



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

MINUTES OF THE
SEPTEMBER 20-21, 2012
CBA MEETING

Wyndham Irvine
 17941 Von Karman Ave.
 Irvine, CA 92614

TELECONFERENCE LOCATION:
 Bureau of Automotive Repair (Field Office)
 1361 Winchester Blvd. Ste. 206
 San Jose, CA 95117

Roll Call and Call to Order.

CBA President Marshal Oldman called the meeting to order at 12:30 p.m. on Thursday, September 20, 2012 at the Wyndham Irvine. The meeting recessed at 3:59 p.m. President Oldman reconvened the meeting at 9:03 a.m. on September 21, 2012 and the meeting adjourned at 10:01 a.m.

CBA Members

September 20, 2012

| | |
|------------------------------------|-------------------------|
| Marshal Oldman, President | 12:30 p.m. to 3:59 p.m. |
| Leslie LaManna, Vice President | 12:30 p.m. to 3:59 p.m. |
| Michael Savoy, Secretary-Treasurer | 12:30 p.m. to 3:59 p.m. |
| Sarah (Sally) Anderson | 12:30 p.m. to 3:59 p.m. |
| Diana Bell | Absent |
| Alicia Berhow | 12:30 p.m. to 3:59 p.m. |
| Michelle Brough | 12:30 p.m. to |
| Donald Driftmier | 12:30 p.m. to 3:59 p.m. |
| Herschel Elkins | Absent |
| Laurence (Larry) Kaplan | 12:30 p.m. to 3:59 p.m. |
| Louise Kirkbride* | 12:30 p.m. to 3:59 p.m. |
| Kitak (K.T.) Leung | 12:30 p.m. to 3:59 p.m. |
| Manuel Ramirez | 12:30 p.m. to 3:59 p.m. |
| David Swartz | 12:30 p.m. to 3:59 p.m. |

CBA Members

September 21, 2012

| | |
|------------------------------------|-------------------------|
| Marshal Oldman, President | 9:01 a.m. to 10:01 a.m. |
| Leslie LaManna, Vice President | 9:01 a.m. to 10:01 a.m. |
| Michael Savoy, Secretary-Treasurer | 9:01 a.m. to 10:01 a.m. |
| Sarah (Sally) Anderson | 9:01 a.m. to 10:01 a.m. |
| Diana Bell | Absent |
| Alicia Berhow | 9:01 a.m. to 10:01 a.m. |
| Michelle Brough | Absent |
| Donald Driftmier | 9:01 a.m. to 10:01 a.m. |
| Herschel Elkins | Absent |
| Laurence (Larry) Kaplan | 9:01 a.m. to 10:01 a.m. |
| Louise Kirkbride | Absent |
| Kitak (K.T.) Leung | 9:53 a.m. to 10:01 a.m. |
| Manuel Ramirez | 9:01 a.m. to 10:01 a.m. |
| David Swartz | 9:01 a.m. to 10:01 a.m. |

* Ms. Kirkbride attended the CBA meeting from a teleconference location.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Rich Andres, Information Technology Staff
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Nick Ng, Manager, Administration Unit
Kari O'Connor, Board Relations Analyst
Deanne Pearce, Assistant Executive Officer
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Legislation/Regulation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)
Fausto Hinojosa, Chair, Qualifications Committee (QC)

Other Participants

Kevin Berggren, Center for Public Interest Law (CPIL)
Dan Dustin, National Association of State Board of Accountancy (NASBA)
Jason Fox, California Society of CPAs (CalCPA)
Ed Howard, CPIL

Joe Petito, The Accountants Coalition
Pilar Onate-Quintana, KP Public Affairs
Jonathan Ross, KP Public Affairs
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA
Amy Yerkey, Administrative Law Judge (ALJ), Office of Administrative Hearings

I. Report of the President

Mr. Oldman announced that Senate Bill (SB) 1405 regarding mobility and Assembly Bill (AB) 1904 regarding military spouses have been signed by the Governor.

At this time, CBA members heard Agenda Item I.B.

