



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PUBLIC MEETING NOTICE FOR THE CBA STRATEGIC PLANNING WORKSHOP,
ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC), LEGISLATIVE
COMMITTEE (LC), AND CBA MEETINGS**

DATE: Wednesday, July 25, 2012

**CBA STRATEGIC PLANNING
WORKSHOP**

TIME: 10:00 a.m. to 4:00 p.m.

DATE: Thursday, July 26, 2012

COMMITTEE MEETING (EPOC)

TIME: 9:00 a.m.

COMMITTEE MEETING (LC)

TIME: 9:30 a.m., or upon adjournment
of the EPOC meeting.

CBA MEETING

TIME: 10:00 a.m. to 5:00 p.m.

PLACE: Tsakopoulos Library Galleria
828 I Street
Sacramento, CA 95814
Telephone: (916) 264-2800
Fax: (916) 264-2809

Enclosed for your information is a copy of the agendas for the Strategic Planning Workshop, EPOC, LC and CBA meetings on July 25-26, 2012. For further information regarding these meetings, please contact:

Kari O'Connor, Board Relations Analyst
(916) 561-1716, or koconnor@cba.ca.gov
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

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

The next CBA meeting is scheduled for September 20-21, 2012 in Southern CA.

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Kari O'Connor at (916) 561-1718, or email koconnor@cba.ca.gov, or send a written request to the CBA Office at 2000 Evergreen Street, Ste. 250, Sacramento, CA 95815. Providing your request is at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC)
AGENDA

Thursday July 26, 2012
9:00 a.m.

Tsakopoulos Library Galleria
828 I Street
Sacramento, CA 95814
Telephone: (916) 264-2800
Fax: (916) 264-2809

Roll Call and Call to Order (**Diana Bell, EPOC Chair**).

- I. Approve Minutes of the May 24, 2012 EPOC Meeting (**Diana Bell, EPOC Chair**).
- II. Discussion and Possible Action on Defining the Responsibilities of the CBA Member Liaison to the Enforcement Advisory Committee (EAC) (**Rafael Ixta, Enforcement Chief**).
- III. Discussion and Possible Action on Establishing Guidelines for EPOC Members to Audit a Closed and Finalized Case (**Rafael Ixta**).
- IV. Public Comments.*
- V. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the EPOC 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 EPOC prior to the EPOC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the EPOC. Individuals may appear before the EPOC to discuss items not on the agenda; however, the EPOC can take no official action on these items at the time of the same meeting. (Government Code sec. 11125.7(a).)

CBA members who are not members of the EPOC may be attending the meeting. However, if a majority of members of the full board are present at the EPOC meeting, members who are not members EPOC may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
LEGISLATIVE COMMITTEE (LC)
AGENDA**

Thursday July 26, 2012
9:30 a.m.

Or upon adjournment of the
Enforcement Program Oversight Committee

Tsakopoulos Library Galleria
828 I Street
Sacramento, CA 95814
Telephone: (916) 264-2800
Fax: (916) 264-2809

Roll Call and Call to Order (**Sally Anderson, LC Chair**).

- I. Approve Minutes of the May 24, 2012 LC Meeting (**Sally Anderson**).
- II. Update on Bills on Which the CBA Has Taken a Position (AB 1345, AB 1409, AB 1537, AB 1588, AB 1904, AB 1914, AB 1982, AB 2022, AB 2041, AB 2570, SB 103, SB 975, SB 1099, SB 1327 and SB 1576) (**Matthew Stanley, CBA Staff**).
- III. Consideration of Position on SB 1405: Accountancy: Military Service: Practice Privilege (**Matthew Stanley**).
- IV. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice (**Matthew Stanley**).
- V. Discussion and Possible Action to Amend Business and Professions Code Section 5076 – Peer Review (**Matthew Stanley**).
- VI. Public Comments.*
- VII. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the LC 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 LC prior to the LC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the LC. Individuals may appear before the LC to discuss items not on the agenda; however, the LC can take no official action on these items at the time of the same meeting. (Government Code sec. 11125.7(a).)

CBA members who are not members of the LC may be attending the meeting. However, if a majority of members of the full board are present at the LC meeting, members who are not members LC may attend the meeting only as observers.



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

**CBA MEETING
AGENDA**

**Thursday, July 26, 2012
10:00 a.m. – 5:00 p.m.**

Tsakopoulos Library Galleria
828 I Street
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Important Notice to the Public

The order of agenda items other than those identified as "time certain" are approximate. Agenda items may be discussed and action taken out of order at the discretion of the CBA President.

July 26, 2012

- Roll Call and Call to Order (**Marshal Oldman, President**).
- I. Report of the President (**Marshal Oldman**).
 - II. Report of the Vice President (**Leslie LaManna**).
 - A. Recommendations for Appointments/Reappointments to the Enforcement Advisory Committee (EAC).
 - B. Recommendations for Appointments/Reappointments to the Qualifications Committee (QC).
 - C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee (PROC).
 - III. Report of the Secretary/Treasurer (**Michael Savoy**).

- A. Discussion on Governor's Budget.
- IV. Report of the Executive Officer (EO) **(Patti Bowers)**.
 - A. Update on Staffing.
 - B. Update on CBA 2010-2012 Communications and Outreach Plan **(Lauren Hersh, Information and Planning Manager)**.
 - C. Discussion and Possible Action to Amend Business and Professions Code Section 5008 Regarding Eliminating the Requirement that the CBA Distribute the UPDATE Publication and Instead Allow that it be Made Available to Licensees **(Lauren Hersh)**.
- V. Report of the Licensing Chief **(Dominic Franzella)**.
 - A. Report on Licensing Division Activity.
- VI. Report of the Enforcement Chief **(Rafael Ixta)**.
 - A. Enforcement Case Activity and Aging Report.
 - B. Citation and Fine Activity Report.
 - C. Reportable Events Report.
 - D. Update on Peer Review Program.
 - E. Results of the 3rd Quarter Performance Measures Report to DCA.
- VII. Regulation Hearing and Possible Action on Proposed Regulations
 - A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 40 and 45 – Peer Review Reporting **(Matthew Stanley, CBA Staff)**.
 - B. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 40 and 45 – Peer Review Reporting **(Matthew Stanley)**.
 - C. Discussion and Possible Action on Issuing a 15-Day Notice of Modified Text at Title 16, California Code of Regulations (CCR) Sections 15,15.1,15.2, 15.3,15.4,70,71, and 87.1 – Retired Status **(Dominic Franzella)**.

Time Certain
12:30 p.m.

VIII. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC) (**Diana Bell, Chair**).

1. Report of the July 26, 2012 EPOC Meeting.
2. Discussion and Possible Action on Defining the Responsibilities of the CBA Member Liaison to the Enforcement Advisory Committee.
3. Discussion and Possible Action on Establishing Guidelines for EPOC Members to Audit a Closed and Finalized Case.

B. Legislative Committee (LC) (**Sally Anderson, Chair**).

1. Report of the July 26, 2012 LC Meeting.
2. Update on Bills on Which the CBA has Taken a Position (AB 1345, AB 1409, AB 1537, AB 1588, AB 1904, AB 1914, AB 1982, AB 2022, AB 2041, AB 2570, SB 103, SB 975, SB 1099, SB 1327 and SB 1576).
3. Consideration of Position on SB 1405 – Accountancy: Military Service: Practice Privilege.
4. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.
5. Discussion and Possible Action to Amend Business and Professions Code Section 5076 – Peer Review.

C. Committee on Professional Conduct (CPC) (**Michael Savoy, Chair**).

No Report.

D. Strategic Plan Committee (**Manuel Ramirez, Chair**).

Report of the July 25, 2012 Strategic Planning workshop.

E. Enforcement Advisory Committee (EAC) (**Cheryl Gerhardt, Chair**).

Report of the July 12, 2012 EAC Meeting.

F. Qualifications Committee (QC) (**Fausto Hinojosa, Chair**).

No Report

G. Peer Review Oversight Committee (PROC) (**Nancy Corrigan, Chair**).

1. Report of the June 15, 2012 PROC Meeting.
2. Discussion and Possible Action on the Role of PROC.

IX. Acceptance of Minutes.

- A. Draft Minutes of the May 24-25, 2012 CBA Meeting.
- B. Minutes of the May 24, 2012 EPOC Meeting.
- C. Minutes of the May 24, 2012 LC Meeting.
- D. Minutes of the April 20, 2012 PROC Meeting.

X. Other Business.

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

No Report.

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

1. Update on NASBA Committees.
 - a. Accountancy Licensee Database Task Force (**Patti Bowers/Sally Anderson**).
 - b. Board Relevance & Effectiveness Committee (**Marshal Oldman**).
 - c. Education Committee (**Donald Driftmier**).
 - d. Uniform Accountancy Act Committee (UAA) (**Sally Anderson**).

XI. Closing Business.

- A. Public Comments.*
- B. Agenda Items for Future CBA Meetings.
- C. Press Release Focus (**Lauren Hersh**).

Recent Press Releases.

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

Adjournment.

Action may be taken on any item on the agenda. The time and order of agenda items are subject to change at the discretion of the CBA President and items may be taken out of order.

In accordance with the Bagley-Keene Open Meetings Act, all meetings of the CBA are open to the public. While the CBA intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources.

*Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the CBA prior to the CBA taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the CBA, but the CBA President may, at his or her discretion, apportion available time among those who wish to speak. Individuals may appear before the CBA to discuss items not on the agenda; however, the CBA can neither discuss nor take official action on these items at the time of the same meeting (Government Code Sections 11125, 11125.7(a)).



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CBA Item II.C.
July 26, 2012

**Recommendation For Appointment of Vice Chair to the
Peer Review Oversight Committee (PROC)**

Presented by: Leslie LaManna, Vice President

Date: July 26, 2012

Purpose of the Item

Recommendation for appointment of Mr. Robert A. Lee, CPA, as Vice Chair to the PROC.

Action Needed

It is requested that the CBA adopt the following recommendation.

Background

This recommendation was made on the advice of and in consultation with the committee chair, Nancy J. Corrigan, CPA, who carefully reviewed and considered the needs of this committee and the skills and talents of existing and prospective committee members.

Comments

None

Recommendation

Ms. Corrigan recommends, with my concurrence, the appointment of Mr. Robert A. Lee, CPA, as Vice Chair to the PROC.

Attachments

Resume/CV



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CBA Item IV.B.
 July 26, 2012

Update on CBA 2010-2012 Communications and Outreach Plan

Presented by: Lauren Hersh, Information & Planning Manager

Date: July 12, 2012

Purpose of the Item

The purpose of this agenda item is to keep CBA members informed of communications and outreach efforts and activities.

Action(s) Needed

No specific action is required on this agenda item.

Background

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

Comments

UPDATE Publication

The Spring Edition of UPDATE was published, posted to the CBA website and distributed via E-News on May 25th. Copies were mailed to the 2,479 licensees and interested parties who have opted-in to receive hard copies of UPDATE by mail on June 15th. UPDATE is periodically promoted via social media as well. There have been nearly 24,087 hits to the Spring Edition of UPDATE online as of June 20th.

E-News

E-News subscriptions have increased by nearly 2,000 since the last report. The largest increase was notably California Licensee, followed by those requesting the UPDATE publication. The table indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

List Name	External	Internal	Total
California Licensee	7,774	45	7,819
Consumer Interest	3,619	50	3,669
Examination Applicant	2,347	40	2,387

Update on CBA 2010-2012 Communications and Outreach Plan

Page 2 of 3

Licensing Applicant	2,753	43	2,796
Out-of-State Licensee	1,810	38	1,848
Statutory/Regulatory	6,225	52	6,277
CBA Meeting Info & Agenda Materials	2,751	31	2,782
UPDATE Publication	5,345	11	5,356
Total subscriptions	32,624	310	32,934

Social media

The current trend in social media has been shifting away from focusing on the number of fans or followers as meaningful information, to the quality of engagement the organization has with its fans and followers. Nonetheless, staff will continue to report the numbers as well as levels of engagement.

At this writing, the CBA has approximately 1,450 fans on Facebook and reaches approximately 1,550 on a weekly basis. Much of the interaction is with students, exam candidates and young professionals. These groups of 18-34 year olds appear to be most interested in information on exam scores, career topics and enforcement issues. To augment content that staff provides from the CBA website, content is shared from several AICPA and NASBA Facebook pages. Engagement with our Facebook fans is becoming more entrenched, and fans are beginning to use this avenue to communicate with us when they have questions or need assistance with exam information or initial licensing. Occasionally, we get helpful suggestions in response to our posts. One fan suggested we add exam tips we shared from NASBA to the CBA Licensing Handbook.

The CBA currently has approximately 830 followers on Twitter, and they tend to be early to mid-career professionals. The CBA is also followed by a number of state agencies and universities, both in-state and out. Engagement on Twitter takes the form of individuals responding to tweets and followers re-tweeting our tweets to their followers. Our Twitter followers are most interested in financial and regulatory news, consumer protection information and links, information about exposure drafts and issues that involve the profession. In addition to original content from the CBA, staff re-tweets appropriate content from well-regarded professional publications such as Accounting Today, and business periodicals like the Harvard Business Review.

Media Relations

Staff fielded media calls as a result of the Mayer Hoffman McCann Disciplinary Order and Stipulated Settlement voted on by the CBA at the May CBA meeting. Stories ran in the Los Angeles Times, Journal of Accountancy, Going Concern and Accounting News, as well as a number of media outlets that subscribe to the Associated Press.

