

Memorandum

CBA Agenda Item IV.A.
November 17-18, 2010

To : CBA Members

Date : October 29, 2010

Telephone : (916) 561-1718

Facsimile : (916) 263-3674

From : 
VICE President

Subject : Recommendation for Appointment of Enforcement Advisory Committee Chair

I am pleased to present for the CBA's approval a recommendation for appointment of Cheryl Gerhardt as Chair of the Enforcement Advisory Committee (EAC). This recommendation was made on the advice of and in consultation with the current committee chair, who carefully reviewed and considered the needs of this committee and the skills and talents of existing and prospective committee members.

My thanks to Chair Harish Khanna for his hard work and diligence in making this recommendation.

Memorandum

CBA Agenda Item IV.B.
November 17-18, 2010

To : CBA Members

Date : October 29, 2010

Telephone : (916) 561-1718

Facsimile : (916) 263-3674

From : 
VICE President

Subject : Recommendation for Appointment of Enforcement Advisory Committee Vice Chair

I am pleased to present for the CBA's approval a recommendation for appointment of James Rider as Vice Chair of the Enforcement Advisory Committee (EAC). This recommendation was made on the advice of and in consultation with the committee chair and vice chair, who carefully reviewed and considered the needs of this committee and the skills and talents of existing and prospective committee members.

My thanks to Harish Khanna and Cheryl Gerhardt for their hard work and diligence in making this recommendation.

Memorandum

CBA Agenda Item IV.C.
November 17-18, 2010

To : CBA Members

Date : November 9, 2010

Telephone : (916) 561-1718

Facsimile : (916) 263-3674

From : 
Vice President

Subject : Recommendation for Appointment of Qualifications Committee Chair

I am pleased to present for the CBA's approval a recommendation for reappointment of Fausto Hinojosa as Chair of the Qualifications Committee (QC). This recommendation is a result of carefully reviewing and considering the needs of this committee and the skills and talents of existing and prospective committee members, and based on Mr. Hinojosa's leadership of the QC in the last year.

Memorandum

CBA Agenda Item IV.D.
November 17-18, 2010

To : CBA Members

Date : November 9 2010

Telephone : (916) 561-1718

Facsimile : (916) 263-3674

From : 
Vice President

Subject : Recommendation for Appointment of Qualifications Committee Vice Chair

I am pleased to present for the CBA's approval a recommendation for reappointment of Maurice Eckley as Vice Chair of the Qualifications Committee (QC). This recommendation was made on the advice of and in consultation with the committee chair, who carefully reviewed and considered the needs of this committee and the skills and talents of existing and prospective committee members.

My thanks to Fausto Hinojosa for his hard work and diligence in making this recommendation.

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2010/11
First Quarter Financial Report
(for period of 7/1/10 through 9/30/10)

CBA Agenda Item V.B.
November 17-18, 2010

	FY 2010/11 Received/Expended 7/01/10 - 9/30/10 (3 months) [9]	FY 2009/10 Received/Expended 7/01/09 -9/30/09 (3 months) [9]	% Change FY 2010/11 to FY 2009/10 (A:B)	FY 2010/11 Annual Governor's Budget 7/01/10 - 6/30/11 (12 months) [10]	FY 2010/11 Receipts/Expenditures Over/Under Budget (D:A)
RECEIPTS					
Revenues:					
Renewals [1]	2,745,575	2,722,221	0.9%	7,923,100	-65.3%
Examination Fees	827,538	709,140	16.7%	3,022,000	-72.6%
Licensing Fees	211,350	231,250	-8.6%	1,841,520	-88.5%
Practice Privilege Fees	20,050	27,850	-28.0%	175,800	-88.6%
Miscellaneous [2]	13,748	12,796	7.4%	53,500	-74.3%
Monetary Sanctions [3]	0	0	NA	0	NA
Penalties and Fines	1,188	1,460	-18.7%	46,608	-97.5%
Total Revenues	3,819,449	3,704,717	3.1%	13,062,528	-70.8%
Interest	0	0	NA	186,000	-100.0%
TOTAL NET RECEIPTS	3,819,449	3,704,717	3.1%	13,248,528	-71.2%
EXPENDITURES:					
Personal Services:					
Salaries & Wages	889,121	997,575	-10.9%	4,439,441	-80.0%
Benefits	343,137	343,342	-0.1%	1,786,894	-80.8%
Total Personal Services:	1,232,258	1,340,917	-8.1%	6,226,335	-80.2%
Operating Expenses:					
Fingerprints	0	2,548	-100.0%	145,000	-100.0%
General Expense	26,676	32,510	-17.9%	70,191	-62.0%
Printing	10,320	11,197	-7.8%	97,008	-89.4%
Communications	840	2,794	-69.9%	59,102	-98.6%
Postage	20,484	17,480	17.2%	70,753	-71.0%
Travel: In State	0	14,266	-100.0%	179,248	-100.0%
Travel: Out of State	0	0	NA	1,236	-100.0%
Training	0	0	NA	34,012	-100.0%
Facilities Operations	525,990	550,747	-4.5%	722,818	-27.2%
Utilities	0	0	NA	0	NA
Consultant & Professional Services Int.	0	0	NA	3,708	-100.0%
Consultant & Professional Services Ext.	148,744	106,929	39.1%	1,437,363	-89.7%
Departmental Services	0	0	NA	1,281,888	-100.0%
Consolidated Data Center	30,000	30,000	0.0%	41,148	-27.1%
Data Processing	0	0	NA	80,103	-100.0%
Central Administrative Services	0	99,840	-100.0%	499,436	-100.0%
Exams	65,700	131,400	-50.0%	0	NA
Enforcement	0	44,160	-100.0%	1,713,551	-100.0%
Minor Equipment	4,543	0	NA	70,100	-93.5%
Major Equipment	0	0	NA	13,000	-100.0%
State Controller Operations	0	0	NA	20,000	-100.0%
FI\$Cal [4]	0	0	NA	7,000	-100.0%
Total Operating Expenses:	833,297	1,043,871	-20.2%	6,546,665	-87.3%
TOTAL EXPENDITURES	2,065,555	2,384,788	-13.4%	12,773,000	-83.8%
Less Reimbursements	5,020	5,428	-7.5%	296,000	-98.3%
Less Cost Recovery	163,841	18,761	773.3%	0	0.0%
TOTAL NET EXPENDITURES	1,896,694	2,360,599	-19.7%	12,477,000	-84.8%
RECEIPTS IN EXCESS OF EXPENSES	1,922,756	1,344,118		771,528	
BEGINNING RESERVES JULY 1 [5]	19,753,000	15,693,000		19,753,000	
GENERAL FUND LOAN 2010 [6]	-10,000,000	0		-10,000,000	
Total Resources	11,675,756	17,037,118		10,524,528	
PROJECTED ENDING RESERVES	11,675,756	17,037,118	-31.5%	10,524,528	
GENERAL FUND LOAN 2002 [7]	(6,000,000)				
GENERAL FUND LOAN 2003 [7]	(270,000)				
GENERAL FUND LOAN 2008 [7]	(14,000,000)				
GENERAL FUND LOAN 2010 [7]	(10,000,000)				
MONTHS IN RESERVE (MIR) [8]	11.0	16.1		9.9	

Footnotes:

- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes miscellaneous services to the public, dishonored check fees, certification fees, duplicate licenses, name changes, over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [3] Enforcement monetary sanctions received as components of stipulated settlements and disciplinary orders approved by the CBA. These orders bring to a conclusion any accusations that had previously been filed by the Executive Officer, and are separate from fines or citations.
- [4] FI\$Cal is the Financial Information System for California, an historic project with four Partner Agencies having authority over the state's financial management. Comprised of the Department of Finance (DOF), the State Controller's Office (SCO), the State Treasurer's Office (STO), and the Department of General Services (DGS), the project represents a multi-year commitment by the State of California to operate within an integrated financial management system environment. Leveraging the power of Enterprise Resource Planning (ERP) will assist the project to integrate the data, functions and processes of state fiscal data management into one system. All Agencies contribute a portion of their expenditure authority to this project.
- [5] FY 2010/11 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office on August 11, 2010.
- [6] The CBA budget for FY 2010/11 includes a \$10 million short-term loan to the General Fund.
- [7] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the authority for these loans. The "terms and conditions" of the loans, per the Budget Act are: "The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer." (Estimated at 2.78% for 2008, 2.64% for 2002, and 1.64% for 2003 loan). "It is the intent of the Legislature that repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan through a reduction in service or an increase in fees."
- [8] Calculation: expenditure authority for FY 2010/11 (\$12,773,000) divided by twelve months equals monthly expenditure authority (\$1,064,417). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [9] Received/Expended amounts through September 30, 2010 for FY 2010/11 and September 30, 2009 for FY 2009/10 include encumbrances, and are from DCA Budget Reports.
- [10] Figures reflect projected revenues from FY2010/11 Workload and Revenue Statistics, expenditures are from the FY 2010/11 DCA Budget Galley STONE for FY 2010/11 and the DCA Fund Condition statement prepared 8/11/2010.

NOTE: CBA Financial Reports are prepared quarterly (October, January, April, and August) and included in CBA Meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2010/11
FIRST QUARTER FINANCIAL REPORT
(for period of 7/01/10 through 9/30/10)



DISCUSSION AND ANALYSIS OF FINANCIAL REPORT

BUDGET

After a 100-day impasse, the FY 2010/11 budget was signed by Governor Schwarzenegger on Friday, October 8, 2010. Employee concessions are still awaiting a vote by union membership. Consequently, the final terms of the Budget, as it applies to the CBA, will most likely be finalized by the end of November 2010. Immediate benefits of the budget signing allow the CBA to resume spending on goods and new service contracts and for staff to return to five-day work weeks. Included in the Governor's Budget is a \$10M short-term loan from the Accountancy fund to the State's General Fund. The loan to the General Fund will earn interest at the Pooled Money Investment Account (PMIA) rate which will be applied by the State Controller's Office (SCO) at the time the loan is transferred. As of September 30, 2010, the State Controller's Office published quarterly interest repayment rate was 0.515 percent. **Attachment 1** reflects the PMIA yield rates for past fiscal years. Also, a spreadsheet briefly detailing all loans to the General Fund has been provided in **Attachment 2**.

REVENUES/TOTAL RECEIPTS

During the first quarter of FY 2010/11, the CBA collected \$3.8 million in total receipts, with exam, and renewal fees making up the majority of the revenue, an overall increase of 3 percent from the same fiscal quarter last year. Initial licensing revenues decreased compared to the previous year. Practice Privilege fees are down 28 percent. Staff have not been able to pinpoint any particular reason for the decreases, however, future revenues will be monitored closely to determine any trends.

Exam revenues reflect a 17 percent increase from the same quarter last year. It is believed that the increase in the number of applications received can be partly attributed to the upcoming changes to the Uniform CPA examination. Effective January 1, 2011, the new exam changes will reflect substantially revised updates to content, exam structure, time allocations, scoring weights, and functionality. New question types and at least six task-based simulations will be part of the challenging content found in the new examination structure.

EXPENDITURES

Total operating expenditures appear to have decreased substantially compared to the first quarter of FY 2009/10. This can be attributed almost entirely to the budget impasse. The CBA was subject to the normal purchasing restrictions during a budget impasse. Payments of invoices including payments normally made to the Department of Justice for enforcement services and other state departments for pro rata services were also delayed. The recent hiring freeze that was implemented at the end of August 2010 has also lowered personnel costs. With the signing of the budget, the CBA can resume purchasing general office supplies and equipment and can also enter into new service and hotel contracts. A more comprehensive fiscal review with normalized expenditure patterns should be available in the mid-year report.

RESERVES

The CBA ended the first quarter with 11.0 months in Reserve. The temporary renewal fee reduction beginning in FY 2011/12 will further reduce the Reserve. Even with the loan to the General Fund and fee reductions, the Reserve is expected to remain at or above the 9-month mandated levels over the next few years. The CBA will be closely monitoring future revenue and expenditure levels to determine if fee reductions need to be extended past FY 2014/15.

STATE CONTROLLER'S OFFICE
Division of Accounting and Reporting
Pooled Money Investment Account Earnings Yield Rate

ATTACHMENT 1

Fiscal Year	Quarter	Quarter Yield	Semi-annual Yield	Annual Yield	3-Year Average	5-Year Average
1997 - 1998	09/30/1997	5.692%				
	12/31/1997	5.722%	5.707%			
	03/31/1998	5.714%				
	06/30/1998	5.672%	5.692%	5.699%	5.668%	5.384%
1998 - 1999	09/30/1998	5.648%				
	12/31/1998	5.473%	5.560%			
	03/31/1999	5.205%				
	06/30/1999	5.099%	5.151%	5.344%	5.547%	5.576%
1999 - 2000	09/30/1999	5.224%				
	12/31/1999	5.504%	5.359%			
	03/31/2000	5.811%				
	06/30/2000	6.194%	6.013%	5.708%	5.584%	5.611%
2000-2001	09/30/2000	6.483%				
	12/31/2000	6.530%	6.506%			
	03/31/2001	6.175%				
	06/30/2001	5.329%	5.745%	6.104%	5.719%	5.691%
2001-2002	09/30/2001	4.482%				
	12/31/2001	3.531%	4.005%			
	03/31/2002	2.967%				
	06/30/2002	2.757%	2.864%	3.445%	5.086%	5.260%
2002-2003	09/30/2002	2.640%				
	12/31/2002	2.324%	2.474%			
	03/31/2003	1.986%				
	06/30/2003	1.773%	1.877%	2.152%	3.900%	4.551%
2003-2004	09/30/2003	1.640%				
	12/31/2003	1.571%	1.605%			
	03/31/2004	1.481%				
	06/30/2004	1.446%	1.463%	1.532%	2.376%	3.788%
2004-2005	09/30/2004	1.679%				
	12/31/2004	2.009%	1.845%			
	03/31/2005	2.387%				
	06/30/2005	2.855%	2.637%	2.256%	1.980%	3.098%
2005-2006	09/30/2005	3.191%				
	12/31/2005	3.639%	3.413%			
	03/31/2006	4.044%				
	06/30/2006	4.533%	4.298%	3.873%	2.554%	2.652%
2006-2007	09/30/2006	4.937%				
	12/31/2006	5.117%	5.025%			
	03/31/2007	5.184%				
	06/30/2007	5.241%	5.213%	5.121%	3.750%	2.987%
2007-2008	09/30/2007	5.247%				
	12/31/2007	4.966%	5.105%			
	03/31/2008	4.185%				
	06/30/2008	3.112%	3.624%	4.325%	4.440%	3.421%
2008-2009	09/30/2008	2.780%				
	12/31/2008	2.545%	2.667%			
	03/31/2009	1.916%				
	06/30/2009	1.513%	1.722%	2.224%	3.890%	3.560%
2009-2010	09/30/2009	0.902%				
	12/31/2009	0.608%	0.751%			
	03/31/2010	0.560%				
	06/30/2010	0.559%	0.559%	0.651%	2.400%	3.239%
2010-2011	09/30/2010	0.515%				

CALIFORNIA BOARD OF ACCOUNTANCY - LOANS TO THE GENERAL FUND

GF Accounts Receivables	Principal	Interest Rate [5]	Simple Interest	Total AR w/Simple Int through 9/30/10
Loan to General Fund 2002 [1]	\$6,000,000	2.640%	\$1,267,200	\$7,267,200
Loan to General Fund 2003 [2]	\$270,000	1.640%	\$30,996	\$300,996
Loan to General Fund 2008 [3]	\$14,000,000	2.780%	\$778,400	\$14,778,400
Loan to General Fund 2010 [4]	\$10,000,000	0.515%	\$0	\$10,000,000
TOTAL	\$30,270,000		\$2,076,596	\$32,346,596

[1] Chaptering of FY 2002/03 budget occurred on 9/5/02. Assume PMIA rate as of 9/30/02

[2] Chaptering of FY 2003/04 budget occurred on 8/2/03. Assume PMIA rate as of 9/30/03

[3] Transfer occurred 10/17/08

[4] Transfer occurred 10/15/10

[5] Rates taken from the PMIA table (Attachment 1)

Memorandum

CBA Agenda Item V C.
November 17-18, 2010

To : CBA Members

Date : October 29, 2010

Telephone : (916) 561- 1715

Facsimile : (916) 263- 3678

E-mail : nng@cba.ca.gov

From : Nicholas Ng, Manager
Administrative Services

Subject : Options for Reporting Financial Information

The format of the CBA's quarterly financial statement was last revised two years ago to increase transparency and to provide a more detailed breakdown of expenditures. In an effort to further improve our financial reporting, I would like to solicit your input and discuss any revisions that you wish to be made to our process (i.e. formatting/display, clarity issues, reporting frequency, inclusion of additional info, etc.).

Examples of financial information that staff provide at other boards are attached. The CBA's FY 2010/11 first quarter financial report can be referenced in Agenda Item V B. A table briefly summarizing each board's level of detail and the frequency of financial reporting is also included for your review in **Attachment 1**. I have also provided the CBA's year-end financial statement for FY 2009/10 in **Attachment 2**.

<u>Board</u>	<u>Page Number</u>
• Accountancy – Attachment 2	3
• Barbering and Cosmetology – Attachment 3	7
• Behavioral Sciences – Attachment 4	10
• Contractors – Attachment 5	12
• Dental – Attachment 6	17
• Engineers – Attachment 7	22
• Medical – Attachment 8	28
• Vocational Nursing/Psych Techs – Attachment 9	37
• Registered Nursing – Attachment 10	42
• Respiratory Care – Attachment 11	45
• Pharmacy – Attachment 12	46

Memorandum

CBA Agenda Item III B.
October 27, 2010

To : CBA Members

Date : October 7, 2010

Telephone : (916) 561- 1715

Facsimile : (916) 263- 3678

E-mail : nng@cba.ca.gov

From : Nicholas Ng, Manager
Administrative Services

Subject: Options for Reporting Financial Information

The format of the CBA's quarterly financial statement was last revised two years ago to increase transparency and to provide a more detailed breakdown of expenditures. In an effort to further improve our financial reporting, I would like to solicit your input and discuss any revisions that you wish to be made to our process (i.e. formatting/display, clarity issues, reporting frequency, inclusion of additional info, etc.). This comes at an opportune time, given that our first financial report of FY 10-11 will be presented next month at the November CBA meeting.

Examples of financial information that staff provide at other boards are attached. I have also included a copy of the CBA's financial statement that was presented at the September 2010 CBA meeting for comparison purposes. A table briefly summarizing each board's level of detail and the frequency of financial reporting is also included for your review in Attachment 1.

<u>Board</u>	<u>Page Number</u>
• Accountancy – Attachment 2	3
• Barbering and Cosmetology – Attachment 3	7
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• Registered Nursing – Attachment 10	42
• Respiratory Care – Attachment 11	45
• Pharmacy – Attachment 12	46

Financial Reporting Comparison			
Board	Bd. Meetings Per Yr (as scheduled)	Financial Reporting Frequency	General Reporting Details
Accountancy	6	Quarterly	Detailed ytd status of revenues, expenditures and fund condition. Comparison to past year actuals. Narrative highlighting major changes and Gov's budget.
Barbering & Cosmetology	5 (FY 09-10)	Each meeting	Pie chart of ytd revenues, current year projected expenditures, fund condition through FY 11-12
Behavioral Sciences	5 (FY 10-11)	As requested	Narrative discussion of current year budget and Gov's budget. Narrative and projection of current year revenues and expenditures, historical graphs (5 yr) of expenditures and revenues
CSLB	5 (FY 09-10)	Each meeting	YTD expenditures & revenues, yearly adjustments to budget, fund conditions through FY 12-13
Dental (2 Funds)	7 (FY 09-10)	Each meeting	Narrative report of revenues and expenditures, Fund condition through FY 14-15, expenditure projections for year
Engineers (2 Funds)	5 (FY 08-09)	Each meeting	2 examples - General update of ytd revenues and expenditures and fund condition, projections of expenditures, BCP updates
Medical Board	4 (FY 10-11)	Each meeting	Fund Condition through FY 12-13, detailed ytd expenditure report, division/component ytd expenditure reports compared to past year actuals, monthly enforcement expenditures and reimbursements
Pharmacy	7 (FY 09-10)	Each meeting	Narrative of current year and gov's budget shared at Board meeting. Detailed report shared at Organizational Devpt. Committee with narrative and numerous graphs of expenditures and revenues, fund condition through FY 13-14, specific board member reimbursements
Registered Nursing	11 (FY 09-10)	Annually with updates as needed	Annual Budget Overview w/ pie chart of division expenditures, narrative updates as needed.
Respiratory Care	4 (FY 09-10)	As requested	Expenditure and Revenue projections for year and fund condition through FY 11-12
Vocational Nursing & Psych Techs (2 Funds)	4 (FY 09-10)	As requested	Brief narrative of budget policies and BCPs.

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2009/10
YEAR END FINANCIAL REPORT
(for period of 7/01/09 through 6/30/10)



DISCUSSION AND ANALYSIS OF FINANCIAL REPORT

ATTACHMENT 2

BUDGET

The Governor's Proposed Budget for FY 2010/11 was submitted to the Legislature in January 2010. These documents have been made public and can be viewed at the Department of Finance's Web site - www.ebudget.ca.gov. The latest version of the budget includes a \$10 million loan to the General Fund from the Accountancy Fund Reserve (Reserve) that will be repaid at the end of FY 2011/12. At the time of this report, the Governor had not yet approved or signed the FY 2010/11 budget; however, the California Board of Accountancy's (CBA) portion of the budget is expected to remain unchanged.

Two Executive Orders (EO) were issued in FY 2009/10 with the intention of preserving cash flow and saving money. On January 8, 2010, the Governor issued EO S-01-01 ordering all State Agencies to achieve and maintain an extra 5 percent salary savings for FY 2010/11. On July 28, 2010, the Governor issued EO S-12-10, implementing a 3-day per month furlough beginning August 1, 2010. The furlough program is to end when the FY 2010/11 budget is in place and the Department of Finance (DOF) determines that there is sufficient cash for the State to meet its obligations.

REVENUES/TOTAL RECEIPTS

During FY 2009/10, the CBA collected \$12.7 million in total receipts, with exam and renewal fees making up the majority of the revenue.

Exam revenues reflect a 5 percent increase from last fiscal year. It is believed that the increase in the number of applications received over the past two years can be partly attributed to the upcoming changes to the Uniform CPA examination. Effective January 1, 2011, the new exam changes will reflect substantially revised updates to content, exam structure, time allocations, scoring weights, and functionality. New question types and at least six task-based simulations will be part of the challenging content found in the new examination structure. The table below reflects the exam revenue increases for the past three fiscal years:

FY 2009/10	FY 2008/09	FY 2007/08
\$2,943,056	\$2,795,527	\$2,423,804

Licensing and Renewal revenues for FY 2009/10 reflected an increase of approximately 3 percent. A total of 3,687 individual licensing applications were received as compared to 3,536 in FY 2008/09. This increase has remained consistent year to year and is a basis for forecasting future revenues for these categories.

Penalty assessment fees reflect a 50.8 percent reduction from the previous fiscal year. In FY 2008/09, the CBA imposed a \$20,000 administrative penalty on a single licensee. This assessment, when combined with other penalty revenues for FY 2008/09 more than doubled the yearly revenue for this line item. These assessments are not common and cannot be anticipated.

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2009/10
YEAR END FINANCIAL REPORT
PAGE 2

Interest income decreased compared to last fiscal year. Interest rates are not predictable and follow market rates. Also interest is not reflected on the \$14 million borrowed from the Accountancy Fund in FY 2008/09, though interest will be computed and paid when the loan amount is repaid. Cost recovery revenue is down about 73 percent from last year. These reimbursements for investigative costs vary and are not consistent year to year. Additionally, payments made by the licensee will vary depending on the payment plan.

EXPENDITURES

The financial report indicates a 6 percent drop in personal services compared to last fiscal year. It is important to note that this decrease does not exactly match the 13.85 percent salary reductions for all staff due to the furloughs. Many staff received annual raises (merit salary adjustments). Additionally, many benefits are fixed and are not salary dependent. The CBA also hired 3 new seasonal clerks and increased the usage of its exam proctors in order to continue providing a high level of service to our stakeholders.

Notable expenditure categories are detailed below:

- The CBA reduced general expenses and In-State travel by 19 percent. This is a direct result of CBA staff looking for ways to reduce waste and negotiating lower preferred rates at hotels.
- Departmental Services and Central Administrative Services were down 7.8 percent due mainly to the on-going furloughs throughout the fiscal year.
- Expenditures for the Consolidated Data Center (formerly Teale) reflect a 75 percent increase from last fiscal year resulting from increased departmental distributed multi-year contract costs by the Office of Information Services (OIS). The OIS writes the contracts and generates bills for all clients such as the CBA. In addition, the CBA IT unit advised that the OIS offered all clients an additional data line upgrade not included in the FY 2009/10 contract. The CBA consequently upgraded its T1 data line to a faster 25Mb line reflecting an additional \$11,000 one-time billing over the \$41,000 budgeted amount.
- Enforcement expenditures reflect an 8 percent increase resulting from increased use of subject matter experts in CBA investigations.
- Postal expenditures increased due to mass mailings by the Renewals Unit for the AEC and ECC committees, and Peer Review and Continuing Education regulation change notifications sent to CBA stakeholders.

RESERVES

The CBA ended the fiscal year with 19.7 months in reserve. The \$10 million loan to the General Fund in FY 2010/11 will reduce the Reserve, and beginning in FY 2011/12, the CBA will be implementing a temporary renewal fee reduction to further reduce the Reserve. Even with the loan to the General Fund and fee reductions, the Reserve is expected to remain at or above the 9-month mandated levels over the next few years. The CBA will be closely monitoring future revenue and expenditure levels to determine if fee reductions will need to be extended past FY 2014/15.

CALIFORNIA BOARD OF ACCOUNTANCY
 FISCAL YEAR 2009/10
 Year End Financial Report
 (for period of 7/1/09 through 6/30/10)

CBA Agenda Item V.B.
 September 22-23, 2010

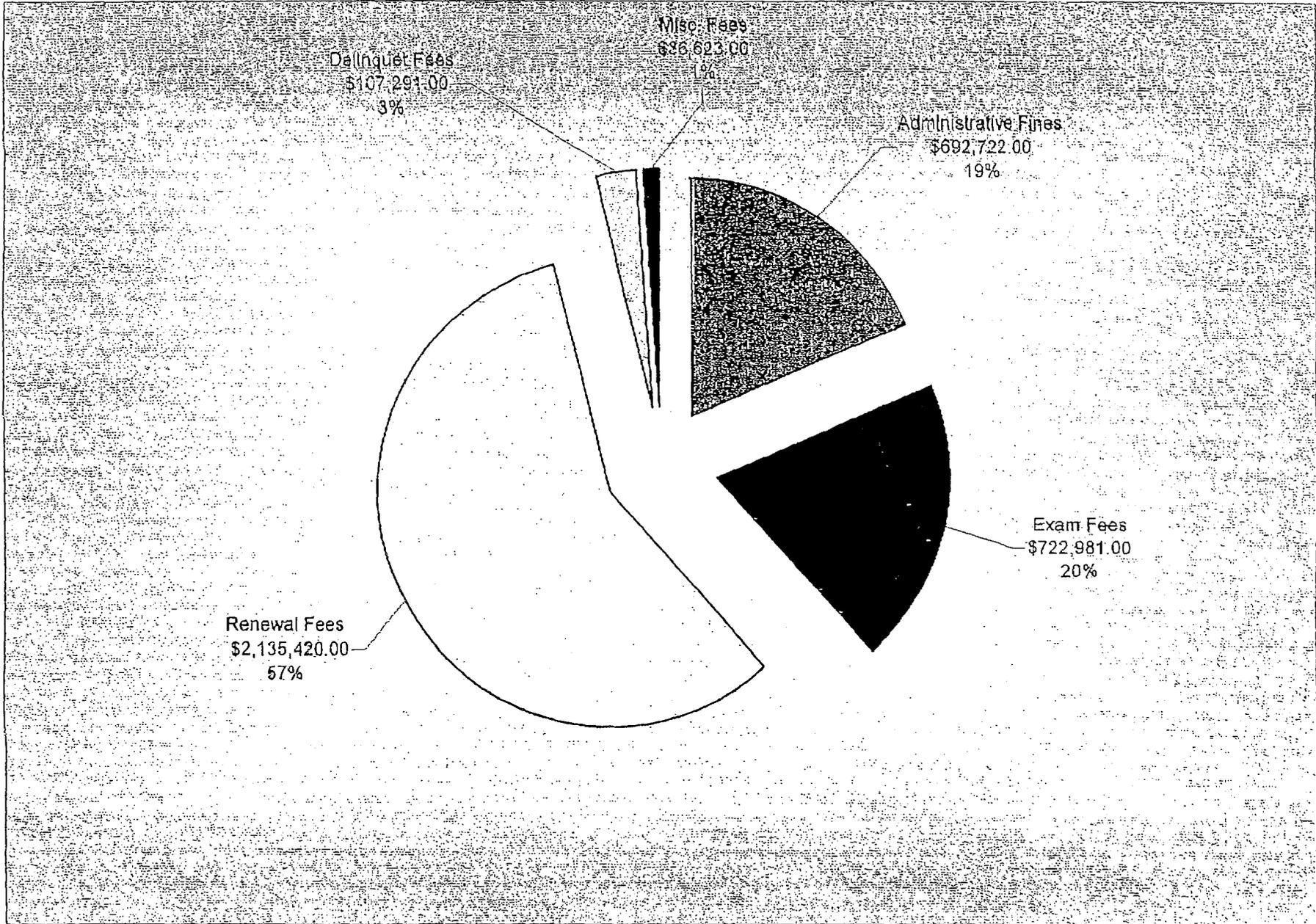
	FY 2009/10 Received/Expended 7/01/09 - 6/30/10 (12 months) [7]	FY 2008/09 Received/Expended 7/01/08 - 6/30/09 (12 months) [7]	% Change FY 2009/10 to FY 2008/09 (A:B)	FY 2009/10 Annual Governor's Budget 7/01/09 - 6/30/10 (12 months)	FY 2009/10 Receipts/Expenditures Over/Under Budget (D:A)
RECEIPTS					
Revenues:					
Renewals [1]	8,457,550	8,238,710	2.7%	8,212,900	3.0%
Examination Fees	2,943,056	2,795,383	5.3%	2,697,645	9.1%
Licensing Fees	958,750	923,094	3.9%	851,800	12.6%
Practice Privilege Fees	176,650	186,700	-5.4%	194,550	-9.2%
Miscellaneous [2]	53,881	60,787	-11.4%	68,720	-21.6%
Monetary Sanctions [3]	0	0	NA	0	NA
Penalties and Fines	17,140	34,838	-50.8%	15,167	13.0%
Total Revenues	12,607,027	12,239,512	3.0%	12,040,782	4.7%
Interest	96,365	371,591	-74.1%	179,000	-46.2%
TOTAL NET RECEIPTS	12,703,392	12,611,103	0.7%	12,219,782	4.0%
EXPENDITURES:					
Personal Services:					
Salaries & Wages	3,596,969	3,880,104	-7.3%	3,575,655	0.6%
Benefits	1,364,204	1,404,406	-2.9%	1,615,492	-15.6%
Total Personal Services:	4,961,173	5,284,510	-6.1%	5,191,147	-4.4%
Operating Expenses:					
Fingerprints	21,475	20,400	5.3%	185,000	-88.4%
General Expense	160,910	211,512	-23.9%	151,009	6.6%
Printing	109,959	111,779	-1.6%	271,826	-59.5%
Communications	45,455	51,210	-11.2%	110,833	-59.0%
Postage	261,579	150,322	74.0%	225,719	15.9%
Travel: In State	127,866	145,771	-12.3%	149,062	-14.2%
Travel: Out of State	1,443	0	NA	2,236	-35.5%
Training	12,762	17,381	-26.6%	83,684	-84.7%
Facilities Operations	568,509	595,760	-4.6%	706,818	-19.6%
Utilities	0	0	NA	0	NA
Consultant & Professional Services Int.	0	0	NA	3,708	-100.0%
Consultant & Professional Services Ext.	206,393	215,598	-4.3%	1,431,363	-85.6%
Departmental Services	1,089,326	1,171,705	-7.0%	1,170,097	-6.9%
Consolidated Data Center	52,709	30,000	75.7%	41,148	28.1%
Data Processing	37,969	47,879	-20.7%	79,479	NA
Central Administrative Services	399,360	443,562	-10.0%	400,436	-0.3%
Exams	132,006	141,350	-6.6%	44,452	NA
Enforcement	541,583	499,969	8.3%	1,713,551	-68.4%
Minor Equipment	106,874	74,637	43.2%	50,000	113.7%
Major Equipment	0	42,943	-100.0%	24,000	-100.0%
State Controller Operations	8,000	4,000	100.0%	0	NA
Total Operating Expenses:	3,884,178	3,975,778	-2.3%	6,844,421	-43.3%
TOTAL EXPENDITURES	8,845,351	9,260,288	-4.5%	12,035,568	-26.5%
Less Reimbursements	93,017	74,447	24.9%	296,000	-68.6%
Less Cost Recovery	108,934	402,501	-72.9%	0	0.0%
TOTAL NET EXPENDITURES	8,643,400	8,783,340	-1.6%	11,739,568	-26.4%
RECEIPTS IN EXCESS OF EXPENSES	4,059,992	3,827,763		480,214	
BEGINNING RESERVES JULY 1 [4]	15,693,000	25,865,000		15,693,000	
Total Resources	19,752,992	29,692,763		16,173,214	
GENERAL FUND LOAN 2008 [5]		-14,000,000			
PROJECTED ENDING RESERVES	19,752,992	15,692,763	25.9%	16,173,214	
GENERAL FUND LOAN 2002 [5]	(6,000,000)				
GENERAL FUND LOAN 2003 [5]	(270,000)				
GENERAL FUND LOAN 2008 [5]	(14,000,000)				
MONTHS IN RESERVE (MIR) [6]	19.7	14.8		16.1	

Footnotes:

- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes miscellaneous services to the public, dishonored check fees, certification fees, duplicate licenses, name changes, over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [3] Enforcement monetary sanctions received as components of stipulated settlements and disciplinary orders approved by the CBA. These orders bring to a conclusion any accusations that had previously been filed by the Executive Officer, and are separate from fines or citations.
- [4] FY 2009/10 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office on March 14, 2010.
- [5] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the authority for these loans. The "terms and conditions" of the loans, per the Budget Act are: "The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer." (Estimated at 2.78% for 2008, 2.64% for 2002, and 1.64% for 2003 loan). "It is the intent of the Legislature that repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan through a reduction in service or an increase in fees."
- [6] Calculation: expenditure authority for FY 2009/10 (\$12,035,568) divided by twelve months equals monthly expenditure authority (\$1,002,964). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [7] Received/Expended amounts through June 30, 2010 for FY 2009/10 and June 30, 2009 for FY 2008/09 include encumbrances, and are from DCA Budget Reports.

NOTE: Board Financial Reports are prepared quarterly (October, January, April, and August) and included in Board Meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

Budget Report (10/11 FY)
Revenues
(As of 08/31/10)



Revenues as of 08/31/10
\$3,695,038

Board of Barbering and Cosmetology
Fiscal Year 2010/2011
Projected Expenditures 08/31/10

Personnel Services	ALLOTMENT	BBC Projected Expenditures	Projected Year
Permanent	4,190,069	3,609,852	580,217
Expert Examiners	464,259	464,259	0
Temporary	0	58,224	(58,224)
Statutory-Exempt	103,608	103,608	0
Board Member Commission	0	15,000	(15,000)
Overtime	0	0	0
Total Salary & Wages	4,757,936	4,250,943	506,993
Salary Savings	(136,632)	0	(136,632)
Net Salary & Wages	4,621,304	4,250,943	877,354
Staff Benefits	1,820,941	1,576,704	244,237
Total of Personnel Services	6,442,245	5,827,647	1,998,945
Operating Expenses & Equipment (OE&E)	Allotment	BBC Projected Expenditures	Projected Year End Balance
General Expense	226,875	226,875	0
Printing	241,995	241,995	0
Communication	105,722	50,000	55,722
Postage	337,384	337,384	0
Insurance	4,489	2,500	1,989
Travel In State	80,906	150,000	(69,094)
Travel, Out-of-State	883	883	0
Training	22,513	20,000	2,513
Facilities Operations	1,327,231	1,327,231	0
Consultant & Professional Svs. - Interdept.	125,781	0	125,781
Consultant & Professional Svs. - External	196,947	50,000	146,947
Dept. and Central Admin. Services	5,596,994	5,596,994	0
Consolidated Data Center	70,088	70,088	0
Data Processing	36,376	36,376	0
Examinations	1,394,177	1,394,177	0
Major Equipment	0	0	0
Minor Equipment	0	0	0
Other Items of Expense	7,288	2,500	4,788
Vehicle Operations	14,772	50,000	(35,228)
Enforcement	2,137,334	1,384,545	752,789
Special Items of Expenses	0	175,000	(175,000)
Required OE&OSavings		171,022	(171,022)
Total Operating Expenses & Equipment	11,927,755	11,287,570	640,185
Total reimbursements	(57,000)	0	(57,000)
Total	18,313,000	17,115,217	583,185

0069 - Barbering and Cosmetology
 Analysis of Fund Condition

(Dollars in Thousands)

2010-11 Governor's Budget

	ACTUAL 2002-03	ACTUAL 2003-04	ACTUAL 2004-05	Actual 2005-06	Actual 2006-07	Actual 2007-08	Actual 2008-09	Budget Act CY 2009-10	Governor's Budget 2010-11	BY+1 2011-12
BEGINNING BALANCE	\$ 12,528	\$ 3,824	\$ 3,332	\$ 2,671	\$ 6,428	\$ 9,353	\$ 11,590	\$ 6,066	\$ 9,139	\$ 11,642
Prior Year Adjustment	\$ 94	\$ 154	\$ 315	\$ 53	\$ 231	\$ 414	\$ 563	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 12,622	\$ 3,978	\$ 3,647	\$ 2,724	\$ 6,659	\$ 9,767	\$ 12,153	\$ 6,066	\$ 9,139	\$ 11,642
REVENUES AND TRANSFERS										
Revenues:										
125600 Other regulatory fees	\$ 1,469	\$ 1,286	\$ 1,765	\$ 1,811	\$ 3,438	\$ 5,684	\$ 4,409	\$ 5,045	\$ 5,145	\$ 5,145
125700 Other regulatory licenses and permits	\$ 2,170	\$ 2,280	\$ 2,436	\$ 2,340	\$ 2,394	\$ 3,499	\$ 4,388	\$ 4,814	\$ 5,202	\$ 5,202
125800 Renewal fees	\$ 6,535	\$ 6,731	\$ 6,881	\$ 7,034	\$ 7,488	\$ 8,008	\$ 9,801	\$ 9,661	\$ 10,086	\$ 10,086
125900 Delinquent fees	\$ 409	\$ 423	\$ 454	\$ 553	\$ 533	\$ 558	\$ 661	\$ 653	\$ 656	\$ 656
141200 Sales of documents	\$ 1	\$ -	\$ 1	\$ 2	\$ 1	\$ 3	\$ -	\$ 1	\$ 1	\$ 1
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 151	\$ 105	\$ 88	\$ 264	\$ 489	\$ 423	\$ 180	\$ 93	\$ 119	\$ 272
150500 Interest income from Interfund Loans	\$ -	\$ -	\$ -	\$ 427	\$ 348	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ -	\$ 6	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 11	\$ 13	\$ 11	\$ 15	\$ 15	\$ 18	\$ 14	\$ 16	\$ 18	\$ 16
161400 Miscellaneous revenues	\$ 11	\$ 9	\$ 14	\$ 16	\$ 16	\$ 5	\$ 10	\$ 12	\$ 11	\$ 11
Totals, Revenues	\$ 10,757	\$ 10,864	\$ 11,650	\$ 12,462	\$ 14,722	\$ 18,226	\$ 19,475	\$ 20,295	\$ 21,235	\$ 21,389
Transfers from Other Funds										
\$ 9,000 GF loan repayment - principal	\$ -	\$ -	\$ -	\$ 5,500	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Other Funds										
100001 GF loan per Item 1111-011-0569, BA of 2008	\$ (9,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,000)	\$ -	\$ -	\$ -
F00883 Stephen P. Teale Data Center, Sec 15.00			\$ 49							
Totals, Revenues and Transfers	\$ 1,757	\$ 10,864	\$ 11,650	\$ 17,962	\$ 18,222	\$ 18,226	\$ 9,475	\$ 20,295	\$ 21,235	\$ 21,389
Totals, Resources	\$ 14,379	\$ 14,842	\$ 15,345	\$ 20,656	\$ 24,881	\$ 27,990	\$ 21,628	\$ 26,381	\$ 30,375	\$ 33,031
EXPENDITURES										
Disbursements:										
0640 State Controller (State Operations)			\$ -	\$ 6	\$ 8	\$ 12	\$ 8	\$ 11	\$ 27	\$ -
1110 Program Expenditures (State Operations)	\$ 4,949	\$ 11,508	\$ 12,674	\$ 14,249	\$ 15,520	\$ 16,391	\$ 8,035	\$ 17,231	\$ 18,245	\$ 18,810
1111 Program Expenditures (State Operations)							\$ 7,521		\$ 450	\$ 540
6880 Financial Information System for California (State Ops)							\$ -	\$ -	\$ 11	\$ -
9570 Equity Claims / Board of Control (State Operations)	\$ 1	\$ 2	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 4,950	\$ 11,510	\$ 12,674	\$ 14,256	\$ 15,528	\$ 16,403	\$ 15,562	\$ 17,222	\$ 18,733	\$ 19,150
FUND BALANCE										
Reserve for economic uncertainties	\$ 9,429	\$ 8,332	\$ 2,671	\$ 6,428	\$ 9,353	\$ 11,590	\$ 6,066	\$ 9,139	\$ 11,642	\$ 13,881
Months in Reserve	9.8	3.2	2.2	5.0	6.8	8.1	3.9	5.9	7.5	#REF!

NOTES:

- A. ASSUMES WORKLOAD AND REVENUE PROJECTIONS ARE REALIZED
- B. EXPENDITURE GROWTH PROJECTED AT 2% BEGINNING FY 2011-12



	Application Volumes											
	ASW	% Change	LCS	% Change	IMF	% Change	MFT	% Change	LEP	% Change	Total	% Change
FY 99/99	1276	14.1%	707	-0.6%	1995	-4.7%	1307	14.4%	48	-20.0%	5333	4.1%
FY 99/00	1179	-7.6%	788	11.5%	2126	6.6%	1362	4.2%	45	-6.3%	5500	3.1%
FY 00/01	1205	2.2%	770	-2.3%	1820	-14.4%	1189	-12.7%	56	24.4%	5491	-0.2%
FY 01/02	1408	16.8%	808	4.9%	2245	23.4%	1297	9.1%	53	-5.4%	5811	5.8%
FY 02/03	1335	-5.2%	867	7.3%	2236	-0.4%	1313	1.2%	85	60.4%	5836	0.4%
FY 03/04	1422	6.5%	948	9.3%	2415	8.0%	1386	5.6%	108	27.1%	6279	7.6%
FY 04/05	1549	8.9%	998	5.3%	2614	8.2%	1328	-4.2%	98	-9.3%	6587	4.9%
FY 05/06	1628	5.1%	993	-0.5%	2775	6.2%	1478	11.3%	100	2.0%	6974	5.9%
FY 06/07	1764	8.4%	955	-3.8%	2952	6.4%	1499	1.4%	91	-9.0%	7261	4.1%
FY 07/08	2162	22.6%	1113	16.5%	3329	12.8%	1680	10.7%	127	39.6%	8391	15.6%
AVG Growth		7.2%		4.8%		5.2%		4.1%		10.4%		5.1%

Budget Going Forward

As previously mentioned, the furloughs will result in the closure of our office the first and third Friday of every month through June 30, 2010. This will reduce salaries and wages by 10%. However, Governor Schwarzenegger has proposed to claw back these savings.

The tough economic times we are facing throughout the nation, are likely to continue and appears to be getting worse each day. There is not a budget in place and no prospect of one at this point. Realistically, it could take several years to improve and in turn the nation could potentially face additional financial problems.

Elements of uncertainty:

- With budget discussions currently taking place, we hope to receive notification of an approved budget that will be in effect through June 2010.
- We are approaching a fiscal year (2010/11), which will be the final budget negotiated by Governor Arnold Schwarzenegger. This adds uncertainty for the state and the budget situation.
- Despite current discussions of IOUs being issued, as the state nears running out of money, the Board has been advised that State Controller John Chiang directed that special fund contracts be paid for services rendered.

Summary

2008-2009 Fiscal Year

As of January 2009, the Board's expenditure report projects that we will have a year-end balance of approximately \$144,000 in FY 2008-09. Please see the enclosed expenditure report for more detail.

Additionally, our current fund condition report reflects 7 months in reserve and reflects \$9 million in outstanding general fund loans.

Executive Order S-16-08 directs all represented employees and supervisors to be furloughed two days per month, effective February 1, 2009 through June 30, 2010. The Department of Personnel Administration, under the Governor's authority and at the direction of the Governor, has developed a furlough plan that will result in the closing of general government operations on the first and third Fridays of each month, scheduled to begin February 6, 2009. As such, these unpaid furlough days are not work days and employees shall not report to work. Salaries will be adjusted to reflect the unpaid furlough days, but benefits will remain the same (i.e., the furlough will not affect payouts for unused leave, service credit, health and retirement benefits, etc.).

The Executive Order S-16-08 also directed the Department of Personnel Administration to work with state agencies and departments to initiate layoffs. In the Governor's letter dated December 19, 2008, addressed to state employees, the Governor further defined the layoffs. Specifically, the layoffs will occur in General Fund agencies. Non-General Fund agencies are exempt from layoffs. Fortunately, the Board is classified as a Non-General Fund agency therefore, board staff is not subject to layoffs.

2009-2010 Fiscal Year

Despite the reductions in the Governor's proposed budget, there is a positive note in that the budget does include the Department of Consumer Affairs budget change proposal for retroactive fingerprinting. In FY 09/10, the Board will see an increase of four PYs as a result of this BCP. Additionally, the Governor's budget includes an increase to the Board's Attorney General budget by \$409,556.

Included in the Governor's proposed budget was the proposal to consolidate or eliminate various boards and agencies. This action reflects the Administration's desire to eliminate outdated functions, increase efficiency, and reduce costs. One such proposal consolidates the Board of Behavioral Sciences, the Board of Psychology, and adds the Psychiatric Technician program to establish the Board of Mental Health.

While the Legislative Analyst's Office (LAO) would require details from the Schwarzenegger administration regarding how the consolidation or elimination of the proposal would be implemented, they have endorsed the Governor's proposal, stating "it has merit and should be adopted."

Spending Authority

The Board's budget consists of both Non-Discretionary and Discretionary funds. Of the board's budget, approximately 64% of its expenditures are non-discretionary and 36% discretionary.

Non-discretionary funds make up what is known as Personal Services, such as:

- Salary and wages
- Staff benefits
- Departmental billing
- Interagency services (OER Inter-Agency Agreements)

Discretionary funds make up what is known as Operating Expenses and Equipment, such as:

- Overtime
- General Expense
- Travel
- Training

The Board's overall budget has increased approximately 31% over the last five years. Specifically, the budget has increased from \$4,599,820 in Fiscal Year (FY) 2003/04 to \$6,013,333 in FY 2008/09.

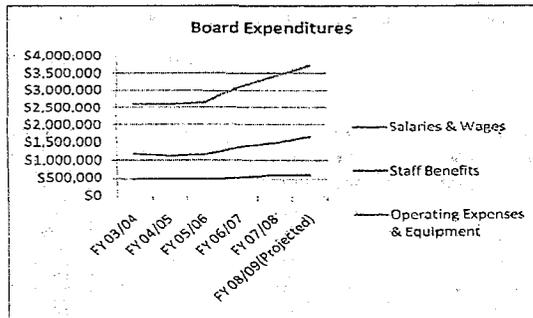
	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY09/10(Proposed)
Budget Allotment	\$4,599,820	\$4,738,033	\$4,800,079	\$5,060,005	\$5,771,429	\$6,013,333	\$6,934,000

Board Expenditures

The Board has seen approximately a 28% growth in its expenditures during the period of FY 2003/04 thru FY 2007/08 (Graph 1), with the largest increase in the areas of Division of Investigation (DOI) and Training. With the consistent increase of expenditures, the board has also increased Personnel Years (PY) from 28.3 in FY 03/04 to 30.3 in FY 07/08, 33.8 in FY 08/09, and will be 36.8 in FY 09/10.

Graph 1

	FY 03/04	FY 04/05	FY 05/06	FY 06/07	FY 07/08	FY 08/09(Projected)
Salaries & Wages	\$1,179,302	\$1,127,015	\$1,174,363	\$1,362,884	\$1,460,531	\$1,642,080
Staff Benefits	\$468,198	\$490,027	\$471,627	\$518,582	\$583,223	\$573,510
Operating Expenses & Equipment	\$2,616,001	\$2,621,482	\$2,651,063	\$3,104,810	\$3,407,275	\$3,703,330
Totals	\$4,263,501	\$4,238,524	\$4,297,053	\$4,986,276	\$5,451,029	\$5,918,920



Two notable trends in the Board's expenditures are in the Enforcement and Exam programs. The Enforcement program continues to see an increase of DOI and Attorney General (AG) expenditures, as a result of the increase of cases being opened by staff and referred for investigation. Specifically, DOI expenses have increased from \$30,654 in FY 2003/04 to over \$341,000 in FY 2007/08 and have exceeded \$147,000 thus far in FY 2008/09. We anticipate our DOI expenses to be in excess of \$294,000. (Graph 2)

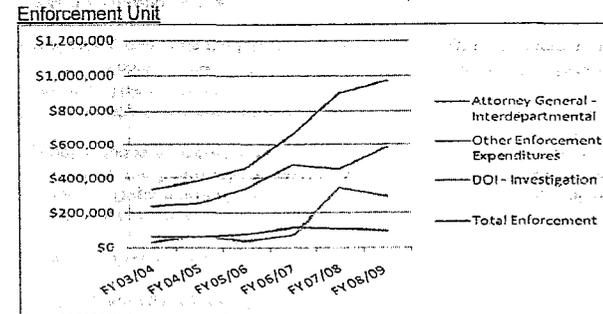
AG expenditures have increased from \$243,362 in FY 2003/04 to over \$449,600 in FY 2007/08 and have exceeded \$290,100 thus far in FY 2008/09. We anticipate our AG expenses to be in excess of \$580,000.

Additionally, the Board has seen over a 200% increase in its Enforcement Programs staffing costs. The program has increased from six PYs in FY 2004/05 which totaled more than \$253,000 to 11 PYs in FY 2008/09 and will increase to 13 PYs in FY 2009/10 for a total of approximately \$694,000.

The Board's Investigative Analysts were hired in December 2008 and are in transition into their new role. We anticipate our DOI expenditures to gradually decline over the next three years. They will perform the majority of the investigative work for the Board's enforcement program that is currently being sent to DOI.

Meanwhile, the Board's Exam Unit has seen a decrease of expenditures. Specifically as a result of lower Psychological Services Inc. (PSI) billing costs, that have decrease approximately 10%.

Graph 2



Note: FY 2008/09 based on projections.

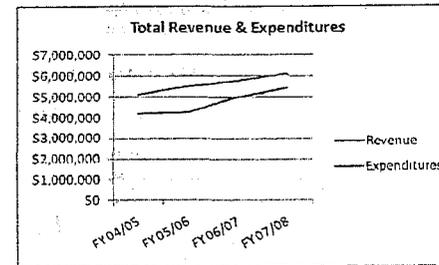
Revenue

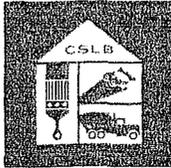
The Board has seen an increase of approximately 19% in revenue over the past four years, which is made up from a combination of the following:

- New applications
- Renewal fees
- Delinquent fees
- Interest

The increase is a result of the rising application volume that the board has been experiencing over the past several years and increasing interest earnings. The Board has had a 34% growth in application volume in the past five years. See the table on page four which tracks changes in application volume.

As of December 31, 2008, Board revenue has exceeded \$3.5 million.





