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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE September 10, 2004 BOARD MEETING

The Hyatt Regency Hotel
1209 L Street
Sacramento, CA 95815
Telephone: (916) 443-1234
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I. Call to Order.

President Ian B. Thomas called the meeting to order at 8:35 a.m. on Friday, September 10, 2004, at the Hyatt Regency Hotel in Sacramento and immediately convened into closed session to consider Agenda Items X.A-E. The Board reconvened into open session at 10:10 a.m. The Board reconvened into closed session at 11:55 a.m., broke for lunch at 12:06 p.m., and reconvened at 1:30 p.m. The Board adjourned at 3:35 p.m.

Board Members	September 10, 2004
Ian B. Thomas, President	8:35 a.m. to 3:35 p.m.
Renata Sos, Vice President	8:35 a.m. to 3:35 p.m.
Stuart Waldman, Secretary-Treasurer	8:35 a.m. to 3:35 p.m.
Ronald Blanc	8:35 a.m. to 3:35 p.m.
Richard Charney	8:35 a.m. to 3:35 p.m.
Ruben Davila	Absent
Donald Driftmier	8:35 a.m. to 3:35 p.m.
Charles Drott	8:35 a.m. to 3:35 p.m.
Sally A. Flowers	8:35 a.m. to 3:35 p.m.
Sara Heintz	8:35 a.m. to 3:35 p.m.
Gail Hillebrand	8:35 a.m. to 3:35 p.m.
Thomas Iino	8:35 a.m. to 3:35 p.m.
Clifton Johnson	8:35 a.m. to 3:35 p.m.

Olga Martinez	8:35 a.m. to 3:35 p.m.
David Swartz	8:35 a.m. to 3:35 p.m.

Staff and Legal Counsel

Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Michael Granen, Deputy Attorney General, Board Liaison
Aronna Granick, Legislation/Regulation Analyst
Robert Miller, Legal Counsel
Greg Newington, Chief, Enforcement Program
Susan Ruff, Deputy Attorney General
Theresa Siepert, Executive Analyst
Carol Sigmann, Executive Officer
Liza Walker, Renewal & Continuing Competency Analyst
Jeanne Werner, Deputy Attorney General, Board Liaison

Committee Chairs and Members

Nancy Corrigan, Chair, Qualifications Committee
Harish Khanna, Chair, Administrative Committee
Michael Williams, Vice Chair, Qualifications Committee

Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)
Tom Chenowith
Julie D'Angelo Fellmeth, Center for Public Interest Law (CPIL)
Mike Duffey, Ernst & Young LLP
Bobbie Jarvis, CA Society of Accounting and Tax Professionals (CSATP)
Art Kroeger, Society of California Accountants (SCA)
Ned Leiba, Leiba & Bowers CPAs
Richard Robinson, Big 4 Accounting Firms
Hal Schultz, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)
Sarah Weber, Center for Public Interest Law (CPIL)

II. Board Minutes.

A. Draft Board Minutes of the July 16, 2004, Board Meeting.

The draft minutes of the July 16, 2004, Board meeting were adopted on the Consent Agenda. (See Agenda Item XI.B.)

III. Report of the President.

governmental standards, yet charities serving governmental entities are exempt from this bill.

g. SB 1451 Figueroa – Privacy Guarantees: Contracts.

Mr. Waldman reported that SB 1451 (Figueroa) has passed the Legislature and is now awaiting the Governor's signature. Mr. Waldman indicated that SB 1451 relates to privacy protection and provides for disclosure to customers when their personal information will be processed in locations outside the United States. At the Board's July 2004 meeting, concern was expressed that, under the provisions of the bill, if the Board obtains bookkeeping information during an investigation, the Board could be prevented from using it in an administrative proceeding. The Board communicated this concern to the author's staff. Mr. Waldman indicated that in the agenda packets was a letter from the Senate Journal that addresses the Board's concern by stating that it was not the author's intent that SB 1451 be interpreted in any way that would restrict a state agency's use of information in administrative proceedings.

h. SB 1543 Figueroa – California Board of Accountancy.

Mr. Waldman reported that SB 1543 (Figueroa) has passed the Legislature and is now awaiting the Governor's signature. This is the Board's Sunset Review bill that includes Practice Privileges and other important law changes. The Board has written to the Governor communicating its support and requesting his signature on this bill.

i. SB 1735 Figueroa and Aanestad – Boards: Department of Consumer Affairs.

Mr. Waldman reported that SB 1735 (Figueroa and Aanestad) did not pass the Legislature. He indicated that SB 1735 would have exempted DCA boards from the hiring freeze and related provisions that make it difficult to hire staff. This bill was discussed at the February 2004 Board meeting and the Board adopted a "Support" position.

3. Update on Regulations.

(See Attachment 3.)

4. Regulation Hearing: Section 54.1 Disclosure of Confidential Information.

public accountancy as it relates to Internet practice was referred from the Practice Privilege Task Force due to the impact of new practice privilege legislation.

3. Proposed Recommendation Regarding the Definition of the Practice of Public Accountancy in California as it Relates to:

   a. Internet Practice.

   b. Correspondence Practice.

   c. Litigation Support.

   Mr. Drott indicated that once SB 1543 (practice privilege legislation) is signed, there will only be two ways to legally practice public accountancy in California, obtaining a license or a practice privilege. He noted that EPOC discussed the definition of public accountancy in Section 5051 and whether it needed to be changed, and the Committee determined that it was currently broad enough and there was no need for changes at this time.

   Mr. Shultz indicated that NASBA's UAA Rules Committee was in the process of setting up a task force to address these same issues relating to Internet practice.

   The EPOC unanimously decided to recommend to the Board that during the period between the signing of SB 1543 and its implementation in January 2006, staff will catalog the questions and issues that arise and they will be brought back to the Board for further consideration. This will also allow the opportunity for NASBA's task force to complete its study of Internet practice. No further action was determined necessary at this time. The Board concurred with the EPOC's recommendation.

4. Proposed Recommendation Regarding the Definition of any Areas for Study by the Administrative Committee.

   Mr. Drott reported that based on the recommendation for Agenda Item VIII.E.3 above, no further study by the Administrative Committee was necessary and the Board concurred.

F. Practice Privilege Task Force (PPTF) (Formerly the Uniform Accountancy Act Task Force – UAA TF).

   1. Minutes of the July 15, 2004, Practice Privilege Task Force Meeting.

The minutes of the July 15, 2004, Practice Privilege Task Force meeting were adopted on the Consent Agenda. (See Agenda Item XI.B.)

2. Report on the September 9, 2004, Practice Privilege Task Force Meeting.

   Ms. Sos reported that the Task Force met yesterday, had a very productive meeting, and discussed the agenda items listed below. She acknowledged and thanked the Task Force, Ms. Sigmann and staff, Ms. D'Angelo Fellmeth and Mr. Robinson.

3. Update on Status of Practice Privilege Legislation.

   No report was given on this agenda item.

4. Consideration of Whether the Board Should Accept NASBA's Designation of States as Substantially Equivalent (Subject to Board Review) or Develop its Own List.

   Ms. Sos reported that there are three ways for an individual to qualify for a practice privilege: qualify under the "4 of 10" rule, hold a license in a "substantially equivalent" jurisdiction, or be deemed "substantially equivalent" as an individual, for example through a review by CredentialNet. Ms. Sos noted that the legislation gives the Board the authority to determine what "substantially equivalent" means and to decide whether it will make those determinations or accept the determinations made by an entity such as NASBA. Ms. Sos reported that Ms. Rubin attended the meeting to talk with the Task Force about substantial equivalency from NASBA's perspective. Ms. Sos indicated that Ms. Rubin was the incoming Vice Chair of NASBA and a former Board member. One issue of concern to the Task Force was the role of ethics requirements in the substantial equivalency determinations. Ms. Rubin indicated that ethics considerations are already embedded in the exam, experience and education requirements as well as in professional standards.

   Mr. Blanc asked Ms. Sos to expand on the discussion related to ethics. Ms. Sos reported that the Uniform CPA Examination has an ethics component to it and that within the professional standards is GAAS 2, the independence standard which is one of the cornerstones of auditing standards. Ms. Sos noted that NASBA recognizes the disparity in the states, and its Education Committee is recommending to the full NASBA Board of Directors that the 150-hour education requirement in the UAA have an ethics component.

NASBA is also exploring the possibility of offering a uniform ethics course to be available in all states.

After discussion, **it was moved by Mr. Driftmier, seconded by Mr. Johnson, and unanimously carried to accept NASBA's designation of states as substantially equivalent while continuing to monitor and add or subtract states as necessary. The motion also included accepting NASBA's CredentialNet certification of individuals as substantially equivalent with the flexibility to reject or deny individuals if the Board determines that they are not substantially equivalent.**

5. Consideration of Whether the Board Should Accept NASBA's Determination of an Individual's Substantial Equivalency or Use Some Other Method for Assessing the Qualifications of CPAs from Non-Substantially Equivalent States.

   See Agenda Item VIII.F.4.

6. Consideration of Whether There Should be a "Safe Harbor" Period for Providing Notification to the Board.

   Ms. Sos reported that the practice privilege commences upon valid notification. However, issues came up as to whether there should be a period of time after practice begins and when the notification could still be submitted to the Board without penalty. Ms. Sos indicated that the Board wants to encourage compliance and notification, but also wants to ensure that no consumer harm could occur.

   It was moved by Mr. Blanc, seconded by Ms. Flowers, and carried that notice is due on or before commencing to practice but there will be no penalty if the notice is given within five business days of commencing practice. This regulation will remain in effect for two years for transition purposes. There will be a question added to the notification form asking for the reason for the late notification. The form will also require the date of notification and the date the practice privilege commenced. This information will be used to assess whether the "safe harbor" period should be continued, modified, or eliminated after the two-year transition period. If a notice is submitted after the five-business day "safe harbor" period, a fine will be imposed. The amount of the fine and the process for imposing it would be the subject of further staff review and recommendation.

Ms. Hillebrand requested that the minutes reflect that this recommendation was not a unanimous decision of the Task Force. She appreciates the creative thinking done by the public participants but still believes that, as a matter of policy, the concept that makes practice privilege acceptable in lieu of a license is that the Board is aware of who intends to practice in California before they begin. She indicated that she remained in dissent.

7. Consideration of the Procedure if the Individual's Fee is not Received on Time or the Check is Dishonored.

   Ms. Sos reported that the Task Force recommended the following procedure to address payment issues: at such time as it is determined that the payment has not been received, is late, or the check is dishonored and these circumstances are not the result of an administrative error by the Board, the Board shall issue an administrative suspension and a fine for failure to pay timely. When the fee and the fine are paid, the administrative suspension will be lifted and the practice privilege will continue. The amount of the fine will vary depending upon whether it is the first occurrence or a repeat occurrence. Ms. Sos indicated that staff would recommend the fine levels and the process for imposing the fine.

   It was moved by Dr. Charney, seconded by Mr. Blanc, and unanimously carried to adopt the Task Force's recommendations.

8. Consideration of the Standards and Process for Determining how the Disqualifying Conditions may Result in Denial of the Practice Privilege.

   Ms. Sos reported that the Task Force concurred with Mr. Newington's recommendation and directed staff to proceed as outlined in the memo provided for this agenda item using criteria consistent with the way Licensing and Enforcement staff address similar issues related to applications for licensure. **(See Attachment 4.)** The Board concurred with the Task Force's recommendation.

9. Consideration of What, if any, Additional Disqualifying Conditions Should be Specified by Regulations.

   Ms. Sos reported that the Task Force recommended that the Board adopt a regulation to clarify that it is a "disqualifying condition" to have an unresolved administrative suspension.

It was moved by Ms. Flowers, seconded by Ms. Hillebrand, and unanimously carried to adopt the Task Force's recommendation.

10. Consideration of What Minor Infractions Related to Licensing Should be Exempted From the Disqualifying Conditions.

    Ms. Sos reported that the Task Force recommended that two categories of minor infractions: infractions resulting in administrative citations with fines of $5,000 or less and infractions in which the only penalty is additional continuing professional education, should be exempted from the disqualifying conditions. **(See Attachment 5.)** The Task Force also recommended that staff study the specific dollar amount and bring a recommendation back to the Board for its consideration.

    It was moved by Mr. Driftmier, seconded by Mr. Johnson, and unanimously carried to adopt the Task Force's recommendation.

11. Consideration of What Should be the Criteria and Level of Discretion for Administrative Suspension.

    Ms. Sos reported that the Task Force recommended that the following items identify the criteria for administrative suspension.

    - False representations made in the notice.
    - The individual's lack of competence or qualifications to practice under the practice privilege in question.
    - The individual's failure to timely respond to a Board inquiry or request for information or documents.

    It was moved by Mr. Swartz, seconded by Ms. Flowers, and unanimously carried to adopt the Task Force's recommendation.

