



DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY  
2000 EVERGREEN STREET, SUITE 250  
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
CERTIFIED PUBLIC ACCOUNTANT QUALIFICATIONS COMMITTEE (QC)**

**QC Meeting  
Notice & Agenda**

**Wednesday, April 25, 2012  
10:00 a.m. – 5:00 p.m.**

California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone: (916) 263-3680  
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- Roll Call and Call to Order (**Fausto Hinojosa, Chair**).
- I. Chairperson's Report (**Fausto Hinojosa, Chair**).
    - A. Approval of the January 25, 2012, Minutes.
    - B. Report on CBA Meetings.
      1. Minutes of January 26-27, 2012 CBA Meeting.
      2. Update on March 22-23, 2012 CBA Meeting.
  - II. Report on Activities in the Initial Licensing Unit (**Veronica Daniel, Licensing Manager**).
  - III. Discussion Related to Appearances Conducted in Accordance with Title 16, CCR, Sections 12.5 and 69 (**Dominic Franzella, Licensing Chief**).
    - A. Review of Letters Sent to Applicants and Employers for Scheduling Appearances
    - B. Review of Opening/Closing Statements for Use by QC During the Appearances
    - C. Review of Worksheet of Substantiation of Qualifying Experience Completed by Applicants and Employers
  - IV. Presentation on the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014 (**Dominic Franzella, Licensing Chief**).
  - V. Public Comment for Items Not on the Agenda.
  - VI. Agenda Items for Future CPA QC Meetings (**Veronica Daniel, Licensing Manager**).

Lunch.

- VII. Conduct Closed Hearings [The Committee will meet in closed session as authorized by Government Code Sections 11126(c)(2) and (f)(3), and Business and Professions Code Section 5023 to conduct closed hearings to interview individual applicants for CPA licensure.]

Adjournment.

Please note: Action may be taken on any item on the agenda. All times are approximate. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the QC are open to the public. Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the QC prior to the QC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the QC, but the QC Chair may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the QC to discuss items not on the agenda; however, the QC can neither discuss nor take official action on these items at the time of the same meeting. (Government Code secs. 11125, 11125.7(a).)

The time and order of agenda items are subject to change at the discretion of the QC Chair and may be taken out of order.

The meeting is accessible to individuals with physical disabilities. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Stephanie Hoffman at (916) 561-1743, or by email at [shoffman@cba.ca.gov](mailto:shoffman@cba.ca.gov), or send a written request to the CBA office at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.

For further information regarding this meeting, please contact:

Stephanie Hoffman, Licensing Coordinator  
(916) 561-1743 or [shoffman@cba.ca.gov](mailto:shoffman@cba.ca.gov)  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

An electronic copy of this agenda can be found at <http://www.dca.ca.gov/cba/calendar.shtml>.



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**QC Item I.A.**

April 25, 2012

Department of Consumer Affairs  
 California Board of Accountancy

Minutes of Meeting  
 January 25, 2012  
 CPA Qualifications Committee

Crowne Plaza  
 17941 Von Karman  
 Irvine, CA 92614

The regularly scheduled meeting of the Certified Public Accountant Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 a.m. on January 25, 2012 by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair  
 Jenny Bolsky  
 Brian Cates  
 Michael Haas  
 Charles Hester  
 Alan Lee  
 Kristina Mapes  
 Casandra Moore Hudnall  
 Robert Ruehl

Staff Present

Dominic Franzella, Licensing Manager  
 Stephanie Hoffman, Licensing Coordinator  
 Deanne Pearce, Assistant Executive Officer  
 Kris Rose, Licensing Manager  
 Vicky Thornton, Licensing Coordinator

QC Members Absent

Maurice Eckley, Jr., Vice-Chair  
 Carlos Aguila  
 Gary Bong  
 Ash Shenouda  
 Jeremy Smith  
 James Woyce

**I. CHAIRPERSON'S REPORT**

Fausto Hinojosa, introduced and welcomed new QC Member Jenny Bolsky.

- A. Approval of the October 19, 2011, QC Meeting Minutes.

**It was moved by Kris Mapes, seconded by Charles Hester and unanimously carried by those present to adopt the minutes of the October 19, 2011 QC Meeting.** (This item was taken out of order once a quorum was established)

- B. Minutes of the November 17 - 18, 2011 CBA Meeting.

Copies of the meeting minutes were provided to the QC members for reference purposes. The members discussed the CBA's request for an overview of the QC's activities. Deanne Pearce, Assistant Executive Officer (AEO), indicated that an educational presentation will be given to the CBA during the next year.

## **II. REPORT ON ACTIVITIES IN THE INITIAL LICENSING UNIT**

Ms. Pearce discussed the CBA election of new officers and the appointment of a QC liaison in the North. A liaison will be appointed for the South at a later date. Ms. Pearce also discussed the management changes in the Initial Licensing Unit (ILU) with the departure of Liza Walker and the hiring of Veronica Daniel as the manager. In addition, Dan Rich, the previous CBA AEO has retired and Ms. Pearce has been promoted to the position of AEO.

Ms. Pearce updated the QC on the regulation changes regarding the supervision requirements. The new regulation is effective February 9, 2012. She also reported that the Committee on Professional Conduct will discuss potential changes to reissuance and stale dated experience requirements at the CBA meeting on January 26, 2012.

The QC was provided the ILU report, which included a breakdown of the number of applications received by license type, processing timeframes and the number of licenses issued under each pathway. The report also included the number of firm applications received and processing timeframes for those applications. The numbers reported were for the time period of October 2011-December 2011.

## **III. FURTHER DISCUSSION AND EDUCATIONAL PRESENTATION RELATED TO CBA REGULATION SECTION 69 AND PERSONAL APPEARANCES**

Mr. Hinojosa provided background information and Ms. Pearce provided an overview of what the QC would be addressing at this meeting. The QC was provided copies of the letters currently sent to the applicant and/or their employer when an appearance before the QC is required. In addition, letters containing proposed changes resulting from discussions at the October 2011 QC meeting were provided for members review. The members requested that the documents contain specific and consistent information. Discussion included providing the applicant and/or employer information as to why they were requested to appear before the QC.

The QC was also provided draft opening and closing language to use as a guideline when performing a personal appearance review or Section 69 review.

The members discussed several changes to the letters and the opening and closing statements and requested staff to incorporate these edits and bring the letters and guideline back for review at the next meeting.

#### IV. PUBLIC COMMENT

None.

#### V. AGENDA ITEMS FOR FUTURE CPA QUALIFICATIONS COMMITTEE MEETINGS

- Approval of January 25, 2012 QC minutes.
- Revised Section 69 letters and opening and closing statements.
- Further discussion of Section 69 review and member training.
- Presentation regarding the 2014 licensing requirement changes.

#### VI. REVIEW FILES ON INDIVIDUAL APPLICANTS [Closed session to review and deliberate on applicant files as authorized by Government Code Section 11126(c)(2), and Business and Professions Code Sections 5022 and 5023.]

The QC conducted its annual internal audit of one percent of randomly selected staff approved applications for licensure. A total of 3,567 files were approved from July 1, 2010 through June 30, 2011. The QC reviewed 36 files and concurred with staff's approval of all applications. The QC requested clarification on documentation contained in one file.

#### VII. CONDUCT CLOSED HEARINGS [Closed session in accordance with Government Code Section 11126(c)(2) and (f)(3), and Business and Professions Code Section 5023 to conduct closed hearings to interview individual applicants for CPA licensure].

C10-034 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C12-001 Applicant appeared and presented workpapers for his government accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C12-002 Applicant appeared and presented workpapers for his public accounting experience. He has 205 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve

C12-004 Applicant's employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The material provided did not contain full sets of workpapers. The material did not reflect experience in the preparation of and reporting on full disclosure financial statements, nor experience and satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession.

