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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

AEC Agenda Item II.
February 18, 2011

Draft

MINUTES OF THE
September 3, 2010
ACCOUNTING EDUCATION COMMITTEE (AEC) MEETING

Draft

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ROLL CALL AND CALL TO ORDER.

Acting Chair Donald Driftmier, called the meeting of the AEC to order at 10:20 a.m. on Friday, September 3, 2010 at the California Board of Accountancy (CBA) office. Mr. Driftmier 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 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.

AEC Members

Ruben Davila, Chair	Not Present
Donald Driftmier, CBA Member	10:20 a.m. to 11:42 p.m.
Sherry Anderson	10:20 a.m. to 11:42 p.m.
Betty Chavis	10:20 a.m. to 11:42 p.m.
Thomas Dalton	10:20 a.m. to 11:42 p.m.
Michael Moore	10:20 a.m. to 11:42 p.m.
Gary Pieroni	Not Present
Sara Seyedin	Not Present
Xiaoli "Charlie" Yuan	Not Present

Staff and Legal Counsel

Rich Andres, Information Technology Staff
 Patti Bowers, Executive Officer
 Cindi Fuller, Licensing Coordinator
 Dominic Franzella, Manager, Licensing
 Deanne Pearce, Chief, Licensing Division
 Jenny Sheldon, Licensing Coordinator
 Matthew Stanley, Legislation/Regulation Analyst

Other Participants

Allyson Hill, KPMG LLP
 Ed Howard, CPIL
 Molly Isbell, KP Public Affairs
 Pilar Oñate-Quintana, KP Public Affairs
 Hal Schultz, CalCPA
 Jeannie Tindel, CalCPA

- II. Approve Minutes of the June 23, 2010 AEC Meeting.

It was moved by Mr. Moore, seconded by Ms. Chavis, and unanimously carried by those present to approve the minutes (Attachment #1).

- III. Information on the Acceptance of Units Earned at University or College Extension Programs.

Ms. Pearce provided an oral report for this item. Ms. Pearce stated that staff are working on this item with legal counsel and will report back once more information becomes available.

- IV. Consideration of Draft Regulatory Language for the 20 Units of Accounting Study.

Mr. Franzella presented the memorandum for this agenda item (**Attachment #2**). Mr. Franzella reported that at the June 23, 2010 AEC meeting, members came to a general consensus for a broad framework for the 20 units of accounting study. This framework required the 20 units to be completed at the upper division level or higher, a minimum of six units to be completed in accounting subjects as presently defined in CBA Regulations, a maximum of 14 units to be completed in business-related subjects as presently defined in CBA Regulations or other academic work relevant to accounting and business, and no more than four units to be completed in internships or independent study.

The framework also included a recommendation that completion of a Master's Degree in accounting or taxation should be deemed to fulfill the education requirements. Mr. Franzella reported that staff was advised by legal counsel this recommendation over stepped the statutory authority. Mr. Franzella noted the AEC could still make this recommendation to the CBA, but it would require a statutory change.

Mr. Franzella presented draft regulatory language based on the framework and definitions provided by the AEC and identified issues for consideration to the AEC with the broad subject areas presently proposed in the definition of other academic coursework relevant to accounting and business.

Members discussed the draft language and came to a consensus that creating a subcommittee of two members to meet with CBA staff to refine the draft regulatory language would be beneficial. The subcommittee will be comprised of Mr. Davila and Mr. Moore.

Mr. Howard provided extensive comments regarding his belief that the draft regulatory language is unlawful and potentially overly burdensome to students. Mr. Howard outlined three specific items of contention with the present draft – it allows courses that have no relationship to accounting or accounting practice; requires courses be completed at the upper division level or higher which would

be overly burdensome to economically disadvantaged students; and requires applicants to prove that a particular course relates to enhancing his or her skills as a CPA thereby placing applicants in an unfair position.