CONTRACTORS STATE LICENSE BOARD

BUDGET BRIEFING - UPDATE

❖ Fiscal Year (FY) 2009/10 Budget and Expenditures

- The CSLB budget for FY 2009/10, including adjustments (see below), contains a net appropriation of \$55 million (including scheduled reimbursements). Through June 30, 2010, CSLB spent or encumbered \$51.4 million, roughly 93.4 percent of its budget. The following chart provides a summary of the CSLB budget, along with the June 2010 year-to-date expenditures:

EXPENDITURE DESCRIPTION	FY 2009/10 ADJ BUDGET	JUNE 2010 EXPENSES	BALANCE	% OF BUDGET REMAINING
PERSONNEL SERVICES				
Salary & Wages (Staff)	19,434,384	18,457,894	976,490	5.0%
Board Members	15,900	12,300	3,600	22.6%
Temp Help	12,100	648,864	-636,764	-5262.5%
Exam Proctor	41,168	106,363	-65,195	-158.4%
Overtime	6,575	127,491	-120,916	-1839.0%
Staff Benefits	8,184,096	7,800,724	383,372	4.7%
Salary Savings	-1,254,863		-1,254,863	
TOTALS, PERSONNEL	26,439,360	27,153,636	-714,276	-2.7%
OPERATING EXPENSES AND EQUIPMENT				
Operating Expenses	20,204,778	19,667,346	537,432	2.7%
Exams	435,882	408,034	27,848	6.4%
Enforcement	8,279,124	5,158,841	3,120,283	37.7%
TOTALS, OE&E	28,919,784	25,234,221	3,685,563	12.7%
TOTAL EXPENSE	55,359,144	52,387,857	2,971,287	5.4%
Scheduled Reimbursement	-353,000	-201,265	-151,735	
Unscheduled Reimbursement		-798,092	798,092	
NET APPROPRIATION	55,006,144	51,388,500	3,617,644	6.6%

❖ Revenue

- CSLB received the following final revenue amounts through June 30, 2010:

Revenue Category	Through 6/30/2010	Percent of Revenue	Change from prior year (6/30/2009)
Duplicate License/Wall Certificate Fees	\$122,855	0.3%	-11.3%
New License and Application Fees	\$10,186,590	21.3%	-9.6%
License and Registration Renewal Fees	\$34,405,073	71.8%	-5.9%
Delinquent Renewal Fees	\$2,224,085	4.6%	1.9%
Interest	\$122,663	0.3%	-77.7%
Penalty Assessments	\$636,015	1.3%	-26.0%
Misc. Revenue	\$187,662	0.4%	-6.2%
Total	\$47,884,943	100.00%	-7.5%



❖ **Budget Adjustments for FY 2009/10**

- The CSLB budget for FY 2009/10 had the following reductions and adjustments:
 - One-time budget reduction for three-day-per-month employee furloughs;
 - One-time budget adjustment for changes to DCA pro rata funding and to CSLB employee retirement contributions; and
 - One-time budget reduction for IT savings as ordered by Control Sections 13.25 and 15.30 of the Budget Act of 2009. These sections authorized reductions to department budgets to reflect savings in information technology operations and related expenditures. Line-item reductions were implemented by Budget Letter 10-06, dated March 30, 2010. The following chart details these reductions by budget line item:

Budget Line Item	Budgeted Amount	IT Savings BL 10-06	Adj Budget Amt
General Expense	\$480,847	\$224,400	\$256,447
DP Repair and Maintenance	\$655,980	\$300,000	\$355,980
DCA OIS Pro Rata	\$889,428	\$110,135	\$779,293
Total, OE&E Items To Be Cut	\$2,026,255	\$634,535	\$1,391,720

The overall budgetary impact of these reductions to the FY 2009/10 CSLB budget is listed in the chart below:

EXPENDITURE DESCRIPTION	FY 2009/10 APPROVED BUDGET	FURLOUGH SAVINGS ADJ	MISC ADJ	IT SAVINGS BL 10-06	FY 2009/10 AJD BUDGET
PERSONNEL SERVICES					
Salary & Wages (Staff)	22,666,165	-3,231,781			19,434,384
Board Members	15,900				15,900
Temp Help	12,100				12,100
Exam Proctor	41,168				41,168
Overtime	6,575				6,575
Staff Benefits	8,798,617	-596,203	-18,318		8,184,096
Salary Savings	-1,254,863				-1,254,863
TOTALS, PERSONNEL	30,285,662	-3,827,984	-18,318	0	26,439,360
OPERATING EXPENSES AND EQUIPMENT					
Operating Expenses	21,445,332	-609,473	3,454	-634,535	20,204,778
Exams	435,882				435,882
Enforcement	8,279,124				8,279,124
TOTALS, OE&E	30,160,338	-609,473	3,454	-634,535	28,919,784
TOTAL EXPENSE	60,446,000	-4,437,457	-14,864	-634,535	55,359,144
Scheduled Reimbursement	-353,000				-353,000
Unscheduled Reimbursement					
NET APPROPRIATION	60,093,000	-4,437,457	-14,864	-634,535	55,006,144

❖ **Fund Conditions**

- Attached below are fund conditions for the Contractors' License Fund, which shows the final FY 2008/09 reserve (\$23.6 million, a little more than five months' reserve), along with projected reversion amounts for FY 2009/10 through FY 2012/13:

1. Assumes no General Fund loan payback:

	Final FY 2008/09	Proj. FY 2009/10	Proj. FY 2010/11	Proj. FY 2011/12	Proj. FY 2012/13
Beginning Balance	\$35,607	\$23,591	\$17,114	\$7,929	(\$3,033)
Prior Year Adjustment	\$754	\$0	\$0	\$0	\$0
Adjusted Beginning Balance	\$36,361	\$23,591	\$17,114	\$7,929	(\$3,033)
Revenues and Transfers					
Revenue	\$51,837	\$47,966	\$48,126	\$47,429	\$48,853
Transfer to GF	(\$10,000)				
Pickred Settlement Payment		\$600			
Totals, Resources	\$78,198	\$72,157	\$65,240	\$55,358	\$45,820
Expenditures					
Disbursements:					
Program Expenditures (State Operations)	\$54,587	\$60,093	\$57,184	\$58,391	\$59,622
State Controller (State Operations)	\$20	\$37	\$91	\$0	\$0
S&W Reductions (Furlough)		(\$4,437)			
Pro Rata Adjustment		(\$15)			
IT Savings Reduction		(\$635)			
Financial Info System Charges			\$36		
Total Disbursements	\$54,607	\$55,043	\$57,311	\$58,391	\$59,622
Fund Balance					
Reserve for economic uncertainties	\$23,591	\$17,114	\$7,929	(\$3,033)	(\$13,802)
Months in Reserve	5.2	3.6	1.6	-0.6	-2.8

Note: Assumes 1.2% interest. All dollars in thousands



• Fund Conditions (con't)

2. Includes General Fund loan payback:

	Final FY 2008/09	Proj. FY 2009/10	Proj. FY 2010/11	Proj. FY 2011/12	Proj. FY 2012/13
Beginning Balance	\$35,607	\$23,591	\$17,114	\$7,929	\$7,419
Prior Year Adjustment	\$754	\$0	\$0	\$0	\$0
Adjusted Beginning Balance	\$36,361	\$23,591	\$17,114	\$7,929	\$7,419
Revenues and Transfers					
Revenue	\$51,837	\$47,966	\$48,126	\$47,517	\$48,853
Transfer to GF	(\$10,000)				
Transfer from GF (Proposed)				\$10,364	
Pickred Settlement Payment		\$600			
Totals, Resources	\$78,198	\$72,157	\$65,240	\$65,810	\$56,272
Expenditures					
Disbursements:					
Program Expenditures (State Operations)	\$54,587	\$60,093	\$57,184	\$58,391	\$59,622
State Controller (State Operations)	\$20	\$37	\$91	\$0	\$0
S&W Reductions (Furlough)		(\$4,437)			
Pro Rata Adjustment		(\$15)			
IT Savings Reduction		(\$635)			
Financial Info System Charges			\$36		
Total Disbursements	\$54,607	\$55,043	\$57,311	\$58,391	\$59,622
Fund Balance					
Reserve for economic uncertainties	\$23,591	\$17,114	\$7,929	\$7,419	(\$3,350)
Months in Reserve	5.2	3.6	1.6	1.5	-0.7

Note: Assumes 1.2% interest. All dollars in thousands

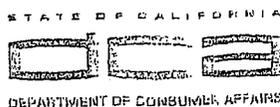


- **Fund Conditions (con't)**

3. Includes projected revenue from proposed fee increase to begin July 1, 2011:

	Final FY 2008/09	Proj. FY 2009/10	Proj. FY 2010/11	Proj. FY 2011/12	Proj. FY 2012/13
Beginning Balance	\$35,607	\$23,591	\$17,114	\$7,929	\$17,092
Prior Year Adjustment	\$754	\$0	\$0	\$0	\$0
Adjusted Beginning Balance	\$36,361	\$23,591	\$17,114	\$7,929	\$17,092
Revenues and Transfers					
Revenue	\$51,837	\$47,966	\$48,126	\$47,632	\$49,047
Transfer to GF	(\$10,000)				
Transfer from GF (Proposed)				\$10,364	
Pickred Settlement Payment		\$600			
Proposed Fee Increase				\$9,558	\$9,843
Totals, Resources	\$78,198	\$72,157	\$65,240	\$75,483	\$75,982
Expenditures					
Disbursements:					
Program Expenditures (State Operations)	\$54,587	\$60,093	\$57,184	\$58,391	\$59,622
State Controller (State Operations)	\$20	\$37	\$91	\$0	\$0
S&W Reduction (Furloughs)		(\$4,437)			
Pro Rata Adjustment		(\$15)			
IT Savings Reduction		(\$635)			
Financial Info System Charges			\$36		
Total Disbursements	\$54,607	\$55,043	\$57,311	\$58,391	\$59,622
Fund Balance					
Reserve for economic uncertainties	\$23,591	\$17,114	\$7,929	\$17,092	\$16,360
Months in Reserve	5.2	3.6	1.6	3.4	3.3

Note: Assumes 1.2% interest. All dollars in thousands.



STATE AND CONSUMER SERVICES AGENCY • ARNOLD SCHWARZENEGGER, GOVERNOR

DENTAL BOARD OF CALIFORNIA
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MEMORANDUM

DATE	May 6, 2010
TO	Dental Board Members
FROM	Richard DeCuir Executive Officer
SUBJECT	Agenda Item 7: Dental and Dental Assisting Funds

The Board's overall budget was substantially augmented with the addition of the Registered Dental Assistant Program on July 1, 2009. For the current fiscal year, the combined total expenditure authorization is \$11.587 million - \$9.906 million is out of the Dentistry Fund and \$1.681 million is from the Dental Assisting Fund. Current law does not provide for the comingling of funds, so attached are two separate fund conditions and expenditure reports.

DENTAL: Last fiscal year (FY 2008-2009) the Board budget was \$9.906 million. For the current fiscal year the Board's authorization was reduced to \$9.541 million. The primary reduction in our budget is attributed to the initial 15% furlough salary savings followed by an additional 5% reduction in salary and wages. Even with our budget reductions, we will likely under spend by \$1 million due to the high vacancy rate.

The Governor's budget allocates 12.5 new positions over the next 18 months with an expenditure increase of approximately \$1.2 million as part of the Department's Consumer Protection Enforcement Initiative (CPEI). While it was initially thought that this increase in positions could result in a fee increase, the Department of Consumer Affairs informed us that there was legislative trailer language attached to loans taken in prior years. As a result, the repayment of a \$4.4 million loan balance will occur before any fee increase could be considered. In looking at the fund condition, if we factor in the prior year reversions, which have ranged between \$1.5-\$2.0 million each year, the need to look at fee increases will not likely occur until FY 2012-2013.

DENTAL ASSISTING FUND: The Board absorbed the Dental Assisting Program, staff, and budget July 1, 2009. Since the Dental Assisting and Dental Hygiene budgets were not separated prior to July 1, 2009, there is really no history on which to reflect. We began the year with an initial reserve of \$1.495 million. Yearly revenues are projected to be approximately \$1.1 million. Expenditures are projected to be \$1.7 million, less any reversions. For the current year please note that the reversion is projected to be \$300,000. License renewal fees can be set by Board resolution up to \$80. Fees are

currently set at \$70. The Board will likely need to look at fee increases prior to the end of FY 2011-2012. This could be extended out depending on the reversion levels over the next 15 months.

Fund condition and expenditure reports for each program are attached for your review. I will answer any additional questions regarding this budget information at the Board meeting.

FUND NO. 0741
Expense Index: 3610

DENTAL BOARD OF CALIFORNIA
BUDGET REPORT
EXPENDITURE PROJECTION

February 28, 2010

MONTH 8

Mos. Remaining: 4

OBJECT DESCRIPTION	FY 2009/09			FY 2009/10			PERCENT OF BUDGET SPENT	PROJECTED TO YEAR END	UNENCUMBERED BALANCE
	BUDGET ALLOTMENT	ACTUAL EXPENDITURES (MONTH 13)	PY EXPENDITURES AS OF 2/28/10	BUDGET ALLOTMENT	CY EXPENDITURES AS OF 2/28/10				
PERSONAL SERVICES:									
Salaries and Wages									
Civil Service-Perm	2,721,781	2,445,475	1,720,433	2,448,184	1,306,147	53.4%	1,959,221	486,964	
Temp Help (907)	11,922	164,956	48,005	11,922	184,849	1550.5%	316,884	334,962	
Exam Proctor (915)	45,447	0	0	45,447	0	0.0%	0	45,447	
Expert Examiner (903)	40,000	0	0	40,000	0	0.0%	0	40,000	
Phys Fitness Incentive	0	1,170	780	0	520	1.3%	1,000	1,000	
Allocated Proctor Cost	0	13,096	9,337	0	1,160	0.0%	2,000	1,000	
Board/Commission (910,920)	45,950	7,500	4,200	45,950	8,900	19.4%	15,000	30,950	
Committee Member (911)	58,686	5,700	3,100	58,686	4,600	7.8%	7,000	51,686	
Overtime (909)	25,208	32,625	19,422	25,208	19,529	77.5%	33,478	13,270	
Staff Benefits	1,308,247	992,559	750,902	1,259,967	614,375	48.8%	812,095	447,872	
Salary Savings	(94,864)	0	0	(94,864)	0	0.0%	0	(94,864)	
TOTAL, PERSONAL SVC	4,162,377	3,663,081	2,556,179	3,835,500	2,140,080	55.8%	3,146,677	688,823	
OPERATING EXPENSE AND EQUIPMENT:									
General Expense	254,460	291,338	23,686	99,495	61,818	62.1%	105,974	(6,474)	
Fingerprinting	35,777	11,277	6,850	35,777	3,813	10.7%	6,277	29,500	
Printing	70,898	46,882	38,000	76,502	26,687	34.9%	45,749	30,753	
Communication	81,321	77,998	44,582	87,455	28,508	32.6%	48,000	39,455	
Postage	88,302	49,396	25,873	94,791	38,351	40.5%	50,000	44,791	
Insurance	6,635	1,755	1,755	6,972	2,033	29.2%	3,000	3,972	
Travel In State	183,934	106,157	55,651	193,311	60,511	31.3%	110,000	83,311	
Travel, Out-of-State	3,444	806	0	4,544	0	0.0%	0	4,544	
Training	14,415	11,915	4,570	18,148	1,677	9.2%	3,000	15,148	
Facilities Operations	758,676	327,495	299,240	329,656	323,174	98.0%	388,709	(58,053)	
C & P Services - Interdepl.	128,390	49,485	45,604	134,917	48,497	35.9%	52,624	82,293	
C & P Services - External	282,409	179,500	110,717	282,274	217,729	77.1%	352,993	(70,719)	
DP Billing (OIS)	392,482	319,671	261,656	386,069	257,376	66.7%	386,069	0	
Indirect Distributed Cost (OAS & C)	518,500	488,666	345,664	480,512	320,344	66.7%	480,512	0	
Interagency Services	838	0	0	881	0	0.0%	0	881	
Interagency Agreement	0	29,050	10,660	0	0	0.0%	0	0	
DOI Prorata	20,832	16,143	13,888	19,364	12,912	66.7%	19,364	0	
Comm/Ed Division Prorata/CCED	50,930	43,369	33,952	67,217	44,808	66.7%	67,217	0	
OPP Support Services	0	0	0	0	0	0.0%	0	0	
Consolidated Data Center	17,993	16,000	54,000	18,907	27,000	142.8%	46,286	(27,379)	
DP Maintenance & Supplies	6,058	11,591	9,623	6,366	5,888	92.2%	10,000	(3,634)	
Central Admin Pro Rata	393,680	393,680	295,260	312,553	234,415	75.0%	312,553	0	
EXAMINATIONS:									
Exam Supplies/Materials	41,638	0	0	43,755	0	0.0%	1,000	42,755	
Exam Rent	0	110,874	38,045	467,586	0	0.0%	100,000	367,586	
Administrative External Svcs	6,384	176,535	9,297	6,709	95,213	1419.2%	183,222	(156,513)	
C/P Svcs - Ext Expert Examiners	283,476	0	0	228,904	0	0.0%	0	228,904	
C/P Svcs - Ext Subject Matter	0	19,962	5,678	0	1,685	0.0%	5,000	(5,000)	
Major Equipment	0	80,209	0	26,000	0	0.0%	50,000	(24,000)	
Minor Equipment	0	105,034	40,450	9,000	52,481	583.1%	75,000	(66,000)	
Vehicle Operations	6,714	43,421	21,176	9,055	21,594	238.4%	35,000	35,000	
Other Items of Expense	629	12,230	11,123	661	0	0.0%	17,000	(16,339)	
ENFORCEMENT:									
Attorney General	1,646,471	1,251,216	648,389	1,778,310	778,384	43.8%	1,802,486	(24,176)	
Office Admin. Hearing	387,044	289,933	115,731	406,720	132,836	32.7%	399,342	7,378	
Evidence/Witness Fee	232,157	350,630	147,615	243,959	284,226	116.5%	568,452	(324,492)	
Court Reporters	0	31,785	9,837	0	12,039	0.0%	34,078	34,078	
Division of Investigations	0	0	0	0	0	0.0%	0	0	
Special Adjustments	0	0	0	0	0	0.0%	0	0	
Forced OE&E Savings	0	0	0	0	0	0.0%	209,643	(209,643)	
TOTALS, OE&E:	5,914,487	4,943,993	2,728,550	5,876,370	3,093,979	52.7%	5,948,550	(14,157)	
TOTAL EXPENSE:	10,076,864	8,607,074	5,284,729	9,711,870	5,234,059	53.9%	9,095,227	676,666	
Sched. Reimb. - Other	(117,000)		(79,852)	(117,000)	(79,852)		(117,000)	0	
Sched. Reimb. - Fingerprints	(53,000)	(11,874)	(6,069)	(53,000)	(6,069)		(53,000)	0	
Unsched. Reimb.				0	(13,880)		(53,000)	53,000	
TOTAL REIMBURSEMENTS:	(170,000)	(11,874)	(85,921)	(170,000)	(99,801)		(170,000)	0	
NET APPROPRIATION:	9,906,864	8,596,199	5,198,808	9,541,870	5,134,258	53.8%	8,925,227	676,666	
								SURPLUS/DEFICIT	7.09%

0741 - Dental Board of California
Analysis of Fund Condition

(Dollars in Thousands)

2010-11 Governor's Budget

Assumes 50% Overall Fee Increase in FY 2012-13

Assumes \$4.4 Million General Fund Repayment in FY 2011-12

	Actual 2008-09	CY 2009-10	BY 2010-11	BY + 1 2011-12	BY + 2 2012-13	BY + 3 2013-14	BY + 4 2014-15
BEGINNING BALANCE	\$ 7,394	\$ 7,318	\$ 5,464	\$ 2,043	\$ 2,807	\$ (1,112)	\$ (5,318)
Prior Year Adjustment	\$ 169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 7,563	\$ 7,318	\$ 5,464	\$ 2,043	\$ 2,807	\$ (1,112)	\$ (5,318)
REVENUES AND TRANSFERS							
Revenues:							
125600 Other regulatory fees	\$ 21	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34	\$ 34
125700 Other regulatory licenses and permits	\$ 895	\$ 918	\$ 907	\$ 907	\$ 907	\$ 907	\$ 907
125800 Renewal fees	\$ 6,812	\$ 6,595	\$ 6,688	\$ 6,688	\$ 6,688	\$ 6,688	\$ 6,688
125900 Delinquent fees	\$ 84	\$ 82	\$ 84	\$ 84	\$ 84	\$ 84	\$ 84
131700 Misc. Revenue from Local Agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 162	\$ 55	\$ 37	\$ 28	\$ -	\$ -	\$ -
150500 Interest Income From Interfund Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 6	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3
161400 Miscellaneous revenues	\$ 4	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6
164300 Penalty Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 7,985	\$ 7,694	\$ 7,759	\$ 7,750	\$ 7,722	\$ 7,722	\$ 7,722
Transfers from Other Funds							
F00001 Rpymt of GF loans per Item 1250-011-0741, BAs of 2002/2003				\$ 4,400			
Totals, Revenues and Transfers	\$ 7,985	\$ 7,694	\$ 7,759	\$ 12,150	\$ 7,722	\$ 7,722	\$ 7,722
Totals, Resources	\$ 15,548	\$ 15,012	\$ 13,223	\$ 14,193	\$ 10,529	\$ 6,610	\$ 2,404
EXPENDITURES							
Disbursements:							
0840 State Controller (State Operations)	\$ 4	\$ 6	\$ 15				
1110 Program Expenditures (State Operations)	\$ 4,166	\$ 9,542	\$ 11,159	\$ 11,382	\$ 11,610	\$ 11,842	\$ 12,079
1111 Program Expenditures (State Operations)	\$ 4,060						
8880 Financial Information System of California (State Operations)			\$ 6				
<u>2010-11 BCPs - Program</u>							
Cal-Licensing System BCP 1B				\$ 4	\$ 31	\$ 86	\$ 62
Total Disbursements	\$ 8,230	\$ 9,548	\$ 11,180	\$ 11,386	\$ 11,641	\$ 11,928	\$ 12,141
FUND BALANCE							
Reserve for economic uncertainties	\$ 7,318	\$ 5,464	\$ 2,043	\$ 2,807	\$ (1,112)	\$ (5,318)	\$ (9,737)
Months in Reserve	9.2	5.9	2.2	2.9	-1.1	-5.3	-9.4

NOTES:

- A. ASSUMES WORKLOAD AND REVENUE PROJECTIONS ARE REALIZED
- B. EXPENDITURE GROWTH PROJECTED AT 2% BEGINNING FY 2010-11

FUND NO. 3142 DENTAL ASSISTANT PROGRAM
Expense Index 3630 BUDGET REPORT
EXPENDITURE PROJECTION

February 28, 2010

MONTH 8

Mos. Remaining: 4

OBJECT DESCRIPTION	FY 2009/10				UNENCUMBERED BALANCE
	BUDGET ALLOTMENT	CY EXPENDITURES AS OF 2/28/10	PERCENT OF BUDGET # SPENT	PROJECTIONS TO YEAR END	
PERSONAL SERVICES:					
Salaries and Wages					
Civil Service-Perm	313,452	175,330	55.9%	262,995	50,457
Temp Help (907)	0		0.0%		0
Exam Proctor (915)	4,604		0.0%	0	4,604
Expert Examiner (903)	0		0.0%		0
Temp Help-Consultants	158		0.0%		158
Phys Fitness Incentive	0		0.0%		0
Allocated Proctor Cost	0	252	0.0%	800	(300)
Board/Commission (910,920)	0		0.0%		0
Committee Member (911)	0		0.0%		0
Overtime (909)	0	10,934	0.0%	18,744	(18,744)
Staff Benefits	165,210	93,567	56.6%	140,351	24,859
Salary Savings	(11,517)		0.0%		(11,517)
TOTAL, PERSONAL SVC	471,907	280,083	59.4%	422,390	49,517
OPERATING EXPENSE AND EQUIPMENT:					
General Expense	40,364	3,530	8.7%	6,051	34,313
Fingerprinting	12,780	1,192	9.3%	2,043	10,737
Printing	28,518	7,487	26.3%	12,835	15,683
Communication	11,732	264	2.3%	453	11,279
Postage	53,014	10,460	19.7%	17,931	35,083
Insurance	0		0.0%		0
Travel In State	39,802	27,837	69.9%	39,802	0
Travel, Out-of-State	0		0.0%		0
Training	4,119		0.0%		4,119
Facilities Operations	63,950	33,831	52.9%	57,996	5,954
C & P Services - Interdept.	209,340		0.0%		209,340
C & P Services - External	206,532		0.0%		206,532
DP Billing (OIS)	77,502	51,672	66.7%	77,502	0
Indirect Distributed Cost (OAS & I)	80,220	53,480	66.7%	80,220	0
Interagency Services			0.0%		0
Interagency Agreement	72,554	60,312	83.1%	72,554	0
DOI Prorata	3,066	2,160	70.5%	3,066	0
Comm/Ed Division Prorata/CCEC	10,901	7,264	66.6%	10,901	0
OPP Support Services	0		0.0%		0
Consolidated Data Center	1,576	3	0.2%	500	1,076
DP Maintenance & Supplies	1,369		0.0%		1,369
Central Admin Pro Rate	62,909	47,182	75.0%	62,909	0
EXAMINATIONS:					
Exam Supplies/Materials	3,946	8,661	219.5%	14,847	(10,901)
Exam Rent	69,939	19,454	27.8%	33,950	36,589
Administrative External Svcs	30,877	870	2.8%	1,491	29,386
C/P Svcs - Ext Expert Examiners	47,476		0.0%		47,476
C/P Svcs - Ext Subject Matter	0	1,17,387	0.0%	201,235	(201,235)
Major Equipment	17,000		0.0%		17,000
Minor Equipment	5,000	4,034	80.7%	7,500	(2,500)
Vehicle Operations	0				
Other Items of Expense	285		0.0%		285
ENFORCEMENT:					
Attorney General	67,536	141,040	208.8%	211,560	(144,024)
Office Admin. Hearing	2,740		0.0%		2,740
Evidence/Witness Fee	87		0.0%		87
Court Reporters	0		0.0%		0
Division of Investigations	0		0.0%		0
Forced OE&E Savings	0	0	0.0%	28,874	(28,874)
TOTALS, OE&E:	1,225,133	598,120	48.8%	943,621	281,513
TOTAL EXPENSE:	1,697,040	878,203	51.7%	1,366,010	331,030
Sched. Reimb. - Other	(3,000)				(3,000)
Sched. Reimb. - Fingerprints	(13,000)				(13,000)
TOTAL REIMBURSEMENTS:	(16,000)	0		0	(16,000)
NET APPROPRIATION:	1,681,040	878,203	52.2%	1,366,010	315,030
SURPLUS/DEFICIT:					18.74%

Fund Condition (Possible Action):

The Engineer's Board FY 2009-10 revenue received through May 31, 2010 was \$9,973,228 which is \$587,589 more than the amount received for the prior fiscal year at this time. This includes a decrease of \$188,794 in exam application revenue and an increase of \$862,161 in license renewal revenue. **Attachment A** identifies the Board's fund condition. The Board's fund reserve remains at the 6-month reserve for current and future FYs.

The Geology/Geophysicists fund condition is identified in **Attachment B**. Revenue received as of May 31, 2010 for Geology/Geophysics was \$863,768 which is \$160,655 less than the amount received for the prior fiscal year at this time. This includes a \$43,230 decrease in license renewal revenue and a \$41,412 decrease in exam application revenue.

FY 2009-10 Budget (Possible Action)

The FY 2009-10 allocated budget and projected expenditures through May 31, 2010 are itemized below for Engineers, Land Surveyors, Geologists, and Geophysicists. The allocated budget, expenses paid and revenue received for Geology/Geophysicists is maintained in a separate fund from the Engineers Board. A further update will be provided at the Board meeting to include expenses through June 30, 2010.

Expense Description	Budget Allotment	Expense Projection	Balance
ENGINEERS/LAND SURVEYORS:			
Personal Services	\$ 2,769	\$ 2,843	\$ (74)
General Operating Expenses	2,086	2,091	(5)
Equipment	49	11	38
Exams Program	3,137	2,990	147
Enforcement Program	998	1,140	(142)
Required OE&E Reduction Plan	-	61	(61)
Geology Fund Reimbursement	\$ -	(122)	122
Totals	\$ 9,039	\$ 9,014	\$ 25

GEOLOGISTS/ GEOPHYSICISTS:			
Personal Services	\$ 540	\$ 310	\$ 230
General Operating Expenses	353	338	15
Equipment	4	-	4
Exams Program	201	148	53
Enforcement Program	239	51	188
Salary Savings Adj. (AB X4 20)	-	220	(220)
Required OE&E Reduction Plan	-	5	(5)
Reimbursement to BPELS	-	122	(122)
Totals	\$ 1,337	\$ 1,194	\$ 143

FY 2010-11 Budget Change Proposal (BCPs) (Possible Action):

The following BCPs were submitted for FY 2010-11 and both approved at the Senate and Assembly Budget Hearings.

1. Address citation backlog in Engineering program.
2. Address staff shortage in Geology/Geophysics program.

FY 2011-12 Budget Change Proposal (BCPs) (Possible Action):

The following BCP for the Geology and Geophysicists Program was submitted to the DCA Budget Office on June 15, 2010 for review:

1. Geologist Registrar

VOTE: 7-0, motion carried.

13. Comity and Temporary Authorization Applications (Possible Action)

MOTION: Mr. Tami/Mr. Foley moved to approve the Handout Comity List.

VOTE: 7-0, motion carried.

14. Administration

a. Fund Condition (Possible Action)

Ms. Thompson gave an update on revenue projections included in the fund condition for FY 2008-09 using revenue received up to May 31, 2009. She reported that the examination application revenue projection increased from \$3,629,000 to \$4,002,000, and the license renewal revenue projection decreased from \$5,564,000 to \$5,396,000; the actual reimbursement revenue grew from \$20,000 to \$25,000. She advised that the Board's fund reserve remains consistent projecting a 6-month or higher reserves for the next three fiscal years. She explained that the two-year renewal revenue cycle is projected to generate much higher renewal revenue every other year, consistent with past fiscal years when the Board's laws required a four-year renewal and every fourth year there was a renewal revenue spike.

b. FY 2008-09 & FY 2009-10 Budgets (Possible Action)

Ms. Thompson reported that the expense report through June 30, 2009, was recently completed but the final year-end expense report has not yet been issued. She reported that the expenses through June 30, 2009, show the Board has a surplus after expenses of \$38,551 with expenses totaling \$9,296,972. Ms. Thompson advised that she projects the final expenditure amount to be close to the budgeted level with very little surplus remaining.

c. FY 2010-11 Budget Change Proposals (Possible Action)

Ms. Thompson reported that the DCA Budget Office recommended the Board not move forward with the NCEES examination administration BCP because the Board will still need to contract with NCEES. She explained that the Budget Office advised that a BCP reducing the Board's examination contracts line item need not be done until after the process has successfully been implemented for one examination cycle and all costs involved are known. At that time, the Board will have accurate expense information and statistics to prepare a BCP in the event it is needed.

Mr. Brown advised that when he became Executive Officer of the Board, he recommended that several additional BCPs be submitted, including:

1. Citations Program
2. In-House Investigators
3. Staff Information Systems Analyst
4. Webmaster Analyst
5. Legislative/Regulations Analyst

d. Land Surveyor Position (Possible Action)

Ms. Thompson reported that the proposal to amend the Senior Engineer Registrar State Personnel Board (SPB) classification to Board Registrar was approved by SPB on May 14, 2009. She advised that the Board plans to fill the vacant Land Surveyor Registrar position, which was obtained through a FY 2008-09 BCP, with an individual qualified from a statewide examination hiring list. A new hiring list is required because the classification requirements were changed to include licensed land surveyors. Ms. Hirano reported that the selection criteria for the statewide Board Registrar position examination is now being developed. Ms. Thompson advised that the Land Surveyor Consultant contract was amended to extend the contract from March 31 to December 31, 2009, to continue the Land Surveyor functions until an individual is selected from the new hiring list. Mr. Brown reported the Board is looking into the temporary appointment of Mr. Moore as allowed by an SPB provision for positions vacant for which no hiring list is available.

e. Publication Review (Possible Action)

Mr. Eissler reported that the Local Official's Guide and the Technical Expert Manual have been submitted to DCA's Publications Unit for the layout and design. Ms. Eissler reported that the Publications Unit had also been asked to design a logo for the Board. Mr. Brown noted that the unit has won national awards for their publications and their design of logos. Ms. Eissler explained that the unit will develop several different logo designs and then the Board staff will be able to pick a logo. Ms. Eissler advised that they are waiting on the other publications so that they will be "branded" with our logo. She further advised that the cost of design and layout of logos and publications is paid out of our pro rata, but we will have to pay to have the publications printed.

Mr. Foley spoke about getting lapel pins of the board seal for the board members. They got a bid of \$75 to be paid by board members themselves.

Ms. Eissler stated we are also looking at starting up our newsletters again. She explained that there will be two newsletters per year; one focusing on enforcement with all of the disciplinary and citation summaries and the other focusing on overall Board issues. She explained that Ms. Brown and the Administrative Unit will oversee the general newsletter, and the Enforcement Unit will handle the enforcement newsletter. To keep

0758 - Medical Board Analysis of Fund Condition

(Dollars in Thousands)

	Actual 2008-09	Projected CY 2009-10	BY 2010-11	BY+1 2011-12	BY+2 2012-13
BEGINNING BALANCE	\$ 23,866	\$ 24,363	\$ 26,370	\$ 22,049	\$ 17,158
Prior Year Adjustment	\$ 614	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 24,480	\$ 24,363	\$ 26,370	\$ 22,049	\$ 17,158
REVENUES AND TRANSFERS					
Revenues:					
125600 Other regulatory fees	\$ 371	\$ 379	\$ 386	\$ 386	\$ 386
125700 Other regulatory licenses and permits	\$ 5,557	\$ 5,650	\$ 5,633	\$ 5,633	\$ 5,633
125800 Renewal fees	\$ 44,670	\$ 43,692	\$ 44,037	\$ 44,429	\$ 44,821
\$22 credit to licensees who renewed in 08/09			\$ (1,210)		
125900 Delinquent fees	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101
142500 Miscellaneous services to the public	\$ 22	\$ 20	\$ 20	\$ 20	\$ 20
150300 Income from surplus money investments	\$ 572	\$ 171	\$ 142	\$ 109	\$ 70
160400 Sale of fixed assets	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
161000 Escheat of unclaimed checks and warrants	\$ 19	\$ 14	\$ 14	\$ 14	\$ 14
161400 Miscellaneous revenues	\$ -	\$ -	\$ -	\$ -	\$ -
164300 Penalty assessments - Probation Monitoring	\$ -	\$ 1,115	\$ 1,000	\$ 1,000	\$ 1,000
Totals, Revenues	\$ 51,313	\$ 51,143	\$ 50,124	\$ 51,693	\$ 52,046
Transfers:					
GENERAL FUND LOAN	\$ (6,000)				
Totals, Revenues and Transfers	\$ 45,313	\$ 51,143	\$ 50,124	\$ 51,693	\$ 52,046
Totals, Resources	\$ 69,793	\$ 75,506	\$ 76,494	\$ 73,742	\$ 69,204
EXPENDITURES					
Disbursements:					
0840 State Controller (State Operations)	\$ 18	\$ 33	\$ 81	\$ -	\$ -
8880 FSCU (State Operations)			\$ 31		
<u>Budget Act of 2009</u>					
1110 Program Expenditures (State Operations)	\$ 45,412	\$ 49,572	\$ 52,814	\$ 53,870	\$ 54,947
<u>2009-10 BCPs:</u>					
Probation Monitoring 1110-19		\$ -	\$ -	\$ -	\$ -
Operation Safe Medicine (OSM) 1110-17		\$ -	\$ -	\$ -	\$ -
OE & E Savings (Approved by Agency)		\$ (469)			
<u>2010-11 BCPs:</u>					
License Application Processing			\$ -	\$ -	\$ -
Cal-Licensing System-BCP 1B				\$ 11	\$ 150
CPEI (Consumer Protection Enforcement Initiative)			\$ 1,519	\$ 1,714	\$ 1,714
<u>Proposed 2011-12 BCPs</u>					
Operation Safe Medicine (OSM)				\$ 567	\$ 567
BreEZe Project				\$ 107	\$ 108
Licensing Support (WAAZ/Scanning)				\$ 119	\$ 116
Temp Help (District Medical Consultant \$)				\$ 196	\$ 196
Totals, Disbursements	\$ 45,430	\$ 49,136	\$ 54,445	\$ 56,584	\$ 57,796
FUND BALANCE					
Reserve for economic uncertainties	\$ 24,363	\$ 26,370	\$ 22,049	\$ 17,158	\$ 11,408
Months in Reserve	5.9	5.8	4.7	3.6	2.3

NOTES:

- A. ASSUMES WORKLOAD AND REVENUE PROJECTIONS ARE REALIZED FOR 2009-10 AND BEYOND.
 B. INTEREST ON FUND ESTIMATED AT .88% in FY 09/10 and beyond.
 C. MED BOARD'S PROB MONITORING AND OSM BCPs APPROVED WITH NO FUNDING (Prob Mon = \$294,000; OSM = \$510,000); OSM APPROVED FOR 2 YEARS; CONTINUATION OF OSM BEYOND 2 YEARS MUST BE AUTHORIZED VIA SUBMISSION/APPROVAL OF A BCP FOR FY 2011/12.
 D. LICENSE APPLICATION PROCESSING BCP APPROVED WITH NO FUNDING BEGINNING JULY 1, 2010 (\$579,000).

7/7/2010

Medical Board of California

FY 09/10

Budget Expenditure Report

(As of May 31, 2010)

(91.7% of fiscal year completed)

OBJECT DESCRIPTION	BUDGET ALLOTMENT	EXPENSES/ ENCUMB	PERCENT OF BUDGET EXP/ENCUMB	UNENCUMB BALANCE
PERSONAL SERVICES				
Salary & Wages (Staff & Exec Director)	13,305,856	11,271,887	84.7	2,033,969
Board Members	31,500	43,800	139.0	(12,300)
Phy Fitness Incentive Pay	29,623	22,750	76.8	6,873
Temp Help	1,144,410	1,813,930	158.5	(669,520)
Overtime	12,142	193,487	1593.5	(181,345)
Staff Benefits	6,004,976	5,155,756	85.9	849,220
Salary Savings (836,251)	(836,251)			(836,251)
TOTALS, PERS SERVICES	19,692,256	18,501,610	94.0	1,190,646
OPERATING EXP & EQUIP				
General Expense	139,208	273,949	196.8	(134,741)
Fingerprint Reports	361,017	263,353	72.9	97,664
Minor Equipment	291,650	103,630	35.5	188,020
Printing	733,196	623,983	85.1	109,213
Communications	504,566	287,531	57.0	217,035
Postage	496,411	218,575	44.0	277,836
Insurance	41,053	13,178	32.1	27,875
Travel In-State	394,929	280,096	70.9	114,833
Travel Out-of-State	2,031	154	7.6	1,877
Training	66,336	59,514	89.7	6,822
Facilities Operation (Rent)	2,702,140	2,189,118	81.0	513,022
Consult/Prof Services	982,594	1,328,127	135.2	(345,533)
Departmental Prorata	3,886,732	3,558,148	91.5	328,584
Consolidated Data Center	646,809	392,533	60.7	254,276
Data Processing	119,492	125,628	105.1	(6,136)
Central Admin Svcs (Statewide Prorata)	1,699,376	1,699,376	100.0	0
Attorney General Services	13,347,280	11,936,276	89.4	1,411,004
Office of Administrative Hearings	1,862,591	655,011	35.2	1,207,580
Evidence/Witness	1,893,439	1,462,023	77.2	431,416
Court Reporter Services	175,000	76,881	43.9	98,119
Major Equipment	333,000	134,225	40.3	198,775
Other Items of Expense	81	71,313	88,040.7	(71,232)
Vehicle Operations	261,925	267,387	102.1	(5,462)
TOTALS, OE&E	30,940,856	26,020,009	84.1	4,920,847
TOTALS, EXPENDITURES	50,633,112	44,521,619	87.9	6,111,493
Scheduled Reimbursements	(384,000)	(296,866)	77.3	(87,134)
Distributed Costs	(677,000)	(746,877)	110.3	69,877
NET TOTAL, EXPENDITURES	49,572,112	43,477,876	87.7	6,094,236
Unscheduled Reimbursements		(1,085,509)		
		42,392,367		

MEDICAL BOARD OF CALIFORNIA
LICENSING PROGRAM
BUDGET REPORT
JULY 1, 2009 - MAY 31, 2010

	FY 09/10 BUDGET	EXPENDITURES/ ENCUMBRANCES YR-TO-DATE	LAG TIME (MONTHS)
PERSONAL SERVICES			
Salaries & Wages	1,806,291	2,058,685	current
Staff Benefits	<u>838,775</u>	<u>776,676</u>	current
TOTAL PERSONAL SERVICES	2,645,066	2,835,361	
OPERATING EXPENSES & EQUIPMENT			
General Expense	5,000	25,450	1-2
Fingerprint Reports*	356,817	260,447	1
Printing	35,000	41,459	1-2
Communications	55,000	47,909	1-2
Postage	146,890	94,076	1-2
Travel In-State	25,000	15,778	1-2
Training	4,000	2,264	1-2
Facilities Operation	225,000	219,323	current
Consult/Professional Services	506,873	510,461	1-2
Departmental Services	334,648	306,361	current
Data Processing	1,000	5,700	1-2
Central Administrative Services	146,316	146,316	current
Attorney General	190,000	82,145	current
Evidence/Witness Fees	7,500	5,400	1-2
Court Reporter Services	0,000	185	1-2
Major Equipment	12,000	10,373	1-2
Minor Equipment	<u>0</u>	<u>4,068</u>	1-2
TOTAL OPERATING EXPENSES & EQUIPMENT	2,051,044	1,777,715	
SCHEDULED REIMBURSEMENTS	(384,000)	(296,866)	
DISTRIBUTED COSTS	(43,723)	(32,792)	
TOTAL BUDGET/EXPENDITURES	4,268,387	4,283,418	

*Department of Justice invoices for fingerprint reports, name checks, and subsequent arrest reports

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MEDICAL BOARD OF CALIFORNIA
 ENFORCEMENT PROGRAM
 BUDGET REPORT
 JULY 1, 2009 - MAY 31, 2010

	FY 09/10 BUDGET	EXPENDITURES/ ENCUMBRANCES YR-TO-DATE	LAG TIME (MONTHS)
PERSONAL SERVICES			
Salaries & Wages	8,610,439	7,969,576	current
Staff Benefits	<u>3,637,392</u>	<u>3,031,329</u>	current
TOTAL PERSONAL SERVICES	12,247,831	11,000,905	
OPERATING EXPENSE & EQUIPMENT			
General Expense/Fingerprint Reports	48,406	130,389	1-2
Printing	326,734	372,854	1-2
Communications	278,000	176,016	1-2
Postage	105,338	47,396	1-2
Insurance	38,378	9,005	current
Travel In-State	183,139	173,179	1-2
Travel Out-of-State	0,000	154	current
Training	24,188	31,988	1-2
Facilities Operations	2,007,140	1,620,745	current
Consultant/Professional Services	300,000	256,243	1-2
Departmental Services	2,868,797	2,626,250	current
Data Processing	8,994	9,996	1-2
Central Administrative Services	1,254,309	1,254,309	current
Attorney General 1/	13,157,280	11,854,131	current
OAH	1,862,591	655,011	current
Evidence/Witness Fees	1,820,939	1,438,144	1-2
Court Reporter Services	175,000	76,696	1-2
Major Equipment	220,000	36,738	1-2
Other Items of Expense (Law Enf. Materials/Lab, etc.)	81	70,927	1-2
Vehicle Operations	204,425	227,200	1-2
Minor Equipment	<u>92,000</u>	<u>6,867</u>	1-2
TOTAL OPERATING EXPENSES & EQUIPMENT	24,975,739	21,074,238	
DISTRIBUTED COSTS	(629,942)	(711,584)	
TOTAL BUDGET/EXPENDITURES	36,593,628	31,363,559	
Unscheduled Reimbursements		<u>(26,644)</u>	
		31,336,915	

1/See next page for monthly billing detail

7/2/10
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MEDICAL BOARD OF CALIFORNIA
 ATTORNEY GENERAL EXPENDITURES - FY 09/10
 DOJ AGENCY CODE 003573 - ENFORCEMENT (6303)
 page 1 of 2

		<u>Number of Hours</u>	<u>Rate</u>	<u>Amount</u>
July	Attorney Services	6,642.00	170.00	1,129,140.00
	Paralegal Services	303.00	120.00	36,360.00
	Auditor/Analyst Services	110.00	99.00	10,890.00
	Cost of Suit			<u>1,176,390.00</u>
August	Attorney Services	6,660.00	170.00	1,132,200.00
	Paralegal Services	324.50	120.00	38,940.00
	Auditor/Analyst Services	92.50	99.00	9,157.50
	Cost of Suit			<u>1,180,297.50</u>
September	Attorney Services	6,498.75	170.00	1,104,787.50
	Paralegal Services	267.25	120.00	32,070.00
	Auditor/Analyst Services	93.00	99.00	9,207.00
	Cost of Suit			<u>1,146,064.50</u>
October	Attorney Services	6,615.50	170.00	1,124,635.00
	Paralegal Services	439.50	120.00	52,740.00
	Auditor/Analyst Services	99.00	99.00	9,801.00
	Cost of Suit			<u>1,501.30</u> <u>1,188,677.30</u>
November	Attorney Services	5,441.25	170.00	925,012.50
	Paralegal Services	279.50	120.00	33,540.00
	Auditor/Analyst	58.00	99.00	5,742.00
	Cost of Suit			<u>964,294.50</u>
December	Attorney Services	5,796.25	170.00	985,362.50
	Paralegal Services	240.75	120.00	28,890.00
	Auditor/Analyst	77.50	99.00	7,672.50
	Cost of Suit			<u>601.26</u> <u>1,022,526.26</u>
July - Dec Total =				6,678,250.06
09/10 FY Budget =				13,157,280.00

Revised 6/16/10

MEDICAL BOARD OF CALIFORNIA
 ATTORNEY GENERAL EXPENDITURES - FY 09/10
 DOJ AGENCY CODE 003573 - ENFORCEMENT (6303)
 page 2 of 2

January	Attorney Services	5,703.75	170.00	969,637.50
	Paralegal Services	325.75	120.00	39,090.00
	Auditor/Analyst	77.25	99.00	7,647.75
	Cost of Suit			<u>3,739.56</u>
				1,020,114.81
February	Attorney Services	5,691.50	170.00	967,555.00
	Paralegal Services	369.50	120.00	44,340.00
	Auditor/Analyst	69.00	99.00	6,831.00
	Cost of Suit			<u>5,589.47</u>
				1,024,315.47
March	Attorney Services	6,406.25	170.00	1,089,062.50
	Paralegal Services	419.50	120.00	50,340.00
	Auditor/Analyst Services	107.25	99.00	10,617.75
	Cost of Suit			<u>5,296.71</u>
				1,155,316.96
April	Attorney Services	5,762.00	170.00	979,540.00
	Paralegal Services	375.25	120.00	45,030.00
	Auditor/Analyst Services	89.75	99.00	8,885.25
	Cost of Suit			<u>237.45</u>
				1,033,692.70
May	Attorney Services	5,260.75	170.00	894,327.50
	Paralegal Services	260.75	120.00	31,290.00
	Auditor/Analyst Services	75.00	99.00	7,425.00
	Cost of Suit			<u>9,398.19</u>
				942,440.69
June	Attorney Services		170.00	0.00
	Paralegal Services		120.00	0.00
	Auditor/Analyst Services		99.00	0.00
	Cost of Suit			<u>0.00</u>
				0.00

09/10 FYTD Total = 11,854,130.69
 09/10 FY Budget = 13,157,280.00

Revised 6/16/10
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ENFORCEMENT/PROBATION RECEIPTS													FYTD
MONTHLY PROFILE: JULY 2007 - MAY 2010													Total
	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	
Invest Cost Recovery	15,074	12,725	13,851	10,837	7,104	6,432	14,100	15,947	3,307	15,221	6,086	13,493	134,177
Criminal Cost Recovery	0	0	0	0	0	2,975	0	0	50,000	0	0	12	52,987
Probation Monitoring	31,949	49,534	24,134	32,231	119,692	140,590	247,147	220,081	27,151	62,498	39,786	44,188	1,038,981
Exam	3,545	4,227	1,248	1,820	1,209	300	905	2,055	2,265	6,530	1,080	325	25,509
Cite/Fine	1,200	9,100	6,250	4,800	13,440	1,850	1,700	3,500	14,900	5,731	6,200	3,150	71,821
MONTHLY TOTAL	51,768	75,586	45,483	49,688	141,445	152,147	263,852	241,583	97,623	89,980	53,152	61,168	1,323,475
FYTD TOTAL	51,768	127,354	172,837	222,525	363,970	516,117	779,969	1,021,552	1,119,175	1,209,155	1,262,307	1,323,475	
	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	FYTD Total
Invest Cost Recovery	18,069	1,850	2,935	6,569	3,616	4,564	8,445	14,535	2,716	5,585	3,650	5,200	77,734
Criminal Cost Recovery	0	5,694	0	0	0	0	3,500	0	0	0	0	0	9,194
Probation Monitoring	56,999	17,107	28,739	109,603	53,626	75,517	218,781	232,169	82,153	52,220	44,309	37,530	1,008,753
Exam	825	75	50	3,495	50	2,150	125	5,740	100	75	75	50	12,810
Cite/Fine	3,050	3,200	9,050	2,400	1,500	5,650	4,300	10,400	9,415	5,375	5,700	8,300	68,340
MONTHLY TOTAL	78,943	27,926	40,774	122,067	58,792	87,881	235,151	262,844	94,384	63,255	53,734	51,080	1,176,831
FYTD TOTAL	78,943	106,869	147,643	269,710	328,502	416,383	651,534	914,378	1,008,762	1,072,017	1,125,751	1,176,831	
	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	FYTD Total
Invest Cost Recovery	4,486	1,050	1,250	740	67	1,161	7,409	11,613	0	2,186	11,388		41,350
Criminal Cost Recovery	0	0	0	0	0	0	0	0	0	0	0		0
Probation Monitoring	46,225	21,354	22,836	34,983	22,419	186,279	345,366	200,249	60,048	59,731	29,879		1,029,369
Exam	150	250	105	330	3,480	1,658	292	200	1,500	300	325		8,590
Cite/Fine	3,500	3,025	2,425	3,225	3,055	5,320	475	4,723	4,600	5,200	3,261		38,809
MONTHLY TOTAL	54,361	25,679	26,616	39,278	29,021	194,418	353,542	216,785	66,148	67,417	44,853	0	1,118,118
FYTD TOTAL	54,361	80,040	106,656	145,934	174,955	369,373	722,915	939,700	1,005,848	1,073,265	1,118,118	1,118,118	

excel:enfreceiptsmnthlyprofile.xls, revised 7/6/10

Medical Board of California
Board Members' Expense Report
July 1, 2009 - May 31, 2010

	<i>Per Diem*</i>			<i>TOTAL</i>	<i>Travel</i>	<i>Total</i>	<i>Total</i>
	<i>MAR</i>	<i>APR</i>	<i>MAY</i>		<i>Expenses*</i>	<i>Mar-May</i>	
Dr. Carreon	300	800	0	1,100	0.00	1,100.00	6,829.95
Ms. Chang	0	0	0	0	0.00	0.00	2,100.00
Dr. Chin	0	0	0	0	0.00	0.00	527.15
Dr. Duruisseau	700	800	700	2,200	693.24	2,893.24	9,877.19
Dr. Gitnick	0	0	0	0	86.00	86.00	1,508.13
Dr. Levine	0	0	0	0	0.00	0.00	660.94
Dr. Low	0	0	0	0	0.00	0.00	0.00
Dr. Moran	800	0	0	800	0.00	800.00	5,200.00
Dr. Salomonson	0	600	0	600	0.00	600.00	1,552.55
Ms. Schipske	0	0	0	0	0.00	0.00	2,438.60
Ms. Yaroslavsky	1,000	1,800	1,100	3,900	2,295.34	6,195.34	20,307.69
Mr. Zerunyan	1,200	1,400	900	3,500	439.96	3,939.96	13,968.72
BOARD TOTAL	4,000	5,400	2,700	12,100	3,514.54	15,614.54	64,970.92

*Includes claims paid/submitted through June 30, 2010

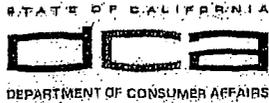
Board Members Expense Report.xls
 Date: July 8, 2010

MEDICAL BOARD OF CALIFORNIA BUDGET OVERVIEW BY BOARD COMPONENT

	EXEC	ENFORCE	OPERATION SAFE MEDICINE	LICENSING	ADMIN SERVICES	DIVERSION	INFO SYSTEMS	PROBATION MONITORING	BOARD TOTAL
FY 06/07									
\$ Budgeted	1,534,000	34,693,000		3,949,000	3,089,000	1,747,000	2,857,000	2,591,000	50,460,000
\$ Spent *	1,555,000	30,572,000		3,517,000	2,756,000	1,683,000	2,393,000	1,495,000	43,971,000 *
Positions Authorized	8.8	141.6		40.5	19.4	14.0	16.0	25.0	265.3
FY 07/08									
\$ Budgeted	1,896,000	35,696,000		4,334,000	2,855,000	1,397,000	3,078,000	2,750,000	52,006,000
\$ Spent *	1,796,000	33,478,000		4,077,000	2,113,000	1,037,000	2,696,000	1,647,000	46,844,000 *
Positions Authorized	8.8	147.6		44.5	15.0	14.0	16.0	19.0	264.9
FY 08/09									
\$ Budgeted	2,158,000	36,659,000		4,599,000	2,048,000		3,370,000	1,914,000	50,748,000
\$ Spent *	1,875,000	34,026,000		4,522,000	1,697,000		2,668,000	625,000	45,413,000 *
Positions Authorized	8.8	146.6		45.5	15.0		16.0	20.0	251.9
FY 09/10									
\$ Budgeted	2,033,000	36,594,000	568,000	4,268,000	1,560,000		2,958,000	1,591,000	49,572,000
\$ Spent thru 5/28 *	2,052,000	31,337,000	455,000	4,283,000	1,345,000		2,523,000	397,000	42,392,000 *
Positions Authorized	8.8	146.6	6.0	45.5	15.0		16.0	25.0	262.9

* net expenditures (includes unscheduled reimbursements)

Agenda Item # 6.



STATE AND CONSUMER SERVICES AGENCY ARNOLD SCHWARZENEGGER, GOVERNOR
BOARD OF VOCATIONAL NURSING & PSYCHIATRIC TECHNICIANS
 2535 Capitol Oaks Drive, Suite 205, Sacramento, CA 95833-2945
 Phone (916) 263-7800 Fax (916) 263-7859 Web www.bvnpt.ca.gov



Executive Officer's Report

1. Board Member Update

- Vacant Positions – There are currently five vacant board member positions – two (2) LVNs and three (3) public members. Anyone interested in serving on the BVNPT should contact the Governor's Appointment Secretary.

2. Budget Update

- Governor's Proposed Budget – Governor Arnold Schwarzenegger released his proposed budget on January 8, 2010. The proposal included a 5% permanent wage reduction to all state employees, as well as a requirement that employees contribute an additional 5% into their pensions in order to reduce the burden to the general fund. In addition, State agencies were asked to find and maintain 5% salary savings for Fiscal Year 2010/11.

3. Department of Consumer Affairs (DCA) Updates

- Professionals Achieving Consumer Trust (PACT) – The DCA will be holding another PACT Summit on July 26-30, 2010. The Board will hold its Disciplinary Hearings and Regular Board Meeting on July 28-29, 2010.
- DCA Updates
 - Paul Riches was appointed Deputy Director, Enforcement and Compliance, effective November 17, 2009.
 - Bill Young was appointed Chief Deputy Director of the DCA effective November 23, 2009.
 - Kimberly Kirchmeyer was appointed Deputy Director, Board and Bureau Relations, effective November 24, 2009.