IX. Examination Appeals – Personal/Written.

A. Personal / Written Appeals – None.

X. Recommendations of CPA Qualifications Committee.

A. Appeals.

1. Personal / Written Appearances – None.

State of California Department of Consumer Affairs

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Practice Privilege TF Agenda Item I.
September 9, 2004

Board Agenda Item VIII.F.1.
September 10, 2004

DRAFT

PRACTICE PRIVILEGE TASK FORCE
MINUTES OF THE MEETING
July 15, 2004
The DoubleTree Club Hotel
1515 Hotel Circle South
San Diego, CA 92108

CALL TO ORDER

Renata Sos, Chair, called the meeting of the Practice Privilege Task Force to order at 1:35 p.m. and welcomed the participants. Ms. Sos indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, when a quorum of the Board is present at this meeting (eight members of the Board), Board members who are not serving on the Task Force must attend as observers only.

Present:
Renata Sos, Chair
Ian Thomas
Gail Hillebrand
Harold Schultz

Absent:
Thomas Iino

Staff and Legal Counsel
Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Michael Granen, Deputy Attorney General
Aronna Granick, Legislation/Regulations Coordinator
Bob Miller, Legal Counsel
Greg Newington, Chief, Enforcement Program
Michele Santaga, Enforcement Analyst
Carol Sigmann, Executive Officer
Liza Walker, RCC Analyst
Jeannie Werner, Deputy Attorney General

Other Participants
Julie D'Angelo Fellmeth, Center for Public Interest Law
Michael Duffey, Ernst and Young LLP
Katie Gould, Society of California Accountants
Harish Kahnna, Administrative Committee Chair
Richard Robinson, Richard Robinson and Associates
Larry Schnitzer, California Society of Accounting and Tax Professionals
David R. Stabbe, CPA
Jeannie Tindel, California Society of Certified Public Accountants

Board Members Observing
Richard Charney
Donald Driftmier
Charles Drott
Clifton Johnson
Olga Martinez
Stuart Waldman

I. Minutes of the May 13, 2004, UAA Task Force Meeting

It was moved by Mr. Schultz, seconded by Mr. Thomas, and unanimously carried to approve the minutes of the May 13, 2004, UAA Task Force meeting.

II. Practice Privilege Implementation Overview

A. Update on Legislation.

Ms. Sos reported that a great deal of activity has occurred since the last meeting of the UAA (Uniform Accountancy Act) Task Force. The practice privilege proposal was considered at hearings before the Joint Legislative Sunset Review Committee and the Assembly Business and Professions Committee – where it received the unanimous support of the committee. The next step is the hearing before the Assembly Appropriations Committee, and staff are developing the fiscal impact analysis in preparation for that hearing.

Ms. Sos noted that the practice privilege statutes are included in Senator Figueroa's bill, SB 1543. Ms. Sos thanked Senator Figueroa for her leadership and consultants Bill Gage and David Link for their assistance.

Ms. Sos added that the practice privilege approach was presented at two NASBA regional meetings and was very well received. She indicated that this approach can be a model for other states as well, particularly ones that have been grappling with issues and decisions similar to those considered by this Board's UAA Task Force. She also reported that, at the NASBA Western Regional Meeting, representatives from other states indicated that California's approach had solved the problem created by the tension between the UAA and the various statutory schemes under which state boards

of accountancy operate. Mr. Granen added that the AICPA/NASBA UAA Committee is interested conceptually in California's approach as well.

B. Issues, Meeting Schedule and Time Line for the Development of Regulations.

Ms. Sos noted that the reason for this meeting of the Practice Privilege Task Force is to formulate a structure for developing regulations that are necessary to clarify and augment the statutes. The goal is to have regulations in place by November 2005 so that notifications can be received and processed on the start date of January 1, 2006.

Ms. Sos indicated that the process of developing regulations will be akin to the process used in developing the statutes, with a focus on maximum deliberation on all pertinent issues and input from all interested stakeholders. The objective is to develop regulations that maximize consumer protection and support cross-border practice in a way that is efficient, effective, and encourages compliance.

Ms. Sos added that this meeting was primarily for planning purposes and that major policy issues would be addressed at future meetings. It was the consensus of the Task Force to schedule a subsequent meeting for the day before the Board meeting and to schedule an additional meeting on October 7, 2004.

C. Identification of Additional Issues for Task Force Consideration.

Ms. Sos then called the Task Force's attention to the document titled "Issues/Regulatory Development" (Attachment 1) and briefly reviewed the issues and time frames. She then asked if there were any additional issues to address.

Ms. D'Angelo Fellmeth suggested that one issue for consideration is what will the Board require of out-of-state CPAs to demonstrate they meet California's requirements to sign attest reports. Will any additional documentation be required at the time of notification to ensure they are qualified? Mr. Robinson emphasized that a practice privilege is not the same as a license and that it was not the intent to have the Board's licensing staff assess the attest experience of those with practice privileges. Ms. Sos indicated that this may be a sub-part of the issue of what, if any, additional requirements there should be for signers of attest reports?

Ms. Sos also suggested that the Task Force consider whether a random audit should be triggered when the notification form indicates that the CPA will sign audit reports. Mr. Robinson expressed support for random audits and indicated that his clients would maintain the records necessary for this purpose.

Ms. Hillebrand suggested that record-keeping is another issue for the Task Force to discuss. She indicated that practice privilege holders should keep and have available certain records whether the Board audits them or not. Ms. Hillebrand also suggested that the Task Force discuss the level of discretion as well as the criteria for administrative suspension. She further noted that the issue of when a California license

is needed may need to be discussed twice so that the Task Force can consider the outcome of the Enforcement Program Oversight Committee's discussion related to internet practice.

Ms. Sos then identified two additional matters for the Task Force to discuss. She noted that an education and outreach plan needs to be developed to effectively communicate the changes to all licensees. In addition, the Task Force needs to make a recommendation to the Board regarding the fee amount for practice privileges. Ms. Sos further indicated that the wording on the issue on exemptions from disqualifying conditions needs to be revised to clarify it only applies in the licensing context and not to other categories of disqualifying conditions such as criminal convictions.

III. Notification Form – Consideration of How it Should be Handled in Regulations.

Ms. Sos indicated that one of the questions before the Task Force is whether the Board should put the notification form itself in a regulation or adopt a regulation that contains a narrative description of the key elements of the form. Mr. Robinson indicated that his clients were comfortable with specifying the contents of the form in the regulations and then letting the staff have the flexibility to make modifications to the form itself. He expressed concern that, if a complete six-month to eight-month rulemaking process was necessary every time the form was modified, implementation could be cumbersome. Mr. Miller observed that as long as the essential regulatory elements are described in the text of a regulation, it was not necessary to spell out the precise terms. Ms. Hillebrand commented that it might be easier for the Task Force to reach consensus by reviewing the actual form. Ms. Granick added that once the form is developed, it would be a fairly easy matter to describe its contents in a regulation. **After discussion it was moved by Ms. Sos, seconded by Ms. Hillebrand, and unanimously carried to recommend that the Board adopt a regulation that describes in detail the factors that must be included in the form, but not to place the form itself in a regulation.**

IV. Consideration of Whether There Should Be a "Safe Harbor" Period for Providing Notification to the Board.

Ms. Sos noted that the issue of a "safe harbor" period was discussed at the last meeting of the UAA Task Force. At Ms. Sos' suggestion, it was the consensus of the Task Force to defer consideration of this agenda item until the September meeting.

V. Consideration of Whether the Board Should Accept NASBA's Designation of States as Substantially Equivalent (Subject to Board Review) or Develop its Own List.

Ms. Sos reported that Diane Rubin, NASBA's vice chair-elect has agreed to attend the Task Force's next meeting to provide information about NASBA's process for determining substantial equivalency. At Ms. Sos's suggestion, it was the consensus of the Task Force to defer action on this agenda item until after Ms. Rubin's remarks at the next meeting.

Ms. Sos then asked Task Force members and members of the public to identify questions to pose to Ms. Rubin. Ms. Hillebrand commented that she would be interested in knowing how ethics requirements differ from state to state and how this is addressed by NASBA. She pointed out that NASBA evaluates substantial equivalency to the UAA, but not to California's laws and regulations and that she was interested in better understanding this difference with regard to ethics. Ms. Sos commented that she would like Ms. Rubin to provide a national perspective on ethics requirements. She also indicated an interest in knowing if there are problems that flow from the absence of an ethics requirement in some states or in the UAA. Mr. Schultz observed that states are adopting ethics requirements, but that the nature of the requirement differs from state to state.

Mr. Robinson noted that the key to the practice privilege proposal is ease of entry coupled with providing the Board with the information it needs to protect consumers. He expressed concern about revisiting issues that had previously been discussed. He noted that the benefits of the practice privilege provisions could be neutralized if the Board added additional requirements such as a California-only ethics exam. Ms. Crocker indicated that the reason this item was placed on the agenda was to raise the question of whether the Board will make substantial equivalency determinations or rely on NASBA. It was not intended that the Task Force revisit the basic concepts and decisions related to practice privileges.

Ms. Hillebrand added another question she had was whether people might be locating their principal places of business in states with lesser requirements or weaker enforcement and then practicing elsewhere under substantial equivalency. Mr. Granen commented that the practice privilege proposal addresses this concern by allowing our Board to discipline licensees who come to California under practice privileges. Ms. Sigmann added that the proposed statutes also enable the Board to notify other states when a violation occurs.

Ms. Sos indicated she would like, at the next meeting, for the Task Force to consider the relevant statutes and regulations from states that have adopted NASBA's substantial equivalency list. The Task Force could then ask Ms. Rubin about the experience of these states and what issues have emerged.

Mr. Robinson suggested that the Board would need to individually consider each state on NASBA's list. He noted that the Legislature might object to the Board adopting the list as a whole since that would appear to be delegating to a private entity.

VI. Consideration of Whether the Board Should Accept NASBA's Determination of an Individual's Substantial Equivalency or Use Some Other Method for Assessing the Qualifications of CPAs from Non-Substantially Equivalent States.

Ms. Sos suggested that consideration of this issue be deferred until the next meeting to allow Diane Rubin, NASBA's vice chair-elect, to provide information about NASBA's

process for determining substantial equivalency. It was the consensus of the Task Force to concur with Ms. Sos' suggestion.

Ms. Sos observed that with 45 substantially equivalent states and the "four of ten" rule, it is likely that there would be very few licensees who would need to qualify for substantial equivalency as individuals. She expressed an interest in obtaining more information regarding how many people would fall in this category. She added that CredentialNet's review is a six to eight-week process, and it would not be practical for Board staff to undertake such a review.

VII. Consideration of Notification Payment Issues.

A. If the individual does not pay the fee or the check is dishonored, should there be a limit to the number of subsequent notifications?

Ms. Franz reported that to prepare the fiscal impact analysis it was necessary to identify on a very high level the work flow that would be involved in processing notifications. The assumptions and the workflow chart were provided with her July 6, 2004, memo in the agenda packet (Attachment 2). She noted that in developing this workflow chart, two issues were identified by staff. One question was: If the individual does not pay the fee or the check is dishonored, should the submission of subsequent notifications be limited or prohibited? Also, would this be the same as if the individual never submitted the notice and was therefore in violation for practicing without a practice privilege?

During the discussion, Mr. Miller pointed out that it is important that the individual not be exposed to unwarranted legal problems because of a dishonored check. He noted that there is a possibility that clients could refuse to pay for services because the CPA was technically not authorized to practice. Ms. Franz suggested that one option would be to give the individual an opportunity to remedy the problem and to terminate the practice privilege if the matter was not resolved. Mr. Granen expressed an interest in there being a signature on the notification and suggested that one way to do this would be for a signed form to accompany the payment.

After discussion, Ms. Sos suggested that there be a sub-task force consisting of her, Ms. Crocker, Ms. Franz, and Mr. Granen to consider the payment issues and develop a proposal. Mr. Schultz volunteered to participate in the sub-task force to provide input from a licensee's perspective.

B. May a notification be withdrawn prior to the expiration of the 30-day payment period?

Ms. Franz called the Task Force's attention to the next issue in her July 6, 2004, memo: If an individual submits a notice and subsequently finds the California practice privilege will not be needed, may the notification be withdrawn prior to the expiration of the 30-day payment period? If so, will payment be waived if not received, or if received, refunded? It was the consensus of the Task Force that the full fee would be due upon

submitting the notification and would not be refunded. Mr. Schultz indicated it should be treated the same as a nonrefundable airline ticket.

VIII. Comments from Members of the Public.

David Stabbe, CPA, provided comments and posed questions to the Task Force. He asked if, under the practice privilege proposal, accountants from other states and other countries could come to California and practice regardless of the requirements and standards they met when they initially became licensed.

Ms. Sos responded that to obtain a practice privilege the first thing that is required is an active license from another state. Practitioners from other countries will not qualify. The second requirement is, if the practitioner wants to sign attest reports, he or she must meet California's requirements. Ms. Hillebrand indicated that the Board plans to conduct random audits of practice privilege holders to see if their qualifications match the assertions made in the notifications.