The employer's understanding of the Certificate of Attest Experience was inadequate. The documentation was inadequate and did not support the firm's certification that the work demonstrates satisfactory knowledge of current standards and pronouncements.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not he will be required to reappear with work papers for the QC's review.

Firm has been placed on reappearance status.

C12-005 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve

C12-006 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve

**The following Section 69 review took place on December 14, 2011, and is made a part of these minutes.**

C11-039 Applicant and her employer appeared for a Section 69 review. The applicant has 23.25 months of experience, with a 12-month requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. However, the Certificate of Attest Experience was not affirmatively completed in its entirety and the workpapers presented did not reflect experience and satisfactory understanding of the requirements of planning an audit. It was determined that the applicant will need to obtain additional hours reflecting experience planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements consistent with current practice standards and pronouncements of the profession.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to sign attest reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not she will be required to reappear with workpapers for the QC's review.

**The following Section 69 review took place on January 18, 2012, and is made a part of these minutes.**

C12-003 Applicant and her employer appeared and presented workpapers for her public accounting experience. She has 62.5 months of experience, with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

ADJOURNMENT

There being no further business to be conducted, the meeting was adjourned at 4:00 P.M. on January 25, 2012. The next meeting of the CPA Qualifications Committee will be held on April 25, 2012.

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Fausto Hinojosa, Chair

Prepared by Vicky Thornton, Licensing Coordinator



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

QC Item I.B.1.  
 April 25, 2012

**MINUTES OF THE  
 JANUARY 26-27, 2012  
 CBA MEETING**

Crowne Plaza Irvine  
 17941 Von Karman Ave.  
 Irvine, CA 92614  
 Telephone: (949) 863-1999  
 Facsimile: (949) 474-7236

TELECONFERENCE LOCATION (1/27/12 only)  
 Imani Community Church  
 3300 MacArthur Blvd.  
 Oakland, CA 94602  
 Telephone: (510) 531- 5411

Roll Call and Call to Order.

CBA President Marshal Oldman called the meeting to order at 1:00 p.m. on Thursday, January 26, 2012 at the Crowne Plaza Hotel in Irvine. The meeting recessed at 5:28 p.m. President Oldman reconvened the meeting at 9:00 a.m. on Friday, January 27, 2012, and the meeting adjourned at 11:10 a.m.

CBA Members

January 26, 2012

Marshal Oldman, President	1:00 p.m. to 5:28 p.m.
Leslie LaManna, Vice President	1:00 p.m. to 5:28 p.m.
Michael Savoy, Secretary-Treasurer	1:00 p.m. to 5:28 p.m.
Sarah (Sally) Anderson	1:00 p.m. to 5:28 p.m.
Diana Bell	1:00 p.m. to 3:00 p.m.
Alicia Berhow	1:00 p.m. to 5:28 p.m.
Michelle Brough	1:00 p.m. to 5:08 p.m.
Donald Driftmier	1:00 p.m. to 5:28 p.m.
Herschel Elkins	1:00 p.m. to 5:28 p.m.
Laurence (Larry) Kaplan	1:00 p.m. to 5:28 p.m.
Louise Kirkbride	1:00 p.m. to 5:28 p.m.
Kitak (K.T.) Leung	1:05 p.m. to 5:28 p.m.
Manuel Ramirez	1:00 p.m. to 4:21 p.m.
David Swartz	Absent.

CBA Members

January 27, 2012

Marshal Oldman, President	9:00 a.m. to 11:10 a.m.
Leslie LaManna, Vice President	9:00 a.m. to 11:10 a.m.
Michael Savoy, Secretary-Treasurer	9:00 a.m. to 11:10 a.m.
Sarah (Sally) Anderson	9:00 a.m. to 11:10 a.m.
Diana Bell*	9:00 a.m. to 11:10 a.m.
Alicia Berhow	9:00 a.m. to 11:10 a.m.
Michelle Brough	9:00 a.m. to 11:10 a.m.
Donald Driftmier	9:00 a.m. to 11:10 a.m.
Herschel Elkins	9:00 a.m. to 11:10 a.m.
Laurence (Larry) Kaplan	9:00 a.m. to 11:10 a.m.
Louise Kirkbride	9:00 a.m. to 10:28 a.m.
Kitak (K.T.) Leung	9:00 a.m. to 11:10 a.m.
Manuel Ramirez	9:12 a.m. to 11:10 a.m.
David Swartz	Absent.

\*Ms. Bell attended the CBA meeting from a teleconference location.

Staff and Legal Counsel

Dan Rich, CBA Staff  
Rich Andres, Information Technology Staff  
Veronica Daniel, Board Relations Analyst  
Paul Fisher, Supervising Investigative CPA  
Dominic Franzella, Manager, Licensing Division  
April Freeman, Peer Review Analyst  
Rafael Ixta, Chief, Enforcement Division  
Kari O'Connor, Special Projects Analyst  
Deanne Pearce, Assistant Executive Officer  
Kris Rose, Manager, Licensing Division  
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)  
Carl Sonne, Deputy Attorney General, Department of Justice  
Matthew Stanley, Legislation/Regulation Analyst

Committee Chairs and Members

Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)  
Fausto Hinojosa, Chair, Qualifications Committee (QC)

Other Participants

John Ams, Executive Vice President, National Society of Accountants (NSA)  
Howard Cohen, Administrative Law Judge (ALJ), Office of Administrative Hearings  
Linda Dong, California Society of Accounting & Tax Professionals (CSATP)  
Jason Fox, California Society of Certified Public Accountants (CalCPA)

Patricia Kappen, California Society of Enrolled Agents (CSEA)  
Layla Khamoushian, Law Offices of Mathon & Rosenweig, P.C.  
Steve Krasnow, Small business owner  
Samuel Lemon, Center for Public Interest Law (CPIL)  
Lou Miramontes, KPMG  
Morris Miyabara, CSATP, NSA  
Linda Morlang, California Society of Tax Consultants (CSTC), NSA  
Vicki Mulak, CSEA  
Pilar Onate-Quintana  
Joseph Petito, The Accountants Coalition  
Jonathan Ross, KP Public Affairs  
Hal Schultz, CalCPA  
Charles Taylor, CSATP, NSA  
Nick Taylor, CSATP, NSA  
Norma Taylor, CSATP, NSA  
Jeannie Tindel, CalCPA

I. Report of the President.

A. Report of the January 5, 2012 Executive Leadership Roundtable.

Mr. Oldman stated that the CBA held its annual Executive Leadership Roundtable where attendees discussed a number of topics.

Mr. Oldman stated that suggestions for future CBA meeting topics include:

- Reportable Events Threshold
- Monitoring of Fund Reserve Levels and Fees for License Renewal
- Role of the Enforcement Program Oversight Committee (EPOC)
- Strategic Plan
- Unlicensed Activity
- General Fund Loans

Mr. Oldman stated that in addition to the roundtable, he hosted a meeting among stakeholders on the topic of mobility. Mr. Oldman stated that he looks forward to further discussions and, hopefully, consensus regarding this matter.

B. Educational Presentation on License Renewal and Continuing Education Requirements for CPAs.

Ms. Rose provided an overview of this item (**see Attachment 1**).

Mr. Ramirez suggested that this presentation be posted on the CBA's website as a guide for licensees.

Mr. Ramirez inquired how the insurable limits in CBA Regulation Section 75.8 were established. Ms. Shellans stated that the standard was adopted by the CBA via regulation in 1983, and last amended in 1994. Mr. Ramirez requested that the history of insurable limits be reviewed at a future meeting. Mr. Oldman assigned this matter to the CPC.

