



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



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

MINUTES OF THE
July 24, 2013
TASKFORCE TO EXAMINE EXPERIENCE FOR CPA LICENSURE
(TASKFORCE) MEETING

Hyatt Regency Sacramento
 1209 L Street
 Sacramento, CA 95814
 Telephone: (916) 443-1234
 Facsimile: (916) 321-3779

The meeting of the Taskforce was called to order at approximately 1:30 p.m. on July 24, 2013 by Chair, Manuel Ramirez.

Taskforce Members

Manuel Ramirez, Chair	1:30 p.m. to 4:41 p.m.
Sarah (Sally) Anderson	1:30 p.m. to 4:41 p.m.
Dan Dustin	1:30 p.m. to 4:41 p.m.
Ed Howard	Absent
Laurence (Larry) Kaplan	1:30 p.m. to 4:41 p.m.
Kris Mapes	1:30 p.m. to 4:41 p.m.
Gary McBride	1:30 p.m. to 4:41 p.m.
Marshal Oldman	1:30 p.m. to 4:41 p.m.
Hal Schultz	1:30 p.m. to 4:41 p.m.

Staff and Legal Counsel

Rich Andres, Information Technology Staff
 Patti Bowers, Executive Officer
 Angie Crawford, Executive Secretary
 Veronica Daniel, Licensing Manager
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Chief, Licensing Division
 Rafael Ixta, Chief, Enforcement Division
 Kathryn Kay, Licensing Coordinator

Kari O'Connor, Board Relations Analyst
Deanne Pearce, Assistant Executive Officer
Kristy Shellans, Legal Counsel
Carl Sonne, Deputy Attorney General, Department of Justice

CBA Members and Committee Chairs

Alicia Berhow, CBA Member
Leslie LaManna, CBA President

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, CalCPA
Joe Petito, The Accountants Coalition
Jon Ross, KP Public Affairs

- I. Approval of the May 23, 2013 Taskforce Meeting Minutes.

It was moved by Mr. Kaplan, seconded by Ms. Anderson and unanimously carried by those present to adopt the minutes of the May 23, 2013 Taskforce Meeting.

- II. Overview of Information Related to State Boards of Accountancy Experience Requirements for CPA Licensure and Available Consumer Information Regarding Authorized Services provided by CPAs.

Ms. Kay provided members an overview of the State Boards of Accountancy Experience Requirement Resource Materials associated with this item.

Mr. Ramirez reiterated that attest services are the sole function that requires a CPA license yet many states have transitioned from an attest experience requirement to a general accounting experience requirement. He inquired if any states have recorded their challenges from a consumer protection standpoint.

Mr. Franzella responded that although staff is not aware of the particular challenges of other states which transitioned to a general accounting experience requirement, Agenda Item III provides the Taskforce with CBA enforcement-related statistics since California introduced the general accounting experience requirement option for licensure.

Mr. Schultz stated that professional standards require auditors to be knowledgeable regarding the complexity of their client's situation. He added that peer review is mandatory and measures the actual work performed by licensees.

Mr. Kaplan pointed out that only CPAs can do attest work and expressed concern regarding states that do not have an attest experience requirement.

Mr. Schultz stated that it does not necessarily disadvantage the client if the CPA does not have attest experience. He added there is value in other requirements for licensure such as education, examination, ethics, and experience in the specific area for which the applicant plans to specialize.

Mr. McBride added that federal enrolled agents are not required to have a baccalaureate degree or an accounting background and stated that people hire and value CPAs because of their unique ability to perform complex tax services. Mr. McBride also added that although he values the 500 hour attest experience requirement, he does not believe it is imperative to require the 500 hours of tax professionals.

Mr. Ramirez stated that without the 500 hour requirement, accomplishing financial statement literacy in relation to preparing tax returns could be difficult.

Ms. Anderson stated that it should be up to the professional to get experience in the area s/he wishes to practice. She added this approach to experience not only benefits the professional, but also the client for which s/he serves. She further stated it is more beneficial to review attest authority post-licensure. She also noted that New York and Texas have moved away from requiring attest experience for licensure.