4. Education Program Update

	VN Program	PT Program	Totals
#Accredited Programs	194	15	209
#Approved Programs	15	1	16
<i>Sub Total Programs:</i>	209	16	225
#Proposed Programs	99	8	107
Total Accredited Approved Proposed Programs	308	24	332

- Submission of New Proposals and School Materials for Nursing Education Consultant's Review – The Board asks for your cooperation when submitting new proposals and other materials to your consultant. Due to the 100% vacancy rate of consultant staff and the Governor's Executive Order S-13-09 of three furlough days per month, the Board cannot project the length of time to review new proposals. Please work with the supervising nursing education consultant. The Board thanks you for your cooperation and understanding.

5. Examination Update

- Examination Development – On January 26, 2010, the Board and the Office of Professional Examination Services (OPES) convened the 2010 Psychiatric Technician Item Development Conference. The overall purpose of the conference was the development of quality examination items consistent with the needs of the item bank and occupational analysis. The conference is the initial step in the development of the Psychiatric Technician Licensure Examination. Subject Matter Experts included psychiatric technicians and registered nurses employed in the education and practice arenas.
- Examination Statistics

Current Fiscal Year to Date (7/1/09 to 9/28/09)	VN Program	PT Program
Average Annual Pass Rate for First-Time Graduates	75%	83%
Overall Pass Rate	56%	64%
Total # of First-Time Graduates Tested:	4,166	301

6. Liaison Activities

- Western Career College Graduation – On October 3, 2009, John Vertido, Board President, was the commencement speaker at this graduation.
- California Vocational Nurse Educators Fall Conference – On October 16-17, 2009, John Vertido, Board President, was a keynote speaker and provided an update of the Board's Administrative, Licensing, Education and Enforcement Divisions.

7. Other Important Issues

- Customer Service Surveys – The BVNPT distributes a "Customer Service Survey" to solicit feedback regarding how the BVNPT is accomplishing its mission and goals. The information is used to develop the BVNPT's Strategic Plan and is included in the BVNPT's Sunset Review Reports. Please complete the survey form and leave it on the table at the back of the room. The BVNPT is very interested in obtaining any recommendations you can make regarding improving effectiveness.

(2/1/10)

Agenda Item # 6.



STATE AND CONSUMER SERVICES AGENCY • ARNOLD SCHWARZENEGGER, GOVERNOR
BOARD OF VOCATIONAL NURSING & PSYCHIATRIC TECHNICIANS
 2535 Capitol Oaks Drive, Suite 205, Sacramento, CA 95833-2945
 Phone (916) 263-7800 Fax (916) 263-7859 Web www.bvnpt.ca.gov



Executive Officer's Report 9/1/10

1. Board Member Update

- Vacant Positions – There are currently four vacant board member positions – one (1) LVN and three (3) public members. Anyone interested in serving on the BVNPT should contact the Governor's Appointment Secretary or go to the Governor's website.

2. Budget Update

- State Hiring Freeze – On August 31, 2010, Governor Schwarzenegger directed all state agencies to cease hiring effective immediately, no exception. The hiring freeze applies to regular/ongoing positions, temporary help, board appointments, pending hiring commitments and any new positions, or budget change proposal positions approved for FY 2010/11. In addition, there is a freeze on all overtime.
- Furlough Fridays – On August 9, 2010, the Governor issued Executive Order S-12-10 which requires state agencies to close their offices on the 2nd, 3rd, and 4th Fridays every month until the budget is signed.
- Enforcement Division Budget Change Proposal (BCP) – The Board received approval to hire 13.5 staff (i.e., 10 investigators, 2 managers and 3.5 limited term analysts) to implement the DCA's Consumer Protection Enforcement Initiative (CPEI). Due to the state hiring freeze, these positions cannot be filled.
- Information Technology BCP – The DCA received approval to implement the BreEZe automation system that will provide all of DCA's boards/bureaus with an integrated licensing and enforcement information technology solution that will replace DCA's current, outdated legacy systems.
- Licensing Division BCP – The Board received approval to hire 4.0 additional staff to address the increased workload in the Licensing Division. Due to the state hiring freeze, these positions cannot be filled.

3. Education Division Update

	VN Program	PT Program	Totals
# Accredited Programs	203	15	219
# Approved Programs	3	1	4
<i>Total Programs:</i>	206	16	222
# Proposed Programs Pending	107	9	116
Total Accredited, Approved, and Proposed	313	25	338

- Director Forums – The Education Division will be conducting Director Forums on September 15, 2010 in Los Angeles and on September 23, 2010 in Sacramento.
- Submission of New Proposals and School Materials for Nursing Education Consultant's Review – The Board asks for your cooperation when submitting new proposals and other materials to your consultant. Please work with your consultant to establish mutually acceptable deadlines. Due to the present shortage of consultant staff, the Board now projects that new proposals may take at least twelve (12) months or longer for review, depending on the quality and completeness of the proposal. The Board thanks you for your understanding.

4. Enforcement Division Update

- Disciplinary Hearings – Hearings were conducted on July 28, 2010 in Sacramento.

5. Licensing Division Update

- Examination Statistics – Current Fiscal Year to Date (07/01/10 – 08/31/10)

	VN Program	PT Program
Average Annual Pass Rate for First-Time Graduates	74%	81%
Overall Pass Rate	56%	64%
Total # of First-Time Graduates Tested Fiscal Year to Date	1,268	114
Total # of Candidates Tested Fiscal Year to Date	2,077	169

6. Liaison Activities

- Summit Career College Graduation Ceremony – On June 24, 2010, the Board Vice-President Todd D'Braunstein was the keynote speaker at the graduation ceremony.
- Healthcare Workforce Clearinghouse Project – On July 7, 2010, the Assistant Executive Officer Marina Okimoto, Supervising Nursing Education Consultant Cheryl Anderson, and AISA Shawn Nibbelink met with representatives from the Office of Statewide Health Planning and Development regarding the Healthcare Workforce Clearinghouse Project.
- Assembly Bill 950 Hearing – On July 22, 2010, the Board President John Vertido and Executive Officer Teresa Bello-Jones were asked to provide testimony regarding Assembly Bill 950, which created a licensure requirement for hospice facilities. Specifically, they were to address the scope of practice questions regarding LVNs.
- DCA Board Member Training – On July 27, 2010, Board President John Vertido and Executive Officer Teresa Bello-Jones attended the DCA-sponsored Board Member and Advisory Committee Training: Improving Enforcement and Board Governance. Issues discussed included Board Member Governance and Its Role in Improving Enforcement, Defining Expectations and Roles for Board Members and Executive Officers, Future Focus on Establishing Continuing Competency Requirements, Defining Expectations and Roles for DCA Executives/Administrators, and Best Practices for Public Meetings.

7. Fee Regulations

- Fee Regulations – The Office of Administrative Law approved the Board's fee regulations, which will become effective October 1, 2010. The new fees will be:

<u>Vocational Nursing Fee Categories</u>	<u>Old Fee</u>	<u>Effective 10/1/10</u>
Examination Applications	\$75.00	\$150.00
Re-Examination Applications	\$75.00	\$150.00
Fee for dishonored check or money order	\$10.00	\$25.00

<u>Psychiatric Technician Fee Categories</u>	<u>Old Fee</u>	<u>Effective 10/1/10</u>
Examination Applications	\$100.00	\$150.00
Re-Examination Applications	\$100.00	\$150.00
Fee for dishonored check or money order	\$10.00	\$25.00

8. Statutory Fee Range

- Statutory Fee Range Change Proposal – The Board is still seeking an author for the statutory fee range change proposal. The Board is working with the DCA and the Senate Business, Professions and Economic Development Committee to ensure the PT Program's fiscal solvency.

9. Other Important Issues

- Customer Service Surveys – The BVNPT distributes a "Customer Service Survey" to solicit feedback regarding how the Board is accomplishing its mission and goals. The information is used to develop the Board's Strategic Plan and is included in the Sunset Review Reports. Please complete the survey for and leave it on the sign-in table at the back of the room. We are very interested in obtaining any recommendations you can make regarding improving effectiveness.

(9/1/10)

Jim Harrison

From: Jeff Alameida [Jeff.Alameida@dca.ca.gov]
Sent: Tuesday, September 21, 2010 8:18 AM
To: 'Jim Harrison'
Cc: nng@cba.ca.gov1
Subject: RE: Favor

Hey Nick and Jim,

I received responses from both BRN and BVNPT regarding financial information at Board Meetings.

BRN reported providing a narrative report showing all revenues and expenditures at every Board Meeting. I requested a sample of their report and have yet to hear back.

BVNPT reported the following: *"Our Board Members are given budget details, including revenues and expenditures, at least annually during the first Board Meeting of each calendar year. Thereafter, budget information is provided to them as needed whenever there are significant issues impacting our budget and/or there is a need for fee changes. The format and detail of the reports to the Board Members vary depending on the situation. They are not "standard" reports that I could provide a sample of."*

Sincerely,

Jeff Alameida

Department of Consumer Affairs

Budget Office

Phone #: (916) 574-7171

Fax #: (916) 574-8660

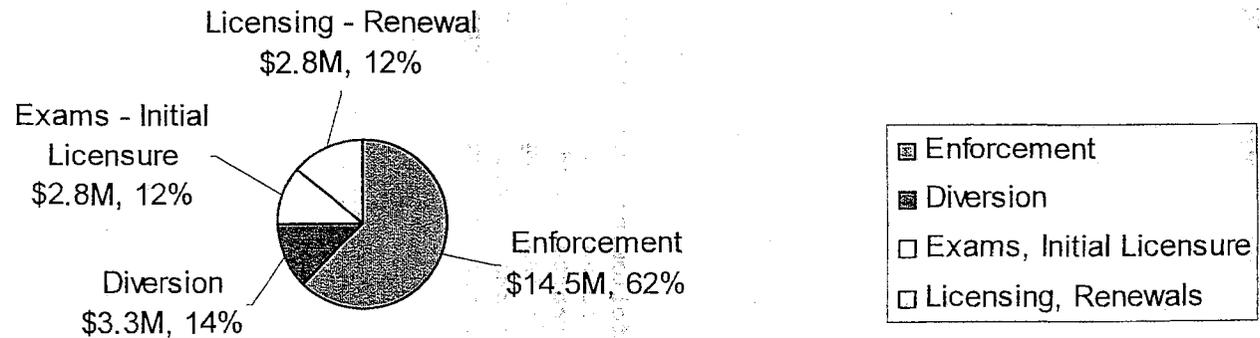
Jeff_Alameida@dca.ca.gov

-----Original Message-----

From: Jim Harrison [mailto:jharrison@cba.ca.gov]
Sent: Monday, September 20, 2010 2:02 PM
To: Jeff Alameida
Cc: nng@cba.ca.gov1
Subject: RE: Favor

BUDGET BASICS

Expenditures by Program Component (\$\$ in Millions)



BUDGET BASICS

Important Budget Deadlines & Timeframes

- ❑ Out-of-State (OST) Travel Blanket for FY 09-10 → DCA Budgets (mid - March 2009)
- ❑ BCP Concept Papers for FY 10-11 → DCA Budgets (mid – April 2009)
- ❑ OST for FY 09-10 → Finance (early May 2009)
- ❑ BCPs for FY 10-11 → To DCA Budgets (early June 2009)
- ❑ Budget Schedules (various) for FYs 09-10 and 10-11 → To DCA Budgets (early August)
- ❑ BCPs for FY 10-11 → To Agency (early August 2009)
- ❑ BCPs for FY 10-11 → To Finance (mid – September 2009)
- ❑ Revised BCPs for FY 10-11 → Reflects Finance decisions (Oct – Nov 2009)
- ❑ Release of Governor's Proposed FY 10-11 Budget → To Legislature (Jan 10th)
- ❑ Budget Hearings on Gov's Proposed FY 10-11 Budget → Assembly/Senate Subcommittees (March – May 2010)
- ❑ Approval of FY 10-11 Budget → Statutory Deadline for Legislative Approval (June 15th)

REVENUE

ATTACHMENT 11

Revenue Category	Projected		
	2007/08	2008/09	2009/10
Application (CA)	\$225,064	\$233,800	\$250,000
Application (Foreign)	\$0	\$400	\$250
Application (O-O-S)	\$46,800	\$37,800	\$40,000
Initial License	\$112,194	\$117,009	\$123,250
Renewal	\$1,793,667	\$1,797,985	\$1,828,500
Delinquent Fees	\$45,480	\$40,941	\$47,150
Endorsement	\$30,735	\$26,390	\$28,125
Duplicate License	\$2,825	\$2,500	\$2,875
Cite and Fine	\$31,061	\$30,121	\$32,250
Miscellaneous	\$28,255	\$22,364	\$25,190
Total Revenue	\$2,316,081	\$2,309,310	\$2,377,590

Projected Workload	Current Fees 2008/09
1,250	\$200
1	\$250
200	\$200
1,425	var
7,950	\$230
190	\$230 / \$460
375	\$75
115	\$25
var	var
var	var

EXPENDITURES

Expenditure Items	Projected		
	2007/08	2008/09	2009/10
Salary & Benefits	\$1,224,215	\$1,181,571	\$1,193,000
Training	\$2,960	\$1,448	\$2,000
Travel	\$27,160	\$24,632	\$32,000
Printing	\$46,495	\$48,352	\$75,000
Postage	\$42,307	\$29,258	\$50,000
Equipment	\$47,150	\$3,029	\$12,000
ProRata ¹	\$398,365	\$397,263	\$422,296
Fingerprints	\$10,100	\$8,090	\$8,000
All Other Fixed Expenses ²	\$371,803	\$196,675	\$224,100
Investigations	\$16,016	\$4,391	\$10,273
Attorney General	\$306,154	\$329,078	\$375,000
Office of Admin Hearings	\$64,757	\$48,879	\$75,000
Court Reporter Services	\$6,095	\$4,071	\$7,500
Evidence and Witness	\$16,318	\$39,130	\$50,000
Total Expenditures	\$2,679,895	\$2,315,867	\$2,538,169

Actual Exp. thru 09/30/09	Budgeted 2009/10
\$260,896	\$1,253,040
\$12	\$20,007
\$991	\$41,753
\$590	\$41,342
\$7,234	\$44,779
\$0	\$12,000
\$20,609	\$422,296
\$459	\$65,000
\$31,686	\$434,170
\$0	\$10,273
\$129,448	\$462,214
\$30,069	\$137,082
\$691	\$0
\$9,589	\$32,050
\$492,274	\$2,976,006

¹ ProRata includes departmental and central administrative services.

² All Other Fixed Expenses include general expenses, communications, facility operations, data processing maintenance, consultant and professional services, examinations and Teale Data Center.

FUND CONDITION

	2008/09	2009/10*	2010/11*	2011/12*
Beginning Reserve, July 1	\$1,487,080	\$1,789,093	\$1,834,296	\$1,304,866
Prior Year Adjustments	\$110,000			
Revenues	\$2,309,310	\$2,377,590	\$2,409,890	\$2,409,890
Interest	\$40,258	\$35,782	\$36,686	\$26,097
TOTAL RESOURCES	\$3,946,648	\$4,202,465	\$4,280,872	\$3,740,853
Budget Expenditure	\$2,315,867	\$2,536,169	\$2,976,006	\$2,976,006
State Controller Operations	\$2,000			
Reimbursements	(\$160,312)	(\$168,000)		
TOTAL EXPENDITURES	\$2,157,555	\$2,368,169	\$2,976,006	\$2,976,006
RESERVE, JUNE 30	\$1,789,093	\$1,834,296	\$1,304,866	\$764,847

* Projected

Ms. Herold highlighted California's current deficit and the impact it has had on the board.

No public comment was provided.

2. Fund Condition Report

Ms. Herold provided that according to a fund condition report prepared by the department, the board will have the following fund conditions at the end of the identified fiscal years:

2008/09	\$11,001,000	13.5 months in reserve (actual)
2009/10	\$11,744,000	10.4 months in reserve
2010/11	\$ 9,312,000	8.1 months in reserve
2011/12	\$ 6,619,000	5.6 months in reserve
2012/13	\$ 3,500,000	2.9 months in reserve

No public comment was provided.

3. Budget Change Proposals for the 2010/11 Budget

Ms. Herold provided that on January 8, 2010, the Governor released his proposed budget for 2010-11. She stated that if enacted as proposed, the board would gain two licensing technicians to address the significant growth we have experienced in applications over the past several years.

Ms. Herold provided that also included in this budget is an augmentation to implement the Consumer Protection Enforcement Initiative. She stated that in the case of this board, this is 22.5 enforcement positions to review and investigate complaints. Ms. Herold discussed that the loss of SB 1111 may impact these positions.

Ms. Herold provided that the board will also be subject to a 5 percent reduction in personnel expenditures that is being assessed on all state agencies. She stated that to comply with this reduction, the board will:

- Leave positions vacant for 4-5 months to generate salary savings
- Where possible, reallocate vacant positions to lower classifications
- Reduce the board's temporary spending and expenditures

Ms. Herold requested that the board consider deferring paying board members their per diem (not reimbursement for expenses) until the end of the year to ensure the board has sufficient funding.

Hi Jim,

I don't usually provide alot of information to my EO/AEO for the board meetings. Since I work so closely with them both on the regular budget details, they are in the loop of what is going on. If they ask me for stuff, it is usually graphs to show expenditures, income and breakdowns from prior FY's or from the current FY. As you can see, from the attached link (starting on page 6), I will do comparative graphs.

http://www.pharmacy.ca.gov/meetings/agendas/09_oct_bd_org.pdf You can also find this information on our website, www.pharmacy.ca.gov, under About the Board, select a board meeting minutes to see what was provided.

I have also provided them with the current projection amounts to show where we were and where are will be.

I hope that helps.

Juanita Balinski
Business Services Analyst
Board of Pharmacy
1625 N Market Blvd, N-219
Sacramento, CA 95834
(916)574-7918
(916)574-8618 Fax



California State Board of Pharmacy
1625 N. Market Blvd, Suite N 219, Sacramento, CA 95834
Phone (916) 574-7900
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www.pharmacy.ca.gov

STATE AND CONSUMERS AFFAIRS AGENCY
DEPARTMENT OF CONSUMER AFFAIRS
ARNOLD SCHWARZENEGGER, GOVERNOR

ORGANIZATIONAL DEVELOPMENT COMMITTEE

Ken Schell, PharmD, Chairperson, Board President
Randy Kajjoka, PharmD, Board Vice-President

The Organizational Development Committee has not met in the last quarter. Below is an update of items within the purview of the Organizational Development Committee.

A. FOR INFORMATION: Budget Report

1. Governor's Executive Order to Furlough State Employees

During the last board meeting, board members were advised that because of the worsening condition of the state's economy and the state's budget continue at the forefront of legislative and executive branch activity. A number of reductions were initiated or proposed by the Governor affecting state agencies. Meanwhile the Legislature and Governor debated necessary cuts and perhaps taxes to resolve the more than \$25 billion shortfall in the 2009-10 budget.

Beginning February all board staff were furloughed two days per month. In July, the board's staff was furloughed one additional day each month, through June 2010. The Governor also directed that state agencies close the first three Fridays per month. Our Web site has been modified to contain a message about these closures. This is effectively just short of a 15 percent reduction in staffing and a corresponding reduction in salary. State agencies have been directed not to replace furloughed hours with overtime work.

A byproduct of the furloughs is an increase in our timelines to review applications, issue licenses, investigate complaints and discipline licenses. Our key business processes will be left intact and the focus of our activities will remain doing the most important activities first.

2. Final Budget Report for 2008/09

Attachment 1

Attachment 1 displays various graphs depicting actual board revenue and expenditures for 2008-09.

In 2008/09 the board collected over \$10 million in revenue, primarily from license fees and fines and had over \$9 million in expenditure.

3. Budget Report and Constraints for 2009-10

Attachment 2

In June, the Governor directed that as of March 1, 2009 (this was a retroactive directive), all state agencies were not to enter into new contracts or purchase items. Orders for any items purchased after March 1, if not yet received, were to be cancelled. Contracts entered into after March 1, 2009 were to be cancelled unless a waiver from the Administration (through the Department of Consumer Affairs, State and Consumer Services Agency, and the Department of Finance) was granted. The board was successful in obtaining a few waivers.

The Governor also directed that no new purchases or contracts could be executed until a 15% spending reduction plan is in place. Board staff submitted a reduction plan that was approved which allowed us to resume purchasing supplies and securing vendors for contracts. With such a significant reduction in operating expensing, board staff are adapting to new ways of processing information and organizationally we are looking into cost saving measures.

The new fiscal year started July 1, 2009. The board received a budget augmentation of \$650,000 this year to establish 6.5 new positions to review and investigate criminal convictions of board licensees – a unit necessary due to the exponential increase in the number of criminal conviction reports the board has received in recent years (from about 300 to nearly 3,000 annually). The augmentation also includes enforcement expenses for anticipated added enforcement actions.

For 2009-10, estimated budget figures (including the 15% reduction) are:

- Revenue: \$8,729,225
- Expenditures: \$9,822,157

Attachment 2 displays various graphs depicting projected board revenues and expenditures for 2009/10. Also included is an expenditure comparison highlighting areas of reduction.

4. Fund Condition

Attachment 3

According to a fund condition report prepared by the department (**Attachment 3**): the board will have the following fund conditions at the end of the identified fiscal years:

2008/09	\$11,003,000	13.8 months in reserve (actual)
2009/10	\$10,160,000	11.2 months in reserve
2010/11	\$9,228,000	10.0 months in reserve
2011/12	\$8,056,000	8.6 months in reserve

The fund conditions represented above include the new fees (at their statutory minimums) as included in AB 1071(Chapter 270, Statutes of 2009).

5. Reimbursement to Board Members

Attachment 4

Expenses and per diem payments to board members are provided in **Attachment 4**. These are hours and expenses claimed by board members during the indicated periods. Board members are paid for each day of a board meeting, but in accordance with board policy, may also submit hours for work performed doing additional board business.

6. Board Meeting Dates for 2010

Future board meeting dates for 2010 are:

- January 20-21: Sacramento
- April 21-22: Loma Linda
- July 28-29: San Francisco
- October 20-21: San Diego

The department will host its second Professionals Achieving Consumer Trust Summit on July 27, 2010 in Sacramento. This is a new date and location. This summit will follow the November 2008 Summit held in Los Angeles, where the boards and bureaus of the department host joint meetings and attend communal meetings on items of interest and will focus on "Going Green", Licensee Manpower Issues and Enforcement Enhancements.

7. BreEZe (I-Licensing) Update

The Department of Consumer Affairs has been working for a number of years to replace and/or enhance the legacy licensing systems. A few years ago, the department initiated an I-Licensing project which would offer online application and renewal of licenses (a much needed relief from mail-in renewals). A feasibility study report was approved by the Department of Finance several years ago, and the board is in the first tier of new agencies that may be able to offer this service in the future.

Costs to the board to implement this type of program remain about the same, but because the project has been delayed, the expenses have been spread over additional years. The board spent \$50,000 in 2006/07 on programming specifications needed for its programs. In the next three years, we estimate spending \$342,000 as our share of costs to implement this system department-wide.

The board is about 2 years away from implementing an I-Licensing according to current estimates and timelines. The department hopes to award the contract for the system this year and is looking for an interim solution to allow for credit card payments.

This priority project for the board means additional delays before the board can achieve on-line renewals of licenses. The executive officer has been an executive sponsor of this project, and periodic meetings have just been resumed due to staff changes in the Office of Information Services.

B. FOR DISCUSSION: Recognition Program of Pharmacists Who Have Been Licensed 50 Years in California

Since July 2005, the board has acknowledged 895 pharmacists with 50 or more years of licensure as pharmacists in California. Seventy-seven pharmacists reached this milestone between May and July 31, 2009. Each was sent a certificate and invited to a future board meeting for public recognition.

C. FOR INFORMATION: Personnel Update

1. Board Member Changes

Attachment 5

There are currently nine board members, and four board member vacancies. The vacant positions are Governor appointments of one public member and three pharmacist members.

In June, Board President Schell made board member appointments to committees. A copy of this list is provided in **Attachment 5**.

2. Staff Changes

The board is currently recruiting for a second licensing manager. Below are our changes in our staff roster:

- Richard Hultgren was hired as a second receptionist.
- Laura Hendricks and Katrina Small were hired as student assistants to provide support to the licensing and enforcement unit.
- Athena Grace and Lisa Chavez were hired as seasonal part-time employees to help with filing.

Once a year, the board evaluates its executive officer. President Schell has directed that this evaluation process be initiated. There is a form for this that will be sent to each board member in several weeks. Each member will have the opportunity to provide comments regarding the performance of the executive officer within the last year, and send these to President Schell. President Schell will prepare the final evaluation form, which will be provided to the executive officer in closed session at the next board meeting.

D. FOR INFORMATION: First Quarterly Report on the Committee's Goals for 2009/10

Attachment 6

The first quarterly report on the Organizational Development Committee's goals is provided at the back of the tab session in **Attachment 6**.

Attachment 1

Final Budget Report for 2008/09

FY 2008/2009
Origin of Revenue
\$10,178,871

License Fees,
8,650,322, 86%

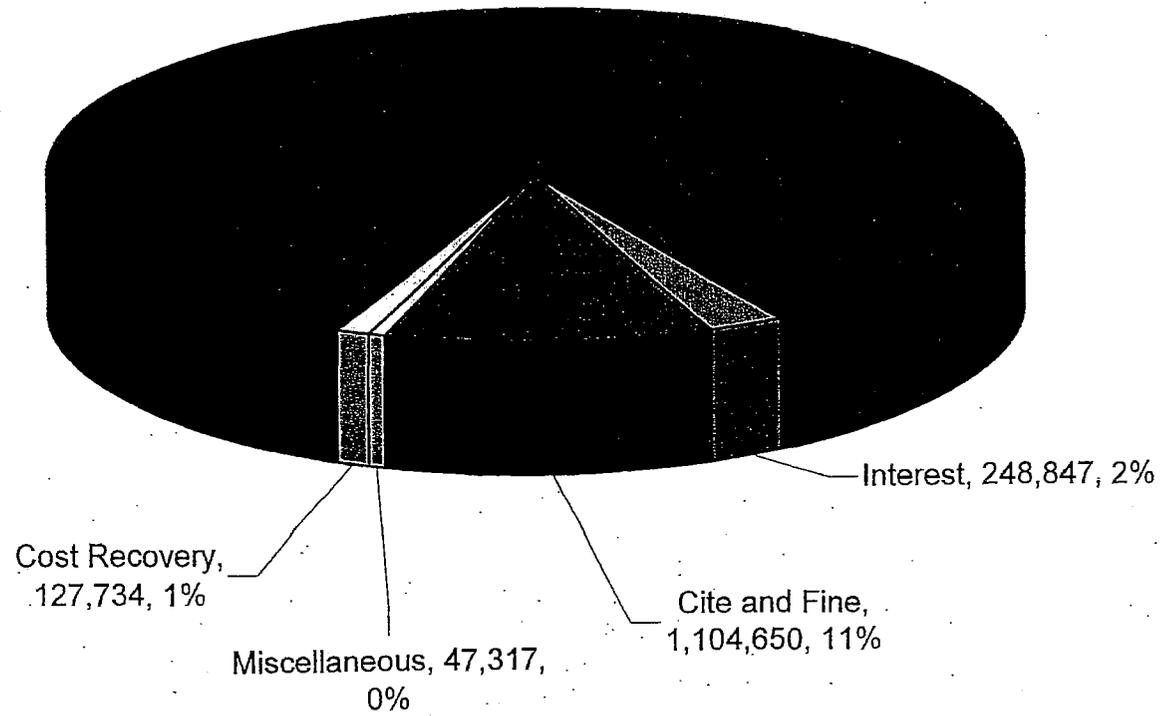
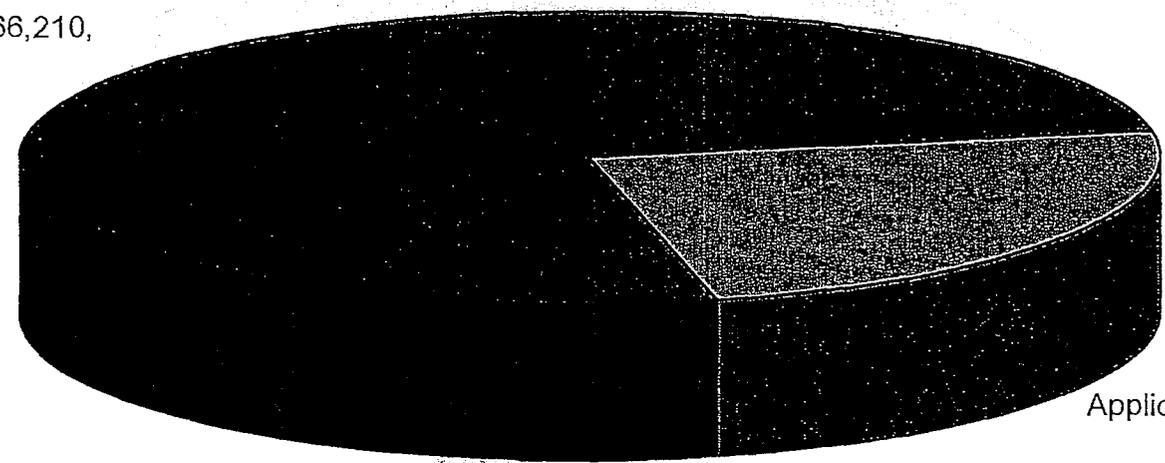


Chart 2
FY 2008/2009
Application vs Renewal Fees Collected
\$8,650,322

Renewals, 6,566,210,
76%



Applications, 2,084,112,
24%

Chart 3
FY 2008/2009
Revenue by Program
\$8,917,026

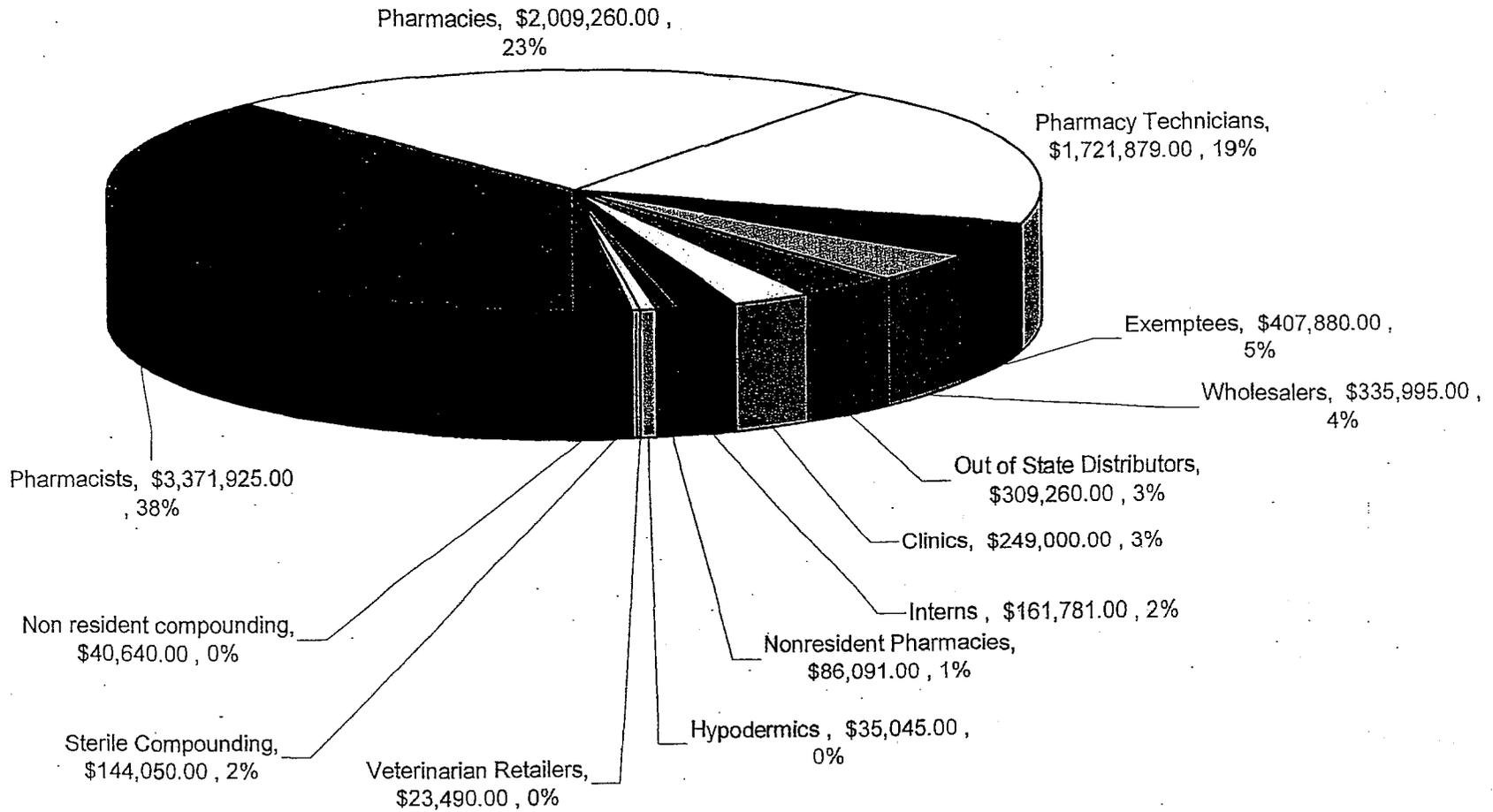
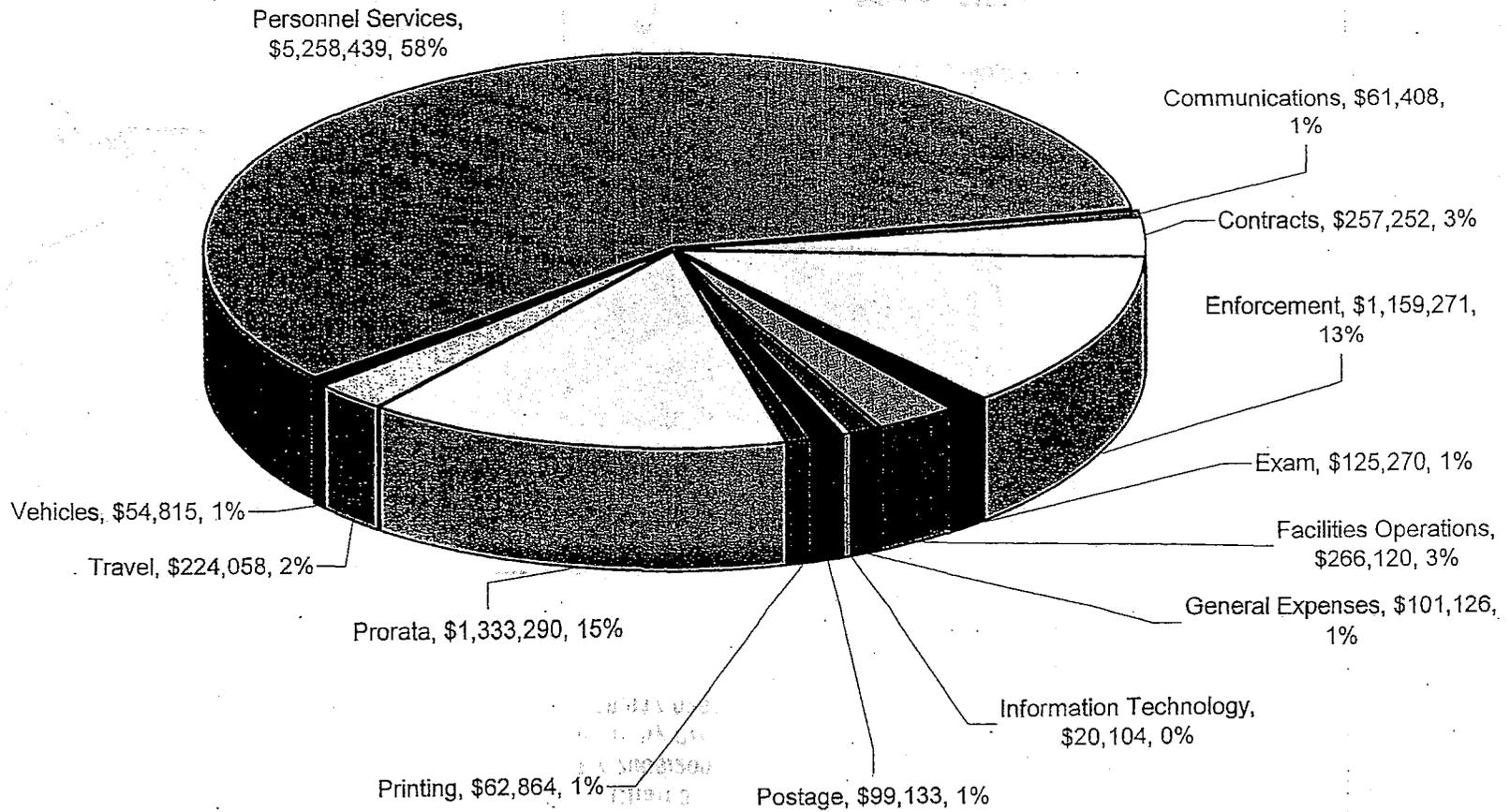


Chart 4
FY 2008/2009
Expenditures
\$9,023,150

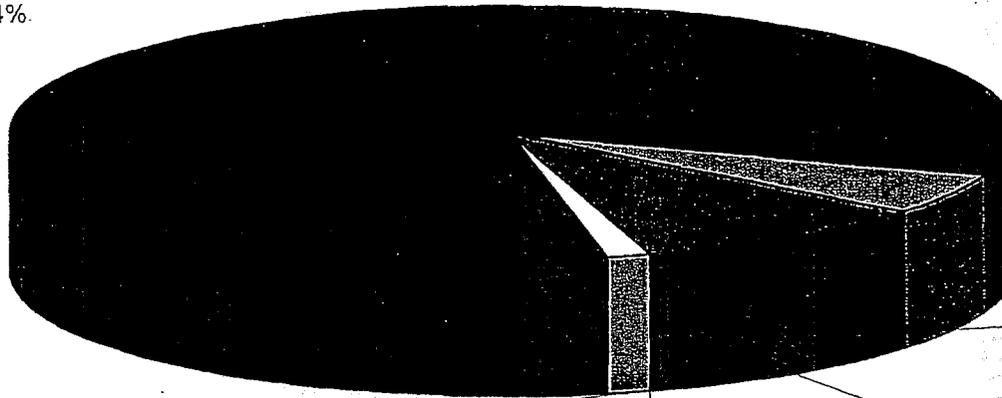


Attachment 2

2009-10 Graphic Displays of Board Revenue and Expenditures

Chart 1
FY 2009/2010
Projected with fee increase
Origin of Revenue
\$8,729,225.21

License Fees, \$7,290,938.00
84%



Interest, \$460,010.67, 5%

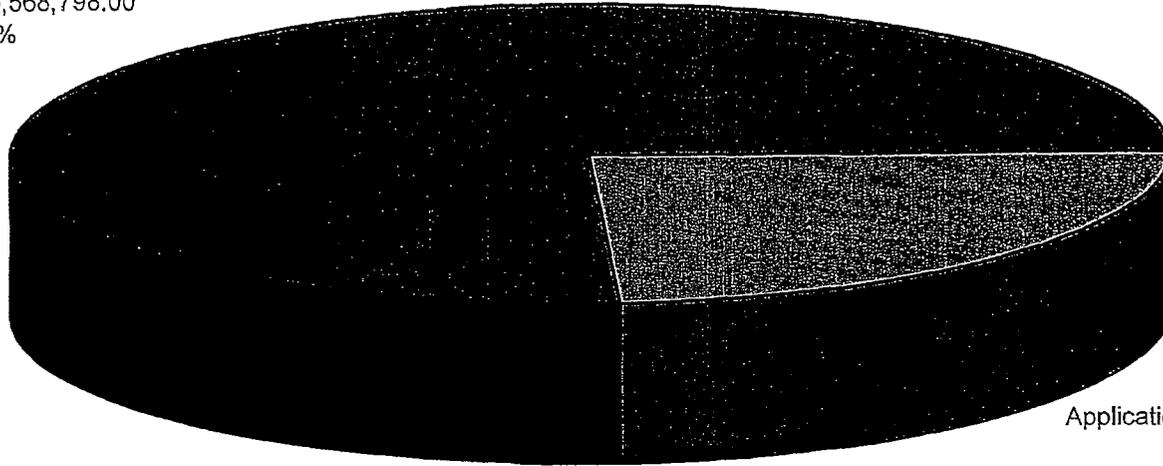
Cite and Fine, \$842,945.00
10%

Cost Recovery, \$124,331.54
1%

Miscellaneous, \$11,000.00
0%

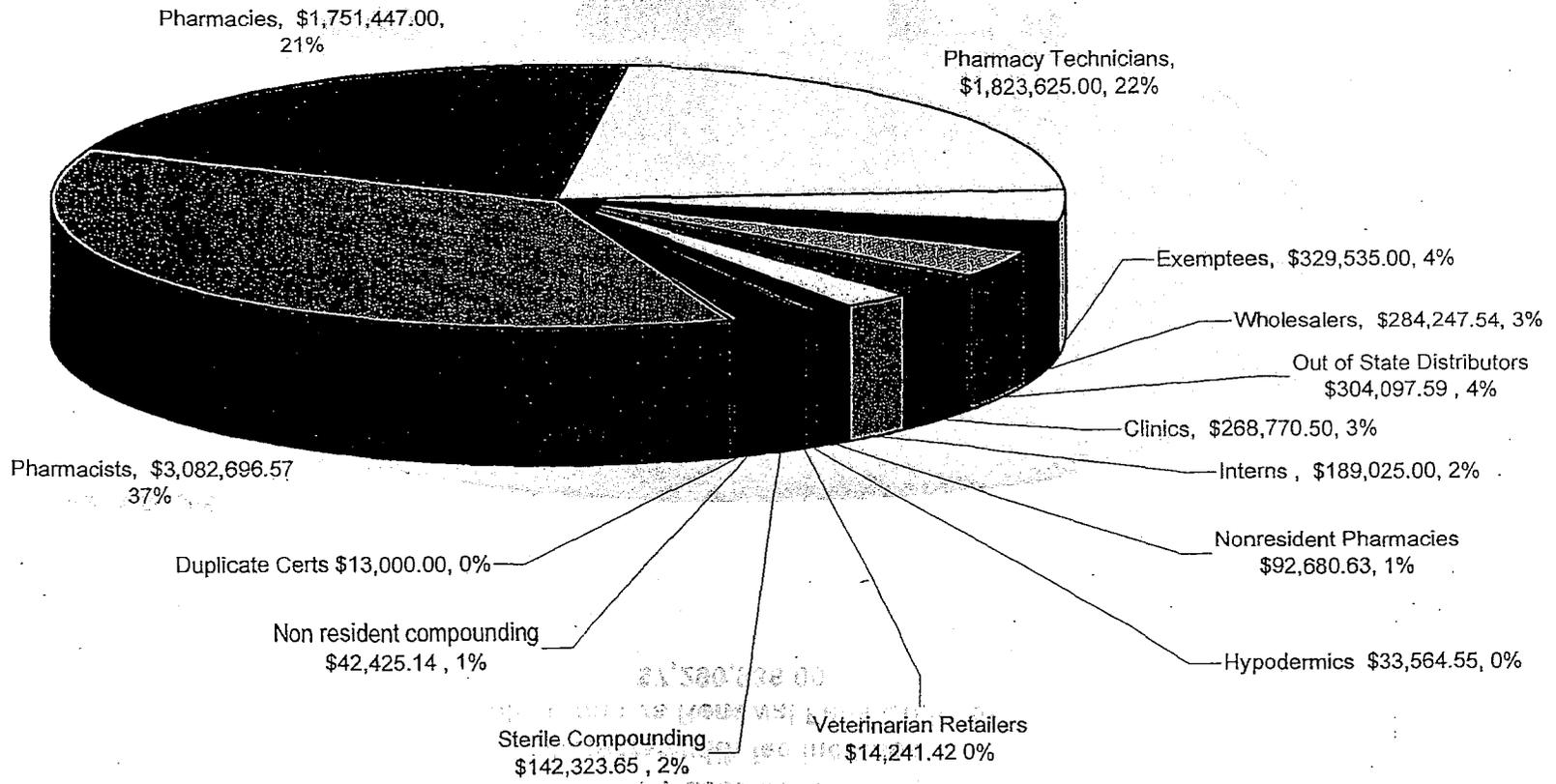
Chart2
FY 2009/2010
Projected with fee increase
Applications vs Renewal Fees Collected
\$7,290,938.00

Renewals, \$5,568,798.00
76%



Applications, \$1,776,890.00
24%

Chart 3
 FY 2009/2010
 Projected Revenue by Program
 with fee increase
 \$8,371,679.59



FY 09/10
Expenditures
Projected Budget
\$10,748,708.00

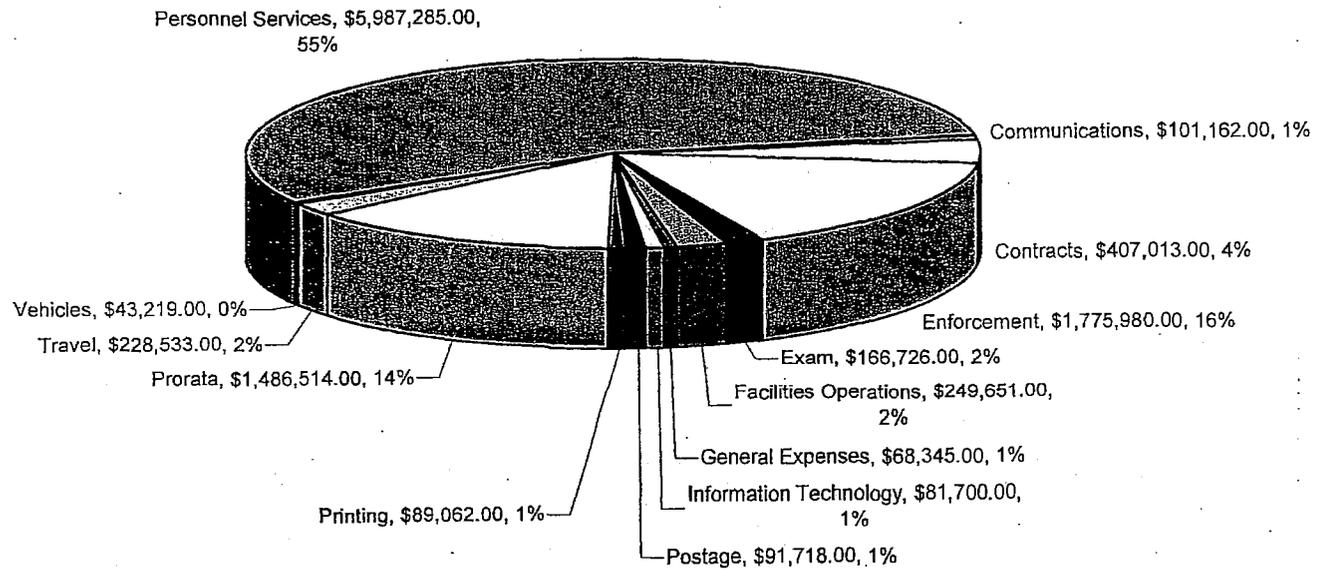
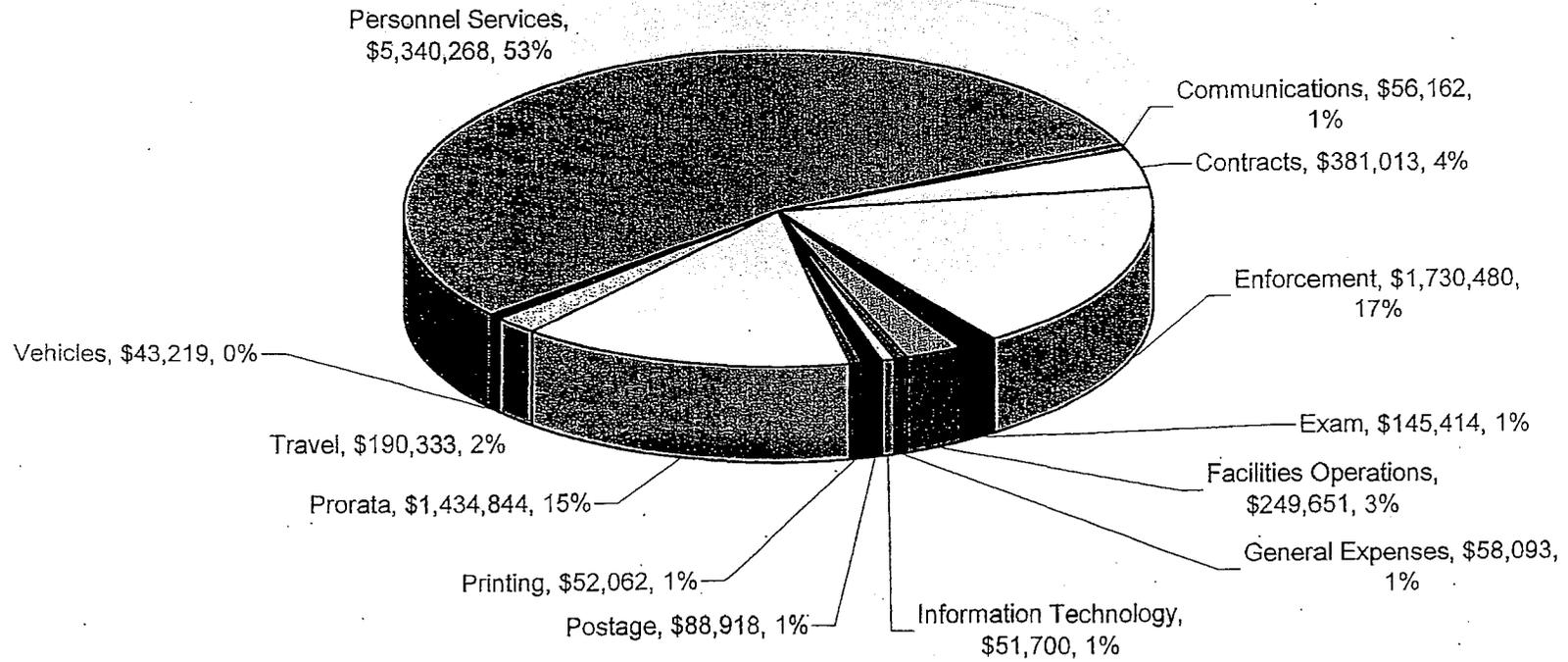
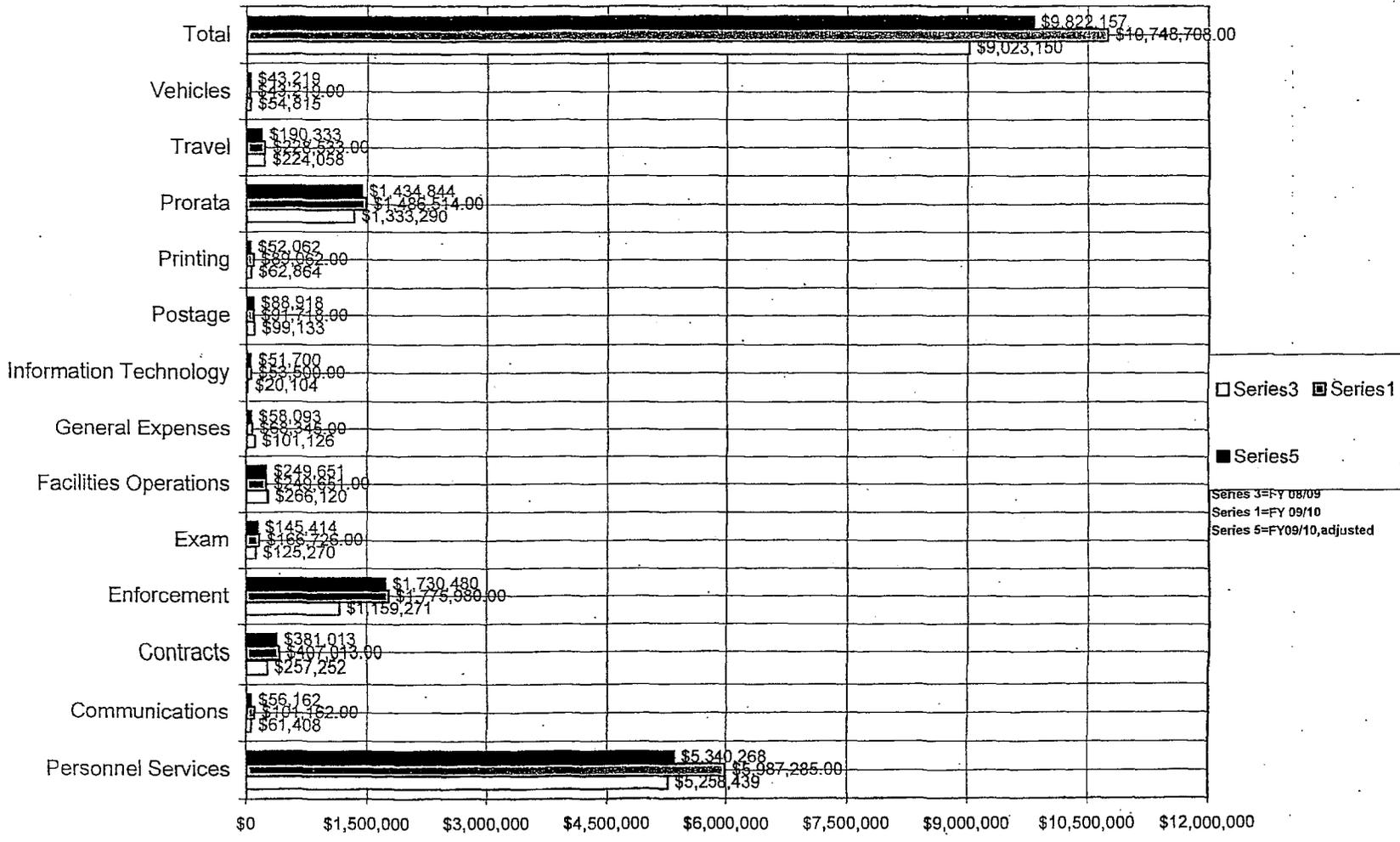


Chart 4
FY 2009/2010
Adjusted
Expenditures
\$9,822,157

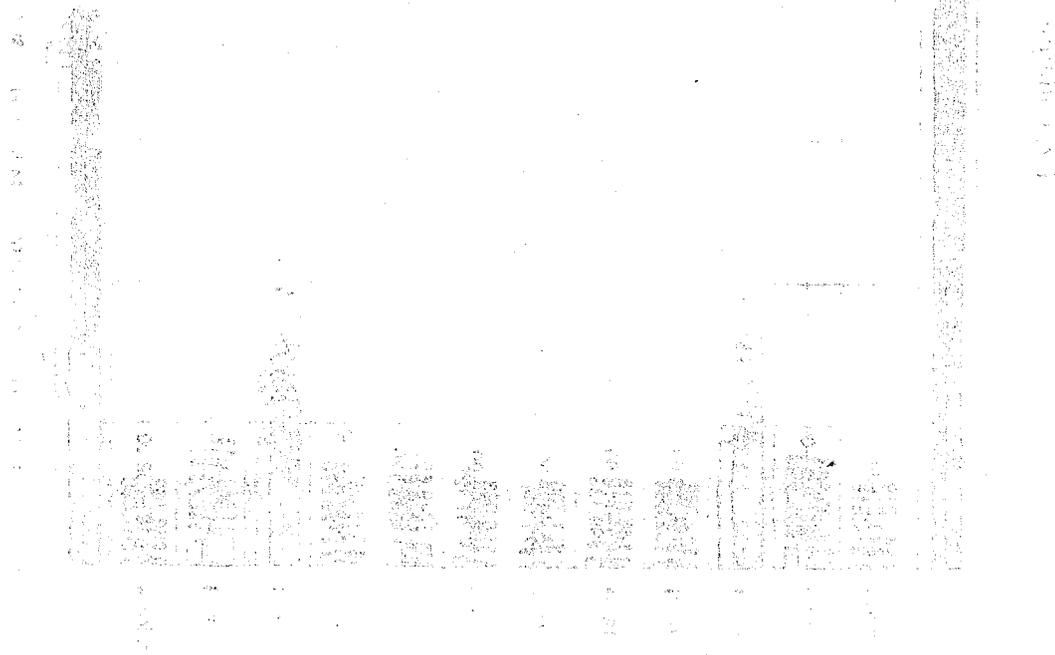


Expenditure Comparison



Attachment 3

Fund Condition Report



0767 - State Board of Pharmacy
Analysis of Fund Condition

(Dollars In Thousands)

Fee Increase (Low Scenario)
 Prepared 3-17-09

	CURRENT		2010-11	2011-12	2012-13	2013-14
	ACTUAL 2008-09	YEAR 2009-10				
BEGINNING BALANCE	\$ 10,884	\$ 11,003	\$ 10,160	\$ 9,228	\$ 8,056	\$ 6,634
Prior Year Adjustment	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 10,932	\$ 11,003	\$ 10,160	\$ 9,228	\$ 8,056	\$ 6,634
REVENUES AND TRANSFERS						
Revenues:						
125600 Other regulatory fees	\$ 1,175	\$ 1,175	\$ 1,175	\$ 1,175	\$ 1,175	\$ 1,175
125700 Other regulatory licenses and permits	\$ 2,084	\$ 1,530	\$ 1,530	\$ 1,530	\$ 1,530	\$ 1,530
125800 Renewal fees	\$ 6,460	\$ 5,899	\$ 5,899	\$ 5,899	\$ 5,899	\$ 5,899
125900 Delinquent fees	\$ 106	\$ 147	\$ 147	\$ 147	\$ 147	\$ 147
FEE INCREASE REVENUE (LOW)			\$ 1,171	\$ 1,171	\$ 1,171	\$ 1,171
131700 Misc. revenue from local agencies	\$ 12	\$ 12	\$ 12	\$ 12	\$ 12	\$ 12
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
150300 Income from surplus money investments	\$ 249	\$ 228	\$ 181	\$ 158	\$ 130	\$ 97
150500 Interest Income From Interfund Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
160400 Sale of fixed assets	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
161000 Escheat of unclaimed checks and warrants	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8	\$ 8
161400 Miscellaneous revenues	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3
Totals, Revenues	\$ 8,915	\$ 8,805	\$ 9,929	\$ 9,906	\$ 9,878	\$ 9,845
Transfers from Other Funds						
F00001 GF loan per Item 1490-011-0767, BA of 2002						
F00883 Teale Data Center (CS 15.00, Bud Act of 2005)						
General Fund Loan Repayment		\$ 1,000				
Transfers to Other Funds						
T00001 GF loan per Item 1490-011-0767, BA of 2002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
GF LOAN	\$ (1,000)					
Totals, Revenues and Transfers	\$ 9,100	\$ 9,805	\$ 9,929	\$ 9,906	\$ 9,878	\$ 9,845
Totals, Resources	\$ 20,032	\$ 20,808	\$ 20,089	\$ 19,134	\$ 17,934	\$ 16,479
EXPENDITURES						
Disbursements:						
0840 State Controller (State Operations)	\$ 2	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 9,027	\$ 10,648	\$ 10,861	\$ 11,078	\$ 11,300	\$ 11,526
9870 Equily Claims / Board of Control (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements	\$ 9,029	\$ 10,648	\$ 10,861	\$ 11,078	\$ 11,300	\$ 11,526
FUND BALANCE						
Reserve for economic uncertainties	\$ 11,003	\$ 10,160	\$ 9,228	\$ 8,056	\$ 6,634	\$ 4,953
Months in Reserve	12.4	11.2	10.0	8.6	6.9	5.1

NOTES:

- A. ASSUMES WORKLOAD AND REVENUE PROJECTIONS ARE REALIZED FOR 2010-11 AND ON-GOING.
- B. ASSUMES INTEREST RATE AT 2%.
- C. ASSUMES APPROPRIATION GROWTH OF 2% PER YEAR.
- D. ASSUMES FEE INCREASE EFFECTIVE DATE OF JULY 1, 2010.