C. Announcement of New CBA Committee and Liaison Appointments.

No comments were received for this item.

II. Report of the Vice President.

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

There was no report for this item.

B. Recommendations for Appointment(s) to the Qualifications Committee (QC).

There was no report for this item.

III. Report of the Secretary/Treasurer.

Discussion of Governor's Budget.

Mr. Savoy provided an overview of this item (**see Attachment 2**).

Ms. Anderson inquired regarding the impact of the positions that have been eliminated. Mr. Rich stated that some tasks have been absorbed within existing staff resources. Mr. Rich further stated although it is not an easy task, the CBA does its best to plan and prioritize to address the workload accordingly.

**At this time, CBA members heard agenda items VII.A.-C.**

IV. Open Session. Petitions for Reinstatement.

A. Silver D. Sack – Petition for Reinstatement of Revoked Certificate.

Mr. Sack appeared before the CBA members to petition for the reinstatement of his revoked certificate.

ALJ Howard Cohen and the CBA members heard the petition and later convened into executive closed session to deliberate the matter. ALJ Cohen will prepare the decision.

B. Roland Zita – Petition for Reinstatement of Revoked Certificate.

Mr. Zita appeared before the CBA members to petition for the reinstatement of his revoked certificate.

ALJ Howard Cohen and the CBA members heard the petition and convened into executive closed session to deliberate the matter. ALJ Cohen will prepare the decision.

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

CBA members convened into closed session at 5:08 p.m., and the meeting recessed at 5:28 p.m.

- VI. Regulation Hearings and Possible Action on Proposed Regulations.

- A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1 – Retired Status.

Ms. O'Connor read the following statement regarding the regulation hearing into the record:

"This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider adopting regulations for a Retired Status License.

"The CBA is contemplating this action pursuant to the authority vested by Sections 5010, 5018, 5070.1, 5134 and 5027 of the Business and Professions Code, authorizing the CBA to amend, adopt, or repeal regulations for the administration and enforcement of the Chapter 1 of Division 3 of the Business and Professions Code.

"For the record, the date today is January 27, 2012 and the time is approximately 9:01 a.m. This hearing is being held at Crowne Plaza, 17941 Von Karman Ave., in Irvine, California.

"The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today's hearing. The language of the proposed regulations has been mailed to those who requested it and has been available on the CBA's website and upon request by other members of the public. Copies of the proposed regulations are available at the back of the room.

"If the CBA has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The

CBA shall be provided and shall consider all written comments received up until 5:00 p.m., January 23, 2012. Anyone who wishes to comment in writing but does not want to speak today is welcome to do so. If we receive written comments on the proposed regulations, they will be acknowledged and entered into the official record of the rulemaking proceedings.

“Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify by the hearing officer. If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded. Remember, it’s not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion.

“If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the CBA an opportunity to address your comments directly when the CBA makes its final determination of its response to your comments.

“Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed.”

No public comments were received.

Ms. O’Connor closed the regulation hearing at 9:03 a.m.

1. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1, and Adopt New Article 2.5 Regarding Retired Status.

**It was moved by Mr. Elkins, seconded by Mr. Driftmier and unanimously carried by those present to direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the EO to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.**

B. Regulation Hearing Regarding Title 16, CCR Section 4 – Safe Harbor.

Ms. O'Connor read the following statement regarding the regulation hearing into the record:

"This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider amending the safe harbor language.

"The CBA is contemplating this action pursuant to the authority vested by Sections 5010 of the Business and Professions Code, authorizing the CBA to amend, adopt, or repeal regulations for the administration and enforcement of the Chapter 1 of Division 3 of the Business and Professions Code.

"For the record, the date today is January 27, 2012 and the time is approximately 9:06 a.m. This hearing is being held at Crowne Plaza, 17941 Von Karman Ave., in Irvine, California.

"The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today's hearing. The language of the proposed regulations has been mailed to those who requested it and has been available on the CBA's website and upon request by other members of the public. Copies of the proposed regulations are available at the back of the room.

"If the CBA has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The CBA shall be provided and shall consider all written comments received up until 5:00 p.m., January 23, 2012. Anyone who wishes to comment in writing but does not want to speak today is welcome to do so. If we receive written comments on the proposed regulations, they will be acknowledged and entered into the official record of the rulemaking proceedings.

"Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify by the hearing officer. If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded. Remember, it's not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion.

“If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the CBA an opportunity to address your comments directly when the CBA makes its final determination of its response to your comments.

“Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed.”

Ms. Morlang stated the CSTC finds the statement changes to the safe harbor language to be irrelevant and not in the best interest of the consumer. Ms. Morlang further stated the CSTC strongly objects the amendment to the safe harbor language.

Ms. Mulak stated the CSEA opposes the amendments to the safe harbor language.

Ms. Dong stated the CSATP believes the two statements are factual but unnecessary/irrelevant. Ms. Dong further stated that CSATP opposes the proposed amendments to the current safe harbor language. Mr. Taylor concurred with Ms. Dong’s comments.

Mr. Krasnow stated that he is a small business owner, and the proposed amendments to the safe harbor language will negatively impact his business. Mr. Krasnow further stated the tone of the language is negative and he strongly encourages the CBA to not adopt the language.

Mr. Ams stated that he concurs with all remarks given. Mr. Ams stated that the NSA strongly opposes the proposed amendments. Mr. Ams further stated that the CBA would face significant legal challenges should it continue with implementing this regulation.

Ms. O’Connor closed the regulation hearing at 9:30 a.m.

**At this time, CBA members heard agenda items VI.C.-C.1.**

1. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Section 4 – Safe Harbor Language.

Mr. Elkins suggested the CBA seek a legal opinion from the Attorney General’s Office regarding the safe harbor language. Mr. Elkins further stated that he believes the language would not be held constitutional in a court.

**It was moved by Mr. Elkins and seconded by Ms. LaManna to**

**direct staff to seek a legal opinion regarding the safe harbor language and determine any further amendments. This motion was later amended (see below).**

Ms. Brough concurred with Mr. Elkins' comments and inquired what level of effort went into a cost benefit analysis regarding the proposed language.

Ms. Kirkbride concurred that the language should be reconsidered.

Ms. LaManna stated she has a concern with a non-licensed person preparing financial statements and providing the current safe harbor cover letter to a bank or a bond company. Ms. LaManna further stated that the current letter does not clearly indicate that a person is unlicensed.

Mr. Ramirez stated that he believes the CBA has an obligation to ensure the safe harbor language is appropriately drafted. Mr. Ramirez further suggested that staff work with legal counsel to draft acceptable language for CBA consideration.

**\*AMENDED MOTION\***

**It was moved by Mr. Elkins, seconded by Ms. LaManna and unanimously carried by those present to defer the safe harbor language discussion to the March 2012 CBA meeting and direct staff to work with legal counsel, and CBA members Elkins and LaManna, to obtain a legal opinion and draft language for CBA consideration.**

Mr. Ams thanked the CBA for deferring this matter.

**C. Regulation Hearing Regarding Title 16, CCR Section 37.5 – Fingerprinting and Disclosure Requirements.**

Ms. O'Connor read the following statement regarding the regulation hearing into the record:

“This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider adopting regulations to require fingerprinting for licensees who do not currently have fingerprints on file with the Department of Justice.

“The CBA is contemplating this action pursuant to the authority vested by Sections 144, 462, and 5010 of the Business and Professions Code, authorizing the CBA to amend, adopt, or repeal regulations for the administration and enforcement of the Chapter 1 of Division 3 of the Business and Professions Code.

