



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

**FINAL**

**MINUTES OF THE**  
**SEPTEMBER 3, 2009**  
**SPECIAL MEETING OF THE BOARD**

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Roll Call and Call to Order.

President Robert Petersen called the meeting to order at 10:40 a.m. on Thursday, September 3, 2009, and the meeting adjourned at 11:25 a.m.

Board Members

July 6, 2009

Robert Petersen, President  
 Manuel Ramirez, Vice President  
 Lenora Taylor, Secretary-Treasurer  
 Sally Anderson  
 Rudy Bermúdez  
 Michelle Brough  
 Angela Chi  
 Donald Driftmier  
 Herschel Elkins

10:40 a.m. to 11:25 a.m.  
 Absent  
 10:40 a.m. to 11:25 a.m.  
 Absent  
 10:40 a.m. to 11:25 a.m.  
 10:40 a.m. to 11:25 a.m.  
 Absent  
 Absent  
 10:40 a.m. to 11:25 a.m.

Louise Kirkbride	10:40 a.m. to 11:25 a.m.
Leslie LaManna	10:40 a.m. to 11:25 a.m.
Marshal Oldman	10:40 a.m. to 11:25 a.m.
David Swartz	10:40 a.m. to 11:25 a.m.

#### Staff and Legal Counsel

Patti Bowers, Executive Officer  
Dan Rich, Assistant Executive Officer  
Veronica Daniel, Executive Support Analyst  
Gary Duke, Legal Counsel, Department of Consumer Affairs (DCA)  
Dominic Franzella, Renewal Coordinator  
Scott Harris, Deputy Attorney General, Department of Justice  
Lauren Hersh, Information & Planning Officer  
Larry Knapp, Supervising Investigative CPA  
Marina Olivarez-Fuentes, Executive Secretary  
Deanne Pearce, Acting Chief, Licensing Division  
Theresa Siepert, Manager, Administration Division  
Jenny Sheldon, Renewal Coordinator  
Matthew Stanley, Legislation/Regulation Analyst

#### Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)  
Jim Brackens, American Institute of Certified Public Accountants (AICPA)  
Joanna Gin, Assembly Business & Professions (B&P) Committee  
Serena Mohan, Intern, Center for Public Interest Law  
Richard Robinson, E&Y, DT, PWC, KPMG, GT  
Gregory Santiago, Legislation Analyst, DCA  
Hal Schultz, CalCPA  
Jeannie Tindel, CalCPA  
Suzanne Julicoeur, AICPA

#### I. Roll Call and Call to Order.

Board President Petersen called the meeting of the CBA to order on September 3, 2009.

#### II. Determination of Need for Special Meeting.

Mr. Petersen acknowledged the special Meeting of the California Board of Accountancy Board Members (Board) to consider the agenda item regarding Assembly Bill (AB) 138.

Gary Duke stated that in order to proceed with the meeting under the Bagley Keene Open Meetings Act, the Board needed to make a special finding of the necessity for this special meeting. Pursuant to Business & Professions (B&P) Code Section 5016 and Government Code Section 11125.4 (a)(2) a

notice has been served according to subdivision (b) that a special meeting is required in order to consider recent legislation and amendments to AB 138. Consequently, it's incumbent upon the Board to make a vote and determination if the meeting should proceed according to this legal authority. This state body must make a finding that immediate action is required to take action on the recent amendments of the proposed legislation in order to protect the public interest. Mr. Duke requested that a motion be entertained in order to continue this meeting according to this finding.

**It was moved by Mr. Elkins, seconded by Mr. Oldman, and unanimously carried by those present to adopt the findings for a special meeting.**

### III. Discussion of Amendments to AB 138

Mr. Franzella noted a date correction to Agenda Item III, as it should read September 3, 2009. Mr. Franzella provided an overview of the amendments and the impact to the proposed legislation. He also noted that prior to the meeting; members were emailed the amended version of the bill.

Mr. Franzella presented the Board with two options at this time. To maintain sponsorship, or to remove sponsorship and request the bill's author, Assembly Member Mary Hayashi, place the bill on the Senate inactive file. Mr. Franzella provided further details regarding the Board's options.

Mr. Petersen inquired as to whether other alternatives existed that the Board should consider. Mr. Bermudez stated the Board could maintain sponsorship of the bill and move it to inactive. This would create a two-year bill and give the CBA the ability to negotiate with the Senate to ensure the language is acceptable, and the implementation would not create hardship for the Board or its licensees.

Ms. Gin commented that she would take any feedback from the Board and discuss it with Assembly Member Hayashi before deciding how to proceed.

Mr. Bermudez inquired as to whether new legislation would need to be drafted to modify the bill, or if changes could be made without having to go back to the legislature.

Mr. Petersen stated that if the bill does not pass, the Board would have to sponsor a new bill. If the Board continues to support the bill and the bill passes, then the Board would seek to amend next year if any technical changes are needed.

Mr. Petersen also noted that a possibility exists that the Board may need to reevaluate the three-year phase in for implementing peer review.

