

**CALIFORNIA BOARD OF ACCOUNTANCY**

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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE
JANUARY 17-18, 2008
BOARD MEETING

Hotel Kabuki
 1625 Post Street
 San Francisco, CA 94115
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I. Call to Order.

President Donald Driftmier called the meeting to order at 2:00 p.m. on Thursday, January 17, 2008, at the Hotel Kabuki and the Board heard Agenda Items III., VI., VII., IX.B., and XII.A.1. The meeting adjourned at 3:07 p.m. Mr. Driftmier again called the meeting to order at 8:36 a.m. on Friday, January 18, 2008, and the Board and ALJ Steven Owyang heard Agenda Item XII.A. The Board convened into closed session at 9:52 a.m. to deliberate Agenda Item XII.A. The meeting reconvened into open session at 10:20 a.m. and the Board and ALJ Steven Owyang heard Agenda Item XII.B. The Board again convened into closed session at 11:25 a.m. to deliberate Agenda Item XII.B. and also to consider Agenda Items XII.C-K. The meeting reconvened into open session at 12:40 p.m. and adjourned at 12:58 p.m.

Board MembersJanuary 17, 2008

Donald Driftmier, President	2:00 p.m. to 3:07 p.m.
Robert Petersen, Vice President	2:00 p.m. to 3:07 p.m.
Rudy Bermúdez, Secretary-Treasurer	2:00 p.m. to 3:07 p.m.
Sally Anderson	2:00 p.m. to 3:07 p.m.
Richard Charney	2:00 p.m. to 3:07 p.m.
Angela Chi	2:00 p.m. to 3:07 p.m.
Lorraine Hariton	2:00 p.m. to 3:07 p.m.
Leslie LaManna	2:00 p.m. to 3:07 p.m.
Bill MacAloney	2:00 p.m. to 3:07 p.m.
Marshal Oldman	2:00 p.m. to 3:07 p.m.
Manuel Ramirez	2:00 p.m. to 3:07 p.m.
David Swartz	2:00 p.m. to 3:07 p.m.
Lenora Taylor	2:00 p.m. to 3:07 p.m.
Stuart Waldman	Absent

Board Members

January 18, 2008

Donald Driftmier, President	8:36 a.m. to 12:58 p.m.
Robert Petersen, Vice President	8:36 a.m. to 12:58 p.m.
Rudy Bermúdez, Secretary-Treasurer	8:36 a.m. to 12:50 p.m.
Sally Anderson	8:36 a.m. to 12:58 p.m.
Richard Charney	8:36 a.m. to 12:58 p.m.
Angela Chi	8:36 a.m. to 12:58 p.m.
Lorraine Hariton	8:36 a.m. to 12:58 p.m.
Leslie LaManna	8:36 a.m. to 12:58 p.m.
Bill MacAloney	8:36 a.m. to 12:58 p.m.
Marshal Oldman	8:36 a.m. to 12:58 p.m.
Manuel Ramirez	8:36 a.m. to 12:58 p.m.
David Swartz	8:36 a.m. to 12:55 p.m.
Lenora Taylor	8:36 a.m. to 12:58 p.m.
Stuart Waldman	8:36 a.m. to 12:58 p.m.

Staff and Legal Counsel

Patti Bowers, Chief, Licensing Division
Paula Bruning, Office Technician
Dominic Franzella, Peer Review Analyst
Melody L. Friberg, Regulation/Legislative Analyst
Scott Harris, Deputy Attorney General, Department of Justice
Mary LeClaire, Executive Analyst
Greg Newington, Chief, Enforcement Program
Deanne Pearce, Exam and RCC Manager
Dan Rich, Assistant Executive Officer
George Ritter, Legal Counsel
Carol Sigmann, Executive Officer
Liza Walker, Practice Privilege Coordinator
Jeanne Werner, Deputy Attorney General, Department of Justice