“For the record, the date today is January 27, 2012 and the time is approximately 9:31 a.m. This hearing is being held at Crowne Plaza, 17941 Von Karman Ave., in Irvine, California.

“The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today’s hearing. The language of the proposed regulations has been mailed to those who requested it and has been available on the CBA’s website and upon request by other members of the public. Copies of the proposed regulations are available at the back of the room.

“If the CBA has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The CBA shall be provided and shall consider all written comments received up until 5:00 p.m., January 23, 2012. Anyone who wishes to comment in writing but does not want to speak today is welcome to do so. If we receive written comments on the proposed regulations, they will be acknowledged and entered into the official record of the rulemaking proceedings.

“Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify by the hearing officer. If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded. Remember, it’s not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion.

“If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the CBA an opportunity to address your comments directly when the CBA makes its final determination of its response to your comments.

“Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed.”

No public comments were received.

Ms. O’Connor closed the regulation hearing at 9:34 a.m.

1. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, CCR Section 37.5 – Fingerprinting and Disclosure Requirements.

**It was moved by Ms. Berhow and seconded by Mr. Ramirez to direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the EO to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed. This motion was later amended (see below).**

**\*AMENDED MOTION\***

**It was moved by Ms. Anderson, seconded by Ms. LaManna and carried by those present to modify the implementation date to December 31, 2013 and direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the EO to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice. Ms. Brough abstained.**

VII. Report of the Executive Officer (EO).

A. Update on Staffing.

Mr. Rich stated that the CBA currently has six vacancies. Mr. Rich stated that Deanne Pearce was recently promoted to Assistant EO. Mr. Rich further stated that all vacant Investigative CPA positions have been filled and employees will begin work on February 1.

B. Update on CBA 2010-2012 Strategic Plan.

Mr. Rich provided an overview of this item **(see Attachment 3)**.

Mr. Elkins inquired regarding the status of the internal surname process and when completion is expected. Mr. Rich stated that it is an internal process for the purpose of document review and approval prior to public release. Mr. Rich noted the project is nearly complete.

Ms. Kirkbride inquired regarding an update on the BreZE project. Ms. Pearce stated that to her knowledge the CBA was still on track for phase three release in late 2013; however, she will follow up and provide additional information once available.

C. Update on CBA 2010-2012 Communications and Outreach Plan

(Written Report Only).

Mr. Ramirez requested that staff track the number of people who access the UPDATE on the CBA website in order to monitor the success of the electronic publication.

VIII. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Ms. Pearce provided an overview of this item **(see Attachment 4)**.

B. Report on Activities Related to the New Educational Requirements for CPA Licensure set to Take Effect January 1, 2014.

Mr. Franzella provided an overview of this item **(see Attachment 5)**.

IX. Report of the Enforcement Chief.

A. Enforcement Case Activity and Aging Report.

B. Citation and Fine Activity Report.

C. Reportable Events Report.

Mr. Ixta provided an overview of items IX.A.-C. **(see Attachment 6)**.

Mr. Ramirez inquired regarding the oldest pending case. Mr. Ixta stated the oldest case is a complex matter from March 2008.

D. Update on Peer Review Implementation.

Mr. Ixta provided an overview of this item **(see Attachment 7)**.

Ms. Anderson inquired regarding staffing levels in the Enforcement Division. Mr. Ixta stated there has been a staffing deficiency in the area of peer review. Mr. Ixta further stated that the Enforcement Division is expected to be in a better staffing position within the next four to six months.

E. Discussion Regarding Options for Using Administrative Penalties in Disciplinary Cases.

Mr. Ixta provided an overview of this item **(see Attachment 8)**.

Ms. Anderson inquired regarding what would define a gift to a specific class. Mr. Ixta stated the class would need to be open to benefit the general public.

Mr. Driftmier stated that he recalls a previous continuing education (CE) symposium that was done and it was funded by a firm. Mr. Driftmier suggested that this matter be researched to determine the details of the CE symposium.

Mr. Ramirez stated that further research regarding this matter be assigned to the EPOC. Mr. Oldman concurred with Mr. Ramirez' request.

F. Results of 1<sup>st</sup> Quarter Performance Measures Report to DCA.

Mr. Ixta provided an overview of this item **(see Attachment 9)**.

X. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC).

There was no report for this item.

B. Committee on Professional Conduct (CPC).

1. Report of the January 26, 2012 CPC Meeting.

2. Discussion on Title 16, CCR Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application, Section 87 – Basic Requirements, Section 87.1 – Conversion to Active Status Prior to Renewal, and Section 88 – Programs Which Qualify.

**It was moved by Mr. Driftmier, seconded by Mr. Ramirez and unanimously carried by those present to adopt the CPC's recommendation that the CBA direct staff to prepare regulatory language that will increase the required CE hours for reissuance of a canceled license and for applicants with experience obtained more than five years prior to application from 48 to 80 hours. In addition, adopt the CPC's recommendation that the CBA accept the QC's recommendation for specifying the breakdown of the 80 hours for reissuance of a canceled license both with and without the authority to sign reports on attest engagements and experience obtained more than five years.**

3. Discussion on Initiating a Rulemaking to Amend Title 16, CCR Sections 87(e) and 87.1(d) – Eight-Hour Fraud Continuing Education Requirement.

**It was moved by Mr. Elkins, seconded by Mr. Driftmier and unanimously carried by those present to adopt the CPC's recommendation that the CBA direct staff to initiate the rulemaking process using the proposed language to reduce the**

**fraud continuing education requirement from eight hours to four hours, but deleting the sentence regarding the currency of the course content.**

4. Discussion on Initiating a Rulemaking to Amend Title 16, CCR Sections 40 and 45 – Peer Review.

The CPC recommended that the CBA direct staff to initiate the rulemaking process for peer review reporting using the proposed language and form with the following changes. The first change was that Question 6 on the form be modified. It was requested that the fine print following the “No” and “Yes” checkboxes be placed in bold, and that the direction “Go to question 7” be added to the fine print following the “Yes” answer. Additionally, a change should be made to Section 45(b) to ensure that those who still fall under the phase-in period following the implementation of these regulations will still be required to fill out the reporting form.

**It was moved by Mr. Elkins, seconded by Ms. Anderson and unanimously carried by those present to adopt the CPC’s recommendation that the CBA direct staff to initiate the rulemaking process using the proposed language and form, with the suggested changes:**

C. Legislative Committee (LC).

1. Report of the January 26, 2012 LC Meeting.
2. Discussion and Possible Action on Draft Language for Changes to Business and Professions Code Section 5070.1 – Retired Status.

**It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to adopt the LC’s recommendation that the CBA sponsor the language as a separate bill or support the language if it is a part of omnibus legislation.**

D. Peer Review Oversight Committee (PROC).

Report of the December 9, 2011 PROC Meeting.

Mr. Ixta stated that at its December meeting, the PROC discussed its recent oversight activities. Mr. Ixta further stated the PROC also discussed its assignments as a result of the November 2011 CBA meeting.

Mr. Ixta stated that the PROC will present its first annual report to the CBA in March 2012, which will incorporate observations and

recommendations for improving the peer review process.

E. Enforcement Advisory Committee (EAC).

There was no report for this item.

F. Qualifications Committee (QC).

Report of the January 25, 2012 QC Meeting.

Mr. Hinojosa stated that at the January QC meeting, there were six total appearances; two personal appearances; both were approved. Mr. Hinojosa stated there were four Section 69 appearances; three were approved and one not approved. Mr. Hinojosa stated the QC further discussed the current process when performing Section 69 and Personal Appearance Reviews and how to enhance the process to facilitate better understanding for the applicant and the employer. Mr. Hinojosa further stated that future agenda topics include continuation of discussions regarding a peer training manual and how to incorporate electronic media with the work paper review process.

