BECERRA**  
*Attorney General*

*State of California*  
**DEPARTMENT OF JUSTICE**



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March 28, 2019

The Honorable Monique Limon  
California State Assembly  
State Capitol, Room 6031  
Sacramento, CA 95814

**Re: AB 1181 (Limon) Promoting Transparency in Reporting Gifts-in-Kind- SPONSOR**

Dear Assemblymember Limon:

Attorney General Becerra is pleased to sponsor Assembly Bill 1181, a bill that seeks to ensure transparency and accuracy in the reporting of in-kind donations (i.e., non-cash donations, also known as gifts-in-kind, such as food, clothing, and prescription drugs) by charities subject to regulation by the Attorney General.

AB 1181 addresses reported practices by charities that grossly inflate the value of their publicly reported revenue and program expenses, especially with respect to in-kind donations of pharmaceutical drugs. Overvaluation of the gifts-in-kind leads to an inflated total revenue for the charity which makes the charity appear more successful and efficient to the public and potential donors. An inflated revenue, in turn, can serve as a basis to hide excessive fundraising and administrative costs because these expenses would now appear smaller in comparison to the inflated total revenue. Inflated reports may also undeservedly increase the charity's ranking by charity watchdogs, potentially attracting more charitable donations. This type of accounting practice is manipulative, misleading, and inconsistent with state law that safeguards transparency, fair reporting, and ensures a level playing field for honest charities that report accurate data to the Attorney General's Registry of Charitable Trusts.

Pharmaceutical donations to charities are particularly susceptible to overvaluation abuse because their value on the international market can be pennies on the dollar compared to their market value in the United States (U.S.). Thus, charities benefit from reporting pharmaceutical gift-in-kind donations at the higher U.S. market value even when such drugs will not be used for charitable programs in the U.S.

Reporting the inflated value of the drugs through the use of U.S. prices is especially misleading when drug companies make the donations with the restriction that the donated drugs not be used in the U.S. Because of their intent to prohibit the use of the drugs in the U.S., the drug companies typically make donations of drugs to charities that provide international assistance, with the expectation that the donated drugs will be distributed to end-recipient individuals or charitable groups located in other

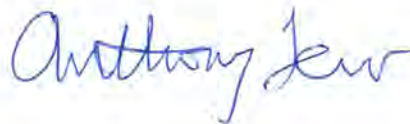
countries. In those circumstances, the charity should not be valuing their pharmaceutical gifts-in-kind using U.S. prices.

In a recent case investigated by our office, a charitable organization created two subsidiary companies that purchased pharmaceutical drugs from a European wholesaler for less than \$225,000. These subsidiaries then donated the drugs to the parent charity. The parent charity reported the total value of these pharmaceutical donations as being over \$34.9 million using U.S. drug prices, rather than the actual purchase price paid by its subsidiaries. The parent charity also inaccurately claimed, in its financial reporting and on its website, that 99 percent of all contributions it received provided direct aid. Our investigation found the parent charity's representation was the result of deceptive reporting of gift-in-kind donations, and that the charity had engaged in a deceptive reporting scheme to purposefully increase the amount of its gift-in-kind donations to mislead the public. Ultimately, due to our investigation, this charity agreed to pay a large settlement and to stop its misleading representations.

To address the issues discussed above, AB 1181 makes three simple changes to the law. First, for financial reporting purposes, the bill prohibits charitable organizations from reporting gift-in-kind donations in a way that is misleading or likely to cause confusion. Second, if a gift-in-kind donation is restricted by the donor so that it cannot be used in the U.S., then AB 1181 requires that non-cash donation reflect the fair value in the market where the end recipient charity is located, and not its value in the U.S. Finally, the bill also makes a technical change in the law to accurately reflect that the Financial Accounting Standards Board (FASB) is the entity that establishes "generally accepted accounting principles" (GAAP), which are the standards which charities must follow in maintaining their financial records under state law.

Attorney General Becerra is proud to sponsor AB 1181 and reaffirms his commitment to protecting California donors and honest charities from the harm caused by accounting gimmicks used to mislead the public. This bill makes narrowly-tailored reforms to the law to promote greater transparency and prevent fraud against the public.