Committee Chairs and Members

Harish Khanna, Chair, Administrative Committee

Other Participants

James Brackens, American Institute of Certified Public Accountants
John Russell Burnett, Jr.
Don Chang, Supervising Senior Staff Counsel, Department of Consumer Affairs
Thomas Chenowith
Mike Duffey, Ernst & Young LLP
Michelle Elder, Society of California Accountants
Peggy Ford Smith, Society of California Accountants
Clark William Gordin
Kenneth Hansen, KPMG LLP
Ed Howard, Center for Public Interest Law
Sarah Huchel, Senate Office of Research
Linda McCrone, California Society of Certified Public Accountants
Morris Miyabara

Carl Olson
Steven C. Owyang, Administrative Law Judge
Stephanie Sessions Perkins, Attorney at Law
Richard Robinson, E&Y, DT, PWC, KPMG
Gregory Santiago, Legislative Analyst, Department of Consumer Affairs
Hal Schultz, California Society of Certified Public Accountants
Phil Skinner, Center for Public Interest Law
Jeannie Tindel, California Society of Certified Public Accountants
David Tolkan, Society of California Accountants

II. Board Minutes.

The draft Board minutes of the November 20-21, 2007, Board meeting were adopted on the Consent Agenda (See Agenda Item XIII.B.)

III. Report of the President.

Mr. Driftmier thanked Mr. Swartz for his leadership as Past President and for his friendship. He stated that Ms. Flowers was not reappointed to the Board but that she would still be fulfilling her role as NASBA's Pacific Regional Director.

Ms. Sigmann introduced and welcomed Ms. Paula Bruning, Office Technician for the Board, who would assist with Board meetings on an interim basis. She stated that Ms. LeClaire was leaving the Board to work for the Governor's Office of Emergency Services. She praised Ms. LeClaire for the extraordinary job she has done during her tenure with the Board and on behalf of the Board members, wished her great success in her new position. Ms. Sigmann introduced and welcomed Ms. Deanne Pearce, Manager of the Examination and License Renewal/Continuing Competency Units. She stated that Ms. Pearce had worked for the Department of Consumer Affairs (DCA) for approximately 12 years. During that time, she worked in the areas of Administration, Examinations and Licensing at the Veterinary Medical Board, and served as the Enforcement Coordinator at the Board of Psychology.

Ms. Sigmann introduced Mr. Scott Harris, Deputy Attorney General for the Department of Justice. She stated that Mr. Harris is in the Licensing Litigation Section in Los Angeles. He also serves as the Liaison to the Court Reporter's Board of California.

Ms. Sigmann introduced Mr. Don Chang, Supervising Staff Counsel for DCA.

A. Update on CE Forum.

Ms. Sigmann reported that to date, 4,165 sections had been completed out of 6,702 registrations. The deadline for completing the sections is April 23, 2008.

B. Update on the Board Committee Appointments.

Mr. Driftmier reported that the update of Board Committee Appointments was provided in the agenda packet. He additionally stated that Ms. Hariton would replace Mr. Waldman as the Chair of the Legislative Committee. **(See Attachment 1.)**

IV. Report of the Vice-President.

There was no report on this agenda item.

V. Report of the Secretary-Treasurer.

There was no report on this agenda item.

VI. Report of the Executive Officer.

A. Update on Board Staffing.

Ms. Sigmann reported that since the November 2007 Board meeting, 19 positions had been filled. She additionally reported that 13 of the 17 new positions acquired in the Governor's Budget for fiscal year 2007/08 had been filled. Currently, there are 11 vacancies, 4 of which are new positions.

Ms. Sigmann reported that creating an Enforcement Office in the Los Angeles area was unlikely due to the dismal results from the exams given for the Investigative CPA (ICPA), Supervising ICPA, and the Enforcement Chief positions. Mr. Newington reported that the same two candidates passed the ICPA and Supervising ICPA exams; no one passed the exam for the Enforcement Chief. Since there is only one person interested in working in the Southern California area, it is not prudent to move forward with opening an office in that area at this time. He stated that one of the candidates resides in the Southern California area but does not want to move to Sacramento. An offer has been made to the second candidate at the ICPA level. Since accepting the ICPA offer would result in a \$12,000 to \$14,000 decrease in salary, this candidate is considering her options.