**It was moved by Mr. Ramirez, seconded by Ms. Bell and unanimously carried by those present to accept the QC report.**

XI. Acceptance of Minutes

A. Draft Minutes of the November 17-18, 2011 CBA Meeting.

Mr. Ramirez requested that the first paragraph of page 19029 of the November 17-18, 2011 CBA minutes be updated to change the word "requested" to "recommended" and to add "or higher" to the end of the last sentence of the paragraph.

B. Minutes of the November 17, 2011 CPC Meeting.

C. Minutes of the July 21, 2011 LC Meeting.

D. Minutes of the October 27, 2011 PROC Meeting.

E. Minutes of the October 19, 2011 QC Meeting.

**It was moved by Mr. Ramirez, seconded by Ms. Anderson and carried by those present to accept agenda items XI.A.-E. as modified. Ms. Berhow and Ms. Brough abstained.**

XII. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

There was no report for this item.

B. National Association of State Boards of Accountancy (NASBA).

1. Update on NASBA Committees.

a. Accountancy Licensee Database (ALD) Task Force.

Ms. Anderson stated the ALD is now known as CPAVerify. Ms. Anderson further stated the committee is working on finalizing terminology for the site.

b. Board Relevance & Effectiveness Committee.

Mr. Oldman stated that he serves on the Board Relevance & Effectiveness Committee's Legislative subcommittee. Mr. Oldman further stated that the committee is pushing for state board independence.

c. Education Committee.

Mr. Driftmier stated the Education Committee's recent teleconference meeting was canceled.

d. Uniform Accountancy Act Committee (UAA).

Ms. Anderson stated the UAA subcommittee she is working on is focusing on foreign firms working in the United States. Ms. Anderson further stated that she will keep the CBA informed on the committee's activities.

2. NASBA's Request for Vice Chair Recommendations for 2012-2013.

Request to Support Walter Davenport for NASBA Vice Chair Position 2012-2013.

No action was taken regarding this item.

XIII. Closing Business.

A. Public Comments.\*

No public comments were received.

B. Agenda Items for Future CBA Meetings.

Mr. Ramirez requested an article in UPDATE to highlight the activities of

the Peer Review Unit to inform licensees that they cannot escape peer review simply by stating they are not subject to it.

C. Press Release Focus.

Recent Press Releases.

Mr. Rich stated the topics for consideration in a post-meeting press release include the results of the regulatory hearings and information on where the CBA stands regarding safe harbor.

Adjournment.

President Oldman adjourned the meeting at 11:10 a.m. on Friday, January 27, 2012.

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Marshal A. Oldman, Esq., President

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Michael M. Savoy, CPA, Secretary-Treasurer

Veronica Daniel, Board Relations Analyst, and Deanne Pearce, Assistant Executive Officer, CBA, prepared the CBA meeting minutes. If you have any questions, please call (916) 561-1718.

**CALIFORNIA BOARD OF ACCOUNTANCY  
INITIAL LICENSING UNIT REPORT  
JANUARY 2012 – MARCH 2012**

QC Item II.  
April 25, 2012

<b>INITIAL LICENSING</b>	<b>January</b>	<b>February</b>	<b>March</b>
<b>CPA Licensure Applications Received by Type *</b>			
Type A	302	210	226
Type B	11	14	15
Type C	38	26	31
Type D	11	5	4
Type E	1	4	4
<b>Total</b>	<b>363</b>	<b>259</b>	<b>280</b>
<b>Processing Time Frames (Days)</b>			
CPA	20	14	12
<b>Applicants Licensed Under</b>			
Pathway 0	2	2	1
Pathway 1A	52	37	38
Pathway 1G	50	53	40
Pathway 2A	90	80	78
Pathway 2G	212	145	141
<b>Total</b>	<b>406</b>	<b>317</b>	<b>298</b>
<b>Firm Applications Received</b>			
Partnership	17	5	3
Corporation	38	20	12
Fictitious Name Permit (Registration)	34	17	11
<b>Total</b>	<b>89</b>	<b>42</b>	<b>26</b>
<b>Processing Time Frames (Days)</b>			
Partnership	12	10	8
Corporation	12	10	8
Fictitious Name Permit (Registration)	12	10	8

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**INITIAL LICENSING UNIT REPORT**  
**JANUARY 2012 – MARCH 2012**  
**UNIT ACTIVITIES**

**Initial Licensing Unit**

- On February 9, 2012 Sections 12 and 12.5 of the CBA Regulations, which included a definition of supervision, became effective. Supervision now requires an applicant's supervisor to have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and to have authority and oversight over the applicant.
- The CPA Licensing Applicant Handbook has been updated and has been posted to the CBA website.
- The California Society of CPAs (CalCPA) has invited CBA staff to participate in a webinar on the new educational requirements for CPA licensure. It will be held on Friday, April 27, 2012 at Santa Clara University. Staff will present an overview of the upcoming educational changes to a live audience of roughly 80 individuals that will be simultaneously webcast for increased participation and outreach. Staff at the event and at the CBA office will also be available to answer questions. CalCPA has titled the webinar "150 Answers to 150 Hours."

**\*Application Types**

**Type A** – An applicant who passed the Uniform CPA Exam in California and is applying for licensure as a CPA in California for the first time.

**Type B** – An applicant who passed the Uniform CPA Exam in a state other than California and has not been issued a valid license to practice public accounting in any state and is applying for licensure as a CPA in California for the first time.

**Type C** – An applicant who passed the Uniform CPA Exam in a state other than California and was issued a valid license to practice public accounting in a state other than California.

**Type D** – An applicant who previously was licensed as a CPA in California and the certificate was cancelled after five years for nonpayment of license renewal fees.

**Type E** – An applicant who passed the Canadian Chartered Accountant Uniform Certificate Public Accountant Qualification Examination (CAQEX) of the American Institute of Certified Public Accountants (AICPA) or the International Uniform Certified Public Accountant Qualification Examination (EQEX) of the AICPA and the National Association of State Boards of Accountancy (NASBA).



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**QC Item III.A.**  
April 25, 2012

**Discussion Related to Appearances Conducted in Accordance with Title 16, CCR, Sections 12.5 and 69 – Review of Letters Sent to Applicants and Employers for Scheduling Appearances**

**Staff:** Dominic Franzella, Licensing Chief

**Date:** April 2, 2012

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**Purpose of the Item**

This item is to facilitate further discussion related to the Qualifications Committee (QC) peer training plan.

**Action(s) Needed**

The QC is being asked to provide final input on correspondence sent to applicants and employers regarding requests to appear pursuant to CBA Regulation Section 69 and personal appearances.

**Background**

At the April 2011 QC meeting, staff introduced an agenda item regarding the development of a training plan that members could use for CBA Regulation Section 69 and personal appearance reviews. The purpose of the peer training is to establish and document best practices related to interview format and procedures for current and new members.

At the October 2011 meeting, members provided input on the use of electronic media during personal appearances; the development of instructions for the firms relevant to the completion of the *Certificate of Attest Experience* and the staff selection process used for a Section 69 review and personal appearances.

At the January 2012 meeting, members reviewed and discussed appearance letters that staff send to Certified Public Accountants (CPA) applicants and employers. In addition, members formulated opening and closing statements for use during the various interviews.

**Comments**

Based on members' comments from the January 2012 meeting, staff has updated the letters for Section 69 and personal appearances. **(Attachments 1, 2, and 3)**

**Discussion Related to Appearances Conducted in Accordance with Title 16, CCR,  
Sections 12.5 and 69**

Page 2

After the conclusion of the meeting, staff will make any final edits and begin using the letters when notifying applicants and employers regarding appearances before the QC.