Mr. Stabbe indicated that he assumed that the practice privilege requirements would not apply to tax services. Ms. Sos responded that the requirement would apply to everything that constitutes the practice of public accounting as defined in California law. Mr. Granen concurred and clarified that an out-of-state CPA would need to get a practice privilege to prepare tax returns for California clients.

Mr. Stabbe then expressed concern that other states would enact similar laws so that there would be fees for California CPAs to prepare tax returns for clients in other states. Ms. Sos indicated that the intent is to enhance consumer protection while at the same time making it easier for CPAs to practice across borders. The intent is not to make it more expensive.

IX. Agenda Items for Next Meeting.

The agenda items that were deferred at this meeting were scheduled for discussion at the next meeting. Also on the agenda are the items in Attachment 1 proposed for discussion at the September meeting.

There being no further business, the meeting was adjourned at 3:30 p.m.

State of California
Department of Consumer Affairs

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

Memorandum

Practice Privilege TF Agenda Item VII.A-B.
July 15, 2004

Board Agenda Item VIII.F.8.
July 16, 2004

To : Renata M. Sos, Chair
Practice Privilege Task Force Members

Date : July 6, 2004

Telephone : (916) 561-1740
Facsimile : (916) 263-3676
E-mail : pfranz@cba.ca.gov

From : Patti L. Franz
Licensing Manager

Subject : Notification Payment Issues Related to Practice Privilege

Attached for review is a high-level flow chart diagramming the process envisioned by staff for the processing of notification forms for California practice privilege. This flow chart assumes the following:

- The *Notification and Agreement to Conditions for the Privilege to Practice Public Accounting in California* form will be available on the Board's Web site. The individual will have the option of completing the form on-line or downloading the form from the Web site.
- If the form is completed on-line, information indicating the individual is a practice privilege holder will be available for immediate viewing on the Board's Web site, unless the individual answers affirmatively to any of the disqualifying questions.
- For those who decide to download and mail the form to the Board, staff will enter the information upon receipt, unless the individual answers affirmatively to any of the disqualifying questions. Once the information is input the information will be immediately available for viewing on the Board's Web site.
- The individual has 30-days from the date of giving notice to submit payment.

While discussing the process, the following questions that have policy implications were identified by staff:

1) *If the individual does not pay the fee or the check is dishonored, should the submission of subsequent notifications be limited or prohibited?*

This issue was identified because of the possibility of situations such as the following scenario:

- An out-of-state licensee submits a notification for practice privilege in California on January 3, 2006. At the conclusion of the 30-day payment period, the individual does not submit the required $100 payment. However, the licensee submits a subsequent notification for another practice privilege on April 1, 2006.

By law, the requirements for holding a practice privilege will not be met if the individual fails to submit the payment. If the Task Force concludes a limitation on future notice submissions is appropriate, it needs to address whether this disqualifies the individual from eligibility for future practice privileges. If so, the Task Force will need to discuss the process for and length of disqualification.

If the Task Force decides there should be a limitation on subsequent notice submissions, regulatory language would need to be drafted to address this policy decision.

2) *If an individual submits a notice and subsequently finds the California practice privilege will not be needed, may the notification be withdrawn prior to the expiration of the 30-day payment period? If so, will payment be waived if not received or, if received, refunded?*

This issue was identified by staff because of the possibility of a situation such as the following scenario:

- An individual submits a notification to the Board on June 1, 2006. On June 22, 2006, this person is notified his or her services are no longer needed in California.

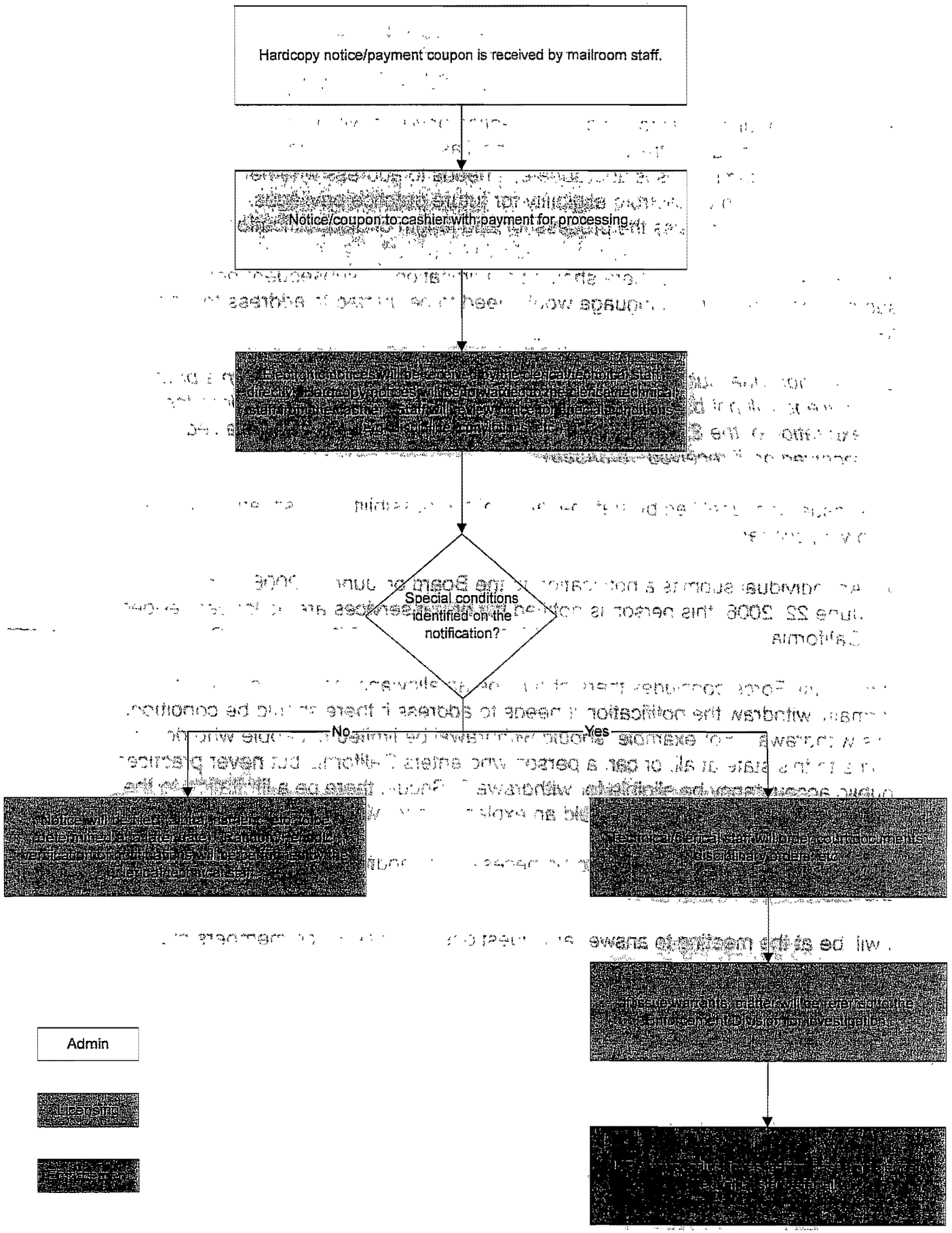
If the Task Force concludes there should be an allowance for an individual to formally withdraw the notification it needs to address if there should be conditions to this withdrawal. For example, should withdrawal be limited to people who do not come to this state at all, or can a person who enters California but never practices public accountancy be eligible for withdrawal? Should there be a limitation to the number of withdrawals, and should an explanation for withdrawal be required?

Again, regulatory language would be necessary to address the policy decision of the Task Force on this issue.

I will be at the meeting to answer any questions the Task Force members may have.

Attachment

Practice Privilege Notification Workflow



State of California
Department of Consumer Affairs

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

Attachment 2

Memorandum

Practice Privilege TF Agenda Item VII.A-B.
July 15, 2004

Board Agenda Item VIII.F.8.
July 16, 2004

To : Renata M. Sos, Chair
Practice Privilege Task Force Members

Date : July 6, 2004

Telephone : (916) 561-1740
Facsimile : (916) 263-3676
E-mail : pfranz@cba.ca.gov

Theresa Siegert

From : Patti L. Franz
Licensing Manager for

Subject : Notification Payment Issues Related to Practice Privilege

Attached for review is a high-level flow chart diagramming the process envisioned by staff for the processing of notification forms for California practice privilege. This flow chart assumes the following:

- The *Notification and Agreement to Conditions for the Privilege to Practice Public Accounting in California* form will be available on the Board's Web site. The individual will have the option of completing the form on-line or downloading the form from the Web site.
- If the form is completed on-line, information indicating the individual is a practice privilege holder will be available for immediate viewing on the Board's Web site, unless the individual answers affirmatively to any of the disqualifying questions.
- For those who decide to download and mail the form to the Board, staff will enter the information upon receipt, unless the individual answers affirmatively to any of the disqualifying questions. Once the information is input the information will be immediately available for viewing on the Board's Web site.
- The individual has 30-days from the date of giving notice to submit payment.

While discussing the process, the following questions that have policy implications were identified by staff:

1) *If the individual does not pay the fee or the check is dishonored, should the submission of subsequent notifications be limited or prohibited?*

This issue was identified because of the possibility of situations such as the following scenario:

- An out-of-state licensee submits a notification for practice privilege in California on January 3, 2006. At the conclusion of the 30-day payment period, the individual does not submit the required $100 payment. However, the licensee submits a subsequent notification for another practice privilege on April 1, 2006.

submitting the notification and would not be refunded. Mr. Schultz indicated it should be treated the same as a nonrefundable airline ticket.

VIII. Comments from Members of the Public.

David Stabbe, CPA, provided comments and posed questions to the Task Force. He asked if, under the practice privilege proposal, accountants from other states and other countries could come to California and practice regardless of the requirements and standards they met when they initially became licensed.

Ms. Sos responded that to obtain a practice privilege the first thing that is required is an active license from another state. Practitioners from other countries will not qualify. The second requirement is, if the practitioner wants to sign attest reports, he or she must meet California's requirements. Ms. Hillebrand indicated that the Board plans to conduct random audits of practice privilege holders to see if their qualifications match the assertions made in the notifications.

Mr. Stabbe indicated that he assumed that the practice privilege requirements would not apply to tax services. Ms. Sos responded that the requirement would apply to everything that constitutes the practice of public accounting as defined in California law. Mr. Granen concurred and clarified that an out-of-state CPA would need to get a practice privilege to prepare tax returns for California clients.

Mr. Stabbe then expressed concern that other states would enact similar laws so that there would be fees for California CPAs to prepare tax returns for clients in other states. Ms. Sos indicated that the intent is to enhance consumer protection while at the same time making it easier for CPAs to practice across borders. The intent is not to make it more expensive.

IX. Agenda Items for Next Meeting.

The agenda items that were deferred at this meeting were scheduled for discussion at the next meeting. Also on the agenda are the items in Attachment 1 proposed for discussion at the September meeting.

There being no further business, the meeting was adjourned at 3:30 p.m.

State of California
Department of Consumer Affairs

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

Memorandum

Practice Privilege TF Agenda Item VII.
September 9, 2004

Board Agenda Item VIII.F.8.
September 10, 2004

To : Practice Privilege Task Force
Board Members

Date : August 24, 2004

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

From : Gregory P. Newington
Chief, Enforcement Division

Subject : Consideration of the Standards and Process for Determining How the "Disqualifying Conditions" May Result in Denial of the Practice Privilege

Proposed Business and Professions Code Section 5096(g) lists disqualifying conditions for the practice privilege (Attachment 1). Proposed Section 5096.2(a) provides relevant criteria (Attachment 2). This memo discusses the disqualifying conditions in Section 5096(g) and the standards and process for evaluating how they may result in denial of the practice privilege. Business and Professions Code Section 480 related to the denial of licenses is included for reference in Attachment 3.

Section 5096(g)(1) precludes practice under a practice privilege if a listed disqualifying condition is present until Board approval is obtained. It should be expected that disqualifying conditions will be encountered on a recurring basis and that prompt review and consistent reasonable evaluation will be necessary by Board staff. For each listed disqualifying condition the following evaluation guidelines are recommended:

Section 5096(g)(2) – Paragraphs (A) and (B)

(g) (2) Disqualifying conditions include:

(A) Conviction of any crime other than a minor traffic violation.

(B) Revocation, suspension, denial, surrender or other discipline or sanctions involving any license, permit, registration, certificate or other authority to practice any profession in this or any other state or foreign country or to practice before any state, federal, or local court or agency, or the Public Company Accounting Oversight Board.