Sincerely,



ANTHONY LEW  
Deputy Attorney General  
Office of Legislative Affairs

For XAVIER BECERRA  
Attorney General



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April 12, 2019

Attachment 3

Assemblymember Monique Limón  
State Capitol, Room 6031  
Sacramento, CA 95814

**RE: AB 1181 – Charitable Organization Accounting Standards: OPPOSE UNLESS AMENDED**

Dear Assemblymember Limón,

On behalf of the 45,000 members of the California Society of CPAs (CalCPA) representing the Certified Public Accountant profession working in large, medium, and small public accounting firms, and businesses throughout California, we are writing to express our concerns with Assembly Bill 1181, which would drastically change accounting standards for nonprofit organizations.

We recognize the importance of safeguarding California consumers by ensuring charitable organizations do not mislead California donors by misrepresenting their financial position in their solicitation of contributions. We also recognize that there are charitable organizations overstating valuations of a noncash contributions to inflate the efficiency in the use of donor funds in their programs. Despite our recognition of this problem, we have serious concerns with the proposed solution put forth by the Attorney General. We believe the public will be better served with other disclosure requirements in the situations identified by the Attorney General.

The language of AB 1181 would undermine uniform national accounting and valuation standards by essentially allowing California to set its own accounting standards and procedures that significantly deviate from those that are accepted and universally utilized throughout the United States. These uniform accounting standards are also embedded in state statutes, regulations and guidance for auditing requirements for a multitude of state and local programs.

In effect, this change would require CPAs representing charitable organizations across the country to create financial and accounting records that do not conform to generally accepted accounting principles (GAAP). Charities would need to maintain two separate financial and accounting records: one that is non-GAAP for California purposes and one that complies with GAAP for federal and other state's purposes. Two sets of financial and accounting records would create consumer confusion and significantly increase the complexity and cost of preparing and maintaining records for charitable organizations. More importantly, AB 1181 undercuts the entire concept of uniform accounting standards and procedures.

#### **Undermines Generally Accepted Accounting Principles**

GAAP refers to a uniform set of accounting principles, standards, and procedures that determine how businesses, governments, and nonprofits present financial information. As the backbone of financial reporting in the United States, GAAP provides the rules and guidelines that accountants and organizations follow for concise, relevant, and reliable presentation of financial data. GAAP is not a single standard, rather it is a combination of authoritative standards and the accepted guidance in applying those standards to record and report accounting information. Together these standards form a framework for the principles that organizations use in preparing financial statements. The Financial Accounting Standards Board (FASB) sets authoritative standards to address broad accounting issues, while the American Institute of Certified Public Accountants (AICPA) provides nuanced guidance of the application of standards through Industry Audit and Accounting Guides and other publications.



For governmental organizations, GAAP has a similar set of standards and principles set by the Governmental Accounting Standards Board (GASB) with corresponding AICPA guidance on the application of those standards. Nonprofit charitable organizations affiliated with governmental entities refer to these standards for their financial records. For example many nonprofit auxiliary organizations of the Cal State University system or nonprofits associated with a government hospital use GASB standards for maintaining their financial records.

A CPA that prepares a charitable organization's financial statement in accordance with GAAP would need to look to more than just FASB standards. By removing the reference to the AICPA and GASB in Section 17510.5 (a) of the Business and Professions code, AB 1181 undermines GAAP by expressly removing the reference to two entities that are core to the formation and application of GAAP. This makes it unclear as to whether AICPA guidance and GASB can be used when preparing a financial statement for a charitable organization. In effect, this would prevent charitable organizations from across the country from being able to present financial statements in accordance with GAAP.

#### **Section 17510.5 (c) - (d) Require Valuation of Noncash Contributions Inconsistent with GAAP**

Determining the value of a noncash gift in kind (GIK) received by a charitable organization for purposes of the charity's financials can be extremely complex and often includes a level of professional judgement. There are many factors to consider and different facts and circumstances that ultimately go into determining a valuation of fair value of a GIK. GAAP provides detailed guidance, definitions, and procedures for this process. In general, GAAP outlines valuating noncash GIK contributions at fair value, not the most conservative nor the most aggressive, as well as determining the principle exit market for valuation purposes, which may not always be the same market where the GIK is distributed.