A. Discussion on the Role of the Qualifications Committee (QC).

Mr. Hinojoso provided an overview of this item. Mr. Hinojoso stated that the QC's role is to serve as an advisory committee to the CBA, assisting in its licensure activities by conducting work paper reviews and interviewing applicants to evaluate if their experience satisfies the requirements for CPA licensure. Mr. Hinojoso stated that the primary function of the QC is to perform personal appearances and Section 69 reviews. Mr. Hinojoso noted that the QC is also occasionally called upon to mediate applicant/supervisor disputes regarding work experience. In these cases, the QC will conduct its work paper review and conducts interviews to evaluate whether the work experience satisfies the requirements for CPA licensure. Mr. Hinojoso further stated that as part of its advisory role, the QC also conducts an annual internal audit, usually every July, on a percentage of all approved applications.

Ms. Anderson inquired if members that makeup the QC presently have adequate experience to review all candidates and types of work that they perform.

Mr. Hinojoso stated that there is a significant and sufficient amount of experience in all areas.

Ms. Anderson suggested that for future re-appointments a matrix be developed to identify the skill base of the current QC members and candidates for appointment/re-appointment.

B. Announcement Regarding Annual Officer Elections.

Mr. Oldman announced that Annual Officer Elections will be held at the

November CBA meeting.

C. Announcement of CBA Leadership Award of Excellence.

Mr. Oldman announced that the recipients of this year's CBA Leadership Award of Excellence are Cindi Fuller, Renewal and Continuing Competency Unit Coordinator and Suzanne Gracia, Examination Unit Coordinator.

II. Report of the Vice President.

A. Recommendations for Appointment(s) to the Enforcement Advisory Committee (EAC).

It was moved by Ms. LaManna, seconded by Mr. Ramirez and unanimously carried by those present to reappoint EAC members Joseph Buniva, Gary Caine, Robert A. Lee, Seid Sadat, and Michael Schwartz.

B. Recommendations for Appointment(s) to the Qualifications Committee (QC).

It was moved by Ms. LaManna, seconded by Mr. Driftmier and unanimously carried by those present to reappoint QC members Carlos Aguila, Michael Haas, Charles Hester, Casandra Moore-Hudnall, and James Woyce.

C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee (PROC).

There was no report for this item.

III. Report of the Secretary/Treasurer

A. Discussion of Governor's Budget.

There was no report on this item.

B. Fiscal Year 2011-2012 Year End Financial Report.

Mr. Savoy reported the revenue from license renewals has decreased due to the reduction in license renewal fees.

C. Report of the Budget Taskforce – Licensing Fee Analyses and Discussion of Reserve.

Mr. Ng reported that the Budget Taskforce, comprised of Mr. Savoy and Mr. Ramirez, worked with staff to analyze several scenarios which would reduce the amount of funds in reserve. The Taskforce determined that further steps beyond a 40 percent reduction in license renewal fees may be necessary to lower reserve levels. Mr. Ng stated that presently the CBA has approximately \$14 million in reserve. Mr. Ng further stated that there is no statutory requirement for the CBA to have a specific amount of funds in reserves. Mr. Ng stated that the Taskforce suggested that a four-year plan be developed, to reduce the reserve to a three-month level. Based on current projections, reserves at a three-month level would not adversely impact operations and would still allow enough for funding litigation and enforcement costs for 18 months.

Mr. Ng stated that staff has provided several scenarios (Attachment ___) to bring the reserve to the level suggested by the Taskforce. Mr. Ng further noted that any fee reductions will be a regulatory change and require approval by the Department of Consumer Affairs, Department of Finance and the Office of Administrative Law.

Mr. Ramirez commented that he prefers Scenario 4, which targets 60 percent reduction in license renewal fees. Mr. Ramirez stated that this scenario would allow revenues to match expenses without creating the possibility of a deficit. Mr. Ramirez suggested that the CBA be more proactive in trying to match revenue with expenses as closely as possible and licensees should pay a fair fee.

It was moved by Mr. Ramirez, and seconded by Ms. Brough that Scenario 4, which reduces license renewal fees 60 percent, be chosen to reduce the amount of funds in reserve. (This motion was later amended).

Mr. Kaplan stated that he prefers Scenario 3, which included reductions in examination and licensing application fees because it benefits individuals just starting a career.

Mr. Ramirez suggested combining Scenario 3 and 4 to achieve \$1.8 million in reserve.

Mr. Swartz commented that \$1.8 million is a good amount to have in reserve, and that a hybrid between Scenario 3 and 4 seemed appropriate. Mr. Swartz agreed that fees for licensing applications should be reduced.