Generally the presence of any of the conditions listed in paragraphs (A) or (B) of Section 5096(g) would equate to likely serious violations or unprofessional conduct and should preclude practice in California under the practice privilege model. Exceptions will, however, be experienced. Examples under paragraph (A) could include convictions with no relationship to the practice of public accounting (spousal abuse) or a misdemeanor violation committed several years ago with no

reoccurrence (shoplifting). Examples under paragraph (B) could include revocation of a Texas CPA certificate for failure to renew the license timely.

Evaluation guidelines should be established that will allow licensing staff to identify and pass (allow practice privilege) on convictions having no relationship with the practice of public accountancy, misdemeanor convictions over 10 years old, and license sanctions in other jurisdictions caused by administrative procedural actions versus discipline for unprofessional conduct. The Board's licensing staff currently employ similar guidelines in their evaluation of applicants for licensure and that system is operating smoothly. Situations involving disqualifying conditions that fall outside these guidelines should be referred to the Enforcement Division where a review will be conducted to determine if there is a factual basis to deny practice under a practice privilege, or actual California licensure, pursuant to Business and Professions Code Section 480 (Grounds for Denial).

Section 5096(g)(2) – Paragraphs(C) and (D)

(h) (2) Disqualifying conditions include:

(C) Pendency of any investigation, inquiry or proceeding by or before any state, federal or local court or agency, including, but not limited to, the Public Company Accounting Oversight Board, involving the professional conduct of the individual.

(D) Any judgment or arbitration award against the individual involving the professional conduct of the individual in the amount of thirty thousand dollars ($30,000) or greater.

The presence of any of the conditions listed in paragraphs (C) or (D) of Section 5096(g) will indicate the possibility of serious violations or unprofessional conduct, and practice rights via the practice privilege option should not be granted without thorough review by Enforcement Division personnel. This review may require investigative action or inquiry to obtain an adequate understanding of the facts and issues underlying the disqualifying condition and how those facts would fit into the criteria referenced in Business and Professions Code Section 480. In many cases, particularly those that involve a pending investigation or proceeding before another agency, the facts will not be fully developed or available. If so, practice rights via a practice privilege should not be granted, and the applicant should be required to apply for a California CPA license should he or she desire to practice in California. Practice rights via practice privilege should only be granted if Enforcement Division personnel are able to obtain an understanding of the facts sufficient to conclude there is no factual basis to deny practice under Business and Professions Code Section 480. The Board will need to determine if this is an appropriate use of enforcement resources.

Section 5096(g) – Paragraphs (2)(E)

(h) (2) Disqualifying conditions include:

(E) Any other conditions as specified by the board in regulation.

Evaluation guidelines will depend on the specific disqualifying conditions adopted by the Board in regulation.

GPN

Attachments

Proposed Section 5096(g)

(g) (1) No individual may practice under a practice privilege without prior approval of the board if the individual has, or acquires at any time during the term of the practice privilege, any disqualifying condition under paragraph (2) of this subdivision.

(2) Disqualifying conditions include:

(A) Conviction of any crime other than a minor traffic violation.

(B) Revocation, suspension, denial, surrender or other discipline or sanctions involving any license, permit, registration, certificate or other authority to practice any profession in this or any other state or foreign country or to practice before any state, federal, or local court or agency, or the Public Company Accounting Oversight Board.

(C) Pendency of any investigation, inquiry or proceeding by or before any state, federal or local court or agency, including, but not limited to, the Public Company Accounting Oversight Board, involving the professional conduct of the individual.

(D) Any judgment or arbitration award against the individual involving the professional conduct of the individual in the amount of thirty thousand dollars ($30,000) or greater.

(E) Any other conditions as specified by the board in regulation.

(3) The board may adopt regulations exempting specified minor occurrences of the conditions listed in subparagraph (B) of paragraph (2) from being disqualifying conditions under this subdivision.

ATTACHMENT 1

Proposed Section 5096.2(a)

(a) Practice privileges may be denied for failure to qualify under or comply with the provisions of this article or implementing regulations, or for any act that if committed by an applicant for licensure would be grounds for denial of a license under Section 480 or if committed by a licensee would be grounds for discipline under Section 5100, or for any act committed outside of this state that would be a violation if committed within this state.

ATTACHMENT 2

Section 480

(a) A board may deny a license regulated by this code on the grounds that the applicant has one of the following:

(1) Been convicted of a crime. A conviction within the meaning of this section means a plea or verdict of guilty or a conviction following a plea of nolo contendere. Any action which a board is permitted to take following the establishment of a conviction may be taken when the time for appeal has elapsed, or the judgment of conviction has been affirmed on appeal, or when an order granting probation is made suspending the imposition of sentence, irrespective of a subsequent order under the provisions of Section 1203.4 of the Penal Code.

(2) Done any act involving dishonesty, fraud or deceit with the intent to substantially benefit himself or another, or substantially injure another; or

(3) Done any act which if done by a licentiate of the business or profession in question, would be grounds for suspension or revocation of license. The board may deny a license pursuant to this subdivision only if the crime or act is substantially related to the qualifications, functions or duties of the business or profession for which application is made.

(b) Notwithstanding any other provision of this code, no person shall be denied a license solely on the basis that he has been convicted of a felony if he has obtained a certificate of rehabilitation under Section 4852.01 and following of the Penal Code or that he has been convicted of a misdemeanor if he has met all applicable requirements of the criteria of rehabilitation developed by the board to evaluate the rehabilitation of a person when considering the denial of a license under subdivision (a) of Section 482.

(c) A board may deny a license regulated by this code on the ground that the applicant knowingly made a false statement of fact required to be revealed in the application for such license.

State of California
Department of Consumer Affairs

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

Memorandum

Practice Privilege TF Agenda Item VIII.
September 9, 2004

Board Agenda Item VIII.F.9.
September 10, 2004

To : Practice Privilege Task Force Members
Board Members

Date : August 24, 2004

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

From : Gregory P. Newington
Chief, Enforcement Division

Subject : Consideration of What, If Any, Additional Disqualifying Conditions Should be Specified by Regulations

The current listing of disqualifying conditions contained in proposed Business and Professions Code Sections 5096(g)(2)(A)-(D) [Attachment 1] and Section 5096.4(f) [Attachment 1] appears appropriate and no additional "other conditions" have been identified by the Enforcement Program for inclusion in regulation at this time.

It is noted that a specific disqualifying condition related to payment of the fee is being recommended by the work group that studied payment issues (See Agenda Item VI). Also, the Board may want to include in regulation and on the notification form a provision to clarify that an unresolved administrative suspension is a disqualifying condition. Other disqualifying conditions may be identified during the course of the Task Force's discussion.

GPN

Attachment

Section 5096(g)(2)

(g)(2) Disqualifying conditions include:

(A) conviction of any crime other than a minor traffic violation;

(B) revocation, suspension, denial, surrender or other discipline or sanctions involving any license, permit, registration, certificate or other authority to practice any profession in this or any other state or foreign country or to practice before any state, federal, or local court or agency, or the Public Company Accounting Oversight Board;

(C) pendency of any investigation, inquiry or proceeding by or before any state, federal or local court or agency, including, but not limited to, the Public Company Accounting Oversight Board, involving the professional conduct of the individual;

(D) any judgment or arbitration award against the individual involving the professional conduct of the individual in the amount of $30,000 or greater; or

(E) such other conditions as specified by the board in regulation.

Section 5096.4(f)

(f) Administrative suspension is not discipline and shall not preclude any individual from applying for a license to practice public accountancy in this state or from applying for a new practice privilege upon expiration of the one under administrative suspension, except that the new practice privilege shall not be effective until approved by the board.

ATTACHMENT 1

State of California
Department of Consumer Affairs

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

Memorandum

Practice Privilege TF Agenda Item IX.
September 9, 2004

Board Agenda Item VIII.F.10.
September 10, 2004

To : Practice Privilege Task Force Members
Board Members

Date : August 24, 2004

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

From : Gregory P. Newington
Chief, Enforcement Division

Subject : Consideration of What Minor Infractions Related to Licensing Should be Exempted from the Disqualifying Conditions

Proposed Business and Professions Code Section 5096(g)(3) states "The Board may adopt regulations exempting specified minor occurrences of the conditions listed in paragraph (2)(B) from being disqualifying conditions under this subdivision." Section 5096(g)(2)(B) lists as disqualifying conditions revocation, suspension, denial, surrender or other discipline or sanctions involving any license, permit, registration, certificate or other authority to practice any profession in this or any other state or foreign country or to practice before any state, federal, or local court or agency, or the Public Company Accounting Oversight Board.

Generally minor infractions would not result in revocation, suspension, denial, or surrender of a license or other authority to practice. An example of an exception to this generality is the Texas State Board of Public Accountancy which revokes CPA licenses for failure to renew timely. Texas is unusual in this action and our attention is probably better focused on minor infractions that result in "other discipline or sanctions." Since an exhaustive list of violations would be difficult to keep current, we recommend an approach that describes the level of discipline or sanctions that will be exempted from disqualifying conditions. Our suggested list for exemption includes violations for which the discipline or sanction is limited to:

- Administrative citations resulting in fines of $5,000 or less, or
- Continuing professional education.

GPN

State of California
Department of Consumer Affairs

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

Memorandum

Practice Privilege TF Agenda Item X.
September 9, 2004

Board Agenda Item VIII.F.11.
September 10, 2004

To : Practice Privilege Task Force Members
Board Members

Date : August 24, 2004

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

From : Gregory P. Newington
Chief, Enforcement Division

Subject : Consideration of What Should be the Criteria and Level of Discretion for Administrative Suspension

Statutory guidance for Administrative Suspension is contained in proposed Business and Professions Code Section 5096.4(a), which states:

"The right of an individual to practice in this state under a practice privilege may be administratively suspended at any time by an order issued by the board or its executive officer, without prior notice or hearing, for the purpose of conducting a disciplinary investigation, proceeding, or inquiry concerning the representation made in the notice, the individual's competence or qualifications to practice under practice privileges, failure to timely respond to a board inquiry or request for information or documents, or under other conditions and circumstances provided for by board regulation."

Administrative suspension provides a prompt method to suspend practice rights obtained under a practice privilege, even in advance of hearing. Based upon the content of Section 5096.4(a), suggested criteria for its use is as follows:

Representations made in the notice.
Administrative suspension may be employed whenever it is suspected or confirmed that a material false statement was made in the notification form (Attachment 1).

The individual's competence or qualifications to practice under the practice privilege in question.
Administrative suspension may be employed whenever probable cause exists to suggest the individual lacks competence or qualifications to practice under practice privilege.

This would include, but not be limited to the following occurrences:

- The individual fails to meet qualification requirements cited in Section 5096(a) (Attachment 2).
- The individual experiences a disqualifying condition as described in Sections 5096(g)(2) (Attachment 2).
- The individual commits an act of unprofessional conduct as referenced in Section 5100 (Attachment 3).

The individual fails to timely respond to a Board inquiry or request for information or documents.

Administrative suspension may be employed whenever an individual fails to respond timely to a board inquiry or request for information or documents.

GPN

Attachments

State of California Department of Consumer Affairs

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

DRAFT

Attachment 1

NOTIFICATION AND AGREEMENT TO CONDITIONS FOR THE PRIVILEGE TO PRACTICE PUBLIC ACCOUNTING IN CALIFORNIA PURSUANT TO CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION XXXX:

Name: _____

Prior Names: _____

Firm Name: _____

Address Of Principal Place Of Business: _____

Telephone Number (business hours): _____

Fax Number (business hours): _____

E-Mail: _____
(To facilitate contact in the event of a problem in processing your notice)

Date Of Birth: _____

Social Security Number: _____

In connection with this privilege to practice, I wish to be able to sign a report on an attest engagement. ☐ Yes ☐ No

QUALIFICATION REQUIREMENTS:

1. I am an individual.

2. My principal place of business is not in California and I do not have an office in California other than through a firm that is registered in California and of which I am an employee.

3. I have a valid license to practice public accounting in the state/jurisdiction of my principal place of business.

State/Jurisdiction: _____ License Number: _____ Date Issued: _____

4. ☐ a. The state/jurisdiction identified in item 3 above is deemed substantially equivalent by the California Board of Accountancy (see Appendix 1 for list of substantially equivalent states); **OR**

☐ b. My individual qualifications have been determined by NASBA to be substantially equivalent (NASBA file no. _____); **OR**

☐ c. I have continually practiced public accountancy as a certified public accountant under a valid license issued by any state for 4 of the last 10 years.

5. I understand that I may sign a report on an attest engagement under this privilege to practice only if I meet California's requirements to sign attest reports.

6. I agree to abide by the laws of the State of California, including the California Accountancy Act (Business and Professions Code Section 5000 et seq., accessible at *http://www.dca.ca.gov/cba/acnt_act.htm*) and the regulations thereunder (accessible at *http://www.dca.ca.gov/cba/regs.htm*).