Update on CBA 2010-2012 Communications and Outreach Plan

Page 3 of 3

Recommendation

Staff has no recommendation on this item.

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**CBA Item IV.C**

July 26, 2012

**Discussion and Possible Action to Amend Business and Professions Code
Section 5008 Regarding Eliminating the Requirement that the CBA Distribute the
UPDATE Publication and Instead Allow that it be Made Available to Licensees**

Presented by: Lauren Hersh, Information & Planning Manager

Date: July 12, 2012

Purpose of the Item

The purpose of this agenda item is to determine whether California Board of Accountancy (CBA) members want to amend Business and Professions (B&P) Code Section 5008 to eliminate the requirement that the CBA distribute the UPDATE publication and instead, allow the CBA to make it available through posting on the CBA website. This amendment would make the law consistent with the present practice.

Action(s) Needed

The CBA will be asked to approve a proposed amendment to B&P Code Section 5008 to eliminate the requirement that the CBA distribute the UPDATE publication and instead allow the CBA to make it available through posting on the CBA website.

Background

In March 2011, staff began discussions with the Department of Consumer Affairs' (DCA) Office of Printing, Design & Editing (PD&E) regarding a redesign of the UPDATE publication. At the request of the DCA Executive Office, PD&E was reaching out to several boards to assist with transitioning hard copy newsletters to a digital newsletter that could be posted on the CBA and DCA websites, and delivered electronically. The services to assist with this transition were included in the CBA's pro rata costs already paid to DCA.

Understanding that many readers may want to continue receiving the hard copy version, staff created a process to allow readers to "opt-in" for a hard copy. The Spring 2011 edition of UPDATE contained instructions to assist readers in completing a form on the CBA website that would enable them to continue receiving a hard copy of UPDATE by mail. Additionally, readers were encouraged to sign up for E-News in order to receive an e-mail notification when the UPDATE is posted to the CBA website.

Electronic Distribution of UPDATE

Page 2 of 3

At the request of CBA members, the Fall 2011 edition of UPDATE included a banner on the front page to remind readers of the upcoming change to electronic format, and again provided information to assist them in “opting-in” to receive a hard copy by mail.

In January 2012, UPDATE became primarily available through posting on the CBA website. E-News notifications were sent to those registered in addition to those who requested hard copies. Also at the request of the CBA, a separate postcard was mailed to all licensees and interested parties reminding them of the change to electronic format and providing the opportunity to “opt-in” to receive a hard copy by mail. In addition to the web-based opt-in instructions, recipients were provided a telephone number to call and a postal address to send written requests to opt-in to receive the printed copy of UPDATE by mail.

At the March 2012 CBA meeting, a request was made to seek clarification from legal counsel regarding whether the present method of UPDATE distribution via electronic means was in accordance with existing regulations.

Comments

Following the January 2012 distribution of the UPDATE publication via the CBA website, hard copies continued to be sent to those individuals who “opted-in.” At present, approximately 2,500 licensees and 63 interested parties receive a hard copy. Additionally, an E-News notification regarding the availability of the UPDATE publication on the CBA website is sent to 5,300 individuals. There have also been a significant number of website hits for UPDATE. To date, the Winter edition of UPDATE has received over 43,000 hits and the Spring edition of UPDATE has received over 26,000 hits.

Supporting the decision to continue posting of the UPDATE publication via the CBA website are:

- The digital format, posted on the CBA website and distributed via E-News, would save more than 40,000 dollars in printing and mailing costs for each edition, for a savings of \$120,000 per year.
- The savings in mailing costs alone satisfied a mandatory expenditure reduction in 2011, eliminating the need for expenditure reductions in other CBA areas.
- The digital format enables staff to include links to additional resources within an article that enhance the value of the article to readers.
- The digital format makes it possible to share UPDATE via social media, enabling the CBA easily reach the accounting students, exam candidates, licensing applicants and young professionals who make up the majority of our social media followers.

Electronic Distribution of UPDATE

Page 3 of 3

To ensure the CBA is in compliance with the statute that guides the distribution of UPDATE (defined in statute as a report of the activities of the board), legal counsel has suggested an amendment to B&P Code Section 5008, to eliminate the requirement that the CBA distribute the UPDATE publication and instead allow the CBA to make it available, through posting on the CBA website.

Since the CBA began making update available via the website, no adverse comments have been received from licensees, consumers, or stakeholders.

Fiscal/Economic Impact Considerations

The electronic distribution of UPDATE would save more than 40,000 dollars in printing and mailing costs for each edition, for a savings of \$120,000 per year.

Recommendation

Staff recommend the CBA approve the proposed amendment to B&P Code Section 5008 (**Attachment**), to eliminate the requirement that the CBA distribute the UPDATE publication and instead allow the CBA to make it available, through posting on the CBA website.

Attachment

Proposed Amendments to Business and Professions Code Section 5008

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**Attachment**

**Proposed Amendments
Business and Professions Code Section 5008**

5008. Reports; Preparation and distribution

(a) The board shall, from time to time, but not less than twice each year, prepare and distribute to all licensees, a report of the activities of the board, including amendments to this chapter and regulations adopted by the board, and may likewise distribute reports of other matters of interest to the public and to practitioners.

(b) The distribution requirements of this section may be met by posting the report on the board's Internet website.

**CALIFORNIA BOARD OF ACCOUNTANCY
REPORT ON LICENSING DIVISION ACTIVITIES
April 2012 – June 2012**

**CBA Item V.A.
July 26, 2012**

EXAMINATION	April	May	June
CPA Examination Applications Received			
First-Time Sitter	620	699	935
Repeat Sitter	1,060	1,408	1,983
CPA Examination Applications Processed			
First-Time Sitter	538	670	530
Repeat Sitter	1,215	1,455	2,036
Processing Time Frames (Days)			
First-Time Sitter	23	24	25
Repeat Sitter	7	5	5
INITIAL LICENSING			
CPA Licensure Applications Received			
CPA	220	360	294
Partnership	4	9	8
Corporation	12	29	21
Fictitious Name Permit (Registration)	7	13	7
Processing Time Frames (Days)			
CPA	14	20	18
Partnership	6	8	8
Corporation	6	8	8
Fictitious Name Permit (Registration)	6	8	8
Applicants Licensed Under			
Pathway 0	1	0	0
Pathway 1A	33	20	41
Pathway 1G	59	31	40
Pathway 2A	70	58	62
Pathway 2G	172	115	156

**CALIFORNIA BOARD OF ACCOUNTANCY
REPORT ON LICENSING DIVISION ACTIVITIES
April 2012 – June 2012**

RENEWAL AND CONTINUING COMPETENCY	April	May	June
Total Number of Licensees			
CPA	84,466	84,440	84,712
PA	123	126	127
Partnership	1,499	1,415	1,414
Corporation	3,898	3,703	3,718
Licenses Renewed			
CPA	2,614	2,732	3,520
PA	0	2	2
Partnership	59	54	41
Corporation	160	186	113
CE Worksheet Review			
CPA/PA Applications Reviewed	3,671	4,010	3,077
Deficient Applications Identified	360	333	303
Compliance Responses Received <i>(Including Requests for Inactive Status)</i>	276	156	27
Enforcement Referrals	1	1	0
Outstanding Deficiencies <i>(Including Abandonment)</i>	83	176	276
PRACTICE PRIVILEGE			
Notifications Received			
Hardcopy	37	39	32
Electronic	139	111	88
Disqualifying Conditions Received			
Approved	4	1	2
Denied	0	0	0
Pending	4	4	4
Practice Privilege Suspension Orders			
Notice of Intent to Suspend	8	4	6
Administrative Suspension Order	1	1	2

**CALIFORNIA BOARD OF ACCOUNTANCY
REPORT ON LICENSING DIVISION ACTIVITIES
April 2012 – June 2012**

DIVISION ACTIVITIES

- Staff from the Examination and Initial Licensing Units have come together to form a taskforce that will consider best practices for implementing the new licensure requirements set to take effect on January 1, 2014, coordinate training activities for all Licensing Division staff, and further the CBA's outreach efforts in this regard. An update on taskforce activities will be provided at future CBA meetings.
- The Renewal and Continuing Competency (RCC) Unit is actively working on the implementation process for retired status which is set to take effect January 1, 2013 upon OAL approval of the regulations.
- In anticipation of the fingerprint regulations set to take effect in 2014, staff from the Initial Licensing and RCC Units are working to identify licensees who have not previously submitted fingerprints as a condition of licensure or for whom an electronic record of the licensee's fingerprints does not exist in the Department of Justice's criminal offender database.

COMMITTEE NEWS

CPA Qualifications Committee

The next Qualifications Committee (QC) meeting is scheduled to take place on August 1, 2012 at the Hilton Ontario Airport in Ontario, CA. The QC plans to continue its discussions on the development of a training plan that members can use when conducting CBA Regulation Section 69 and personal appearance interviews/reviews. CBA members will be kept apprised at future meetings regarding the progress of the peer training manual.

**CALIFORNIA BOARD OF ACCOUNTANCY
ENFORCEMENT CASE ACTIVITY and AGING REPORT
June 1, 2011 - May 31, 2012**

	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
COMPLAINTS												
Received	89	54	73	58	61	86	69	79	971	72	87	67
Closed	6	20	5	5	7	9	20	4	32	20	38	8
Assigned	73	47	66	54	47	69	56	78	937	50	46	65
Pending	17	4	6	5	12	20	14	10	12	14	17	11
CONVICTIONS/ARREST REPORTS												
Received	16	10	18	11	9	20	18	2	13	16	11	7
Closed	8	5	13	10	8	17	17	2	12	15	9	7
Assigned	5	8	5	1	1	1	3	0	0	2	1	1
Pending	3	0	0	0	0	2	0	0	1	0	1	0
INVESTIGATIONS (Non Sworn)												
Assigned	78	55	71	55	48	70	58	78	937	52	47	66
Closed	39	32	82	59	31	58	42	40	945	77	58	39
Pending	339	362	351	347	364	376	392	431	424	398	387	412
INVESTIGATIONS (Sworn)												
Assigned	0	0	0	0	0	0	0	0	0	0	0	0
Closed	0	0	0	0	1	0	0	0	0	0	0	0
Pending	1	1	1	1	0	0	0	0	0	0	0	0
CASE AGING												
< 18 months	307	321	308	302	318	333	339	376	370	347	331	353
18-24 months	20	28	30	30	29	27	35	33	30	28	31	31
> 24 months	12	13	13	15	17	16	18	22	24	23	25	28 ¹
Average Age of Pending Investigations (days)	240	241	237	249	256	244	253	240	250	253	264	265
Median Age of Pending Investigations (days)	157	166	163	172	189	169	184	173	184	173	175	181
¹ Of the 28-cases that are listed as greater than 24 months, twelve (12) continue to be investigated, seven (7) are pending referral to the AG's office, five (5) are being recommended for closure, and four (4) are pending the issuance of a citation and fine.												

**CALIFORNIA BOARD OF ACCOUNTANCY
CITATION AND FINE ACTIVITY REPORT
FOR THE PERIOD 7/1/11 THRU 6/10/12**

CBA Item VI.B

July 26, 2012

VIOLATION ANALYSIS

RULE		AVERAGE FINE AMOUNT	TOTAL CITATIONS ISSUED	TOTAL FINES ASSESSED	APPEALS RECEIVED
	ACCOUNTANCY RULES AND REGULATIONS				
3	NOTIFICATION OF CHANGE OF ADDRESS	\$150	3	\$450	
52	RESPONSE TO BOARD INQUIRY	\$326	23 ¹	\$7,500	6
63	ADVERTISING	\$500	1	\$500	2 ²
87	CE BASIC REQUIREMENTS	\$355	19	\$6,750	6
87.8	CE REGULATORY REVIEW COURSE	\$250	2	\$500	
89	CE CONTROL AND REPORTING	\$417	3	\$1,250	
93	UNEXPIRED LICENSES	\$375	2	\$750	1
	BUSINESS AND PROFESSIONS CODE SECTION				
5037/68	OWNERSHIP OF ACCOUNTANTS' WORKPAPERS	\$750	3	\$2,250	
5050	PERMIT	\$750	4	\$3,000	2
5060	NAME OF FIRM	\$625	6	\$3,750	3
5070.5	EXPIRATION OF PERMITS; RENEWAL/CE REQUIREMENTS.	\$375	2	\$750	1
5070.6	RENEWAL OF EXPIRED PERMITS	\$0	1	\$0	
5100c	DISCIPLINE IN GENERAL- DISHONESTY, FRAUD, GROSS NEGLIGENCE, REPEATED ACTS	\$750	2	\$1,500	
TOTALS			71	\$28,950	

¹ The citations and fines issued for the Rule 52 violations will be reported separately under the Peer Review Program.

² Appeals received for violation(s) of CCR 63 were from citations issued in previous FY.