It was moved by Mr. Ramirez, and seconded by Ms. Anderson to use Scenario 3 and to adjust the fee levels for all application fees to a level which would reduce the reserve to \$1.8 million. (This motion

was later amended.)

Mr. Ramirez commented that the CBA has not considered that it has 100 percent expenditures. Mr. Ramirez stated that furloughs create \$2 million in reserves, and is not considered in the scenarios provided. This could lead to increasing the reserve by \$1 million to \$3 million per year over a four-year period.

Mr. Ramirez inquired if the reduction being considered should be for a two-year period of time, rather than a four-year period of time.

Mr. Oldman stated that the CBA needs more time to adjust to factors such as furloughs, revenue received, state of the economy and that when considering changes in revenue, it should be done cautiously.

Mr. Savoy stated that two years may be too short of a window to reduce the reserve.

Mr. Ramirez commented that a four-year budgetary adjustment is too long and that two years is a better time period in order to serve our licensees.

Mr. Ramirez then amended his earlier motion. **It was moved by Mr. Ramirez, seconded by Ms. Brough and unanimously carried by those present to direct staff to bring back an appropriate fee reduction in Scenario 3 to get the level in reserve to \$1.8 million in two years, understanding that a fee reduction will not take effect until Fiscal Year 2014-15.**

IV. Report of the Executive Officer (EO)

A. Update on Staffing.

Ms. Bowers reported that the CBA is actively recruiting for four vacancies.

B. Update on CBA 2010-2012 Communications and Outreach Plan (Written Report Only).

C. CBA 2011-2012 Annual Report.

Ms. Pearce provided an overview of this item. Ms. Pearce stated that the report highlights various accomplishments in CBA programs on an annual basis.

Ms. Anderson commended staff for a great job on the CBA 2011-2012 Annual Report.

D. Report on Customer Satisfaction with CBA Services.

Ms. Pearce provided an overview of this item. Ms. Pearce stated that the CBA Customer Satisfaction Survey is available on the CBA website. According to this survey, 70 percent are satisfied or very satisfied with the customer service received at the CBA. Ms. Pearce stated that the CBA is focused with providing excellent customer service and will continue to set goals to increase that percentage.

E. Update on Bills on Which the CBA Has Taken A Position (AB 1345, AB 1409, AB 1588, AB 1904, AB 2570, SB 103, SB 1099, SB 1327, SB 1405 and SB 1576) and Report on Newly Amended Bills Identified During the Final Week of Session (AB 1489, SB 71, and SB 1025).

Mr. Stanley provided an overview of this item. Mr. Stanley stated that the Legislature ended business on August 31, 2012 and all bills are currently on the Governor's desk for signature or veto. Bills that have been signed include AB 1345, AB 1904, SB 1099. Mr. Stanley stated that for those bills yet to be signed by the Governor, prior to passing out of the Legislature, some changes were made to a few bills which the CBA has taken a position. Mr. Stanley noted that staff are not recommending changes in position as none of the changes to the bills were significant to warrant doing so.

Regarding AB 1345, Mr. Stanley stated that a letter was sent to the Governor stating that the CBA did not support AB 1345 bill.

Mr. Stanley noted that SB 71 is a budget bill to eliminate extraneous committees in government including the CBA's Ethics Curriculum Committee.

Mr. Stanley stated that AB 1588 would exempt active-duty military licensees in DCA from license renewal fees, continuing education, and other renewal requirements. Mr. Stanley further stated the CBA will be exempt from AB 1588 because a similar program, SB 1405, will be implemented; however, there is a one-year time difference between the implementation date of AB 1588 and SB 1405. Since AB 1588 becomes effective January 1, 2013 and SB 1405 does not become effective until January 1, 2014, AB 1588 will be applicable to the CBA for one year.

Mr. Stanley stated that SB 1025 was amended at the end of session to apply to the CBA, and the CBA has not previously taken a position on this bill. SB 1025 requires all regulatory entities to review its regulations and to change any regulations that are duplicative. Mr. Stanley stated that the CBA already did this at the beginning of 2012.

Mr. Stanley stated that SB 1405 was amended to include everything the CBA requested at its July 2012 meeting. These changes included; clarifying disqualifying conditions, additional actions taken by other boards of accountancy that would necessitate a cease practice in California, and a review of other states' websites is on a biennial basis.