7. I consent to the personal and subject matter jurisdiction of the California Board of Accountancy (CBA) including, but not limited to, the following:
   a. To suspend or revoke, without prior notice or hearing and in the sole discretion of the CBA or its representatives, the privilege to practice public accounting;
   b. To impose discipline for any violation of the California Accountancy Act or regulations thereunder and recover costs for investigation and prosecution; and
   c. To provide information relating to a practice privilege and/or refer any additional and further discipline to the board of accountancy of any other state and/or the SEC, PCAOB or other relevant regulatory authorities.

8. I agree to respond fully and completely to all inquiries by the CBA relating to my California practice privilege.

9. I consent to the authority of the CBA to verify the accuracy and truthfulness of the information provided in this notification. I consent to the release of all information relevant to the CBA's inquiries now or in the future by:
   a. Contacting other states;
   b. Contacting the SEC, PCAOB or any other federal agency before which I am authorized to practice; and
   c. Contacting NASBA.

10. ☐ I am submitting this notice to the CBA at or before the time I begin the practice of public accountancy in California and understand that this practice privilege expires one year from the date of this notice or; **OR**

☐ I am an employee of a firm registered in California and am submitting this notice within [_____] days of beginning the practice of public accountancy in California. I understand that this practice privilege expires [11 months] from the date of this notice.

11. I have met the continuing education requirements and any ethics exam requirements for the state of my principle place of business.

12. In the event that any of the information in this notice changes, I will provide the CBA written notice of any such change within 30 days of its occurrence.

13. I am concurrently submitting the fee of $100.00.

ADDITIONAL INFORMATION:

In addition to the state of my principal place of business, I am also authorized to practice in the following states or jurisdictions.

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

Please check any of the items below that apply. *For any checked items in (1)-(4), you must provide additional information as requested in Attachment X and* ***you are not authorized to practice in California unless and until you receive notice from the CBA that the privilege has been granted.***

☐ 1. I have been convicted of a crime other than a minor traffic violation.

☐ 2. I have had a license, registration, permit or authority to practice surrendered, denied, suspended, revoked, put on probationary status or otherwise limited.

☐ 3. I am currently the subject of an investigation, inquiry or proceeding by or before a state, federal, or local court or agency (including the PCAOB) involving my professional conduct.

☐ 4. I have had a judgment or arbitration award in an amount greater than $30,000 entered against me in a civil action alleging actionable conduct in the practice of public accountancy.

☐ 5. I failed timely to submit the required fee with a notification submitted immediately prior to this one.

I, _____, understand that any misrepresentation or omission in connection with this notification is cause for termination of any practice privilege in California and that the California Board of Accountancy will act accordingly, including the notification of other state or federal authorities. I certify under penalty of perjury under the laws of the state of California that the foregoing information is true and correct.

Signature: _____ Date: _____

Your privilege to practice commences with the submission of your completed notification and your fee. If your payment is not received by CBA within 30 days of this notification, you do not hold a valid practice privilege.

Privacy Statement:
The information provided in this form will be used by the California Board of Accountancy to determine whether you qualify for practice privileges in California. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the notification as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another governmental agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this application, and may be contacted via written correspondence at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, or by calling (916) 263-3680, regarding questions about this notice or access to records.

State of California Department of Consumer Affairs

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

ATTACHMENT X

1. If you checked items 1, 2, or 3 under additional information, please provide explanatory details:

_____

_____

_____

2. If you checked item 4 under additional information, please provide:

Date of Judgment/ Arbitration Award: _____ Jurisdiction /Court: _____ Docket No: _____

Section 5096(a)

(a) An individual whose principal place of business is not in this state and who has a valid and current license, certificate or permit to practice public accountancy from another state may, subject to the conditions and limitations in this article, engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license under this chapter if the individual satisfies one of the following:

(1) The individual has continually practiced public accountancy as a certified public accountant under a valid license issued by any state for at least four of the last ten years.

(2) The individual has a license, certificate, or permit from a state which has been determined by the board to have education, examination, and experience qualifications for licensure substantially equivalent to this state's qualifications under Section 5093.

(3) The individual possesses education, examination, and experience qualifications for licensure which have been determined by the board to be substantially equivalent to this state's qualifications under Section 5093.

Section 5096(g)

(g) (1) No individual may practice under a practice privilege without prior approval of the

board if the individual has, or acquires at any time during the term of the practice privilege, any disqualifying condition under paragraph (2) of this subdivision.

(2) Disqualifying conditions include:

(A) Conviction of any crime other than a minor traffic violation.

(B) Revocation, suspension, denial, surrender or other discipline or sanctions involving any license, permit, registration, certificate or other authority to practice any profession in this or any other state or foreign country or to practice before any state, federal, or local court or agency, or the Public Company Accounting Oversight Board.

(C) Pendency of any investigation, inquiry or proceeding by or before any state, federal or local court or agency, including, but not limited to, the Public Company Accounting Oversight Board, involving the professional conduct of the individual.

(D) Any judgment or arbitration award against the individual involving the professional conduct of the individual in the amount of thirty thousand dollars ($30,000) or greater.

(E) Any other conditions as specified by the board in regulation.

Section 5100

After notice and hearing the board may revoke, suspend, or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct that includes, but is not limited to, one or any combination of the following causes:

(a) Conviction of any crime substantially related to the qualifications, functions and duties of a certified public accountant or a public accountant.
(b) A violation of Section 478, 498, or 499 dealing with false statements or omissions in the application for a license, in obtaining a certificate as a certified public accountant, in obtaining registration under this chapter, or in obtaining a permit to practice public accountancy under this chapter.
(c) Dishonesty, fraud, gross negligence, or repeated negligent acts committed in the same or different engagements, for the same or different clients, or any combination of engagements or clients, each resulting in a violation of applicable professional standards that indicate a lack of competency in the practice of public accountancy or in the performance of the bookkeeping operations described in Section 5052.
(d) Cancellation, revocation, or suspension of a certificate or other authority to practice as a certified public accountant or a public accountant, refusal to renew the certificate or other authority to practice as a certified public accountant or a public accountant, or any other discipline by any other state or foreign country.
(e) Violation of Section 5097.
(f) Violation of Section 5120.
(g) Willful violation of this chapter or any rule or regulation promulgated by the board under the authority granted under this chapter.
(h) Suspension or revocation of the right to practice before any governmental body or agency.
(i) Fiscal dishonesty or breach of fiduciary responsibility of any kind.
(j) Knowing preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information.
(k) Embezzlement, theft, misappropriation of funds or property, or obtaining money, property, or other valuable consideration by fraudulent means or false pretenses.
(l) The imposition of any discipline, penalty, or sanction on a registered public accounting firm or any associated person of such firm, or both, or on any other holder of a permit, certificate, license, or other authority to practice in this state, by the Public Company Accounting Oversight Board or the United States Securities and Exchange Commission, or their designees under the Sarbanes-Oxley Act of 2002 or other federal legislation.

ATTACHMENT 3

Practice Privilege

Issues/Regulatory Development

Issue	Proposed Meeting Date
Should the Board accept NASBA's determination of an individual's substantial equivalency or use some other method of assessing the qualifications of CPAs from non-substantially equivalent states?	July '04 Meeting
Should the Board adopt NASBA's designation of states as substantially equivalent (subject to Board review) or develop its own list?	July '04 Meeting
Should there be a "safe harbor" period for providing notification to the Board?	July '04 Meeting
If the individual does not pay the fee or the check is dishonored: 1. Should there be a limit to the number of subsequent notifications? 2. May a notification be withdrawn prior to the expiration of the 30-day payment period?	July '04 Meeting
How should we evaluate whether any of the "disqualifying conditions" means the practice privilege should be denied?	September '04 Meeting
What, if any, additional disqualifying conditions should be specified by regulation?	September '04 Meeting
What, if any, minor infractions should be exempted from being considered a disqualifying condition?	September '04 Meeting
What should be the criteria for administrative suspension?	September '04 Meeting
At what point does a licensee need to apply for licensure instead of requesting a practice privilege?	September '04 Meeting
What, if any, additional requirements should there be for signers of attest reports?	September '04 Meeting
What practice privilege information should be available on the Web: 1. While awaiting payment? 2. Administrative Suspension? 3. Discipline?	October '04 Meeting

Issue	Proposed Meeting Date
How often should staff complete a random audit of received notifications and what content should be requested?	October '04 Meeting
Remaining Unresolved Issues.	October '04 Meeting
Discussion of draft regulations.	November '04 Meeting
Final approval of regulations.	January '05 Meeting
Regulation Hearing.	May '05 Meeting

** It is anticipated that the regulations will be approved by the Office of Administrative Law and filed with the Secretary of State by October 15, 2005, to become effective by November 15, 2005.

CALIFORNIA BOARD OF ACCOUNTANCY
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Practice Privilege TF Agenda Items III. & IV.
September 9, 2004

Board Agenda Items VIII.F.4 & 5.
September 10, 2004

August 16, 2004

Ms. Diane Rubin
Novogradac & Company LLP
246 First Street, 5th Floor
San Francisco, CA 94105

Re: September 9, 2004, Practice Privilege Task Force Meeting

Dear Diane:

Thank you for agreeing to participate in the September 9, 2004, meeting of the California Board of Accountancy's Practice Privilege Task Force. We look forward to your presentation and to the ensuing discussion.

As you know, the California Board has developed what we believe to be an innovative approach to cross-border practice, denominated as "practice privileges." Our approach maximizes consumer protection and, simultaneously, minimizes the administrative burdens on Board staff, on the one hand, and out-of-state CPAs who wish to practice in California, on the other.

The Board is now embarking upon drafting regulations that implement the statutory framework for the practice privilege without undermining or diluting its fundamental precept – seamless, bureaucracy-free movement of qualified out-of-state CPAs with full accountability to the boards of this state and of the home state.

The California practice privilege statutes specifically vest the Board with authority to adopt, by regulation, NASBA's list of "substantially equivalent" states and/or NASBA's determinations of an individual's substantial equivalency (via CrendentialNet). The Practice Privilege Task Force is considering whether or not this Board should rely on NASBA's substantial equivalency determinations, subject of course to the Board's review of the criteria and methods used by NASBA to make those judgments.

The cornerstones of the practice privilege paradigm are uniformity and simplicity. Indeed, we believe that, in those respects, the statutes serve as a model for other states that are considering cross-border practice. We understand that accepting NASBA's list of substantially equivalent states and individual substantial equivalency determinations will promote the objectives of uniformity and administrative efficiency. There are, however, a number of issues that the Board must resolve to its satisfaction before deciding whether to proceed in this fashion.

To better protect California consumers, this Board has adopted, and continues to develop, exacting professional ethics requirements for licensure and practice in California. Other states have different ethics requirements; some have none at all. This Board would like to understand how, if at all, the lack of uniformity among the states on this score: (1) influences NASBA's process of determining substantial equivalency; (2) affects reliance on NASBA's determinations by states that have ethics requirements; and (3) creates, if at all, any enforcement or quality control issues for states that permit cross-border practice under Section 23 of the UAA by CPAs from states that have less exacting ethics requirements.

We look forward to discussing these issues on September 9th. In the meantime, please let me know if you have any questions or need additional information.

Sincerely,

Renata M. Sos, Chair
Practice Privilege Task Force

c: Board Members

○ Required Ethics

During the discussions held at the 2003 NASBA Regional Meetings, participants agreed there is a need for professional ethics to be formally addressed in the education of licensed accountants, both as they enter the profession and as they continue to practice. Since that time, NASBA committees and staff have been studying existing ethics requirements in the states and considered what guidance NASBA could provide to coordinate these requirements. A chart compiled by the Texas State Board of Public Accountancy detailing different ethics requirements is attached as Appendix B.

How ethics might be included in the new computer-based Uniform CPA Examination and the argument for a separate ethics examination for entry into the profession appeared in an article by Jacqueline A. Burke and Jill D'Aquila "A Crucial Test for New CPAs: Ethics at the Gateway to the Profession" in the January 2004 *CPA Journal* http://www.nysscpa.org/cpajournal/2004/104/text/p58.htm. The Commission of the European Communities is proposing the EU's member states specifically require for qualification of their statutory auditors a test of theoretical knowledge that covers "professional ethics and independence" as well as technical topics http://europa.eu.int/eur-lex/en/com/pdf/2004/com2004_0177en01.pdf

"Professionalism and Ethics in Accounting Education" was the focus of the February 2004 issue of the American Accounting Association's (AAA) periodical *Issues in Accounting Education* http://aaahq.org/ic/index.htm. This periodical is only available through subscription; however, a description of the issue can be viewed on the website. It states, "...as accounting educators, there has never been a better time to increase the time and effort we place on ethics in the classroom." It points to the 2003 PricewaterhouseCoopers report, "Educating for the Public Trust" http://www.pwc.com/images/us/eng/careers/car-inexp/EducatingPublicTrust.pdf which urges accounting educators to include more ethics and ethics issues in their classroom discussions.

In addition, the AAA has called on the state boards to take action, as the letter on pages 6-9 sent to NASBA on February 11, 2004, indicates. NASBA Ethics Committee Chair Thomas J. Sadler and NASBA Education Committee Chair Wesley P. Johnson each responded to this letter reporting on the related projects that NASBA has undertaken.