**Recommendation**

None

**Attachments:**

1. Personal Appearance Letter to Applicant
2. Section 69 Letter to Applicant
3. Section 69 Letter to Employer



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Date

Attachment 1

Name

Address

City, State Zip Code

Dear : DRAFT Personal Appearance letter to APPLICANT

The California Board of Accountancy (CBA) has reviewed your application for Certified Public Accountant (CPA) licensure; however, your application has been deferred to determine if you meet the experience requirements of California Accountancy Act Section 5095 and CBA Regulation Section 12.5 (copies enclosed). You have been scheduled for an interview with the Qualifications Committee (QC) because [Indicate reason, i.e. government, relationship, questionable amount of hours, etc.] Prior to your interview, please read the referenced sections and the *Certificate of Attest Experience*, including its instructions, as they will answer many of your questions.

For the interview process you will present to the QC complete sets of workpapers from several engagements in which you have participated. Please include the resulting financial statements with the accountants' report as issued. The QC understands that in all likelihood you may not have completed all workpaper sections under review; however, the QC needs to have the complete workpapers to grasp your overall involvement.

Your documentation should include several different engagements in which you have participated, as one engagement may not be sufficient to adequately demonstrate your experience. The workpapers should illustrate your understanding of the requirements of planning and conducting a financial statement audit or performing other attest services with minimal supervision that results in an opinion on full disclosure financial statements.

Original workpapers are preferred; however, legible photocopies of the entire audit/review workpapers are acceptable. Should you choose to bring the workpapers in an electronic format, please bring all essential equipment, including a laptop computer (two if possible), extension cord, flash drive, and items necessary to connect to the internet, if needed. The CBA is unable to provide any equipment that may be necessary to access electronic files.

Enclosed is the *Worksheet of Substantiation of Qualifying Experience Under Section 12.5 (Worksheet)*. When completed, this form enumerates the audit areas included in the *Certificate of Attest Experience* and its instructions. You **MUST** provide **TWO** copies of the completed *Worksheet* to the QC at the beginning of your interview.

You should complete the *Worksheet* with workpaper references, and identify those CBA Regulation Section 12.5 procedures you performed for each client to which you were assigned during the period covered by the *Certificate of Attest Experience*. Please keep in mind that during the meeting with the QC the *Worksheet* will serve as an index to the workpapers presented. Thorough cross-referencing to pertinent workpaper sections will help ensure an efficient and prompt review of your work.

Name  
Date  
Page 2

You are responsible for providing sufficient, competent, evidential material to the QC to determine whether you have met the provisions of CBA Regulation Section 12.5. Please ensure your information is complete when you appear.

**You have been scheduled to meet with the Qualifications Committee on:**

Date: TBD

Time: TBD

Place: TBD

Approximately 45 minutes have been allotted for your appearance. Please contact the CBA immediately if you are unable to attend at the date and time referenced above.

If you have any questions regarding this matter, please contact me by telephone at (916) 561-XXXX or by e-mail at [email address@cba.ca.gov](mailto:email address@cba.ca.gov).

Sincerely,

CBA Staff  
Title

Enclosures



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Date

**Attachment 2**

Name

Address

City, State Zip

Dear: **Draft Section 69 letter to applicant**

The California Board of Accountancy (CBA) has reviewed your application for Certified Public Accountant (CPA) licensure; however, your application has been deferred to determine if you meet the experience requirements of California Accountancy Act Section 5095 and CBA Regulation Section 12.5 (copies enclosed). The Qualifications Committee (QC) has requested to meet with your employer for this review as it is an evaluation of the (employer's) understanding of CBA Regulation Section 12.5 and the *Certificate of Attest Experience*. Enclosed is a copy of the letter that was sent to [Firm Name Here]. This review is being conducted under the provisions of CBA Regulation Section 69, a copy of which, including explanatory materials, is enclosed.

Although not required, the QC requests that you make every effort to attend. The QC believes that the process is greatly improved when the employer and the applicant appear together and that the need for follow-up meetings is lessened. In addition, the QC's decision will have a direct impact on your licensure. Please keep in mind that this is a review of the employer's understanding of CBA Regulation Section 12.5 and the *Certificate of Attest Experience*. Topics may be discussed that do not relate to your application, and there may be instances where the QC will ask to speak to each party separately.

**This paragraph is used if applicant is not licensed:**

As an alternative to obtaining licensure with the authorization to sign reports on attest engagements, you may request licensure with general experience under California Accountancy Act Section 5092. A CPA license that is issued based on general experience will authorize you to provide any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills. However, you are not authorized to sign reports on attest engagements of any kind. Should you elect to pursue licensure with general experience rather than attest, please submit your request in writing to the CBA.

**This sentence is used if applicant is currently licensed:**

As a reminder, while you are currently licensed with general experience, you are not authorized to sign reports on attest engagements of any kind.

Accordingly, your application will be retained in a deferred status pending satisfactory completion of the experience requirement. If you have any questions regarding this matter, please contact me by telephone at (916) 561-XXXX or by e-mail at [email address@cba.ca.gov](mailto:email address@cba.ca.gov).

Sincerely,

**CBA Staff Member**

Title

Enclosures



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Date

**Attachment 3**

Name

Firm Name

Address

City, State Zip

RE: **Applicant Name**

Dear: **Draft Section 69 letter to Employer**

You have been scheduled to meet with the California Board of Accountancy (CBA) Qualifications Committee (QC) regarding the *Certificate of Attest Experience* you signed and submitted on behalf of the above-named applicant. This review is being conducted under the provisions of CBA Regulation Section 69, a copy of which, including explanatory materials, is enclosed.

The QC has scheduled this appearance to review and evaluate your understanding of CBA Regulation Section 12.5 and the *Certificate of Attest Experience*.

Prior to your appearance, please complete the following enclosed forms and provide TWO copies:

1. *Section 69 Firm Information Sheet*

The *Section 69 Firm Information Sheet* provides the review team with a general understanding of your practice.

2. *Worksheet of Substantiation of Qualifying Experience Under Section 12.5 (Worksheet)*

The *Worksheet* enumerates the audit areas included on the *Certificate of Attest Experience* and its instructions. Please complete the Worksheet with workpaper references. It should identify those CBA Regulation Section 12.5 procedures the applicant performed for each client to which the applicant was assigned during the period covered by the *Certificate of Attest Experience*. The *Worksheet* will serve as an index to the workpapers presented. Thorough cross-referencing to pertinent workpaper sections will help ensure an efficient and prompt review of the applicant's work.

For this review, you are to present the QC complete sets of workpapers, including the resulting financial statements with the accountant's report as issued. It is understood that not all workpaper sections may have been completed by the applicant under review; however, the QC needs to have the complete workpapers to grasp the applicant's overall involvement.

Your documentation should include several different engagements in which the applicant has participated, as one engagement may not be sufficient to adequately demonstrate the applicant's experience. The workpapers you present should illustrate that the applicant has an understanding of the requirements of planning and conducting a financial statement audit or performing other attest services with minimal supervision that resulted in an opinion on full disclosure financial statements.

Name  
Date  
Page 2

Original workpapers are preferred; however, legible photocopies of the entire audit/review workpapers are acceptable. Should you choose to bring the workpapers in an electronic format, please bring all essential equipment, including a laptop computer (two if possible), extension cord, flash drive, and items necessary to connect to the internet, if needed. The CBA is unable to provide any equipment that may be necessary to access electronic files.