V. Report of the Licensing Chief.

A. Report on Licensing Division.

Mr. Franzella provided an overview of this item (See Attachment__). Mr. Franzella reported that the processing time for first time examination applicants is at 32 days, which is a slightly longer processing time than usual. He noted that the increase in processing time is due to a significant increase in the volume of applications received. Mr. Franzella also stated that the Examination Unit is recruiting for a vacant position.

B. Licensing Educational Changes Taskforce – Project Plan for Implementation of the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014.

Mr. Franzella stated that an Internal Taskforce comprised of Examination and Initial Licensing unit staff has been established to facilitate a smooth transition to the new educational requirements for CPA licensure. Mr. Franzella further stated that the Taskforce has placed a heavy emphasis on outreach.

Mr. Ramirez suggested that information regarding the new educational requirements for CPA licensure be sent to accounting societies and Beta Alpha Si. Mr. Ramirez further suggested that a letter should be sent to the accounting society President at each campus to ensure that information about the new educational requirements is shared with accounting students.

VI. Report of the Enforcement Chief.

A. Enforcement Division Report.

Mr. Ixta provided an overview of this item (See Attachment__).

Mr. Ixta stated that a new format of the Enforcement Division Report is being presented to give CBA members a more comprehensive overview of the activities in the Enforcement Division and to provide comparative information over the past two fiscal years.

Mr. Driftmier inquired if there is a trend in what types of complaints are

being filed.

Mr. Ixta stated that the most common reason for a complaint to be filed is peer review. Mr. Ixta further stated that in order to issue a citation for peer review, a complaint must be opened. Mr. Ixta stated that almost 1,000 complaints have resulted from individuals failing to file a peer review reporting form.

Mr. Ramirez suggested including in the Enforcement Division Report the percentage of claims from the PCAOB that are investigated.

Mr. Ramirez suggested that regarding peer review, a communication should be available to licensees possibly on the CBA website, to articulate the common reason for a "fail" peer review report.

Mr. Ixta stated that at the CBA's request, staff has reviewed 373 peer review reporting forms to verify accuracy. Of the 373 reports, 91 are being referred for further investigation.

Mr. Ixta provided CBA members with the status of enforcement cases that are pending at the Attorney General's office that are more than 24 months.

Mr. Ixta stated that aggressive action plans have been developed to prioritize all technical over 365 days old and non-technical cases over 100 days old.

VII. Open Session.

A. Kwang-Ho Lee – Petition for Reinstatement of Revoked CPA Certificate.

Mr. Kwang-Ho Lee appeared before CBA members to petition for the reinstatement of his revoked certificate.

ALJ Amy Yerkey and the CBA members heard the petition and convened into executive closed session to deliberate the matter. ALJ Yerkey will prepare the decision.

B. Gladstein CPA – Petition for Termination of Probation.

Mr. Gladstein appeared before CBA members to petition for termination of probation.

Administrative Law Judge Amy Yerkey and the CBA members heard the petition and convened into executive closed session to deliberate

the matter. ALJ Yerkey will prepare the decision.

C. Stuart Gladstein – Petition for Reduction of Penalty.

Mr. Gladstein appeared before the CBA members to petition for reduction of penalty.

ALJ Amy Yerkey and the CBA members heard the petition and convened into executive closed session to deliberate the matter. ALJ Yerkey will prepare the decision.

VIII. Closed Session. Pursuant to Government Code Section 11126 (c)(3), the CBA Convened into Closed Session to Deliberate on Disciplinary Matters (stipulations, Default Decisions, Proposed Decisions, Petitions for Termination of Probation, Petitions for Reduction of Penalty and Petitions for Reinstatement).

IX. Regulations.

A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2 and 89 – Continuing Education.

Mr. Stanley read the following statement regarding the regulation hearing into the record.

“This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider adopting regulations for a Retired Status License. On behalf of the Board and its staff, I'd like to welcome you. My name is Matthew Stanley and I serve as the Board's Regulation Analyst. I will preside over this hearing on behalf of the Board and the Department.”

“The California Board of Accountancy is contemplating this action pursuant to the authority vested by Sections of the Business and Professions Code, authorizing the Board to amend, adopt, or repeal regulations for the administration and enforcement of the Chapter 1 of Division 3 of the Business and Professions Code.”

“For the record, the date today is September 21, 2012 and the time is approximately 9:02 a.m. Our hearing is being held at the Wyndham Irvine at 17941 Von Karman Ave. in Irvine, California.”