AB 1181 sets a new standard for the determination of fair value of a GIK that is inconsistent with GAAP and does not take into account the many other factors and detailed guidance that would need to be considered in the valuation process. A nonprofit organization and their CPA would no longer be able to appropriately apply GAAP in determining the appropriate value of the GIK for accounting purposes. This essentially puts a nonprofit organization and their CPA in a position of having to divert from the nationally recognized GAAP valuation standards and guidance and follow a non-GAAP valuation standard.

#### **Possible Solution: Allow for Valuation Issue to be Addressed through Revised GAAP Standards**

The FASB, through their Not-for-Profit Advisory Committee (NAC), is already in the process of bringing together stakeholders from the accounting profession, charitable organizations, and state charity regulators to address the very concerns raised by the California Attorney General's office. This working group is already in the process of reviewing how GAAP can be adjusted to address the concerns over the valuation of a GIK for charitable purposes. This is a detailed and public process with multiple exposure drafts where the Attorney General will have opportunities to further engage in the standard setting process. Rather than circumvent the accounting standard setting process, we recommend allowing for the organic revision of GAAP to proceed by rejecting the proposed amendments to section 17510.5.

#### **Possible Solution: Amend AB 1181 to Address Concerns without Undermining GAAP**

The CA Attorney General's concerns can potentially be addressed without undermining GAAP. Specifically, this could be achieved by amending AB 1181 to require a charitable organization soliciting donations in California that has received a noncash contribution that is restricted to delivery outside the United States to indicate this on the organization's annual renewal form filed with the California Attorney General and disclose this on its web site as well as on all forms of solicitations for financial support. Further, if the charitable organization advertises its efficiency of programing using its financials or IRS Form 990, it could

also be required to disclose the same efficiency ratio based on a separate valuation of the restricted noncash contribution using the end recipient market.

Either of these possible solutions are far preferable to the unprecedented alteration of universal accounting standards which would cause considerable confusion and do much more harm than good in protecting Californians. Thank you for your consideration of our concerns and we welcome the opportunity to work with you and the Legislature to address these concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Fox", written in a cursive style.

Jason Fox  
Director, Government Relations

cc      Members, Assembly Committee on Privacy and Consumer Protection  
         Nichole Rapier Rocha, Consultant, Assembly Committee on Privacy and Consumer Protection  
         Paul Dress, Consultant, Assembly Republican Caucus  
         Anthony Lew, California Department of Justice



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TERESA S. POLLEY  
President & Chief Executive Officer

April 22, 2019

Assemblymember Monique Limón  
State Capitol  
Room 6031  
Sacramento, CA 95814

**Re: AB 1181 – Charitable Organization Accounting Standards**

Dear Assemblymember Limón:

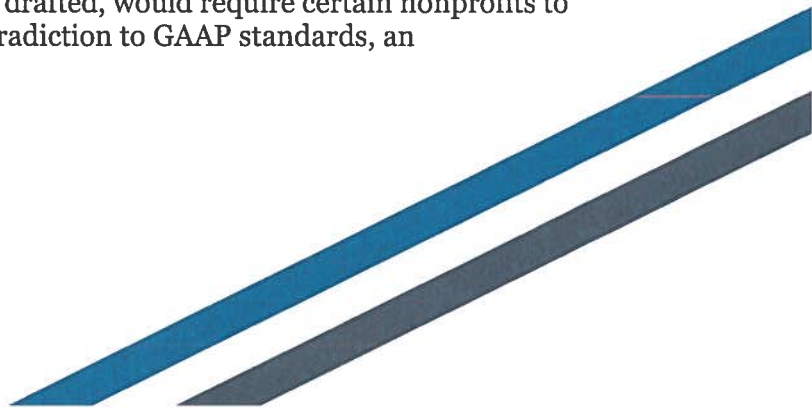
I write to you as President and CEO of the Financial Accounting Foundation (FAF), based in Norwalk, CT. The FAF is the organization responsible for the oversight, administration, financing and appointment of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB), which collectively are responsible for establishing and improving Generally Accepted Accounting Principles (GAAP) for the United States.

**Background About GAAP**

As you may know, GAAP is the set of standards and interpretations that hundreds of thousands of companies (both publicly-traded and privately-held), nonprofits, state and local governments, and employee benefit plans must use to create their financial statements. GAAP is the foundation of financial reporting for the United States and establishes a common standard by which tens of millions of investors, citizens, donors, lenders and others can measure financial performance.