Attachment 4

Reimbursement to Board Members

Board Member Reimbursement And Expenses

July 1, 2009 through October 12, 2009

Board Members	Attendance Hours	Travel Expenses
Randy Kajioka	24	\$0.00
Ryan Brooks	0	\$247.83
Gregory Lippe	24	\$636.27
Rosalyn Hackworth	12	\$0.00
Kenneth Schell	30	\$312.00
Robert Swart	16	\$359.60
Stan Weisser	37.25	\$702.46
Shirley Wheat	24	\$0.00
James Burgard	0	\$800.54
Susan Ravnar	0	\$49.50
Stanley Goldenberg	0	\$311.25
Ramón Castellblanch	16	\$0.00

Attachment 5

BOARD OF DIRECTORS OF THE UNIVERSITY OF CALIFORNIA

Board Committee Membership Rosters

2000
2001
2002
2003

Board of Pharmacy Committee
Assignments May 2009

1. Consumer and Public Affairs
 - a. Chair – Ryan Brooks
 - b. Stan Weisser
 - c. Shirley Wheat
 - d. Rob Swart

2. Enforcement Committee
 - a. Chair – Rob Swart
 - b. Randy Kajioka
 - c. Greg Lippe
 - d. Ramón Castellblanch

3. Legislation/Regulation Committee
 - a. Chair – Greg Lippe
 - b. Rob Swart
 - c. Shirley Wheat
 - d. Ryan Brooks
 - e. Stan Weisser

Subcommittee to Evaluate Drug
Distribution within Hospitals

- a. Ken Schell, Chair
- b. Randy Kajioka

4. Licensing Committee
 - a. Chair – Stan Weisser
 - b. Randy Kajioka
 - c. Ramón Castellblanch

5. Organizational Development
 - a. Ken Schell

6. Competency Committee
 - a. Randy Kajioka

7. SB 472 (Prescription Label)
 - a. Rob Swart
 - b. Shirley Wheat
 - c. Ramón Castelblanch
 - d. Bill Powers (ex officio)
 - e. Ken Schell

Attachment 6

First Quarterly Update on the Committee's Goals for 2009/10

ORGANIZATIONAL DEVELOPMENT COMMITTEE

Goal 5: Achieve the board's mission and goals.

Outcome: An effective organization.

Objective 5.1	Obtain 100 percent approval for identified program needs by June 30, 2011.
Measure:	Percentage approved for identified program needs.
Tasks:	<ol style="list-style-type: none"> 1. Review workload and resources to streamline operations, target backlogs and maximize services. <ul style="list-style-type: none"> <i>1st Qtr 08/09: State government without budget and then facing severe deficit triggers layoffs, hiring freezes, contract suspensions that impact board operations</i> <ul style="list-style-type: none"> • <i>Loss of six staff</i> • <i>Suspension of all contracts for two months</i> • <i>Inability to hire for three vacant positions, including two manager positions and three enforcement positions.</i> • <i>Suspend response to all status inquiries in Licensing Unit to focus on application processing.</i> <i>3rd Qtr 08/09: Board undergoes 10 percent reduction in staff salaries and two working days furlough each month, effective February 2009 to reduce state expenses.</i> <i>4th Qtr 08/09: Waivers sought for 2009/2010 contracts to ensure necessary services are available to the board.</i> <i>1st Qtr 09/10: Staff furloughed three days per month through June 2010. Office to be closed three days per month. Workload expenses examined to ensure maximum effectiveness.</i> 2. Develop budget change proposals to secure funding for needed resources. <ul style="list-style-type: none"> <i>1st Qtr 08/09: Board staff prepare legislative Budget Change Proposal to secure one half-time manager position to address workload associated with SB 1441 (Ridley-Thomas) Healing Arts Rehabilitation Program.</i> <i>2nd Qtr 08/09: Budget Change Proposal on SB 1441 denied due to language in bill preventing staff augmentations.</i> <i>Board submits Criminal Convictions Unit proposal for 6.5 staff positions to strengthen and expedite review of arrest and conviction notices involving board applicants and licensees, \$600,000 annually.</i> <i>3rd Qtr 08/09: Criminal Conviction Unit approved and inserted into 2009/2010 Governor's Budget.</i> <i>4th Qtr 08/09: Staff hired for Criminal Conviction Unit.</i> 3. Perform strategic management of the board through all committees and board activities. <ul style="list-style-type: none"> <i>1st Qtr 08/09: Strategic Plan approved at the July 2008 Board Meeting. Staff initiates redesign of quarterly reporting format and incorporates changes to plan.</i> <i>2nd Qtr 08/09: Quarterly reports provided at board meeting updating Strategic Plan.</i> <i>3rd Qtr 08/09: Quarterly reports provided at board meeting updating Strategic Plan.</i> <i>4th Qtr 08/09: Strategic plans for each committee reviewed and revised for 2009/2010. Board will act on new Strategic Plan components at the July 2009 Board Meeting.</i> <i>1st Qtr 09/10: Quarterly reports provided at board meeting updating Strategic Plan.</i>

	<p>4. Manage the board's financial resources to ensure fiscal viability and program integrity.</p> <p><i>1st Qtr 08/09: Fee audit initiated then suspended by state budget impasse. Staff successful in seeking exemption and work resumed.</i></p> <p><i>Staff complete budget forecast for 2009/2010 workload and revenue.</i></p> <p><i>2nd Qtr 08/09: Fee audit completed.</i></p> <p><i>3rd Qtr 08/09: Fee audit submitted to board at January Meeting; proposed new fees for 2010 identified.</i></p> <p><i>4th Qtr 08/09: Budget examined to identify expenses in future fiscal year.</i></p>
Objective 5.2	Maintain 100 percent staffing of all board positions.
Measure:	Percentage staffing of board positions.
Tasks:	<p>1. Continue active recruitment of pharmacists for inspector positions.</p> <p><i>1st Qtr 08/09: Board inspectors positions at full staffing.</i></p> <p>2. Vigorously recruit for any vacant positions.</p> <p><i>1st Qtr 08/09: Initiate recruitment for enforcement analyst and legislation and regulation manager.</i></p> <p><i>Recruitment suspended on vacant positions pursuant to the Executive Order. Board seeks exemptions to rehire key staff. All exemptions denied.</i></p> <p><i>2nd Qtr 08/09: Three staff vacancies exist.</i></p> <p><i>3rd Qtr 08/09: One staff vacancy exists.</i></p> <p><i>4th Qtr 08/09: All positions filled.</i></p> <p>3. Perform annual performance and training assessments of all staff.</p> <p><i>1st Qtr 08/09: Complete annual performance review on 25% of staff.</i></p>
Objective 5.3	Succession planning and workforce retention.
Measure:	Secure enhanced training of staff to improve job proficiency
Tasks:	<p>1. Identify training for staff development.</p> <p><i>1st Qtr 08/09: Supervising Inspector Nurse and Assistant Executive Officer accepted into Department of Consumer Affairs Management Academy. Both complete course.</i></p> <p><i>2nd Qtr 08/09: Supervising Inspector Dang accepted into Department of Consumer Affairs Management Academy.</i></p> <p><i>3rd Qtr 08/09: Supervising Inspector Dang completes Academy training. Assistant Executive Officer Sodergren works with Department of Consumer Affairs training office on a mentoring program for the department.</i></p> <p><i>4th Qtr 08/09: Staff participate in team building exercises led by Department of Consumer Affairs training office and TCT.</i></p>

Objective 5.4	Implement 10 strategic initiatives to automate board processes by June 30, 2011.
Measure:	Number of strategic initiatives implemented to automate board processes.
Tasks:	<ol style="list-style-type: none"> <li data-bbox="415 254 1503 348">1. Implement automated applicant tracking (ATS). <i>1st Qtr 08/09: Full implementation of ATS achieved in 2007/2008. Staff continue to seek program changes as necessary.</i> <li data-bbox="415 359 1503 1524">2. Implement online license renewal and application submission features (I-Licensing). <i>1st Qtr 06/07: Interim Executive Officer Herold put on Department of Consumer Affairs' executive sponsor committee for this project.</i> <i>2nd Qtr 06/07: The board meets with design staff to assure necessary program components are part of system specifications. The state's budget allocates \$50,000 this year for development activities.</i> <i>3rd Qtr 06/07: Board executive officer continues as a member of the department's Executive Steering Committee as an executive sponsor. Work is focused on securing vendors for the project. Staff changes at DCA may delay implementation.</i> <i>4th Qtr 06/07: Board executive officer continues as a member of the department's Executive Steering Committee as an executive sponsor. Work is focused on securing vendors for the project. Project delayed due to contracting issues for service vendors six to nine months. DCA hires additional staff for I-Licensing project. Implementation for board programs delayed until mid-2009.</i> <i>1st Qtr 07/08: Board executive officer continues as a member of the department's Executive Steering Committee as an executive sponsor. Work is focused on securing vendors for the project. Project delayed due to contracting issues for service vendors six to nine months due to loss of all key DCA staff.</i> <i>2nd Qtr 07/08: Licensing staff review all board applications to conform to system requirements. Integrated work team formed of board staff to work closely with I-Licensing conversion, a major workload. DCA's new staff in place, work on securing I-Licensing vendor resumes. Executive Officer continues on executive steering committee.</i> <i>3rd Qtr. 07/08: Department works on securing vendors. Board is up to date in performing implementation components.</i> <i>4th Qtr 07/08: Delays continue to plague I-Licensing. New implementation date for board is now mid 2010.</i> <i>1st Qtr 08/09: Board executive officer attends Steering Committee Meeting and conveyed boards concerns about continued delays of implementation.</i> <i>3rd Qtr 08/09: Project undergoes additional delays due to need to revise Request for Proposal and new staff hired to implement project.</i> <i>4th Qtr 08/09: Department of Consumer Affairs hires new staff to implement project. Request for Proposal prepared for release in next fiscal year.</i> <li data-bbox="415 1535 1503 1837">3. Integrate telephone features to improve board services without adding staff resources. <i>1st Qtr 06/07: Phone system modified to allow "zeroing out" early in telephone message so consumers can reach a live operator more quickly.</i> <i>3rd Qtr 07/08: Added Call Pilot feature to licensing and renewal phone lines that automatically places a copy of the call log into the appropriate staff's email. This saves time and improves customer service.</i> <i>4th Qtr 07/08: Conference line used to coordinate inspector staff meetings without need to travel to meeting.</i>

4. Use the department's newly created "ad hoc" system to generate data for reports.
- 1st Qtr 07/08: Three staff trained in using enforcement or licensing reports.
- 2nd Qtr 07/08: Board begins to use reports for management.
- 4th Qtr 07/08: Staff use reports to:
- Track unpaid citations
 - Track cite and fine aging
 - Find citations by violation type, such as prescription errors
 - Pull special cite and fine statistics upon request
 - Pull list of recently licensed pharmacists for wall certificates
 - Pull list of change of ownership applications for received dates
 - Develop ad hoc for licensing applicant tracking
 - Pull pending applications list for application inventory
 - Pull licensing information for sites required to report to CURES and send to the CURES vendor weekly
 - Pull enforcement case statistical data regarding received, pending and closed cases to report workload and status information monthly to management and quarterly to the board
 - Pull various enforcement statistical reports used to compile the Boards annual statistical profile report and quarterly strategic plan updates
 - Pull special ad hoc reports created to gather information specifically requested under the public records act
 - Pull case aging data for application investigations, complaint investigations and AC cases
5. Secure equipment needed to perform staff duties optimally.
- 1st Qtr 08/09: Staff work with department to eliminate delay resulting from staff shortages in department's IT, delaying production of a new "image" of department's software for new computers.
- 2nd Qtr 08/09: Completed rollout of new computers.
- 4th Qtr 08/09: New PDAs purchased for some staff with worn out equipment.
6. Implement automated program for staff conducted drug audits.
- 4th Qtr 07/08: Automated program developed for drug audits initiated by inspectors.
- 1st Qtr 08/09: Automated program deployed to office staff assisting with drug audits.
7. Implement template for drug audits completed by pharmacies.
8. Develop template for hospital inspections to identify recalled heparin. (Completed April 2008)
9. Participate in Department of Consumer Affairs pilot program to achieve scanning of paper files.
- 1st-4th Qtrs 08/09: Staff participate in planning meetings with other Department of Consumer Affairs staff.

Objective 5.5	Provide for communication venues to communicate within the board by June 30, 2011.
Measure:	Number of communication venues to communicate within the board.
Tasks:	<ol style="list-style-type: none"> 1. Continue the Communication Team to improve communication among staff and host quarterly staff meetings. <i>2nd Qtr 08/09: TCT hosts staff meeting, team building and holiday party.</i> <i>4th Qtr 08/09: TCT hosts staff meeting and team building.</i> 2. Continue Enforcement Team meetings with board members and enforcement staff. 3. Convene annual inspector meetings to ensure standardized investigation and inspection processes, law and practice updates and earn continuing education credit. <i>1st Qtr 08/09: Inspector workshop scheduled.</i> <i>2nd Qtr 08/09: Inspector meeting convened with Department of Public Health Consultants. Inspectors have staff meetings for training.</i> <i>4th Qtr 08/09: TCT hosts staff meeting and team building training.</i> 4. Transition from paper packets for board meeting materials to e-copies. <i>1st-4th Qtrs 08/09: Board members begin transition with some members requesting only e-copies of these packets.</i> <i>July 2009: Budget restrictions prevent the board from purchasing paper. Board packets released in e-copy form, saving upwards of five boxes of paper.</i> 5. Explore electronic voting of mail ballots for disciplinary decisions. <i>2nd Qtr 08/09: Meetings convened with Department of Consumer Affairs Information Technology staff to develop system.</i> <i>1st Qtr 09/10: Meetings resume to develop and pilot test system. Software licenses purchased.</i>

Objective 5.6	Annually conduct at least two outreach programs where public policy issues on health care are being discussed.
Measure:	Number of outreach programs conducted in one year.
Tasks:	<ol style="list-style-type: none"> 1. Outreach programs 2006/2007. <i>Convene subcommittee on Medicare Part D implementation.</i> <i>Convene Workgroup to implement e-pedigree.</i> <i>Host the National Association of Boards of Pharmacy District 7 & 8 Meeting in California.</i> <i>Attends and presents at annual association meetings.</i> 2. Outreach programs 2007/2008. <i>Continue subcommittee on Medicare Part D implementation.</i> <i>Continue workgroup to implement e-pedigree.</i> <i>Initiates public campaign on SB 472 (Corbett) - Standardization of the prescription label.</i> <i>Attends and presents at annual association meetings.</i> 3. Outreach programs 2008/2009: <i>July 2008 Board Meeting focuses on medication errors and prevention.</i> <i>Presentation on sharps disposal before the California Integrated Waste Management Board to a statewide audience in November 2008 and February 2009.</i> <i>Nationwide presentations on implementation of e-pedigree.</i> 4. Professionals Achieving Consumer Trust Summit - November 2008. <i>Board sponsors forum on e-prescribing.</i> <i>Board hosts conference with experts presenting information designing patient-centered prescription container labels.</i> 5. Board provides three presentations at the annual California Pharmacists Association Meeting. 6. Workgroup on E-Pedigree holds March 2009 meeting where presentations made on FDA proposed standards for a unique identification number for serialization, Congressman Buyer's Office on federal legislation, and standards setting by GS1. 7. Executive Officer attends National Association of Boards of Pharmacy Meeting with other state boards of pharmacy. 8. Executive Staff attend Consumer Advisory Councils day-long presentation in San Francisco on substance abuse recovery programs for health care licensees.

Objective 5.7	Perform succession planning to ensure continuity for board operations during staff retirements.																																																																																																																																																	
Measure:	Number of staff trained for advanced duties and promoted.																																																																																																																																																	
Tasks:	<p><i>1st Qtr 08/09: Assistant Executive Officer Anne Sodergren and Supervising Judi Nurse complete Department of Consumer Affairs first Management Academy.</i></p> <p><i>3rd Qtr 08/09: Supervising Inspector Dang completes training.</i></p>																																																																																																																																																	
Objective 5.8	Respond to all public record requests within 10 days.																																																																																																																																																	
Measure:	Percentage response to public record requests within 10 days.																																																																																																																																																	
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Memorandum

CBA Agenda Item VIII.A
November 17-18, 2010

To : CBA Members

Date: November 5, 2010

Telephone : (916) 561- 1789
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E-mail : lhersh@cba.ca.gov

From : Lauren Hersh
Information & Planning Manager

Subject : Additional Attachment to Agenda Item VIII.A

Attached is a copy of the Federation of Schools of Accountancy newsletter, referred to in Agenda item VIII.A. The article on the Review of Educational Requirements by state, prepared and submitted by CBA staff, can be found on pages 6 and 7 of the newsletter.

Attachment



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LETTER FROM THE PRESIDENT

The FSA has been in existence since 1978. At its inception, graduate-level accounting education was not the norm and separate accounting accreditation was in the earliest stages of development. Very simply, the FSA was created to foster an environment in support of graduate-level training via accredited accounting programs. Much has been accomplished. The number and quality of accredited graduate programs in accounting has grown, and in many ways we can collectively declare success.

However, higher education in general and accounting education in particular is undergoing a time of great change. At the current time there are gathering pressures for accounting educators to reevaluate the prevailing model of graduate-level accounting education. For example, some states are questioning the value proposition of graduate training for CPA certification. In addition, there is rising emphasis on applied training (apprenticeship/internship models), and a potential shift toward a globally-based education model. Indeed, some may even question the net value of separate accounting accreditation, particularly in light of recent budget challenges and the lack of resources to dedicate to accounting accreditation.

All of these events pose challenges for our profession, and these challenges create the need for a reconsideration of the FSA's mission, strategy, and operations. The FSA recently conducted a member survey and found that the members recognize some of the valuable services the FSA provides to its members, such as the annual Deloitte Foundation Faculty Consortium. However, we also found that many of the services provided by the FSA are not well understood.

While we should continue with the Deloitte Foundation Faculty Consortium and the APLG/FSA Joint Meeting, both of which continue to be very successful, we should seek to become more proactive in our response to some of the changes in the profession. Our work is ongoing, but it clearly points to the need to better understand, document, and explain the value of graduate-level accounting education.

An example of the sort of role the FSA fills well is our close engagement with the AACSB with respect to its current review of accounting accreditation standards. The Board recently met with the AACSB at their headquarters in Tampa for an extended work session to provide feedback on accounting accreditation standards. We believe the FSA has an important voice with respect to accounting accreditation matters, and the AACSB seems committed to working with us to receive our input and consider appropriate changes based on that input. Together, we can work toward improving and strengthening the processes and values of accounting accreditation.

The APLG/FSA Seminar will be held February 13-15 in Savannah. A tentative program is included in this newsletter. Fred Mittelstaedt and Yvonne Hinson with FSA and Charles Davis with the APLG have pulled together an excellent program for accounting faculty and accounting program leaders. Sessions will include a panel discussion on “Caught in the Middle” (dealing with faculty and upper administration), Franklin Covey “Moving from Peer to Leader”, and a panel discussion “You are Different” (competing expectations with new accounting chairs). The New Chairs meeting will be held from 8-12 on Sunday, February 13. Details may be found at <http://aaahq.org/aplg/seminars/2011/regis.htm>.

The FSA sponsors the Mark Chain Award for Innovation in Graduate Teaching. The Mark Chain Award winner will present his/her work at the Conference on Teaching and Learning in Accounting (CTLA),



Larry Walther

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which precedes the AAA Annual Meeting each August. The FSA will provide financial support up to \$2,500 for the winner to attend CTLA. Since CTLA precedes the AAA meeting in the same city, this is a great opportunity for the award winner to receive financial support for travel to the AAA meeting as well. I encourage submissions for the Mark Chain Award. If interested, you may find guidelines and submission requirements at <http://www.aicpa.org/InterestAreas/AccountingEducation/Resources/ScholarshipsandAwards/Pages/MarkChainFSAInnovationinGraduateTeachingAward.aspx>.

On May 19–20 2011, we will again host the Deloitte Foundation/FSA Faculty Consortium. The gracious financial support of Deloitte makes this program affordable to participants even on a small budget. This year's theme will be "The Current Standard Setting Process (Stakeholders Impact and Topics in the Pipeline)." Gary McGill and Shaun Budnik are well on their way towards building on the success of last year's educational program with a mix of presenters from academia and accounting practice that will give you many practical ideas to use in the classroom. You'll find a description of the program inside this newsletter.

Our FSA Administrator is Lisa Wicker of the AICPA. Lisa has been with FSA since February and with AICPA since August 2007. If you have any questions about FSA events and activities or your school membership, please feel free to contact Lisa at lwicker@aicpa.org or 919-402-4968.

Let us move forward, working together to fulfill the public trust and their expectations for well trained accounting professionals. I hope you will take time to review this newsletter describing some of our recent efforts, and become an active participant in the renewed vision for the FSA.

Best wishes for continued success,



Larry Walther
FSA President

FSA ELECTION RESULTS 2010 – 2011

Board Elections opened to full members on July 1 and closed on July 14.

FSA Elections results for 2010 – 2011:

Larry Walther, Utah State University – President (Automatic)
Gary McGill, University of Florida – Vice President and President Elect
Martha Doran, San Diego State University – Secretary
Larry Tunnell, New Mexico State University – Treasurer
Yvonne Hinson, Wake Forest University – Board Member, Member Schools

FSA officers continuing their service for 2010 – 2011:

Fred Mittelstaedt, University of Notre Dame – Board Member, Member Schools
Shaun Budnik, Deloitte Foundation – Board Member, Supporting Associate
Kathy Schaum, KPMG – Board Member, Supporting Associate
Violetta Urba, AACSB – Board Member, Nonprofit Associate

For updates visit us at
www.thefsa.org

FSA BOARD STRATEGIC PLANNING SESSION

Members of the FSA Board (the Board) gathered in late August in Tampa, Florida for one and a half days of strategic planning discussions. The Association to Advance Collegiate Schools of Business (AACSB) kindly hosted the Board by providing meeting space. Jerry Trapnell, Executive Vice President and Chief Accreditation Officer of AACSB, addressed the Board and provided a summary on the AACSB's project to update the accounting accreditation standards. After the presentation, the Board discussed various issues surrounding the current accounting accreditation standards. Based on these discussions and input received from FSA members who completed our recent survey, the Board prepared a letter of recommendation that was sent to the AACSB for their consideration. (A link to this letter may be found on page 6 of this newsletter.)

The Board also spent time reviewing the results of our recent member survey and discussing the mission and strategic direction of FSA. With guidance from Dale Karren of Petrous Inc., the Board created a revised mission statement, a "SWOT" analysis and outlined our critical issues.

It was agreed that the FSA has many strengths, such as our involvement in the Deloitte Foundation/FSA Faculty Consortium and the APLG/FSA Joint Annual Seminar and our unique focus on being an advocate for accredited graduate accounting programs. Unfortunately, it was generally agreed that there is somewhat low recognition among members on what the FSA's mission is and what the benefits of supporting the FSA are. It was agreed that one of the critical issues facing the FSA is the need to determine where the FSA adds value or can add value for its members, and to ensure that members are aware of these value-adding activities. It is also critical that the FSA play a role as an independent voice in the current reevaluation of the AACSB accounting accreditation standards, and in any future reevaluation as well.

The revised mission statement the Board thought was most appropriate was to "promote and support high quality accredited graduate accounting programs". A goal in support of that mission would be to support and publicize the value of graduate accounting education in accredited programs, including promoting the idea that accredited graduate accounting programs are the preferred provider of entry-level employees to the profession. Consistent with its mission, the FSA should facilitate the sharing of ideas for (1) innovation in graduate accounting education and (2) improving and streamlining processes for achieving and maintaining accreditation. The Board felt that the pursuit of the accounting Ph.D. degree and the use of accounting Ph.D.s in accounting education should be promoted by the FSA. Additionally, the Board discussed the role the FSA can and does play in educating and involving faculty in the problems facing the accounting profession.

Board members attending the meeting included: Larry Walther, Gary McGill, Paul Shoemaker, Larry Tunnell, Fred Mittelstaedt, Yvonne Hinson, Kathy Schaum, Mary Stone, and Violetta Urba. Shaun Budnik participated via phone. In addition, Lisa Wicker (FSA Administrator) and Steve Matzke, both from the AICPA, were in attendance.

The Board will continue to work on refining our strategic plan with the goal of presenting the results to our membership in Spring 2011. If you have any thoughts you'd like to share with the Board during this process, please send them to: Lisa Wicker at lwicker@aicpa.org.

THISWAYTOCPA – "ALL THE TOOLS IN ONE TOOLBOX"

The AICPA's new website, ThisWayToCPA.com, was brought to life on September 13th, 2010. Students, faculty, professionals and more have come to check out its quirky content and very useful resources.

One student commented, "I spent a few hours going through the entire site and it will be invaluable for any student planning to become a CPA. I have already referred it on to my fellow

(continued on page 4)

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classmates. Now in my senior year, I had an idea of the industry I would like to be in; I had no idea there were so many options past audit and tax. Job well done!"

The Academic and Career Awareness team is delighted to have received an abundance of positive feedback since the site launch. We strive to keep ThisWayToCPA, the premier resource for college students and CPA exam candidates, chock full of expert insights, invaluable resources, the latest information, and all the wisdom they need to succeed.

Here is a look at some of the site's key features that visitors can expect to see:

- *State Requirements* is an interactive page that offers details on becoming a CPA in each of the 50 states and U.S. territories, including information on exam and state-licensure requirements, residency, number of hours of education and experience, academic degree, age and ethics. It also explains how international candidates can receive their CPA license. In addition, students can find contact information for state CPA societies and boards of accountancy.
- *Exam and Licensure Timeline and Utility* provides a realistic view of the typical exam preparation and licensure process as well as an interactive tool that visitors can use to predict when they might complete the CPA Exam. The utility generates an exam plan to help CPA candidates determine when to study, when to schedule the exam and which sections to take first. If they miss or fail an exam, they can revisit the utility to create a new plan based on new dates.
- *Find Your Fit* is an interactive tool that helps place students on the path to their desired career. Students can choose the type and size of organization where they would like to work as well as their preferred industry, practice area, specialization and more. The tool then generates a report, based on students' selections, that offers information to help them achieve their career goals.
- *Tell Us Where You Are* includes a timeline that allows visitors to select where they stand in their college or career path, and provides them with resources pertaining to the specific stage. Timeline stages range from "Spankin' New," "Declared the Major" and "Graduating Soon" to "In Exam Land" and "Newly Licensed."
- *Community* provides a forum where students and exam candidates can share their thoughts and experiences concerning the CPA Exam and licensure, careers and internships, college and graduate school, and achievements and challenges. Visitors can participate in polls and engaging discussions on topics that are top-of-mind for students and recent graduates. The community experience is further enhanced through [Facebook](#) and [Twitter](#).

Other site sections feature videos where visitors can perfect their interviewing skills with an experienced human resources professional, and obtain an up close and personal look into the daily lives of new CPAs across industry and specialty areas. [ThisWayToCPA.com](#) also provides unprecedented access into the study and exam-planning strategies of newly licensed CPAs. Each weekday, the site features daily words of wisdom, humorous yet insightful phrases that are linked to related site content ranging from salaries to CPA exam preparation.

In the words of a CPA State Society representative regarding our new website, "Isn't it great when a resource is actually used the way you designed or intended it to?!" It is great, and we hope to continue to have that be the case.

Please take a moment and experience [ThisWayToCPA.com](#) and feel free to send us your feedback at thiswaytocpa@aicpa.org.



2011 APLG/FSA ANNUAL MEETING

Dates: February 13-15, 2011

Place: Savannah, Georgia

Registration: <http://aaahq.org/aplg/seminars/2011/regis.htm>

Hotel: Marriott Savannah Riverfront <http://aaahq.org/aplg/seminars/2011/hotel.htm>

Tentative topics

Sunday afternoon

Jay McIntosh – Demography, Economy and Society

Allen Kupetz – The Future of Less

Franklin Covey – Finding time for long term goals

Monday

Bruce Behn – Pathways Commission

Mark Toon – The Future of Outsourcing

Practice panel – Operational perspectives on outsourcing in public accounting

Lunch – Kevin Stocks, President, American Accounting Association

IMA panel of CFOs

John Veihmeyer – U.S. Chairman & CEO, KPMG

Tuesday morning

Phil Regier – The Future of Online Education

Bud Fennema, moderator – Accreditation Team Member Panel

Jerry Trapnell – AACSB Update

FSA BOARD OF DIRECTORS COMMENT LETTER TO AACSB INTERNATIONAL

The AACSB's Accreditation Quality Committee (AQC) is currently reviewing the Accounting Accreditation Standards. In response to AACSB's call for feedback and input, the FSA Board of Directors spent a day discussing accreditation standards and crafting a letter to AACSB International. The letter focused on three important topical areas: process efficiency, assurance of learning (AoL), and AQ/PQ issues.

The idea behind process efficiency is the elimination of accounting standards redundancy with business standards, more succinct wording of standards, and the consolidation of similar standards into a smaller set of standards. For example, the current accounting standards reiterate many points that are illustrated in the business standards. Why not eliminate the redundancies and focus accounting standards on issues that are unique to accounting? Other suggestions include reducing the number of bullet points under "basis for judgment" or prioritizing points by order of importance, and collapsing the multiple masters and doctoral standards into one standard for each program.

Concerns about AoL are that disproportionate attention is given to assessment by review teams, the AoL guidelines are too rigid for forward-thinking processes, and AoL standards are applied more rigorously to accounting programs than to business programs. Also, AoL standards are too prescriptive to allow programs to design processes specific to their mission and experiences, discouraging the use of indirect measures and assessment of team-based activities. The letter provides suggestions to alleviate these concerns such as easing the recordkeeping requirements, relaxing the frequency of assessing learning goals, and expanding educational processes for accounting reviewers.

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Connecticut Society of CPAs • Florida Institute of
CPAs • Institute of Chartered Accountants of Ontario
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of State Boards of Accountancy, Inc. (NASBA) •
New York State Society of CPAs • North Carolina
Association of CPAs • Ohio Society of CPAs • Society
of Louisiana CPAs • Texas Society of CPAs

PRIVATE ENTERPRISE

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KPMG, LLP

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The AQ/PQ standards require minimum percentages of qualifying faculty. The percentages place an undue burden on small faculties where the failure of one faculty member to meet minimum qualifications can be material. Furthermore, the "head count" approach may not allow for qualitative considerations or for strategic deployment of faculty resources. Life cycle consideration should be applied as a long-term faculty member may be involved in significantly different activities than a junior faculty member. Also, well-qualified faculty who do not meet AQ or PQ criteria may be teaching a disproportionately large portion of the student body; thus, exacerbating the AQ/PQ percentages.

Lest one thinks the FSA devalues separate accounting accreditation, it should be noted that the FSA Board affirms its support for accounting accreditation. The purpose of the letter is to suggest streamlining and qualitative improvements for accreditation processes and reviews. The letter also provides key value propositions, citing the many benefits of accounting accreditation. The Board is of the opinion that the benefits of accreditation far exceed the costs.

The letter has been distributed to the AQC working group appointed to review and develop the accounting standards revisions. The working group consists of Jon Davis, University of Wisconsin—Madison; Dick Dietrich, The Ohio State University; Jane Mutchler, Georgia State University; Thomas Schaefer, University of Notre Dame; Ray Whittington, DePaul University; and Jan Williams, University of Tennessee at Knoxville. The AQC will next meet in January 2011 to further consider changes to the accounting standards. An exposure draft will be open for comment between January and April 2011, and recommended revisions will be shared at the February 2011 APLG/FSA Annual Seminar in Savannah. If approved by the AQC, revisions will go to the AACSB Board of Directors for approval, and for a vote by accredited accounting programs at the April 2011 AACSB business meeting in New York.

The complete letter, dated September 7, 2010, can be found on the FSA website at <http://www.thefsa.org/downloads/LettertoAACSB090710.pdf>.

KPMG ALUMNI PARTNER TEACHING INITIATIVE

KPMG recently launched a new service to assist accounting program administrators in adding experienced practitioners to their faculty. The new web-based service enables administrators to identify full or part-time instructor candidates from a pool of retired KPMG partners interested in teaching. The alumni partners complete a brief *Instructor Profile* outlining their academic and professional experience, teaching interests, availability, and relevant credentials. Program administrators can search the database of profiles and initiate contact with candidates of interest to open a dialogue for additional information. The profile database is available to administrators and faculty members who are registered users of the [KPMG Faculty Portal](http://www.kpmgfacultyportal.com) (www.kpmgfacultyportal.com). KPMG is providing this service to facilitate information exchange between experienced alumni and program administrators, and will not be directly involved in any communications or arrangements that may result from this exchange.

CALIFORNIA BOARD OF ACCOUNTANCY REVIEW OF EDUCATIONAL REQUIREMENTS BY STATE

By Lauren Hersh and Jenny Sheldon, California Board of Accountancy

Effective January 1, 2014, California will require an additional 20 units of accounting study beyond the 24 units currently required for CPA licensure. The California Board of Accountancy (CBA) Accounting Education Committee (AEC), comprised of experts in accounting education, was created

(continued on page 7)

(continued from page 6)

to provide the CBA with a recommendation defining the 20 additional units of accounting education.¹

In its role of advising the CBA on accounting study requirements, the AEC recently examined educational requirements for Certified Public Accountant licensure in states other than California. Below are some noteworthy educational requirements gleaned from the review.²

- Ten states (Alabama, Idaho, Illinois, Iowa, Minnesota, New Jersey, Rhode Island, Utah, Wisconsin, and Wyoming) accept a graduate degree in accounting in lieu of completing specific accounting and business courses required for applicants with a baccalaureate degree.
- Three states (Louisiana, North Carolina, and Wyoming) place a limitation on the number of internship hours that may be applied toward the 150-unit requirement.
- Two states (New Mexico and Texas) require a minimum number of units to be completed by physically attending courses on campus.
- Five states (Alabama, Louisiana, Nevada, Vermont, and West Virginia) require a certain number of units to be completed in specific courses to fulfill the accounting/ business course requirements.

This review for the AEC found three main methods used by other states to establish education requirements. First, and most common, is to specify the total number of accounting and business course hours that are required and provide a listing of approved topics. Second, is to specify the total number of accounting and business course units and remain silent on approved topics. The third, is to outline the number of course units to be completed in specific topics needed to meet the overall accounting and business subject requirements.

A table outlines the education requirements for each state, broken down by the total hours/degree requirement, accounting-related hours, business-related hours, and additional requirements and items of note. Access the table at <http://www.dca.ca.gov/cba/meetings/materials/2010/mat0610aec5.pdf>. The AEC will be providing its recommendations on the 20 units of accounting study to the CBA no later than June 1, 2012. Once formally approved by the CBA, the CBA will disseminate the information to various stakeholders, both locally and nationally.

For updates on the work of the CBA and its Accounting Education Committee in defining the 20 units of accounting study, including webcasts of meetings, please visit www.cba.ca.gov or subscribe to CBA E-News at <https://www.cba.ca.gov/forms/enews/enews.html>.

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- 1 Senate Bill 819 (Chapter 308, Statutes of 2009) established a sunset date of January 1, 2014 for the CBA's Pathway 1 licensure option (baccalaureate degree and two years general experience), thus leaving the CBA with only its Pathway 2 licensure requirement (baccalaureate degree, minimum 150 semester units, and one year general experience). SB 819, however, requires the CBA to further define an additional 30 of the 150 semester units required under Pathway 2 - 20 units in accounting study and 10 units of ethics education. SB 819 established two committees under the jurisdiction of the CBA to assist in developing regulations for the new 30 semester units - the Accounting Education Committee (AEC) for the 20 semester units of accounting study, and the Ethics Curriculum Committee (ECC) for the 10 semester units of ethics education.
 - 2 The information provided in this review is intended only as an overview of educational requirements by state as of June 2010, and state requirements may have been amended since that date. The CBA-prepared information in the table was compiled primarily using the National Association of State Boards of Accountancy's Accountancy Licensing Library and individual state websites.

Memorandum

CBA Agenda Item VIII.A
November 17-18, 2010

To : CBA Members

Date: November 4, 2010

Telephone : (916) 561- 1789

Facsimile : (916) 263- 3675

E-mail : lhersh@cba.ca.gov

From : Lauren Hersh
Information & Planning Manager

Subject : Update on 2010-2012 CBA Communications and Outreach Plan

As requested by the CBA, staff is providing regular updates regarding the communications and outreach activities which have taken place since the last CBA meeting.

Staff Outreach Committee (OC)

- At this writing, the staff OC is awaiting final disclaimer language from DCA Legal for the CBA Facebook and Twitter pages, with the rollout of these social media efforts on schedule for November and December, once that is obtained.
- The CBA Wikipedia article prepared by staff has been published and is available to the public as a resource for information on the CBA and its activities. **(Attachment 1)**
- Initial drafts of "How To" articles to be published through free online subscription services, such as E-How.com and CBA E-News, are presently under review.
- Rewriting/reformatting of the Consumer Assistance Booklet is underway and on schedule for a late December completion. The OC is also looking at developing smaller brochures targeting specific audiences, such as students and senior consumers.
- The article on the Review of Educational Requirements by state, prepared for inclusion in the Federation of Schools of Accounting newsletter, has been submitted and accepted. The newsletter is scheduled to be published in

November and copies will be made available to CBA members.

- The PowerPoint presentation for use in the Ambassador Program is undergoing some fine-tuning for graphics and usability. The presentation may be used by CBA members at speaking engagements or other outreach events, and is designed so that the presenter need not be an expert in specific program areas to effectively present the material or field questions from the audience. The OC is in the process of communicating with several universities and organizations to identify and schedule presentation opportunities, and hopes to have a list of those events for presentation at the January CBA meeting.

UPDATE

- Articles for the Winter edition of UPDATE are in the review process, and staff expects to have the draft ready for the President's approval in early December. Some of the content developed for UPDATE is being repurposed for social media outreach, and vice versa. The planned publication date for UPDATE is January 30, 2011, and it will be available online the first week in January. In addition to the standing articles and features, the Winter UPDATE will include articles on the following topics:
 - CBA Annual Report
 - Update on ECC & AEC Discussions
 - Posting of Accusations
 - Exposure Drafts
 - Sunset Review Report/Hearings
 - Recruitment for Committees
 - Performance Measures
 - CPA Exam Fee Reimbursement for Veterans
 - Communications & Outreach Update
 - Legislation- concept for possible sponsorship in upcoming Legislative session
 - Processing- How Licensees Can Help Expedite Renewals

E-News

- E-News subscriptions have increased by roughly half since September, with the total number of subscriptions up from 4,900 in September to just over 7,200 in late October. The increase appears to be consistent across all interest areas. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

Staff hopes to increase E-News exposure through use of social media in the future.

E-News Statistics

As of	List Name	External	Internal	Total
10/24/2010	California Licensee	2225	29	2254
	Consumer Interest	1110	37	1147
	Examination Applicant	505	27	532
	Licensing Applicant	630	28	658
	Out-of-State Licensee	478	26	504
	Statutory/Regulatory	1886	36	1922
	CBA Meeting Information & Agenda Materials	198	12	210
	Total Subscribers	7032	195	7227

Staff is available to answer any questions CBA members may have regarding this update.

California Board of Accountancy

From Wikipedia, the free encyclopedia

The **California Board of Accountancy** (CBA), created by statute in 1901, is a semi-autonomous State of California agency under the California Department of Consumer Affairs whose purpose is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards in California.

The CBA currently regulates over 5,000 firms and nearly 81,000 Certified Public Accountant (CPA) licensees, the largest group of licensed accounting professionals in the nation. The agency is unique in California in its authority to license and discipline not only individuals but also firms including partnerships and corporations.^[2] Its mandate is to regulate the accounting profession for the protection of the public by establishing and maintaining standards of qualification and conduct within the profession. It fulfills this mandate primarily through its authority to license.

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- 1 History
- 2 Functions
- 3 Peer review
- 4 Board
- 5 Notes
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History

The California Board of Accountancy (CBA) was established in 1901 in San Francisco. All the records were destroyed in the 1906 San Francisco earthquake and fire, including all the documents of the first 65 licensees. The secretary-treasurer of the CBA was able to reconstruct the records by corresponding with each of the licensees.

In 1929, the CBA became part of the Department of Professional and Vocational Standards. In 1971 it was moved to the California Department of Consumer Affairs and subsequently moved to Sacramento.

California Board of Accountancy



Sign outside the Sacramento offices of the California Board of Accountancy

overview

Formed	1901
Headquarters	Sacramento, California
Annual budget	\$11,739,568 (2009/10) ^[1]
executives	Manuel J. Ramirez, President Patti Bowers, Executive Officer
Parent	California Department of Consumer Affairs

Website

dca.ca.gov/cba/index.shtml (<http://dca.ca.gov/cba/index.shtml>)

Functions

The CBA protects California consumers by performing several functions. It starts by ensuring candidates are qualified to take the Uniform Certified Public Accountant Examination (CPA Exam). Once a candidate has passed the CPA Exam, completed any additional educational requirements, and fulfilled certain experience requirements, the CBA will issue a CPA license. The CBA renews that license every two years provided the licensee has met specified continuing education requirements. The CBA also registers CPA partnerships and corporations. The CBA ensures licensee compliance with the law through its Enforcement Division. It receives and investigates complaints and takes enforcement action against licensees for violation of CBA statutes and regulations.^{[2][3]}

The above functions are carried out by various units and divisions within the CBA.

- The Examination Unit ensures that only candidates who meet certain qualifications are able to take the Uniform CPA Examination.
- The Initial Licensing Unit ensures that only those who have passed the Uniform CPA Examination and meet the appropriate experience requirements are issued licenses to practice public accountancy in California.
- The Renewal and Continuing Competency Unit ensures that only licensees who have met specific continuing education requirements are allowed to continue practicing public accountancy in California.
- The Practice Privilege Unit ensures that the CBA is aware of out-of-state licensees who are practicing public accountancy in California.
- The Enforcement Division ensures that practicing licensees in California are held to the highest standards, both professional and ethical.
- The Client Services Unit ensures direct access to the CBA for both consumers and licensees with a focus on enhancing customer service.^[4]

Peer review

On January 1, 2010, a new law, AB 138 (Chapter 312 of 2009)^[5], took effect in California requiring all accounting firms providing accounting and auditing services to undergo a mandatory peer review. A peer review is a study of a firm's accounting and auditing work, performed by an unaffiliated CPA following professional standards. Tax practice is not required to be monitored by peer review. The CBA's peer review program is designed to equip firms to deliver high quality accounting and auditing services to consumers and assist in designing quality control systems to ensure that work products meet professional standards; provide firms an opportunity to learn new or better ways to improve services; and give consumers an extra measure of assurance by knowing the CPA firm they hire has successfully completed a peer review and meets the profession's standards.^[6] Firms that fail their peer review are required to report that fact to the CBA.

Board

The 15-member board is composed of seven CPA licensees and eight public members. The Governor appoints four of the public members and all seven of the licensees. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members. In appointing the seven licensees, the Governor must appoint at least two licensee members who represent small accounting firms. Each member of the

CBA is appointed to a four year term and may only serve two consecutive terms.^[7]

The CBA is currently made up of the following membership:

- Manuel Ramirez, CPA, President
- Sarah (Sally) Anderson, CPA, Vice President
- Marshal Oldman, Esq., Secretary/Treasurer
- Diana L. Bell
- The Honorable Rudy Bermúdez
- Michelle R. Brough, Esq.
- Angela Chi, CPA
- Donald A. Driftmier, CPA
- Herschel T. Elkins, Esq.
- Louise Kirkbride
- Leslie J. LaManna, CPA
- Robert Petersen, CPA
- David L. Swartz, CPA
- Lenora Taylor, Esq.
- Andrea Valdez, Esq.^[8]

The CBA appointed Patti Bowers as its Executive Officer in October 2008.

Notes

1. ^ "Where the Money Goes . . . Making Sense of \$\$\$" (<http://www.dca.ca.gov/cba/updates/update63.pdf>) . *Update* (California Board of Accountancy): 14. Spring 2010. <http://www.dca.ca.gov/cba/updates/update63.pdf>.
2. ^ ^a ^b Mission, Vision and Authority (http://www.dca.ca.gov/cba/board_info/mission.shtml) , California Board of Accountancy, accessed June 29, 2010
3. ^ CBA Members and Functions (http://www.dca.ca.gov/cba/board_info/about.shtml) , California Board of Accountancy, accessed June 29, 2010
4. ^ California Board of Accountancy Brochure (08-217), published February 2009.
5. ^ AB 138 (http://leginfo.ca.gov/pub/09-10/bill/asm/ab_0101-0150/ab_138_bill_20091011_chaptered.pdf) , accessed July 19, 2010
6. ^ Peer Review Brochure (<http://www.dca.ca.gov/cba/prfactcard.pdf>) , accessed July 19, 2010
7. ^ California Business and Professions Code (<http://leginfo.ca.gov/cgi-bin/displaycode?section=bpc&group=04001-05000&file=5000-5025.3>) , Sections 5000-5025.3, accessed June 29, 2010
8. ^ CBA Members and Functions (http://www.dca.ca.gov/cba/board_info/about.shtml) , California Board of Accountancy, accessed June 29, 2010

External links

- Official website (<http://www.dca.ca.gov/cba/index.shtml>)

Retrieved from "http://en.wikipedia.org/wiki/California_Board_of_Accountancy"

Categories: State agencies of California

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Memorandum

CBA Agenda Item VIII.C.
November 17-18, 2010

To : CBA Members

Date : October 27, 2010



Telephone : (916) 561-1718

Facsimile : (916) 263-3678

From : Patti Bowers
Executive Officer

Subject : CBA Succession Plan

It is estimated that 62 percent of all management level personnel at the Department of Consumer Affairs will be eligible to retire from State service within the next five years. Although that number is likely lower at the California Board of Accountancy (CBA), steps should be taken to address the potential loss of CBA Senior Staff. In order to prepare for the potential loss of CBA Senior Staff, we have created the attached CBA Senior Staff Succession Plan.

This Succession Plan is the first of three parts, focusing on creating a Succession Plan for Senior CBA Staff. The next plan will detail a succession plan for the CBA's first line supervisory staff, information technology, and key analytical staff. The final report will include a general workforce plan, and will examine the current CBA workforce to ensure the right people are in the right positions, at the right time. Upon completion of the final plan, all three will be combined to become the CBA Workforce and Succession Plan.

This Succession Plan lays the groundwork for the steps that must be completed should a member of the Senior Staff choose to leave their position; however it is only a plan, and not a hard and fast policy or procedure. Additionally, outside of the appointment of the Executive Officer, the processes described are internal, and it is incumbent upon CBA staff to address and perform the steps as described. They are presented here for information only, and generally no action is required by CBA members.

I will be available at the meeting to answer any questions as necessary.

Attachment



SENIOR STAFF SUCCESSION PLAN

**The California Board of Accountancy's Commitment
to the Development of its Employees and Future Leaders**

Prepared November 2010

2010 Senior Staff Succession Plan

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BACKGROUND

The California Board of Accountancy (CBA) recognizes the need to initiate proactive steps to address specific succession issues that may develop in the future. The issue of succession planning is central to the CBA's ability to continue providing effective service and protection to the stakeholders of this agency, and revolves around having capable management and staff to meet the needs of the public we protect, our licensees, and the Administration of the State of California.

The CBA is responsible for regulating the practice of public accountancy in the State of California, and employs a staff of approximately 85, the majority of which are California Civil Servants. Although the CBA values all of its employees, and believes that the loss of any staff may impact business functions, this Succession Plan focuses solely on the Senior Management, encompassing the Executive Officer, Assistant Executive Officer, Enforcement Chief, and the Licensing Chief as their loss may have the largest direct impact to the CBA mission of protecting consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

WHAT IS SUCCESSION PLANNING?

Succession planning is working to ensure the continued effective performance of an organization, division, or work group, by making a provision for the development and replacement of leaders over time. The goal of succession planning is to match the organization's available (present) talent to its needed (future) talent, to ensure that the lessons of organizational experience (institutional memory) will be preserved and combined with reflection on that experience to achieve continuous improvement in work results.

THE CBA SUCCESSION PLAN

This Succession Plan is the first of three parts, focusing on creating a Succession Plan for Senior CBA Staff. The next plan will detail a succession plan for the CBA's first line supervisory staff, information technology, and key analytical staff. The final report will include a general workforce plan, and will examine the current CBA workforce to ensure the right people are in the right positions, at the right time. Upon completion of the final plan, all three will be combined to become the CBA Workforce and Succession Plan.

This Succession Plan is broken down into four sections: the Executive Officer, the Assistant Executive Officer, the Enforcement Chief, and the Licensing Chief. Each of these sections is comprised of segments, which are essentially directions on what is done after notice of an impending vacancy is received. Outside of the appointment of an Executive Officer, the processes described are internal, and it is incumbent upon CBA staff to address and perform the steps as described. They are presented here for information only, and generally no action is required by CBA members.