“The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today's hearing. The language of the proposed regulations

has been mailed to those who requested it and has been available on the board's Web site and upon request by other members of the public. Copies of the proposed regulations are available at the back of the room."

"If the Board has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The Board shall be provided and shall consider all written comments received up until 5:00 p.m., September 17, 2012. Anyone who wishes to comment in writing but does not want to speak today is welcome to do so. If we receive written comments on the proposed regulations, they will be acknowledged and entered into the official record of the rulemaking proceedings."

"Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify in the order determined by recognition from the hearing officer. If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded. Remember, it's not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion. "

"If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the Board an opportunity to address your comments directly when the Board makes its final determination of its response to your comments."

"Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed."

"Please raise your hand if you wish to comment on the proposed regulations. Is there anyone else who would like to comment on the proposed regulations?"

"Thank you for participating in this regulation hearing. It is important that public comment on such policy issues be heard prior to the Board taking

action on the proposal. The Board shall take into consideration all comments timely received. Upon careful consideration of all comments, the Board may take action to adopt the proposed text, or it may direct staff to modify the proposed text and make the text available for additional public comment.”

No public comments were received.

Mr. Stanley closed the regulation hearing at 9:07 a.m.

- B. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2 and 89 – Continuing Education (CE).

Mr. Stanley presented a summary of the public comments received on the proposed regulations.

Mr. Stanley stated that a public comment was received regarding Section 88.2 (c)(1)(B), stating that the American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA) CE standards grants 1.85 minutes of self-study credit per final exam question, but the proposed regulatory language does not allow for final exam questions to be included in the time calculation.

Mr. Stanley stated that a public comment was received stating that Section 88.2 (c)(1)(B) does not include the phrase “if one half hour credits are awarded” when discussing rounding down the time limit to the nearest half-hour for CE courses.

Mr. Stanley noted that staff recommended that the CBA reject this comment as the CBA does grant half hour credit and it would be unnecessary to make a qualifying statement in this section.

Mr. Stanley stated that a public comment was received regarding section 88.1, stating that the proposed regulatory language required CE providers to maintain records for six years, although the NASBA and AICPA CE standards require a CE provider to maintain records for five years.

It was moved by Ms. Anderson, seconded by Mr. Swartz and unanimously carried by those present to accept this public comment.

Mr. Stanley stated that a public comment was received regarding the proposed regulatory language, stating that the hours required for fraud CE should not be reduced to four hours.

It was moved by Ms. Anderson, seconded by Ms. Berhow and carried by those present to reject this public comment. Ms. LaManna opposed.

Mr. Stanley stated that a public comment was received regarding the proposed regulatory language, stating that the definition of fraud CE should be expanded to include “prevention” and “detection and reporting of fraud affecting financial statements.”

It was moved by Ms. Anderson, seconded by Ms. Brough and unanimously carried by those present to accept this public comment.

Mr. Stanley stated that a public comment was received regarding the proposed regulatory language, stating that a single eight-hour fraud course every four years should be allowed, as most CPAs prefer attending class in person and an eight-hour course is a better use of time.

It was moved by Ms. Anderson, seconded by Ms. Berhow and carried by those present to reject this public comment. Mr. Ramirez abstained.

Mr. Stanley stated that a public comment was received stating that the eight hour fraud requirement should be counted towards the 24 hours of Accounting and Auditing (A&A) requirement. Mr. Stanley stated that staff recommended rejecting this comment as the CBA has previously determined that it does not consider fraud CE to be included in the A&A CE requirement.

Mr. Stanley stated that a public comment was received regarding the proposed regulatory language, stating that Section 88.1 reduces the minimum number of required monitoring events for webcast CE from two monitoring events every half hour to three monitoring events every hour.

It was moved by Mr. Driftmier, seconded by Mr. Ramirez and carried unanimously by those present to reject this public comment.

It was moved by Mr. Driftmier, seconded by Ms. Anderson and unanimously carried by those present to accept the staff recommended responses to the public comments received.

It was moved by Ms. Anderson, seconded by Mr. Swartz and unanimously carried by those present to direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day comment period. If

after the 15-day public comment period no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice.