RECONCILIATION OF FINES OUTSTANDING 7/1/11-6/10/12

Balance at 7/1/11	\$53,452
Fines Assessed 7/1/11 - 6/10/12	\$28,950
Reinstated - Revoked License	\$1,200
Appeal Adjustments 7/1/11 - 6/10/12	
Withdrawn Violations (4 violations, 2 cases)	(\$1,500)
Modified Citations (9 violations, 3 cases)	(\$1,350)
Remain as Issued Citations (8 violations, 4 cases)	\$0
Collections 7/1/11 - 6/10/12	(\$21,498)
Fines Outstanding at 6/10/12	\$59,255

COMPOSITION OF FINES OUTSTANDING

Fine Added to License Renewal Fee/B & P 125.9 (76 violations, 36 cases)	\$55,200
AG Referral (Citation Appealed/Non Compliance) (0 violations, 0 cases)	\$0
Issued/Pending Receipt of Fine (2 violations, 1 case)	\$750
Installment Payments (2 violations, 1 case)	\$805
7/18/2012 10:00 AM Appeal Pending Review (5 violations, 4 cases)	\$2,500
Total Fines Outstanding at 6/10/12	\$59,255

**CALIFORNIA BOARD OF ACCOUNTANCY
REPORTABLE EVENTS REPORT
07/01/11 – 06/18/12**

	RECEIVED
Felony Conviction – 5063(a)(1)(A)	1
Criminal Conviction – 5063(a)(1)(B)	0
Criminal Conviction – 5063(a)(1)(C)	0
Cancellation, Revocation, Suspension of Right to Practice by Other State or Foreign Country – 5063(a)(2)	2
Cancellation, Revocation, Suspension of Right to Practice before Any Governmental Body or Agency – 5063(a)(3)	2
Restatements – 5063(b)(1) <ul style="list-style-type: none"> • Governmental – 94 • Non Profit – 6 	100
Civil Action Settlement – 5063(b)(2)	10
Civil Action Arbitration Award – 5063(b)(2)	1
SEC Investigation – 5063(b)(3)	2
Wells Submission – 5063(b)(4)	5
PCAOB Investigation – 5063(b)(5)	2
Civil Action Judgement – 5063(c)(1)(2)(3)(4)(5)	2
Reporting by Courts – 5063.1	0
Reporting by Insurers – 5063.2	17
TOTAL REPORTABLE EVENTS RECEIVED 07/01/11 TO 06/18/12	144

**DEPARTMENT OF CONSUMER AFFAIRS**

CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
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**CBA Item VI.D.**

July 26, 2012

Update on Peer Review Program**Presented by:** Rafael Ixta, Enforcement Chief**Date:** June 25, 2012**Purpose of the Item**

The purpose of this agenda item is to highlight actions that have occurred in the peer review program since the May 2012 California Board of Accountancy (CBA) meeting.

Action Needed

No specific action is required on this agenda item.

Background**Citations**

Enforcement staff is preparing to issue approximately 550 citations to delinquent licensees who failed to respond to CBA peer review notification letters. It is anticipated that these citations will be issued in late July 2012.

Consistent with the 872 citations previously issued, the citations will include a \$250 administrative fine for violation of Title 16, California Code of Regulations, Section 52 – Response to a Board Inquiry. Section 52 requires a licensee respond to any CBA inquiry within 30 days.

Verifications

Enforcement staff began reviewing the Peer Review Reporting Forms of licensees that reported they are operating as a firm but not subject to peer review. Staff has reviewed 120 reporting forms.

Verifications will be performed on 100% of the reporting forms submitted by licensees that received a citation for failing to respond to peer review correspondence. Additionally, verifications will be performed on 5% of corporations and partnerships, and 2% of Certified Public Accountants that reported prior to July 1, 2011.

Correspondence to Licensees Regarding Peer Review Reporting

Licensees with license numbers ending in 67-00 are required to submit a Peer Review Reporting Form by July 1, 2013. The peer review notification letters for this group were sent to the Department of Consumer Affairs for printing and mailing, and the anticipated date of mailing is July 2, 2012.

Update on Peer Review Program

Page 2 of 2

Reporting Statistics

A total of 36,391 Peer Review Reporting Forms have been submitted to the CBA from licensees in the first two groups of the phase-in period. The reporting forms are categorized as follows:

Licenses Ending in 01-33 (7/1/11 Reporting Date)

Peer Review Required	2,238
Peer Review Not Required (firms)	4,226
Peer Review Not Applicable (non-firms)	<u>15,478</u>
	21,942

Licenses Ending in 34-66 (7/1/12 Reporting Date)

Peer Review Required	1,116
Peer Review Not Required (firms)	2,960
Peer Review Not Applicable (non-firms)	<u>10,423</u>
	14,499

Telephone and Email Statistics

The statistics for contacts concerning peer review are as follows:

Method of Contact:	Dec	Jan	Feb	Mar	Apr	May
Telephone	163	173	875	629	297	381
E-mail	33	55	138	171	211	150

Comments

None

Fiscal/Economic Impact Considerations

None

Recommendation

None

Attachment

None



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CBA Item VI.E
July 26, 2012

RESULTS OF 3rd QUARTER
PERFORMANCE MEASURES REPORT TO DCA

Presented By: Rafael Ixta, Enforcement Chief

Date: June 15, 2012

Purpose of the Item

As part of the Department of Consumer Affairs' (DCA) commitment to consumer protection and its ongoing efforts to better serve consumers and licensees, the DCA is improving its enforcement business function.

The attached table displays a list of the performance measures that have been established by the DCA, the CBA target for each of these measures and the results from the CBA's Performance Measures Report for the third quarter (January 1, 2012 – March 31, 2012).

Action(s) Needed

No specific action is required on this agenda item.

Background

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

Comments

None

Recommendations

None

Attachment

**RESULTS FROM THE DCA
PERFORMANCE MEASURES REPORT
January 1, 2012 – March 31, 2012**

DCA Performance Measure	DCA Target	CBA Target	3rd Quarter Results	Comments
PM 1; Number of Complaints and Convictions Received	Will vary by program	N/A	1,153	
PM 2; Average number of days to complete complaint intake	Set by program	10 days	4 days	
PM 3; Average number of days to complete closed cases not resulting in formal discipline	Set by program	180 days	159 days	
PM 4; Average number of days to complete investigations resulting in formal discipline	12-18 months	540 days	753 days	
PM 5; Average cost of intake and investigation for complaints not resulting in formal discipline	TBD	N/A	N/A	DCA is no longer tracking this performance measure.
PM 6; Consumer satisfaction with the services received during the enforcement process	Will vary by program	80 % Satisfaction	Not available this quarter due to low number of responses received.	DCA is not currently tracking this performance measure due to the low volume received. Boards and Bureaus are distributing pre-printed survey cards with all case closure letters in an effort to increase responses.
PM 7; Average number of days from the date a probation monitor is assigned to the date the monitor makes contact	Set by program	5 days	5 days	
PM 8; Average number of days from the time a violation is reported to the program to the time the probation monitor responds	Set by program	15 days	1 day	



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CBA Item VII.A.

July 26, 2012

Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 40 and 45 – Peer Review Reporting

Presented by: Matthew Stanley, Legislation/Regulation Analyst

Date: June 11, 2012

Purpose of the Item

The purpose of this agenda item is to provide information from the rulemaking file for the use of California Board of Accountancy (CBA) members during the regulatory hearing.

Action(s) Needed

No specific action is required on this agenda item.

Background

At its January 2012 meeting, the CBA directed staff to move forward with the rulemaking process to make revisions to Sections 40 and 45 as well as the Peer Review Reporting Form which is incorporated by reference in Section 45. These changes are to clarify licensees reporting responsibilities and require the Peer Review Reporting Form to be submitted at the time of renewal.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on May 29, 2012 and published on June 8, 2012, thus initiating the required 45-day public comment period. July 23, 2012, will mark the end of the public comment period, and on July 26, 2012, during the CBA meeting, a public hearing will be conducted on the proposed amendments.

Comments

The following attachments will aid in your preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Initial Statement of Reasons (**Attachment 2**)
- Text of Proposal (**Attachment 3**)

During the public hearing the CBA members may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Re-Notice will be required. As of the date of this memo, staff have not received any public comments in relation to this regulatory package. Any comments received after the CBA member mail out will be supplied to the CBA members at the meeting. The CBA may act to adopt the proposed regulations under CBA Agenda Item VII.B. Prior to

**Regulation Hearing Regarding Title 16, California Code of Regulations (CCR)
Sections 40 and 45 – Peer Review Reporting**

Page 2 of 2

submitting the final regulation package to OAL, staff will draft responses to any comments and prepare the Final Statement of Reasons for distribution to all persons who provided comments.

Fiscal/Economic Impact Considerations

The fiscal and economic impact is identified in Attachments 1 and 2.

Recommendation

No specific action is required on this agenda item.

Attachments

1. Notice of Proposed Action
2. Initial Statement of Reasons
3. Text of Proposal

TITLE 16. DIVISION 1. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (Board) is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at the Tsakopoulos Library Galleria, 828 I Street, Sacramento, CA, 95814, at 12:30 p.m., on July 26, 2012. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the Board at its office not later than 5:00 p.m. on July 23, 2012, or must be received by the Board at the hearing. The Board, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 5010, 5076, and 5100 of the Business and Professions Code, and to implement, interpret or make specific Section 5076 of said Code, the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Business and Professions Code (B&P) Section 5076 establishes the Board's Peer Review Program which requires that firms providing specific services must undergo a peer review every three years as a condition of renewal. In addition, B&P Section 5076 authorizes the Board to adopt regulations to implement, interpret, and make specific the peer review requirements, including document submission. This proposal will clarify and simplify the document submission process for licensees of the Board. The regulatory proposal is as follows:

1. Amend Section 40 in Title 16 of the California Code of Regulations.

This proposal would amend this section to remove the current references to reporting dates mentioned in Section 45. It also clarifies that any firm that performs specific services for the first time, whether it is newly licensed or simply new to performing those services, must complete a peer review within 18 months of the date it completes those services. Specifically, these changes would:

- Amend the language to specify that all firms performing accounting and auditing services as specified in Section 39(a) have a peer review completed every three years in order to renew their licenses.
- Combine current subsections (b) and (c) to address all firms that begin performing accounting and auditing services since their last renewal date. This means that the new subsection (b) would specify that a firm which performs accounting and auditing services for the first time have a peer review report accepted within 18 months of the date it performs those services.

2. Amend Section 45 in Title 16 of the California Code of Regulations.

This proposal would, commencing January 1, 2014, replace the initial phase-in firm reporting dates of the peer review program with the requirement that a licensee of the Board report specific peer review information required by Form PR-1 (Rev. 1/12) at the time of renewal. This form, which is incorporated by reference in this section, is revised by this proposal as well. The proposal maintains the phase-in reporting dates until January 1, 2014. The proposal deletes a requirement that a firm that performs specific services for the first time, whether it is newly licensed or simply new to performing those services, immediately report specific peer review information to the Board following the completion of its peer review. Finally, the proposal states that failure to submit the required Form PR-1 (Rev. 1/12) or making any false, fraudulent, or misleading statements as a part of, or in support of, the peer review reporting are causes for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Anticipated Benefits of the Proposal:

In February 2012, the Board sent out 872 citations to licensees who failed to respond to Board requests to report peer review information. The large number of citations was never anticipated by the Board. Each of the 872 citations issued were for failure to respond to a board inquiry and carried a fine of \$250. This represented an unforeseen annual economic impact of \$218,000.

This proposal will assist licensees in submitting the proper peer review reporting information. Furthermore, due to the change in reporting dates, it is expected that the number of citations issued for failure to respond to a Board inquiry will decrease by 75% from current levels of 872 to 218 per year. Assuming the fines would be held constant at \$250, the economic impact to the CPA profession will decrease by \$163,500 per year.

Consistency and Compatibility with Existing State Regulations

The Board has evaluated this regulatory proposal and it is neither inconsistent nor incompatible with existing state regulations.

INCORPORATION BY REFERENCE

PR-1 (Rev.1/12)

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State:

The fiscal effect of this proposal will decrease unanticipated fine revenues from their current annual level of \$218,000 per year to approximately \$54,500

annually. The large number of unexpected fines could be attributed to having a reporting date separate from license renewal, which this proposal is designed to eliminate. In addition, it is expected that there will be a decrease of approximately 300 hours of workload associated with the 75% decrease in the number of fines.

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

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

Business Impact:

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

AND

The following studies/relevant data were relied upon in making the above determination:

The proposal changes the due dates of reporting information on already mandated peer reviews. Instead of having the report due every three years depending on the licensee's number, the report will now be due on the licensee's renewal date which occurs once every two years. This means licensees will report information 50% more often than they previously were required to. The entire reporting process, however, should take no more than 5 minutes to complete. At a rate of 5 minutes of time every two years, the cost impact to licensees is considered negligible. In addition, expenses associated with submitting the form may include mailing; these expenses are minimal and should not have a significant fiscal impact on the licensees.

Cost Impact on Representative Private Person or Business:

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

The entire reporting process should take no more than 5 minutes to complete. At a rate of 5 minutes of time every two years, the cost impact to licensees is considered negligible. In addition, expenses associated with submitting the form may include mailing; these expenses are minimal and should not have a significant fiscal impact on the licensees.

Effect on Housing Costs: None

EFFECT ON SMALL BUSINESS

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

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS:

Impact on Jobs/Businesses:

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

Benefits of Regulation:

The Board has determined that this regulatory proposal will have the following benefits to health and welfare of California residents, worker safety, and state's environment:

Business and Professions Code section 5000.1 states that "protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions." Peer review is a systematic review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. This regulatory proposal benefits the health and welfare of California residents by helping to ensure that licensees who provide public accounting services to California consumers are monitored by the Board to ensure they are satisfying their requirements for mandatory peer review and are able to easily comply with peer review reporting requirements with a minimum of confusion.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposal described in this Notice, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

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

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations, and any document incorporated by reference, and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the Board at 2000 Evergreen St., Ste. 250, Sacramento, California 95815.