"The focus on ethical behavior needs to be incorporated throughout the accounting curriculum and not left to be dealt with as an appendage to an auditing course," Arthur R. Wyatt told the AAA's Annual Meeting in August 2003 (the text of his speech can be found in the March 2004 issue of *Accounting Horizons* and its highlights in the March 2004 *CPA Journal* http://www.nysscpa.org/cpajournal/2004/304/infocus/p22.htm). He commented, "An ethical code is really a personal mind set and not a recitation of a series of 'thou shalt nots.'"

As stated in the white paper presented by representatives of the AICPA's Educational Management Exchange Subcommittee (EDMAX) to the 2004 NASBA CPE Conference, there is licensee resistance -- not to fulfilling ethics requirements -- but to having those who practice in multiple jurisdictions be obligated to fulfill several diverse ethics requirements (see *Appendix C*). In protecting the public, are the boards inadvertently creating onerous requirements, legal obligations that outweigh their advantages?

Requirements for practice take on even larger significance as the global economy develops. In May 2004 the European Union (EU) is to put into effect its competition rules. Services represent 70 percent of the EU's GDP, but only about 20 percent in terms of cross-border trade, EU Commissioner of Competition Mario Monti said on March 21, 2003. His remarks for Bundesanwaltskammer "Competition in Professional Services: New Light and New Challenges" http://europa.eu.int/comm/competition/speeches/text/sp2003_007_en.pdf were meant to encourage the EU's member states to revisit their historic regulation of the professions in terms of today's economy. At an October 28, 2003 DG Competition "Conference on the Regulation of the Professions," Jeremy Jennings, Ernst & Young's Global Director of Regulatory and Government Relations, told the European regulators http://europa.eu.int/comm/competition/liberalization/conference/speeches/jeremy_jennings.pdf: "Capital structures need to be flexible, not tied up in a regulatory straitjacket. The same applies to the professions. So much management time is wasted having to comply with different rules in different countries. And in today's environmentally friendly world, the one thing you can't recycle is wasted time."

Faith in the marketplace does not mean that the international accounting community stands ready to brush aside ethics requirements. See the International Federation of Accountants' Web site http://www.ifac.org/ethics. At NASBA's October 2003 Annual Meeting IFAC's James Sylph discussed IFAC's revised ethics code that specifically covers accountants in industry as well as public practice. While IFAC's new International Education Standard (IES 7), "Continuing Professional Development (CPD): A Program of Lifelong Learning and Continuing Development of Professional Competence," does not prescribe a curriculum for continuing professional education, it lists several reasons why such education is relevant for all professional accountants, including: "All professional accountants carry the professional designation, and any lack of competence or ethical behavior has the same consequences to the reputation and standing of the profession, irrespective of the sector in which they operate."

In its March 2004 proposed Directive of the European Parliament and of the Council, the Commission of European Communities states in Article 13 – Continuous Education http://europa.eu.int/eur-lex/en/com/pdf/2004/com2004_0177en01.pdf: "Member States shall ensure that statutory auditors are subject to the appropriate programmes of continuous education in order to maintain sufficient theoretical knowledge, professional skills and values, and that the failure to respect continuous education requirements is subject to appropriate sanctions...."

Possible Discussion Questions

1. What does your state require relative to ethics education?

2. Should undergraduate education in ethics be required?

3. Should ethics instruction stand alone or should it be embedded in other courses?

4. How is "ethics" defined in your state?

5. Should the state rules component of ethics CPE be separated from the general ethics requirement?

6. What differences exist between your state's ethics CPE requirements and those of your neighboring states? What problems have been caused by these differences?

7. Would a national ethics course and examination for licensure be helpful for your state? Would a national CPE course with a state component be helpful for your state?

8. Other than requiring a specific course or examination, how can a state ensure its rules are understood by all those who practice within its borders?

SUMMARY NASBA QUICK POLL ON ETHICS COURSE
38 STATES RESPONDED

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
SUMMARY	24 YES	24 NO	10 NO	18 NO	17 NO	3 8 HRS.	1- 6 YRS	14 YES	13 YES
	13 NO	9 Yes	11 YES	14 YES	15 YES	9 4 HRS.	2 4 YRS	17 NO	10 NO
		5 N/A	8 Only	6 N/A	1 N/A	1 3 HRS.	12 3 YRS	7 N/A	9 MAYBE
			9 N/A		5 PENDING	17 2 HRS.	5 2 YRS		6 N/A
						17 N/A	14 N/A		

DETAILED ANSWERS ARE ATTACHED.

Quick Poll-ETHICS COURSE

DATE: December 4, 2003

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Alabama	No if the individual passes Business Law of the CPA Exam after 1-1-1994. Prior to that time the person must have completed the AICPA self-study ethics course in addition to the CPA exam.	No	Only AICPA course.	No	No	N/A	N/A	N/A	N/A
Alaska	Yes	No	Yes	Yes. If applying by reciprocity.	We are adopting regs next week to require ethics for renewal. (Pending)	4 hours.	Every 48 months. Every other renewal cycle.	Yes	Have not discussed this yet.

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Arizona	Yes	No	Yes, this is the course used for certification of applicants. (Only)	No, for certification applicants and proposed rules for CPE ethics requirement	In the rulemaking process at the very moment. (Pending)	Proposed 4 hours per renewal, with 1 hour in AICPA Professional Code of Conduct and 1 hour in AZ statue and rules.	Proposed every renewal.	No	That is a question to be answered by the board. The statute and rules as written would allow for it.
Arkansas	**No response.**								

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
California	Yes	Yes	No	No	Yes	8 hours	Every 6 years for an active license renewal.	Yes, the course sponsor must submit the course and a professional conduct and ethics (PC&E) application to obtain PC&E course approval. However, although it would not meet the PC&E requirement a licensee may claim an unapproved ethics course as part of his or her 80 hour CPE requirement for an active license renewal.	No. Periodically the Board considers the issue of a single provider of the ethics exam for initial licensure. To date the Board has confirmed its intent of retaining a single provider and having the content of the course include the California Accountancy Act and the California Board of Accountancy regulations.

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Colorado	Yes, the ethics exam required for Colorado CPA certification is the "Professional Ethics: The AICPAs Comprehensive Course" (or the old course title of a "AICPA Professional Ethics for Certified Public Accountants" is acceptable, or the old "California CPA Foundation Ethics: course is accepted, as it is the equivalent to the AICPA Professional Ethics for Certified Public Accountants course).	No	Yes, only the AICPA ethics course is acceptable (not "in lieu of" any other ethics). (Only)	No	Yes, on their first renewal only, all CPAs licensed after 01/01/04 must report 2 hours of Colorado Rules and Regulations (CR&R). For subsequent renewals, CR&R not required. Two hours of any ethics (not Colorado-specific) is acceptable.	2 hours	2 hours ethics required every two years (effective 01/01/04 2 CPE hours CR&R Colorado specific required for new licensees on 1st renewal only then any 2 CPE hours of general ethics accepted for subsequent renewals).	No (currently, only 6 providers are recognized by the Board as acceptable ACR&R course providers, but others may be reported and accepted). The Colorado Board does not pre-approve, sponsor, review or endorse CPE courses for providers in advance.	No, not at the present time.
Connecticut	**No response.**								
Delaware	Yes, for the AICPA	NO	See #1 (Only)	No	No			No, as long as it's from the AICPA	Never discussed it.
DC	**No response.**								

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Florida	Yes	No	No	No	No	The laws and rules exam is 25 questions. Must get at least 20 correct.	The laws and rules exam must be taken and passed prior to licensure and re-licensure (every 2 years).	Yes, the 25 questions are approved by the board.	The board is currently in the process of determining if an ethics course will also be required in addition to the current laws and rules exam.
Georgia	**No response.**								
Guam	No	N/A	N/A	N/A	Currently, No. However, our proposed rules not in the Legislature and expected to be approved by December 31, 2003, require an ethics course.	Currently: none. Proposed 2 hours/3years.	Currently: none. Proposed 2 hours/3 years.	Currently No. Proposed No.	Yes

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Hawaii	No	No	We don't anticipate having our own course, and so the AICPA ethics course will be accepted. (Yes)	Probably as long as it is sponsored by the state board or state society.	Not currently; however, effective for the 2006-2007 biennium, CPA licensees are required to have earned 4 hours of ethics CPE (within the 80 required for renewal of their permits to practice.	4 hours of CPE	The 4 hours is required for every biennium renewal period.	Yes, or be approved by the National Registry, or another board of accountancy.	Probably.
Idaho	Yes	No	Yes	Yes, for reciprocal licensure.	No	N/A	N/A	N/A	The board has not specifically discussed this issue, but my sense says ID would most likely favor a NASBA Ethics course.
Illinois	No, but legislation to be introduced in the spring session will require an ethics course before certification as part of CPE for renewal of license.	Once the legislation passes rules will be written to establish what course or courses will be acceptable toward meeting the certification requirement as well as CPE.	Probably but this hasn't been decided yet. (Yes)	No don't know if this will be considered.	Not at this time. (No)	Four, if legislation passes.	For each triennial renewal cycle.	Hasn't been determined.	Will consider.
Indiana	**No response.**								

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Iowa	Yes	Yes	Yes	Yes	No	N/A	N/A	N/A	Yes
Kansas	Yes AICPA courses.	No	Yes	No. In some cases but only for reciprocity certificates. It depends on the state and their ethics exam.	Beginning with renewals issued July 1, 2006 and thereafter we will have a 2 hour requirement.	2 hours	Every two year biennial period.	No, but the renewal applicant must provide proof of completion.	Yes
Kentucky	No. (However the board and state society are currently discussing this issue.)	N/A	N/A	N/A	No	N/A	N/A	Unanswered	I would assume the board would be willing to accept such a course.

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Louisiana	No. Not for the initial certificate, but LA requires a CPE ethics course each CPE 3 year cycle as part of the CPE requirements in order to renew.	Yes.	It has never been submitted to the Board for consideration but to my knowledge it does not cover the LA specifics. (N0)	Not for CPA holding a license, as these would likely not cover LA specifics. (CPE with respect to LA requirements, including the ethics course is waived for individuals practicing under Sub Eq. practice rights.) (No)	Yes, refer to #1.	Minimum of 2 CPE hours each cycle per LA rules the current cycle requirement is 3 hours. (2001-03)	Every 3 year CPE reporting cycle.	Yes	If it sufficiently covers LA's rules of Professional Conduct. I have heard discussions that NASBA may develop a general course on ethics, perhaps geared toward ethical reasoning, with supplements covering individual state's rules of conduct. The NASBA discussion memo (answering the SOX Challenge) distributed in connection with the annual meeting mentions the need for coverage both ethical reasoning and state-specifics.
Maine	**No response.**								

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Maryland	Yes	No	Maryland requires AICPA Course (Only)	Yes	Not at this time. Regulations are being prepared to require a minimum of 4 hours per renewal period.	4 hours	4 hours each renewal period.	No. But the course has to meet the minimum standards for program qualifications as set by the regulations.	Yes
Massachusetts	**No response.**								
Michigan	No	N/A	N/A	N/A	Yes	2 hours annually	N/A	No	Yes. Our ethics is not tied to study of Michigan Law.
Minnesota	Yes	No. We use the AICPA Exam	N/A	No	Yes	Require 8 hours in past 3 years within the 120 hour requirement	Every 3 years	Have no pre-approval now, but will be requiring the NASBA register next year	Yes

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Mississippi	No. Renewal only.	Yes. 1 out of 3 hours must be on state law/rules.	No	Yes	Yes. We are rewriting rules now for ethics CPE (3hours every three years) beginning July 2004. A minimum of 1 or 3 must be on MS law/regulations/ rules of professional conduct. If another jurisdiction has an ethics/rules CPE requirement the Board will accept satisfaction of that requirement.	Proposed 3 hours every 3 years.	Triennial	Yes	No
Missouri	Yes	No, not content but course specific the AICPA course.	Yes,MO currently requires the AICPA course. (Only)	Yes, if the state has an ethics course requirement and the candidate has met that requirement we will accept it.	Not a specific course, but there is a requirement for ethics CPE. (Yes)	N/A	N/A	N/A. Note our CPE requirement does not require pre-approval of CPE Ethics course.	The board has not discussed this, but it is my opinion that they would accept the NASBA.
Montana	**No response.**								

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Nebraska	Yes	No	Yes	Yes	No, but pending rule change will require an ethics course soon.	4 hours	Every two years.	Yes, I recently sent a quick poll to see what other states require for approval/nothing specific in our proposed rule.	Not sure yet.
Nevada	Yes	No	Yes. We require an ethics examination with a passing score-not a course.	Yes, only if it is an examination	No	Must be the passage of an examination.	Not at this time-looking to a change to require an ethics course at the renewal every three years.	No.	Yes.
New Hampshire	No	N/A	N/A	N/A	Yes	4 hours	Every 3 years.	No	Yes.
New Mexico	Yes	No	Yes, NM requires the AICPA. (Only).	Only if the person is applying under reciprocity.	No, but the Board is considering it.	N/A	N/A	No	Yes
New Jersey	Yes	Yes	No	No	Yes	4 hours	Every 3 years or every renewal period	Yes	No

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
New York	No	Yes, require ethics during each triennial registration period only. Courses must follow board ethics course guidelines.	No. Ethics course for licensees must follow State Board Guidelines.	No. Not at this time. State Board will be discussing situations that occur when an individual is licensed in more than one state and his/her principal place of business is not New York.	Yes	4 hours every 3 years (triennial registration period)	Every three years, after taking a foundation course during the 1st registration period, a licensee may re-take the foundation course or take a concentrated ethics course.	No, however all New York registered sponsors submit a statement indicating that their ethics course will comply with New York's rules.	This option has not been discussed. Two other options currently being discussed are: (1) accepting another state's ethics course if the NY licensee's principal place of a business in that state, or (2) supporting the creation of a national ethics course that could be combined with additional state-specific modules. (for example a 2 hour national course plus a 2 hour NY course.) If I'm a NY licensee who's principal place of business is in Texas, take the national, Texas and NY.
North Carolina	Yes	Yes	No	No	No	The group study course is 8 hours. The self study course is 7 hours.	No	Yes	Probably not, as it would probably not include North Carolina rules and statutes.