THE EXECUTIVE OFFICER

The CBA Executive Officer reports directly to the CBA and is responsible for the administration and management of CBA programs and resources. The Executive Officer interprets and executes the intent of all CBA policies, governs the management of the CBA programs and day to day operations, and serves as the liaison between the CBA and the Department of Consumer Affairs (DCA). Although the Executive Officer is a civil servant, the position is classified as exempt and therefore does not follow the normal civil service hiring guidelines. The CBA must follow DCA guidelines for hiring an exempt employee, but has substantial latitude in the hiring process of an Executive Officer. Because of the level of responsibility of the Executive Officer, it is generally requested that the incumbent provide at least 90 days notice of intent to vacate the position.

ACTIONS TO TAKE IMMEDIATELY

The CBA Executive Officer is integral to the daily function of CBA operations. It is highly recommended that the current Executive Officer and Senior Staff meet with the CBA Executive Leadership to make sure they are aware of all current events, and to apprise staff of any pending issues of high priority. This will help ensure a smooth transition once the current Executive Officer vacates their position.

The process to hire a new Executive Officer can be extremely lengthy, depending upon various factors. As such, the first priority of the CBA should be to designate an Interim Executive Officer. Since the Executive Officer acts upon the delegated authority of the CBA, it is important that those delegations be transferred to the Interim Executive Officer. A list of current authorities delegated to the Executive Officer is shown in **Attachment 1**, and the CBA may choose to delegate other authorities as appropriate.

Depending upon when the Executive Officer vacates the position in relation to the next scheduled CBA meeting, it may be necessary for the CBA to call a special meeting to address the pending vacancy. The CBA President should consult with CBA staff to determine if a special CBA meeting is required.

At the meeting, the CBA should:

- Appoint an Interim Executive Officer
- Consider the previous Delegation of Authority, and what the CBA chooses to delegate to the Interim Executive Officer or other CBA staff
- Consider where to advertise the vacancy
- Consider the Minimum Qualifications of the next Executive Officer

APPOINTING A NEW EXECUTIVE OFFICER

The Executive Officer serves at the pleasure of the CBA, and therefore the responsibility of selecting an Executive Officer lies with the CBA members. In order to facilitate the appointment of a new Executive Officer, the CBA has three options:

1. Perform the hiring process as a full board
2. Establish a sub-committee to complete the hiring process
3. Hire an outside consulting firm to present a list of qualified candidates.

If the CBA chooses to complete the hiring process internally, either as a whole or through a sub-committee, the first step is to identify the knowledge, skills, and abilities that are desired in the new Executive Officer. The CBA may choose whichever qualifications they feel are the most important, and the following are only a suggested list:

- Baccalaureate degree or higher
- Commitment to consumer protection
- Strong management and communication skills
- Ability to sustain a positive workplace environment
- Experience working with regulatory boards and governmental agencies
- A successful track record in moving programs/initiative/policy forward
- Ability to understand and respond to high level, complex issues through thinking strategically

After the desired qualifications have been determined, the CBA must advertise the vacancy. State employment guidelines mandate that the position be advertised on the State Personnel Board Web site, however any additional advertisements are strictly under the purview of the CBA. In the past, advertisements soliciting applications have been placed in the major California newspapers, and as far away as the Wall Street Journal. CBA staff will be able to assist the CBA in any advertising as needed.

Once a sufficient number of applications has been received, the CBA may meet to deliberate and review the applications. In accordance with the Bagley-Keene Open Meeting Act, if more than two CBA members are present the meeting must be noticed; however the meeting may be held entirely in closed session, and no minutes are taken.

Once the most desirable candidates have been selected, interviews are held. Although the meeting must be noticed, the interviews may be held in closed session. The composition of the interview panel is at the discretion of the CBA.

After a consensus has been reached and a candidate has been chosen, the CBA President or their designee meets with the candidate to offer them the position. The meeting may be held in closed session. At the meeting the CBA negotiates

with the candidate their salary, which must fall within the range as designated in the civil service classification. The current range may be obtained from the CBA personnel liaison. After the meeting the CBA must vote as a whole to appoint the new Executive Officer.

AFTER THE APPOINTMENT

Immediately following the appointment of a new Executive Officer, the CBA should vote to delegate authority to the new Executive Officer. A list of all current delegations is **Attachment 1**, and the CBA may delegate as much or as little authority as they choose.

Once chosen, the Executive Officer should hold a Senior Staff roundtable in order to familiarize themselves with current staff. One of the major aspects of that meeting is to ensure that the new Executive Officer is apprised of any pending issues of high priority and all current events. The Executive Officer should then hold a CBA staff meeting, preferably with the CBA President, to announce the appointment.

The Executive Officer is evaluated on a yearly basis, by the CBA. In November of each year, CBA staff presents an Annual Report of Accomplishments and Achievements, and current and immediate past CBA members are mailed an Executive Officer Appraisal Form. The forms are filled out by all members and mailed directly to the CBA President. The CBA Executive Leadership then meets with the Executive Officer to discuss the ratings from the CBA members. Any pay increases are generally negotiated at this time.

THE ASSISTANT EXECUTIVE OFFICER

The Assistant Executive Officer is responsible for planning, directing, and organizing the statewide activities of the Licensing and Administration Divisions. Important responsibilities include formulating and recommending operational policy, implementing regulations, coordinating legislative analysis, providing oversight of a comprehensive constituent and public information and consumer education program, and the CBA Budget. The Assistant Executive Officer attends all CBA meetings, and is delegated the authority to act in the stead of the Executive Officer should the need arise. It is requested that the Assistant Executive Officer provide 90 days notice of their intent to vacate the position, however State Civil Service guidelines mandate the incumbent is only required to provide 15 days notice should they leave for a promotion. The Assistant Executive Officer reports directly to the Executive Officer, and has a span of control of approximately 65 staff.

ACTIONS TO TAKE IMMEDIATELY

The Executive Officer may choose to designate a staff member to serve as the Interim Assistant Executive Officer; however, because the Assistant Executive Officer is responsible for two completely separate programs, there is not a natural line of succession in the CBA Organization Chart (**Attachment 2**).

Fortunately, due to current cross training practices and the close working relationship of all CBA management, the Administration Supervisor and Licensing Chief are able to work closely to address any problems.

It is important that a Senior Staff meeting be held before the current Assistant Executive Officer leaves. This will ensure that the Interim Assistant Executive Officer, Licensing Chief, Administration Supervisor, and Executive Officer are all aware of any current administration or licensing issues or budget/purchasing, information technology, or personnel matters to be addressed.

The Assistant Executive Officer has a separate Delegation of Authority from the Executive Officer, (**Attachment 3**) and it is important that it and any signature authority be transferred to the Interim Assistant Executive Officer or any other member of the CBA management as soon as possible in order to avoid any disturbance to work flow.

APPOINTING A NEW ASSISTANT EXECUTIVE OFFICER

The term "Assistant Executive Officer" is actually a working title. The Assistant Executive Officer is classified as a Staff Services Manager III in State Civil Service. Unlike the Executive Officer, the Assistant Executive Officer is a civil service employee and therefore the hiring process is much more defined. Interested candidates must either:

1. Be a current State Civil Service employee employed as a Staff Services Manager III, or appointed to a classification that can transfer to that classification pursuant to SPB Rule 430-433, OR
2. Reachable on an Employment Certification List pursuant to Government Code Section 19057.1

Once the Assistant Executive Officer position becomes vacant, the position is advertised on the State Personnel Board Web site. Interested applicants submit a Standard State Application and a Statement of Qualifications. The applications are then screened, and only the most qualified are selected for interview. The interviews are conducted by the Executive Officer and either a representative from DCA or the CBA. Subsequent to a fingerprint and Criminal Offender Record Information background check, the desired candidate is offered the position.

AFTER THE APPOINTMENT

It is extremely important that the Assistant Executive Officer be familiar with both the Administration and Licensing Divisions. In order to address the knowledge gap new hires to this position might have, it is important for Senior Staff to hold a roundtable and address any issues presented. The Assistant Executive Officer should then meet with all applicable DCA Budget, Contracts, and Personnel staff to familiarize themselves with those programs. Finally, the Executive Officer should call a CBA all staff meeting to introduce the new Assistant Executive Officer to CBA staff.

Because the Assistant Executive Officer acts for and represents the Executive Officer in his/her absence, it is vitally important to begin training the new Assistant Executive Officer on the responsibilities of the Executive Officer as time permits. The training should include accompanying the Executive Officer to Executive Management Meetings at the DCA and with the CBA as appropriate, attending applicable training, and becoming as familiar as possible with all program areas of the CBA.

The Assistant Executive Officer serves a one year probationary period, in which the incumbent is rated every four months. Assuming the incumbent passes the probationary period, they are given an evaluation annually in the form of a Individual Development Plan. That plan outlines the areas of possible growth for the employee, and identifies the areas of strength. The Assistant Executive Officer is evaluated by the Executive Officer.

THE ENFORCEMENT CHIEF

The CBA Enforcement Chief assists with the creation and implementation of policy affecting not only the Enforcement Division, but the CBA as a whole; and oversees the enforcement of laws and rules governing the practice of public accountancy. The Enforcement Division consists of two units; a Technical Unit consisting of licensed Investigative Certified Public Accountants (CPAs) performing in depth investigative work, and a Non-Technical Unit comprised of analytical and support staff performing investigations of an administrative nature. Enforcement Division staff also support two statutorily mandated CBA committees, the Enforcement Advisory Committee (EAC) and the Peer Review Oversight Committee (PROC), and one standing committee, the Enforcement Program Oversight Committee (EPOC). The Enforcement Chief is responsible for a staff of approximately 20, reports directly to the Executive Officer, and has extensive contact with the State Attorney General's Office (AG) and the Deputy Attorneys General (DAG). It is requested that the Enforcement Chief provide at least 90 days notice of their intent to vacate their position, however none is required by State Civil Service Guidelines.

ACTIONS TO TAKE IMMEDIATELY

The first step, should the Enforcement Chief position become vacant, is to assign a supervisor in the Enforcement Division to act as an Interim Enforcement Chief. Due to the current cross-training practices, either the Supervising Investigative CPA or the Non-Technical Unit Manager would be able to fulfill the role of Interim Chief. Once an Interim Enforcement Chief is appointed, the Executive Officer should call a Senior Staff meeting to address any pending enforcement issues.

The first task of the Interim Enforcement Chief should be to hold a meeting with the departing Enforcement Chief, enforcement management, and key analytical staff to address any enforcement issues. All Enforcement staff should work together as closely as possible to ensure the Interim Enforcement Chief has a full understanding of all significant enforcement cases.

Because of the close working relationship the CBA maintains with the Attorney General's Office, It is extremely important that the Interim Enforcement Chief be introduced to the Deputy Attorney General Liaison. This will maintain a point of contact with the Attorney General's Office, and ensure that enforcement matters proceed timely.

The Enforcement Chief has a unique Delegation of Authority from the Executive Officer, and it is important that it and any signature authority be transferred to the Interim Enforcement Chief in order to avoid any delay in enforcement action.

APPOINTING A NEW ENFORCEMENT CHIEF

Enforcement Chief is a working title for the person who has oversight responsibility of the Enforcement Division. The State Civil Service Classification is that of a Career Executive Assignment (CEA) II. The distinction is important to note because of the hiring requirements; being that the hiring process for a CEA position is much closer to that of the Executive Officer than that of the Assistant Executive Officer.

The vacancy is posted to the SPB Web site, and interested candidates submit a Statement of Qualifications and a Standard State Application. The Standard State Application and Statement of Qualifications are then scored and ranked, and the most qualified candidates are interviewed by the Executive Officer, and either the Assistant Executive Officer or a representative from the DCA. After the interviews, the candidates are again ranked. The rankings from the Interview and the Application review are then averaged, and subject to a fingerprint and Criminal Offender Record Information background check, the desired candidate is offered the position.

AFTER THE APPOINTMENT

Due to the confidential and time sensitive nature of the Enforcement Chief's duties, it is important that the Enforcement Chief become knowledgeable with their role and responsibilities as quickly as possible. In order to facilitate that process, the Enforcement Chief should schedule meetings with the Executive Officer and enforcement program management to address staffing, caseload, and applicable issues of the Enforcement Division. Finally, the Executive Officer should call a CBA staff meeting to introduce the new Enforcement Chief.

As the Enforcement Chief has frequent contact with the EAC, EPOC, and PROC, the incumbent should become familiar with the roles and responsibilities of those committees as soon as possible. Depending upon when the Enforcement Chief is appointed in relation to the next scheduled meeting, schedule a roundtable meeting or conference call with the committee chairs to introduce themselves.

The Enforcement Chief should also schedule a meeting with the Attorney General's Office and the DCA legal counsel as soon as possible, in order to minimize any delay in processing enforcement cases. Finally, all Delegations of

Authority and Signature Authority need to be conferred to the new Enforcement Chief.

Much like the Executive Officer, the Enforcement Chief does not serve a structured probationary period. However, the Enforcement Chief is evaluated annually by the Executive Officer and is provided with an Individual Development Plan.

THE LICENSING CHIEF

The Licensing Chief is integral to the operation of the Licensing Division. The Licensing Chief directs the management and operations of the Examination, Initial Licensing, Renewal and Continuing Competency, and California Practice Privilege Units. The Licensing Chief reports to the Assistant Executive Officer, and is responsible for approximately 50 staff.

ACTIONS TO TAKE IMMEDIATELY

The first action to take in the Licensing Division is to appoint an Interim Licensing Chief. There are three managers in the Licensing Division, and due to the current cross-training practices, any would be able to fulfill the role of Interim Chief until a permanent appointment can be made. The first task of the Interim Licensing Chief should be to hold a meeting with the departing Licensing Chief, licensing management, and key analytical staff to address any licensing issues.

As the Licensing Chief has their own Delegation of Authority from the Executive Officer, it is important that the delegation, and any signature authority, be conferred to the Interim Licensing Chief until a permanent appointment is made.

APPOINTING A NEW LICENSING CHIEF

Much like with the Assistant Executive Officer, the term “Licensing Chief” is actually a working title. The Licensing Chief civil service classification is Staff Services Manager II. Because of the classification, the hiring process is much more defined. Interested candidates must either:

1. Be a current State Civil Service employee employed as a Staff Services Manager II, or appointed to a classification that can transfer to that classification pursuant to SPB Rule 430-433, OR
2. Reachable on an Employment Certification List pursuant to Government Code Section 19057.1

Once the Licensing Chief position becomes vacant, the position is advertised on the State Personnel Board Web site. Interested applicants submit a Standard State Application and a Resume. The applications are then screened, and only the most qualified are selected for interview. The interviews are conducted by the Executive Officer and the Assistant Executive Officer. Subsequent to a fingerprint and Criminal Offender Record Information background check, the desired candidate is offered the position.

AFTER THE APPOINTMENT

Immediately following the appointment, the Licensing Chief should schedule meetings with the Executive Officer and licensing program management to address staffing, caseload, and applicable issues of the Licensing Division. The Executive Officer should then call a CBA staff meeting to introduce the new Licensing Chief. Finally, all Delegations of Authority and Signature Authority need to be conferred to the new Licensing Chief.

As the Licensing Chief has frequent contact with the CBA's Qualifications Committee, Ethics Curriculum Committee, and Accounting Education Committee, the incumbent should become familiar with the roles and responsibilities of those committees as soon as possible. Depending upon when the Licensing Chief is appointed in relation to the next scheduled meeting, schedule a roundtable meeting or conference call with the committee chairs to introduce themselves

The Licensing Chief serves a one year probationary period, in which they are rated every four months by the Assistant Executive Officer. Assuming the incumbent passes the probationary period, they are given an evaluation annually in the form of an Individual Development Plan. That plan outlines the areas of possible growth for the employee, and identifies the areas of strength.

FUTURE LEADERSHIP

As important as the CBA Senior Management are, this Succession Plan must also recognize that steps must be taken to prepare the next generation of Senior Staff. Realizing that it is often difficult to replace the institutional knowledge amassed over years spent at the CBA, current management has begun work to mitigate the potential loss. Changes include inviting supervisory staff to CBA meetings, promoting from within when appropriate, encouraging staff to take part in training when available, and cross training staff when appropriate.

In order to better prepare current staff for promotional opportunities, and to share experience gained as a supervisor, CBA staff now hold monthly Senior Staff and Managers meetings, in which issues facing supervisors may be aired and deliberated. This is an integral learning process for new and experienced management staff alike, as each manager brings a different perspective and experience.

This Succession Plan is not intended to be strict policy or procedure, it is simply a guide. With this Succession Plan, and the steps that have been taken to secure institutional knowledge, the CBA is in a markedly better position to address the attrition of Senior Staff.

State of California
Department of Consumer Affairs

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Memorandum

CBA Agenda Item VIII.D.
November 17-18, 2010

To : CBA Members

Date : October 27, 2010

Telephone : (916) 561-4344

Facsimile : (916) 263-3678

From : Vincent Johnston, Analyst

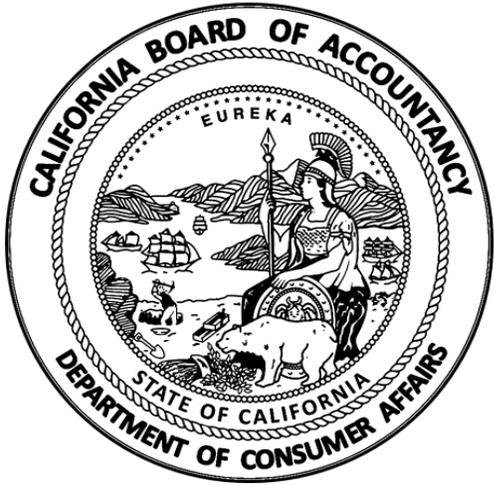
Subject : CBA Annual Report

Attached is the *California Board of Accountancy Fiscal Year 2009-2010 Annual Report of Accomplishments & Activities*. The report highlights CBA activities from July 1, 2009 to June 30, 2010. You'll notice a small number of the events contained in the report occur after the end date of the report, they are included for continuity.

The CBA Annual Report replaces the report formerly known as the *Executive Officer's Report to the CBA*. The report has been completely redesigned, contains information that is more pertinent to the current state of the CBA, and is much easier to read. The new report will be presented annually at the November CBA meeting, and will be published to the CBA Web site so that all CBA stakeholders have the chance to see it.

Staff will be available at the meeting to answer any questions.

Attachment



**CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2009-2010
ANNUAL REPORT OF ACCOMPLISHMENTS & ACTIVITIES**



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A NOTE FROM THE EXECUTIVE OFFICER

I am pleased to present the Fiscal Year 2009-2010 California Board of Accountancy (CBA) Annual Report. This report will replace the Executive Officer's Report to the California Board of Accountancy, and I hope that you will find it easier to read and more informative. This Accomplishments and Activities Report highlights the results of each division's operations as well as solutions that are under way to enhance and improve the CBA's commitment to California consumers and licensees.



Patti Bowers
Executive Officer

The past year has seen a number of major accomplishments and changes at the CBA, including:

- The update of the official CBA Mission and Vision statements.
- The creation of an inaugural Executive Leadership Roundtable.
- The repeal of Pathway 0 - one of three pathways to licensure as a California CPA.
- The chaptering of Senate Bill 819, which renders Pathway 1 inoperative as of January 2014, thus ensuring California remains "substantially equivalent" to other states.
- The chaptering of Assembly Bill 138, which implemented a mandatory Peer Review Program in California.
- The CBA voting unanimously to decrease licensee renewal fees.
- The launch of a new Non-Technical Unit in the Enforcement Division, to perform administrative investigations that do not require the expertise of an Investigative Certified Public Accountant.
- The submission of the 2010 Sunset Review Report to the Legislature, from which it will review the CBA and its activities.
- The creation of an internal Outreach Committee, which is designed to develop and implement strategies for promulgating the CBA message.
- The webcast of all CBA meetings.

All of these are valuable and mission critical changes to the CBA. However none of them fully illustrates the work CBA staff has devoted to increase customer service to all stakeholders. In the Executive Office, the Executive Analyst position was re-tasked to a Board and Committee Support Analyst in order to assist CBA and Committee members with whatever they need to better fulfill their role. In concert with the CBA's emphasis on outreach to various stakeholders, a Special Projects and Outreach Analyst position was also created inside the Administration Division. The position is responsible for drafting the myriad of reports that are requested by the CBA, DCA, and the Governor's Office, and serves on the CBA Outreach Committee.

One of the largest impacts to CBA operations this year was the Governor's furlough order. Staff work time and pay was reduced by almost 15%, however I am pleased to report that processing timeframes have remained relatively stable. I attribute this to staff willing to work

overtime and re-prioritize tasks as appropriate. I firmly believe that CBA staff are among the very best working at any board or bureau within the DCA.

The strength of the CBA staff can only be matched by that of the CBA management. In the past year, CBA Senior Management has created a Succession Plan, in order to ensure that the CBA workforce has the right people in the right positions, at the right time. In concert with the Succession Plan, I have instituted monthly manager meetings, senior manager meetings, and a bi-monthly all staff meeting, in which staff meet to discuss issues and agenda items from the previous CBA meeting.

In order to retain all of our great staff, CBA management works diligently to provide a positive workforce. In October of 2009 I instituted a quarterly theme competition, in which various units compete to see who can best portray that quarter's theme. The themes were:

- Reducing Waste, Saving Money
- Working Smarter, Not Harder
- Enhancing Customer Service
- Staff and Co-Worker Appreciation

Throughout all of the themes, staff developed numerous ways to reduce administrative costs, enhancing customer service, and working smarter. For instance:

- The CBA redeveloped the license applicant approval letter, which now informs applicants they may obtain the Initial Licensing Handbook on the CBA Web site. Previously, all applicants were provided a paper copy of the handbook.
- Placing all CBA meeting materials on the CBA Web site, which reduced mailing costs by approximately 50%.
- Requesting the property management company install motion sensing light switches throughout the office, which are the standard in most new State offices.
- Creating an employee satisfaction survey.

Looking forward to 2010-11, I am confident in saying that California consumers and licensees, CBA stakeholders, and fellow agencies can count on continued exemplary services and consumer protection at the California Board of Accountancy.

My sincere thanks to all who supported and assisted the CBA in the past year,

Patti Bowers
Executive Officer

ABOUT THE CALIFORNIA BOARD OF ACCOUNTANCY

From its inception in 1901, the California Board of Accountancy has, by statute, been charged with regulating the practice of accountancy. The original law prohibited anyone from falsely claiming to be a certified accountant, a mandate which exists today.

The standards for licensure have always been high. The first accountants certified by the CBA in 1901 were required to sit for a written examination, including questions on Theory of Accounts, Practical Accounting, Auditing, and Commerce Law, with a passage rate of at least 70 percent for each section. Applicants were required to provide a notarized affidavit certifying at least three years accounting experience, at least two years of which must have been in the office of a Certified Public Accountant (CPA) performing actual accounting work. In addition, each applicant was required to submit three references testifying to his character, in the form of a "Certificate of Moral Character." Today's mandate that each CBA licensee pass an ethics course finds its antecedent in the CBA's original requirement of this certificate.

In 1929, the Legislature placed the CBA within the Department of Professional and Vocational Standards. In 1945, the Accountancy Act was substantially revised. In 1971, the Legislature located the CBA within the newly-created Department of Consumer Affairs.

Function of the CBA:

The CBA's legal mandate is to regulate the accounting profession for the public interest. The CBA establishes and maintains entry standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA's enabling act (the Accountancy Act) is found at Section 5000 *et seq.* of the Business and Professions Code, and the CBA's regulations appear in Title 16, Division 1 of the California Code of Regulations (CBA Regulations).

The CBA has the authority to license and discipline not only individuals but also firms. As accounting practitioners, the Certified Public Accountant and the Public Accountant (PA) are proprietors, partners, shareholders, and staff employees of public accounting firms. They provide professional services to individuals, private and publicly-held companies, financial institutions, nonprofit organizations, and local, state, and federal government entities. CPAs and PAs also are employed in business and industry, in government, and in academia.

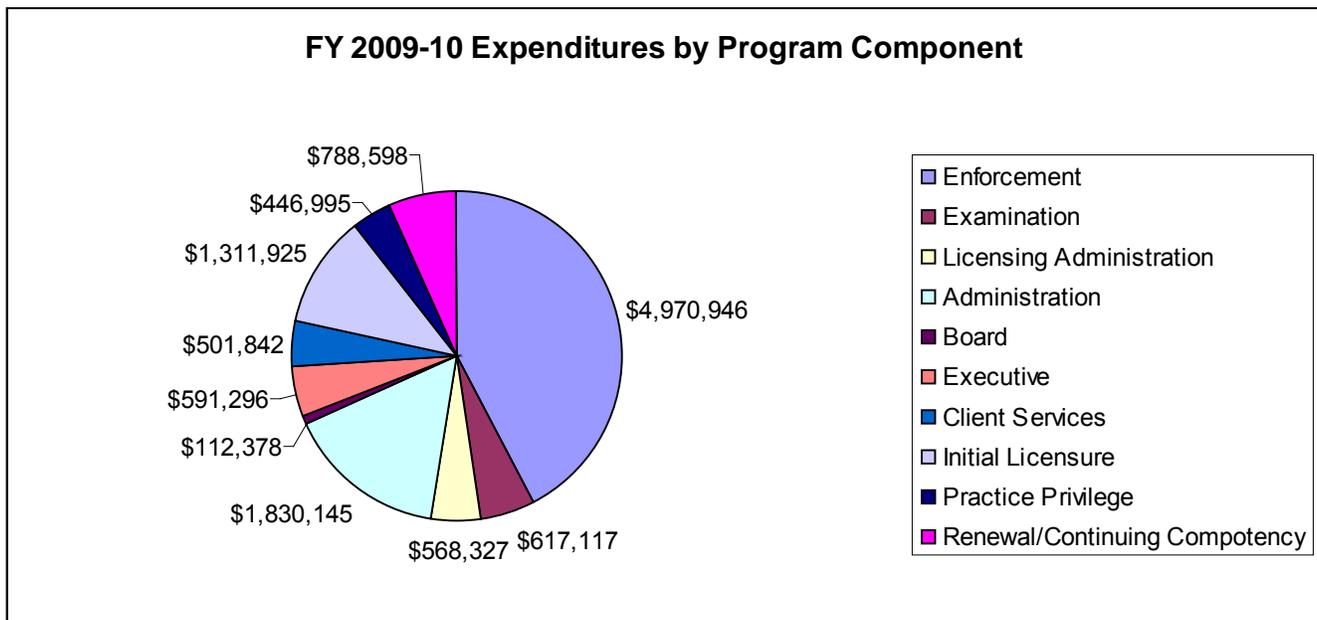
The CBA performs its consumer protection mission for many stakeholders, including:

- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies who rely on the integrity of audited financial information.
- Governmental bodies, donors, and trustees of not-for-profit agencies which require audited financial information or assistance with internal accounting controls.

- Regulatory bodies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Public Utilities Commission, and federal and state banking regulators; local, state, and federal taxing authorities.
- Retirement systems, pension plans, and stock exchanges.

Current law stipulates that the CBA consists of 15 members, seven of whom must be CPAs, and eight of whom shall be public members who shall not be licensees of the CBA or registered by the CBA. The Governor appoints four of the public members and the seven licensees. In appointing the seven licensees, the Governor must appoint members representing a cross-section of the accounting profession with at least two members representing small public accounting firms. A small public accounting firm is defined as a professional firm that employs a total of no more than four licensees as partners, owners, or full-time employees in the practice of public accountancy. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members.

BUDGET



The CBA's budget in FY 2009-10 was \$11,739,569. This is the maximum amount of money that the CBA can spend on annual operations. The pie chart above illustrates the resources allocated to each unit within the CBA. The CBA Administration Division is responsible for determining the budgets for each program. The number and classification of personnel, specific contracts, and expected equipment purchases are all considered when determining these amounts. The CBA submitted these amounts to the Department of Consumer Affairs in December 2009. While the division of the budget is entirely optional, it provides the CBA with a tool to better track its expenditures and to hold each program accountable for their spending.

Staff are responsible for submitting documents to assist the Department of Consumer Affairs and the Department of Finance in the creation of the CBA budget. In August 2009, CBA staff submitted workload and revenue statistics to finalize projected revenue levels for the FY 2010-11 Governor's Budget. These statistics will also provide a preliminary estimate to use for projecting revenues in the FY 2011-12 budget. Staff also submitted equipment requests to DCA in August 2009. DCA approved over \$50,000 in the FY 2010-11 budget for CBA equipment purchases.

The CBA also submitted two legislative FY 2010-11 budget change proposals (BCP) requesting four additional positions. Two of the positions will be responsible for promulgating regulations and providing committee support in preparation for the elimination of Pathway 1. The other two positions will be responsible for the program operations and support of the new Peer Review Program. The proposals have been approved by the DCA, the State and Consumer Services Agency, the Department of Finance and the Legislature. They will be included in the FY 2010-11 Governor's Budget.

In January 2010, the Governor issued Executive Order (EO) S-01-10 which required departments to develop and implement a plan to achieve an additional 5% salary savings in FY 2010-11. The DCA Budget Office identified budget year target savings reductions, and the CBA was instructed to come up with a plan to achieve an additional 5% personal services savings, or approximately \$260,000, in FY 2010-11. The CBA reviewed upcoming vacancies and past expenditure patterns and identified steps by which it could achieve these new required savings.

CBA staff also provide quarterly financial reports at CBA meetings. These reports are designed to give CBA members status updates on CBA spending levels, revenues received as well as estimated reserves in the Accountancy Fund. The following table details year end financial information that was presented at the September 2010 CBA meeting. The CBA's expenditures in FY 2009-10 totaled approximately \$8.6 million, which was well within the \$11.7 million that the CBA was appropriated in that year.

ANALYSIS OF FUND CONDITION	FY 2009-10 (Actual)	FY 2010-11 (Projected)	FY 2011-12 (Projected)
Total Reserves, July 1	\$15,693,000	\$19,753,000	\$10,525,000
Total Revenues	\$12,703,000	\$13,249,000	\$9,860,000
Total Transfers	\$0	-\$10,000,000	\$10,000,000
Total Rev. & Transfers	\$12,703,000	\$3,249,000	\$19,860,000
Total Resources	\$28,396,000	\$23,002,000	\$30,384,000
Total Expenditures	\$8,643,000	\$12,477,000	\$12,703,000
Unreimbursed Loans to General Fund	\$20,270,000	\$30,270,000	\$20,270,000
Reserve, June 30	\$19,753,000	\$10,525,000	\$17,681,000
MONTHS IN RESERVE	19.7	9.9	16.4

ADMINISTRATION DIVISION

INTRODUCTION

The Administration Division is comprised of twenty staff who are responsible for all the CBA day to day operations. Duties include assisting with the creation of the budget, facilitating requests for staffing augmentations, contracting with vendors, purchasing new equipment, serving as liaison to the Department of Consumer Affairs related to personnel and travel matters, providing information technology support to CBA staff, maintaining the CBA Web site, and providing timely outreach to all stakeholders.

WORKFORCE AND SUCCESSION PLANNING

The Administration Division has been very active in its pursuit of workforce and succession planning. Over the past year, all Reception and Cashiering staff were cross-trained in Mailroom procedures. Further, select Reception staff were cross-trained in Cashiering procedures. Cross-training ensures that in the event staff are out of the office, or leave for another position, qualified, trained staff are available to perform those duties and ensure continuity of business processes.

After identifying the need for a designated Outreach and Special Projects Analyst, CBA management chose to move a technical position from Administrative Services to Outreach & Communications and reclassify the position to Associate Governmental Program Analyst. The re-classification addressed a critical need for administrative support related to a myriad of issues and projects such as participation on the Outreach Committee, response to Public Record Act requests, preparation of the CBA Annual Report and the CBA Sunset Review Report.

STRATEGIC PLAN ACCOMPLISHMENTS

Strategic planning is a major emphasis for all divisions within the CBA, but perhaps none larger than the Administration Division. Many of the Goals and Objectives reflected in the CBA 2010-2012 Strategic Plan somehow impact the day to day operations of the CBA office, and as such require a large amount of attention by Administration Division staff.

- **Maintain a secure and relevant Web site that provides enhanced interactive features.**

Staff regularly attend training to ensure they are aware of, and prepared to address, security issues. Launching CBA E-news comprised a notable step towards relevance of the Web site as well as its interactivity. The online Peer Review Reporting System was also a major contribution to the CBA's success in terms of adding interactive features to the Web site.

- **Increase the CBA's visibility and reputation with the Legislature.**

Staff regularly communicate the CBA's position on legislation with authors' offices, and maintain contact with consultants for the respective business and professions committees.

- **Develop a communication plan that increases and prioritizes outreach efforts and focuses on key messages.**

This objective was accomplished through the development of the CBA 2010-2012 Communications & Outreach Plan and the CBA staff Outreach Committee.

- **Evaluate options for delivering agenda materials.**

CBA agenda materials are now being posted to the Web site, and only distributed in hardcopy form to interested parties on request. Staff are still assessing the possibility of providing CBA members with laptop computers containing all agenda materials to utilize at CBA meetings.

- **Establish a policy for Board Member participation in national committees.**

This objective was accomplished through the addition of a "National Committee" section to the CBA Member Guidelines & Procedures Manual.

- **Monitor national association activities and respond as appropriate.**

In order to address this objective, a communication to CBA members regarding national associations' current exposure drafts is included in each Executive Officer Monthly Report.

- **Review and refine the CBA's organizational structure as necessary.**

In 2009 the CBA created the Non-Technical Unit (NTU) in the Enforcement Division, and drafted a reorganization plan for Licensing Division, including movement of Peer Review, Practice Privilege and Continuing Education audit functions to the Enforcement Division.

- **Redesign CBA's existing workspace to enhance organization cohesiveness and productivity**

The build out of new space acquired in latest facility lease is complete, including a new License File Room, Enforcement File Room, Storage Room and IT Storage Room.

PUBLIC AFFAIRS & OUTREACH

One of the most significant areas of emphasis in the last year was in Public Affairs and Outreach. The concentration is evident in the creation of the new CBA 2010-2012 Strategic Plan, which contains a goal to provide and maintain effective and timely outreach to all CBA stakeholders. One way the CBA is working to achieve that goal is through the creation and implementation of the 2010-2012 Communications and Outreach Plan (Outreach Plan). The Outreach Plan identifies CBA stakeholders and outlines the goals of the communication efforts to reach and inform each group. These high-level strategies and goals are intended to provide guidance in planning and measuring results of current and future communications efforts.

In concert with these objectives, CBA staff created an Outreach Committee comprised of CBA staff to provide input and resources from across divisions and programs. The CBA Public Information Officer provides oversight and guidance to the Outreach Committee to ensure that planning and executing communications and outreach efforts will be integrated with the goals of the Outreach Plan.

The Executive Roundtable meetings held in January 2010 were the genesis of another portion of the Outreach Plan-that of an Ambassador Program. The CBA Vice-President, or her/his designee, will serve as an “Ambassador” of the CBA to specific stakeholder groups including professional organizations, colleges/universities, Chambers of Commerce, civic organizations, state/federal agencies which serve and/or employ CPA licensees. CBA staff is currently working to create a primer of talking points for the Ambassador, and is looking for opportunities to utilize their skills.

The dawning of FY 2009-10 brought with it a change to the “brand” that makes up the CBA. CBA staff worked diligently with the DCA Office of Publications to develop a new logo for the CBA. The logo was approved at the July 2009 CBA meeting, bringing with it a fresh look to CBA communications. The new logo also changed the way the California Board of Accountancy is referred to. Previously, the California Board of Accountancy second reference was “Board”. However, this could lead to some confusion as there are twenty one other boards within the DCA, all that conceivably utilize the same abbreviation. In keeping with the new logo and brand of the CBA, all abbreviations of “Board” were changed to “CBA”.

Since the Fall of 1986 the CBA has published a newsletter called *UPDATE*. The *UPDATE* is utilized as a tool to inform licensees of regulation changes, enforcement actions, and other current events at the CBA. In order to increase contact with the licensee public, the CBA has recently increased production from a bi-annual to tri-annual publication. Program staff has worked diligently to provide valuable information to stakeholders through *UPDATE*, including articles on:

- Peer Review
- Explanation of the Renewal Process
- Fee Reductions Approved by the CBA
- Use of the “Inactive” Designation
- Where the CBA Spends its Money
- Customer Satisfaction – A CBA Priority

In order to keep the press and consumers apprised of the activities of the CBA, staff has significantly increased the issuance of press releases during FY 2009-10. In FY 2009-10, the CBA issued 25 press releases, up from 12 in FY 2008-09.

In concert with Strategic Plan Goal 5 to maintain an active presence and leadership role that efficiently leverages the CBA’s position of regulatory influence, the CBA currently has nine members and staff serving on various American Institute of Certified Public Accountants and National Association of State Boards of Accountancy sub-committees.

Staff has made a conscious effort to expand CBA Communications and Outreach, and will continue to do so into the future. Outreach to all stakeholders, not just consumers, is paramount to fulfilling the CBA vision that all consumers are well informed and receive quality accounting services from licensees they can trust.

LEGISLATION AND REGULATION

Sunset Review

On September 1, 2009, the CBA submitted its Sunset Review Report to the Legislature. However, the Legislature is currently in the process of revising the sunset review process, and as such, no hearings were held subsequent to the report's submission, and the CBA's sunset date of July 1, 2011 was not extended. In March of 2010 the Legislature requested an updated Sunset Review Report. The report was submitted October 1, 2010, and hearings have been scheduled for February 2011.

Blue Book

The CBA Blue Book is a compilation of the Accountancy Act, the CBA Regulations, and other related California Codes. The Blue Book was updated and is current as of January 1, 2010.

LEGISLATION ENACTED

- **Assembly Bill (AB) 117 of 2009 (Niello)**
AB 117 requires that a CPA who holds an inactive license must include the word "inactive" immediately after the CPA designation.
- **AB 138 of 2009 (Hayashi)**
AB 138 establishes a mandatory peer review requirement for all California licensed firms. It also creates the Peer Review Oversight Committee to advise the CBA on peer review matters.
- **AB 1005 of 2009 (Block)**
AB 1005 requires the CBA to webcast all CBA meeting live over the Internet. It also requires that the minutes of CBA meetings be posted to the Web site once they have been finalized. Finally, it requires that notice of accusations be posted on the Web site along with related information.
- **Senate Bill (SB) 819 of 2009 (Yee)**
The CBA currently has two pathways to licensure for Certified Public Accountants:
 - Pathway 1 requires a baccalaureate degree and two years of experience.
 - Pathway 2 requires a baccalaureate degree, a total of 150 semester units of education, and one year of experience.

SB 819 makes Pathway 1 inoperative as of January 1, 2014, and, from that date forward, requires that the 150 semester units of education required by Pathway 2 include 10 semester units of ethics study and 20 additional semester units of accounting study.

To facilitate the educational changes, SB 819 created the following committees:

- The Advisory Committee on Accounting Ethics Curriculum, referred to as the Ethics Curriculum Committee, which, within the jurisdiction of the CBA, is composed of 11 members. The committee is required to recommend guidelines for the ethics study requirement to the CBA by January 1, 2012.
- The Accounting Education Advisory Committee, referred to as the Accounting Education Committee, whose members are appointed by the CBA and must be experts in accounting education. The committee has been tasked with recommending to the CBA accounting study guidelines consisting of 20 semester units to be included as a part of the education necessary for licensure as a CPA.

The law also requires the CBA to adopt recommendations from the Ethics Curriculum Committee by January 31, 2013, and requires the CBA to adopt guidelines for the accounting study requirement forthcoming from the Accounting Ethics Committee by January 1, 2012.

Finally, SB 819 deleted the sunset date for the California Practice Privilege program.

REGULATIONS FINALIZED AND FILED

- **Peer Review Emergency Regulations Effective January 1, 2010:**
Established the parameters of the CBA's mandatory Peer Review Program, which was implemented through AB 138 of 2009. Full details of the program can be found later in this document
- **Continuing Education Regulations Effective January 1, 2010:**
Made changes to the Continuing Education (CE) requirements to require an ethics course every two years; created a new course to cover the Accountancy Act and CBA Regulations to be taken every six years; requires at least 20 of the 80 CE hours required for biennial license renewal to be taken each year; and made other changes to requirements for licensees whose license is in a status other than active.
- **Attest Definitions Regulations Effective February 5, 2010:**
Clarified and defined "attest services" and "attest report" as an audit, a review of financial statements, or an examination of prospective financial information, but excluded the issuance of compiled financial statements.
- **Attest Client Notification Regulations Effective March 20, 2010:**
Clarified that an attest client or prospective attest client must be notified about the ownership composition of an accountancy firm if none of the licensee owners are authorized to sign reports on attest engagements.

REGULATIONS IN PROGRESS

- **Certificate of Compliance for Peer Review Emergency Regulations:**
Will make the CBA's emergency peer review regulations permanent.
- **Peer Review Oversight Committee Regulations:**
Will establish the qualifications and duties of the Peer Review Oversight Committee and will establish an adjudication procedure for peer review programs which are denied CBA approval.
- **Continuing Education: Exemptions and Extensions Regulations:**
Will add Article 6-Peer Review to the list of required course content for CBA approved regulatory review courses.
- **Fee Regulations:**
Will reduce the fees for renewal and initial licensure for four years at which time the fees will return to current levels unless a determination is made by the CBA to set fees at some other level.

CBA WEB SITE

CBA staff has made strides to improve the CBA Web site, and to liaison with other state agencies that might have similar stakeholders. For example, visitors to the Board of Equalization Web site are now able to easily access the CBA Web site via a link that is prominently displayed on the Board of Equalization's home page.

In accordance with AB 1005, all CBA meetings are now webcast live over the internet, and are stored for future viewing. The CBA also posts the approved minutes from each meeting. Further, in order to reduce copying and postage costs and to improve accessibility of CBA meeting materials, all meeting materials are now available electronically on the Web site for interested parties to download as necessary.

One of the biggest additions to the Web site was the creation of the E-News service. Visitors to the CBA Web site are encouraged to sign up for an E-News subscription, and are emailed a link to any important Web site updates or changes. Thanks to the pervasiveness of "New Media," (social networking, blogs, etc.) staff have discovered that CBA's E-News is being "tweeted" by several Twitter users. The Twitter profiles indicate a variety of "tweeters," from individuals in the finance world to CPA Exam applicants. The use of Twitter is a good example of CBA's message "reach" exceeding our initial efforts. As of June 30, 2010 the CBA had approximately 1,600 E-News subscribers.

In support of AB 138, the CBA Web site added a Peer Review section, providing regulation, program provider, reporting form, and FAQs information. To support the licensees, renewal information, continuing education requirements and providers were added as well.

The primary changes to the Laws and Rules section of the Web site came in the form of the Blue Book. The Blue Book is a compilation of the Accountancy Act, CBA Regulations, and other Codes related to the CBA. A new section was also established on the CBA Web site for Pending Legislation. This section lists Assembly and Senate Bills the CBA is currently

following, provides links to the official California Legislative Information Web site for each bill, and indicates the CBA's position on each bill.

Finally, in order to assist the public in putting a face with the CBA, the CBA members' photos and biographies were posted to the Web site, and a banner of the CBA President Manuel Ramirez was created and highlighted on the CBA home page. The banner provides a link to the *UPDATE* Publication.

INFORMATION TECHNOLOGY

Over the past year, CBA IT staff have successfully completed several important projects that have enhanced the internal operations and CBA outreach and communication with stakeholders. It is worth noting that in light of the State of California's fiscal crisis and the increased pressure on State agencies to reduce waste and operate more efficiently, these CBA IT projects were also completed with minimal expenditures by utilizing existing CBA resources.

In response to the CBA Strategic Plan goal of improving stakeholder communication and outreach, IT staff developed both the E-News service and live webcast of CBA meetings. These services were developed internally for less than \$1,500 in combined total hardware and software costs.

CBA's new Peer Review system went into operation on July 1st, 2010. This system provides licensees with the ability to comply with the new peer review reporting requirements of AB138 by completing a simple interactive form on the CBA's Web site. The system also helps to minimize the workload impact of this new requirement on CBA staff by reducing the need for manual entry of peer review reporting data and by providing CBA staff with the ability to monitor compliance and produce letters and reports. The Peer Review reporting system was also developed internally using only existing CBA resources.

Other notable accomplishments of the past year include: the creation of a Information Practices Act and Public Record Act (IRA/PRA) tracking system to track and route requests and ensure CBA compliance the requirements of the California Public Record Act; the completion of the transition to the Office of Technology Services Consolidated E-Mail Hygiene and Encryption Service (E-Hub) as directed by the Governor's Executive Order S-03-10; the completion of the annual review and update of the CBA Software Management Plan; and the increased use of server virtualization in order to better utilize existing CBA server hardware, improve efficiency and reduce power usage.

TRAVEL

In February 2010, the Assembly Accountability & Administrative Review Committee held a hearing and invited various agencies, including DCA, to discuss reports of excessive state spending reported by the media. DCA was asked to explain its conference and meeting facility expenses. CBA staff have reduced in-state travel expenditures from \$145,771 in FY 2008-09 to \$127,866 in FY 2009-10, which is a 12% reduction in costs compared to FY 2008-09.

CBA staff processed 172 travel claims in FY 2009-10 using the CalATERS system. Travelers receive electronic copies of their completed claims from staff immediately upon submission and receive payments directly from DCA, greatly reducing travel claim processing time.

PERSONNEL

CBA staff have updated the Business Continuity Plan. This is an emergency operations plan intended to assist management with focusing on continuity of essential business functions in the event of a major business disruption. It consists of a risk assessment analysis and identification of general recovery strategies and considerations, for CBA's identified essential business functions, including reception, Web capabilities, procurement, contracting and information services.

Early in 2009 the DCA conducted a process improvement project within its Office of Human Resources. CBA staff served on a DCA committee that analyzed, through facilitated exercises, the Office of Human Resource's existing processes and made recommendations for improving them (e.g., identifying and deleting bottlenecks and inefficiencies; improving customer service.)

CBA staff continue to participate in the Human Resource Modernization (HR Mod) Project, which streamlines hiring, rewards performance, and simplifies the State's system of job classifications. Participation requires CBA staff to submit to the DCA justifying statements when hiring for the Associate Governmental Program Analyst, Investigative CPA, and Staff Services Manager I classifications, and to submit probationary reports timely.

ENFORCEMENT DIVISION

INTRODUCTION

The CBA has significant responsibilities in the area of consumer protection. Workload is prioritized to maximize consumer protection and mitigate consumer harm. Cases with the potential for ongoing consumer harm receive the highest priority and urgent attention. The options of interim suspension order or Penal Code Section 23 suspension are utilized whenever appropriate to suspend licensee practice rights, and to diminish potential consumer losses.

The Enforcement Division receives complaints from consumers of accounting services, members of the accounting profession, professional societies, law enforcement agencies, other government agencies, and internal referrals from CBA committees and other programs. While historically consumers and internal referrals have been the main origin of complaints, licensees also have been a significant source, most often reporting unlicensed activity. CBA members and staff also regularly monitor the news media for information that may suggest licensees' violations of the Accountancy Act.

WORKFORCE AND SUCCESSION PLANNING

During the past year the Enforcement Division experienced an employee turnover rate of 70%. Three of the five Investigative Certified Public Accountants (Investigative CPA) and both the Supervising Investigative CPA and the Division Chief left the CBA. All but one of the departures were due to retirements. This loss of staff and the difficulty of recruiting staff prompted CBA leadership to change work processes and staffing.

Historically it has been difficult to recruit and retain Investigative CPAs, with low salaries and the state testing process contributing to these challenges. To address the non-parity of CPA salaries to those outside State civil service, the issue was raised to the Director of the Department of Consumer Affairs. The Director is very supportive of addressing the Investigative CPA salaries through the collective bargaining process or through action by the Department of Personnel Administration. We are hopeful that this momentum will continue into the new fiscal year and the salary issue will be finally resolved.

In order to address constraints within the civil service testing guidelines, a new testing process was implemented. This new process allows for the continuous filing of applications for the Investigative CPA exam. Previously, applicants could only apply for the exam for a limited time (typically 30 days out of the year). An interested CPA may now apply for the Investigative CPA exam year round, and exams are given as needed. Additionally, the written portion of the Investigative CPA exam has been eliminated. The applicant now proceeds directly to an interview based examination, without taking a written exam. Finally, positions can now be filled on a state-wide basis, meaning some positions are no longer tied to Sacramento. By using flexible work arrangements, the CBA can hire Investigative CPAs to work remotely anywhere in the state. These changes along with planned recruitment efforts will make it easier for licensees to apply of the Investigative CPA exam.

Filling the Enforcement Chief position also required changes. Previously this position required a CPA license, however to increase the candidate pool the position was reclassified as a Career Executive Assignment (CEA). This change was successful and the position was filled at the CEA level. Additionally, internal staff member was promoted to the Supervising Investigative CPA position. In spite of the diligent efforts of CBA management, there are currently four vacant Investigative CPA positions in addition to the new position the CBA received on July 1, 2010 for the Peer Review Program. The next Investigative CPA exam is scheduled for December, and CBA Senior Staff is confident that the changes made in the hiring process will be effective in recruiting new staff shortly.

The CBA has historically used Investigative CPAs to conduct all investigations. Investigative CPAs are licensed Certified Public Accountants and as mentioned earlier, recruiting and retaining them has been difficult. A review of the work processes revealed that some of the work currently performed by Investigative CPAs could be done by non-licensed staff. In order to allow the Investigative CPAs to focus on casework of a more technical nature, CBA senior staff established a Non-Technical Investigations Unit.

This Non-Technical unit is staffed with five analysts and two support staff. The unit is responsible for all administrative investigations, including practicing without a permit, practicing with an inactive/expired permit, signing tax returns without a permit, and practicing with continuing education deficiencies. The value of the unit is evident in the marked rise of Citations/Fines, and Cease and Desist letters in the following table, which assist in ensuring licensee adherence to established law and regulations.

STRATEGIC PLAN ACCOMPLISHMENTS

Staff have been actively working on the eleven Strategic Plan Objectives directly related to the Enforcement Division. Below is a status of a few where significant action has occurred.

- **Recruit effective leadership for the Enforcement Program.**
The Enforcement Chief position at the CBA was reclassified to a Career Executive Assignment, greatly expanding the available candidate pool.
- **Achieve salary parity for Investigative CPA staff to ensure success in hiring and retention efforts.**
CBA management continues to actively work with DCA and the Department of Personnel Administration to address the pay inadequacies for the Investigative CPA classification.
- **Achieve an Investigative CPA staffing level to adequately address workload demands.**
With the implementation of the Peer Review Program, the CBA was granted the authority to hire an additional Investigative CPA.
- **Increase licensees' awareness of the consequences of unprofessional conduct.**
Increasing awareness is an ongoing task for the Enforcement Division. Recent accomplishments include changing the format of the *UPDATE* enforcement actions, a recent article related to unlicensed activity, and the Outreach Committee's work on updating the Enforcement Pamphlet.

- **Seek to remove or extend the Practice Privilege Program sunset date**
Achieved with the chaptering of SB 819.

CONSUMER PROTECTION ENFORCEMENT INITIATIVE (CPEI)

The CPEI is a comprehensive initiative the DCA launched to overhaul enforcement processes at all healing arts boards. The healing arts boards regulate a variety of professions from doctors and nurses to physical therapists and optometrists. The DCA will address the remaining boards and bureaus, including the California Board of Accountancy, at a future date. However, the Enforcement Division has been affected by the CPEI during the past year.

CBA staff assisted the DCA on developing an enforcement improvement model. DCA solicited participants from all boards and bureaus to serve on a Best Practices Identification Committee, which was charged with conducting an analysis of existing enforcement functions throughout the boards and bureaus of DCA as well as in other states. This Best Practices Identification Committee was facilitated by DCA's Strategic Organization, Leadership & Individual Development (SOLID) Team and the results of this project were used to assist in the development of the DCA's new Enforcement Academy training program.

POSTING ACCUSATIONS

The topic of posting pending accusations has been discussed at various CBA meetings. At the September 2010 meeting, the CBA voted to post to the CBA Web site, all pending accusations in their entirety, with water marks indicating they are not final.

PERFORMANCE MEASURES

As part of the Consumer Protection Enforcement Initiative, the DCA will be posting Performance Measures for each board and bureau. Starting in July 2010, each board and bureau is tracking performance measurement data and will provide the data to DCA quarterly for posting to its Web site. The first data was due to the DCA in October 2010. The Performance Measures implemented by DCA are:

1. Number complaints received.
2. Average number of days to complete complaint intake.
3. Average number of days to complete investigations not resulting in formal discipline.
4. Average number of days to complete investigations resulting in formal discipline.
5. Average cost of intake and investigation for complaints not resulting in formal discipline.
6. Consumer satisfaction with the services received during the enforcement process.
7. Average number of days from the date a probation monitor is assigned to the date the monitor makes contact.
8. Average number of days from the time a violation is reported to the program to the time the probation monitor responds.

Enforcement Advisory Committee

Enforcement Division staff act as liaisons to the Enforcement Advisory Committee (EAC). The EAC is comprised of licensees in public practice and assists the CBA in an advisory capacity with enforcement activities. During FY 2009-10 the EAC met 3 times, reviewed 30 closed

investigative files, and conducted 3 investigative hearings. Enforcement Division staff facilitated the meetings, provided statistical information on investigation and discipline, and assisted in conducting the investigative hearings.

Peer Review Oversight Committee

Enforcement Division staff act as liaisons to the Peer Review Oversight Committee (PROC). The PROC assists the CBA in oversight of the newly established Peer Review Program. The PROC members were appointed at the end of FY 2009-10 and the first meeting is scheduled for November 9, 2010.