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

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

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

CONTACT PERSON

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

Name: Matthew Stanley
Address: 2000 Evergreen St., Ste. 250
Sacramento, CA 95815
Telephone No.: 916-561-1792
Fax No.: 916-263-3678
E-Mail Address: mstanley@cba.ca.gov

The backup contact person is:

Name: Kari O'Connor
Address: 2000 Evergreen St., Ste. 250
Sacramento, CA 95815
Telephone No.: 916-561-1716
Fax No.: 916-263-3678
E-Mail Address: koconnor@cba.ca.gov

Website Access: Materials regarding this proposal can be found at http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml.

CALIFORNIA BOARD OF ACCOUNTANCY
INITIAL STATEMENT OF REASONS

Hearing Date: July 26, 2012

Subject Matter of Proposed Regulations: Peer Review Reporting

Sections Affected: Title 16, Division 1, California Code of Regulations, Sections 40 and 45

Background/Problems Addressed

Business and Professions Code (B&P) Section 5076 establishes the Board's Peer Review Program which requires that firms providing specific services must undergo a peer review every three years as a condition of renewal. In addition, B&P Section 5076 authorizes the Board to adopt regulations to implement, interpret, and make specific the peer review requirements, including document submission. This proposal would:

- Synchronize the peer review reporting date with the renewal period;
- Address the lack of reporting requirements beyond July 1, 2013;
- Address the lack of reporting requirements for new licensees and licensees not previously subject to peer review;
- Eliminate the unnecessary distinction between new licensees and licensees not previously subject to peer review;
- Reduce confusion for licensees as to when the peer review reporting requirements need to be satisfied. By making it a requirement to report at renewal, this proposal would facilitate greater compliance as licensees are accustomed to reporting information to the CBA during their renewal process;
- Reduce staff workload by eliminating the need for notification and reminder letters separate from the renewal insert information;
- Reduce costs by eliminating separate mailings as described above;
- Clarify and improve the current Form PR-1 for ease of use by licensees.

The regulatory proposal is as follows:

1. Amend Section 40 in Title 16 of the California Code of Regulations.

Specific Purpose

This proposal would amend this section to remove the current references to reporting dates mentioned in Section 45. It also clarifies that any firm that performs specific services for the first time, whether it is newly licensed or simply new to performing those services, must complete a peer review within 18 months of the date it completes those services. Specifically, these changes would:

- Amend the language to specify that all firms performing accounting and auditing services as specified in Section 39(a) have a peer review completed every three years in order to renew their licenses.
- Combine current subsections (b) and (c) to address all firms that begin performing accounting and auditing services since their last renewal date. This means that the new subsection (b) would specify that a firm which performs accounting and auditing services for the first time have a peer review report accepted within 18 months of the date it performs those services.

Factual Basis/Rationale/Problems Addressed

When the peer review law (B&P Section 5076) was enacted in 2009 (AB 138 of 2009), the Legislature required the Board to submit a report back to the Legislature regarding specific aspects of peer review by January 1, 2013. In order to gather data for the report, the reporting dates were established to ensure that a substantial portion of licensees had undergone peer review and reported peer review results to the Board. However, SB 543 of 2011, which amended Section 5076, both extended the deadline for the report to January 1, 2015 and removed the sunset date on the program, thereby making it permanent.

During implementation, it has become clear that the due date of July 1 for reporting peer review results would be clearer to licensees if it was in conjunction with their regular license renewal date with which they are familiar. Therefore, following the phase-in of the program, which ends in 2013, the Board decided that the reporting date should coincide with the renewal date.

Therefore, this proposal removes reference in this Section to the reporting dates currently identified in Section 45 of Title 16 CCR and clarifies the remaining language.

2. Amend Section 45 in Title 16 of the California Code of Regulations.

Specific Purpose

This proposal would, commencing January 1, 2014, replace the initial phase-in firm reporting dates of the peer review program with the requirement that a licensee of the Board report specific peer review information required by Form PR-1 (Rev. 1/12) at the time of renewal. This form, which is incorporated by reference in this section, is revised by this proposal as well. The proposal maintains the phase-in reporting dates until January 1, 2014. The proposal deletes a requirement that a firm that performs specific services for the first time, whether it is newly licensed or simply new to performing those services, immediately report specific peer review information to the Board following the completion of its peer review. Finally, the proposal states that failure to submit the required Form PR-1 (Rev. 1/12) or making any false, fraudulent, or misleading statements as a part of, or in support of, the peer review reporting are causes for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Factual Basis/Rationale/Problems Addressed

When the peer review law (B&P Section 5076) was enacted in 2009 (AB 138 of 2009), the Legislature required the Board to submit a report back to the Legislature regarding specific aspects of peer review by January 1, 2013. In order to gather data for the report, the reporting dates were established to ensure that a substantial portion of licensees had undergone peer review and reported peer review results to the Board. However, SB 543 of 2011, which amended Section 5076, both extended the deadline for the report to January 1, 2015 and removed the sunset date on the program, thereby making it permanent.

During implementation, it has become clear that the due date of July 1 for reporting peer review results would be clearer to licensees if it was in conjunction with their regular license renewal date with which they are familiar. Therefore, following the phase-in of the program, which ends in 2013, the Board decided that the reporting date should coincide with the renewal date.

This proposal revises Form PR-1 (Rev. 1/12). It keeps all of the information that was included on the prior version of the form, but reorders it to increase clarity for a licensee as it is completed. In addition, it collects additional information under Question 6 regarding the licensee's current employment status. The purpose for this is that, in reading these potential responses, it will assist a licensee in determining the primary (Yes/No) answer to Question 6. During implementation, there were many questions regarding what it meant to be operating as a firm. Question 8b has also been added to the form in order to determine if the licensee is in compliance with proposed Section 40(b) of Title 16 CCR regarding whether the firm completed its first accounting and auditing service within 18 months prior to the expiration date of the license and on what date the service was completed. Finally, the required Personal Information Collection and Access disclaimer was added to the form.

As revised, Form PR-1 (Rev. 1/12) would require the licensee to:

- Disclose: licensee/firm name, business telephone number, business email address, license number, and license expiration date;
- Report: whether the licensee operates as an accounting firm. If answering no, the licensee would disclose one of the following statuses: (a) employee, partner or shareholder of an accounting firm, (b) employee, partner or shareholder of a non-accounting firm, (c) employee of the government, (d) unemployed or retired, or, (e) other. If yes, the licensee would disclose one of the following forms of business organization: (a) sole proprietorship; (b) general partnership; (c) limited liability partnership; or (d) corporation.
- Disclose the number of shareholders, partners, owners and full-time licensees of the firm;
- Report whether the licensee has performed accounting and auditing services that require a peer review report and if the firm completed its first accounting and auditing service within 18 months prior to the expiration date of the license and on what date the service was completed;

- Disclose peer review information as follows: (a) the date last peer review report was accepted; the peer review report rating; (b) whether the firm submitted its peer review report to the Board within the required 45-day period; (c) whether the peer review was administered by the California Society of Certified Public Accountants; (d) whether the peer review was administered by another organization using American Institute of Certified Public Accountants Peer Review Program; (e) the highest level of accounting and auditing service the firm provided during the three-year period encompassing peer review; (f) the cost to have the peer review performed; and, (g) the time the firm spent in preparing for the peer review.

The Form PR-1 would also:

- Provide a notice regarding collection and use of personal information given on the application.
- Require the applicant to certify their statements under penalty of perjury and attest that the all statements, answers and representations on the form are true, accurate and complete.

The foregoing form is necessary to create a process for the licensees to use to comply with the renewal requirements for peer review, to implement the requirements of Section 5076, and to assist the Board with collection of pertinent information related to its peer review program for its required report to the Legislature. The certification and disclosure requirements also assist in ensuring accurate, timely and complete information is being provided to the board prior to making a decision regarding compliance with the peer review reporting requirements.

Underlying Data

- (1) Board meeting minutes from January 26-27, 2012
- (2) Form PR-1 (Rev. 1/12)

Business Impact

This regulation will not have a significant adverse economic impact on businesses. This initial determination is based on the following facts or evidence/documents/testimony:

The proposal changes the due dates of reporting information on already mandated peer reviews. Instead of having the report due every three years depending on the licensee's number, the report will now be due on the licensee's renewal date which occurs once every two years. This means licensees will report information 50% more often than they previously were required to. The entire reporting process, however, should take no more than 5 minutes to complete. At a rate of 5 minutes of time every two years, the cost impact to licensees is considered negligible. In addition, expenses associated with submitting the form may include mailing; these expenses are minimal and should not have a significant fiscal impact on the

licensees.

It would impose the following reporting, recordkeeping, or other compliance requirements:

The proposal requires that all licensees report specific peer review information on Form PR-1 (Rev. 1/12) at the time of renewal.

Economic Impact Assessment

This regulatory proposal will have the following effects:

- It will not create or eliminate jobs within the State of California because the entire reporting process, as described in this proposal, should take no more than 5 minutes to complete. At a rate of 5 minutes of time every two years, the impact is considered negligible.
- It will not create new business or eliminate existing businesses within the State of California because the entire reporting process, as described in this proposal, should take no more than 5 minutes to complete. At a rate of 5 minutes of time every two years, the impact is considered negligible.
- It will not affect the expansion of businesses currently doing business within the State of California because the entire reporting process, as described in this proposal, should take no more than 5 minutes to complete. At a rate of 5 minutes of time every two years, the impact is considered negligible.
- This regulatory proposal does not affect worker safety because it has nothing to do with worker safety.
- This regulatory proposal does not affect the state's environment because it has nothing to do with the environment.

Benefits

Business and Professions Code section 5000.1 states that "protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions." Peer review is a systematic review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. This regulatory proposal benefits the health and welfare of California residents by helping to ensure that licensees who provide public accounting services to California consumers are monitored by the Board to ensure they are satisfying their requirements for mandatory peer review and are able to easily comply with peer review reporting requirements with a minimum of confusion.

Specific Technologies or Equipment

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

Consideration of Alternatives

The CBA has made an initial determination that no reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law than the proposal described in the Notice.

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

As this proposal is a direct result of comments and questions regarding clarity received from licensees, and the direct experience of Board staff in responding to these questions, this proposal is necessary to improve the overall clarity of the Board's peer review reporting requirements, and no alternatives were identified.

PROPOSED REGULATORY LANGUAGE

Amend Sections 40 and 45 of Division 1 of Title 16 of the California Code of Regulations to read:

§ 40. Enrollment and Participation.

(a) ~~Commencing with the operative date prescribed by Section 45(b), a A firm performing services as defined in Section 39(a) operating or maintaining an accounting and auditing practice shall have a peer review report accepted by a Board-recognized peer review program within 36 months prior to its first reporting date and have a peer review report accepted by a Board-recognized peer review program once every three years in order to renew its license.~~

(b) ~~Each firm licensed after the operative date of this Article that performs services in an accounting and auditing practice shall have a peer review report accepted by a Board-recognized peer review program within 18 months of the completion of the services.~~

(c) ~~Should a firm begin performing services as defined in Section 39(a) of this Article after the operative date prescribed by Section 45(b), the A firm performing services as defined in Section 39(a) for the first time shall have a peer review report accepted by a Board-recognized peer review program within 18 months of the completion of the services date it completes those services.~~

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

§ 45. Reporting to the Board.

(a) ~~Based on the dates identified in subsection (b), Beginning on January 1, 2014, at the time of renewal, a firm licensee shall report to the Board specific peer review information as required on Form PR-1 (1/10)(Rev. 1/12), which is hereby incorporated by reference.~~

(b) ~~The operative Prior to January 1, 2014, the date of for existing California-licensed firms California licensees to begin reporting report peer review results, on the form indicated in subsection (a), shall be based on a firm's the licensee's license number according to the following schedule: for license numbers ending with 01-33 the reporting date is no later than July 1, 2011; for license numbers ending with 34-66 the reporting date is no later than July 1, 2012; for license numbers ending with 67-00 the reporting date is no later than July 1, 2013.~~

(c) ~~A firm licensed after the operative date of this Article that performs accounting and auditing services or a firm not previously required to undergo a peer review shall have a peer review report accepted by a Board-recognized peer review program no later than 18 months after the completion of the services as required by Section 40. Upon the acceptance of the peer review report, the firm shall report specific peer review information to the Board on form PR-1 (1/10). A licensee's willful making of any false, fraudulent, or misleading statement, as part of, or in support of, his/her peer review reporting shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act. Failure to submit a completed Form PR-1 (Rev. 1/12) shall be grounds for non-renewal or disciplinary action pursuant to Section 5100(g) of the Accountancy Act.~~

NOTE: Authority cited: Sections 5010, and 5076, and 5100, Business and Professions Code. Reference: Section 5076, Business and Professions Code.



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PEER REVIEW REPORTING FORM

ACCOUNTING FIRM INFORMATION

Do you operate as a firm (including a sole proprietorship)?
Yes
No (If no, please sign and date on the reverse of the form.)

Firm Name:

License #: Expiration Date:

Business Telephone #: Business E-mail Address:

Firm Type (check one):
Sole Proprietorship
General Partnership
Limited Liability Partnership
Corporation

Number of shareholders, partners, owners, and full-time licensees of the firm:
1 2 3 4
5-10 11-99 100+

Did your firm perform any accounting and auditing services that require you to undergo a peer review?
Yes
No (If no, please sign and date on the reverse of the form.)