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
North Dakota	Yes	No	N/A	No. It must be the AICPA computerized test (except for substantial equivalency applicants)	No	N/A	N/A	No	Possibly
Ohio	**No response.**								
Oklahoma	Not at this time. An amendment to the OK Accountancy Act has been proposed that will make it a requirement.	Proposed amendment would be 8 hours, probably the AICPA course.	Refer to 2 (N/A)	May accept California's as many other states already do.	Yes.	2 hours each year.	The ethics course is an annual requirement	No. Oklahoma has limited staff and could not effectively pre-approve CPE courses at this time.	Yes.

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Oregon	Yes. Oregon requires applicants to successfully complete the AICPA ethics exam.	No	N/A	No	Oregon has an ethics CPE requirement for renewal: 4 hours every 4 years.	4 hours every 4 years.	See #6	Ethics CPE must be offered by an approved sponsor and approved sponsors are required to include specific information in the course. Names of approved CPE sponsors are listed on the Board's website.	The Board would be willing to review a NASBA sponsored ethics exam for entry. As to the CPE ethics requirement, No.
Pennsylvania	Doesn't require any ethics training at any point								
Puerto Rico	**No responses.**								
Rhode Island	**No response.**								
South Carolina	Yes, but currently we waive the requirement, but they have to sign a statement that they have read our rules and regulations.	Yes	No	No	No, not currently, but when our new practice act passes they will be required to take an ethics course every 3 years.	We think it will be 4 hours.	Once every 3 years.	Yes	Unknown at this time.

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
South Dakota	Yes	No. We require the AICPA Ethics course be completed, but will accept for the purpose of reciprocity an ethics course administered by another state. We have a new rule effective Jan. 04 that gives the board latitude to introduce a state ethics exam covering our rules in addition to or in lieu of the AICPA's exam. Should the board decide to require applicants to complete an ethics exam covering SD accountancy rules,it will most likely be required of all applicants including those applying for licensure by reciprocity and/or those filing notification.	Refer to #2. (No)	Yes	No	N/A	N/A	No, it must however comply with our current CPE standards.	Yes, if it complies with the current CPE rules of the board.

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Tennessee	Yes	No	Yes, this is the course we require. (Only)	No. We only accept another state's ethics course if the person is applying for reciprocity. Anyone applying for original licensure must take the AICPA ethics course and score 90 or above.	No	N/A	N/A	If a licensee takes an ethics course it will be treated as regular CPE and would need to comply with our laws and rules pertaining to CPE.	Since the TN board only requires the ethics course as a prerequisite for licensure, probably not. At this point the board seems comfortable with the AICPA's course. If the Board decides to institute an ethics requirement as part of a licensee's CPE requirement, I feel confident that they would be willing to accept an ethics course approved by NASBA's Ethics Committee.
Texas	Yes.	Yes.	No.	No.	Yes.	2 hour refresher course.	Every three years.	Yes.	Yes.
Utah	**No response.**								

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Vermont	**No response.**								
Virginia	No, but Virginia does requires the AICPA Ethics Exam.	No	No	No	Yes we anticipate that our 2 CPE hour requirement in ethics will become effective in December 2003 and it will be required for renewal each year. This course will cover the board's regulations and statutes.	2 hours	The course is required every year and the material will change every year.	Yes, the course must be structured in accordance with the board's outline for a particular year.	Maybe, but the board would have to see the outline to see what areas are covered. Virginia's new CPE Ethics course covers requirements specific to Virginia regulation and laws and also covers problems that have been brought to the attention of the board through the complaint processing system and through the board's online customer service survey tool.
Virgin Islands	**No response.**								
West Virginia	**No response.,**								

State	Does your board require an ethics course before an individual can be issued a certificate?	Does the course content have to be on your state's rules?	Will your state accept the AICPA Ethics Course in lieu of your course?	Will your state accept another state's ethics course in lieu of yours?	As part of your license/permit renewal, does your state require an ethics course?	How many hours must the course be?	How often must a licensee take a refresher course?	Before a licensee can claim credit for an ethics course, does the course have to be approved by your board?	Would your state board be willing to accept an ethics course that has been approved by the NASBA's Ethics Committee in lieu of your state's required course?
Washington	Yes-AICPA Ethics Course	No	Yes	Yes. If it is similar to the AICPA Course such as California.	Yes	Required to complete 4 CPE hours. Can be one 4 hour course, two 2 hour courses or four 1 hour courses	Once every three years in order to qualify to renew	No however the Board does pre-approve course as a service to CPAs. They can elect to take an approved course or take a course that has not been approved by the Board	Possibly the course must address the practice of public accounting in Washington state.
Wyoming	Yes	No	Yes	Yes	We require a course on Wyoming statutes & Rules. (Yes)	At least 2 hours.	Every 3 years.	Yes	It if included a state specific portion on Wyoming statutes and rules.

State of California
Department of Consumer Affairs

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

Memorandum

Practice Privilege TF Agenda Item V
September 9, 2004

Board Agenda Item VIII.F.6
September 10, 2004

To : Practice Privilege Task Force
Board Members

Date : September 1, 2004

Telephone : (916) 561-1718
Facsimile : (916) 263-3674

From : Renata M. Sos, Chair
Practice Privilege Task Force

Subject : Additional Arguments Related to Consideration of a Safe Harbor Provision for Notices

Some additional arguments have been identified that are relevant for our discussion of a Safe Harbor Provision. They are being provided for consideration in advance of the meeting:

1. A safe harbor allows a person to begin practicing in California before the person has told the California Board, under penalty of perjury, that he or she does not have any of the disqualifying conditions, or the conditions that require review by the Board staff before the privilege can first be granted. A safe harbor would allow someone who is not qualified for an instant practice privilege to use the privilege anyway until the time that the form is due, and then, and only then, learn of or disclose to the Board the disqualifying condition.

2. A safe harbor means that someone who practices in California for a short time with no intention of ever filing the form, and never does file it, may not have violated the California Accountancy Act, or at least, it will be difficult to prove a violation. The practical effect of a safe harbor is that anyone can come in for the time period of the safe harbor.

3. Delayed filing of the form under a safe harbor means that the person can practice in California for a period of time without first making the promises required in sections 6 - 9 of the form, which include agreement to abide by California's laws and regulations, consent to personal and subject matter jurisdiction of the Board, agreement to cooperate with CBA inquiries, and consent to the release of information from other state and federal agencies, and from NASBA. (Delayed filing of the form also delays the making of the promise in item 5 not to sign a report on an attest engagement under the practice privilege unless the person meets California requirements to sign attest reports.)

I look forward to our discussions on September 9th.

State of California
Department of Consumer Affairs

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

Memorandum

Practice Privilege TF Agenda Item V
September 9, 2004

Board Agenda Item VIII.F.6.
September 10, 2004

To : Practice Privilege Task Force
Board Members

Date : August 16, 2004

Telephone : (916) 561-1718
Facsimile : (916) 263-3674

From : Renata M. Sos, Chair
Practice Privilege Task Force

Subject : Consideration of a Safe Harbor Provision for Notices

Under our proposed statutes, the practice privilege commences once proper notice is given and payment is submitted to the Board. The Practice Privilege Task Force (PPTF) early on voted to recommend to the Board that notice be required at or before the time the practice of public accountancy commenced.

The statutes give the Board flexibility to adopt by regulation a "safe harbor" period for the submission of notifications to the Board: that is, although notification would be due at the time the practice of public accountancy begins, the notification form could be submitted to the Board some number of days later. The statutes also provide that if it chooses to adopt a safe harbor, the Board may by regulation shorten the life of the practice privilege (ordinarily one year) in cases where notice does not occur simultaneously with the start of the practice of public accountancy in this state. The issues of whether to recommend a safe harbor and its duration are now before this task force.

Arguments For and Against a Safe Harbor Period

This topic has been discussed at length in task force and Board meetings. Here are the arguments that have been made for and against, as I understand them:

For: A safe harbor will encourage reporting to this Board and discourage avoidance of notification. Certain CPAs may be unable to notify the Board simultaneously with the start of practice in this state (for example, the junior CPA who is sent at a moment's notice to do an inventory in California). It is better for consumer protection to get notice a little late than to not get it at all. Moreover, the lack of a safe harbor could unfairly penalize qualified CPAs for innocent and arguably insignificant failures to timely submit notifications. There is, moreover, no enforcement risk in a reasonable safe harbor period. The statutes give this Board disciplinary authority over those who try to use the safe harbor period to practice without notice. Those individuals can be found in violation of Section 5096.1 of the statutes (Practice Without Notice) and appropriately disciplined by the Board.

Against: The notice form will be on-line, simple and straightforward. Given today's technologies, simultaneous notification should not be a problem, even for CPAs under intense time pressures. A safe harbor undermines the fundamental concept of the practice privilege – that it does not commence until notification and payment are submitted. It is in the interest of consumer protection for the Board to know immediately who is practicing public accountancy in California.

Firms versus Individuals

As you will recall, the issue of a safe harbor period originally arose, and continues to surface, in the context of larger firms. They maintain that there are circumstances in which immediate notification is impossible, given firm procedures and administrative obstacles. One option discussed by the PPTF in its May meeting was to offer a safe harbor only to CPAs employed by firms that are registered in California. As I recall, Michael Granen suggested this approach as potentially addressing the concerns raised by the large firms regarding immediate notification without compromising consumer protection. In deciding whether to take such an approach, this task force needs to consider, among other things, the fairness to CPAs *not* employed by firms registered in California.

Time Period

Should it proceed with a safe harbor, the task force also needs to consider its length. Section 23 of the UAA suggests 30 days. A few states have adopted that approach; others have settled on something in the 10-15 day range; still others are silent as to when notification is due.

In past discussions, the task force identified the following factors as salient to the question of the length of any safe harbor period: (1) encouraging compliance by all; (2) permitting compliance in circumstances where there may be delays in notification due to firm bureaucracy or time pressures on the out-of-state CPA; and (3) avoiding underreporting – that is, the time period is so long that it invites unauthorized practice without notification. I believe that these factors still apply and should guide the task force's deliberations on this point.

Attached to this memo is a revised notification form. I have attempted to conform it to the provisions of the statutes. Please note that item 10 now includes a safe harbor allowance for CPAs employed by registered firms. This revision is solely for the purposes of discussion and illustrates how a safe harbor, so limited, could affect the duration of the practice privilege.

I look forward to our discussions on September 9th.

Attachment

State of California Department of Consumer Affairs

CALIFORNIA BOARD OF ACCOUNTANCY
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WEB ADDRESS: *http://www.dca.ca.gov/cba*

DRAFT

Attachment 1

NOTIFICATION AND AGREEMENT TO CONDITIONS FOR THE PRIVILEGE TO PRACTICE PUBLIC ACCOUNTING IN CALIFORNIA PURSUANT TO CALIFORNIA BUSINESS AND PROFESSIONS CODE SECTION XXXX:

Name: _____

Prior Names: _____

Firm Name: _____

Address Of Principal Place Of Business: _____

Telephone Number (business hours): _____

Fax Number (business hours): _____

E-Mail: _____
(To facilitate contact in the event of a problem in processing your notice)

Date Of Birth: _____

Social Security Number: _____

In connection with this privilege to practice, I wish to be able to sign a report on an attest engagement. ☐ Yes ☐ No

QUALIFICATION REQUIREMENTS:

1. I am an individual.

2. My principal place of business is not in California and I do not have an office in California other than through a firm that is registered in California and of which I am an employee.