COMPLAINT MANAGEMENT (STATISTICS)

	FY 2008-09	FY 2009-10
Complaints		
Received	868	630
Closed without Assignment for Investigation	779	369
Assigned for Investigation	144	331
Average Days to Close or Assign for Investigation	51	25
Pending	67	0
Average Age of Pending Complaints	79	N/A
Convictions/Arrest Reports		
Received	10	75
Closed	9	63
Assigned for Investigation	1	15
Average Days to Close/Assign for Investigation	2	3
Pending	3	0
Investigations		
Initial Assignment for Investigation	145	346
Investigations Closed	91	280
Average Days to Close	327	212
Investigations Pending	130	196
Average Age of Pending Investigation	266	197
Enforcement Actions		
AG Cases Initiated	37	35
AG Cased Pending	36	41
Statement of Issues Filed	0	1
Accusations Filed	29	26
Disciplinary Orders		
Proposed Decisions / Default Decisions Effective	7	8
Stipulations Effective	24	17
Average Days to Complete Proposed Decisions/Default Decisions/Stipulations*	672	722
Citations		
Final Citations	17	14
Average Days to Complete	249	218
* Average Days to Complete Proposed Decisions/Default Decisions/Stipulations is based on the number of days from receipt of complaint to the effective date of Disciplinary Order.		

LICENSING DIVISION

INTRODUCTION

The Licensing Division is responsible for ensuring: 1) applicants meet education requirements prior to taking the Uniform CPA Examination (CPA Exam); 2) applicants for licensure have passed the CPA Exam and have met the education and experience requirements necessary for licensure; 3) accountancy partnerships and corporations are registered so they can offer services in California; 4) licensees have paid the required fees and have completed the required amount of continuing education hours in order to renew their license and demonstrate minimum competency; and 5) out-of-state licensees seeking the privilege to practice public accountancy in California have notified the CBA of their intent.

Although the main focus of the Licensing Division is to regulate entry into the profession, Licensing Division staff are an integral part of the enforcement process as well. A large number of enforcement complaints originate from within the office, based upon information provided by the current or potential licensee. For instance, the Renewals and Continuing Competency Unit routinely refers complaints to the non-technical enforcement unit related to licensees practicing with continuing education deficiencies, and practicing with expired licenses.

WORKFORCE AND SUCCESSION PLANNING

Licensing Division staff have made some preliminary strides towards workforce and succession planning. Staff within each unit is working on identifying specific tasks where there is no present written procedure or process and are directing staff to begin documenting. Initial steps have also been made toward cross-training staff within the Licensing Division. During the next fiscal year, staff will be working on restructuring the entire Licensing Division, which will incorporate merging various functions and having multiple staff trained on each task.

STRATEGIC PLAN ACCOMPLISHMENTS

Staff have been actively working on the eleven Strategic Plan Objectives directly related to the Licensing Division. Below is a status of a few where signification action has occurred.

- **Enhancing Customer Service Through Use Of Survey Tools**
Staff are presently working on an on-line survey to assess internal leadership, productivity, morale, and communication. The survey will also allow for staff to provide general open-ended comments.
- **Achieve Reasonable Timeframes For Processing License Renewal Applications**
Staff have done baseline evaluations within the Renewal and Continuing Competency Unit and are now monitoring the present timeframes quarterly for license renewal processing. Once the data is collected, staff will begin reviewing the timeframes and start developing the new processes and procedures, if necessary, to improve timeframes. The new credit card payment option may also be a factor that has an impact on the processing timeframes.

- **Provide The Option For Online Application For Licensure And License Renewal**
The DCA is presently working on a pilot program to allow licensees to pay their renewal fee via Credit Card. The pilot program is near completion and CBA staff will be advocating that the CBA be incorporated into the program. Additionally, IT staff will be working on a project to allow for candidates applying for the examination, licensure, and practice privilege the option to pay with a credit card.
- **Implement Mandatory Peer Review In California**
Peer Review was effective January 1, 2010 and staff have developed an on-line database reporting system to allow easy and automated reporting of peer review information by California accountancy firms.
- **Educate Licensees About The Peer Review Process**
Staff have developed several articles for the CBA *UPDATE* publication, news releases, frequently asked questions and letters to licensees in an effort to communicate the new peer review requirements to licensees. This will continue during the three-year rollout of the program.
- **Review General Accounting Requirements For Licensure And Revise Regulations As Warranted.**
Staff prepared information for review by the Qualifications Committee (QC) and CBA members regarding general accounting experience requirements for licensure. The QC has made a recommendation to the CBA that general accounting experience should not be further defined under the present statutory framework. The recommendation was heard by the CBA at the September 2010 meeting.

EXAMINATION UNIT

The Examination Unit processes applications to sit for the Uniform CPA Examination (CPA Exam), including the review of official transcripts and foreign credential evaluations to ensure that examination candidates meet the educational qualifications pursuant to Sections 5092 and 5093 of the California Business and Professions Code (B&P Code).

The Examination Unit is also responsible for posting candidates' test scores to their Client Accounts. Although staff have noticed a consistent increase in the number of scores received from NASBA, the Examination Unit continued the accelerated release of CPA Exam scores to most candidates within 45 days from the date of testing.

In December the diagnostic reports were made available to candidates along with their advisory scores in their Client Accounts. Candidates previously voiced concern and frustration at the fact that the diagnostic reports were only made available once CBA staff had posted the final score to the examination candidate's account. Due to the volume of scores received, there was a delay of time between the receipt of an advisory score and posting of a final score, up to several weeks. Examination Unit staff worked with the information technology staff to address the candidates' concern. Posting of the diagnostics with the advisory score provides candidates more time to assess possible weaknesses and prepare to retake a failed section of the CPA Exam.

Beginning January 1, 2011, the American Institute of Certified Public Accountants (AICPA) will be launching changes to the CPA Exam, which are being referred to as CBT-e. The changes to the CPA Exam are a direct result of the AICPA's 2008 Practice Analysis of the CPA Exam. A practice analysis is used to ensure the validity of the examination.

Significant changes to the CPA Exam being made by the AICPA include:

- Change in the examination section structure, section time allocations, and the percentage value of examination components.
- New question formats will be introduced.
- New content and skill specifications will go into effect, including testing of International Financial Reporting Standards (IFRS).

The decision to include IFRS on the CPA Exam was based on the determination that knowledge of IFRS is currently required of entry-level CPAs. Other international standards will also be included on the CPA Exam, such as International Standards on Auditing, International Federation of Accountants Code of Ethics for Professional Accountants, and International Accounting Standards. In order to inform licensees of CBT-e, Examination Unit and IT staff worked together to post information to examination candidates' on-line client accounts. In addition, staff developed articles on this topic for the Spring 2010 and Fall 2010 *UPDATE* publication.

In July 2009, Ken Bishop, from the National Association of State Boards of Accountancy (NASBA) and Craig Mills, Vice President of Examinations of the AICPA attended the July 2009 CBA meeting to provide a presentation regarding the international delivery of the CPA Exam. At the subsequent September 2009 meeting, Examination Unit staff provided information to CBA members regarding the topic. CBA members agreed to discuss this topic as additional information becomes available, and Examination Unit staff prepared a letter to NASBA and AICPA regarding the outcome of their discussion.

One of the concerns that has been expressed related to international delivery of the CPA exam relates to the condition that candidates must agree to become licensed after passing the CPA Exam. Section 30(a) of the B&P Code requires applicants to provide their Social Security number at the time of initial licensure. Therefore, foreign applicants seeking to test in their home countries as a California candidate would be unable to fulfill the commitment to obtain licensure in California unless they obtain a United States Social Security Number.

Statistics

	FY 2008-09	FY 2009-10
Examination Applications Received		
First-time Sitter	7,751	7,666
Repeat Sitter	15,922	16,116
Totals:	23,673	23,782
Processing Time Frames	27 days*	26 days*
Scores Processed	35,829	37,993

* Average processing time frames for first-time applicants

INITIAL LICENSING UNIT

Upon passing the Uniform CPA Examination, completion of any additional education and obtaining the required experience, a candidate may apply for CPA licensure. The Initial Licensing Unit received 3,677 applications for CPA licensure during FY 2009-10. Each application must be thoroughly reviewed to ensure the applicant has met the education, examination and experience requirements necessary for licensure.

Until December 31, 2009, there were three avenues for licensure in California, Pathway 0, 1, and 2. Effective January 1, 2010, Pathway 0 was repealed. In anticipation of that date, staff mailed letters to all pending applicants who had previously applied for licensure under Pathway 0 advising them of the impending elimination and outlining the deficiencies needed to complete the application process. In addition, Frequently Asked Questions (FAQs) regarding the elimination of Pathway 0 were posted to the CBA Web site and included in the Winter 2009 issue of *UPDATE*. Staff also made changes to the Initial Licensure Handbook and the CPA Licensure Application to delete references to Pathway 0.

The repeal of Pathway 0 leaves applicants with two pathways to licensure in California:

- Pathway 1 requires a baccalaureate degree and two years of experience.
- Pathway 2 requires a baccalaureate degree, a total of 150 semester units of education, and one year of experience.

Looking forward, SB 819 makes Pathway 1 inoperative as of January 1, 2014, and, from that date forward, requires that the 150 semester units of education required by Pathway 2 include 10 semester units of ethics study and 20 additional semester units of accounting study.

Initial Licensing Unit staff will be accessing the NASBA Accountancy Licensing Database (ALD) to expedite processing time for CPA licensure applicants. This database will allow staff to verify the licensure of out-of-state CPAs who are providing supervision to California applicants. Presently, 28 states report licensing information to the ALD.

Firm Registration

The Initial Licensing Unit is also responsible for registering General and Limited Liability Partnerships (LLP), Corporations and Fictitious Name Permits¹. There were 289 accountancy firm applications received during FY 2009-10.

Processing Timeframes

The Initial Licensing Unit continues to maintain a zero backlog and is processing initial licensure applications for individuals, fictitious name registrations and firms in 30 days or less.

¹ A sole proprietor choosing to practice using a name other than the name under which the person holds a valid permit to practice issued by the CBA

Statistics

	FY 2008-09	FY 2009-10
Licenses Issued by Pathway		
Pathway 0	81	88
Pathway 1	918	1,043
Pathway 2	2,419	2,638
Total Licensed	3,418	3,769
Average Processing Timeframes	26 Days	22 Days
Firm Registrations		
Corporations	215	227
Partnerships	82	109
Fictitious Name Permits	116	155
Total Registrations	413	491
Average Processing Timeframes	21 Days	15 Days

Requests for Certification of CBA Records

The Initial Licensing Unit is responsible for responding to requests for certification of CBA records. Although the majority of these requests are from California licensees or CPA Exam candidates who are applying for licensure out-of-state, the CBA also receives requests from other interested parties. In FY 2009-10 there was an increase of Certification Requests to 1,243, up from 1,137 in FY 2008-09.

Qualifications Committee

Initial Licensing Unit staff act as liaisons to the Qualifications Committee (QC). The QC reviews experience submitted by applicants during the licensure process. During FY 2009-10, there were 51 appearances before the QC, either personal appearance or Rule 69 (CBA Regulation 69). Of those, 34 applicants were approved for licensure and 17 applicants were deferred for additional experience.

In addition, there were three critical topics for discussion at the January and April 2010 QC meetings. The topics for discussion were:

- Further defining general accounting experience in Section 12 of the CBA Regulations
- Consideration of defining supervision in Sections 12 & 12.5 of the CBA Regulations
- Other states' attest experience requirements

In order to present the above three discussion items, staff researched what other state boards of accountancy are doing in these areas. The information obtained from the research conducted by staff was presented to the QC at its January and April 2010 meetings.

RENEWAL/CONTINUING COMPETENCY UNIT

The Renewal/Continuing Competency (RCC) Unit is responsible for processing license renewals for CPAs, PAs, and accountancy firms. CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birthday. For those licensees selecting to renew their license in an active status, the RCC Unit ensures that the continuing education (CE) was completed in the appropriate manner. Accountancy corporations and partnerships are also required to renew biennially, corresponding with their registration date with the CBA. Firms must submit information pertaining to their shareholders or partners, and for corporations, complete the *Security for Claims Against an Accountancy Corporation* form.

In June 2009, the CBA reinstated the CE Audit Program to ensure that licensees are complying with the CE requirements set forth in the Accountancy Act and CBA Regulations. The audits also provide an opportunity to remind licensees of the CE reporting requirements and will hopefully reduce the number of renewal deficiencies received in the future. The CBA information technology staff developed a database that allows licensees to be randomly pre-selected and notified of the audit by mail approximately 90 days prior to their license expiration date.

At the time of license renewal, randomly selected licensees that maintain a license in an active status are required to submit certificates of completion, or equivalent documentation, for a minimum of 80 hours of CE. The certificates of completion are reconciled against the CE reporting worksheet and license renewal application to verify the licensee completed the minimum amount and appropriate subject matter during the license renewal period. Licensees found to have a deficiency must remedy any deficiencies prior to their license being renewed.

January 1, 2010 marked the inception of several new CE regulations. Three of the most significant changes are: (1) licensees must document completion of four hours of ethics education every two years, (2) licensees must complete a new course covering the Accountancy Act and CBA Regulations once every six years, and (3) licensees must document completion of at least 20 hours of CE, 12 of which must be in technical subject matter, in each year of the two-year licensure period.

On February 23, 2010 the CBA updated its Web site to include a continuing education page directed at licensees. The new web page includes information on the new CE requirements that took effect on January 1, 2010. Additional information regarding inactive license disclosure, a CE quick reference guide, how to select a CE course, CE extension and exemption requests, pre-selected CE audits, and a sample CE reporting worksheet were also included. On April 7, 2010 the CBA added additional information specific to CE providers including general course requirements, Board-approved regulatory review course requirements, and frequently asked questions.

As part of the new CE regulations, the Renewal/Continuing Competency Unit has been tasked with the responsibility of reviewing and approving Regulatory Review Courses. In FY 2009-10, five courses were reviewed and approved.

Effective with licenses expiring in August 2009, the RCC Unit made wholesale changes to the CPA/PA license renewal application. The purpose for the changes was threefold. First, to

include questions specific to the new CE changes; second, to include a conviction disclosure question; and third, to create an easier to read, more streamlined application.

Accounting Education Committee

RCC Unit staff act as a liaison to the Accounting Education Committee (AEC). The AEC is a nine-member, legislatively-established committee under the jurisdiction of the CBA tasked with assisting the CBA with defining an additional 20 units of accounting study that will be required for applicants for CPA licensure beginning January 1, 2014. During FY 2009-10, the AEC met twice – April 8, 2010 and June 23, 2010. Prior to the AEC's first meeting, staff sent a letter to over 800 California college/university accounting instructors for recruitment purposes, informing them about the committee and requesting résumés from those interested in working on the committee.

At the April 8th meeting, the AEC discussed:

- Existing CPA licensure requirements and the effect Senate Bill (SB) 819 had on the Pathways to licensure
- AEC directives, goals, and staffing
- Composition of the additional 20 units of accounting study

For this meeting, staff prepared various memorandums and issue papers to assist in discussion and provided a set of reference materials consisting of those sections of SB 819 that impacted the CBA, the present licensure requirements in the California Accountancy Act and CBA Regulations, and a Guide to the Bagley-Keene Open Meeting Act. Additionally, staff prepared an interested parties letter which was distributed to the same list used for recruitment purposes informing them of the committee's work and that all meeting materials would be made available on-line and all meetings would be webcast.

At the June 23rd meeting, the AEC discussed:

- SB 819's impact on mobility
- Education requirements for CPA licensure of other state boards of accountancy
- Defining terms and establishing a framework for the 20 units of accounting study

For this meeting, staff, again, prepared various memorandums to assist in the discussions. Staff performed an extensive amount of research to compile a table on the educational requirements of the other 54 U.S. jurisdictions.

Ethics Curriculum Committee

RCC staff act as a liaison to the Ethics Curriculum Committee (ECC). The ECC is an 11-member, legislatively-established committee under the jurisdiction of the CBA tasked with providing the CBA with guidelines on the 10 units of ethics study that will be required for CPA licensure beginning January 1, 2014. During FY 2009-10, the ECC did not meet, however, staff sent a letter to the various appointing entities informing them of their authority to make an appointment(s) to the ECC, as well as a letter to Senator Leland Yee's (author of SB 819) office requesting his assistance with obtaining appointments to the ECC.

Statistics

	FY 2008-09	FY 2009-10
License Renewal Applications Processed		
Certified Public Accountant	34,007	34,112
Public Accountant	50	30
Accountancy Partnerships	562	482
Accountancy Corporations	1,380	1,217
Total:	35,999	35,841
Regulatory Review Courses		
Number of Courses Received (first time submission)	n/a	12
Number of Courses Returned for Corrections	n/a	8
Number of Revised Courses Received (initial submission returned for corrections)	n/a	7
Number of Courses Approved	n/a	5
Pre-Selected CE Audit Statistics		
Number of Initial Audit Letters Sent	n/a	780
Total Audits Performed	n/a	359
Number of Deficiencies Identified	n/a	36
Number of Deficiencies Cleared	n/a	24
Number of Enforcement Referrals	n/a	0
Number of Outstanding Deficiencies	n/a	12

PEER REVIEW

Beginning in Spring 2007 and continuing into 2008, the CBA reexamined the institution of a mandatory peer review requirement for California-licensed accounting firms. This continued a nearly decade-long look at mandatory peer review by the CBA. After extensive research and consideration of peer review, which included all recommendations outlined in the CBA's *2005 Peer Review Report* (submitted to the Legislature in August 2005), the CBA concluded that implementation of a peer review program would result in that substantial benefits by consumers and the profession.

In order to assist the CBA in its pursuit to comply with its consumer protection mandate, the CBA elected to sponsor legislation, AB 138 (Hayashi), which became law January 1, 2010, implementing a mandatory peer review program for California. AB 138 requires firms, including sole proprietorships, providing audit, attest, or compilation (accounting and auditing) services to undergo a systematic review to ensure that work performed conforms to professional standards. Peer review is required for these firms every three years as a condition for license renewal.

In anticipation of the final passage and signing of AB 138, staff began gearing up for implementation of mandatory peer review. A 30-point Peer Review Implementation Plan was created by CBA staff and is currently being utilized as an outreach tool regarding Peer Review. Staff prepared a letter to send to all licensees with license numbers ending in 01-33, notifying them of the requirement to report peer review information. The reporting date for this group of licensees is July 1, 2011. The letter contains information about who is subject to peer review and information on how to report peer review information on the CBA Web site via the new on-

line Peer Review Database, which became available July 1, 2010. The letter also provides information on downloading a hardcopy of the Peer Review Reporting Form, and directs licensees to contact the CBA should they need a form mailed.

CALIFORNIA PRACTICE PRIVILEGE

In order to practice under California Practice Privilege, out-of-state licensees are required to submit the CBA Notification Form, which is available for submission on-line or via hardcopy. Practice rights under the California Practice Privilege are automatic upon submission of the Notification Form unless specific disqualifying conditions exist that require prior CBA approval.

To ensure that these key consumer protection elements are effective, the CBA established a verification of qualifications procedure. To date staff have issued 53 Administrative Suspension Orders to California Practice Privilege holders not qualified to practice under the Practice Privilege Program.

Statistics

	FY 2008-09	FY 2009-10
Practice Privilege Notification Forms Received	2,622	2,403
Disqualifying Conditions Received	39	39

CLIENT SERVICES UNIT

The Client Services Unit (CSU) provides support to other units within the Licensing Division, while also tasked with several Licensing Division special projects. The unit is staffed with four staff services analysts.

One of the most significant projects undertaken by the CSU has been the development of standardized CBA-specific talking points for CBA members and staff who conduct presentations to outside organizations. The purpose of the talking points is to assist in providing a standardized message regarding the CBA and its present activities.

The following is a list of a few of the projects undertaken by the CSU in the past year:

- Coordinated the renewal of the CBA-approved Foreign Credentials Evaluation Services.
- Implemented a new process for licensee name changes that will enable a licensee’s prior name to show on the CBA’s License Look-up feature.
- Registered the Uniform CPA Examination with the Department of Veteran Affairs (VA), thus allowing veterans applying for the CPA Exam to be reimbursed by the VA for the examination section fees paid to NASBA and the related fees paid to the CBA.
- Re-implemented site visits to Prometric sites that offer the CPA Exam.
- Kept current the CBA Telephone Menu Script for the entire automated telephone system.
- Streamlined the Interstate Score Reporting Request and Processing.
- Developed a plan to survey staff’s internal customer service, specifically leadership, productivity, morale, and communication.

THE CALIFORNIA BOARD OF ACCOUNTANCY AND STAFF

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UNIT

LIZA WALKER
EXAMINATION AND PRACTICE PRIVILEGE UNITS
MANAGER

Memorandum

CBA Agenda Item VIII.E.
November 17-18, 2010

To : CBA Members

Date : October 27, 2010

Telephone: (916) 561-1792

Facsimile : (916) 263-3675

E-mail : mstanley@cba.ca.gov

From : Matthew Stanley
Legislation/Regulation Analyst

Subject : Sunset of Section 5050(b) – Temporary and Incidental Practice

During recent preparations of materials regarding cross-border practice, it was brought to staff's attention that on January 1, 2011, Section 5050(b) of the Business & Professions Code will become inoperative. This section of the code is quoted below:

(b) Nothing in this chapter shall prohibit a certified public accountant, a public accountant, or a public accounting firm lawfully practicing in another state from temporarily practicing in this state incident to practice in another state, provided that an individual providing services under this subdivision may not solicit California clients, may not assert or imply that the individual is licensed to practice public accountancy in California, and may not engage in the development, implementation, or marketing to California consumers of any abusive tax avoidance transaction, as defined in subdivision (c) of Section 19753 of the Revenue and Taxation Code. A firm providing services under this subdivision that is not registered to practice public accountancy in California may not solicit California clients, may not assert or imply that the firm is licensed to practice public accountancy in California, and may not engage in the development, implementation, or marketing to California consumers of any abusive tax avoidance transaction, as defined in subdivision (c) of Section 19753 of the Revenue and Taxation Code. This subdivision shall become inoperative on January 1, 2011.

For many decades prior to the implementation of the Practice Privilege Program in 2006, statutes governing the practice of public accountancy in California by individuals licensed in other states were not clear. The statutes were permissive in terms of stating that "out-of-state" licensees could temporarily practice in California incident to their practice in another state or country, but there was no direction regarding the amount and nature of work that might be conducted in California before it was no longer "temporary and incidental."

On January 1, 2006, with the implementation of the Practice Privilege Program, the temporary and incidental language was removed from the law requiring all out-of-state licensees to obtain a practice privilege or a California license in order to practice here. However, questions were soon raised as to what, exactly, the "practice of public accountancy" entailed.

Sunset of Section 5050(b) – Temporary and Incidental Practice

Page 2 of 3

In 2006, the CBA worked with Assemblyman Rudy Bermudez on AB 1868 to, among other things, add the temporary and incidental language above into the law. The purpose for the addition was to give the CBA time to examine the question of the practice of public accountancy. It was also supposed to be a temporary solution and was not meant to continue beyond 2010. Renata Sos, CBA Member, made comments on the matter at the February 2006 CBA meeting, which are recorded in the minutes as follows:

“Ms. Sos explained why the Board still needed some form of temporary and incidental practice. The tax services issue was resolved by B&P Code Section 5054, and the triggering of firm registration was resolved by B&P Code Section 5096.12. However, staff could still receive questions regarding what exactly is the practice of public accountancy in California, whether it included litigation support, consulting, and expert witness testimony. Ms. Sos indicated that in order to resolve the additional inadvertent barriers created by practice privilege, the CPC wanted to recreate a limited version of temporary and incidental practice on a temporary basis to provide the Board with the time and the opportunity to address the serious and difficult issues related to the definition of the practice of public accountancy in California before adopting a permanent solution. “

The minutes continue:

“Ms. Sos believed that it was imperative to communicate to everyone that the limited and very clearly defined restoration of temporary and incidental practice was temporary and solely for the purpose of giving the Board time to resolve some very serious issues in the application of Practice Privilege.”

At its September 2006 meeting, Ms. Sos again addressed the issue following the passage of AB 1868; again, quoting from the minutes:

“Ms. Sos indicated that she believed that temporary and incidental practice as it was put into the statute was intended to be provisional and temporary. The objective was to create a place holder that would eliminate barriers to entry while this Board had an opportunity to meaningfully, and thoroughly deliberate on some very substantive issues that the Board did not believe it could address on an emergency basis. Ms. Sos reported that those issues were: 1) what to do with people from non-substantially equivalent states; and 2) how does the Board look at the definition of the practice of public accountancy in Section 5051 of the statutes. There could be two perspectives; 1) there should be some exceptions for activities such as litigation support and expert witness testimony, with the understanding that the definition of the practice of public accountancy in California is fairly broad; and 2) there should be some consideration of what it means to be present in California, and what qualifies as the practice of public accountancy in this state, particularly when the services are being provided from outside of the state.”

Six months later, at its March 2007 meeting, the issue of mobility was raised by NASBA, and, as the CBA began focusing on that issue, the issues of Practice Privilege, temporary and incidental and defining the practice of public accountancy were no longer pursued.

When Business & Professions Code Section 5050(b) becomes inoperative on January 1, 2011, thereby requiring out-of-state licensees, who might otherwise have used such provisions, to provide notice through the Practice Privilege Program, it is anticipated that

Sunset of Section 5050(b) – Temporary and Incidental Practice
Page 3 of 3

some of the issues that originally lead to the creation of this limited “temporary and incidental” provision will again surface. However, time may have blunted some of the issues to a degree – such as fewer states are now considered “non-substantially equivalent.”

Staff would like to bring this issue forward in 2011 for further discussion. Staff will be researching several topics within this issue for further discussion by the CBA. These topics could legitimately be placed before the full CBA, or referred to the CPC or EPOC. Depending on the research staff will be conducting, possible topics may include the following:

1. Define “the practice of public accountancy.”
2. Exceptions to the Practice Privilege law.
3. Define “in this state.”
4. Temporarily reinstate “temporary and incidental.”

With direction from the CBA, staff will prepare these items for presentation to the CBA, CPC or EPOC in 2011.

Memorandum

CBA Agenda Item VIII.F.
November 17-18, 2010

To : CBA Members

Date : October 28, 2010

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley
Legislation & Regulation Analyst

Subject : Consideration of Adoption of Proposed Regulation- Peer Review Provider Reporting Responsibilities

A public hearing on these proposed regulations, conducted by staff, will be held on Tuesday, November 16, 2010. After the hearing, at the California Board of Accountancy's (CBA) November 2010 meeting, the next step in the process is that the CBA must act to formally adopt the proposed regulations.

Staff have not received any public comments to this date. If any are received by the end of the public comment period, November 15, 2010, or if any are received at the public hearing, they will be provided at the CBA's November 2010 meeting for consideration.

Attached for consideration is the rulemaking package which includes the Regulation Notice, the Text of the Proposal, and the Initial Statement of Reasons.

Attachment

TITLE 16. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, at 4:00 p.m. on November 16, 2010. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the California Board of Accountancy at its office not later than 5:00 p.m. on November 15, 2010 or must be received by the California Board of Accountancy at the hearing. The California Board of Accountancy, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010, 5076 and 5076.1 of the Business and Professions Code, and to implement, interpret or make specific Sections 5076 and 5076.1 of said Code, the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Section 5076(g)(1) of the Business and Professions Code requires the California Board of Accountancy (Board) to establish in regulation the time period that a Board-recognized peer review program provider has to file a copy of any substandard peer review reports issued to California licensed firms. This time period is not to exceed 60 days from the time the report is accepted by the Board-recognized peer review program provider. It further states that these reports may be filed electronically with the Board.

1. Amend Section 48.3 Title 16 of the California Code of Regulations.

This proposal would require Board-recognized peer review program providers to file copies of any substandard peer review reports issued to California licensed firms within 60 days of the report being accepted. It allows for the reports to be filed in writing or electronically.

This proposal also makes other clarifying, non-substantive changes.

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies

or Costs/Savings in Federal Funding to the State: None

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

Cost to Any Local Agency or School District for Which Government Code Sections 17500-17630 Require Reimbursement: None

Business Impact:

The Board has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

AND

The following studies/relevant data were relied upon in making the above determination: None.

Impact on Jobs/New Businesses:

The Board has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Private Person or Business:

The cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action and that are known to the Board are insignificant.

Effect on Housing Costs: None

EFFECT ON SMALL BUSINESS

The Board has determined that the proposed regulations may affect small businesses.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would either be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposal described in this Notice.

Any interested person may present statements or arguments orally or in writing relevant

to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

The Board has prepared an initial statement of reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the California Board of Accountancy at 2000 Evergreen Street, Suite 250, Sacramento, California 95815.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named in the following section.

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the contact person named in the following section or by accessing the Web site listed in the following section.

CONTACT PERSON

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name: Matthew Stanley
Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815
Telephone No.: 916-561-1792
Fax No.: 916-263-3678
E-Mail Address: regulations@cba.ca.gov

The backup contact person is:

Name: Dan Rich
Address: California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815
Telephone No.: 916-561-1713
Fax No.: 916-263-3678
E-Mail Address: regulations@cba.ca.gov

Web site Access: Materials regarding this proposal can be found at [http://www.dca.ca.gov/cba/laws and rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml).

PROPOSED REGULATORY LANGUAGE

48.3. Board-Recognized Peer Review Program Provider Reporting Responsibilities.

(a) Upon request of the Board or Peer Review Oversight Committee, a Board-recognized peer review program provider shall make available, at a minimum, the following:

(1) Standards, procedures, guidelines, training materials, and similar documents prepared for the use of reviewers and reviewed firms.

(2) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the quality of reviewers' working papers in connection with the acceptance of reviews.

(3) Statistical data maintained by the Board-recognized peer review program provider related to its role in the administration of peer reviews.

(4) Information concerning the extent to which the Board-recognized peer review program provider has reviewed the qualifications of its reviewers.

(5) Sufficient documents to conduct sample reviews of peer reviews accepted by the Board-recognized peer review program provider. These may include, but are not limited to, the report; reviewer working papers prepared or reviewed by the Board-recognized peer review program's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, including, but not limited to, the imposition of required remedial or corrective actions; the monitoring procedures applied; and the results.

(b) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, the name of any California-licensed firm expelled from the peer review program and provide the reason(s) for expulsion. The Board-recognized peer review program provider shall submit this information to the Board within 30 days of notifying the firm of its expulsion.

(1) Nothing in this subsection shall require a Board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(c) A Board-recognized peer review program provider shall provide the Board, in writing or electronically, a copy of all substandard peer review reports issued to California-licensed firms within 60 days from the time the report is accepted by the Board-recognized peer review program provider.

NOTE: Authority cited: Sections 5010, 5076, and 5076.1, Business and Professions Code. Reference: Section 5076 and 5076.1, Business and Professions Code.

CALIFORNIA BOARD OF ACCOUNTANCY

INITIAL STATEMENT OF REASONS

Hearing Date: November 16, 2010

Subject Matter of Proposed Regulations: Peer Review Provider Reporting Responsibilities

Sections Affected:

1. Amend Section 48.3 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would allow Board-recognized peer review program providers 60 days in which to file copies of any substandard peer review reports issued to California licensed firms. It allows for the reports to be filed in writing or electronically.

This proposal also makes other clarifying, non-substantive changes.

Factual Basis/Rationale:

Section 5076(g)(1) of the Business and Professions Code requires Board-recognized peer review program providers to submit substandard peer review reports to the California Board of Accountancy (Board). That same Code Section also requires the Board to establish in regulation the time period that a Board-recognized peer review program provider has to file a copy of any substandard peer review reports issued to California-licensed firms. The law does not allow the time period to exceed 60 days from the time the report is accepted by the Board-recognized peer review program provider. It further states that these reports may be filed electronically with the Board.

The Board considered a 45-day reporting period instead of 60 days. However, a firm that receives a substandard report was given 45 days in a previous regulation to report this to the Board. The Board decided on 60 days to allow the provider's reporting of a substandard peer review to serve as a backup to the self-reporting by the firm.

Underlying Data

Technical, theoretical or empirical studies or reports relied upon (if any): None

Business Impact

This regulation will not have a significant adverse economic impact on businesses. This initial determination is based on the following facts or evidence/documents/testimony: None

Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives

No reasonable alternative to the regulation would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed regulation.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

The Board considered a 45-day reporting period which would coincide with the reporting period for the firm undergoing peer review. The Board rejected this alternative in order to allow the provider's reporting of a substandard peer review to serve as a backup to the self-reporting by the firm.

**CALIFORNIA BOARD OF ACCOUNTANCY
CURRENT PROJECTS LIST**

DATE: October 29, 2010

**CBA Agenda Item VIII.G.
November 17-18, 2010**

DIVISION: Administration

PROJECT TITLE/DESCRIPTION	START DATE	ESTIMATED FINISH DATE	UNIT/STAFF ASSIGNED	STATUS/COMMENTS
2010 Business Continuity Plan	8/3/2010	9/30/2010	Ng	Completed
Delegation of Authority Regulations	9/1/2010	9/30/2010	Stanley	Dropped by action of the Board at September 2010 Meeting
PROC Regulations	12/4/2009	12/4/2010	Stanley	OAL Review
Peer Review Certificate of Compliance	12/4/2009	12/4/2010	Stanley	OAL Review
Revise Consumer Assistance Booklet	3/30/2010	12/31/2010 8/27/2010	Hersh	Interim edits finalized. Re-write in progress.
Coordinate the scheduling of phase 2 of CBA's space expansion	6/7/2007	1/1/2011 6/1/2010	Ng	Facility remodel Complete. Currently working with vendor to finalize purchase order for parts for 7 new work stations.
CE Cleanup Regulations	3/26/2010	3/26/2011	Stanley	DCA Review
Fee Regulations	5/28/2010	5/28/2011	Stanley	DOF Review
PR Provider Requirements and Regulations	9/1/2010	9/30/2011	Stanley	45-day Public Comment Period.
Perform Peer Review education and outreach	7/1/2008	Ongoing 10/31/2009	Hersh	Peer Review being written into Outreach Publications.
Implement new online e-procurement/contract process	1/1/2009	TBD	Ng	Delayed by DCA
Delegation of Authority from DCA for personnel tasks	10/29/2008	TBD 6/1/2010 TBD	Ng	Received approval as HRIS "Super User". Still awaiting SPB approval to access cert lists.

**CALIFORNIA BOARD OF ACCOUNTANCY
CURRENT PROJECTS LIST**

DIVISION: Administration IT

DATE: October 29, 2010

**CBA Agenda Item VIII.G.
November 17-18, 2010**

PROJECT TITLE/DESCRIPTION	START DATE	ESTIMATED FINISH	UNIT/STAFF	STATUS/COMMENTS
Peer Review Reporting System Enhancement	9/1/2010	11/30/2010 9/30/2010	Hansen Taylor	Add survey form to current online peer review reporting form. Waiting for updated survey form language from Licensing/Admin. And DCA Legal Review
CBT Score Processing Modifications	11/1/2010	12/30/2010	Taylor	Change CBT score processing procedures to reduce exam staff workload.
IPR/PRA Modifications/Enhancements	10/1/2010	12/30/2010	Taylor	Additional modifications needed due to program staff input.
E-Mail Client Standardization and Migration Project	1/2/2009	7/1/2011 4/30/2009	Hansen	On hold. Affected by Executive Order/AB2408. State CIO contracting for CA shared e-mail system.
Document Imaging Project (IT Management)	7/1/2008	2/1/2012 4/30/2011	Andres	DCA project under development
CBA Exam System Redesign	TBD	TBD	Hansen Taylor	
Review and Combine Office Databases	TBD	TBD	Taylor	
Migrate Initial Licensing Unit's Master Tracking Data	11/4/2008	TBD 5/30/2009	Taylor	Scope of project has changed in light of DCA BreEZe system.
Practice Privilege Program Enhancements	11/10/2008	TBD 6/30/2009	Hansen	Delayed due to other priorities
Develop a Continuing Education Database	9/1/2008	TBD 10/1/2010 7/1/2010 4/1/2010	Hansen	Integrated with Peer Review Reporting System. 85% complete. Need program staff direction for new features/enhancements.
Online Address Change Form	9/15/2010	TBD 11/30/2010	Hansen Taylor	Allow licensees to use CBA website to update addresses. On hold due to work on CBT score processing modifications.

**CALIFORNIA BOARD OF ACCOUNTANCY
CURRENT PROJECTS LIST**

DIVISION: Enforcement

DATE: October 29, 2010

**CBA Agenda Item VIII.G.
November 17-18, 2010**

PROJECT TITLE/DESCRIPTION	START DATE	ESTIMATED FINISH DATE	UNIT/STAFF ASSIGNED	STATUS/COMMENTS
Scanned enforcement documents—confirm accuracy/completeness	11/1/2008	9/13/2010 7/31/2010 4/30/2010 1/30/2010	Nunally	Completed
Review and update Disciplinary Guidelines	1/1/2009	9/30/2010 5/30/2010 2/28/2010	Santaga	Completed
Update process manuals and guidelines	12/1/2008	1/31/2011 11/30/2010 9/30/2010 4/30/2010 11/30/2009	Santaga	Extended to January
Enforcement Program Audit	9/1/2010	1/31/2011 11/30/2010	Ixta	Extended to January, Waiting to hear back from DCA

**CALIFORNIA BOARD OF ACCOUNTANCY
CURRENT PROJECTS LIST**

DIVISION: Executive

DATE: October 29, 2010

**CBA Agenda Item VIII.G.
November 17-18, 2010**

PROJECT TITLE/DESCRIPTION	START DATE	ESTIMATED FINISH DATE	UNIT/STAFF ASSIGNED	STATUS/COMMENTS
Annual Report	2/1/2010	9/30/2010- 7/31/2010	Vincent	Complete
Sunset Review Report	3/10/2010	10/1/2010	Vincent	Complete
Develop CBA Succession Plan	5/1/2010	12/31/2010	Bowers/Rich	Complete
Knowledge Management Program	12/17/2009	1/11/2011	Vincent	Cancelled by DCA
Identify solution for resolving enforcement program staffing needs	10/24/2008	TBD	Bowers	Actively working with DCA on this issue.
Develop a report of CBA's performance measures for CBA consideration	11/5/2008	TBD	Bowers	
Paperless Meeting materials for CBA members	2/3/2010	TBD 7/1/2010	Veronica	On hold due to equipment needs (laptops) and ordering restrictions due to budget.

**CALIFORNIA BOARD OF ACCOUNTANCY
CURRENT PROJECTS LIST**

DIVISION: Licensing

DATE: October 29, 2010

**CBA Agenda Item VIII.G.
November 17-18, 2010**

PROJECT TITLE/DESCRIPTION	START DATE	ESTIMATED FINISH DATE	UNIT/STAFF ASSIGNED	STATUS/COMMENTS
Review and possibly revise the current process for issuing CPA licenses.	7/1/2010	12/1/2010 11/20/2010 10/31/2010	Pearce	Project outline developed. December 1, 2010 is the anticipated start date for the new process.
Develop subpoena processing manual, policy & procedures, and conduct a training class for staff.	5/15/2008	12/1/2010 9/30/2010 8/31/2010 3/31/2010 1/31/2010	Pearce	CBA staff will be using DCA's subpoena processing manual and augmenting it with CBA specific information regarding the tracking database, internal procedures, etc.
Work with the DCA to implement an option to allow licensees to pay their license renewal via credit card.	3/1/2010	12/31/2010	Pearce	CBA to be included with the next group of boards to be folded into the Credit Card Program. Meeting with OIS in early December.
Begin preliminary work on the Ethics Curriculum Committee's inaugural meeting.	6/1/2010	12/31/2010 8/31/2010	Pearce	Agenda being drafted. Have requested information from each ECC member regarding ethics from their college/university, per the request of the ECC Chair.
Develop draft language for the 20 units of accounting study recommended by the Accounting Education Committee at the June 23, 2010 meeting.	7/1/2010	12/31/2010 8/31/2010	Pearce	At the September 3, 2010 AEC meeting, a subcommittee was formed to continue working on the development of the 20 units of ethics study. Staff are conducting research with various colleges and universities and will be presenting their findings to the Subcommittee in mid-November.
Update and create informational materials for firms, including a handbook, updating Web site and partnership/corporation applications, and including Peer Review information where necessary.	12/21/2009	1/1/2011 8/31/2010 7/31/2010 3/31/2010	Pearce	Project outline developed. Estimated completion date, including legal review and posting on the Internet is 1/1/11

**California Board of Accountancy
Licensing Division Activity
July 1, 2010 through October 31, 2010**

Examination Unit								
CPA Exam Applications and Medical Accommodations Received		July 2010	August 2010	September 2010	October 2010			
First-time Sitter		868	767	663	433			
Repeat Sitter		1504	1155	2826	1375			
Medical Accommodation		14	7	21	16			
Average Number of Days to Process a Completed Exam Application		July 2010	August 2010	September 2010	October 2010			
First-time Sitter		36	41	41	41			
Repeat Sitter		7	6	9	9			
Appeals	July 2010		August 2010		September 2010		October 2010	
	Approved	Denied	Approved	Denied	Approved	Denied	Approved	Denied
Management-Level Appeals	13	6	15	2	10	1	7	3
Board-Level Appeals	0	0	0	0	0	0	0	0

Highlights

The Examination Unit is still working diligently to reduce application processing time frames. As previously reported, staff have seen an increase in first-time and repeat applications, most likely a result of the upcoming changes to the Uniform CPA Examination, referred to as CBT-e. During the month of September the number of repeat applications nearly doubled compared to September 2009. We are working internally to address the increased workload by sharing resources from other units. We are also working to fill an Office Technician vacancy that presently exists within the Unit.

**California Board of Accountancy
Licensing Division Activity
July 1, 2010 through October 31, 2010**

Initial Licensing Unit				
Applications Received	July 2010	August 2010	September 2010	October 2010
CPA	306	299	282	326
Partnership	6	3	9	7
Corporation	18	10	16	12
Fictitious Name Permit (Registration)	5	9	6	30
Processing Time Frames (Average Number of Days to Process a Completed Application)	July 2010	August 2010	September 2010	October 2010
CPA	19	19	19	21
Partnership	10	12	9	13
Corporation	10	12	9	13
Fictitious Name Permit (Registration)	10	12	9	13
Applicants Licensed Under	July 2010	August 2010	September 2010	October 2010
Pathway 0	2	3	2	0
Pathway 1A	30	32	37	25
Pathway 1G	37	40	42	35
Pathway 2A	96	84	66	51
Pathway 2G	104	146	134	84

**California Board of Accountancy
Licensing Division Activity
July 1, 2010 through October 31, 2010**

Initial Licensing Unit				
Certification of CBA Records	July 2010	August 2010	September 2010	October 2010
Requests Received	102	95	100	89
Processing Time Frame (Average Number of Days)	17	20	18	31

Highlights

- The Initial Licensing Unit continues to maintain a zero backlog and reduced processing time frames.
- The Initial Licensing Unit currently has an Office Technician position vacant.

**California Board of Accountancy
Licensing Division Activity
July 1, 2010 through October 31, 2010**

Renewal and Continuing Competency Unit				
Licenses Renewed	July 2010	August 2010	September 2010	October 2010
CPA	2,919	3,112	2,926	2,803
PA	4	4	2	4
Partnership	44	44	39	29
Corporation	110	89	105	78
Continuing Education Worksheet Review	July 2010	August 2010	September 2010	October 2010
CPA/PA Applications Reviewed	1,448	2,219	2,544	1,873
Deficient Applications Identified	341	514	237	91
Compliance Responses Received (Including Requests for Inactive Status)	271	83	25	1
Enforcement Referrals	0	0	0	0
Outstanding Deficiencies (Including Abandonment)	70	431	212	90

Highlights

- Staff continue to review Regulatory Review course submissions and have approved a total of eleven courses. Licensees now have greater flexibility in fulfilling this new requirement as courses are available in self-study, live, and webcast formats. Presently, there is one course pending a second review.
- The Ethics Curriculum Committee (ECC) held its inaugural meeting on September 21, 2010 to establish ethics study guidelines as required by Senate Bill (SB) 819. The next meeting is scheduled for January 26, 2011 in Southern California.

**California Board of Accountancy
Licensing Division Activity
July 1, 2010 through October 31, 2010**

Renewal and Continuing Competency Unit

Highlights (Continued)

- The Accounting Education Committee (AEC) met for the third time on September 3, 2010. At the meeting a subcommittee was established to work with staff on refining the draft regulatory language for the 20 units of accounting study.

**California Board of Accountancy
Licensing Division Activity
July 1, 2010 through October 31, 2010**

Practice Privilege Unit				
Notifications Received	July 2010	August 2010	September 2010	October 2010
Hardcopy	23	14	30	56
Electronic	66	89	91	130
Disqualifying Conditions Received	July 2010	August 2010	September 2010	October 2010
Approved	2	1	0	6
Denied	0	0	0	0
Pending	0	0	0	0
Practice Privilege Suspension Orders	July 2010	August 2010	September 2010	October 2010
Notice of Intent to Suspend	11	0	0	0
Administrative Suspension Order	0	0	4	0

Highlights

- In the month of September, four Administrative Suspension Orders were sent to Practice Privilege holders due to nonpayment of the Notification Fee.

**California Board of Accountancy
Licensing Division Activity
July 1, 2010 through October 31, 2010**

Client Services Unit

Special Projects

- The Client Services Unit (CSU) is coordinating a project designed to explore the use of technology to enhance both internal and external customer service.
- The CSU is putting the final touches on the standardized CBA presentation and talking points.

**CALIFORNIA BOARD OF ACCOUNTANCY
ENFORCEMENT CASE ACTIVITY AND STATUS REPORT
January 1, 2010 - September 30, 2010**

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
COMPLAINTS									
<i>Received</i>	58	54	58	55	32	39	58	51	60
<i>Closed without Assignment for Investigation</i>	18	40	32	31	8	11	7	8	12
<i>Assigned for Investigation</i>	22	21	40	30	25	40	49	40	50
<i>Average Days to Close or Assign for Investigation</i>	17	18	19	10	8	9	3	2	5
<i>Pending</i>	40	33	19	13	12	0	2	5	3
<i>Average Age of Pending Complaints</i>			18 days	12 days	26 days	0 days	5 days	10 days	3 days
Convictions/Arrest Reports									
<i>Received</i>	19	4	7	14	16	12	13	9	9
<i>Closed</i>	18	4	4	12	14	8	10	6	7
<i>Assigned for Investigation</i>	0	0	3	2	3	4	3	3	2
<i>Average Days to Close/Assign for Investigation</i>	1	1	1	2	3	2	2	2	1
<i>Pending</i>	1	1	1	1	0	0	0	0	0
<i>Average Age of Pending Convictions/Arrest</i>					N/A	N/A	N/A	N/A	N/A
INVESTIGATIONS									
<i>Initial Assignment for Investigation</i>	22	21	43	32	28	44	52	43	52
<i>Investigations Closed</i>	28	23	22	23	19	31	32	32	29
<i>Average Days to Close</i>	143	148	191	90	67	221	47	134	73
<i>Investigations Pending</i>	146	144	165	174	183	196	216	227	250
<i>Average Age of Pending Investigation</i>			189 days	199 days	215 days	201 days	203 days	205 days	206 days

**CALIFORNIA BOARD OF ACCOUNTANCY
ENFORCEMENT CASE ACTIVITY AND STATUS REPORT
January 1, 2010 - September 30, 2010**

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
ENFORCEMENT ACTIONS									
AG Cases									
<i>AG Cases Initiated</i>	3	3	7	1	2	7	0	1	1
<i>AG Cases Opened in Error</i>	0	0	0	0	1	0	0	0	0
<i>AG Cases Pending</i>	32	33	40	41	37	35	36	36	34
<i>Petitions for Reinstatement Pending</i>						5	3	3	3
<i>SOIs Filed</i>	0	0	0	0	0	0	0	0	0
<i>Accusations Filed</i>	2	2	2	0	2	2	1	0	4
Disciplinary Orders									
<i>Proposed Decisions / Default Decisions Effective</i>	1	0	0	0	0	0	0	1	0
<i>Stipulations Effective</i>	0	2	0	0	5	4	0	0	3
<i>Average Days to Complete Proposed Decisions/Default Decisions/Stipulations¹</i>	296	721	0	0	986	736	0	148	714 ²
Petitioners									
<i>Petitions for Reinstatement Resolved</i>						0	2	0	0
Citations									
<i>Final Citations</i>	4	1	2	0	0	0	1	0	0
<i>Average Days to Complete</i>	247	220	185	0	0	0	435	0	0
¹ Average Days to Complete Proposed Decisions/Default Decisions/Stipulations is based on the number of days from Receipt of complaint to the effective date of Disciplinary Order.									
² The 714 Average Days to Complete Proposed Decisions/Default Decision/Stipulations for September was the result of 3 cases (750, 700, and 691 days.) One case was the result of an Accusation, Notice of Defense, Hearing Requested and Held, Proposed Decision, Board Decision, Petition for Reconsideration, and a Final Board Order. A second case was the result of an Accusation, Stipulated Decision, Board Non Adopt, Hearing Scheduled, and a final Stipulated Decision. The third case was the result of an Accusation, Default Decision, Revocation, Petition for Reconsideration, Stipulated Decision and a final Decision Adopted by the Board.									

**CALIFORNIA BOARD OF ACCOUNTANCY
ENFORCEMENT CASE AGING REPORT
AS OF SEPTEMBER 30, 2010**

INVESTIGATIONS AGING	< 6 mos	6-12mos	12-18 mos	18-24 mos	> 24 mos	TOTAL
All Cases	133	71	30	13 ¹	3 ²	250
Average Age of Pending Investigation						206 days

¹ Of the 13 cases listed as 18-24 months, 11 cases were reassignments from ICPAs who retired prior to completing the case, thus requiring a new ICPA to become familiar with the matter.

1 of the cases is being readied for closure.

1 of the cases has had several subsequent complaints received regarding the same issue. This case is being consolidated into one investigation which continues at this time.

²The three cases that are greater than 24 months are the result of the following:

One case resulted in two separate IH's and is moving forward to the AG's office for the filing of an Accusation.

A second case was opened, closed and then re-opened based on new information. The matter then required the issuance of a subpoena and is currently an on-going investigation.

The third case is the result of an on-going investigation which has required the need for an outside consultant due to the complexity of the matter. The matter is currently moving forward.

CASES ASSIGNED TO AG'S OFFICE	< 6 mos	6-12mos	12-18 mos	18-24 mos	> 24 mos	TOTAL	Licensed Total	Unlicensed Total
Pre Accusation	10	2			1	13	11	2
Post Accusation	8	11			2	21	19	2
Petition for Reinstatement	3					3	3	
TOTAL AG CASES	21	13	0	0	3³	37	33	4

³ The three cases that are greater than 24 months are the result of the following:

The Pre Accusation matter is an on-going investigation requiring the need for outside consultants to assist due to the complexity of the matter. The case is progressing.

The two cases identified as Post Accusation are the result of the following: the first matter resulted in a Default Decision. A subsequent Petition for Reconsideration was filed and granted and the matter is set for hearing in December 2010.

The third case is the result of Accusation filed, Notice of Defense, Stipulated Settlement offered/rescinded, and a hearing that was held. The case is being readied for CBA consideration at "today's" meeting.

**CALIFORNIA BOARD OF ACCOUNTANCY
CITATION ACTIVITY
FOR THE PERIOD 7/1/10 THRU 10/21/10**

VIOLATION ANALYSIS

RULE	AVERAGE FINE AMOUNT	TOTAL FINES ISSUED	TOTAL \$FINES ASSESSED	APPEALS RECEIVED
ACCOUNTANCY RULES AND REGULATIONS				
3				
52				
54.1				
57				
58				
63				
67				
68				
80				
87				
87(a)				
87(b)				
87 (c)				
87(d)				
87.6				
87.7				
89				
89(b)				
89(c)				
89.1				
90				
BUSINESS AND PROFESSIONS CODE SECTION				
5037				
5050	\$1,000	1	\$1,000	
5055				
5056				
5058				
5060				
5061				
5062				
5063				
5072				
5079				
5100				
5100C				
5100G				
5100H				
5100I				
5100K				
5151				
5152				
5154				
5156				
TOTALS		1	\$1,000	0

RECONCILIATION OF FINES OUTSTANDING 7/1/10 - 10/21/10	
Balance at 7/1/10	\$42,182
Fines Assessed 7/1/10 - 10/21/10	\$1,000
Previous Paid Off - Reinstated - Revoked License	\$0
Appeal Adjustments 7/1/10 - 10/21/10	
Withdrawn Violations (0 violations, 0 cases)	\$0
Modified Violations ()	\$0
Remain As Issued Violations ()	\$0
Uncollectible Violations (0 violations, 0 cases)	\$0
Collections 7/1/10 - 10/21/10	(\$1,830)
Fines Outstanding at 10/21/10	\$41,352

COMPOSITION OF FINES OUTSTANDING	
Fine Added to License Renew Fee/B & P 125.9 (27 violations, 16 cases)	\$35,112
AG Referral (Citation Appealed/Non Compliance) (0 violations, 0 case)	\$0
Issued/Pending Receipt of Fine (6 violations, 3 cases)	\$4,000
Installment Payments (3 violation(s), 2 cases)	\$2,240
Appeal Request Pending Review (0 violations, 0 case)	\$0
Stipulation/Decision Pending Compliance (0)	\$0
Total Fines Outstanding at 10/21/10	\$41,352

**CALIFORNIA BOARD OF ACCOUNTANCY
 REPORTABLE EVENTS RECEIVED
 07/01/10 – 10/25/10**

Felony Conviction – 5063(a)(1)(A)	1
Criminal Conviction – 5063(a)(1)(B)	0
Criminal Conviction – 5063(a)(1)(C)	0
Cancellation, Revocation, Suspension of Right to Practice by Other State or Foreign Country – 5063(a)(2)	1
Cancellation, Revocation, Suspension of Right to Practice before any governmental body or agency – 5063(a)(3)	3
Restatements – 5063(b)(1) <ul style="list-style-type: none"> • Governmental – 7 • Non Profit – 4 • SEC Registrant – 11 	22
Civil Action Settlement – 5063(b)(2)	3
Civil Action Arbitration Award – 5063(b)(2)	0
SEC Investigation – 5063(b)(3)	0
Wells Submission – 5063(b)(4)	2
PCAOB Investigation – 5063(b)(5)	2
Civil Action Judgement – 5063(c)(1)(2)(3)(4)(5)	0
Reporting by Courts – 5063.1	0
Reporting by Insurers – 5063.2	14
TOTAL REPORTABLE EVENTS RECEIVED 07/01/10 TO 10/25/10	48

Memorandum

CBA Agenda Item X.B.
November 17-18, 2010

To : CBA Members

Date : November 17, 2010

Telephone : (916) 561-1731

Facsimile : (916) 263- 3673

E-mail : Rixta@cba.ca.gov

From : Rafael Ixta,
Chief, Enforcement Division

Subject : Update on Enforcement Improvements - November 2010

During the past year, the Enforcement Division has undergone many challenges, two of the most significant being lack of staff and increasing workload. Both of these challenges have been impacted by furloughs, a hiring freeze, and the lack of a budget. Despite these challenges, the Enforcement Division has achieved many successes in the areas of personnel management, increased transparency, and workload improvement. These accomplishments would not be possible without the dedicated support and commitment of the enforcement staff. These accomplishments were achieved despite that approximately one third of staff in the division has less than nine months of experience.