Mr. MacAloney inquired as to the percentage of enforcement cases in the Southern California area. Mr. Newington stated that it follows the demographics of the State. Sixty percent of the licensee population reside in Southern California; thus, sixty percent of the enforcement cases would come from Southern California. Mr. MacAloney indicated that he believed the Board needs an enforcement office in Southern California. Mr. Newington stated that staff constraints are further exacerbated because the salaries in the Southern California area is higher than in the Sacramento area. He stated that allowing a new ICPA to telecommute every day in the Southern California area would be an issue due to lack of supervision and the one – two year learning curve required to be effective in these positions.

Ms. Hariton stated that she would be willing to be part of a workgroup whose purpose would be to address solutions to issues related to the hiring of enforcement staff.

Mr. Ramirez suggested that this issue be assigned to the EPOC committee.

Mr. Bermúdez stated that it is imperative that the time and location of the workshop to educate Board members on the civil service hiring process be decided upon. Additionally, this workshop would inform members of the State budget process. He stated that Board members also need to understand the

roles of the Department of Personnel Administration, the Department of Finance, and the Department of Consumer Affairs (DCA). This information will enable Board members to decide whether to solve the issue of lack of enforcement staff through the legislative process and/or the budget process.

Mr. Swartz indicated that he believed the staffing issue for the Enforcement Program should not wait until the workshop is scheduled. He suggested that the issue be sent to the EPOC Committee or that a workgroup be formed to brainstorm possible solutions. Mr. Petersen, Chair of the EPOC Committee, indicated that the EPOC Committee would be willing to address this issue.

B. Report on Licensing and Exam.

Ms. Bowers reported that the Licensing Division Activity Report is a snapshot of the workload impacting the Licensing Division. She stated that there are currently five vacancies in the division and that 75 percent of the staff are new employees undergoing training. She indicated that 25 percent of the Licensing Division's staff are fully trained.

Ms. Bowers reported that the Board receives approximately 1,600 exam applications per month. Three technical staff each process approximately 550 applications per month. The average timeframe for processing an application for a first-time applicant to sit for an exam is 30 days. The timeframe for processing an application for a repeat sitter is less than one week. She reported that there was an additional issue of re-reporting of audit scores for the October – November 2007 testing window. There was a need to re-report scores for 29 candidates nationwide. Of these, eight had a status change from Fail to Pass. The remaining 21 candidates had a grade change; however, their Pass/Fail status did not change. Two California candidates were affected; however, their Pass/Fail status did not change. She additionally stated that even though this issue only impacted two California candidates, it created an additional workload for the Examination unit in providing re-score notification.

Ms. Bowers reported that the Initial Licensing Unit receives approximately 300 applications each month. She stated that once staff are fully trained, each technical staff member will process approximately 40 applications per month. Currently, the timeframe to process an initial application is 118 days. She stated that she believed within the next several months, the processing timeframes would be significantly reduced and that the commitment made to the Board to reduce the processing timeframes to between 30 – 45 days would be accomplished in the near future.

Ms. Anderson inquired whether the renewal license applications were submitted in paper format and if so, questioned whether electronic filing had been considered. Ms. Bowers stated that currently, all renewal license applications were submitted in paper format. She stated that DCA is in the process of designing an automated application process called the iLicensing Project. The iLicense Project is geared toward the on-line initial application filing, but there is an element of the Project that the Board's Information Technology staff can use to design an automated process for the filing of renewal applications in the future. Additionally, the iLicense Project will provide an option for credit card payments. The estimated timeframe for implementation of the Project is 2010.

Ms. Bowers stated that in response to a question posed by a Board member at the November 2007 Board meeting, the Licensing Division Activity Report provides statistics on the number of licenses issued under each of the pathways. She additionally stated that as of January 2, 2008, there is a backlog of 1,348 completed applications awaiting final staff review. With the hiring of new staff completed, this backlog will be eliminated within the next several months.

