



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
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CBA Item IX.A.
 March 20-21, 2014

DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
November 21-22, 2013
CBA MEETING

Hilton San Jose
 300 South Almaden Blvd.
 San Jose, CA 95113
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Roll Call and Call to Order.

CBA President Leslie LaManna called the meeting to order at 10:10 a.m. on Thursday, November 21, 2013 at the Hilton San Jose. The meeting recessed at 3:06 p.m. President LaManna reconvened the meeting at 9:01 a.m. on Friday, November 22, 2013 and the meeting adjourned at 11:05 a.m.

CBA Members

November 21, 2013

Leslie LaManna, President	10:10 a.m. to 3:06 p.m.
Michael Savoy, Vice President	10:10 a.m. to 3:06 p.m.
K.T. Leung, Secretary-Treasurer	10:10 a.m. to 3:06 p.m.
Sarah (Sally) Anderson	10:10 a.m. to 3:06 p.m.
Diana Bell	10:22 a.m. to 3:06 p.m.
Alicia Berhow	10:10 a.m. to 3:06 p.m.
Michelle Brough	10:10 a.m. to 3:06 p.m.
Jose Campos	10:10 a.m. to 3:06 p.m.
Herschel Elkins	10:10 a.m. to 3:06 p.m.
Laurence (Larry) Kaplan	10:10 a.m. to 3:06 p.m.
Louise Kirkbride	10:10 a.m. to 3:06 p.m.
Marshal Oldman	Absent
Manuel Ramirez	10:10 a.m. to 3:06 p.m.
Katrina Salazar	10:10 a.m. to 3:06 p.m.

CBA Members

November 22, 2013

Leslie LaManna, President	9:01 a.m. to 11:05 a.m.
Michael Savoy, Vice President	9:01 a.m. to 11:05 a.m.
K.T. Leung, Secretary-Treasurer	9:01 a.m. to 9:18 a.m.
Sarah (Sally) Anderson	9:01 a.m. to 11:05 a.m.
Diana Bell	Absent
Alicia Berhow	9:01 a.m. to 11:05 a.m.
Michelle Brough	9:01 a.m. to 11:05 a.m.
Jose Campos	9:01 a.m. to 11:05 a.m.
Herschel Elkins	9:01 a.m. to 11:05 a.m.
Laurence (Larry) Kaplan	9:01 a.m. to 11:05 a.m.
Louise Kirkbride	Absent
Marshal Oldman	Absent
Manuel Ramirez	9:01 a.m. to 11:05 a.m.
Katrina Salazar	9:01 a.m. to 11:05 a.m.

Staff and Legal Counsel

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

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)
Maurice Eckley Jr., Chair, Qualifications Committee (QC)

Other Participants

Ken Bishop, National Association of State Boards of Accountancy (NASBA)
Michael C. Cohn, Administrative Law Judge (ALJ), Office of Administrative Hearings
Patricia Farace, Prometric
Michael Decker, American Institute of CPAs (AICPA)
Jason Fox, California Society of Certified Public Accountants (CalCPA)

Patricia Hartman, NASBA
Gary McBride, Professor, Department of Accounting and Finance, California State University, East Bay
Michael Mophew, Center for Public Interest Law (CPIL)
Michelle Vu Nguyen, Petitioner
Pilar Onate-Quintana, KP Public Affairs
Joe Petito, The Accountants Coalition
Hal Schultz, CalCPA
Randy Werner, CAMICO
Janice Williams, Diamond Court Reporters

I. Report of the President

A. Presentation from NASBA (National Association of State Boards of Accountancy) Regarding Uniform Certified Public Accountant (CPA) Examination.

Ms. Hartman, Ms. Farace and Mr. Decker provided an overview of the Uniform CPA Examination (CPA Exam). They highlight the tri-party agreement among NASBA, AICPA, and Prometric, taking the opportunity to overview each parties role in the overall administration of the CPA Exam.

B. 2014 CBA Member Committee Interest Survey.

Ms. Riordan requested that the CBA members complete the committee interest survey by December 6, 2013. She stated the new CBA President will use the surveys to appoint members to the Committee on Professional Conduct (CPC), the Legislative Committee (LC), the Enforcement Program Oversight Committee (EPOC) and liaisons for the Qualifications Committee (QC) and the Enforcement Advisory Committee (EAC).

C. Report on the Role of the Committee Liaisons.

Ms. LaManna provided an overview of the role of the committee liaisons. Ms. LaManna stated using surveys and interviews, it was determined that the liaisons provide the CBA with an important service and that the CBA should continue appointing and employing liaisons. Ms. LaManna recommended the CBA direct staff to develop an orientation program for new liaisons. The orientation would provide an overview of the liaisons role, introduction to the Chair and Vice-Chair of the committee, an overview of the current priorities and develop a liaison handbook. Secondly, the staff would facilitate communication between the Northern and Southern liaisons between meetings. Lastly, the staff would arrange for the liaisons to attend either an investigative hearing or an applicant employee interview during their term as liaison.