Noted below are numerous activities undertaken by staff during this past year.

Personnel Management

- Staffing – This area proved to be very challenging in the past year, due to the retirement of the Chief of the Enforcement Division, the Supervising Investigative Certified Public Accountant (ICPA), and two ICPAs. Accomplishments include:
 - Successfully utilized the Career Executive Assignment (CEA) classification in recruiting and filling the position of the Chief of Enforcement. This reclassification of the position allowed for a broader pool of candidates and led to ultimately filling the vacancy.
 - Filled the Supervising ICPA position and three of the ICPA positions. If the ICPA positions had not been filled, enforcement could have been left with only one ICPA.

- Filled an enforcement analyst position on a 'limited term' basis. Without the limited term appointment, the position would remain vacant for up to 12 months while the employee is on leave.
 - Proactively filled a newly created peer review analyst position. Filling this position was critical in order to provide support to the PROC. This position was created and administratively filled pending the passage of the budget.
- Investigative CPA Civil Service Examination and Selection – In an effort to improve the ICPA selection pool, the ICPA examination process was dramatically changed. These changes are already implemented and preliminary results indicate that the changes will yield more ICPA candidates than in the past. The highlights of the changes include:
 - Eliminating the written portion of the exam;
 - Re-writing the civil service exam questions to make them broader and more relevant to the duties of an ICPA;
 - Allowing applications to be filed on a continuous year around basis. Previously, applications were only accepted for a limited number of weeks during the year; and,
 - Establishing positions remotely. Previously, all positions were established in Sacramento. It is expected that this change will dramatically increase the number of applicants for the ICPA position.
- Investigative CPA Recruitment – With the changes made to the civil service examination process, the following recruitment initiatives were undertaken:
 - Distributed the release of the ICPA exam to licensees who subscribe to the "What's New" feature of the CBA Web site. The exam announcement is also posted on the "What's New" page of the web site.
 - Published an article in the Fall 2010 issue of UPDATE. The article was an "open invitation letter" to all qualified CPAs to apply for the ICPA exam. To date this is one of the best focused recruiting efforts. More than a dozen calls have been received from CPAs who are interested in applying for the ICPA exam. The majority of the calls are from outside the Sacramento area.
- ICPA Retention Bonus - Submitted a request to the Director of DCA to direct staff towards addressing the ICPA bonus retention issue through the collective bargaining negotiations. The request was to negotiate a 20% pay increase for ICPAs. This change will make the ICPA classification more competitive with other civil service classifications and with the private sector. To date, the collective bargaining process has not resolved the ICPA salary issue, however, the state proposed and the union agreed to conduct a classification study. Specifically, the state and union agreed to meet no later than March 1, 2011 regarding the investigative audit work performed by classifications with the Board of Equalization, the Investigative Auditors at the Department of Justice, and the Investigative Certified Public Accountant class. We will continue to monitor this

issue.

- Retired Annuitants – Established five retired annuitant positions to hire former ICPAs and enforcement analysts to assist in addressing the increasing enforcement caseload. This solution would enable the Enforcement Division to immediately and expediently address the backlog of cases. Filling these positions is impacted by the hiring freeze.
- Contracts – Worked with the DCA to lead the way in establishing a process to contract with Subject Matter Experts (SME) and Consultants. These accomplishments have enabled the CBA to continue to provide needed resources to enforcement cases. Going forward, we have a process that will enable the CBA to contract with SMEs and consultants on a timely basis.

Increased Transparency

- Posting Accusations – Enforcement staff took immediate steps to post pending accusations on the CBA Web site once CBA members voted to do so at its September 23, 2010 meeting. Interested parties may now obtain information on pending accusations by going to the CBA's home page and choosing the link "Pending Accusations" under the "Consumers" tab. A list of names appears to make a selection. After a selection is made, the consumer will see the actual pending accusation with a watermark that states "This is not a disciplinary action or a final decision of the Board." This action demonstrates the CBA's desire to provide transparency to the public, yet reminds that pending accusations do not represent the final outcome in a disciplinary proceeding.
- Notice for Investigative Hearings – Enforcement staff have created a new letter to licensees under investigation notifying them that they may request an Investigative Hearing before the case is submitted to the Attorney General's Office for review and preparation of an accusation. Licensees are allowed 15 days to make such a request. This is consistent with the action adopted by the CBA at the September 23, 2010 meeting.
- Performance Measures – As part of the Consumer Protection Enforcement Initiative (CPEI), the DCA will be posting Performance Measures for each board and bureau. Starting in July, the Enforcement Division began tracking performance measurement data to provide the data to DCA quarterly for posting to its Web site. The results from the quarter ending September 30, 2010 are provided in Agenda item X.C. With the posting of these performance measures, the public will be more informed about the effectiveness and efficiency of the Enforcement Program.

- Audit of the Enforcement Program – The DCA Internal Audit Office is conducting a limited scope audit of the enforcement function at all DCA boards and bureaus. The audit will consist of a review of enforcement-related policies and procedures, laws and regulations, internal controls, monitoring, management review, case closures and public disclosure. Enforcement Program efficiency and effectiveness will be assessed and recommendations for improvements will be made that will better protect the public. Enforcement staff compiled all requested documentation and submitted the information to the Internal Audit Office in August.

Workload Improvement

- Unlicensed Activities
 - Since January 2010, enforcement staff have investigated 120 complaints associated with unlicensed practice, including false advertisements, and 19 complaints associated with licensees and firms who practice while their license is delinquent or expired. These numbers represent a slight decline compared to historical averages due to staff shortages, furloughs, budget constraints and increasing workloads.
 - Enforcement staff formulated an Unlicensed Activity Questionnaire and surveyed 37 boards and bureaus to obtain best practices information and success rates. Eighteen agencies responded with a mixture of responses. In summary, internet searches rated high as a means to obtain unlicensed activity information, followed by telephone directory searches. Door-to-door searches and field sweeps appear more relevant for agencies associated with home builders, home owners, appliance and automotive repair.
 - Attempts to partner with agencies such as the Franchise Tax Board (FTB) and Internal Revenue Service (IRS) are hampered due to confidentiality issues. However, the FTB assists the CBA with onsite visits to businesses that CBA suspects are practicing unlicensed activities.
 - Plans are underway to increase field investigations, print articles in Update, implement consumer outreach activities, and promote visibility of enforcement efforts.
- Complaint Intake Process – Enforcement has refined its process to triage complaints by utilizing non-technical staff. Complaints that are readily discernible as non-technical in nature are immediately assigned to a non-technical Enforcement Analyst. This process provides efficiency by relieving ICPAs of administrative complaints and dedicates their resources to technical complaints only. Efforts to reduce investigative cycle times have been an ongoing focus. Complaints that are received without supporting documentation are closed if the complainant does not respond to the investigator's request to submit supporting documentation. This change in process effectively captures

actual investigative time and eliminates an abeyance period that can unnecessarily prolong investigative processing timeframes.

- Enforcement Academy – DCA piloted the first Enforcement Academy in April – June 2010. The objective is to provide enforcement staff across all boards and bureaus with investigative resources and tools. The initial enrollment focused on managers and supervisors to provide feedback and recommendations for subsequent academies. Very positive feedback was submitted by participants as well as recommendations for future topics. The next academy is scheduled for the week of November 29, 2010. To date four enforcement staff have attended the Enforcement Academy. An additional four staff will attend the Enforcement Academy in November. This process will continue until all enforcement staff complete the Enforcement Academy.
- PROC – Peer review oversight responsibilities have successfully transitioned to the Enforcement Division with a new peer review analyst/PROC liaison hired in October 2010. Several meetings and conference calls between CBA, AICPA, CalCPA and the Peer Review Oversight Committee Chairperson have identified topics of importance for the inaugural PROC. Staff also contacted the Texas Board of Accountancy, the Texas Peer Review Committee, and NASBA's Compliance Assurance Committee. All entities contacted were extremely cooperative and are providing excellent resource materials for the PROC to utilize. The inaugural PROC meeting is scheduled for November 9, 2010. Enforcement staff are working on addressing the accuracy of responses submitted by licensees to the peer review reporting database as well as the miscellaneous letters and telephone calls generated after implementation of the peer review program.
- EPOC – Under the leadership of Mr. Herschel Elkins, enforcement staff addressed the following significant issues at the May and September 2010 meetings:
 - Overview of the Enforcement Process;
 - Discipline Imposed in the Last Two Years;
 - Revised the Disciplinary Guidelines;
 - The CBA's Major Case Program;
 - Reviewed the Mediation Guidelines; and,
 - Revised the Delegation of Authority to the EO on stipulated settlements involving license surrender or revocation.
- BreEZe System – Enforcement staff is actively participating in providing 'enforcement subject matter experts' on the development of a new integrated software solution that will facilitate increased efficiencies for all boards and bureaus. The BreEZe system will provide data management capabilities that will support applicant tracking, licensing, renewal, enforcement, and other capabilities. The BreEZe system will replace the antiquated Consumer Affairs

System (CAS) where existing data will be converted and migrated into BreEZe. Involvement includes data retention, data conversion, and enforcement processes workgroups.

In conclusion, the Enforcement Division will continue to proactively address its staffing shortages, address transparency matters and evaluate and refine workload process improvements. We are confident that continued success can be achieved and improved upon with furloughs lifted, budgetary constraints removed and recruitment of four vacant ICPA positions.

Memorandum

**CBA AGENDA ITEM X.C.
November 17-18, 2010**

To : Patti Bowers, Executive Officer
CBA Members

Date : November 3, 2010

Telephone : (916) 561- 1731

Facsimile : (916) 263- 3673

E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Report on Implementation of Enforcement Performance Measures

As part of the Department of Consumer Affairs' (DCA) commitment to consumer protection and its ongoing efforts to better serve consumers and licensees, the DCA is improving its enforcement business function. The new enforcement model calls for performance accountability and streamlining or modifying existing business processes in order to reduce cycle time for the completion of investigation and prosecution.

Beginning on July 1, 2010, the DCA began collecting enforcement performance measures from each board and bureau. A set of eight measures was developed along with guidelines for setting targets for these measurements, which the DCA began reporting publicly beginning in October 2010.

The attached table displays a list of the performance measures that have been established, the CBA targets for each of these measures and the results from the CBA's first quarter performance.

Attachment

**CBA PERFORMANCE MEASURES
1ST QUARTER RESULTS
July 1, 2010 – September 30, 2010**

DCA Performance	DCA Target	CBA Target	CBA 1st Quarter Results	Comments
PM 1; Number of Complaints Received - Volume	Will vary by program	N/A	169	
PM 2; Average number of days to complete complaint intake – Cycle Time	Set by program	10 days	3 days	
PM 3; Average number of days to complete closed cases not resulting in formal discipline - Cycle Time	Set by program	180 days	79 days	
PM 4; Average number of days to complete investigations resulting in formal discipline – Cycle Time	12-18 months	540 days	572 days	
PM 5; Average cost of intake and investigation for complaints not resulting in formal discipline - Efficiency (Cost)	TBD	N/A	N/A	Targets will not be required until first fiscal year baseline has been established.
PM 6; Consumer satisfaction with the services received during the enforcement process – Customer Satisfaction	Will vary by program	80 % Satisfaction	Not available 1 st quarter due to low number of responses received	The DCA is considering changes to increase the survey response rates due to the low volume received.
PM 7; Average number of days from the date a probation monitor is assigned to the date the monitor makes contact - Initial Contact Cycle Time (Probation Monitoring)	Set by program	5 days	1 day	
PM 8; Average number of days from the time a violation is reported to the program to the time the probation monitor responds - Violation Cycle Time (Probation Monitoring)	Set by program	15 days	1 day	As most probation requirements are due on a quarterly basis, much of the first quarter results crossed over into the second quarter.

Memorandum

EPOC AGENDA ITEM III.
November 17, 2010

CBA AGENDA ITEM XI.A.2.
November 17-18, 2010

To : Herschel Elkins, Chair, EPOC
EPOC Members
CBA Members

Date : November 3, 2010

Telephone : (916) 561-1725

Facsimile : (916) 263-3673

E-mail : pfisher@cba.ca.gov

From : Paul Fisher
Supervising Investigative CPA

Subject : **Discussion on Probationers Being Required to Pay for the Cost of Probation Monitoring**

The California Board of Accountancy (CBA) monitors approximately 50 to 60 probationers at any given time. There is no requirement for probationers to pay for costs associated with the CBA's probation monitoring.

At the May 12, 2010 EPOC meeting, EPOC requested that the issue of probation monitoring costs be placed on EPOC's list of future agenda items.

Previous CBA Discussion

The CBA previously considered the issue of requiring probationers to reimburse the CBA for probation monitoring costs at the November 15-16, 2007 CBA meeting. At that time, former Enforcement Chief Greg Newington presented a discussion paper outlining the activities involved in probation monitoring, estimated costs, financial stress experienced by probationers, special handling for large firm settlements, and information on other Department of Consumer Affairs' boards that charge for probation monitoring. Mr. Newington also listed a number of reasons why he did not recommend requiring probationers to pay monitoring costs. The CBA did not take action on this issue.

Attachments

To assist you in your discussion, attached is Mr. Newington's discussion paper presented at the November 15-16, 2007 CBA meeting and the November 15-16, 2007 CBA minutes (see **Attachments 1 and 2**, respectively). There have been no significant changes regarding the information provided in Mr. Newington's memo, with the exception of the CBA's lack of a system to track and bill for probation monitoring costs. It is anticipated that by 2013, the Department of Consumer Affairs' BreZE Project will implement a new, integrated licensing and enforcement database that will have the ability to capture this information.

November 12, 2010
Page 2

Legislative Authority

Please note that if the CBA opts to require that probationers reimburse the CBA for probation monitoring costs, it will be necessary to seek legislative approval in order to add probation monitoring costs as an optional condition of probation in the CBA's Manual of Disciplinary Guidelines and Model Disciplinary Orders.

Memorandum

ATTACHMENT 1

Board Agenda Item VII.A.5
November 15-16, 2007

To : Board Members

Date : October 31, 2007

Telephone : (916) 561-1731

Facsimile : (916) 263- 3673

E-mail : gnewington@cba.ca.gov

From : 
Gregory P. Newington, Chief
Enforcement Division

Subject : Should Probationers Be Required To Pay For The Cost Of Probation Monitoring?

At the September 27-28, 2007, Board meeting a suggestion was offered that probationers should be required to pay for the cost of probation monitoring. In order to evaluate the need and propriety of establishing a requirement for reimbursement of probation monitoring costs, you asked that I report on our expense and experience with probation monitoring.

Activities Involved in Probation Monitoring

- After Board adoption of an order, an initial letter is issued to the probationer summarizing the specific responsibilities of their probation. At this point a control file with a checklist is prepared to track compliance and maintain relevant documents.
- Probationer is promptly scheduled for a personal appearance at an upcoming Administrative Committee meeting where they are interviewed and verbally advised of their probation responsibilities. Interviews generally take 20-30 minutes and are conducted by one Investigative CPA along with one analyst from the Board's Enforcement Division.
- Required quarterly written reports (one-page forms) are received and reviewed by the Enforcement Analyst. These reports may also include cost reimbursement checks and/or evidence of satisfaction of CPE requirements.
- Satisfaction of other probation requirements, such as maintenance of an active license, restitution to clients, compliance with criminal probation terms, etc. are monitored by the enforcement analyst, if relevant.
- One probation monitoring field visit is conducted for approximately 50% of our probationers. Confirmation of compliance to terms of probation such as honoring a suspension period, or prohibition from doing attest work, are examples of issues explored in a field visit. These visits are performed by an Investigative CPA and typically require about a half-day each.

Most probationers are cooperative with Board staff and compliant to the terms of their probation. The few that fail to cooperate and comply require greater monitoring effort and may result in additional discipline or citation and fine.

California Board of Accountancy's Estimated Costs - Probation Monitoring

Estimated annual cost for all activities except field visits is \$25,000 or about \$500 per probationer. Field visits, conducted once for approximately 50% of our probationers, would add about another \$1,000 per field visit.

Since the normal term of probation is three years, roughly 50% of our probationers (those without field visits) would each cost a total of \$1,500 to monitor and the other 50% (those with field visits) would each cost a total of about \$2,500 to monitor. Combined average cost of both groups would be approximately \$2,000 to monitor for the normal three-year term of probation.

Common Attribute of Many Probationers - Financial Stress

Many probationers are experiencing financial stress. Factors that are often present include:

- Requirement for restitution to clients.
- Requirement for reimbursement to the Board for investigative costs.
- Legal expenses.
- Medical and psychological expenses.
- Reduction in revenue flow due to job termination or defection of clients.
- Penalties imposed by other regulators.

Large Firm Settlements Have Involved Unique Features and Special Handling

Field visits to measure compliance to terms of probation for large firms is much more resource dependent in terms of both personnel and expense of travel.

Outside consultants have been generally used for these special situations.

Settlements that have involved large firms (two during last three years) were drafted to include provisions that required reimbursement to the Board for the added expense of probation monitoring in these unique cases.

Information on Other Boards that Charge for Probation Monitoring

- **Medical Board of California**
Probationers are billed \$3,173 annually based upon a calculation that is prepared by the Board's Budget Analyst.
- **Respiratory Care Board**
Probationers are billed \$100 monthly.
- **Podiatric Medicine**
Probationers historically billed \$2,500 annually. Beginning November 1, 2007, a time accounting system will be installed and each probationer will be billed his/her own charges.

- **Psychology Board**
Probationers billed \$1,152 flat fee annually. This fee has been in place for several years.
- **Speech Language Pathology**
Has authority to charge for monitoring, however, Board does not currently impose its statutory authority.

Staff Recommendation

The California Board of Accountancy, with the exception of infrequent large firm matters, has historically not required that probationers pay the cost of probation monitoring. Based upon the cost benefit analysis and reasons noted below, staff recommends that no change be made to this historical practice. This recommendation is based upon the following points:

- Our annual costs to monitor probationers in total is approximately \$35,000, or less than 1% of the Board's \$4,500,000 annual Enforcement budget.
- Implementing a system to track and bill for costs of monitoring would necessitate design and installation of time accounting features presently not in place.
- Implementation of a requirement for probationers to pay for monitoring could prove to be an impediment to stipulated settlements and thereby actually increase Enforcement expenses. Currently 57% of our cases are resolved via stipulated settlement, 17% conclude after an administrative hearing, and 26% conclude via default.
- For those few probationers who do not comply readily with the terms of their probation, the California Board of Accountancy recently approved a modification to California Code of Regulations, Title 16, Section 95. That modification includes violation of a term of probation as an offense eligible for citation and fine for up to \$5,000.



CALIFORNIA BOARD OF ACCOUNTANCY

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DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY

ATTACHMENT 2

FINAL

MINUTES OF THE
 November 15-16, 2007
 BOARD MEETING

Sheraton Gateway Hotel
 600 Airport Boulevard
 Burlingame, CA 94010
 Telephone: (650) 340-8500
 Facsimile: (650) 371-4001

I. Call to Order.

President David Swartz called the meeting to order at 2:32 p.m. on Thursday, November 15, 2007, at the Sheraton Gateway Hotel and the Board heard Agenda Items III, IV, V, VI, XIII.B., XIII.C., and XIII.D. The meeting adjourned at 5:00 p.m. Mr. Swartz again called the meeting to order at 9:07 a.m. on Friday, November 16, 2007, and the Board and ALJ Diane Schneider heard Agenda Item XII.A. The Board convened into closed session at 10:15 a.m. to deliberate and also to consider Agenda Items XII.B-G. The meeting reconvened into open session at 10:50 a.m. and adjourned at 12:20 p.m.

Board MembersNovember 15, 2007

David Swartz, President	2:32 p.m. to 5:00 p.m.
Donald Driftmier, Vice President	2:32 p.m. to 5:00 p.m.
Robert Petersen, Secretary-Treasurer	2:32 p.m. to 5:00 p.m.
Sally Anderson	2:32 p.m. to 5:00 p.m.
Rudy Bermúdez	2:32 p.m. to 5:00 p.m.
Richard Charney	2:32 p.m. to 5:00 p.m.
Angela Chi	2:32 p.m. to 5:00 p.m.
Sally Flowers	Absent
Lorraine Hariton	2:32 p.m. to 5:00 p.m.
Leslie LaManna	2:32 p.m. to 5:00 p.m.
Bill MacAloney	2:32 p.m. to 5:00 p.m.
Marshal Oldman	Absent
Manuel Ramirez	2:32 p.m. to 5:00 p.m.
Lenora Taylor	2:32 p.m. to 5:00 p.m.
Stuart Waldman	2:32 p.m. to 5:00 p.m.

Board MembersNovember 16, 2007

David Swartz, President	9:07 a.m. to 12:20 p.m.
Donald Driftmier, Vice President	9:07 a.m. to 12:20 p.m.

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 November 5, 2007, seven fines had been issued for a total of \$8,750. The receivable balance was \$29,600.

4. Reportable Conditions Data.

Mr. Newington reported that as of October 15, 2007, 77 reportable events had been received. Sixty-nine of those reportable events are restatements with the majority-related to publicly traded entities.

5. Discussion Related to Whether Probationers Should Be Responsible for the Expense of Probation Monitoring.

Mr. Newington reported that when a licensee is placed on probation, an initial letter is issued to the probationer summarizing the specific responsibilities of their probation. The probationer is scheduled for an appearance at an upcoming Administrative Committee meeting where they are interviewed and verbally advised of their probation responsibilities. The probationer is required to submit quarterly written reports that may include payment checks for cost reimbursement to the Board. The Board may monitor compliance with criminal probation terms or restitution to clients, if relevant. Enforcement staff conduct probation monitoring field visits for approximately 50 percent of its probationers to ensure the probationer is compliant with their probationary terms.

Mr. Newington reported that the cost range to monitor each probationer is \$1,500 to \$2,500 for the average three-year term of probation. The difference would be whether or not the field visit is employed. He additionally stated that the combined average cost of both groups would be approximately \$2,000 to monitor for the normal three-year term of probation.

Mr. Newington reported that a common attribute of many probationers is that they are financially stressed due to the requirement for restitution to clients, reimbursement to the Board for investigative costs, legal expenses, expenses for medical and/or psychological issues, reduction in revenue inflow, and penalties imposed by other regulators.

Mr. Newington stated that large firm settlements involve special handling. Settlements that have involved large firms, during the last three years, were drafted to include provisions that required reimbursement to the Board for the added expense of probation monitoring. Outside consultants have generally been used for field visits to measure compliance to terms of probation for large firms because they are more resource dependent in terms of both personnel and expense of travel.

Mr. Newington recommended that no change be made to the Board's historical practice and that the Board not impose a fee for monitoring of probationers. He stated that the annual costs to monitor probationers are less than one percent of the Board's Enforcement budget. Additionally he stated that implementation of a requirement for probationers to pay for monitoring could prove to be an impediment to stipulated settlements. Currently, the Board has a small number of probationers. Mr. Newington stated that the Board recently approved a modification to its regulations that includes the ability to fine for a violation of a term of probation.

Mr. Bermúdez stated that he believed a motion was not necessary but that the Board be allowed to impose a requirement for a probationer to pay for monitoring when deliberating cases in the future.

VIII. Regulations.

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

IX. Committee and Task Force Reports.

- A. Administrative Committee (AC) (Harish Khanna, Chair).

1. Minutes of the May 3, 2007, AC Meeting.

The minutes of the May 3, 2007, AC meeting were adopted on the Consent Agenda (See Agenda Item XIII.B.)

- B. CPA Qualifications Committee (QC).

1. Minutes of the July 11, 2007, QC Meeting.

The minutes of the July 11, 2007, QC meeting were adopted on the Consent Agenda (See Agenda Item XIII.B.)

2. Report on the October 24, 2007, QC Meeting.

Mr. Bulosan reported that the QC met on October 24, 2007, in Los Angeles and were pleased to have Mr. Driftmier and Mr. Swartz in attendance. During this meeting, the QC reviewed a total of 18 licensure applicant appearances, 12 were approved and 6 were deferred. Mr. Bulosan stated that of the 18 applicants that appeared, 8 were part of a Section 69 review. A Section 69 review takes place when the QC requests that a firm appear and present working papers that demonstrate their understanding of the Board's Certificate of Attest Experience (CAE). Of the eight firms that appeared, two were placed on reappearance status as the QC determined that the firm's understanding of Sections 11.5 and 12.5 and the CAE did not meet the Board's requirements. Being placed on a reappearance status will subject the firm to another Section 69 review in the event they submit a CAE on behalf of other applications.

Memorandum

EPOC Agenda Item IV.
November 17, 2010

CBA Agenda Item XI.A.3.
November 17-18, 2010

To : Herschel Elkins, Chair, EPOC
EPOC Members
CBA Members

Date : October 25, 2010

Telephone: (916) 561-1731
Facsimile : (916) 263- 3673
E-mail : Rixta@cba.ca.gov

From : Rafael Ixta,
Chief, Enforcement Division

Subject : Discussion of Documents Served With an Accusation/Statement of Issues

At the May 12, 2010 EPOC meeting CBA staff was asked to provide information regarding documents that are provided to licensees when an accusation is served. EPOC was interested in reviewing the documents to determine if the documents were easily understood by licensees. Since this process is conducted by the Attorney General's Office, staff requested this information from Deputy Attorney General, Carl W. Sonne. The documents provided by Mr. Sonne are included as **Attachment 1**. **Attachment 2** includes the relevant code sections from the Administrative Procedures Act (APA).

As noted by Mr. Sonne, many of the forms provided to the licensees must conform to strict requirements in the APA. Additionally, much of the language is mandated by statute. Finally, the Office of the Attorney General prepares the same documentation for all state agencies. There is only slight room for modification.

Mr. Sonne will be attending the EPOC meeting and will be available for questions.

M e m o r a n d u m

To : RAFAEL IXTA, Chief of Enforcement
California Board of Accountancy

Date: October 22, 2010
Telephone: (619) 645-3164
FACSIMILE: (619) 645-2061
E-mail: Carl.Sonne@doj.ca.gov

From : CARL W. SONNE
Deputy Attorney General
Litigation Licensing Section
Office of the Attorney General – San Diego

Subject : Documents To Be Served with Accusations or Statements of Issues

You have requested that I describe and provide exemplars of those documents which are served with an Accusation or Statement of Issues (SOI) filed by the California Board of Accountancy (CBA) against a licensee. The same documents documents are included with both an Accusation and SOI, with the exception of the Notice of Defense which does not accompany a Statement of Issues. See Government Code section 11504.5.¹ Copies of model examples of the following documents are attached hereto:

STATEMENT TO RESPONDENT:

The Statement to Respondent is a statutorily mandated document required to be served with an Accusation or Statement of Issues, and is described in Government Code section 11505. Section 11505(b) states as follows:

The statement to respondent shall be substantially in the following form:

Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying accusation is delivered or mailed to the agency within 15 days after the accusation was personally served on you or mailed to you, (here insert name of agency) may proceed upon the accusation without a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled Notice of Defense, or by delivering or mailing a notice of defense as provided by Section 11506 of the Government Code to: (here insert name and address of agency). You may, but need not, be represented by counsel at any or all stages of these proceedings.

¹ Section 11504.5 states in pertinent part that “all references to accusations shall be deemed to be applicable to statements of issues except in those cases mentioned in subdivision (a) of 11505 and Section 11506 [i.e., re Notice of Defense] where compliance is not required.”

If you desire the names and addresses of witnesses or an opportunity to inspect and copy the items mentioned in Section 11507.6 of the Government Code in the possession, custody or control of the agency, you may contact: (here insert name and address of appropriate person).

The hearing may be postponed for good cause. If you have good cause, you are obliged to notify the agency or, if an administrative law judge has been assigned to the hearing, the Office of Administrative Hearings, within 10 working days after you discover the good cause. Failure to give notice within 10 days will deprive you of a postponement.

Therefore, the purpose of the Statement to Respondent is to inform the recipient of an Accusation or Statement of Issues (i.e., the Respondent) that he/she has a right to a hearing. However, in order to secure a hearing, the Respondent must fill out and return to the Attorney General's office a form of Notice of Defense if served with an Accusation. The Statement to Respondent informs the Respondent that failure to do so within 15 days of service of the accusation "will constitute a waiver of the respondent's right to a hearing." See Section 11505(a).

The form of the attached Statement of Respondent is designed to carefully track the statutorily mandated language of Section 11505, yet also advises the Respondent of other rights, such as the right to counsel. It further notifies the Respondent that he/she is also entitled to discovery from the CBA, including the identity of known witnesses and the right to inspect and copy documents. Finally, the Statement of Respondent further advises a Respondent that a Stipulated Settlement may be available to avoid the time, expense and risk of a hearing on the Accusation and that guidance on the terms can be obtained by examination of the CBA's disciplinary guidelines.

REQUEST FOR DISCOVERY:

With each Accusation or Statement of Issues, the Respondent is served with a copy of the CBA's Request for Discovery. As with the Statement to Respondent, the form and content of the Request for Discovery tracks the statutory language of Government Code section 11507.6, which describes the specific rights to and scope of discovery in an administrative disciplinary proceeding. The Request for Discovery specifically advises each Respondent that the request shall not be deemed to seek any item or documents protected from disclosure by law or otherwise made confidential or protected by the attorney's work product protection.

To ensure that the Respondent understands his/her rights to discovery and obligation to respond to the CBA's Request for Discovery, a copy of applicable discovery statutes, Government Code sections 11507.7, 11455.10 to 11455.30, is enclosed.

NOTICE OF DEFENSE

Two copies of the form of Notice of Defense are enclosed with each Accusation, but not with a Statement of Issues. Once signed and delivered, the Notice of Defense serves as a request for hearing on the charges the Respondent.² See Government Code section 11506(a). Furthermore, pursuant to Government Code section 11506(c), the Notice of Defense functions to specifically deny “all parts of the accusation not specifically admitted.” As mandated by Government Code section 11506(d), the Notice of Defense form provides a space for the Respondent to sign the form and disclose the Respondent’s address. Further, the form notifies the Respondent that the agency has formulated guidelines (i.e., its Disciplinary Guidelines) to assist in determining the appropriate penalty applicable to the charges matters, and that those guidelines are available upon written request.

CAN ADDITIONAL INFORMATION BE INCLUDED WITH THE ACCUSATION?

The Office of the Attorney General has devised the above forms to conform to the strict requirements of the Administrative Procedures Act. As described above, much of the language and form of the documents included with an Accusation or Statement of Issues are mandated by statute and are not subject to significant modification. Further, the Office of the Attorney General has determined that it is appropriate that the same documents be included with accusations filed on behalf of all state agency licensing clients to ensure uniformity of treatment for all licensees in disciplinary cases.

Nevertheless, should the CBA determine that additional documentation is necessary to be included with accusations directed to its license holders, Government Code section 11505 allows an agency to include information in addition to that included in the documents described above. For example, some state agencies request that copies of their Disciplinary Guidelines be included with the Accusation served on a Respondent. The CBA does not currently require that its Disciplinary Guidelines accompany its Accusations.

CWS:me

cc: James M. Ledakis, SDAG

AG Memo re Documents Served With Accuations.docx

² No Notice of Defense is required for a Statement of Issues since it responds to an appeal and request for hearing already made by the license applicant.

1 EDMUND G. BROWN JR.
Attorney General of California
2 JAMES M. LEDAKIS
Supervising Deputy Attorney General
3 CARL W. SONNE
Deputy Attorney General
4 State Bar No. 116253
110 West "A" Street, Suite 1100
5 San Diego, CA 92101
P.O. Box 85266
6 San Diego, CA 92186-5266
Telephone: (619) 645-3164
7 Facsimile: (619) 645-2061
Attorneys for Complainant

8
9 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:
12 **XXXXXXXXXXXXXXXXXXXXX**
13
14 Respondent.

Case No. AC-2010-XXX
STATEMENT TO RESPONDENT
[Gov. Code §§ 11504, 11505(b)]

15 **TO RESPONDENT:**

16 Enclosed is a copy of the Accusation that has been filed with the California Board of
17 Accountancy of the Department of Consumer Affairs (Board), and which is hereby served on
18 you.

19 Unless a written request for a hearing signed by you or on your behalf is delivered or
20 mailed to the Board, represented by Deputy Attorney General Carl W. Sonne, within fifteen (15)
21 days after a copy of the Accusation was personally served on you or mailed to you, you will be
22 deemed to have waived your right to a hearing in this matter and the Board may proceed upon the
23 Accusation without a hearing and may take action thereon as provided by law.

24 The request for hearing may be made by delivering or mailing one of the enclosed forms
25 entitled "Notice of Defense," or by delivering or mailing a Notice of Defense as provided in
26 section 11506 of the Government Code, to

27 ///

28 ///

1 Any stipulation must be consistent with the Board's established disciplinary guidelines;
2 however, all matters in mitigation or aggravation will be considered. A copy of the Board's
3 Disciplinary Guidelines will be provided to you on your written request to the state agency
4 bringing this action.

5 If you are interested in pursuing this alternative to a formal administrative hearing, or if you
6 have any questions, you or your attorney should contact Deputy Attorney General Carl W. Sonne
7 at the earliest opportunity.

8 Dated: October XX, 2010

EDMUND G. BROWN JR.
Attorney General of California
JAMES M. LEDAKIS
Supervising Deputy Attorney General

CARL W. SONNE
Deputy Attorney General
Attorneys for Complainant

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15 Accusation Packet Model.docx
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1 EDMUND G. BROWN JR.
Attorney General of California
2 JAMES M. LEDAKIS
Supervising Deputy Attorney General
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Telephone: (619) 645-3164
7 Facsimile: (619) 645-2061
Attorneys for Complainant

8
9 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
10 **STATE OF CALIFORNIA**

11 In the Matter of the Accusation Against:
12
13 XXXXXXXXXXXXXXXXXXXXXXXX
14 Respondent.

Case No. AC-2010-XX

REQUEST FOR DISCOVERY

15 TO RESPONDENT:

16 Under section 11507.6 of the Government Code of the State of California, parties to an
17 administrative hearing, including the Complainant, are entitled to certain information concerning
18 the opposing party's case. A copy of the provisions of section 11507.6 of the Government Code
19 concerning such rights is included among the papers served.

20 PURSUANT TO SECTION 11507.6 OF THE GOVERNMENT CODE, YOU ARE
21 HEREBY REQUESTED TO:

- 22 1. Provide the names and addresses of witnesses to the extent known to the Respondent,
23 including, but not limited to, those intended to be called to testify at the hearing, and
- 24 2. Provide an opportunity for the Complainant to inspect and make a copy of any of the
25 following in the possession or custody or under control of the Respondent:
 - 26 a. A statement of a person, other than the Respondent, named in the initial
27 administrative pleading, or in any additional pleading, when it is claimed that the act or
28 omission of the Respondent as to this person is the basis for the administrative proceeding;

1 b. A statement pertaining to the subject matter of the proceeding made by
2 any party to another party or persons;

3 c. Statements of witnesses then proposed to be called by the Respondent and
4 of other persons having personal knowledge of the acts, omissions or events which are the
5 basis for the proceeding, not included in (a) or (b) above;

6 d. All writings, including but not limited to reports of mental, physical and
7 blood examinations and things which the Respondent now proposes to offer in evidence;

8 e. Any other writing or thing which is relevant and which would be
9 admissible in evidence, including but not limited to, any patient or hospital records
10 pertaining to the persons named in the pleading;

11 f. Investigative reports made by or on behalf of the Respondent pertaining
12 to the subject matter of the proceeding, to the extent that these reports (1) contain the names
13 and addresses of witnesses or of persons having personal knowledge of the acts, omissions
14 or events which are the basis for the proceeding, or (2) reflect matters perceived by the
15 investigator in the course of his or her investigation, or (3) contain or include by attachment
16 any statement or writing described in (a) to (e), inclusive, or summary thereof.

17 For the purpose of this Request for Discovery, "statements" include written statements by
18 the person, signed, or otherwise authenticated by him or her, stenographic, mechanical, electrical
19 or other recordings, or transcripts thereof, of oral statements by the person, and written reports or
20 summaries of these oral statements.

21 **YOU ARE HEREBY FURTHER NOTIFIED** that nothing in this Request for Discovery
22 should be deemed to authorize the inspection or copying of any writing or thing which is
23 privileged from disclosure by law or otherwise made confidential or protected as attorney's work
24 product.

25 Your response to this Request for Discovery should be directed to the undersigned attorney
26 for the Complainant at the address on the first page of this Request for Discovery within 30 days
27 after service of the Accusation.

28 ///

1 Failure without substantial justification to comply with this Request for Discovery may
2 subject the Respondent to sanctions pursuant to sections 11507.7 and 11455.10 to 11455.30 of the
3 Government Code.

4 Dated: October XX, 2010

EDMUND G. BROWN JR.
Attorney General of California
JAMES M. LEDAKIS
Supervising Deputy Attorney General

8 CARL W. SONNE
9 Deputy Attorney General
10 *Attorneys for Complainant*

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**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

XXXXXXXXXXXXXXXXXXXX

Respondent.

Case No. AC-2010-XX

NOTICE OF DEFENSE

[Gov. Code §§ 11505 and 11506]

I, the undersigned Respondent in the above-entitled proceeding, hereby acknowledge receipt of a copy of the Accusation; Statement to Respondent; Government Code sections 11507.5, 11507.6 and 11507.7, Complainant's Request for Discovery; and two copies of a Notice of Defense.

I hereby request a hearing to permit me to present my defense to the charges contained in the Accusation.

Dated: _____

Respondent's Name: _____

Respondent's Signature: _____

Respondent's Mailing Address: _____

City, State and Zip Code: _____

Respondent's Telephone: _____

Check appropriate box:

- I am represented by counsel, whose name, address and telephone number appear below:

Counsel's Name _____

Counsel's Mailing Address _____

City, State and Zip Code _____

Counsel's Telephone Number _____

- I am not now represented by counsel. If and when counsel is retained, immediate notification of the attorney's name, address and telephone number will be filed with the Office of Administrative Hearing and a copy sent to counsel for Complainant so that counsel will be on record to receive legal notices, pleadings and other papers.

The agency taking the action described in the Accusation may have formulated guidelines to assist the administrative law judge in reaching an appropriate penalty. You may obtain a copy of the guidelines by requesting them from the agency in writing.

SDXXXXXXXXX
ACCUSATION PACKET MODEL.DOCX

**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

XXXXXXXXXXXXXXXXXXXX

Respondent.

Case No. AC-2010-XX

NOTICE OF DEFENSE

[Gov. Code §§ 11505 and 11506]

I, the undersigned Respondent in the above-entitled proceeding, hereby acknowledge receipt of a copy of the Accusation; Statement to Respondent; Government Code sections 11507.5, 11507.6 and 11507.7, Complainant's Request for Discovery; and two copies of a Notice of Defense.

I hereby request a hearing to permit me to present my defense to the charges contained in the Accusation.

Dated: _____

Respondent's Name: _____

Respondent's Signature: _____

Respondent's Mailing
Address: _____

City, State and Zip Code: _____

Respondent's Telephone: _____

Check appropriate box:

- I am represented by counsel, whose name, address and telephone number appear below:

Counsel's Name _____

Counsel's Mailing Address _____

City, State and Zip Code _____

Counsel's Telephone Number _____

- I am not now represented by counsel. If and when counsel is retained, immediate notification of the attorney's name, address and telephone number will be filed with the Office of Administrative Hearing and a copy sent to counsel for Complainant so that counsel will be on record to receive legal notices, pleadings and other papers.

The agency taking the action described in the Accusation may have formulated guidelines to assist the administrative law judge in reaching an appropriate penalty. You may obtain a copy of the guidelines by requesting them from the agency in writing.

SD2010800453
70358880.DOC

**COPY OF GOVERNMENT CODE SECTIONS 11507.5, 11507.6 AND 11507.7
PROVIDED PURSUANT TO GOVERNMENT CODE SECTIONS 11504 AND 11505**

SECTION 11507.5: Exclusivity of discovery provisions

The provisions of Section 11507.6 provide the exclusive right to and method of discovery as to any proceeding governed by this chapter.

SECTION 11507.6: Request for discovery

After initiation of a proceeding in which a respondent or other party is entitled to a hearing on the merits, a party, upon written request made to another party, prior to the hearing and within 30 days after service by the agency of the initial pleading or within 15 days after the service of an additional pleading, is entitled to (1) obtain the names and addresses of witnesses to the extent known to the other party, including, but not limited to, those intended to be called to testify at the hearing, and (2) inspect and make a copy of any of the following in the possession or custody or under the control of the other party:

(a) A statement of a person, other than the respondent, named in the initial administrative pleading, or in any additional pleading, when it is claimed that the act or omission of the respondent as to this person is the basis for the administrative proceeding;

(b) A statement pertaining to the subject matter of the proceeding made by any party to another party or person;

(c) Statements of witnesses then proposed to be called by the party and of other persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, not included in (a) or (b) above;

(d) All writings, including, but not limited to, reports of mental, physical and blood examinations and things which the party then proposes to offer in evidence;

(e) Any other writing or thing which is relevant and which would be admissible in evidence;

(f) Investigative reports made by or on behalf of the agency or other party pertaining to the subject matter of the proceeding, to the extent that these reports (1) contain the names and addresses of witnesses or of persons having personal knowledge of the acts, omissions or events which are the basis for the proceeding, or (2) reflect matters perceived by the investigator in the course of his or her investigation, or (3) contain or include by attachment any statement or writing described in (a) to (e), inclusive, or summary thereof.

For the purpose of this section, "statements" include written statements by the person signed or otherwise authenticated by him or her, stenographic, mechanical, electrical or other recordings, or transcripts thereof, of oral statements by the person, and written reports or summaries of these oral statements.

Nothing in this section shall authorize the inspection or copying of any writing or thing which is privileged from disclosure by law or otherwise made confidential or protected as the attorney's work product.

SECTION 11507.7: Petition to compel discovery; Order; Sanctions

(a) Any party claiming the party's request for discovery pursuant to Section 11507.6 has not been complied with may serve and file with the administrative law judge a motion to compel discovery, naming as respondent the party refusing or failing to comply with Section 11507.6. The motion shall state facts showing the respondent party failed or refused to comply with Section 11507.6, a description of the matters sought to be discovered, the reason or reasons why the matter is discoverable under that section, that a reasonable and good faith attempt to contact the respondent for an informal resolution of the issue has been made, and the ground or grounds of respondent's refusal so far as known to the moving party.

(b) The motion shall be served upon respondent party and filed within 15 days after the respondent party first evidenced failure or refusal to comply with Section 11507.6 or within 30 days after request was made and the party has failed to reply to the request, or within another time provided by stipulation, whichever period is longer.

(c) The hearing on the motion to compel discovery shall be held within 15 days after the motion is made, or a later time that the administrative law judge may on the judge's own motion for good cause determine. The respondent party shall have the right to serve and file a written answer or other response to the motion before or at the time of the hearing.

(d) Where the matter sought to be discovered is under the custody or control of the respondent party and the respondent party asserts that the matter is not a discoverable matter under the provisions of Section 11507.6, or is privileged against disclosure under those provisions, the administrative law judge may order lodged with it matters provided in subdivision (b) of Section 915 of the Evidence Code and examine the matters in accordance with its provisions.

(e) The administrative law judge shall decide the case on the matters examined in camera, the papers filed by the parties, and such oral argument and additional evidence as the administrative law judge may allow.

(f) Unless otherwise stipulated by the parties, the administrative law judge shall no later than 15 days after the hearing make its order denying or granting the motion. The order shall be in writing setting forth the matters the moving party is entitled to discover under Section 11507.6. A copy of the order shall forthwith be served by mail by the administrative law judge upon the parties. Where the order grants the motion in whole or in part, the order shall not become effective until 10 days after the date the order is served. Where the order denies relief to the moving party, the order shall be effective on the date it is served.

Memorandum

CPC AGENDA ITEM II.
November 17, 2010

CBA AGENDA ITEM XI.B.2.
November 17 – 18, 2010

To : Leslie LaManna, Chair, CPC
CPC Members
CBA Members

Date : November 1, 2010

Telephone : (916) 561-1731

Facsimile : (916) 263-3673

E-mail : rixta@cba.ca.gov

From : Rafael Ixta
Chief, Enforcement Division

Subject : **Discussion of Whether the Existence of Professional Liability Insurance Should be a Mitigating Factor in Enforcement Actions**

During discussion of reportable events at the July 28, 2010 California Board of Accountancy (CBA) meeting, Mr. Petersen commented on the number of civil action settlements reported. He noted that licensees who have liability insurance provide an additional means of protection for consumers. He requested that the existence of liability insurance as a mitigating factor in enforcement actions be assigned for discussion.

Purpose of Professional Liability Insurance

Professional liability insurance provides protection for a licensee in the event a client files a claim or a lawsuit against the licensee in relation to the rendering of or failure to render professional services. Professional liability insurance also protects consumers by providing a means for clients to recoup losses resulting from services the licensee provides.

Liability Insurance Requirements for Licensees

CPA corporations are required by CBA regulation (**Attachment 1** – California Code of Regulations, Title 16, Division 1, Section 75.8) to maintain adequate security against claims.

There are no CBA statutory requirements for sole practitioners or CPA partnerships to maintain professional liability insurance; however, pursuant to the California Corporations Code, limited liability partnerships registered with the California Secretary of State are required to provide for security against claims.

Consideration of Aggravating/Mitigating Evidence in the Enforcement Process

The CBA has established criteria for aggravating and mitigating evidence when considering the imposition of formal discipline, administrative penalties, and citation and fines. The following attachments provide the criteria established for each of these enforcement actions.

- Attachment 2:** Excerpt from the Manual of Disciplinary Guidelines and Model Disciplinary Orders for formal discipline – Evidence in **Aggravation** of Penalty.
- Attachment 3:** Excerpt from the Manual of Disciplinary Guidelines and Model Disciplinary Orders for formal discipline – Evidence in **Mitigation** of Penalty.
- Attachment 4:** California Code of Regulations, Title 16, Division 1, Section 99.1, Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty, Etc.
- Attachment 5:** Excerpt from the Manual of Disciplinary Guidelines and Model Disciplinary Orders regarding Administrative Penalties.
- Attachment 6:** California Code of Regulations, Title 16, Division 1, Section 95.3, Citation Factors.

Although none of the criteria specifically list the existence of professional liability insurance as a mitigating factor, the criteria recognize the importance of consumer protection. Formal discipline and administrative penalties include restitution to consumers as a factor to consider, and citations include the licensee's mitigation or attempt to mitigate any damage caused by the violation. The existence of liability insurance may be a factor that allows the licensee to make restitution or mitigate any damage.

Types of Cases Where the Existence of Professional Liability Insurance May Be a Mitigating Factor

Violations involving negligent services, including tax and audit services, may result in client losses and are the types of cases where the existence of liability insurance may provide for consumer protection.

RI:mls

Attachments

ATTACHMENT 1

CALIFORNIA CODE OF REGULATIONS, Title 16, Division 1

Section 75.8 Security for Claims Against an Accountancy Corporation.

(a) An accountancy corporation shall provide and maintain adequate security for claims against it by its clients arising out of the rendering of or failure to render professional services. Security for such claims shall consist of either of the following:

(1) Insurance for each claim in an amount equal to at least \$100,000 per licensee, provided that the maximum amount for each claim shall not be required to exceed \$1,000,000, and that the minimum amount guaranteed for all claims during any one calendar year shall be at least an amount equal to \$250,000 per licensee, provided that the maximum amount shall not be required to exceed \$3,000,000; or

(2) A written agreement of the shareholders that they shall jointly and severally guarantee payment by the corporation of liabilities to its clients arising out of the rendering of or failure to render professional services.

(b) In the event of failure to comply with the requirements of this section, each and every shareholder of the corporation shall be deemed to have agreed to be jointly and severally liable for claims against the corporation by its clients arising out of the rendering of, or failure to render, professional services.

NOTE: Authority cited: Sections 5010 and 5157, Business and Professions Code.

Reference: Section 5157, Business and Professions Code.

HISTORY:

1. Amendment filed 4-12-83; effective thirtieth day thereafter (Register 83, No. 16).
2. Amendment filed 3-1-94; operative 3-31-94 (Register 94, No. 9).

**EXCERPT FROM THE
MANUAL OF DISCIPLINARY GUIDELINES AND MODEL DISCIPLINARY ORDERS**

III. EVIDENCE IN AGGRAVATION OF PENALTY

The following are among aggravating circumstances to be considered by Administrative Law Judges in providing for penalties in proposed decisions:

1. Evidence that the violation was knowingly committed and/or was premeditated.
2. Licensee has a history of prior discipline, particularly where the prior discipline is for the same or similar type of conduct.
3. Licensee's actions resulted in financial damage to his or her clients or other consumers. The amount of loss may be an additional aggravating factor.
4. Violation of CBA probation.
5. Failure to comply with a final citation order.
6. Failure to comply with a notice to appear before the CBA or its designated representatives.
7. Failure to comply with continuing education requirements as ordered by the CBA or its designated representatives pursuant to Section 87.5.
8. Evidence that the licensee has not cooperated with the CBA's investigation.
9. Misappropriation of entrusted funds or other breach of fiduciary responsibility.
10. Duration of violation(s).
11. Evidence that the licensee knew or should have known that his or her actions could harm his or her clients or other consumers.
12. Evidence that the licensee took advantage of his or her client for personal gain, especially if the licensee was able to take advantage due to the ignorance, age, or lack of sophistication of the client.

**EXCERPT FROM THE
MANUAL OF DISCIPLINARY GUIDELINES AND MODEL DISCIPLINARY ORDERS**

IV. EVIDENCE IN MITIGATION OF PENALTY

The following are among mitigating circumstances that may be taken into account by Administrative Law Judges in providing for penalties in proposed decisions:

1. The licensee has cooperated with the California Board of Accountancy's investigation, other law enforcement or regulatory agencies, and/or the injured parties.
2. The passage of considerable time since an act of professional misconduct occurred with no evidence of recurrence or evidence of any other professional misconduct.
3. Convincing proof of rehabilitation, including the factors in Section 99.1 as well as other relevant considerations.
4. Demonstration of remorse by the licensee.
5. Recognition by licensee of his or her wrongdoing and demonstration of corrective action to prevent recurrence.
6. Violation was corrected without monetary losses to consumers and/or restitution was made in full.
7. If violation involved multiple licensees, the relative degree of culpability of the subject licensee should be considered.

ATTACHMENT 4

CALIFORNIA CODE OF REGULATIONS, Title 16, Division 1

Section 99.1

When considering the denial of a certificate or permit under Section 480 of the Business and Professions Code, the suspension or revocation of a certificate or permit or restoration of a revoked certificate under Section 5115 of the California Business and Professions Code, the CBA, in evaluating the rehabilitation of the applicant and his or her present eligibility for a certificate or permit, will consider the following criteria:

1. Nature and severity of the act(s) or offense(s);
2. Criminal record and evidence of any act(s) committed subsequent to the act(s) or offense(s) under consideration that could also be considered as grounds for denial, suspension, or revocation;
3. The time that has elapsed since commission of the act(s) or offense(s) referred to in subdivision (1) or (2);
4. The extent to which the applicant or respondent has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or respondent;
5. If applicable, evidence of expungement proceedings pursuant to Section 1203.4 of the Penal Code;
6. Evidence, if any, of rehabilitation submitted by the applicant or respondent.

ADMINISTRATIVE PENALTIES

California Business and Professions Code Section 5116 et seq. allow the CBA to order any licensee or applicant for licensure or examination to pay an administrative penalty as part of any disciplinary proceeding. In matters that go through the administrative hearing process, the CBA's Executive Officer may request an Administrative Law Judge to impose an administrative penalty as part of any proposed decision.

The administrative penalty assessed shall be in addition to any other penalties or sanctions imposed on the licensee or other person, including but not limited to, license revocation, license suspension, denial of the application for licensure, or denial of admission to the licensing examination. When probation is ordered, an administrative penalty may be included as a condition of probation.

For any violation, with the exception of violation of subdivisions (a), (c), (i), (j), or (k) of Section 5100, any licensee may be assessed an administrative penalty of not more than \$5,000 for the first violation and not more than \$10,000 for each subsequent violation.

For violation of subdivisions (a), (c), (i), (j), or (k) of Section 5100, licensed firms may be assessed an administrative penalty of not more than \$1,000,000 for the first violation and not more than \$5,000,000 for any subsequent violation. The administrative penalty that may be assessed an individual licensee who violates these sections is limited to not more than \$50,000 for the first violation and not more than \$100,000 for any subsequent violation.

Administrative penalties may be assessed under one or more violations; however, the total administrative penalty shall not exceed the amount of the highest administrative penalty allowed.

The term "violation" used in Sections 5116.1, 5116.2, and 5116.3 is intended to include the total violations in the disciplinary proceeding. Accordingly, "first violation" refers to the respondent's first disciplinary action and "subsequent violations" refers to any subsequent disciplinary actions.

Cost recovery ordered under California Business and Professions Code Section 5107 should not be a reason to reduce or eliminate the amount of administrative fines.

The following criteria should be considered in assessing administrative penalties.

1. Nature and extent of actual and potential consumer harm.
2. Nature and extent of actual and potential harm to clients.
3. Nature and severity of the violation.
4. The role of the person in the violation.
5. The person's attitude toward his or her commission of the violations.
6. Recognition of wrongdoing.
7. Person's history of violations.
8. Nature and extent of cooperation with the CBA's investigation.
9. The person's ability to pay the administrative penalty.
10. The level of administrative penalty necessary to deter future violations.
11. Nature and extent to which the person has taken corrective action to ensure the violation will not recur.
12. Nature and extent of restitution to consumers harmed by violations.
13. The violations involve sanctions by other government agencies or other regulatory licensing bodies, i.e. Internal Revenue Service, Securities and Exchange Commission, and Public Company Accounting Oversight Board.
14. Other aggravating or mitigating factors.