The FASB's standards are recognized as authoritative by organizations including state Boards of Accountancy and the American Institute of CPAs (AICPA). With respect to public companies, the FASB's standards are recognized as authoritative by the U.S. Securities and Exchange Commission. The GASB establishes accounting and financial reporting standards for U.S. state and local governments that follow GAAP. GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the AICPA.

In light of GAAP's uniform application across the United States, I write to express serious concerns about AB 1181, which is currently under committee consideration in the California State Assembly. The bill, as drafted, would require certain nonprofits to prepare their financial statements in contradiction to GAAP standards, an



unprecedented and frankly unworkable outcome that ultimately undermines the interests of those it intends to serve.

A single, national set of accounting standards (within each of the FASB's and GASB's jurisdictions) promotes efficiency and ease of use. Within these jurisdictions, preparers have a single set of standards to follow; auditors have a single set of standards against which to audit; and most important of all investors, lenders and donors have a single set of standards by which to judge the merits and performance of different organizations. The efficiency and transparency of this system are foundational to the health of our financial markets and our economy.

The responsibility to develop this single set of standards for their jurisdictions is not taken lightly by the FASB or the GASB. In order to be credible, the standard-setting process must be inclusive, transparent, relevant, thoughtful, deliberative and subject to careful oversight. The FASB (since 1973) and the GASB (since 1984) have dedicated themselves to establishing, maintaining and improving their standard-setting processes, which are recognized as best-in-class by other standard-setters. The FAF Board of Trustees provides crucial oversight, ensuring that the standard-setting boards employ a process that includes engaging broadly with their stakeholders from pre-agenda research all the way through implementation of new standards and beyond.

### **Concerns with AB 1181**

Against this backdrop, passage of AB 1181 would create separate, unique "California standards" for nonprofits seeking donor contributions in the state. By itself, that fosters confusion and imposes extra costs on everyone throughout the financial reporting ecosystem, including nonprofit donors who will have to master two sets of financial reports versus the single set now. Multiply those costs and confusion across other states that may follow California's action, and before long there is an environment in which financial reporting becomes increasingly expensive and fails to offer consistent, comparable information to anyone. We urge you and your Assembly colleagues not to take this step, which we believe has no precedent in any state in the country.

We also want to emphasize that the issues that we understand led to the introduction of AB 1181 – namely, standards governing the valuation of gifts-in-kind (GIKs) donated to nonprofit organizations – involve significant, complex accounting questions and judgments. The very definitions of fair value and valuation reference markets involve many considerations and nuanced determinations. The approach taken in AB 1181 radically oversimplifies this complex task and ignores the genuine difficulties that nonprofit entities face when valuing GIKs.

Our other principal concern about AB 1181 is that it purports to write the GASB out of any role with respect to setting financial reporting standards for nonprofit organizations covered by the bill (i.e., those that solicit contributions in California). There are, in fact, many nonprofit organizations that are established by local governments in California that are under the jurisdiction of GASB for GAAP reporting purposes. We do not believe that the drafters of AB 1181 necessarily intended this

result, which would cause significant disruption to those nonprofits that currently follow GASB standards.

### **Gifts-In-Kind Working Group**

Recognizing the need to address the complex fair value questions raised by the Attorney General's office in California, the FASB has created a Gifts-In-Kind Working Group. The Working Group was created to help the FASB staff in its pre-agenda research to identify any potential changes in GAAP that might address the concerns that were at the heart of the then-ongoing litigation that preceded California Assembly Bill 1181, but without undermining the general framework of GAAP fair value principles.

Those fair value principles go well beyond donated pharmaceuticals or other GIKs to the nonprofit sector, and even the nonprofit sector as a whole. The specifics for donated pharmaceuticals that are being reviewed with the assistance of Working Group members include:

- The types of arrangements typically involved;
- The specific wording in typical arrangements and any variations in such wording, both between pharmaceutical companies and initial recipient nonprofits, and in subsequent agreements with other nonprofits prior to final distribution;
- The current processes involved, underlying judgments being made, and sources of pricing data used when applying GAAP currently; and
- The concerns of charities regulators, in California and elsewhere, regarding the current financial reporting here and its impact.