3. I have a valid license to practice public accounting in the state/jurisdiction of my principal place of business.

State/Jurisdiction: _____ License Number: _____ Date Issued: _____

4. ☐ a. The state/jurisdiction identified in item 3 above is deemed substantially equivalent by the California Board of Accountancy (see Appendix 1 for list of substantially equivalent states); **OR**

☐ b. My individual qualifications have been determined by NASBA to be substantially equivalent (NASBA file no. ____); **OR**

☐ c. I have continually practiced public accountancy as a certified public accountant under a valid license issued by any state for 4 of the last 10 years.

5. I understand that I may sign a report on an attest engagement under this privilege to practice only if I meet California's requirements to sign attest reports.

6. I agree to abide by the laws of the State of California, including the California Accountancy Act (Business and Professions Code Section 5000 et seq., accessible at *http://www.dca.ca.gov/cba/acnt_act.htm*) and the regulations thereunder (accessible at *http://www.dca.ca.gov/cba/regs.htm*).

7. I consent to the personal and subject matter jurisdiction of the California Board of Accountancy (CBA) including, but not limited to, the following:
   a. To suspend or revoke, without prior notice or hearing and in the sole discretion of the CBA or its representatives, the privilege to practice public accounting;
   b. To impose discipline for any violation of the California Accountancy Act or regulations thereunder and recover costs for investigation and prosecution; and
   c. To provide information relating to a practice privilege and/or refer any additional and further discipline to the board of accountancy of any other state and/or the SEC, PCAOB or other relevant regulatory authorities.

8. I agree to respond fully and completely to all inquiries by the CBA relating to my California practice privilege.

9. I consent to the authority of the CBA to verify the accuracy and truthfulness of the information provided in this notification. I consent to the release of all information relevant to the CBA's inquiries now or in the future by:
   a. Contacting other states;
   b. Contacting the SEC, PCAOB or any other federal agency before which I am authorized to practice; and
   c. Contacting NASBA.

10. ☐ I am submitting this notice to the CBA at or before the time I begin the practice of public accountancy in California and understand that this practice privilege expires one year from the date of this notice or; **OR**

☐ I am an employee of a firm registered in California and am submitting this notice within [____] days of beginning the practice of public accountancy in California. I understand that this practice privilege expires [11 months] from the date of this notice.

11. I have met the continuing education requirements and any ethics exam requirements for the state of my principle place of business.

12. In the event that any of the information in this notice changes, I will provide the CBA written notice of any such change within 30 days of its occurrence.

13. I am concurrently submitting the fee of $100.00.

ADDITIONAL INFORMATION:

In addition to the state of my principal place of business, I am also authorized to practice in the following states or jurisdictions.

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

State/Jurisdiction: _____ License Number: _____ Other Authority: _____

Please check any of the items below that apply. *For any checked items in (1)-(4), you must provide additional information as requested in Attachment X and* ***you are not authorized to practice in California unless and until you receive notice from the CBA that the privilege has been granted.***

☐ 1. I have been convicted of a crime other than a minor traffic violation.

☐ 2. I have had a license, registration, permit or authority to practice surrendered, denied, suspended, revoked, put on probationary status or otherwise limited.

☐ 3. I am currently the subject of an investigation, inquiry or proceeding by or before a state, federal, or local court or agency (including the PCAOB) involving my professional conduct.

☐ 4. I have had a judgment or arbitration award in an amount greater than $30,000 entered against me in a civil action alleging actionable conduct in the practice of public accountancy.

☐ 5. I failed timely to submit the required fee with a notification submitted immediately prior to this one.

I, _____, understand that any misrepresentation or omission in connection with this notification is cause for termination of any practice privilege in California and that the California Board of Accountancy will act accordingly, including the notification of other state or federal authorities. I certify under penalty of perjury under the laws of the state of California that the foregoing information is true and correct.

Signature: _____ Date: _____

Your privilege to practice commences with the submission of your completed notification and your fee. If your payment is not received by CBA within 30 days of this notification, you do not hold a valid practice privilege.

Privacy Statement:
The information provided in this form will be used by the California Board of Accountancy to determine whether you qualify for practice privileges in California. Sections 5080 through 5095 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the notification as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another governmental agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this application, and may be contacted via written correspondence at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, or by calling (916) 263-3680, regarding questions about this notice or access to records.

State of California Department of Consumer Affairs

CALIFORNIA BOARD OF ACCOUNTANCY
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ATTACHMENT X

1. If you checked items 1, 2, or 3 under additional information, please provide explanatory details:

_____

_____

_____

2. If you checked item 4 under additional information, please provide:

Date of Judgment/ Arbitration Award: _____ Jurisdiction /Court: _____ Docket No: _____

State of California
Department of Consumer Affairs

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

Memorandum

Practice Privilege TF Agenda Item VI
September 9, 2004

Board Agenda Item VIII.F.7
September 10, 2004

To : Practice Privilege Task Force Members
Board Members

Date : August 17, 2004

Telephone : (916) 561-1788
Facsimile : (916) 263-3674
E-mail : agranick@cba.ca.gov

From : Aronna Granick
Legislation/Regulations Coordinator

Subject : Consideration of the Procedure if the Individual's Fee is Not Received on Time or the Check is Dishonored

On August 16, 2004, a work group consisting of Renata Sos, Hal Schultz, Mike Granen, and Board staff met by conference call to develop recommendations to address instances in which the fee for the practice privilege is not received on time or the check is dishonored. Below, for Task Force and Board consideration, are the procedures proposed by the work group.

The following assumptions were made:

1. The *Notification and Agreement to Conditions for the Privilege to Practice Public Accounting in California* will be available on the Board's Web site. The individual will have the option of completing the form on-line or downloading the form from the Web site.
2. The practice privilege will commence on the date the notice is properly submitted to the Board, unless the individual answers affirmatively to any of the disqualifying questions.
3. The payment must be submitted concurrently with the notice and must be received by the Board within 30 days of the date of the notice. Payment will be considered to be "received" by the Board (under Section 5096) when then Board receives a check which, on the face of it, appears to be valid.
4. In accordance with Section 5096, if the payment is not received within 30 days of the date of the notice, the practice privilege never commenced.
4. Information regarding the practice privilege holder will be posted on the Web site when the payment is received.
5. The Board may not be aware a check was dishonored until six to eight weeks after the check was received.

In those instances in which the Board does not received that payment on time, the work group proposes the following procedure:

- Twenty days after the date of the notice, the Board will notify the individual that payment has not been received and that it must be received within 10 days.

- There will be a 10 day opportunity to cure. If the payment is received within the 10 days, the practice privilege will continue.
- If the payment is not received, a new notice and payment must be submitted to obtain a practice privilege.
- It will be a disqualifying condition to give notice without submitting payment in a timely manner. This disqualifying condition would prevent the individual from automatically receiving a practice privilege simply by giving notice the next time the individual seeks a practice privilege. Instead, this individual would have to wait for the Board's approval pursuant to Section 5096(g) before the practice privilege can commence (e.g. after a personal check has cleared or after a cashier's check or money order is received).

In those instances in which the check is dishonored, the work group proposes the following procedure.

- When the Board becomes aware the check was dishonored, the practice privilege will be placed on administrative suspension.
- The individual will be notified of the administrative suspension and be given a 20 day opportunity to cure. If the payment is received, the administrative suspension is lifted and the practice privilege continues.
- If payment is not received, the practice privilege will be revoked.
- It will be a disqualifying condition to give notice, attempt to pay with a dishonored check, and never resolve the matter. This disqualifying condition would prevent the individual from automatically receiving a practice privilege simply by giving notice the next time the individual seeks a practice privilege. Instead, this individual would have to wait for the Board's approval pursuant to Section 5096(g) before the practice privilege can commence (e.g. after a personal check has cleared or after a cashier's check or money order is received).

Attached as background information are excerpts from the minutes of the July 15, 2004, meeting where payment issues were discussed.

Attachment

State of California Department of Consumer Affairs

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Practice Privilege TF Agenda Item I.
September 9, 2004

Board Agenda Item VIII.F.1.
September 10, 2004

DRAFT

PRACTICE PRIVILEGE TASK FORCE
MINUTES OF THE MEETING
July 15, 2004
The DoubleTree Club Hotel
1515 Hotel Circle South
San Diego, CA 92108

CALL TO ORDER

Renata Sos, Chair, called the meeting of the Practice Privilege Task Force to order at 1:35 p.m. and welcomed the participants. Ms. Sos indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, when a quorum of the Board is present at this meeting (eight members of the Board), Board members who are not serving on the Task Force must attend as observers only.

Present:
Renata Sos, Chair
Ian Thomas
Gail Hillebrand
Harold Schultz

Absent:
Thomas Iino

Staff and Legal Counsel
Mary Crocker, Assistant Executive Officer
Patti Franz, Licensing Manager
Michael Granen, Deputy Attorney General
Aronna Granick, Legislation/Regulations Coordinator
Bob Miller, Legal Counsel
Greg Newington, Chief, Enforcement Program
Michele Santaga, Enforcement Analyst
Carol Sigmann, Executive Officer
Liza Walker, RCC Analyst
Jeannie Werner, Deputy Attorney General

process for determining substantial equivalency. It was the consensus of the Task Force to concur with Ms. Sos' suggestion.

Ms. Sos observed that with 45 substantially equivalent states and the "four of ten" rule, it is likely that there would be very few licensees who would need to qualify for substantial equivalency as individuals. She expressed an interest in obtaining more information regarding how many people would fall in this category. She added that CredentialNet's review is a six to eight-week process, and it would not be practical for Board staff to undertake such a review.

VII. Consideration of Notification Payment Issues.

A. If the individual does not pay the fee or the check is dishonored, should there be a limit to the number of subsequent notifications?

Ms. Franz reported that to prepare the fiscal impact analysis it was necessary to identify on a very high level the work flow that would be involved in processing notifications. The assumptions and the workflow chart were provided with her July 6, 2004, memo in the agenda packet (Attachment 2). She noted that in developing this workflow chart, two issues were identified by staff. One question was: If the individual does not pay the fee or the check is dishonored, should the submission of subsequent notifications be limited or prohibited? Also, would this be the same as if the individual never submitted the notice and was therefore in violation for practicing without a practice privilege?

During the discussion, Mr. Miller pointed out that it is important that the individual not be exposed to unwarranted legal problems because of a dishonored check. He noted that there is a possibility that clients could refuse to pay for services because the CPA was technically not authorized to practice. Ms. Franz suggested that one option would be to give the individual an opportunity to remedy the problem and to terminate the practice privilege if the matter was not resolved. Mr. Granen expressed an interest in there being a signature on the notification and suggested that one way to do this would be for a signed form to accompany the payment.

After discussion, Ms. Sos suggested that there be a sub-task force consisting of her, Ms. Crocker, Ms. Franz, and Mr. Granen to consider the payment issues and develop a proposal. Mr. Schultz volunteered to participate in the sub-task force to provide input from a licensee's perspective.

B. May a notification be withdrawn prior to the expiration of the 30-day payment period?

Ms. Franz called the Task Force's attention to the next issue in her July 6, 2004, memo: If an individual submits a notice and subsequently finds the California practice privilege will not be needed, may the notification be withdrawn prior to the expiration of the 30-day payment period? If so, will payment be waived if not received, or if received, refunded? It was the consensus of the Task Force that the full fee would be due upon

submitting the notification and would not be refunded. Mr. Schultz indicated it should be treated the same as a nonrefundable airline ticket.

VIII. Comments from Members of the Public.

David Stabbe, CPA, provided comments and posed questions to the Task Force. He asked if, under the practice privilege proposal, accountants from other states and other countries could come to California and practice regardless of the requirements and standards they met when they initially became licensed.

Ms. Sos responded that to obtain a practice privilege the first thing that is required is an active license from another state. Practitioners from other countries will not qualify. The second requirement is, if the practitioner wants to sign attest reports, he or she must meet California's requirements. Ms. Hillebrand indicated that the Board plans to conduct random audits of practice privilege holders to see if their qualifications match the assertions made in the notifications.

Mr. Stabbe indicated that he assumed that the practice privilege requirements would not apply to tax services. Ms. Sos responded that the requirement would apply to everything that constitutes the practice of public accounting as defined in California law. Mr. Granen concurred and clarified that an out-of-state CPA would need to get a practice privilege to prepare tax returns for California clients.

Mr. Stabbe then expressed concern that other states would enact similar laws so that there would be fees for California CPAs to prepare tax returns for clients in other states. Ms. Sos indicated that the intent is to enhance consumer protection while at the same time making it easier for CPAs to practice across borders. The intent is not to make it more expensive.

IX. Agenda Items for Next Meeting.

The agenda items that were deferred at this meeting were scheduled for discussion at the next meeting. Also on the agenda are the items in Attachment 1 proposed for discussion at the September meeting.

There being no further business, the meeting was adjourned at 3:30 p.m.