CALIFORNIA CODE OF REGULATIONS, Title 16, Division 1

95.3 Citation Factors.

In assessing an administrative fine or issuing an order of correction or abatement, the executive officer of the board shall give due consideration to the following factors:

- (a) The gravity of the violation.
- (b) The good or bad faith of the cited person or entity.
- (c) The history of previous violations.
- (d) Evidence that the violation was or was not willful.
- (e) The extent to which the cited person or entity has cooperated with the board's investigation.
- (f) The extent to which the cited person or entity has mitigated or attempted to mitigate any damage or injury caused by the violation.

NOTE: Authority cited: Sections 125.9, 148 and 5010, Business and Professions Code.

Reference: Sections 125.9, 148 and 5100(g), Business and Professions Code.

HISTORY:

1. New section filed 1-5-90; operative 2-4-90 (Register 90, No. 3).
2. Amendment of first paragraph and Note filed 12-17-96; operative 1-1-97 pursuant to Government Code Section 11343.4(d) (Register 96, No. 51).
3. Change without regulatory effect amending Note filed 11-15-2005 pursuant to section 100, title 1, California Code of Regulations (Register 2005, No. 46).

Memorandum

LC Agenda Item I.
November 17, 2010

CBA Agenda Item XI.C.2.
November 17-18, 2010

To : CBA Members
LC Members

Date : October 18, 2010

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley, Legislation/Regulation Analyst

Subject : Update on Bills on Which the CBA has Taken a Position

<u>Bill #</u>	<u>Author</u>	<u>Topic</u>	<u>CBA Position</u>	<u>Final</u>
AB 797	Ma	Accountants: discipline: Internet posting	Support	Failed to Pass
AB 1215	De La Torre	Public employees: furlough exemptions	Support	Failed to Pass
AB 1659	Huber	Joint Sunset Review Committee	Watch	Chaptered
AB 1899	Eng	State Agencies: information on Web site	Neutral	Vetoed
AB 1993	Strickland	State Government reports: declarations	Oppose	Failed to Pass
AB 2091	Conway	Public records: information security	Support	Chaptered
AB 2130	Huber	Sunset Review	Watch	Chaptered
AB 2494	Blumenfield	Personal services contracts	Neutral	Vetoed
AB 2537	Silva	Adjudications: presiding officers	Neutral	Failed to Pass
AB 2738	Niello	Regulations: statement of reasons	Support	Chaptered
SB 294	Negrete-McLeod	Professions and vocations: regulation	Support	Chaptered
SB 1171	Negrete-McLeod	Sunset Review	Watch	Failed to Pass
SB 1490	Sen. B&P	Omnibus: urgency	Support	Chaptered
SB 1491	Sen. B&P	Omnibus	Support	Chaptered

I will be at the meeting to answer any questions you may have.

Memorandum

LC Agenda Item II.
November 17, 2010

CBA Agenda Item XI.C.3.
November 17-18, 2010

To : CBA Members
Legislative Committee Members

Date : October 20, 2010

Telephone : (916) 561-1792

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E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley, Legislation/Regulation Analyst

Subject : Proposed Legislation- Retired Status

At its September 2010 meeting, the California Board of Accountancy (CBA) directed staff to prepare a legislative proposal to establish a retired status of licensure.

The proposed language (**Attachment 1**) is written in a permissive tone allowing the CBA to establish a retirement status at its discretion. The proposal does, however, place some broad limits on the status and includes many of the recommendations made by the CBA at its September meeting.

Specifically, the proposal establishes the following:

- Prohibits a retired status licensee from engaging in any activity for which a license is required.
- The CBA may not approve a retired status for a license that is subject to disciplinary action.
- Allows the CBA to establish minimum qualifications such as an age limit and minimum years spent as a licensee.
- The CBA may exempt a retired status licensee from the renewal process as outlined in Business and Professions Code §5070.5.
- The CBA may create a process for restoring a retired license to an active status.

In addition, the proposal allows the CBA to establish certain fees related to retired status. The fee for application for retired status would be capped at \$250, which is the same as the license renewal fee cap in law. In addition, there would be a fee for the restoration of a retired license to an active status which would be capped at \$1000. The high cap in the law allows for further CBA discussion regarding how to discourage licensees from switching back and forth between retired and active statuses. While the \$1000 cap may seem high to some, one could compare it to a licensee allowing their license to remain delinquent for up to five years; the cost to renew under current law would be \$700.

The Committee on Professional Conduct and the CBA will be discussing how to further refine the status through the regulatory process in more detail in coming months. However, the proposed legislation does not place any implementation timeframes on the CBA.

Attachment



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Attachment 1

5070.1 (a) The board may establish, by regulation, a system of application and approval for a retired status of licensure for certified public accountants and public accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed by the board.

(b) The holder of a license in a retired status issued pursuant to this section shall not engage in any activity for which a license is required.

(c) The board shall deny a licensee's application for retired status if the license is cancelled or if the license is suspended, revoked, or otherwise punitively restricted by the board or subject to disciplinary action under this chapter.

(d) The board may establish minimum qualifications for a retired status of licensure which may include, but are not limited to, a minimum age requirement and minimum years as a licensee.

(e) The board may exempt an individual maintaining a license in a retired status from the provisions of Section 5070.5.

(f) The board may establish minimum qualifications for the restoration of a license in a retired status to an active status.

5109. The expiration, cancellation, forfeiture, retirement or suspension of a license, practice privilege, or other authority to practice public accountancy by operation of law or by order or decision of the board or a court of law, or the voluntary surrender of a license by a licensee shall not deprive the board of jurisdiction to commence or proceed with any investigation of or action or disciplinary proceeding against the licensee, or to render a decision suspending or revoking the license.

5134. The amount of fees prescribed by this chapter is as follows:

(a) The fee to be charged to each applicant for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600). The board may charge a reexamination fee not to exceed seventy-five dollars (\$75) for each part that is subject to reexamination.

(b) The fee to be charged to out-of-state candidates for the certified public accountant examination shall be fixed by the board at an amount not to exceed six hundred dollars (\$600) per candidate.

(c) The application fee to be charged to each applicant for issuance of a certified public accountant certificate shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).

(d) The application fee to be charged to each applicant for issuance of a certified public accountant certificate by waiver of examination shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).

(e) The fee to be charged to each applicant for registration as a partnership or professional corporation shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).

(f) The board shall fix the biennial renewal fee so that, together with the estimated amount from revenue other than that generated by subdivisions (a) to (e), inclusive, the reserve balance in the board's contingent fund shall be equal to approximately nine months of annual authorized expenditures. Any increase in the renewal fee shall be made by regulation upon a determination by the board that additional moneys are required to fund authorized expenditures and maintain the board's contingent fund reserve balance equal to nine months of estimated annual authorized expenditures in the fiscal year in which the expenditures will occur. The biennial fee for the renewal of each of the permits to engage in the practice of public accountancy specified in Section 5070 shall not exceed two hundred fifty dollars (\$250).

(g) The application fee to be charged to each applicant for a retired status of licensure pursuant to Section 5070.1 shall be fixed by the board at an amount not to exceed two hundred fifty dollars (\$250).

(h) The application fee to be charged to each applicant for restoration of a license in a retired status to an active status pursuant to Section 5070.1(f) shall be fixed by the board at an amount not to exceed one thousand dollars (\$1000).

(gj) The delinquency fee shall be 50 percent of the accrued renewal fee.

(hj) The initial permit fee is an amount equal to the renewal fee in effect on the last regular renewal date before the date on which the permit is issued, except that, if the permit is issued one year or less before it will expire, then the initial permit fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the permit is issued. The board may, by regulation, provide for the waiver or refund of the initial permit fee where the permit is issued less than 45 days before the date on which it will expire.

~~(ik) (1) On and after the enactment of Assembly Bill 1868 of the 2005-06 Regular Session, the~~The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 with an authorization to sign attest reports shall be fixed by the board at an amount not to exceed one hundred twenty-five dollars (\$125).

~~(2) On and after enactment of Assembly Bill 1868 of the 2005-06 Regular Session, the~~The annual fee to be charged an individual for a practice privilege pursuant to Section 5096 without an authorization to sign attest reports shall be fixed by the board at an amount not to exceed 80 percent of the fee authorized under paragraph (1).

(jl) The fee to be charged for the certification of documents evidencing passage of the certified public accountant examination, the certification of documents evidencing the grades received on the certified public accountant examination, or the certification of documents evidencing licensure shall be twenty-five dollars (\$25).

~~(km) The board shall fix the fees in accordance with the limits of this section and, on and after July 1, 1990, any increase in a fee fixed by the board shall be pursuant to regulation duly adopted by the board in accordance with the limits of this section.~~

~~(ln) It is the intent of the Legislature that, to ease entry into the public accounting profession in California, any administrative cost to the board related to the certified public accountant examination or issuance of the certified public accountant certificate that exceeds the maximum fees authorized by this section shall be covered by the fees charged for the biennial renewal of the permit to practice.~~

Memorandum

LC Agenda Item III.
November 17, 2010

CBA Agenda Item XI.C.4.
November 17-18, 2010

To : CBA Members
Legislative Committee Members

Date : October 18, 2010

Telephone : (916) 561-1792

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From : Matthew Stanley, Legislation/Regulation Analyst

Subject : Proposed Legislation- Restatements

At its May 2010 meeting, the California Board of Accountancy (CBA) directed staff to develop a legislative proposal to eliminate the restatements reporting requirement in Business & Professions Code §5063(b)(1).

After discussions with stakeholders, staff have prepared possible legislative language (Attachment 1) based on those discussions. While the proposed language does not entirely eliminate the reporting of restatements, it is a compromise that would exclude restatements which are reported to the Securities and Exchange Commission or the Public Companies Accounting Oversight Board from being reported to the CBA as well. The CBA received 208 restatements during the 2009-2010 fiscal year. With this proposal, that number would have been reduced to 135.

Stakeholders have indicated that they are willing to continue working with staff to see if there is room for additional compromise to further reduce the number of restatements received by the CBA.

Attachment



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Attachment 1

5063. (a) A licensee shall report to the board in writing of the occurrence of any of the following events occurring on or after January 1, 1997, within 30 days of the date the licensee has knowledge of these events:

(1) The conviction of the licensee of any of the following:

(A) A felony.

(B) Any crime related to the qualifications, functions, or duties of a public accountant or certified public accountant, or to acts or activities in the course and scope of the practice of public accountancy.

(C) Any crime involving theft, embezzlement, misappropriation of funds or property, breach of a fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information.

As used in this section, a conviction includes the initial plea, verdict, or finding of guilt, pleas of no contest, or pronouncement of sentence by a trial court even though that conviction may not be final or sentence actually imposed until appeals are exhausted.

(2) The cancellation, revocation, or suspension of a certificate, other authority to practice or refusal to renew a certificate or other authority to practice as a certified public accountant or a public accountant, by any other state or foreign country.

(3) The cancellation, revocation, or suspension of the right to practice as a certified public accountant or a public accountant before any governmental body or agency.

(b) A licensee shall report to the board in writing the occurrence of any of the following events occurring on or after January 1, 2003, within 30 days of the date the licensee has knowledge of the events:

(1) Any restatement of a financial statement and related disclosures by a client audited by the licensee not submitted to the Securities Exchange Commission or the Public Companies Accounting Oversight Board.

(2) Any civil action settlement or arbitration award against the licensee relating to the practice of public accountancy where the amount or value of the settlement or arbitration award is thirty thousand dollars (\$30,000) or greater and where the licensee is not insured for the full amount of the award.

(3) Any notice of the opening or initiation of a formal investigation of the licensee by the Securities and Exchange Commission or its designee.

(4) Any notice from the Securities and Exchange Commission to a licensee requesting a Wells Submission.

(5) Any notice of the opening or initiation of an investigation by the Public Company Accounting Oversight Board or its designee, as defined pursuant to subdivision (g).

(c) A licensee shall report to the board in writing, within 30 days of the entry of the judgment, any judgment entered on or after January 1, 2003, against the licensee in any civil action alleging any of the following:

(1) Dishonesty, fraud, gross negligence, or negligence.

(2) Breach of fiduciary responsibility.

(3) Preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information.

(4) Embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses, or other errors or omissions.

(5) Any actionable conduct by the licensee in the practice of public accountancy, the performance of bookkeeping operations, or other professional practice.

(d) The report required by subdivisions (a), (b), and (c) shall be signed by the licensee and set forth the facts which constitute the reportable event. If the reportable event involves the action of an administrative agency or court, then the report shall set forth the title of the matter, court or agency name, docket number, and dates of occurrence of the reportable event.

(e) A licensee shall promptly respond to oral or written inquiries from the board concerning the reportable events, including inquiries made by the board in conjunction with license renewal.

(f) Nothing in this section shall impose a duty upon any licensee to report to the board the occurrence of any of the events set forth in subdivision (a), (b), or (c) either by or against any other licensee.

(g) The board may adopt regulations to further define the reporting requirements of this section.

Memorandum

LC Agenda Item IV.
November 17, 2010

CBA Agenda Item XI.C.5.
November 17-18, 2010

To : CBA Members
Legislative Committee Members

Date : October 19, 2010

Telephone : (916) 561-1792

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From :  Matthew Stanley, Legislation/Regulation Analyst

Subject : Proposed Legislation- Peer Review Sunset Extension

As a part of its 2010 Sunset Review Report, the California Board of Accountancy (CBA) indicated a desire to see the sunset date on the CBA's Peer Review Program extended.

When the peer review legislation was passed in 2009, the Senate added in a reporting requirement by the CBA to the Governor and the Legislature on January 1, 2013. In addition, it placed a sunset date of January 1, 2014 on the program. However, due to the timing of the writing of the report, it will not contain data on all licensees who will undergo a peer review; and it will not contain valuable data on how peer review results might change during a second three year peer review cycle.

In order to obtain this additional data, the proposed language (**Attachment 1**) would extend the reporting date and the sunset date of the Peer Review Program by three years.

Attachment



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WEB ADDRESS: <http://www.cba.ca.gov>



Attachment 1

5076. (a) In order to renew its registration, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) "Peer review" means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed, and may include an evaluation of other factors in accordance with requirements specified by the board in regulations.

(2) "Accounting and auditing practice" includes any services that are performed using professional standards defined by the board in regulations.

(c) The board shall adopt regulations as necessary to implement, interpret, and make specific the peer review requirements in this section, including, but not limited to, regulations specifying the requirements for board recognition of a peer review program, standards for administering a peer review, extensions of time for fulfilling the peer review requirement, exclusions from the peer review program, and document submission.

(d) The board shall adopt emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) to establish policies, guidelines, and procedures as outlined in subdivision (c). The adoption of the regulations shall be considered by the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, or general welfare. The emergency regulations shall be submitted to the Office of Administrative Law for filing with the Secretary of State and publication in the California Code of Regulations, and shall be replaced in accordance with the Administrative Procedure Act.

(e) Nothing in this section shall prohibit the board from initiating an investigation and imposing discipline against a firm or licensee, either as the result of a complaint that alleges violations of statutes, rules, or regulations, or from information contained in a peer review report received by the board.

(f) A firm issued a substandard peer review report, as defined by the board in regulation, shall submit a copy of that report to the board. The board shall establish in regulation the time period that a firm must submit the report to the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program provider to the date the report is submitted to the board.

(g) (1) A board-recognized peer review program provider shall file a copy with the board of all substandard peer review reports issued to California-licensed firms. The board shall establish in regulation the time period that a board-recognized peer review program provider shall file the report with the board. This period shall not exceed 60 days from the time the report is accepted by a board-recognized peer review program

provider to the date the report is filed with the board. These reports may be filed with the board electronically.

(2) Nothing in this subdivision shall require a board-recognized peer review program provider, when administering peer reviews in another state, to violate the laws of that state.

(h) The board shall, by January 1, 2010, define a substandard peer review report in regulation.

(i) Any requirements imposed by a board-recognized peer review program on a firm in conjunction with the completion of a peer review shall be separate from, and in addition to, any action by the board pursuant to this section.

(j) Any report of a substandard peer review submitted to the board in conjunction with this section shall be collected for investigatory purposes.

(k) Nothing in this section affects the discovery or admissibility of evidence in a civil or criminal action.

(l) Nothing in this section requires any firm to become a member of any professional organization.

(m) A peer reviewer shall not disclose information concerning licensees or their clients obtained during a peer review, unless specifically authorized pursuant to this section, Section 5076.1, or regulations prescribed by the board.

(n) By January 1, ~~2016~~2013, the board shall provide the Legislature and Governor with a report regarding the peer review requirements of this section that includes, without limitation:

(1) The extent to which mandatory peer review of small firms or sole practitioners that prepare nondisclosure compiled financial statements on an other comprehensive basis of accounting enhances consumer protection.

(2) The impact of peer review required by this section on small firms and sole practitioners that prepare nondisclosure complied financial statements on an other comprehensive basis of accounting.

(3) The impact of peer review required by this section on small businesses, nonprofit corporations, and other entities that utilize small firms or sole practitioners for the purposes of nondisclosure compiled financial statements prepared on an other comprehensive basis of accounting.

(o) This section shall remain in effect only until January 1, ~~2017~~2014, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2017~~2014, deletes or extends that date.

5076.1. (a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any

information obtained by the board, its representatives, or the peer review oversight committee in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

(1) In connection with disciplinary proceedings of the board.
(2) In connection with legal proceedings in which the board is a party.
(3) In response to an official inquiry by a federal or state governmental regulatory agency.

(4) In compliance with a subpoena or summons enforceable by court order.
(5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

(d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.

(e) This section shall remain in effect only until January 1, ~~2017~~2014, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, ~~2017~~2014, deletes or extends that date.

Memorandum

LC Agenda Item V.
November 17, 2010

CBA Agenda Item XI.C.6.
November 17-18, 2010

To : CBA Members
Legislative Committee Members

Date : October 20, 2010

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From :  Matthew Stanley, Legislation/Regulation Analyst

Subject : Proposed Legislation- Webcast Exemption

At its September 2010 meeting, the California Board of Accountancy (CBA) declined to pursue a webcasting exemption for meetings at which no votes are expected to be taken. Following that meeting, staff were informed that, under limited circumstances, there would most likely be agreement to an exemption being placed in the law.

The proposed language (**Attachment 1**) would allow for an exemption when the CBA is not expected to vote on any agenda items and when there are no items on the agenda which directly impact public policy. This would allow an exemption for retreat style meetings during which the CBA is involved in team-building exercises, reviewing personnel matters or undergoing training.

The proposed language would prohibit the CBA from voting on any matter at such a meeting. Additionally, the proposal would require the meeting to still be recorded in an audio or visual medium, and it would require that the recording be kept for three years as a public record.

Attachment



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Attachment 1

5017.5. (a) The board shall provide a live audio or video broadcast, on its Internet Web site, of each of its board meetings that are open and public except as provided for in Section 5017.6.

(b) (1) If technical failure prevents the board from providing a live broadcast as specified in subdivision (a), that failure shall not constitute a violation of this section if the board exercised reasonable diligence in providing a live broadcast.

(2) Failure to provide a live broadcast of its board meetings due to technical failure shall not prohibit the board from meeting and taking actions.

(c) The recording of the live audio or video broadcast shall remain on the Internet Web site for at least three years. Providing a link on the Internet Web site to the recording of the live audio or video broadcast shall satisfy this requirement.

5017.6 (a) Section 5017.5 shall not apply to board meetings that are open and public in which all of the following apply:

(1) The board is not expected to vote on any items on its agenda prepared pursuant to Government Code Section 11125

(2) The board is not expected to vote on any items not on the agenda pursuant to Government Code Section 11125.3.

(3) There are no items on the agenda directly impacting public policy.

(b) If an open and public meeting is not broadcast on the board's Internet Web site pursuant to subdivision (a), the board shall not vote on any matter at that meeting.

(c) An audio or video recording of an open and public meeting that is not broadcast on the board's Internet Web site pursuant to subdivision (a) shall be maintained by the board for at least three years and shall be a public record.

Memorandum

LC Agenda Item VI.
November 17, 2010

CBA Agenda Item XI.C.7.
November 17-18, 2010

To : CBA Members
Legislative Committee Members

Date : October 20, 2010

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov


From : Matthew Stanley, Legislation/Regulation Analyst

Subject : Proposed Legislation- Loans to the General Fund

At its September 2010 meeting, the California Board of Accountancy (CBA) directed the LC to study the feasibility of legislation that would state that monies in the Accountancy Fund could not be transferred to the General Fund.

The proposed language (**Attachment 1**) for such a bill is modeled on the Medical Board's existing language to protect its fund.

However, when staff was contacted by Legislative Counsel regarding another issue, the topic of the Medical Board's existing language was discussed. Legislative Counsel indicated that, as that language is merely in the Codes, it can be amended at any time by a more recent act of the Legislature. In other words, by borrowing money from the Medical Board's Fund in a budget act, the Legislature is, de facto, amending the language to say, "except in this case." Therefore, such a provision in the law has, in the eyes of Legislative Counsel, little to no effect.

Attachment



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Attachment 1

5133. All money in the Accountancy Fund is hereby appropriated to the California Board of Accountancy to carry out the provisions of this chapter. Each member of the board and each member of a committee shall receive a per diem and expenses as provided in Section 103.

If there is any surplus in the Accountancy Fund after the board's salaries and expenses are paid, such surplus shall be applied solely to expenses incurred under the provisions of this chapter. No surplus in the Accountancy Fund shall be deposited in or transferred to the General Fund.



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CPC Agenda Item I.
November 17, 2010

CBA Agenda Item XII.B.
November 17-18, 2010

**COMMITTEE ON PROFESSIONAL CONDUCT
 MINUTES OF THE MEETING**

DRAFT

September 22, 2010

The California Board of Accountancy
 2000 Evergreen Way, Ste. 250
 Sacramento, CA 95815
 Telephone: (916) 561-1700

CALL TO ORDER

Leslie LaManna, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 11:03 a.m. Ms. LaManna indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full California Board of Accountancy (CBA) are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

Present

Leslie LaManna, Chair
 Sally Anderson
 Diana Bell
 Don Driftmier

Board Members Observing

Manuel Ramirez, CBA President
 Angela Chi
 Bob Petersen
 Lenora Taylor

Board Staff and Legal Counsel

Patti Bowers, Executive Officer
 Dan Rich, Assistant Executive Officer
 Veronica Daniel, Executive Analyst
 Gary Duke, Legal Counsel, Department of Consumer Affairs (DCA)
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Manager, Renewal and Continuing Competency (RCC) Unit
 Scott Harris, Deputy Attorney General, Department of Justice
 Rafael Ixta, Chief, Enforcement Division

Vincent Johnston, Special Projects Analyst
Deanne Pearce, Chief, Licensing Division
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation/Regulation Analyst
Spencer Walker, Legal Counsel, DCA

Other Participants

Bruce Allen, CalCPA
Erica Eisenlauer, DCA Legislative & Policy Review
Cheryl Gerhardt, Chair, Enforcement Advisory Committee
David Helphrey, CPIL
Pilar Onate-Quintana, E&Y, PWC, D&T, GT, KPMG
Jonathan Ross, E&Y PWC, D&T, GT, KPMG
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA

- I. Draft Minutes of the July 28, 2010, CPC Meeting.

It was moved by Mr. Driftmier, seconded by Ms. Anderson, and carried unanimously to approve the draft minutes of the July 28, 2010, CPC meeting.

- II. Consideration of Regulatory Language for Section 48.3 – Peer Review Provider Reporting Responsibilities.

Mr. Stanley presented regulatory language that would place a 60-day time limit on peer review providers to submit failed peer review reports to the CBA. He indicated that this regulation was required by law.

It was moved by Mr. Driftmier, seconded by Ms. Anderson, and carried unanimously to approve the language.

- III. Continued Consideration of Retired Status for CPA/PA Licensure

Mr. Franzella presented several topics for consideration on which direction would be needed should the CBA decide to pursue a retired status in law.

The CPC discussed these items and put forth the following recommendations:

- There should be no pending enforcement actions against the licensee.
- There should be special consideration for disability retirement.
- The licensee should be at least 55 years old with this requirement waived if the licensee is disabled.
- The licensee should have served for at least 20 years.
- There should not be a renewal fee.
- There should be an application fee and a restoration fee.

- Restoration requirements should be similar to those for an license in an inactive status.

It was moved by Mr. Driftmier, seconded by Ms. Anderson, and carried unanimously to prepare legislative language incorporating the CPC's recommendations and to continue the discussion at future CPC meetings to prepare regulations.

VI. Comments from Members of the Public.

No comments were received.

VII. Agenda Items for Next Meeting.

No agenda items were identified.

There being no further business, the meeting was adjourned at 11:35 a.m.



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EPOC Agenda Item II.
November 17, 2010

CBA Agenda Item XII.C.
November 17-18, 2010

ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE
MINUTES OF MEETING

Wednesday, September 22, 2010

CALIFORNIA BOARD OF ACCOUNTANCY
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815

DRAFT

I. CALL TO ORDER

Herschel Elkins, Committee Chair, called the meeting of the Enforcement Program Oversight Committee (EPOC) to order at 9:40 a.m. on September 22, 2010. Mr. Elkins stated that to ensure compliance with the Bagley-Keene Open Meeting Act, if a quorum of the California Board of Accountancy (CBA) (eight members) is present at this meeting, CBA members who are not serving on the EPOC must attend as observers only.

EPOC Members in Attendance

Herschel Elkins	9:40 a.m. – 10:55 a.m.
Diana Bell	9:40 a.m. – 10:55 a.m.
Michelle Brough	Absent
Louise Kirkbride	Absent
Robert Petersen	9:30 a.m. – 10:55 a.m.
Lenora Taylor	9:30 a.m. – 10:55 a.m.
Andrea L. Valdez	Absent

CBA Staff and Legal Counsel in Attendance

Patti Bowers, Executive Officer
 Veronica Daniel, Executive Analyst
 Gary Duke, Legal Counsel, Department of Consumer Affairs
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Renewal/Continuing Competency Manager
 Scott Harris, Deputy Attorney General
 Lauren Hersh, Information and Planning Officer
 Rafael Ixta, Chief, Enforcement Division
 Vincent Johnston, Executive Analyst
 Deanne Pearce, Acting Chief, Licensing Division
 Dan Rich, Assistant Executive Officer

Michele Santaga, Enforcement Analyst
Carl Sonne, Deputy Attorney General
Matthew Stanley, Legislation/Regulation Analyst
Kathy Tejada, Enforcement Manager
Spencer Walker, Legal Counsel, Department of Consumer Affairs

CBA Members Observing

Sally Anderson
Angela Chi
Donald Driftmier
Leslie LaManna
Manuel Ramirez

Committee Chairs and Members

Cheryl Gerhardt, Vice Chair, Enforcement Advisory Committee

Other Participants

Gil DeLuna, DCA
Erica Eisenlauer, DCA Legislative Legal Analyst
Pilar Onate-Quintana, KP Public Affairs, Deloitte, KPMG, PWC, E&Y, GT
Jonathan Ross, KP Public Affairs, Deloitte, KPMG, PWC, E&Y, GT
Hal Schultz, California Society of Certified Public Accountants
Jeannie Tindel, California Society of Certified Public Accountants

II. CONSIDERATION OF PROPOSED REVISIONS TO THE
DISCIPLINARY GUIDELINES

A. Identification of New/Amended Statutes and Regulations Enacted Since
Approval of Proposed Revisions at the May 15 and July 24, 2009 CBA Meetings.

Mr. Fisher stated that CBA members considered and approved proposed revisions to the current *Manual of Disciplinary Guidelines and Model Disciplinary Orders, 6th Edition, 2005*, at the May 15 and July 24, 2009 CBA meetings. He stated that staff had identified changes in the Accountancy Act enacted since the July 2009 meeting that need to be reflected in the *Guidelines*. The proposed revisions were presented to the EPOC members for consideration.

Following discussion, it was moved by Ms. Taylor, seconded by Ms. Bell, and unanimously carried to recommend to the CBA to adopt the proposed revisions to the *Manual of Disciplinary Guidelines and Model Disciplinary Orders, 6th Edition, 2005*, and proceed with the process to amend Section 98 of the California Code of Regulations to incorporate the *Manual of Disciplinary Guidelines and Model Disciplinary Orders, 7th Edition, 2010*, by reference.

B. Proposed Optional Condition of Probation –
Prohibition from Accepting New Clients.

Mr. Fisher presented a discussion paper that provided information, alternatives and comments regarding the proposed optional condition of probation regarding the prohibition from accepting new clients. This optional condition was first suggested by President Ramirez at the May 14, 2009 CBA meeting.

Mr. Petersen commented that this proposed optional condition would provide another means for protecting the public without revoking the license and taking away the licensee's livelihood. By adding the specific language to the *Disciplinary Guidelines*, Administrative Law Judges, as well as licensees, would be aware this option is available.

Mr. Elkins noted that in past EPOC and CBA discussions, the definition of "new client" was an issue. Mr. Elkins proposed a definition that was provided in a handout.

Ms. Taylor questioned the need for this as an optional condition because the CBA already has the ability under the current *Disciplinary Guidelines* to impose the prohibition from accepting new clients in stipulated settlements. She noted that the Attorney General's Office could argue for imposition of this option in cases that go to hearing. It was also noted that CBA members have the option to reject an ALJ decision and impose new client prohibition.

Ms. Tindel, California Society of CPAs, expressed her concern, commenting that if this condition is added to the *Disciplinary Guidelines*, it may be imposed more routinely rather than in limited cases as originally intended.

Jonathan Ross, KP Public Affairs, also expressed his concern, agreeing with Ms. Tindel that placing this option in the *Disciplinary Guidelines* would elevate it to the more routine. He also noted the difficulty in defining "clients" for multi-state firms with multi-state clients. A limited action in California could affect an entire multi-state firm.

Following discussion, EPOC members were unable to come to a consensus on a recommendation to the CBA on this issue.

III. INVESTIGATIVE PROCESS – DOES THE CBA HAVE A MAJOR CASE PROGRAM?

Mr. Ixta provided background and history on the CBA's Major Case Program. He reported that based on CBA staff research, the Major Case Program was discontinued in 2002 and that the CBA uses the same investigative process for all complaints.

Mr. Ixta stated that the major case report has been replaced with a report that provides case aging on all pending complaints, as opposed to only major cases.

Ms. Taylor commented that combining all cases may distort case aging numbers.

Ms. Bowers clarified that the major case designation had been used for internal purposes. The CBA is required to report aging data for all cases to the Department of Consumer Affairs (DCA). DCA recognizes, for all DCA boards, that some cases take longer to complete. The CBA is allowed to footnote an explanation for cases that remain open for an extended period of time.

EPOC members requested that CBA Enforcement staff include in the aging reports an explanation for pending complaints and closed disciplinary cases 18 months and older.

IV. REVIEW OF MEDIATION GUIDELINES

The EPOC members reviewed Ms. Tejada's memo that provided background information on the CBA's Mediation Guidelines adopted in 1998.

In response to Mr. Petersen's inquiry why mediation has never been used, Mr. Ixta stated that the licensee must initiate mediation. If the CBA suggests mediation, it may appear that the CBA is trying to force a settlement.

EPOC members noted that the CBA has done a good job informing licensees about mediation by posting the Mediation Guidelines on the CBA Web site and providing information to licensees about the investigative process at the beginning of and during investigations.

V. CONSIDERATION OF DELEGATING THE EXECUTIVE OFFICER WITH THE AUTHORITY TO APPROVE AND SIGN DEFAULT DECISIONS, PROPOSED DECISIONS, AND SPECIFIED STIPULATED SETTLEMENTS.

Mr. Ixta presented an issue paper that provided information, alternatives, and comments regarding delegating the Executive Officer (EO) with the authority to approve and sign default decisions, proposed decisions, and specified stipulated settlements.

This proposed delegation of authority was based on DCA Director Brian Stiger's suggestion that the CBA delegate to the EO the authority to sign default decisions and stipulated settlements where the licensee has agreed to revocation or surrender of the license. This change in procedure was one of the provisions in DCA's Consumer Protection Enforcement Initiative (CPEI) to improve and streamline the enforcement process.

EPOC members discussed the following considerations.

- Delegating this authority to the EO would reduce cycle time for cases.
- CBA staff will provide a summary report to the CBA on actions adopted by the EO to allow the CBA to monitor disciplinary actions, especially costs.
- If the CBA disagrees with a decision, the CBA could order reconsideration within 30 days after the decision is issued.

Ms. Taylor stated that delegation of authority for default decisions and stipulations for revocation or surrender were acceptable; however, she had concern about proposed decisions because CBA members have at times rejected an Administrative Law Judge's proposed decision.

In response to the EPOC members' request that Ms. Bowers comment, Ms. Bowers noted that CBA members will lose the benefit of deliberating on decisions. She also expressed concern about the perception of signing both the accusation and the decision. She stated that there are other alternatives, such as a temporary suspension order, to immediately remove licensees who are causing consumer harm from practice.

Mr. Walker stated that the Office of Administrative Law approved delegation regulations for the Board of Registered Nurses.

Following discussion, it was moved by Ms. Taylor, seconded by Mr. Petersen, and unanimously carried to recommend that the CBA approve delegating the Executive Officer with the authority to sign default decisions and stipulated settlements for revocation or surrender on behalf of the CBA. The EPOC also recommended that the Executive Officer provide a summary report, including costs, to the CBA on all decisions adopted by the Executive Officer under the delegation of authority.

VI. PUBLIC COMMENTS

Public comments were offered throughout the meeting.

VII. AGENDA ITEMS FOR FUTURE EPOC MEETINGS

- Review information provided with accusations (Notice of Defense, Request for Discovery, and Statement to Respondent) and consider if additional easy-to-read information should be provided.
- Costs for probation monitoring.
- Acceleration of peer review during probation.
- Supervised testing for continuing education ordered as a part of a disciplinary action.

VIII. ADJOURNMENT

There being no further business to conduct, the EPOC meeting adjourned at 10:55 a.m.

Herschel Elkins, Chair
Enforcement Program Oversight Committee

Prepared by: Michele Santaga, Enforcement Analyst



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CBA AGENDA ITEM XII.D.
 November 17-18, 2010

**ENFORCEMENT ADVISORY COMMITTEE
 MINUTES OF MEETING**

May 6, 2010

THE SHERATON GATEWAY
 6101 West Century Boulevard
 Los Angeles, CA 90045

FINAL

I. CALL TO ORDER

Enforcement Advisory Committee Chair Harish Khanna called the regularly scheduled meeting of the Enforcement Advisory Committee (EAC) to order at approximately 10:30 a.m. on May 6, 2010.

Mr. Khanna introduced and welcomed Rafael Ixta, the new Enforcement Chief, and Mary Rose Caras, the newly appointed EAC member.

Administrative Committee

Harish Khanna, Chair	8:00 a.m. – 5:00 p.m.
Cheryl Gerhardt, Vice Chair	8:00 a.m. – 5:00 p.m.
Ed Beranek, Committee Member	8:00 a.m. – 5:00 p.m.
Gary Caine, Committee Member	8:00 a.m. – 5:00 p.m.
Mary Rose Caras	8:00 a.m. – 5:00 p.m.
Robert A. Lee, Committee Member	8:00 a.m. – 5:00 p.m.
James Petray, Committee Member	Absent
James Rider, Committee Member	8:00 a.m. – 5:00 p.m.
Seid Sadatnejad, Committee Member	8:00 a.m. – 5:00 p.m.
Michael Schwarz, Committee Member	8:00 a.m. – 5:00 p.m.
Arthur Thielen, Committee Member	8:00 a.m. – 5:00 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Paul Fisher, Acting Supervising Investigative CPA
 Scott Harris, Deputy Attorney General
 Rafael Ixta, Enforcement Chief
 Tina MacGregor, Investigative CPA
 Sara Narvaez-Smith, Enforcement Analyst
 Allison Nightingale, Enforcement Secretary
 Michele Santaga, Enforcement Analyst

II. MINUTES

Following review, it was moved by Ms. Gerhardt, seconded by Mr. Sadatnejad, and unanimously carried to approve the minutes of the January 28, 2010 Enforcement Advisory Committee.

The minutes will be submitted to the CBA members for review at the next regular CBA meeting.

III. PERSONAL APPEARANCES

APPROVAL OF INVESTIGATIVE HEARINGS/ASSURANCE OF INDEPENDENCE

[Closed session under provisions of Government Code Section 11126(c) conducted after the general meeting.]

IV. FILE REVIEW/APPROVAL OF FILES CLOSED BY STAFF

[Closed session under provisions of Government Code Section 11126(c) conducted after the general meeting.]

V. REPORT OF COMMITTEE CHAIR

A. Minutes of the March 25-26, 2010 CBA Meeting.

The minutes of the March 25-26, 2010 CBA meeting was provided in the agenda packets.

Mr. Khanna reported that the CBA members discussed the effectiveness restatements as an enforcement tool. The CBA members determined that restatements were of little value as an enforcement tool and approved pursuing legislation to eliminate the requirement of reporting restatements by 2011.

Mr. Khanna reported that the CBA members also approved lowering the licensing renewal fee to \$120 and the delinquency fee to \$60.

Mr. Khanna reported that CBA staff are in the process of recruiting members for the Peer Review Oversight Committee (PROC).

VI. ENFORCEMENT DIVISION REPORT

A. Statistical Reports.

Mr. Fisher, Acting Supervising Investigative CPA, presented the Enforcement Case Activity and Status report. He stated that this new report breaks down case activity by month and replaces the Case Activity Report.

Mr. Fisher reported that there were 16 complaints and 166 investigations pending as of March 31, 2010. Mr. Fisher commented that he expects the pending numbers to increase because of staffing changes in the Enforcement Division.

Mr. Fisher also presented the Major Case Summary, Citation Activity, and Reportable Events Reports.

The Citation Activity Report shows that 22 fines with total fines assessed in the amount of \$27,150 have been issued for the period July 1, 2009 through April 15, 2010.

Mr. Fisher reported that 243 reportable events have been received for the period July 1, 2009 through April 20, 2010. He noted that, as previously reported by Mr. Khanna, the requirement for reporting restatements will be eliminated next year. However, Enforcement staff will continue to monitor SEC and PCAOB actions regarding restatement issues.

VII. OTHER BUSINESS

A. Update on Regulations.

The Regulation Status Report as of April 12, 2010 was provided in the agenda packets.

B. Update on Legislation.

The 2010 Legislative Tracking Report, updated April 21, 2010, was provided in the agenda packets. Ms. Bowers noted that SB 1111, sponsored by the Department of Consumer Affairs (DCA), would grant the Director of DCA more authority over DCA health-related boards. This bill has been placed in the Inactive File.

C. Report on Assembly Committee on Accountability and Administrative Review Hearing and Overview of DCA Travel Guidelines.

The EAC members reviewed two memorandums relating to state agency expenditures. The first memorandum from Executive Officer Patti Bowers advised the EAC members about the February 10, 2010 Legislative hearing before the Assembly Accountability and Administrative Review Committee. The hearing focused on procurement and conference and outside meeting expenses. Ms. Bowers noted that the Legislative Committee recognized that DCA was doing a good job; however, they made recommendations on ways DCA could do even better. Recommendations that impact the EAC include use of state facilities for meetings, time of meetings to minimize travel, and decreased staff attendance at meetings.

The other memo provided the DCA travel guidelines.

D. Proposed 2011 Enforcement Advisory Committee Meeting Dates.

The proposed EAC meetings dates were provided in the agenda packets.

Following discussion, it was the consensus of the Administrative Committee to approve the following meeting schedule for 2011.

<u>Date</u>	<u>Location</u>
February 3, 2011	Sacramento
May 5, 2011	Los Angeles or Burbank
August 4, 2011	Sacramento
November 3, 2011	Los Angeles or Burbank

E. Next Meeting

The next meeting of the Enforcement Advisory Committee is scheduled for August 5, 2010 in Sacramento, California.

F. Public Comment

No comments from the public were offered during the meeting.

VIII. ADJOURNMENT

Prior to adjournment, Ms. Bowers welcomed Mr. Ixta as the new Enforcement Chief and also expressed her appreciation to Ms. Tejada and Mr. Fisher for their assistance and leadership during these times of change in the Enforcement Division.

Having no further business to conduct, the Enforcement Advisory Committee general meeting adjourned at approximately 11:40 a.m. to reconvene in closed session at 1:00 p.m.

Harish Khanna
Chair, Administrative Committee

Prepared by: Michele Santaga, Enforcement Analyst

Memorandum

CBA Agenda Item XIII.B.2.
November 17-18, 2010

To : CBA Members

Date : November 8, 2010

Telephone : (916) 561-4344

Facsimile : (916) 263-3674

E-mail : vjohnston@cba.ca.gov

From : Vincent Johnston, Analyst
Executive Office

Subject : Responses to NASBA's Regional Director's Focus Questions

Attached for your information are suggested responses to NASBA's Regional Directors' Focus Questions, which were issued November 4, 2010. These responses have been prepared for Laurie Tish, Pacific Regional Director and are due to Ms. Tish by December 23, 2010.

Donald Burkett, NASBA's Middle Atlantic Director has previously informed staff that the quarterly Focus Questions are used to assist NASBA's regional directors to stay apprised of each state's policies and procedures, and to see where improvements or adjustments might be made. The eight regional directors come together and review the states' answers and then present their findings to NASBA.

The draft response to the Focus Questions was prepared by CBA staff from the Executive Office, with input from the Licensing and Enforcement Divisions. This draft response is being presented to the CBA for approval before submission to NASBA.

Attachments

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

MEMORANDUM

November 4, 2010

To: State Board Chairs and Executive Directors
From: Kenneth R. Odom - Chair, Committee on Relations with Member Boards
Re: Focus Questions

As this year's Chair of the Committee on Relations with Member Boards, I would like to thank you for your participation at NASBA's Annual Meeting and your assistance with our past Focus Questions. Your continued input helps keep NASBA an organization that responds to its member boards.

When budgets are drafted, I hope you will support your Board's Executive Director's and Legal Counsel's attending NASBA's meetings for them in March in San Diego, CA. In the meantime, please do not hesitate to call your Regional Director to discuss the following questions or any other issues you feel NASBA should consider. We want to hear from you.

Sincerely,

Ken Odom

Central Director – **Telford A. Lodden** Fax: (515) 223-8778 Phone: (515) 223-7300
tal@brookslodden.com

Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

Great Lakes Director – **Kim Tredinnick** Fax: (608) 249-1411 Phone: (608) 240-2318
ktredinnick@virchowkrause.com

Illinois, Indiana, Michigan, Ohio, Pennsylvania, Wisconsin

Middle Atlantic Director – **Miley ("Bucky") W. Glover** Fax: (704) 283-3439 Phone: (704) 283-8189

bglover@gotopotter.com

DC, Delaware, Maryland, North Carolina, South Carolina, Virginia, West Virginia

Mountain Director – **Karen F. Turner** Phone: (970) 351-1216

karen.turner@unco.edu

Colorado, Idaho, Montana, Nevada, Utah, Wyoming

Northeast Director – **Jefferson Chickering** Phone: (603) 620-1961

jeffchickering@msn.com

Conn., Maine, Mass., New Hampshire, New Jersey, New York, Rhode Island, Vermont

Pacific Director – **Laurie J. Tish** Fax: (206)622-9975 Phone: (206)302-6466

laurie.tish@mossadams.com

Alaska, Arizona, California, CNMI, Guam, Hawaii, Oregon, Washington

Southeast Director – **Kenneth R. Odom** Fax: (334) 222-9125 Phone: (334) 222-4101

kodom@ro-cpa.com

Alabama, Florida, Georgia, Kentucky, Mississippi, Puerto Rico, Tennessee, Virgin Islands

Southwest Director – **Janice L. Gray** Fax: (405) 364-3771 Phone: (405) 360-360-5533
ext.103

janiceg@cpagray.com

Arkansas, Louisiana, New Mexico, Oklahoma, Texas

REGIONAL DIRECTORS' FOCUS QUESTIONS

The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. Please send your Board's responses to your Regional Director by December 23, 2010. Use additional sheets for your responses if needed.

JURISDICTION: California

DATE: November 8, 2010

NAME OF PERSON SUBMITTING FORM: Vincent Johnston

1. Has your Board had to deal with any discipline cases stemming from a licensee's performance of an audit at a loss? (As described in the NASBA Ethics Committee's paper on "Audit Fees and Engagement Profitability.") Please explain.

The CBA has not disciplined a licensee where the underlying issue stemmed from the licensee performing an audit at a loss. The CBA Enforcement Division reviews audits to determine compliance with standards. Audit fees and other fees are not addressed in the California Accountancy Act or CBA Regulations.

2. Does your Board have any concerns/questions about how the international administration of the Uniform CPA Examination will impact your state? Please detail.

The CBA will be addressing the international delivery of the Uniform CPA Examination at the November 2010 meeting. This question will be updated once the CBA discusses the issue.

3. Does your Board consider itself to be semi-autonomous? If not, what steps is your Board taking to have more control of its resources to fulfill its responsibilities?

The CBA is a semi-autonomous board, with dedicated staff and funding, located within the California Department of Consumer Affairs (DCA).

4. (a) Please describe any peer review transparency problems your Board has encountered. (b) Has your Board established a Peer Review Oversight Committee?

The CBA has not encountered any peer review transparency problems. The CBA's peer review program went into effect January 1, 2010 and a Peer Review Oversight Committee was also established in January 2010.

JURISDICTION: California

DATE: November 8, 2010

NAME OF PERSON SUBMITTING FORM: Vincent Johnston

5. Has your Board encountered any problems with which NASBA's Enforcement Committee could assist?

The CBA has not encountered any problems that required NASBA Enforcement Committee assistance. The DCA has developed an Enforcement Academy with a similar purpose as NASBA's Enforcement Committee.

6. Is there an issue your Board believes NASBA should give special attention?

Not at this time.

7. What is happening in your jurisdiction that is important for other State Boards and NASBA to know about?

Per SB 819 of 2009, the Accounting Education Committee and the Ethics Curriculum Committee are have scheduled meetings to define the 30 semester hours needed above the 120 hours required for a Bachelor's degree to reach the 150-semester hours requirement for California licensees beginning January 1, 2014.

The CBA's mandatory peer review requirement is being implemented and a peer review reporting form is available online. Additionally, the Peer Review Oversight Committee has been appointed and held its first meeting November 9, 2010.

8. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
 - Input only from Executive Director
 - Input only from Board Chair and Executive Director
 - Input from all Board Members and Executive Director
 - Input from some Board Members and Executive Director
 - Input from all Board Members
 - Input from some Board Members
- Other (please explain):

10/1/10

Sally Anderson

To the Members of the California Board of Accountancy

October 4, 2010

Dear fellow board members:

I have been on the Board for the last three and one half years and I understand the commitment required and responsibilities of the office of President and the objectives of the Board. I have been a California licensed CPA for over 30 years and I bring the perspective of a licensee and the profession. I embrace the Board's mission of and commitment to consumer protection. I would like to hold the position of President of the Board for 2011.

This past year I have served as Vice President of the Board and as a member of the Committee on Professional Conduct and the Legislative Committee.

In 2009, I served as the Chair of the Committee on Professional Conduct and have been a member of the CPC since joining the Board in May 2007.

In 2008-2009 I chaired the Ethics Education and Licensing Frequency task force. The task force consisted of board members, licensees and representatives from academia, Cal CPA Education Foundation and NASBA. I feel the task force was focused, effective and efficient in meeting the goal of increasing consumer protection by enhancing licensee education requirements.

I have also served as one of the Board liaisons to the Qualifications Committee through 2009. I currently serve on NASBA's Accountancy Licensee Database task force. I feel that having a fully implemented national database will provide California consumers added protections with the ability to look up all Licensees regardless of their state of licensure.

I look forward to continuing to service the Board in a meaningful way in the next year and ask for your support in electing me to the position of President.

Sincerely,

Sally Anderson



**OLDMAN, COOLEY, SALLUS, GOLD,
BIRNBERG & COLEMAN LLP**

MARSHAL A. OLDMAN
SUSAN J. COOLEY
MARC L. SALLUS
RONALD GOLD
JAMES R. BIRNBERG
DAVID COLEMAN
MARY-FELICIA APANIUS
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JUSTIN B. GOLD
PETA-GAY GORDON
SARAH TALEI
JULIE S. BERKUS
JAMIE N. GONZALEZ

November 8, 2010

Via E-Mail Only
pbowers@cba.ca.gov

Patti Bowers
Executive Officer
California Board of Accountancy

Re: Officer Elections

Dear Patti:

Please accept this letter as an expression of my interest in running for the office of Vice President of the Board of Accountancy. I have enjoyed my year as Secretary-Treasurer and look forward to fulfilling the duties of Vice President.

Very truly yours,


MARSHAL A. OLDMAN

MAO:moi

October 28, 2010

Board Members
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

Dear Fellow Board Members:

I am writing to you today as I am interested in becoming the Treasurer of the Board for the 2011 year.

I was appointed to the Board in January, 2007. Since that time I have chaired the Legislative Committee, acted as the Board Liaison to the Enforcement Advisory Committee and served on the Legislative Committee, the Enforcement Program Oversight Committee and the Task Force that revised the Board Operations Manual.

In the past I have functioned as the Treasurer for a number of non-profits including the San Diego Chapter of the California Society of Certified Public Accountants, the Rancho Bernardo Republican Women Federated, Westwood Elementary School and Hope United Methodist Church.

I have enjoyed working with all of you and look forward to continuing to do so in the future.

Sincerely,



Leslie J. LaManna

Memorandum

CBA Agenda Item XV.E.1
November 17-18 2010

To : CBA Members

Date: November 4, 2010

Telephone : (916) 561- 1789
Facsimile : (916) 263- 3675
E-mail : lhersh@cba.ca.gov

From : Lauren Hersh
Information & Planning Manager

Subject : Press Release Focus

Staff will provide suggestions for an appropriate focus for the press release to be issued following each CBA meeting. While this is a dynamic analysis based on the activities of each CBA meeting, it is staff's suggestion that the election of new CBA leadership play a prominent role in a post-meeting release for the November 2010 CBA meeting.

Press Releases

Five press releases were issued since the September 2010 CBA meeting, including two enforcement actions sent to newspapers in the greater Los Angeles area, the CBA's vote to post formal accusations to its Web site, and a preview of the November CBA meeting, focusing on the election of officers.

Staff is available to answer any questions CBA members may have regarding this update.



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WEB ADDRESS: <http://www.cba.ca.gov>



NEWS RELEASE

FOR IMMEDIATE
RELEASE
9-21-10

Contact: Lauren Hersh (916) 208-7604

CALIFORNIA BOARD OF ACCOUNTANCY MEETING TO ADDRESS ENFORCEMENT ISSUES; NEW DESIGNATION FOR RETIRED CPAs

(Sacramento, CA) –The California Board of Accountancy (CBA) will consider and take action on several enforcement-related issues along with a new designation for retired CPAs. **The CBA will meet Wednesday, September 22, 2010, 1:30 p.m. – 5:00 p.m. and Thursday, September 23, 2010, 9:00 a.m. – 5:00 p.m. at the CBA offices, 2000 Evergreen St., Suite 250, Sacramento, CA., 95815.**

This is a public meeting and members of the press are welcome to attend.

Among the enforcement issues to be considered is the continued legal debate over the posting of formal accusations against CPAs to the CBA Web site. The CBA will also consider a new license status for retired CPAs. Currently, the CBA has no special license designation for retired CPAs, and therefore they are not differentiated from CPAs who have allowed their licenses to expire.

CBA meetings may be viewed on the CBA Web site, www.cba.ca.gov. A copy of the full September 22-23, 2010 CBA meeting agenda is available online at: <http://www.dca.ca.gov/cba/meetings/materials/2010/mat0910cba.pdf>

Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and



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disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

More information about the California Board of Accountancy is available at www.cba.ca.gov

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NEWS RELEASE

FOR IMMEDIATE
RELEASE
9-24-10

Contact: Lauren Hersh (916) 561-1789

CALIFORNIA BOARD OF ACCOUNTANCY VOTES TO POST FORMAL ACCUSATIONS TO THE WEB

(Sacramento, CA) –The California Board of Accountancy (CBA) Thursday voted to post formal accusations against CPAs and CPA firms on its website.

In its vote, the CBA included a provision which would allow licensees 15 days to request an investigative hearing.

CBA President Manuel Ramirez said the decision supports the CBA's mission to protect consumers by ensuring that only qualified licensees practice public accountancy, and also allows CPAs and CPA firms to address the complaint against them.

“The CBA wants to make it possible for consumers to be able to make informed decisions, and at the same time, enable CPAs who are accused to address those accusations before they are posted on the CBA Web site,” said Ramirez. “This decision represents the fairest option for everyone involved.”

An accusation is a formal document that charges violation(s) of the California Accountancy Act and/or California Board of Accountancy regulations by a licensee. The charges in the accusation are allegations. Allegations are not a final determination of wrongdoing and are subject to adjudication and final review



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by the CBA pursuant to the Administrative Procedure Act.

In other action, the CBA voted to develop legislation which would create a new license status for retired CPAs. Currently, the CBA has no special license designation for retired CPAs, and therefore they are not differentiated from CPAs who have allowed their licenses to expire.

Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

More information about the California Board of Accountancy is available at www.cba.ca.gov

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**California Board of Accountancy
Enforcement Action Press Release**

Sent to bill.nottingham@latimes.com and arthur.buckler@latimes.com on October 1, 2010

William F. Ying, Los Angeles, CA (CPA 29678) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_y.shtml#513

Sent to bill.nottingham@latimes.com and arthur.buckler@latimes.com on October 5, 2010

Ernest E. Dow & Co., An Accountancy Corporation, Los Angeles, CA (COR 6212) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

Please note that this enforcement action has been backdated to match the effective date for the action related to Ernest Eunsuk Dow (CPA 37413).

http://www.dca.ca.gov/cba/discipline/decisions/index_e.shtml#519

**California Board of Accountancy
Enforcement Action Press Release**

Sent to John.Corrigan@latimes.com, Marla.Dickerson@latimes.com and James.Granelli@latimes.com on October 29, 2010.

Stuart David Gladstein, Los Angeles, CA (CPA 33362) and Gladstein CPA, Los Angeles, CA (COR 6265) have been disciplined by the California Board of Accountancy. Please utilize the attached links to the California Board of Accountancy's Web page to access details of these enforcement actions. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding these enforcement actions.

http://www.dca.ca.gov/cba/discipline/decisions/index_g.shtml#530

http://www.dca.ca.gov/cba/discipline/decisions/index_g.shtml#614