The Working Group was created after ongoing correspondence and discussion with Karen Gano, Assistant Attorney General in Connecticut and immediate past president of the National Association of State Charity Officials (NASCO). Three NASCO members, including its current president, Michael Foerster, Senior Deputy Attorney General in Pennsylvania, serve on the Working Group and liaise with a similar discussion group within NASCO. One of those members also serves as a participating observer at all FASB Nonprofit Advisory Committee (NAC) meetings. The Working Group also has members from the nonprofit and audit sectors who are familiar with the issues at hand, as well as an independent watchdog from the Better Business Bureau Wise Giving Alliance.

The FASB staff expects to complete its research within the next few months, after which the Working Group is expected to serve as a primary resource in connection with any project the FASB might add to its technical agenda concerning GIKs.

The Working Group is operating very much in the spirit of FASB's overall approach to standard-setting. The FASB's standard-setting process, which has been developed and continuously refined since the FASB's inception in 1973, is designed to incorporate thorough research, extensive outreach to and consultation with affected stakeholders, and transparent exposure of proposed standards for public comment – all leading to

deliberation by the seven members of the FASB, who are chosen for their high qualifications with respect to financial reporting and their commitment to high-quality and independent GAAP standard-setting.

### **Conclusion**

Thank you for this opportunity to share our concerns about this proposed legislation. Financial reporting enabled by GAAP as established by the FASB and the GASB is a tremendous asset to our capital markets. It is also fragile. AB 1181, as drafted, represents significant damage to the uniform financial reporting standards that serve our capital markets in the United States so well. The underlying concerns about the fair value of GIKs are best addressed through an established, national collaborative process that is already underway at the FASB.



Teresa S. Polley  
President & CEO

cc: The Hon. Xavier Becerra, Attorney General, State of California  
Committee on Privacy and Consumer Protection, California State Assembly  
Russ Golden, Chairman, Financial Accounting Standards Board  
David Vaudt, Chairman, Governmental Accounting Standard Board



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**LC Item V.A-K.**  
**CBA Item XII.C.5.a-k**  
May 16, 2019

## **Review and Possible Consideration of Positions on Legislation the California Board of Accountancy is Monitoring**

**Presented by: Aaron Bone, Information and Planning Officer**

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with a list of bills being monitored by staff that may eventually impact the CBA, including spot bills and certain bills regarding the regulation of the cannabis industry.

### **Consumer Protection Objectives**

This agenda item allows for the CBA to be informed of potential bills that may impact the CBA and its consumer protection mandate.

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

No specific action is required on this agenda item.

### **Background**

A spot bill is a bill that amends a code section in a nonsubstantive way. A spot bill may be introduced to ensure it meets the legislative bill introduction deadline and is available for the author to amend with substantive provisions at a later date.

Further, the CBA has directed staff to monitor legislation related to the regulation of the cannabis industry.

### **Comments**

The following bills are being monitored by staff as they are either spot bills or pertain to the regulation of the cannabis industry. If a bill is amended in a manner that makes it relevant to the CBA, an analysis will be conducted by staff and presented to the CBA at a future meeting, along with the text of the proposed legislation.

Spot bills:

- Assembly Bill (AB) 768, Brough – Professions and Vocations.
- Senate Bill (SB) 522, Hertzberg – Taxation.
- SB 546, Hueso – Unlicensed Activity.

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- SB 700, Roth – Business and Professions: Noncompliance With Support Orders and Tax Delinquencies.

### Cannabis-related bills:

- AB 286, Bonta – Taxation: Cannabis.
- AB 545, Low – Cannabis: Bureau of Cannabis Control: Cannabis Control Appeals Panel.
- AB 1417, Rubio – Cannabis Licensing.
- AB 1678, Carrillo – Cannabis.

### Other bills:

- SB 496, Moorlach – Financial Abuse of Elder or Dependent Adults.
- SB 749, Durazo – California Public Records Act.
- AB 1184, Gloria – Public Records: Writing Transmitted by Electronic Mail: Retention.

## **Fiscal/Economic Impact Considerations**

There are no fiscal/economic impact considerations at this time.

## **Recommendation**

Staff have no recommendation on this item.

## **Attachment**

None