Please keep in mind, this is a review of your understanding of the *Certificate of Attest Experience* and subjects may be discussed that would not specifically relate to the applicant. Conversely, subjects discussed could relate solely to the applicant and not affect the firm. For this reason, the applicant should be encouraged to attend the Section 69 meeting. There may be instances however, where the QC members may wish to speak to you and applicant separately.

**You have been scheduled to meet with the Qualifications Committee on:**

Date: TBD

Time: TBD

Place: TBD

Approximately one hour has been allotted for your appearance. Your failure to appear and provide the requested documents delays the applicant licensure process and may be viewed by the CBA as an attempt to impede the applicant's certification. This may result in your name being forwarded to the CBA Enforcement Division for possible disciplinary consideration and/or the applicant filing a complaint against you pursuant to CBA Regulation Section 69.

In the event extenuating circumstances arise preventing you from attending the meeting as scheduled, please contact me at (916) 561-XXXX. You may designate, in writing, another licensee to represent you. This designation must be received in the CBA office prior to the appearance. Designation of another licensee, however, does not absolve you of your responsibilities as the signer of the *Certificate of Attest Experience*.

If you have any questions regarding this matter, please contact me by telephone at (916) 561-XXXX or by e-mail at [email address@cba.ca.gov](mailto:email address@cba.ca.gov).

Sincerely,

CBA Licensing Staff  
Title

Enclosures

c: Applicant Name



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**QC Item III.B.**  
April 25, 2012

**Discussion Related to Appearances Conducted in Accordance with Title 16, CCR, Sections 12.5 and 69 – Review of Opening /Closing Statements for Use by QC During the Appearances**

**Staff:** Dominic Franzella, Licensing Chief  
**Date:** April 2, 2012

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**Purpose of the Item**

This item is to facilitate further discussion related to the Qualifications Committee (QC) peer training plan.

**Action(s) Needed**

The QC is being asked to provide final input on the draft opening and closing statements which members may use during interviews with applicants or employers or both.

**Background**

At the April 2011 QC meeting, staff introduced an agenda item regarding the development of a training plan that members could use for CBA Regulation Section 69 and personal appearance reviews. The purpose of the peer training is to establish and document best practices related to interview format and procedures for current and new members.

At the October 2011 meeting, members provided input on the use of electronic media during personal appearances; the development of instructions for the firms relevant to the completion of the *Certificate of Attest Experience* and the staff selection process used for a Section 69 review and personal appearances.

At the January 2012 meeting, members reviewed and discussed appearance letters that staff send to Certified Public Accountants (CPA) applicants and employers. In addition, members formulated opening and closing statements for use during the various interviews.

**Comments**

Based on members' comments from the January 2012 meeting, staff have updated the opening and closing statements for Section 69 and personal appearances.  
**(Attachment 1)**

**Discussion Related to Appearances Conducted in Accordance with Title 16, CCR,  
Sections 12.5 and 69**

**Page 2**

After the conclusion of the meeting, staff will make any final edits and begin providing them for members use at future appearances.

**Recommendation**

None

**Attachments:**

1. Opening and Closing Statements to Applicants or Employers or Both

DRAFT

Opening and Closing Statements to Applicants or Employers or Both

Personal Appearance

Proposed Opening Statement

Good afternoon. I am **[member name]**, and this is **[member name]**. We are members of the Qualifications Committee, which is an advisory committee that assists the California Board of Accountancy in its licensure activities. As you know, we are here today to review the workpapers you brought to determine whether you meet the minimum requirements for CPA licensure with the authorization to sign reports on attest engagements. Do you have any questions about the process? At the conclusion of the review you may be asked to step out of the interview in order for the members to discuss the information provided.

You were asked to bring in two copies of the worksheet for substantiation of qualifying experience. Please provide that now.

Proposed Closing Statement – Recommending Licensure

**(Applicant is brought back into the room)**. Thank you for coming in today. After reviewing the documents, we will be recommending to the CBA that you be issued a CPA license. You should be receiving a letter in approximately one week. As a reminder, you cannot sign reports on attest engagements **(or if not currently licensed with general licensure)** hold yourself out as a CPA until you receive (official notification) or (your license number) from the CBA. Do you have any questions? Congratulations and thank you again for coming in.

Proposed Closing Statement – Not Recommending Licensure

**(Applicant is brought back into the room)** Thank you for coming in today. After reviewing the documents, at this time we cannot recommend licensure. This is based on **(explain to the applicant the deficiencies found during the review)**. You will receive a letter from the CBA in approximately two weeks detailing the outcome of this meeting and your possible options. As a reminder you are not authorized to sign attest engagements **(OR if not already licensed with general experience provide the pink form included in the file that allows them to choose a general license.)** Thank you again for coming in today.

Section 69 Appearance

Proposed Opening Statement

Good afternoon, I am **[member name]** and this is **[member name]**. We are members of the Qualifications Committee, which is an advisory committee that assists the California Board of Accountancy in its licensure activities. As you know, we are here today to review the workpapers you brought to determine your (the employer's) understanding of the *Certificate of Attest Experience* and whether the experience obtained by the applicant meets the minimum requirements for CPA licensure with the authorization to sign reports on attest engagements. Do you have any questions about the process? At the conclusion of the review we may ask one

or both of you to step out of the interview in order for the members to discuss the information provided with the employer or among our members.

Proposed Closing Statement – Firm No Reappearance

Statement to Employer – [**Employer (and Applicant if appropriate) is brought back into the room**]. Thank you for coming in today. After reviewing and discussing the work papers we have found that you have a clear understanding of the Certificate of Attest Experience.

Proposed Closing Statement – Firm Reappearance

Statement to Employer - (**Employer ONLY is brought back into the room**). Thank you for coming in today. Based on (explain to the employer the deficiencies found in the work papers) your firm's understanding of CBA Accountancy Act Section 5095 and CBA Regulation Section 12.5 does not meet the CBA's requirements. As a result we will be recommending to the CBA that your firm be placed on reappearance, requiring you to reappear before our Committee with the next applicant you submit a *Certificate of Attest Experience* for. Thank you again for coming in today.

Proposed Closing Statement – Recommending Licensure (Applicant)

Statement to Applicant – [**Applicant (and Employer if appropriate) is brought back into the room**]. Thank you for coming in today. After reviewing the documents we will be recommending to the CBA that you be issued a CPA license. You should be receiving a letter from the CBA in approximately a week. As a reminder, you cannot sign reports on attest engagements (**or if not currently licensed with general licensure**) hold yourself out as a CPA until you receive (official notification) or (your license number) from the CBA. Do you have any questions? Congratulations and again thank you for coming in.

Proposed Closing Statement – Not Recommending Licensure (Applicant)

Statement to Applicant – (**Applicant ONLY is brought back into the room**). Thank you for coming in today. After reviewing the documents at this time we cannot recommend licensure. This is based on (**explain to the applicant the deficiencies found during the review**). You will receive a letter from the CBA in approximately two weeks detailing the outcome of this meeting and your possible options. As a reminder you are not authorized to sign attest engagements (**OR if not already licensed with general experience provide the pink form included in the file that allows them to choose a general license.**) Thank you again for coming in today.



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**QC Item III.C.**  
April 25, 2012

**Discussion Related to Appearances Conducted in Accordance with Title 16, CCR, Sections 12.5 and 69 – Review of Worksheet for Substantiation of Qualifying Experience Completed by Applicants and Employers**

**Staff:** Dominic Franzella, Licensing Chief

**Date:** April 2, 2012

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**Purpose of the Item**

This item is to facilitate further discussion related to the Qualifications Committee (QC) peer training plan.