Mr. Howard made three suggestions – require the 20 units of accounting study be completed in business-related subjects as presently defined in CBA Regulations; describe in words the kind of skills that a CPA student should obtain from a course to limit over-inclusiveness; or isolate department-like words that are less obviously related to accounting and refine them with skills-emphasizing language.

Additionally, Mr. Howard expressed concern with staff counsel's opinion that the statute is insufficiently flexible to permit a Master's Degree in accounting or taxation to qualify as meeting the 20 units of accounting study. A full account of Mr. Howard's comments can be found in **Attachment #3**.

Mr. Driftmier stated that the idea of relevance is key because relevance will differ between types of practice and also the size of a firm. Mr. Moore indicated a need to strike a balance between the knowledge and skill set required for licensing and additional skills specific to types of industry such as biology and medicine.

Mr. Schultz referenced the August 4, 2010 public comment letter from the California Society of Certified Public Accountants' (CalCPA) Accounting Education Committee expressing agreement that 20 units of accounting study should be completed at the upper division level or higher. Mr. Schultz also expressed his belief that many upper division classes have lower division pre-requisites and that, in certain cases, the lower division class may deal more specifically with the kind of understandings that would be useful to a CPA candidate and that upper division classes may be more narrowly focused than what is necessary.

Mr. Schultz further stated that there are three E's for licensing – practical experience, the CPA exam, and a university education. The purpose of the exam is to measure the candidate's knowledge of what would be required to perform the tasks likely to be encountered in the first two years in the practice of public accounting. The reason for a college education is to create a person who is prepared for life-long learning and provide tools to be able to respond to those challenges. Therefore, education should be something much broader than what is tested by the CPA exam. If both education and the CPA exam are designed to prepare the entry-level person then the work is duplicative. Mr. Schultz stated that he is very in favor of allowing an appropriate masters degree to qualify for meeting the 20 units of accounting study for licensure and also expressed hope that the course requirements will reach beyond just business courses and add more flexibility.

Mr. Dalton stated that he is in favor of keeping the subject areas listed in the draft regulatory language under other academic work relevant to accounting and business but is not opposed to placing a unit limitation of specific subjects. Ms. Chavis stated that she is mostly opposed to placing limits on the number of units that can be completed in each of the identified subject areas.

V. Discussion Regarding the Impact on Applicants Completing Education at Universities or Colleges Outside California.

Ms. Sheldon presented the memorandum for this agenda item (**Attachment #4**). Ms. Sheldon reported that the new 20 units of accounting study would impact applicants for an initial CPA license and applicants who have been licensed in another state for less than four years. She noted staff identified 22 states in which applicants are likely to meet the education requirements for licensure in California by fulfilling the education requirements for licensure in the state where the applicant completed the education. For the remaining states, staff will provide outreach to make them aware of the upcoming education changes for California in the hope that the information will be shared with students.

VI. Discussion on Plan to Circulate Proposed Regulatory Language for the 20 Units of Accounting Study to Affected Stakeholders for Possible Input.

Ms. Pearce presented the memorandum for this agenda item (**Attachment #5**). This agenda item was prepared in response to members' request to circulate draft regulatory language to stakeholders prior to making a formal recommendation to the CBA. Ms. Pearce presented staff's recommendation that the draft language with a cover letter be sent to the CBA's interested parties list, including California colleges and universities, and a sampling of colleges and universities from neighboring states and those states with substantially different education requirements.

VII. Future Agenda Items and Meeting Dates.

Staff reminded members that CBA staff are unable to meet the second, third, and fourth Friday of each month. Ms. Bowers asked that members keep the first Friday of each month open for future meeting dates.

VIII. Public Comments

The CBA received a written comment on behalf of the AEC from CalCPA (**Attachment #8**).

No further public comments were received.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 11:42 a.m. on Friday, September 3, 2010.

Ruben Davila, Chair

Prepared by Jenny Sheldon, Licensing Coordinator.