VIII. Committee and Task Force Reports.

A. Committee on Professional Conduct (CPC) (Michael Savoy, Chair).

1. Report of the September 20, 2012 CPC Meeting.
2. Discussion on Policy Related to the Implementation of the New Educational Requirement for CPA Licensure Set to take Effect January 1, 2014.
 - a. Consideration of Options to Allow in Limited Circumstances the Ability for Candidates to Qualify for the Uniform CPA Examination Prior to the Conferral of a Baccalaureate Degree or Higher.

Mr. Savoy stated that staff presented a situation where, with the implementation of the new educational requirements, more schools may move towards a scenario where they confer a master's and bachelor's degree simultaneously. Mr. Savoy stated that staff outlined limited circumstances under which a student could be allowed to sit for the Uniform CPA Examination prior to the conferral of a bachelor's degree, and these are listed at the bottom of page 2 of agenda item X.A.2.a. Mr. Savoy noted that this would require a legislative change.

It was moved by Mr. Savoy, seconded by Mr. Driftmier and unanimously carried by those present that the CBA adopt a policy to allow for a student to sit for the CPA Exam under these limited circumstances outlined in staff's recommendation prior to the conferral of a Bachelor's degree, and direct staff to prepare legislative language for consideration at the November 2012 CBA meeting.

- b. Consideration of Options to Expand the List of Qualifying Disciplines in Business and Professions Code Section 5094.3 Related to the Ethics Study Requirement.

Mr. Savoy stated that in July 2011, the CBA approved the Ethics Curriculum Committee's (ECC) ethics study proposal. Mr. Savoy stated that part of this proposal was an option to

complete up to three units in 10 specified disciplines. Mr. Savoy noted that SB 773, which included the ECC's proposed ethics study guidelines, was later amended to remove 7 of the 10 disciplines. Mr. Savoy reported that the CPC discussed whether the CBA should pursue reinstating these disciplines since they were originally based on the ECC's recommendation. Mr. Savoy noted that at the CPC meeting, both CalCPA and CPIL commented that now would not be a good time to reopen the issue. He further stated that the CPC agreed that time should be given to analyze the impact and gather data to determine if the removed disciplines should be added into the requirements.

c. Consideration of Options to Extend the Deadline to Apply for Licensure Under the Present Pathways.

Mr. Savoy stated that the CPC discussed a possible extension of time for individuals that may not have begun their experience requirement early enough to apply for licensure under the present pathways. Mr. Savoy further stated that the CPC discussed how such an extension might affect California's substantial equivalency standing with NASBA.

Mr. Savoy noted that the CPC took no action on this item, but directed staff to look at options for what could be done to make exceptions under these circumstances including looking at how other states may have handled similar situations.

3. Discussion on Initiating a Rulemaking to Adopt Title 16. California Code of Regulations (CCR) Sections 16, 16.1, and 16.2 Regarding Military Inactive Status.

Mr. Savoy reported that staff presented regulatory language that would implement the military inactive status enacted by SB 1405. Mr. Savoy stated that the regulatory language presented included an application for military inactive status, a definition for acceptable proof of military service and discharge date, and information regarding status conversion.

It was moved by Mr. Swartz, seconded by Mr. Ramirez and unanimously carried by those present that the CBA approve the proposed language and direct staff to initiate the rulemaking process.

B. Strategic Planning Committee (SPC) (Manuel Ramirez, Chair).

Mr. Ramirez reported that the SPC reviewed the proposed 2013-2015

CBA Strategic Plan. Mr. Ramirez stated that the proposed 2013-2015 Strategic Plan includes an updated vision section and seven goals.

It was moved by Mr. Ramirez, seconded by Ms. Anderson and unanimously carried by those present that the CBA adopt the proposed 2013-2015 Strategic Plan.

C. Enforcement Advisory Committee (EAC) (Cheryl Gerhardt, Chair).

1. There was no report for this item.
2. Approval of 2013 EAC Meeting Dates.

It was moved by Mr. Driftmier, seconded by Ms. Anderson and unanimously carried by those present that the CBA approve the proposed 2013 EAC meeting dates.

At this time, CBA Agenda Item I.A., Discussion on the Role of the Qualifications Committee (QC) was heard.

D. Qualifications Committee (QC).

1. Report of the August 1, 2012 QC Meeting.

Mr. Hinojosa stated that the QC met on August 1, 2012 and discussed peer training and is working towards finishing a peer training program.

Mr. Hinojosa stated that two personal appearances and two Section 69 reviews were deferred.