Ms. Bowers reported that the Renewal and Continuing Competency Unit receives approximately 3,000 renewal applications each month. Each of the three technical staff process approximately 1,000 renewal applications each month.

Ms. Bowers reported that on January 1, 2008, the Board launched the new Client Services Unit. The primary function of the six staff members comprising this unit will be improving the level of customer service provided to the licensee population. Additionally, staff will be responsible for updating the handbooks posted to the Board's Web site, creating a new employee training and orientation program, and developing a customer service survey to solicit feedback regarding the Board's exam, licensing, and license renewal processes.

VII. Report of the Enforcement Chief.

A. Report on Status of Enforcement Matters:

1. Activity and Status Reports.

Mr. Newington reported that as of January 3, 2008, the number of new complaints filed for the current fiscal year was 218, and the number of open licensed cases was 147. He stated that for the current fiscal year, there had been 20 accusations filed and 9 citations issued. The number of formal disciplinary matters acted on by the Board was 18 with an additional 9 matters that will be considered by the Board at this meeting.

2. Major Case Summary.

Mr. Newington reported that there is one open matter in the major case category.

3. Report on Citations and Fines.

Mr. Newington reported that as of January 7, 2008, 11 fines had been issued for a total of \$14,250. The receivable balance was \$31,600. Most of the receivable balance is tied to the renewal process, which would preclude an individual from license renewal until the citation is satisfied.

4. Reportable Conditions Data.

Mr. Newington reported that as of January 7, 2008, 143 reportable events had been received; 119 of those reportable events are restatements with the majority related to publicly traded entities.

Ms. Chi inquired if the enforcement statistics were broken down by geographical area. Mr. Newington stated that the statistics have not been broken down by geographical area but that approximately 60 percent of the cases would be in the Southern California area. All case work is processed by the enforcement staff located in Sacramento.

Mr. Carl Olson provided comments related to the Board's Enforcement Program and distributed a copy of the text of his oral comments to the Board. **(See Attachment 2.)**

VIII. Regulations.

A. Update on Regulations. **(See Attachment 3).**

B. Regulation Hearing.

1. Proposed Amendments to Section 87.1 of Title 16 of the California Code of Regulations Regarding Conversion to Active Status and Continuing Education.

Mr. Ritter opened the public hearing on the Board's proposed changes to modify its regulations pertaining to the conversion to active status and continuing education and indicated that the regulations were found in Section 87.1 of Title 16 of the California Code of Regulations.

Mr. Ritter reported that Section 87.1 governs the procedure for a licensed CPA to convert from inactive to active status. He stated that currently, this Section required the licensee to take a professional conduct and ethics continuing education course prior to converting to active status. The proposed modification would only require this course in the event the licensee had not taken one within the last six years. Under this change, the licensee converting to active status would no longer be required to take the ethics course on a more frequent basis than his or her counterparts who have maintained active licenses.

Mr. Ritter indicated that the Board would take oral comments on the proposed amendment, and receiving no response, Mr. Ritter closed the regulatory hearing.

2. Proposed Amendments to Sections 11.5, 12, 12.5, and 37 of Title 16 of the California Code of Regulations Regarding License Reissuance and Continuing Education.

Mr. Ritter opened the public hearing on the Board's proposed changes to modify its regulations pertaining to license reissuance and continuing education and indicated that the regulations were found in Sections 11.5, 12, 12.5, and 37 of Title 16 of the California Code of Regulations.

Mr. Ritter reported that Sections 11.5 and 12 contain the experience requirements that must be met for the various pathways to licensure as a CPA. He reported that Section 12.5 similarly contains experience

requirements for those seeking an “A” license. Currently, these regulations require that if the applicant’s experience was obtained five or more years prior to application, he or she will be required to obtain 48 hours of continuing education in courses in specific areas required by the Board. The proposed modification identifies the subject areas where the continuing education will be required for each of the licensure pathways as well as those for the “A” license. In addition, it gives the Board the discretion to determine on a case-by-case basis whether the additional continuing education will be required.