PEER REVIEW INFORMATION

1. Date Peer Review Report Accepted:

2a. Peer Review Report Rating:
Pass (Go to question 3.)
Pass w/deficiencies (Go to question 3.)
Substandard (Go to question 2b.)

2b. Did your firm submit the peer review report to the Board within the required 45-day reporting period?
Yes
No (If no, please attach a written explanation as to why the report was not submitted timely.)

PEER REVIEW INFORMATION (continued)

~~3a. Was the peer review administered by the California Society of Certified Public Accountants using the American Institute of Certified Public Accountants Peer Review Program?~~

- ~~Yes~~
 ~~No (If no, see question 3b.)~~

~~3b. Was the peer review administered by another organization using the American Institute of Certified Public Accountants Peer Review Program?~~

~~Yes (If yes, please provide the name of the American Institute of Certified Public Accountants administering entity.)~~

~~No (If no, please provide the name of the Board-recognized peer review program that administered the peer review.)~~

~~4. What was the highest level of accounting and auditing service your firm provided during the three-year period encompassing your peer review?~~

- ~~Audit~~
 ~~Review~~
 ~~Compilations w/disclosures~~
 ~~Compilations w/o disclosures prepared using GAAP~~
 ~~Compilations w/o disclosures prepared using OCBOA~~

~~5. What was the cost to have the peer review performed?~~

~~\$ _____~~

~~6. How much time did your firm spend preparing for the peer review?~~

- ~~0 days~~
 ~~1-5 days~~
 ~~6-10 days~~
 ~~10+ days~~

~~I hereby certify, under penalty of perjury under the laws of the State of California, that all statements, answers, and representations on this form, including supplementary attached hereto, are true, complete and accurate.~~

~~_____
Signature~~

~~_____
Date~~

PEER REVIEW REPORTING FORM
LICENSEE/FIRM INFORMATION

1. **Licensee/Firm Name:** _____

2. **Business Telephone #:** _____ 3. **Business E-mail Address:** _____

4. **License Number:** _____ 5. **License Expiration Date:** _____

6. **Does the licensee operate as an accounting firm?**

NO (Check one below and go to number 15):

Employee, partner or shareholder of an accounting firm

Employee, partner or shareholder of a non-accounting firm

Employee of the government

Unemployed or retired

Other _____

YES (Select firm type below, then go to number 7):

Sole Proprietorship

General Partnership

Limited Liability Partnership

Corporation

7. **Number of shareholders, partners, owners, and full-time licensees of the firm:** 1 2 3 4
 5-10 11-99 100+

8a. **Has the firm performed accounting and auditing services, as defined in Business & Professions Code Section 39(a), that require a peer review since the last license renewal?** Yes (Go to number 8b.)
 No (Go to number 15.)

8b. **If the firm completed its first accounting and auditing service within 18 months prior to the expiration date of the license, indicate the date the service was completed:**

(NOTE: The firm must have a peer review report accepted by a Board-recognized peer review program provider within 18 months of this date and report the results at the time of the next renewal.)

(If applicable, go to number 15. If not applicable, go to number 9.)

PEER REVIEW INFORMATION

9. **Date Last Peer Review Report Accepted:** _____

10a. **Peer Review Report Rating:** Pass (Go to question 11a.)
 Pass w/deficiencies (Go to question 11a.)
 Substandard (Go to question 10b.)

PEER REVIEW INFORMATION (continued)

10b. Did your firm submit the peer review report to the Board within the required 45-day reporting period? Yes
 No (Please attach a written explanation as to why the report was not submitted timely.)

11a. Was the peer review administered by the California Society of Certified Public Accountants using the American Institute of Certified Public Accountants Peer Review Program? Yes
 No (Go to question 11b.)

11b. Was the peer review administered by another organization using the American Institute of Certified Public Accountants Peer Review Program? Yes (Please provide the name of the American Institute of Certified Public Accountants administering entity.)

 No (Please provide the name of the Board-recognized peer review program that administered the peer review.)

12. What was the highest level of accounting and auditing service your firm provided during the three-year period encompassing your peer review? Audit
 Review
 Compilations w/disclosures
 Compilations w/o disclosures prepared using GAAP
 Compilations w/o disclosures prepared using OCBOA

13. What was the cost to have the peer review performed? \$ _____

14. How much time did your firm spend preparing for the peer review? 0 days
 1-5 days
 6-10 days
 10+ days

15. I hereby certify, under penalty of perjury under the laws of the State of California, that all statements, answers, and representations on this form, including supplementary information attached hereto, are true, complete and accurate.

Signature

Date

PERSONAL INFORMATION COLLECTION AND ACCESS

The information provided in this form will be used by the California Board of Accountancy (CBA), to determine qualifications for a Certified Public Account License. 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 application as being incomplete.

Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, 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. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act.

The Executive Officer of the CBA is responsible for maintaining the information in this application, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.



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CBA Item VII.B.
July 26, 2012

Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 40 and 45 – Peer Review Reporting

Presented by: Matthew Stanley, Legislation/Regulation Analyst
Date: June 11, 2012

Purpose of the Item

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to adopt regulations to clarify licensees reporting responsibilities and require the Peer Review Reporting Form to be submitted at the time of renewal.

Action(s) Needed

The CBA will be asked to adopt the proposed regulatory changes.

Background

Following the regulatory hearing to receive public comment on the proposal (**CBA Agenda Item VII.A.**), the next step in the process is that the CBA must act to formally adopt the proposed regulations outlined in the subject of this memorandum.

The CBA may decide to make changes to the proposed regulations based on any received comments, or it may proceed with adopting the proposal without modification.

Comments

Staff would like to point out that the Peer Review Reporting form that is being altered in this proposal is also referred to in Section 43 of the regulations. This cross-reference should also be changed as proposed in **Attachment 1**. If the CBA decides to make this change, staff will prepare and proceed with a 15-Day Notice of Modified Text.

If no changes are to be made after the public comment period and hearing closes:

Motion: 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 Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

If substantive changes are to be made after the public comment period and hearing closes:

Motion: 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 Executive Officer to make any non-substantive changes to the proposed

**Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16,
California Code of Regulations (CCR) Sections 40 and 45 – Peer Review Reporting**

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regulations, and adopt the proposed regulations as described in the modified text notice.

Fiscal/Economic Impact Considerations

The fiscal and economic impact is identified in Attachments 1 and 2 of CBA Item VII.A.

Recommendation

Staff recommend adopting the proposed regulatory changes, including the change to Section 43, and adopting the motion above regarding substantive changes to the proposal.

Attachments

Proposed Change to Section 43

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**Attachment 1****Proposed Change to Section 43****§ 43. Extensions.**

(a) Should an extension of time be needed to have a peer review report accepted by a Board-recognized peer review program such request shall be submitted to the Board-recognized peer review program with which the firm is enrolled for consideration and approval or denial.

(b) If the extension granted extends past the firm's reporting date, the firm shall notify the Board of the extension and provide proof of the extension. The firm shall report the results of the peer review to the Board on form PR-1 (~~01/10~~)(Rev. 1/12), as referenced in Section 45, within 45 days of the peer review report being accepted by a Board-recognized peer review program.



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CBA Item VII.C.
July 26, 2012

Discussion and Possible Action on Issuing a 15-Day Notice of Modified Text at Title 16, California Code of Regulations Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1 – Retired Status

Presented by: Dominic Franzella, Licensing Chief
Date: July 2, 2012

Purpose of the Item

The purpose of this agenda item is to discuss possible action regarding issuing a 15-day notice of modified text related to the retired status regulations.

Action(s) Needed

The California Board of Accountancy (CBA) will be asked to determine whether it wishes to direct staff to initiate a 15-day notice of modified text for the proposed retired status regulations to include an effective date of July 1, 2014.

Background

The CBA began discussing reinstating a retired status license in July 2010. In November 2010 the CBA voted to sponsor legislation for a retired status license, with the language eventually included in Assembly Bill (AB) 431 and authored by Assembly Member Fiona Ma. In May 2011, the CBA completed work on developing a framework on the policies for a retired status license, which included how individuals would apply, minimum qualifications, renewal requirements, and restoration requirements. Governor Brown signed AB 431 into law on October 2, 2011, thus allowing the CBA to establish a retired status license.

In November 2011, the CBA directed staff to initiate a rulemaking to adopt regulations implementing a retired status license, drawing from the framework adopted by the CBA at its May 2011 meeting. The Office of Administrative Law (OAL) published the Notice of Proposed Rulemaking in the *California Regulatory Notice Register* on December 9, 2011, and the CBA held a public hearing on the proposed regulatory text at its January 2012 meeting. At the conclusion of the meeting, the CBA voted to adopt the proposed regulatory text as originally noticed and directed staff to file the final rulemaking file with the OAL for consideration.

Staff submitted the completed rulemaking file to the Department of Consumer Affairs (DCA) on April 4, 2012. Since that time the DCA has reviewed the file to ensure

Discussion and Possible Action on Issuing a 15-Day Notice of Modified Text at Title 16, California Code of Regulations Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1 – Retired Status

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conformity with the Administrative Procedure Act. Prior to final filing of the rulemaking file with the OAL, the Secretary of State and Consumer Services Agency and Department of Finance will also need to review and approve the rulemaking file.

Comments

As a normal course of business, regulations become effective 30 days after the OAL files the approved regulations with the Office of the Secretary of State. Alternatively, agencies can request that the regulations take effect immediately upon the OAL filing the approved regulations with the Office of the Secretary of State or may specify an alternative effective date (generally sometime in the immediate future).

Lastly, agencies have the ability to affect the effective date of approved regulations by establishing in the regulatory text a specific date on or when an affected group must abide by the regulations. In these cases, the regulations still become effective 30 days after the OAL files the approved regulations with the Office of the Secretary of State.

Implementation and BreEZe

Since the beginning of the year, staff has been exploring how best to implement the proposed retired status license and determining what programming changes would be necessary to the existing Consumer Affairs System (CAS) (the legacy system used by all the DCA board/bureaus as the electronic repository of licensee records). Staff recognized early on that programming changes were necessary to reinstate the retired status license, including development of a biennial renewal application.

As members know, for some time now the DCA has been working on the BreEZe project, which, when completed, will replace the CAS and allow licensees to apply and renew licenses online, as well as pay all related fees. To accomplish this monumental task, the DCA has taken several progressive measures to minimize any delays to the project's completion. These include, beginning July 1, 2012, placing a "hard freeze" on the development of internal workaround databases and requests for changes to the CAS.

To evaluate all requested changes to the CAS, the DCA established two review committees – the Business and Technical Review (BTR) and Change Control Board (CCB). The BTR evaluates the proposed changes, identifies staffing resources necessary to accomplish the change (including staff hours), any impact to the BreEZe (including costs and release schedule), and authorizes a portion of the change request. If the requested changes will result in significant staffing resources or has an impact on the BreEZe, it is escalated to the CCB. The CCB will then authorize additional analysis regarding the possible impact to the BreEZe and either approve or deny the change request. Beginning July 1, 2012, although all change requests will still initially be reviewed by the BTR, the CCB will make all final decisions.

Discussion and Possible Action on Issuing a 15-Day Notice of Modified Text at Title 16, California Code of Regulations Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1 – Retired Status

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Staff appeared before the BTR at its June 26, 2012 meeting requesting certain changes to the CAS. After presenting and answering various questions related to the request, the BTR recommended to the CCB that the CBA's request wait until the CBA came online with BreEZe (essentially denying the request). The BTR did offer as an alternative recommendation to the CCB to delay any changes until after the Release 1 boards and bureaus were officially on BreEZe. This alternate recommendation would be after the presently proposed effective date of the regulations of January 1, 2013.

With the looming hard freeze, even if the CCB decided to consider approving the request, this approval would simply be to perform further analysis. There are no guarantees that after further analysis were performed that the CCB would approve the request. Given this high degree of uncertainty, and to insure an effective transition for implementing a retired status license, staff are recommending that the proposed regulatory text be re-noticed with an effective date.

The CBA is presently slated for Release 3 boards and bureaus, which is scheduled for January 1, 2014. Staff has continued to receive assurances from the DCA BreEZe team that this date will be met. However, to allow for some delay in the release, staff are recommending that the effective date be pushed back six months from the present BreEZe release date, thus July 1, 2014.

Included in the **attachment**, staff has provided the proposed regulatory text with the effective date included. The modified text is highlighted in double underline and double strike through, and can be located in proposed regulation Section 15(a). Provided the CBA adopts the staff recommendation, staff, immediately after the CBA meeting, will initiate the 15-day notice of modified text. Upon the expiration of the 15-day notice, staff will again submit the final rulemaking file to the DCA for review.

Although staff recommends that the CBA move forward with issuing a 15-day notice of modified text to include an effective date, one risk is the possible timing impact a 15-day notice may have on the rulemaking file. All rulemaking files must be submitted to the OAL within one year from the date the Notice of Proposed Rulemaking was originally published. For these regulations that would mean the CBA will need to submit the final file by December 8, 2012.

While this proposed re-notice of modified text will shorten the amount of time to complete the review of the rulemaking file, staff believes it still provides sufficient time to have the final file submitted to the OAL on or before December 8, 2012. Additionally, it will insure a seamless transition to implementing a retired status by not creating an undue delay in the conversion to the BreEZe.