**Action(s) Needed**

The QC is being asked to provide final input on the DRAFT *Worksheet for Substantiation of Qualifying Experience Under CBA Regulation, Section 12.5 (Worksheet)*.

**Background**

At the April 2011 QC meeting, staff introduced an agenda item regarding the development of a training plan that members could use for CBA Regulation Section 69 and personal appearance reviews. The purpose of the peer training is to establish and document best practices related to interview format and procedures for current and new members.

At the October 2011 meeting, members provided input on the use of electronic media during personal appearances; the development of instructions for the firms relevant to the completion of the *Certificate of Attest Experience* and the staff selection process used for a Section 69 review and personal appearances.

At the January 2012 meeting, members reviewed and discussed appearance letters that staff send to Certified Public Accountants (CPA) applicants and employers, and formulated opening and closing statements for use during various interviews. In addition, members discussed re-formatting and changing the *Worksheet*.

**Comments**

Based on members' comments from the January 2012 meeting, staff have updated the *Worksheet*. **(Attachment 1)**

**Discussion Related to Appearances Conducted in Accordance with Title 16, CCR, Sections 12.5 and 69**

Page 2

After the conclusion of the meeting, staff will make any final edits and begin providing the *Worksheet* to the applicants and employers when scheduling them for appearances before the QC.

**Recommendation**

None

**Attachments:**

1. *Worksheet for Substantiation of Qualifying Experience Under CBA Regulation, Section 12.5.*





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**QC Item IV.**  
April 25, 2012

**Presentation on the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014**

**Presented by:** Dominic Franzella, Licensing Chief  
**Date:** April 2, 2012

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**Purpose of the Item**

Staff are providing this item to keep the Qualifications Committee (QC) informed regarding the new educational requirements for CPA licensure.

**Action(s) Needed**

None

**Background**

As most members are probably aware, as part of its 2009 legislative year, the California Legislature passed Senate Bill (SB) 819 (Chapter 308). Included in Senate Bill 819, were provisions which significantly transformed the landscape for obtaining a certified public accountant (CPA) license in California.

As part of the new educational requirements, applicants for CPA licensure will need to complete an additional 20 semester units of accounting study and 10 semester units of ethics study beyond the present 24 semester units of accounting and 24 semester units of business-related subjects. To assist the CBA in developing and implementing the new educational requirements, the Legislature established the Accounting Education Committee to assist with the 20 semester units of accounting study, and the Ethics Curriculum Committee to assist with the 10 semester units of ethics study.

**Comments**

Since late last year after the two committees offered their respective proposals to the CBA, staff has taken a proactive approach in getting information out regarding the specifics for the new requirements. Some of the steps staff has taken include:

- Developed a webpage providing information on the CBA proposal for the accounting study (including information on the rulemaking process), the final version of the ethics study guidelines (as adopted by the Legislature), a tip sheet on the requirements for licensure beginning January 1, 2014 (**Attachment 1**), and a series of frequently asked questions

## **Presentation on the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014**

Page 2 of 2

- Taken to social media and conducted two Facebook events whereby individuals could ask questions and receive answers on the new educational requirements
- Conducted two Open Houses, inviting faculty from colleges and universities throughout the state and provided a presentation on the upcoming changes

At the April 2012 meeting, staff will provide a PowerPoint presentation that will overview the new educational requirements and staff's initial plan for incorporating the new requirements into its present educational review processes. The presentation will draw heavily from the one developed by staff as part of the two Open Houses.

### **Recommendation**

None

### **Attachments**

1. Educational Requirements for CPA Licensure Beginning January 1, 2014



# EDUCATIONAL REQUIREMENTS FOR CPA LICENSURE BEGINNING JANUARY 1, 2014

Attachment 1

## BACCALAUREATE DEGREE – 150 SEMESTER UNITS

### 24 SEMESTER UNITS – ACCOUNTING SUBJECTS

- Accounting
- Financial Reporting
- Auditing
- Financial Statement Analysis
- Taxation
- External & Internal Reporting

### 24 SEMESTER UNITS – BUSINESS-RELATED SUBJECTS

- Business Administration
- Economics
- Marketing
- Computer Science & Information Services
- Business Management
- Finance
- Statistics
- Business-related law courses offered at an accredited law school
- Business Communications
- Business Law
- Mathematics
- Any accounting subjects in excess of the 24 units needed to fulfill the accounting requirement

### 20 SEMESTER UNITS – ACCOUNTING STUDY (PROPOSED)

- Minimum 6 semester units in accounting subjects (see above)
- Maximum 14 semester units in business-related subjects (see above)
- Maximum 9 semester units in other academic work relevant to business and accounting (maximum 3 units from any one area)
  - Skills-based courses – Courses completed in the following disciplines: English, Communications, Journalism, and the Physical, Life, Natural, & Social Sciences
  - Foreign Languages/Cultural & Ethnic Studies – Courses in foreign languages (including sign language) and courses with the terms culture, cultural, or ethnic in the titles
  - Industry-based courses – Courses with the words “industry” or “administration” in the title or courses completed in the following disciplines: Engineering, Architecture, and Real Estate
- Maximum 4 semester units in internships/independent studies in accounting and/or business-related subjects
- Completion of a Master of Accounting, Taxation, or Laws in Taxation is equivalent to 20 semester units of accounting study

### 10 SEMESTER UNITS – ETHICS STUDY (RESULTING FROM PASSAGE OF SB 773)

- Minimum 3 semester or 4 quarter units in accounting ethics or accountants’ professional responsibilities. Applicants must meet this requirement beginning January 1, 2017.
  - The course must be completed at an upper division level or higher, unless it was completed at a community college.
- Maximum 7 semester or 11 quarter units in courses containing any of the following terms in the course title:
 

<ul style="list-style-type: none"> <li>○ Auditing</li> <li>○ Business Leadership</li> <li>○ Corporate Governance</li> <li>○ Ethics</li> <li>○ Human Resources Management</li> <li>○ Management of Organizations</li> <li>○ Organizational Behavior</li> </ul>	<ul style="list-style-type: none"> <li>○ Business, Government &amp; Society</li> <li>○ Business Law</li> <li>○ Corporate Social Responsibility</li> <li>○ Fraud</li> <li>○ Legal Environment of Business</li> <li>○ Morals</li> <li>○ Professional Responsibilities</li> </ul>	}	<p>Until January 1, 2017, applicants can complete the accounting ethics requirement by selecting courses from this group.</p>
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- Maximum 3 semester or 4 quarter units in courses from the following disciplines:
 

<ul style="list-style-type: none"> <li>○ Philosophy</li> <li>○ Religion</li> <li>○ Theology</li> </ul>	<ul style="list-style-type: none"> <li>○ Course title must contain one of the following words or terms, or the sole name in the course title is the name of the discipline.               <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> <li>▪ Introduction</li> <li>▪ Introductory</li> </ul> </td> <td style="vertical-align: top; padding-left: 20px;"> <ul style="list-style-type: none"> <li>▪ General</li> <li>▪ Principles of</li> </ul> </td> <td style="vertical-align: top; padding-left: 20px;"> <ul style="list-style-type: none"> <li>▪ Fundamentals of</li> <li>▪ Foundations of</li> </ul> </td> <td style="vertical-align: top; padding-left: 20px;"> <ul style="list-style-type: none"> <li>▪ Survey of</li> </ul> </td> </tr> </table> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Introduction</li> <li>▪ Introductory</li> </ul>	<ul style="list-style-type: none"> <li>▪ General</li> <li>▪ Principles of</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fundamentals of</li> <li>▪ Foundations of</li> </ul>	<ul style="list-style-type: none"> <li>▪ Survey of</li> </ul>
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- Maximum of one semester unit in a course devoted solely to financial statement auditing