Mr. Ritter reported that Section 37 governs the procedure for issuing a new license to a person whose previous license was cancelled. He stated that under the current version of this Section, the applicant must complete 120 hours of continuing education. The proposed modification would reduce the number of required hours to 48 hours. It would also change the requirement that the continuing education be in areas specified by the Board. Instead, it would be in the areas listed in subdivision (a), paragraphs (1) or (2), depending on whether the application were for an “A” or a “G” license. The proposed modification would also give a person who formerly held an “A” license the option of reapplying for a “G” license.

Mr. Ritter indicated that the Board would take oral comments on the proposed amendment, and receiving no response, Mr. Ritter closed the regulatory hearing.

C. Regulations for Board Adoption.

1. Proposed Amendments to Section 87.1 of Title 16 of the California Code of Regulations Regarding Conversion to Active Status and Continuing Education.

Mr. Ritter reported that the proposed language changes to Section 87.1 were provided in the agenda packet. **(See Attachment 4.)** Mr. Ritter reported that no oral or written comments had been received.

It was moved by Mr. Oldman, seconded by Dr. Charney, and carried to adopt the proposed amendment to Section 87.1. Mr. Swartz and Mr. Bermúdez were absent.

2. Proposed Amendments to Sections 11.5, 12, 12.5, and 37 of Title 16 of the California Code of Regulations Regarding License Reissuance and Continuing Education.

Mr. Ritter reported that the proposed language changes to Sections 11.5, 12, 12.5, and 37 were provided in the agenda packet. Mr. Ritter reported that no oral or written comments had been received.

It was moved by Mr. Oldman, seconded by Dr. Charney, and carried to adopt the proposed amendment to Section 87.1. Mr. Swartz and Mr. Bermúdez were absent.

IX. Committee and Task Force Reports.

A. Administrative Committee (AC).

There was no report on this agenda item.

B. CPA Qualifications Committee (QC).

1. Consideration of the QC Recommendation Regarding the Evaluation of Governmental Experience for Licensure.

Ms. Bowers stated that at the November 2007 Board meeting, Mr. Bulosan reported on the QC's deliberations regarding the request from the Internal Revenue Service (IRS) to negotiate a new Memorandum of Understanding (MOU) between the Board and the IRS. Additionally, Mr. Bulosan reported that the QC recommended to not reinstate the MOU process with the IRS or any other governmental entity.

It was moved by Mr. Petersen, seconded by Mr. MacAloney and unanimously carried to accept the QC's recommendation to not approve the MOU.

2. Report on the January 9, 2008, QC Meeting.

Ms. Bowers reported that the business portion of the QC meeting on January 9, 2008, was cancelled and only the personal appearances were considered. During this meeting, the QC reviewed a total of seven licensure applicant appearances, five were approved and two were not approved.

Ms. Bowers stated that the QC's next meeting would be on April 23, 2008, in Los Angeles.

C. Committee on Professional Conduct (CPC).

1. Minutes of the November 15, 2007, CPC Meeting.

The minutes of the November 15, 2007, CPC meeting were adopted on the Consent Agenda (See Agenda Item XIII.B.)

2. Report on the January 17, 2008, CPC Meeting.

Mr. Ramirez reported that the CPC met yesterday to discuss and take action on policy issues related to:

- The revised statutory language and critical policy issues related to mandatory peer review,
- The administrative suspension of cross-border practitioners,
- The issue of "G" licensee ownership of firms doing attest work by "A" licensees,
- The UAA Model Education Rules Exposure Draft,

- The continuing education ethics requirements.
3. Consideration of Revised Statutory Language Related to Peer Review Discussed at the September and November 2007 CPC and Board Meetings.

Mr. Ramirez reported that the CPC recommended that the Board accept the revisions to Business & Professions Code Section 5076 – Peer Review, which include the following:

- Eliminate the exemption from a mandatory peer review program for sole proprietors and small firms.
- Eliminate the exemption from a mandatory peer review program for firms that provide only compilations as their highest level of work.
- Enable the Board to investigate statutory and regulatory violations that become known as a result of the peer review.
- Operative dates for firms' compliance with required peer review, as added by staff.
- Ability for the Board to adopt regulations related to peer review standards as follows:
 - Peer review program administration.
 - Peer review document submission requirements.
 - Program exemptions.
 - Timeframe extensions for meeting requirements.