It was moved by Mr. Ramirez, seconded by Ms. Berhow and unanimously carried by those present to direct staff to develop an orientation program for new liaisons.

D. Resolution for Retiring CBA Member Michelle Brough.

It was moved by Mr. Elkins, seconded by Mr. Leung and unanimously carried by those present to approve the resolution for retiring CBA member Michelle Brough.

E. Resolution for Retiring Enforcement Advisory Committee Member James Rider (EAC).

It was moved by Mr. Ramirez, seconded by Ms. Brough and unanimously carried by those present to approve the resolution for retiring EAC member James Rider.

F. Discussion Regarding Lease Options for the California Board of Accountancy's Principal Office Location.

Ms. Bowers provided an update on the status of the primary CBA office location. Ms. Bowers stated a move would impact the CBA operationally and fiscally but due to the recent maintenance issues it is prudent to explore options for a new office location. Ms. Bowers stated the timeframe of a move would be approximately eighteen months, which would include the search, build out of the office suite and the physical move of the office items.

CBA members expressed their support of moving to a new office, which is newer and has the ability to accommodate the CBA's current and future needs.

G. DCA Director's Report.

There was no report for this item.

II. Report of the Vice President.

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

It was moved by Mr. Elkins, seconded by Ms. Salazar and unanimously carried by those present to reappoint Ms. Gerhardt as Chair of the EAC for a one-year term.

It was moved by Mr. Elkins, seconded by Ms. Salazar and

unanimously carried by those present to appoint Mr. De Lyser as Vice Chair of the EAC for a one-year term.

- B. Recommendations for Appointment(s)/Reappointment(s) to and Rotation Off the Qualifications Committee (QC).

It was moved by Ms. Bell, seconded by Mr. Elkins and unanimously carried by those present to reappoint Mr. Eckley as Chair of the QC for a one-year term.

It was moved by Mr. Elkins, seconded by Ms. Bell and unanimously carried by those present to appoint Mr. Ruehl as Vice Chair of the QC for a one-year term.

It was moved by Mr. Elkins, seconded by Ms. Anderson and unanimously carried by those present to reappoint Ms. Bolsky as a member of the QC for two years.

It was moved by Mr. Ramirez, seconded by Ms. Brough and unanimously carried by those present to rotate Mr. Bong, Mr. Woyce and Mr. Haas off the QC.

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this item.

III. Report of the Secretary/Treasurer

- A. Discussion of Governor's Budget.

- B. Fiscal Year 2013-2014 First Quarter Financial Statement.

Mr. Leung provided an overview of the first quarter financial statement. He stated the current 2013-2014 budget was set at \$11,574,000, an increase of four percent from the last fiscal year. Revenue during the first quarter was approximately \$3,000,000.

Mr. Ramirez inquired about the nine percent increase in wages, benefits and retirement.

Mr. Ng stated that the increase was due to the cancellation of the mandatory personal leave program and increased costs of benefits and retirement.

IV. Report of the Executive Officer (EO).

A. Overview of the Role of the Executive Officer in Identifying Resources Needs and Establishing Staffing Levels.

Ms. Bowers provided an overview of this item. She highlighted the rigorous internal process employed to determine appropriate staffing levels for each of the divisions. Ms. Bowers noted that prior to pursuing a staffing augmentation, consideration is given to current operational efficiencies, absorbing workload, redirecting existing resources and employing part-time or temporary employees. She noted that only after all other opportunities are explored and exhausted does she move forward with preparing and submitting a budget change proposal (BCP) for review by the DCA, Business, Consumer Services, and Housing Agency (BCSHA) and the Department of Finance (DOF). If the BCP is approved, it is submitted for inclusion in the Governor's Budget, where it is reviewed by the Budget Subcommittees of the Assembly and Senate. The BCPs are not approved until the Governor's budget is signed. Ms. Bowers reported that staff is continuing to work on the comparison of resource information from other agencies that the CBA requested.

Mr. Ramirez inquired about the loss of nine positions in 2012-2013.

Ms. Bowers stated a budget letter was released in 2011 directing state agencies to reduce its workforce. The CBA's portion was \$260,000, resulting in a reduction of nine positions. In 2012 a salary savings budget letter directed the CBA to reduce its budget by \$169,000, resulting in a reduction of five positions.

Mr. Ramirez inquired if the CBA is proposing to go back to the original staffing level.

Ms. Bowers stated the CBA uses the current and future workload to determine staffing levels.