Fiscal/Economic Impact Considerations

None.

Discussion and Possible Action on Issuing a 15-Day Notice of Modified Text at Title 16, California Code of Regulations Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1 – Retired Status

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Recommendation

Staff makes the following recommendation:

To adopt the modified text in the attachment, and direct staff to take all steps necessary to send out the modified text for the required 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any nonsubstantive changes to the proposed regulations, and submit the final rulemaking file to the OAL.

Attachment

Proposed Modified Text

PROPOSED MODIFIED TEXT

The California Board of Accountancy hereby adopts Article 2.5, Sections 15, 15.1, 15.2, 15.3, and 15.4 and amends Sections 70, 71, and 87.1 of Division 1 of Title 16 of the California Code of Regulations as follows:

Article 2.5 – Retired Status

Section 15 – Retired Status

(a) Beginning July 1, 2014, upon application to the Board and compliance with this Article and Section 5070.1 of the Business and Professions Code, a licensee may have his or her license placed in a retired status. This Article shall not prohibit a holder of a license in a retired status from receiving a share of the net profits from a public accounting firm or other compensation from a public accounting firm, provided that the licensee does not otherwise engage in the practice of public accountancy.

(b) Failure to maintain compliance with this article and Sections 5058.3 or 5070.1 of the Business and Professions Code is unprofessional conduct and grounds for revocation or discipline of the retired license.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.
Reference: Sections 5058.3, 5070.1, 5100, and 5109, Business and Professions Code.

Section 15.1 – Application for Retired Status

(a) To be eligible for a license in a retired status, a licensee of the Board shall submit a completed application to the Board on Form 11R-48 (11/11) which is hereby incorporated by reference.

(b) A licensee applying to have his or her license placed in a retired status shall have held a license as a certified public accountant or public accountant in the United States or its territories for a minimum of twenty total years; and during those twenty years, from the Board for a minimum of five years in an active status. Failure to meet the requirements of this Article and Section 5070.1 of the Business and Professions Code is grounds for denial of the application.

(c) In order to place a license in a retired status, an applicant shall pay the application fee required by Section 70(i)(1).

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.
Reference: Section 5070.1, Business and Professions Code.

Section 15.2 – Renewal of a License in a Retired Status

(a) A licensee shall renew a license in a retired status during the same time period in which a license in an active status is renewed as described in Section 5070.5 of the Business and Professions Code.

(b) At the time of renewal, the holder of a license in a retired status is exempt from paying the renewal fee described in Section 70(e).

(c) At the time of renewal, the holder of a license in a retired status is exempt from the Board's continuing education requirements described in Section 87.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.
Reference: Section 5070.1 and 5070.5, Business and Professions Code.

Section 15.3 – Restoration of a License from a Retired Status to Active Status

(a) At the time of renewal, the holder of a license in a retired status may restore his/ or her license to an active status by paying the fee described in Section 70(i)(2) and complying with the continuing education requirements as described in Section 87. A minimum of 20 hours of continuing education shall be completed in the one-year period immediately preceding the time of renewal, 12 hours of which must be in subject areas described in Section 88(a)(1).

(b) The holder of a license in a retired status may restore the license to an active status prior to the next renewal by paying the fee described in Section 70(i)(2) and by meeting the continuing education requirements as described in Section 87.1.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.
Reference: Section 5070.1, Business and Professions Code.

Section 15.4 – Limitation on Retired Status

A licensee may be granted a license in a retired status under this Article on no more than two separate occasions.

Note: Authority cited: Sections 5010 and 5070.1, Business and Professions Code.
Reference: Section 5070.1, Business and Professions Code.

Section 70 – Fees

(a) Commencing January 23, 2004, the fee to be charged each California applicant for the computer-based Uniform Certified Public Accountant Examination shall be an application fee of \$100 for issuance of the Authorization to Test to first-time applicants and an application fee of \$50 for issuance of the Authorization to Test to repeat applicants.

(b) Commencing July 1, 2001, the fee to be charged each applicant for issuance of a certified public accountant certificate shall be \$250.

(c) The fee to be charged each applicant for registration, including applicant for registration under a new name as a partnership or as a corporation, shall be \$150.

(d)(1) Commencing July 1, 2000, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200.

(2) Commencing July 1, 2011, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$120.

(3) Commencing July 1, 2015, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200 unless subsection ~~(f)~~ (j) applies.

(e)(1) Commencing July 1, 2000, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200.

(2) For licenses expiring after June 30, 2011, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$120.

(3) For licenses expiring after June 30, 2015, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200 unless subsection ~~(f)~~ (j) applies.

(f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.

(g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.

(h)(1) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 with an authorization to sign attest reports shall be \$100.

(2) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 without an authorization to sign attest reports shall be \$50.

(i) (1) The fee to be charged a licensee for submission of an application for a license in a retired status pursuant to Section 15.1 shall be \$100.

(2) The fee to restore a license from a retired status to an active status shall be based on the amount of time that has elapsed since the retired status was granted to the time a written request for a restoration and the restoration fee is received by the Board is as follows:

(A) 24 months and less - \$200;

(B) 24 months and one day to 48 months - \$400;

(C) 48 months and one day to 72 months - \$600;

(D) 72 months and one day to 96 months - \$800;

(E) More than 96 months - \$1000.

~~(f)~~ (j) By May 31, 2014, the Board shall conduct a review of its actual and estimated costs. Based on this review, the Board shall determine the appropriate level of fees for the initial permit to practice pursuant to subsection (d) and renewal of the permit to practice pursuant to subsection (e) in order to maintain the Board's contingent fund reserve balance at an amount equal to approximately nine months of estimated annual authorized expenditures. If the Board determines that fees of less than \$200 are indicated, the Board shall fix the fees by regulation at the indicated amounts by July 1, 2015.

Note: Authority cited: Sections 5010 and 5134, Business and Professions Code.
Reference: Sections 122, 163, 5070.1, 5096, and 5134 Business and Professions Code.

Section 71 – Abandonment of the Application

- (a) An applicant for the paper and pencil examination who fails to appear for the examination shall be deemed to have abandoned the application and shall forfeit the examination fee.
- (b) A first-time applicant for an Authorization to Test pursuant to Section 8.1 shall be deemed to have abandoned the application and shall forfeit any application fee if the applicant fails to complete the application within one year of notification by the Board of any deficiency in the application.
- (c) An application for a certificate, permit, registration, or license, including any application for renewal or retired status, shall be deemed abandoned and any application fee shall be forfeited, if the applicant fails to complete the application within two years of its original submission or within one year of notification by the Board of any deficiency in the application.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code.
Reference: ~~Section~~ Sections 5010, 5070.1, and 5134, Business and Professions Code.

Section 87.1 – Conversion or Restoration to Active Status Prior to Renewal

- (a) A licensee who has ~~renewed his/her~~ a license in an inactive or retired status may convert, or restore, the license to an active status prior to the next license expiration date by (1) completing 80 hours of continuing education credit as described in Section 88, to include the Ethics Continuing Education Requirement described in Section 87(b), within the 24-month period prior to converting to active status, of which a minimum of 20 hours shall be completed in the one-year period immediately preceding conversion to an active status, with a minimum of 12 hours in subject areas described in subsection (a)(1) of Section 88; (2) completing the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course; (3) applying to the Board in writing requesting to convert the license to an active status; and (4) completing any continuing education that is required pursuant to subsection (j) of Section 89. The licensee may not practice public accounting until the application for conversion of the license to an active status has been approved.
- (b) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental accounting and auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (c).
- (c) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on

an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of the 80 hours of continuing education required to his/her license to an active status under subsection (a).

(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).

(e) Once a license is converted to an active status, the licensee must complete 20 hours of continuing education as described in Section 88 for each full six month period from the date of license conversion to an active status to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of change to an active status and the next license expiration date is less than six full months, no additional continuing education is required for license renewal.

(f) Once a license is converted to an active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of governmental continuing education as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (g).

(g) Once a license is converted to an active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).

Note: Authority cited: Sections 5010, 5027, and 5070.1, Business and Professions Code. Reference: Sections 5028 and 5070.1, Business and Professions Code.



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EPOC Item II.
July 26, 2012

CBA Item VIII.A.2.
July 26, 2012

**Discussion and Possible Action on Defining the Responsibilities of the
CBA Member Liaison to the Enforcement Advisory Committee**

Presented by: Rafael Ixta, Chief, Enforcement Division
Date: July 9, 2012

Purpose of the Item

The purpose of this agenda item is to discuss:

1. Should the California Board of Accountancy (CBA) Member Liaisons to the Enforcement Advisory Committee (EAC) be assigned the responsibility of communicating enforcement-related concerns to the EAC on behalf of the CBA?
2. Does the current Responsibility of CBA Member Liaisons to Committees and Task Forces as outlined in the CBA Member Guidelines and Procedures Manual (G&P Manual) require revisions as it relates to the CBA Member Liaisons to the EAC?

Action(s) Needed

The Enforcement Program Oversight Committee (EPOC) will be asked to make a recommendation to the CBA regarding the assignment of the responsibility of communicating enforcement-related concerns to the EAC on behalf of the CBA to the CBA Member Liaisons to the EAC.

The CBA will also be requested to make a recommendation on whether the "Responsibility of CBA Member Liaisons to Committees and Task Forces" as established in the G&P Manual should be further defined for the CBA Member Liaisons to the EAC.

Background

The EPOC and full CBA reviewed the roles of the EPOC and EAC at the March 22-23, 2012 meeting. During discussion, the question of what would be the appropriate method for the CBA Members to express concerns with the investigation of a disciplinary matter was raised. Ms. Leslie LaManna commented that she, as the current liaison to the EAC, might be the appropriate person to undertake the responsibility to communicate any enforcement-related concerns to the EAC on behalf of the CBA.

Discussion and Possible Action on Defining the Responsibilities of the CBA Member Liaison to the Enforcement Advisory Committee

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Current Role of the EAC

The EAC is a statutory committee under the authority of Business and Professions (B&P) Code Sections 5020 and 5103 (**Attachment 1**). At the May 24-25, 2012 CBA meeting, the CBA approved revisions to the role of the EAC. The G&P Manual states that the purpose of the EAC is to assist the CBA in an advisory nature with its enforcement activities by:

- Serving in a technical advisory capacity to the Executive Officer and the Enforcement Program. The EAC members may participate in investigative hearings along with staff investigators, counsel from the Attorney General's Office, and where appropriate, outside counsel.
- In an appropriate manner, consistent with the Administrative Procedure Act, reporting its findings from any investigation or hearing to the CBA, or upon direction of the CBA, to the Executive Officer.
- Reviewing open investigations upon request by Enforcement staff and providing technical assistance.
- Reviewing closed investigations and reporting its findings and recommendations to the CBA or upon direction of the CBA, to the Executive Officer.
- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized by the CBA to consider.

Current Responsibilities of the CBA Liaisons

The CBA President has the responsibility of assigning one or two CBA Members to act as the liaison each CBA committee, task force, or CBA program. The G&P Manual defines the following as the liaison responsibilities.

CBA members acting as Liaisons to committees, task forces, or CBA programs are responsible for:

- *keeping the CBA informed regarding emerging issues and policy recommendations made at the committee or task force level;*
- *keeping the committee or task force informed of CBA policies and assignments;*
- *making recommendations to the CBA regarding chair and vice-chair appointments; and*
- *evaluating committee chairs, vice-chairs, and members for whom they have specific knowledge of their performance, and reporting those evaluations to the President and Vice-President as required.*

Comments

The CBA liaison responsibilities apply to all CBA liaisons. The CBA Liaison to the EAC is unique from other CBA liaisons in that the CBA Liaison to the EAC must comply with the Administrative Procedure Act's (APA) prohibition against communication between the decision makers (CBA) and the prosecutors (includes the EAC).

Discussion and Possible Action on Defining the Responsibilities of the CBA Member Liaison to the Enforcement Advisory Committee

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The purpose of a liaison is to facilitate communication between two parties. The responsibilities currently set forth in the G&P Manual allow for back and forth communication via the assigned liaison between the CBA and the committee, task force, or program; however, they do not reference the specific restrictions to which the liaison to the EAC must adhere.

Staff have drafted language specific to the responsibilities of the CBA Liaison to the EAC to be added to the Responsibility of the CBA Member Liaisons to Committees and Task Forces in the G&P Manual (**Attachment 2**). The proposed responsibilities specify that under the direction of the CBA, the liaison may communicate general, non-case specific enforcement concerns to the EAC and allow for the liaison to report back to the CBA actions taken by the EAC to address CBA concerns. The proposed addition also recognizes the sensitivity of the liaison's communications and interaction with the EAC to insure compliance with the APA.

If the EPOC does not recommend that the CBA Liaison to the EAC be assigned to communicate enforcement-related concerns to the EAC, staff have modified the proposed language to be added to the CBA member responsibilities in the G&P Manual to reflect the CBA Member's compliance with the APA (**Attachment 3**)

Fiscal/Economic Impact Considerations

This item does not have a fiscal/economic impact.

Recommendation

Staff request that the EPOC recommend that the CBA approve the addition of the proposed language as presented in **Attachment 2** or in **Attachment 3** to the Responsibility of the CBA Member Liaisons to Committees and Task Forces in the G&P Manual.

Attachments

1. Excerpts from the Business and Professions Code
2. Proposed Revisions to the Responsibility of CBA Member Liaisons to Committees and Task Forces.
3. Proposed Revisions to the Responsibility of CBA Member Liaisons to Committees and Task Forces.