It was moved by Mr. Ramirez, seconded by Ms. Anderson, and carried to adopt the CPC's recommendations. Ms. Chi, Ms. Hariton, and Mr. Oldman were temporarily absent. Mr. Bermúdez was absent.

4. Continued Consideration of Key Policy Issues Related to Mandatory Peer Review.

Mr. Ramirez reported that the CPC considered additional policy issues requiring Board action to continue the development of the peer review program, specifically: Program Administration, Program Oversight, and Document Submission Requirements.

He stated that regarding Program Administration, the CPC discussed the elements needed to implement a peer review program as well as staff resources. It was noted that the AICPA's peer review program addresses the identified peer review elements, whereas the alternative of creating a peer review program specific to California could take several years to develop and implement. Additionally, a California-specific program could result in imposing multiple peer reviews as well as impose mobility issues for California firms. Board members were provided with "AICPA Standards for Performing and Reporting on Peer Reviews" as part of the AICPA exposure draft at the May 2007 Board meeting. Mr. Ramirez additionally stated that

the CPC recommended that the Board accept Option 1, which is the incorporation of the AICPA's standards by reference into regulation as the minimum standards for program administration of a peer review program.

It was moved by Mr. Ramirez, seconded by Mr. Swartz, and carried to approve the CPC's recommendations. Ms. Chi, Ms. Hariton, and Mr. Oldman were temporarily absent. Mr. Bermúdez was absent.

Mr. Ramirez noted that the 2005 report on peer review recommended that the Board should oversee the peer review program. Additionally, NASBA issued a report recommending that boards oversee their peer review programs. Also, the staff's survey of states indicates that 66 percent of the surveyed respondents with peer review programs had oversight by the respective boards. Mr. Ramirez reported that the CPC recommended that the Board accept Option 2, which states that through regulation, the Board would establish a Peer Review Oversight Committee that would independently oversee the Board-approved administering entities, with additional responsibilities as follows:

- Overseeing the activities of sponsoring organizations related to how peer reviews are processed and evaluated,
- Ensuring the sponsoring organizations are adhering to the AICPA standards,
- Ensuring that peer reviewers are properly qualified,
- Ensuring that peer reviews are being accepted in a consistent manner by the sponsoring organization's report acceptance body.
- Conducting site visits of sponsoring organizations and their peer review committees,
- Performing random sampling of peer review reports,
- Representing the Board at the AICPA's National Peer Review Committee and the CalCPA Peer Review Committee meetings.

It was moved by Mr. Ramirez, seconded by Ms. Anderson, and carried to adopt the CPC's recommendations. Ms. Chi, Ms. Hariton, and Mr. Oldman were temporarily absent. Mr. Bermúdez was absent.

Mr. Ramirez stated that the CPC also recommended that the Board accept that the Peer Review Oversight Committee serve as the evaluation body for other entities (other than the AICPA) seeking to be peer review providers in California. The CPC also directed staff to include the review/approval of other organizations desiring to administer peer review programs. In a special February 2008 Board meeting, staff will present to the Board its recommendations related to the following:

- Program oversight committee composition,
- Estimated number of meetings,

- Required time commitments,
- Review/approval of other administering organizations.

It was moved by Mr. Ramirez, seconded by Dr. Charney, and carried to adopt the CPC's recommendations. Ms. Chi, Ms. Hariton, and Mr. Oldman were temporarily absent. Mr. Bermúdez was absent.

Mr. Ramirez reported that regarding Documents Required for Submission, the CPC discussed the system review papers provided by Mr. Brackens and a legal guidance memorandum drafted by Mr. Ritter regarding document submission. Ms. Werner provided information on confidentiality requirements for documents related to current or closed investigations. She noted that investigation-related documents could become subject to public disclosure only if introduced into evidence in a public hearing or if subpoenaed by a court.