E. Peer Review Oversight Committee (PROC)

1. Report of the August 24, 2012 PROC Meeting.

Ms. Corrigan provided an overview of this item. Ms. Corrigan stated that the PROC discussed participation at the July 24, 2012 CalCPA report acceptance body meeting and the AICPA board meeting. Ms. Corrigan stated that the PROC clarified duties and discussed that the CBA sets policies and the CBA will direct the PROC as a committee to research items. Ms. Corrigan further stated that the PROC discussed the format for the 2012 Annual Report and the report will be provided to the CBA in March. Ms. Corrigan stated that the PROC approved and signed a letter to Janice Grey, Chair of the Compliance Assurance Committee of NASBA. Ms. Corrigan further stated that the letter to Ms. Grey is seeking information to determine what level of PROC oversight over the National Peer Review Committee (NPRC) is

appropriate. Ms. Corrigan stated that the PROC determined that it will now meet four times per year.

2. Approval of 2013 PROC Meeting Dates.

It was moved by Mr. Ramirez, seconded by Mr. Swartz and unanimously carried by those present to approve the 2013 PROC meeting dates.

IX. Acceptance of Minutes.

A. Draft Minutes of the July 26, 2012 CBA Meeting.

It was moved by Mr. Ramirez, seconded by Mr. Swartz and unanimously carried by those present to accept agenda item IX.A. with the revision to page 19452 of the July 26, 2012 CBA minutes.

B. Draft Minutes of the July 25, 2012 CBA Strategic Planning Workshop.

It was moved by Ms. Anderson, seconded by Ms. LaManna and unanimously carried by those present to accept the minutes of the July 25, 2012 CBA Strategic Planning Workshop.

C. Minutes of the May 25, 2012 CPC Meeting.

It was moved by Ms. Anderson, seconded by Ms. Berhow and unanimously carried by those present to accept the minutes of the May 25, 2012 CPC meeting.

D. Minutes of the March 23, 2012 SPC Meeting.

It was moved by Mr. Ramirez, seconded by Ms. Berhow and unanimously carried by those present to accept the minutes of the March 23, 2012 SPC meeting.

E. Minutes of the April 25, 2012 QC Meeting.

It was moved by Ms. Berhow, seconded by Ms. LaManna and unanimously carried by those present to accept the minutes of the April 25, 2012 QC meeting.

F. Minutes of the May 3, 2012 EAC Meeting.

It was moved by Ms. Berhow, seconded by Ms. LaManna and unanimously carried by those present to accept the minutes of

the May 3, 2012 EAC Meeting.

G. Minutes of the June 16, 2012 PROC Meeting.

It was moved by Mr. Driftmier, seconded by Ms. Anderson and unanimously carried by those present to accept the minutes of the June 16, 2012 PROC meeting.

X. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

There was no report for this item.

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

1. Introduction of NASBA representative Dan Dustin

Mr. Oldman introduced NASBA representative Dan Dustin, CPA who serves as the NASBA Vice President of State Board Relations. Mr. Dustin gave background information on himself and explained his role as an advocate for the state boards with NASBA. Mr. Dustin informed the CBA of several events that NASBA has been working on; including NASBA U, the Accountancy Licensee Database (ALD) and legislation relating to mobility.

2. NASBA Focus Questions.

It was moved by Ms. Berhow, seconded by Mr. Ramirez and unanimously carried by those present to accept the proposed responses to the NASBA Focus Questions.

3. Update on NASBA Committees.

a. Accountancy Licensee Database (ALD) Task Force.

There was no report for this item.

b. Board Relevance & Effectiveness Committee.

There was no report for this item.

c. Education Committee.

There was no report for this item.

d. Uniform Accountancy Act Committee (UAA).

There was no report for this item.

XI. Closing Business

A. Public Comments.*

No public comments were received.

B. Agenda Items for Future CBA Meetings.

There was no discussion on this item.

C. Press Release Focus

Ms. Pearce stated that a press release for SB 1405 was issued on September 20, 2012. Additionally, a press release would be issued on the 2013-2015 CBA Strategic Plan and the 2011-2012 CBA Annual Report.

Adjournment.

President Oldman adjourned the meeting at 10:01 a.m. on Friday, September 21, 2012.

_____ Marshal A. Oldman, Esq., President

_____ Michael M. Savoy, CPA, Secretary-Treasurer

Kari O'Connor, Board Relations Analyst, and Patti Bowers, Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.