B. Update on Staffing.

Ms. Bowers stated since the September CBA meeting the CBA has hired two permanent and two temporary staff. Currently, there is one vacancy in the renewal unit and two temporary vacancies in the enforcement division.

C. Discussion and Possible Action to Establish the Mobility Stakeholder Group.

Mr. Stanley provided an overview of this item. He stated that Senate Bill (SB) 1405 requires the CBA to convene a stakeholder group by July 1, 2014, the purpose which is to consider whether the provisions of the practice privilege law are consistent with the CBA's duty to protect the public and to satisfy the objectives of stakeholders of the accounting profession. He

further stated that at the group's first meeting it must adopt policies and procedures relative to how it will conduct its business. He noted that for this meeting the CBA must determine a group name, the composition of the group, who will determine the group composition, and group leadership.

It was moved by Mr. Campos, seconded by Mr. Elkins and unanimously carried by those present to:

- **Name the group the Mobility Stakeholder Group (MSG)**
- **Compose the group with two members of the CBA, two representatives of the accounting profession, two consumer representatives and one enforcement staff**
- **Have the 2014 CBA President appoint the members, a Chair and Vice-Chair and work with the Executive Officer to solicit members**

D. Update on the CBA 2013-2015 Strategic Plan (Written Report Only).

There were no comments on this item.

E. Update on the CBA 2013-2015 Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

V. Report of the Licensing Chief.

A. Report on Licensing Division Report.

Mr. Franzella provided an overview of this item. He reported that due to Senate Bill (SB) 823, the Licensing Division has experienced an increase in activities, especially in telephone calls. He also noted that the division had seen a forty-three percent increase in the number of applications for licensure. He further stated that staff is working to clarify information regarding the new fingerprinting requirements.

VI. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Ixta provided an overview of this item. He reported during Fiscal Year (FY) 2013-2014 1,946 complaints were received and 1,894 of the cases were assigned for review. He noted that the division closed 390 cases and 2,029 cases were pending, with six complex cases pending over 24 months. He stated staff are trying to manage the increase in cases that are aging by prioritizing workload and working overtime when necessary.

Mr. Ramirez inquired if it would be helpful if the CBA would be more reasonable with expectations of getting through the cases.

Ms. Bowers responded that it would be appreciated, however consistent with its consumer protection mandate it is important that the CBA complete investigations as quickly as possible.

Ms. Berhow inquired about how Enforcement Division prioritizes the cases.

Mr. Ixta stated the Enforcement Division prioritizes complaints during the intake process, and those with the potential of ongoing consumer harm are given the highest priority.

VII. Committee and Task Force Reports.

A. Committee on Professional Conduct (CPC).

1. Report of the November 21, 2013 CPC Meeting.
2. Discussion on Accepting Academia as Qualifying Experience for CPA Licensure.

Mr. Savoy reported the CPC recommended that the CBA should accept academia experience towards the general accounting experience for CPA licensure. He stated that the CPC determined that teaching 48 semester units, or its equivalent, would be equivalent to one year of general experience. The classes taught must qualify for the education required by CBA Regulations section 9.2(b). He further stated the dean or department chair could sign off on experience acquired and the instruction must take place at an accredited institution that meets the CBA's existing requirements for accreditation.

It was moved by Ms. Salazar, seconded by Mr. Ramirez and unanimously carried by those present to recommend that the CBA move forward with legislation that allows for California to accept experience in academia as qualifying general experience and direct staff to use the discussion from the CPC meeting as a framework for crafting future regulations should the legislation become law.

B. Peer Review Oversight Committee (PROC).

1. Report of the November 1, 2013 PROC Meeting.

Ms. Corrigan reported that the PROC reviewed 52 peer review reports. The PROC did not have any findings or concerns regarding the oversight procedures of the CalCPA report acceptance body meeting. She stated that the first draft of the third annual peer review report was approved and will be presented at the March CBA meeting. Lastly, she stated the PROC received approval from NASBA to participate in the

conference calls conducted by NASBA's Committee Compliance Assurance Committee.

C. Enforcement Advisory Committee (EAC).

1. Report of the October 24, 2013 EAC Meeting.

Ms. Gerhardt reported that four investigative hearings were conducted, one matter was referred to the Attorney General's (AG) Office for preparation of an accusation, one concluded with additional investigation and possible referral to the AG's Office, one citation was issued and one was closed with no enforcement action. She further reported that the EAC reviewed sixteen closed cases and agreed with staff's closure on all of the cases. Lastly, she noted that one restated financial statement was reviewed and the EAC agreed an investigation should be opened.

D. Qualifications Committee (QC).

1. Report of the October 23, 2013 QC Meeting.

Mr. Eckley reported that two personal appearances were made, one was approved and one was deferred. He also noted that five Section 69 reviews were conducted with all being approved. Lastly, he noted that one dispute was heard with the QC agreeing with the firm.