Mr. Dustin stated that New York made revisions to its experience requirement for licensure in 2008, which required a majority (75 percent) of the qualifying experience to be attest experience, and implemented a one-year general accounting experience requirement. He added there were several experienced tax preparer's that were not able to get licensed under the previous experience requirement because they did not have attest experience but were able to obtain a license under the new requirements. He added that New York addressed attest by looking at peer review.

Mr. Ramirez stated attestation is a helpful skill for CPAs to have and there is value associated with it regarding consumer protection. He added that although attest services are limited to CPAs, the profession has evolved in complexity.

Mr. Ramirez inquired about the number of states that require a supervisor's opinion on the quality of work performed by the applicant. Ms. Kay stated there are 16 states that require a supervisor's opinion. Mr. Franzella added that in California, an opinion is not required for general accounting experience, but noted it is required for attest experience and addresses whether the applicant's experience

demonstrates satisfactory understanding of the requirements of planning and conducting a financial statement audit or perform other attest services with minimal supervision.

Mr. McBride stated that as a college professor, he has noticed a recent shift for all business programs to have a greater emphasis on balancing theory and practice. He added that experiential learning enhances performance quality. He further stated that although the 500 hour attest requirement is optional, he still struggles with the possibility of eliminating the requirement.

Mr. Schultz raised questions regarding language on the current general experience form and expressed that he believes there is an implied opinion expressed when the CPA signs the form that the applicant has completed general accounting experience.

Mr. Ramirez stated there should be some system of accountability to ensure the quality of the work experience performed by the applicant. Mr. Schultz added it may be beneficial to add definitions and standards to the general accounting experience form.

Ms. Anderson expressed concern regarding the possibility of academia qualifying for licensure. Ms. Anderson added she is not inclined to give credit to this type of experience.

Mr. McBride stated he understands that teaching is very different from experience. He expressed the Taskforce should consider allowing the academia to qualify as experience because it is beneficial for college professors to be CPAs and requires them to do continuing education to maintain their license. He further stated that if professors are licensed CPAs, it can bridge the gap between theory and practice which directly benefits students.

Mr. Dustin stated that New York permits experience obtained in academia and the requirements emphasize full-time status including a specific number of teaching units in accounting subjects. He added that in the event it was unclear if this type of experience qualified, staff sought board-level guidance.

Mr. Schultz stated that he sees how the profession could be benefited by involving academia which would encourage a relationship between professors and students that are analogous to the clinical model in the medical field.

Mr. McBride suggested experience in academia could be combined with present qualifying experience for consideration. He added he would like to contemplate with his colleagues for additional input on the topic.

The Taskforce requested that staff provide an agenda item at the next meeting to discuss the option of accepting experience obtained in academia.

III. Overview of CBA-Related Licensure Information Regarding California CPA Applicant Qualifying Experience Earned in Public and Non-Public Accounting and Areas of Practice, and Enforcement-Related Statistical Information.

Ms. Kay provided statistics requested by the Taskforce which included the types of experience for which general and attest applicants are initially licensed, the percentage of California licensees practicing in the public versus the non-public sector, peer review reporting information, and enforcement-related disciplinary actions taken against licensees with general and attest experience.

Ms. Anderson inquired how an individual originally issued a license to perform general accounting services can obtain a license with attest authority.

Mr. Franzella explained the individual would need to complete a Type F application, submit a \$25 processing fee, and a certificate of attest experience documenting completion of the required attest experience outlined in Business and Professions Code section 5093.

IV. Overview of Post-CPA Licensure Specializations and Affiliations and CBA Post-Licensure Requirements to Perform Certain Accounting and Auditing Services.

Ms. Kay outlined several post-licensure specializations, designations, and certifications available to CPAs by various professional organizations, governmental agencies and international bodies. Ms. Kay also provided information regarding continuing education and outlined the requirements for licensees performing certain government and non-governmental auditing or accounting services. Lastly, Ms. Kay highlighted requirements in California, as they relate to individuals and firms practicing accounting and auditing services, regarding peer review.

Mr. McBride stated that specializations are designed to benefit consumers, but it is ultimately up to the consumer to do their due diligence before selecting a CPA.

Ms. Bowers stated that the CBA has a *Consumer Assistance Booklet* available on its website designed to assist consumers when selecting a CPA. Ms. Bowers highlighted several helpful tips within the booklet such as reviewing the CPAs completed continuing education information, requesting a copy of peer review, inquiring about enforcement actions and verifying protection of private information. She added the CBA website

provides instructions on how to file a complaint against a CPA.