Mr. Ramirez stated that it was noted by Mr. Brackens that if firms "opt out" of their peer review information being made available on the AICPA's database, that this would serve as a red flag to the Board to request information from those firms. Additionally, Mr. Brackens also stated that the Board could request a list of California "failed" peer reviews as often as desired.

Mr. Ramirez reported that the CPC also discussed the issue of repeat "pass with deficiency" firms if the deficiency is the same in two consecutive peer reviews. During the discussion, Ms. McCrone indicated that experience has shown such firms either immediately correct the deficiency or they drop that portion of their services. Thus, a repeat of the same deficiency would be extremely rare. It was suggested that the review committee could address any firms with repeat "pass with deficiency" ratings.

Mr. Ramirez stated that the CPC recommended that the Board accept a modified version of Option 1, firms that receive a rating of "pass" or "pass with deficiency" shall be required to self certify the peer review results and submit its documents to the Board upon request. Firms that receive a peer review rating of "failed" shall be required to submit selected documents to the Board or the AICPA Web site. During the discussion, Mr. Newington noted that requesting information from firms receiving a "pass with deficiency" rating could significantly add to the workload of current Enforcement staff. Therefore, the determination as to whether to request such documents would be tied directly to the availability of staff resources.

It was moved by Mr. Ramirez, seconded by Ms. Anderson, and carried to adopt the CPC's recommendations. Mr. Bermúdez was absent.

5. Discussion of Administrative Suspension and Other Enforcement Options Related to Cross-Border Practice.

Mr. Ramirez reported that during the discussion, Mr. Ritter stated that an out-of-state practitioner must have a license in good standing to perform cross-border practice in California. If the practitioner has been convicted of a crime, then he or she has had due process, and they are prohibited from

continuing to engage in cross-border practice in California. Mr. Ritter additionally stated that if there is a pending investigation and the cross-border practice is suspended, there should be a post-deprivation hearing. Mr. Ritter also indicated that he would re-work his memorandum and present it to the CPC at its March 2008 Board meeting.

Mr. Ramirez stated that further discussion indicated that while reports of convictions are automatically sent to the Board, disciplinary actions taken by practitioners' "home states" may not be communicated to the Board. Dr. Charney indicated that this information was available on NASBA's database. Ms. Bowers responded that NASBA continues to work on their national database that would provide this information.

6. Consideration of Revised Statutory Language Related to Whether a CPA with a General License Operating as a Sole Proprietor Could Complete an Attest Engagement if a CPA with an Attest License Signs the Report.

Mr. Ramirez reported that during the discussion, Mr. Ritter stated that the key consideration is the person who does the actual work, so it is not critical what type of license the firm owner has. Mr. Ramirez stated that since it is possible that such a situation could confuse consumers, he encouraged the expeditious notification to consumers in such a situation.

Mr. Ramirez stated that the CPC recommended that the Board accept Mr. Ritter's proposed language as follows: "Whenever a licensee is employed by a firm where the majority of the licensed owners are not licensed to provide attest services, he or she shall inform a prospective client of this fact with written notice prior to accepting any attest engagement." During the discussion, Mr. Ritter stated that this requirement could be done in regulation, and his memorandum provided sample language. After further discussion of the confusion caused by having both "G" and "A" licenses, it was suggested that the Board consider the elimination of the "G" license. Ms. Bowers recommended that staff present an issue paper at the July 2008 CPC and Board meetings, which would include research on the feasibility of abolishing the "G" license, the issues involved in such an action, and the history of how the "G" and "A" licenses were developed.

It was moved by Mr. Ramirez, seconded by Mr. MacAloney, and carried to adopt the CPC's recommendations. Mr. Bermúdez was absent.

7. Discussion Related to the Exposure Draft of the UAA Model Education Rules 5-1 and 5-2.

Mr. Ramirez stated that the CPC recommended that the Board accept the draft letter prepared by staff to provide comments to NASBA on the exposure draft. **(See Attachment 5.)**

It was moved by Mr. Ramirez, seconded by Ms. Anderson, and carried to adopt the CPC recommendation. Mr. Bermúdez was absent.