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Attachment 1

EXCERPTS FROM THE BUSINESS AND PROFESSIONS CODE Division 3, Chapter 1

Enforcement Advisory Committee

Business and Professions Code Section 5020

The board may, for the purpose of obtaining technical expertise, appoint an enforcement advisory committee of not more than 13 licensees to provide advice and assistance related to the functions specified in Section 5103. The committee shall act only in an advisory capacity, shall have no authority to initiate any disciplinary action against a licensee, and shall only be authorized to report its findings from any investigation or hearing conducted pursuant to this section to the board, or upon direction of the board, to the executive officer.

Business and Professions Code Section 5103

(a) Notwithstanding any other provision of law, the board may inquire into any alleged violation of this chapter or any other state or federal law, regulation, or rule relevant to the practice of accountancy.

(b) The board, or its executive officer pursuant to a delegation of authority from the board, is authorized to perform the following functions:

(1) To receive and investigate complaints and to conduct investigations or hearings, with or without the filing of any complaint, and to obtain information and evidence relating to any matter involving the conduct of licensees, as directed by the board, or as directed by the executive officer pursuant to a delegation of authority from the board.

(2) To receive and investigate complaints and to conduct investigations or hearings, with or without the filing of any complaint, and to obtain information and evidence relating to any matter involving any violation or alleged violation of this chapter by licensees, as directed by the board, or as directed by the executive officer pursuant to a delegation of authority from the board.

Excerpt from the CBA Member Guidelines and Procedures Manual
(last updated May 2012)

M. RESPONSIBILITY OF CBA MEMBER LIAISONS TO COMMITTEES AND TASK FORCES.

CBA members acting as Liaisons to committees, task forces, or CBA programs are responsible for keeping the CBA informed regarding emerging issues and policy recommendations made at the committee or task force level. In addition, the Liaison is to keep the committee or task force informed of CBA policies and assignments, and to make recommendations to the CBA regarding chair and vice-chair appointments. Finally, Liaisons assigned to the committees will evaluate committee chairs, vice-chairs, and members for whom they have specific knowledge of their performance, and report those evaluations to the President and Vice-President as required.

Additionally, the Liaisons to the Enforcement Advisory Committee (EAC), at the direction of the CBA, will communicate general, non-case specific enforcement concerns to the EAC. The Liaisons to the EAC may be scheduled on the CBA meeting open session agenda to report actions taken by the EAC to address CBA enforcement concerns. Liaisons to the EAC shall comply with the Administrative Procedure Act.

Excerpt from the CBA Member Guidelines and Procedures Manual
(last updated May 2012)

M. RESPONSIBILITY OF CBA MEMBER LIAISONS TO COMMITTEES AND TASK FORCES.

CBA members acting as Liaisons to committees, task forces, or CBA programs are responsible for keeping the CBA informed regarding emerging issues and policy recommendations made at the committee or task force level. In addition, the Liaison is to keep the committee or task force informed of CBA policies and assignments, and to make recommendations to the CBA regarding chair and vice-chair appointments. Finally, Liaisons assigned to the committees will evaluate committee chairs, vice-chairs, and members for whom they have specific knowledge of their performance, and report those evaluations to the President and Vice-President as required.

Additionally, the Liaisons to the Enforcement Advisory Committee (EAC) shall comply with the Administrative Procedure Act.



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EPOC Item III.
July 26, 2012

CBA Item VIII.A.3.
July 26, 2012

**Discussion and Possible Action on Establishing Guidelines
for EPOC Members to Audit a Closed and Finalized Case**

Presented by: Rafael Ixta, Chief, Enforcement Division

Date: July 9, 2012

Purpose of the Item

The purpose of this agenda item is to establish guidelines to assist the Enforcement Program Oversight Committee (EPOC) Members when performing an internal audit of a closed and finalized enforcement case.

Action(s) Needed

The EPOC Members will be requested to review the proposed "Guidelines for the Enforcement Program Oversight Committee Members to Perform an Internal Audit of a Closed and Finalized Enforcement Case" (Guidelines) (**Attachment 1**) and provide a recommendation to the California Board of Accountancy (CBA).

Background

At the May 25, 2012 CBA meeting, CBA Members approved changes to the role and responsibilities of the EPOC as set forth in the CBA Members Guidelines and Procedures Manual (G&P Manual) (**Attachment 2**).

One change adds the following as a responsibility assigned to the EPOC:

- Performing an internal audit of a closed and finalized enforcement case when specific concerns are raised by the CBA in a final decision, in accordance with established guidelines.

Comments

CBA staff has drafted the attached Guidelines (**Attachment 1**) to assist the EPOC Members when performing an internal audit. The Guidelines provide general direction for reviewing the investigative report. The Guidelines also recognize that the EPOC Members will report their findings and recommendations to the Executive Officer and that the Executive Officer will report back to the CBA.

Fiscal/Economic Impact Considerations

This agenda item will not have any fiscal/economic impact.

Discussion and Possible Action on Establishing Guidelines for EPOC Members to Audit a Closed and Finalized Case

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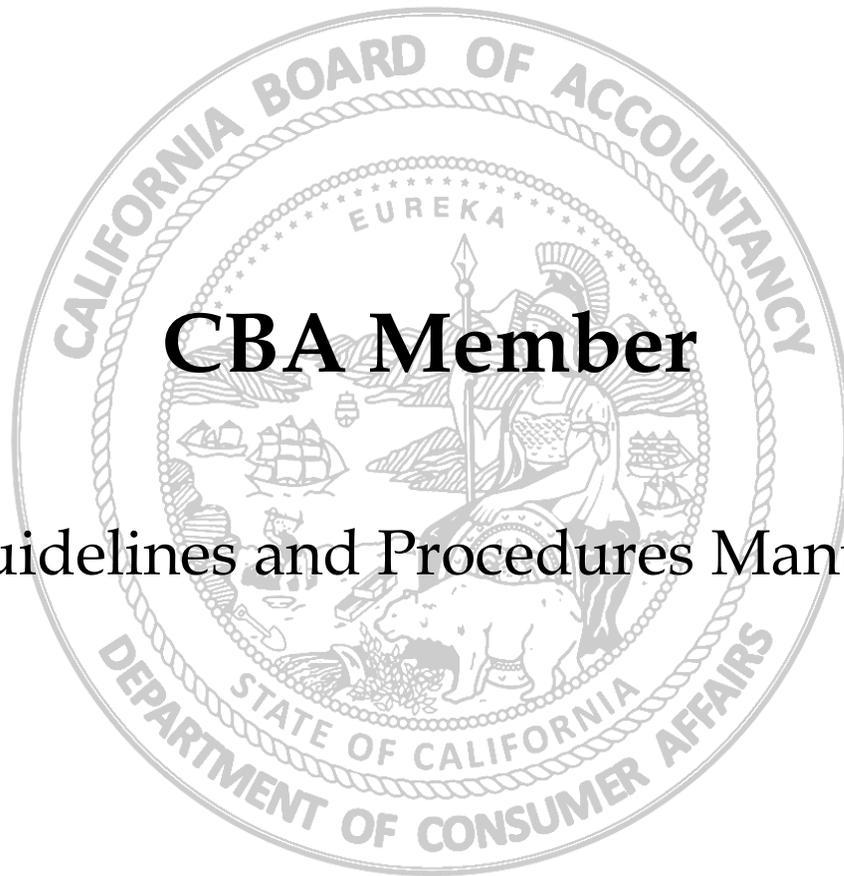
Recommendation

Staff request that the EPOC recommend that the CBA approve the proposed “Guidelines for the Enforcement Program Oversight Committee Members to Perform an Internal Audit of a Closed and Finalized Enforcement Case” (**Attachment 1**).

Attachments

1. Proposed “Guidelines for the Enforcement Program Oversight Committee Members to Perform an Internal Audit of a Closed and Finalized Enforcement Case.”
2. Excerpt regarding the EPOC from the G&P Manual.

The California Board of Accountancy



CBA Member

Guidelines and Procedures Manual

Last updated
May 2012



The CPC generally meets before scheduled CBA meetings. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Enforcement Program Oversight Committee (EPOC).

a. Purpose.

To assist the CBA in the consideration of issues relating to the Enforcement Program by:

- Reviewing and proposing revisions to the CBA's *Manual of Disciplinary Guidelines and Model Disciplinary Orders*.
- Providing oversight on enforcement goals and objectives.
- Recommending proposed legislative and/or regulatory changes related to the Enforcement Program.
- Performing an internal audit of a closed and finalized enforcement case when specific concerns are raised by the CBA in a final decision, in accordance with established guidelines.
- Defining the responsibilities of the CBA member liaison to the Enforcement Advisory Committee.

b. Membership.

The EPOC may be comprised of up to seven CBA members.

c. Meetings/Minutes

Meeting to review the CBA's Disciplinary Guidelines shall be held on a tri-annual basis. More frequent meeting for any purpose may be called as deemed necessary. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

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**Attachment 1**

**Guidelines for the
Enforcement Program Oversight Committee Members
to Perform an Internal Audit of a Closed and Finalized Enforcement Case**

The California Board of Accountancy (CBA) may take disciplinary action to revoke, suspend, or refuse to renew any permit or certificate or may censure the holder of that permit or certificate for unprofessional conduct. Disciplinary actions are the result of investigations conducted by the CBA Enforcement Program and are presented to the CBA for consideration during closed-session deliberations as proposed decisions, stipulated settlements, or default decisions.

The CBA President may appoint two CBA members to perform an internal audit of the investigation of a final disciplinary action¹. The CBA members shall be appointed from the Enforcement Program Oversight Committee (EPOC). Any potential for a conflict of interest shall be resolved in accordance with the CBA Member Guidelines and Procedures Manual.

CBA staff will contact the appointed EPOC members to schedule the internal audit at the CBA office or another location.

Provided below are guidelines to assist the EPOC members in performing an internal audit. The scope of the audit may be narrowed or expanded to address specific concerns raised by CBA members. At any time during the audit, the appointed EPOC members may direct questions to enforcement management.

The CBA understands that a final disciplinary action may not be reopened or modified based on the findings of the internal audit.

I. REVIEW INVESTIGATIVE REPORT AND EXHIBITS

Each EPOC member will be provided a copy of the investigative file and exhibits for review. Review may include, but is not limited to, the following:

- A. Nature of the complaint.
- B. Evidence collected.

¹ A disciplinary action is final when all opportunities for reconsideration and judicial review are completed pursuant to the Administrative Procedure Act and the decision is in effect.

C. Conclusion and recommendation.

D. Formal Discipline

II. REPORT TO THE EXECUTIVE OFFICER

At the conclusion of the internal audit, the EPOC members shall meet and prepare a report for the Executive Officer to include the following:

A. Summary of what was audited.

B. Findings.

C. Recommendations.

The internal audit notes and report shall be subject to the record retention period established by the CBA. Any communications related to the audit, including the audit notes and report, may be withheld from disclosure under the Public Records Act as “official information privilege” pursuant to Government Code Section 6254(k) and under Evidence Code Section 1040 when the CBA has determined that there is a necessity for preserving the confidentiality of the information that outweighs the necessity for disclosure (e.g., disclosure would hamper current or future investigations and/or disclosure would chill candid deliberations on the development of new investigative processes, procedures, or techniques).

III. EXECUTIVE OFFICER REPORT TO THE CBA

The Executive Officer shall consider the findings and recommendations and report to the CBA the following:

A. Summary of findings.

B. Implementation of recommendations.

C. Timeframe for implementation.



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LC Item II.
 July 26, 2012

CBA Item VIII.B.2.
 July 26, 2012

Update on Bills on Which the CBA Has Taken a Position

Presented by: Matthew Stanley, Legislation/Regulation Analyst

Date: July 2, 2012

Purpose of the Item

The purpose of this agenda item is to present the status of legislation being followed by the California Board of Accountancy (CBA).

Action(s) Needed

No action is needed unless the CBA wishes to change a position or discontinue following a bill.

Background

The CBA took positions on various pieces of legislation (**Attachment 1**) at both its March and May meetings. Of those, staff recommends maintaining the current position on the following bills which have not been amended or only been amended with minor or technical amendments: AB 1409, AB 2570, SB 103, and SB 1099.

In addition, staff recommend that the CBA discontinue following bills which have failed or been amended in such a way as they no longer are relevant to the CBA, including AB 1537, AB 1914, AB 1982, AB 2022, AB 2041, and SB 975.

Comments

The remaining bills are still moving through the process, are still relevant to the CBA and have been amended since the CBA March meeting.

AB 1345 – Local government: audits (Attachment 2)

CBA Position: Support if Amended

What It Did

AB 1345 would require the annual audit reports made pursuant to the federal Single Audit Act of 1984 to be submitted to the Controller within nine months after the end of the period audited or pursuant to applicable federal or state law. This bill would authorize the Controller to appoint a qualified Certified Public Accountant (CPA) or public accountant to complete an audit report if a local agency fails to timely submit the audit report to the Controller. It would require the Controller to first notify a local agency of its failure to submit the audit report and give the local agency a reasonable amount of time to submit the report before appointing a CPA or public accountant. The bill would require the Controller to report certain misconduct and nondisclosures to the CBA.

Update on Bills on Which the CBA Has Taken a Position

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This bill would also require that a local agency not employ an accounting firm if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for each of the six previous fiscal years. The Controller can waive this requirement if it's found that another eligible public accounting firm is not available to perform the audit.