At this time, the Taskforce discussed Agenda Item VI.

- V. Discussions on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code sections 5092, 5093, and 5095 and Title 16 California Code of Regulations sections 12 and 12.5.

Mr. Franzella provided an overview of some high level potential options the Taskforce may wish to consider. Mr. Franzella stated that these options do not represent the limits of alternatives available to the Taskforce. Mr. Franzella added that with additional clarification and direction, staff will be better equipped to begin evaluating how certain recommendations may impact the CBA and its stakeholders, provide a timeline to achieve the various recommendations, and assess how the various recommendations align with the CBA's priorities regarding consumer protection.

Ms. Anderson stated the Taskforce should explore eliminating the attest experience requirement for licensure. Ms. Anderson added the *Consumer Assistance Booklet* increases consumer awareness by encouraging consumers to get involved and ask questions.

Mr. Schultz agreed with Ms. Anderson's comments and stated that peer review is a quality control measure of audit experience and more meaningful. He added that regarding consumer protection, the completion of 500 attest experience hours may be misleading to consumers because a license obtained with attest experience does not mean the licensee is a qualified auditor but that they met a 500-hour requirement.

Mr. Dustin stated he agreed that the attest experience requirement should be removed and that the 500 attest experience hours required at the time of initial licensure may become less meaningful over time.

Ms. Mapes stated she had previously felt strongly that the attest experience requirement should not be eliminated, but now sees some possible benefit of elimination.

Mr. Kaplan suggested considering a substitute for the attest experience requirement in order to eliminate it.

Mr. McBride stated he is wavering and struggles with eliminating the attest experience requirement. He posed the question whether 500 hours of attest experience means the individual can perform a better audit than someone without that experience. Mr. McBride added it would be difficult to reconcile eliminating the attest experience requirement with consumer protection.

Mr. Dustin stated he believes there is a short term benefit to having an attest license but added that if the licensee does not perform attest work for several years, then s/he would need to re-educate themselves regarding present standards.

Mr. Ramirez recognized the academic approach to initial licensure in relation to the evolving profession. Mr. Ramirez added he feels conflicted regarding the elimination of the attest experience requirement and acknowledged strong arguments on both sides of the issue such as the benefit of the 500-hour attest experience requirement on consumer protection and the quality control measure of peer review.

Mr. Schultz expressed concern regarding terms used in license lookup in relation to a licensee's authorization to perform attest services. He stated the term "authorized" may be misleading regarding a licensee's qualifications and more descriptive language would be helpful.

Ms. Bowers stated there is language presently on the website staff could make more visible in the CBA License Lookup Feature to address this concern. Ms. Bowers added staff would be happy to provide the Taskforce more information regarding the conveyance of attest and general accounting experience distinctions to consumers and recommendations.

Mr. Ramirez stated there may be legislative constraints associated with two pathways for licensure and suggested the Taskforce consider recommending one pathway to licensure.

It was moved by Ms. Anderson, seconded by Mr. Schultz and unanimously carried by those present to not recommend to the CBA the elimination an applicant's ability to obtain licensure with general accounting experience.

Ms. LaManna stated that in addition to enforcement data from New York, failed peer review from this state may also be useful to the Taskforce's discussion.

Members directed staff to provide enforcement-related statistics regarding states that have transitioned from an attest experience requirement to a general accounting experience requirement.

VI. Bonnie Moore Case Decision and Results of Legal Cases Research.

Ms. Shellans provided an overview of requested information regarding the July 2, 1992 California Supreme Court Case, Bonnie Moore v. the CBA decision and other court cases regarding the use of the term "accountant."

Mr. McBride stated the item was informative, but did not feel it was particularly meaningful to this discussion because the courts look to the

accounting profession for its scope.

Mr. Ramirez highlighted information in the item regarding the Center for Public Interest and Law's (CPIL) support to allow unlicensed individuals to use the term accounting.

It was requested that this item be redistributed at the September Taskforce meeting for informational purposes.

VII. Agenda Items for Next Meeting.

None.

VIII. Public Comments.

None.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at 4:41 p.m.

The next meeting of the Taskforce will be held on September 26, 2013.