8. Discussion Related to Increasing the Continuing Education Ethics Requirement.

Mr. Ramirez stated that during the CPC discussion, Ms. Bowers indicated that at the March 2008 CPC and Board meetings, an issue paper would be presented regarding the proposed increase of the ethics requirement to four hours every two years, its effect on mobility, the UAA requirements, the effect on providers and licensees, the effect on staff resources, course content, and other issues. Mr. Ramirez reiterated his desire to bring ethics back to the forefront of California licensees.

D. Legislative Committee.

There was no report on this agenda item.

E. Enforcement Program Oversight Committee (EPOC).

There was no report on this agenda item.

X. Appeals – Personal / Written – None.

XI. Recommendations of CPA Qualifications Committee.

A. Personal / Written Appeals – None.

XII. Petitions, Stipulations, and Proposed Decisions [Closed Session Government Code Section 11126(c)(3)] *Petition Hearings are Public Before the Board with a Subsequent Closed Session.

A. Clark William Gordin – Petition to Reinstate Revoked Certificate.

The Board and ALJ Steven Owyang heard the petition. The ALJ will be preparing the decision.

B. John Russell Burnett, Jr. – Petition to Reinstate Revoked Certificate.

The Board and ALJ Steven Owyang heard the petition. The ALJ will be preparing the decision.

C. Joe Paul DiBenedetto – Default Decision.

The Default Decision in the matter of the Accusation filed against Joe Paul DiBenedetto was adopted.

D. Marcelino Contreras – Default Decision.

The Default Decision in the matter of the Accusation filed against Marcelino Contreras was adopted.

E. Brett Miller – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Brett Miller was adopted.

F. David Halcrow – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against David Halcrow was adopted.

G. Dale Alan Hoppes – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Dale Alan Hoppes was adopted.

H. Ronald Goedde – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Ronald Goedde was adopted.

I. Lowell D. Sneathen – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Lowell D. Sneathen was adopted.

J. Bryan Hopkins – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against Bryan Hopkins was adopted.

K. KPMG, LLP – Stipulated Settlement.

The Stipulation in the matter of the Accusation filed against KPMG, LLP was adopted.

XIII. Other Business.

A. National Association of State Boards of Accountancy (NASBA).

1. Update on NASBA Committees.

Mr. Driftmier reported that the AICPA State Board Committee had conducted two conference calls and that he would be traveling to Dallas twice this year as a member of this Committee. One topic discussed during the conference calls was the re-reporting of the Auditing and Attestation scores previously reported on by Ms. Bowers.

a. CBT Administration Committee.

There was no report on this agenda item.

b. Compliance Assurance Committee.

There was no report on this agenda item.

B. Consent Agenda.

It was moved by Mr. MacAloney, seconded by Dr. Charney, and carried by adopt the consent agenda. Mr. Bermúdez and Mr. Swartz were absent. (See Attachment 6.)

C. Board Member Comments.

Mr. Driftmier thanked Board staff for their due diligence, work, and input.

D. Comments from CalCPA Representative.

No comments received.

E. Comments from SCA Representative.

No comments received.

F. Public Comments.

Mr. Carl Olson provided comments related to the Public Company Accounting Oversight Board, the Board's destruction of re-statements after six months, and the Board's withholding of Public Records. He distributed a copy of the text of his oral comments to the Board. **(See Attachment 7.)**

G. Agenda Items for Future Board Meetings.

Ms. Sigmann stated that there would be a Board meeting on February 25, 2008, in Sacramento dedicated to the topic of peer review. Additionally, there would be an enforcement issue on the agenda.

XIV. Adjournment.

President Driftmier adjourned the meeting at 3:07 p.m. on Thursday, January 17, 2008, and at 12:58 p.m. on Friday, January 18, 2008.

Donald Driftmier, President

Rudy Bermúdez, Secretary

Mary LeClaire, Executive Analyst, and Carol Sigmann, Executive Officer, California Board of Accountancy, prepared the Board minutes. If you have any questions, please call (916) 561-1718.