Mr. Franzella provided information on possible transition for the phase in period, and directed members' attention to page three of the memorandum.

Mr. Elkins stated that covering two-thirds of the firms in two years should not be a problem as long as it is a random sampling. Mr. Franzella noted staff's concern regarding insufficient data for reporting purposes be submitted in the 2013 report to the Legislature and Governor. Staff believes the best approach would be to have as many samples as possible. Ms. Kirkbride agreed with Mr. Elkins and stated that if the intention of the reporting is to find out if this is having dire impact on small firms, even with two-thirds sampling, the data should be sufficient.

Mr. Swartz inquired if the dates could be extended in order to obtain a sampling that is appropriate, and if the bill still has to go before the Senate. Mr. Franzella stated that discussions took place with Bob Franzoia in the Senate Appropriations Committee and Senator Steinberg's Office to try and get the dates pushed out further. The dates were pushed out by a year, and that nothing further would be granted.

Mr. Petersen commented on reporting the sampling to the Legislature, and stated the Board does not have to restrict to experiences in California, although that is the primary focus. He expressed his concern on imposing the cost of peer review to one-third of the profession and not the entire profession. He further stated that he is in favor of moving forward with the bill, though he also stressed concern regarding a reluctance to train on peer review if the market will only be around for two years.

Mr. Swartz stated the Board would only be limiting Other Comprehensive Basis of Accounting (OCBOA) financial statements for small firms and there would still be a huge population. Mr. Franzella provided clarification that the OCBOA is the reporting requirements, and the sunset is the entire peer review program. Mr. Swartz stated that the Board should be able to justify the need, especially when all 50 states are involved. Mr. Rich stated staff attempted to negotiate with the legislature in terms of having sunset related to OCBOA financial statements and they would not accept the argument.

Mr. Oldman inquired if the Board were to withdrawal sponsorship, would California still be considered substantially equivalent as far as AICPA is concerned. Mr. Petersen stated yes, and that peer review is not a requirement for substantial equivalency. Mr. Petersen further stated there are over 40 states that have mandatory peer review, and none of them exempt OCBOA statements.

Mr. Swartz expressed support of the bill and disappointment with the restrictions.

Ms. Taylor stated that our response should indicate that a sampling was covered as an explanation for results, and suggested moving forward with the bill.

Mr. Oldman stated that the Board should not withdraw sponsorship at this point, but change the regulations and start our phase-in period earlier than anticipated.

Mr. Petersen highly recommended moving forward with the bill. Mr. Petersen then called for a motion.

Mr. Bermudez stated there is a full year to work this bill through the two-year legislative cycle. He further stated the sampling is too small and the timeline is too tight. He suggested holding the bill on the Senate floor and working with the Senate to extend the timeline to ensure that every Certified Public Accountant goes through the process. This would give the Board more time to study the impact of implementation. The bill could move out of the Senate as early as the start of next session and come back to the Assembly for concurrence. Ms. Brough agreed with Mr. Bermudez. She stated the Board should take the time to get language that is going to work for the Board and for consumers.

Mr. Elkins stated that even though the bill is flawed, the Board is better off with the bill now than postponing until next year. Mr. Oldman stated that if the Board waits, there will not be an effective date prior to January 1, 2011. The current bill offers an effective date of January 1, 2010. Mr. Oldman suggested moving forward. Ms. Kirkbride agreed.

Mr. Franzella stated staff will bring recommendations on possible phase in periods to the September meeting. Mr. Franzella further stated that by the sunset date, all affected firms would have been subject to peer review.

Mr. Elkins requested for staff to go back to the Legislature and find out why the wording "final permanent regulation" was removed. Mr. Petersen stated staff would look into the request and provide an answer.

Ms. Brough inquired if the Board would be submitting a letter, and if the concerns could be conveyed. Mr. Stanley stated if the Board maintains sponsorship; there is no need for an additional letter. Mr. Petersen stated that he would continue to work on getting the sunset date postponed.

Ms. LaManna inquired regarding the importance of OCBOA, rather than compiled non-disclosure financial statements. Mr. Petersen stated the Society of California Accountants asked that OCBOA statements be exempted as they thought the cost was too high for their members and small firms. Mr. Petersen further stated the Board chose to not elect the exemption for OCBOA statements. Ms. LaManna requested future Board consideration be given to the reporting requirements for non-licensees that prepare financial reports to possibly have them indicate that they have not been peer reviewed. Staff plan on providing an update on this issue at a future Board meeting.

**It was moved by Mr. Oldman, seconded by Mr. Swartz, and carried to maintain sponsorship of AB 138 as amended. Mr. Bermudez and Ms. Brough opposed.**

IV. Public Comments.

No comments were received.

V. Adjournment.

President Petersen adjourned the meeting at 11:25 a.m. on Thursday, September 3, 2009.

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Robert A. Petersen, President

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Lenora Taylor, Secretary/Treasurer

Veronica Daniel, Executive Analyst, and Patti Bowers, Executive Officer, California Board of Accountancy, prepared the Board minutes. If you have any questions, please call (916) 561-1718.