2. Approval of 2014 QC Meeting Dates.

It was moved by Mr. Campos, seconded by Mr. Savoy and unanimously carried by those present to approve the 2014 QC meeting dates.

VIII. Acceptance of Minutes.

A. Draft Minutes of the September 26-27, 2013 CBA Meeting.

B. Minutes of the March 21, 2013 CPC Meeting.

C. Minutes of the July 31, 2013 QC Meeting.

D. Minutes of the July 11, 2013 EAC Meeting.

E. Minutes of the August 23, 2013 PROC Meeting.

It was moved by Mr. Elkins, seconded by Ms. Berhow and carried by those present to accept agenda items VIII.A.- VIII.E. Mr. Savoy abstained from approving the September CBA meeting minutes as he

was not present.

IX. Other Business.

- A. American Institute of Certified Public Accountants (AICPA).
- B. National Association of State Boards of Accountancy (NASBA).
 - 1. Update on NASBA Committees.
 - a. Accountancy Licensee Database Task Force.

Ms. Bowers stated she was reappointed for an additional year as a member of the Accountancy Licensee Database Task Force.

- b. Board Relevance & Effectiveness Committee.

X. Officer Elections.

- A. Secretary/Treasurer.

It was moved by Mr. Ramirez, seconded by Ms. Anderson and unanimously carried by those present to elect Ms. Salazar as Secretary/Treasurer of the CBA.

- B. Vice President.

It was moved by Mr. Kaplan, seconded by Mr. Savoy and unanimously carried by those present to nominate Mr. Leung and Mr. Campos for the position of Vice Chair. The result of the election was ten votes for Mr. Campos, one vote for Mr. Leung and two abstentions.

- C. President.

It was moved by Mr. Ramirez, seconded by Mr. Kaplan and unanimously carried by those present to elect Mr. Savoy as President of the CBA.

XI. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions and Proposed Decisions.)

XII. NASBA Overview of Firm Mobility Exposure Draft.

Mr. Bishop, President and Chief Executive Officer, NASBA, presented information regarding firm mobility. He stated 16 states have firm mobility. Mr. Bishop stated the

exposure draft would have to be changed if a state was interested in firm mobility and not interested in changing the definition of attest. He stated firm mobility would allow a firm to perform audits without having a license with the visiting state, if the firm:

- Has practice privilege in their home state
- Is licensed in a substantially equivalent state
- Are enrolled in peer review in their home state
- Does not have a physical location in the visiting state
- Meet the ownership requirements of the UAA

He further stated that he recommended having legal counsel review the no escape section of the Uniform Accountancy Act Exposure Draft to ensure it provides the state with full authority over the visiting firm.

Ms. Anderson inquired about our authority if a consumer has a complaint about a visiting firm or individual.

Mr. Ixta stated that the CBA currently investigates the firm and the individual.

Mr. Bishop stated California has a no escape feature and he recommends if the exposure draft is not clear, the language should be changed.

Mr. Kaplan inquired if the change of the definition of attest would be an issue for the CBA.

Ms. Shellans stated the definition of attest would need to be analyzed during the review to determine its impact on California.

It was moved by Mr. Ramirez, seconded by Ms. Berhow that the CBA appoint two members to a taskforce for the purpose of reviewing the exposure draft and reporting back to the CBA. The motion was unanimously carried by those present. Mr. Campos and Mr. Savoy were assigned to the taskforce.

XIII. Presentation from CAMICO Insurance Representatives Regarding Leading Causes of Claims Against CPAs.

Ms. Werner, Loss Prevention Specialist, with CAMICO Insurance, presented information regarding this item. She stated the largest average claim size in dollar amounts are in audit, review and compilation. She reviewed CAMICO's frequency versus severity of claims. Ms. Werner further stated for each one hundred CAMICO insured firms, eight firms have a claim each year, of which four claims are settled. Lastly, she reviewed the common and avoidable claims.

XIV. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

There was no comment.

C. Press Release Focus.

Ms. Pearce stated the topic for consideration for the press release was the new leadership and an announcement for recruiting members for the Mobility Stakeholder Group.

XV. Petition Hearings.

A. Michelle Vu Nguyen, Lic. CPA No. 92316-Petition for Reduction of Penalty.

The CBA members heard the petition for reduction of penalty for Michelle Vu Nguyen.

XVI. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA will Convene Into Closed Session to Deliberate on Disciplinary Matters (Petition for Reduction of Penalty.)

Adjournment.

President LaManna adjourned the meeting at 11:05 a.m. on Friday, November 22, 2013.

_____ Michael M. Savoy, CPA, President

_____ Katrina Salazar, CPA, Secretary-Treasurer

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