Amendments

Following its May meeting, the CBA suggested the following four amendments for AB 1345.

- Subject only the lead audit partner to mandatory rotation.
- Require a two year "cooling off" period.
- Add a payroll schedule to the audit requirements.
- Clarify the date when the first rotation would be required.

The bill was amended on June 6 to clarify that the six year clock for partner rotation begins in FY 2013/14. This amendment addressed one of the CBA's concerns.

Recommendation

Staff recommend that the CBA maintain its Support if Amended position.

AB 1588 – Reservist Licensees (Attachment 3)

CBA Position: Support if Amended

What It Did

This bill would require all boards to waive renewal fees and continuing education (CE) for active duty California National Guard and military reservists. The licensee must have a license in good standing at the time they are called to active duty, and the reservist or spouse must provide satisfactory evidence of active duty service. The waiver only applies to the period of active duty service.

Amendments

The author's office worked diligently with CBA staff and other staff of DCA and DCA boards which had taken a position on this bill. Although the CBA's requested amendment to exclude CE from the bill was not taken due to other boards wanting that authority, an amendment was made to give the boards rulemaking authority over how this bill is implemented. Another part of the amendments added "other renewal requirements" to the list of requirements that licensees can be exempted from under this bill. In addition, the non-specific term "license in good standing" was amended to be a "current and valid license." It was also clarified that a licensee who waives requirements under this section may not practice. And finally, instead of the licensee or spouse being required to provide written notice of the active reserve status, anyone, including a child or

Update on Bills on Which the CBA Has Taken a Position

Page 3 of 6

other interested party, can provide written documentation of the licensee's military status.

Recommendation

Although the CBA's proposed amendment was not taken, the CBA already has the authority to exempt military personnel from CE requirements; and, many other boards do not and would like to have the authority to do so. The amendments to this bill, particularly the rulemaking authority, improve it significantly. With these amendments and the author's willingness to work with the various interested parties, staff recommend the CBA adopt a Support position on this bill.

AB 1904 – Military spouses (Attachment 4)

CBA Position: Support if Amended

What It Did

This bill would authorize all boards to issue a 180-day, temporary license to an applicant who meets the following requirements:

- Supplies evidence they are married or in a domestic partnership with an active duty member of the of the armed forces who is assigned to a duty station in California;
- Holds a valid license in another jurisdiction that is substantially equivalent to California;
- Has not had their license disciplined or committed an act that would have been cause for discipline in California; or is not currently involved in an unresolved complaint;
- Pays a fee and submits fingerprints as required by the board.

The bill requires the board to expedite the procedure for issuing a temporary license. It also grants the board the authority to extend the temporary license for an additional 180 days.

Amendments

The CBA requested the following amendments to the previous version of the bill:

- Clarify the permissiveness of the language.
- Substitute the word "active" for "current" to ensure that an applicant for a temporary license is current on their continuing education.
- Clarify what would happen to the temporary license if a California license is obtained before the 180 days expires.
- Clarify the boards' authority to discipline a temporary license.

This bill has been significantly amended to eliminate the temporary license provisions. Instead, this bill now requires boards to expedite the licensing process for individuals who are married or in a domestic partnership with an active duty member of the of the armed forces who is assigned to a duty station in California and who holds a current license from another state. As the

Update on Bills on Which the CBA Has Taken a Position

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individual now must obtain a California license, through an expedited process, the CBA's concerns have been addressed.

Recommendation

With the amendments, staff recommend that the CBA adopt a Support position on AB 1904.

SB 1327 – State government: Internet Website (Attachment 5)

CBA Position: Oppose

What It Did

This bill requires the Governor to establish a website to assist individuals with the licensing requirements necessary to start a business. It requires state agencies that have licensing authority to provide accurate updated information about their licensing requirements. It also authorizes a reasonable fee to be charged for using the site. Presently, there is a website called CalGOLD (Government On-Line to Desktops) which will be the foundation for the required website in this bill, but it is currently not mandated and is done on a voluntary basis. This results in incomplete information being readily available to consumers.

Amendments

The CBA took an Oppose position on this bill due to the fact that it already maintains a website where information on its licensing requirements can be found and believes that additional websites could result in confusion by the user.

The author's staff has been very diligent in working with CBA staff to address these concerns. The author's staff held a meeting with the CBA's Executive Officer, Patti Bowers, and a representative of the Governor's Office of Business and Economic Development (GO-Biz). GO-Biz was created by Governor Brown to serve as a single point of contact for economic development and job creation efforts. GO-Biz would be the office responsible for the implementation of SB 1327 as it is the office responsible for CalGOLD.

A presentation of CalGOLD was given at the meeting, and clarification was provided that the website goes far beyond simply providing licensing information. It is intended to assist the user by providing a one-stop shop on all of the requirements for setting up a business in a given location in California including such requirements as permitting, regulatory, environmental in addition to licensing.

The site first asks what type of business the user would like to start. Through a series of questions, including where the business will be located, it then provides the user with an extensive list of all the considerations that are needed for starting a business in a given locale in California. The attached printout from the site (**Attachment 6**) shows the results of searching for accounting and then selecting Tax Preparation Services and Sacramento County to narrow the field. As the printout shows, an individual using this site is not currently informed that they might want to explore licensure with the CBA, the State Bar, the IRS or the

Update on Bills on Which the CBA Has Taken a Position

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California Tax Education Council. Due to the voluntary nature of the website, this incomplete information could cause problems when starting a business.

Amendments to this bill were adopted to attempt to remove the CBA's opposition. These amendments require agencies to provide a link to the needed licensure information instead of having the information hosted on the CalGOLD site. This allows the user to be directed to the CBA's website. In addition, the representative from CalGOLD indicated that, while the bill allows for a user fee to be charged, it is not their intent to do so.

This bill could assist CPAs who want to open their own practice in California, and, in fact, may increase the number of individuals utilizing the CBA's website.

Recommendation

Staff recommend that the CBA adopt a Support if Amended position on SB 1327.

Regardless of the outcome of this bill, the CBA may wish to direct staff to work with CalGOLD to have links to its information placed on the CalGOLD website.

SB 1576 – Omnibus bill (Attachment 7)

CBA Position: Support

What It Did

SB 1576 is the annual omnibus bill. It contains various provisions affecting the CBA and other DCA boards. Specifically, it will

- change an out-of-date provision requiring the Rules of Professional Conduct to be printed on the licensing application;
- clarify that two public accounting corporations may form a public accounting partnership;
- delete obsolete language from the peer review code section;
- remove an obsolete provision regarding the Ethics Curriculum Committee;
- delete obsolete provisions regarding the adoption of the accounting study guidelines and the California Research Bureau report; and
- extend from one year to three years the length of time the CBA may grant to a licensee to repay investigation costs.
- allow holders of canceled and delinquent licenses to apply for retired status.

Amendments

The amendments which impact the CBA added the remaining language regarding retired status. These amendments were mostly technical in nature and allow for all cancelled licenses to be reissued in a retired status upon approval of a retired status application.

Recommendation

Staff recommend that the CBA maintain its Support position.

Update on Bills on Which the CBA Has Taken a Position

Page 6 of 6

Recommendation

Staff recommendations were noted in the above analysis.

Attachments

- 1 – Legislative Tracking List
- 2 – AB 1345 – Local government: audits
- 3 – AB 1588 – Reservist Licensees
- 4 – AB 1904 – Military spouses
- 5 – SB 1327 – State government: Internet Website
- 6 – CalGOLD printout
- 7 – SB 1576 – Omnibus bill (relevant portions)



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.cba.ca.gov>



Attachment 1

LEGISLATIVE TRACKING LIST

<u>Bill #</u>	<u>Author</u>	<u>Topic</u>	<u>Board Position</u>
AB 1345	Lara	Local Government: audits	Support if Amended
AB 1409	V. Perez	Regulations: small business	Watch
AB 1537	Cook	Regulations: sunset date	Oppose
AB 1588	Atkins	Reservist licensees	Support if Amended
AB 1904	Block	Military Spouses	Support if Amended
AB 1914	Garrick	Agency Reports	Oppose
AB 1982	Wagner	Regulations: effective date	Oppose
AB 2022	Wagner	Controller: Financial Information	Watch
AB 2041	Swanson	Regulations: disability access	Support if Amended
AB 2570	Hill	Settlement agreements	Oppose
SB 103	Liu	Teleconferencing	Oppose
SB 975	Wright	Regulatory Authority	Watch
SB 1099	Wright	Regulations: effective date	Oppose
SB 1327	Cannella	State government: Internet Website	Oppose
SB 1405	DeLeon	Military service: practice privilege	Support
SB 1576	Sen. B&P	Omnibus Bill	Support

AMENDED IN SENATE JUNE 6, 2012

AMENDED IN SENATE APRIL 24, 2012

AMENDED IN ASSEMBLY JANUARY 12, 2012

AMENDED IN ASSEMBLY JANUARY 4, 2012

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1345

Introduced by Assembly Member Lara

February 18, 2011

An act to amend Section 12410.5 of, and to add Section 12410.6 to, the Government Code, relating to audits.

LEGISLATIVE COUNSEL'S DIGEST

AB 1345, as amended, Lara. Local government: audits.

(1) The federal Single Audit Act of 1984 requires any nonfederal entity, defined as a state, local government, or nonprofit organization, that expends \$300,000 or more in federal money to prepare an annual audit that meets certain specifications and transmit that audit to specified federal agencies. Existing law requires the Controller to receive every audit report prepared by any local public agency, pursuant to the federal Single Audit Act of 1984, and review those reports for compliance with federal law before forwarding them to the designated state agency.

This bill would require the annual audit reports made pursuant to the federal Single Audit Act of 1984 to be submitted to the Controller within 9 months after the end of the period audited or pursuant to applicable federal or state law. This bill would authorize the Controller to appoint

a qualified certified public accountant or public accountant to complete an audit report if a local agency, as defined, fails to submit the audit report to the Controller by the specified date. The bill would require the Controller to first notify a local agency of its failure to submit the audit report and give the local agency a reasonable amount of time to submit the report before appointing a certified public accountant or public accountant. The bill would require the Controller to report certain misconduct and nondisclosures to the California Board of Accountancy.

(2) Existing law requires certain audits to be performed by specified accountants and accounting firms.

This bill would require any audit for any local agency to be performed by a certified public accountant or public accountant, as specified. The bill would prohibit a local agency from employing certain public accounting firms to perform an audit, as specified, unless the Controller finds that another eligible public accounting firm is not available to perform the audit.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 12410.5 of the Government Code is
2 amended to read:

3 12410.5. (a) The Controller shall receive every audit report
4 prepared for any local agency, as defined in Section 53890, in
5 compliance with the federal Single Audit Act of 1984 (31 U.S.C.
6 Sec. 7501 et seq.) and required under any law to be submitted to
7 any state agency, and shall, after ascertaining its compliance with
8 that federal act, transmit the report to the designated state agency.

9 (b) The audit report shall be submitted to the Controller within
10 nine months after the end of the period audited or pursuant to
11 applicable federal or state law.

12 (c) An audit report for any local agency submitted to the
13 Controller pursuant to this section shall comply with the
14 Government Auditing Standards issued by the Comptroller General
15 of the United States.

16 (d) If a local agency does not submit the audit report required
17 by this section to the Controller by the due date established in
18 subdivision (b) of this section, the Controller may appoint a
19 qualified certified public accountant or public accountant to

1 complete the report and to obtain the information required. Any
2 cost incurred by the Controller pursuant to this subdivision,
3 including a contract with, or the employment of, the certified public
4 accountant or public accountant, in completing the audit shall be
5 borne by the local agency and shall be a charge against any
6 unencumbered funds of the local agency.

7 (e) Before appointing a certified public accountant or public
8 accountant pursuant to subdivision (d), the Controller shall first
9 notify a local agency of its failure to submit the audit report and
10 give the local agency a reasonable amount of time to submit the
11 report.

12 (f) The Controller shall refer any matters of unprofessional
13 conduct, as defined in Section 5100 of the Business and Professions
14 Code, and multiple and repeated failures to disclose noncompliant
15 acts to the California Board of Accountancy.

16 SEC. 2. Section 12410.6 is added to the Government Code, to
17 read:

18 12410.6. (a) An audit for any local agency, including those
19 submitted to the Controller pursuant to subdivision (a) of Section
20 12410.5, shall be made by a certified public accountant or public
21 accountant, licensed by, and in good standing with, the California
22 Board of Accountancy.

23 (b) Commencing with the 2013–14 fiscal year, a local agency
24 shall not employ a public accounting firm to provide audit services
25 to a local agency if the lead audit partner or coordinating audit
26 partner having primary responsibility for the audit, or the audit
27 partner responsible for reviewing the audit, has performed audit
28 services for that local agency for ~~each of the six previous~~
29 *consecutive* fiscal years. *For purposes of calculating the six*
30 *consecutive fiscal years, the local agency shall not take into*
31 *account any time that a public accounting firm was employed by*
32 *that local agency prior to the 2013–14 fiscal year.* The Controller
33 may waive this requirement if he or she finds that another eligible
34 public accounting firm is not available to perform the audit.

AMENDED IN SENATE JUNE 25, 2012

AMENDED IN ASSEMBLY MARCH 5, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1588

Introduced by Assembly Member Atkins
(Principal coauthors: Assembly Members Cook and Nielsen)
(Coauthors: Assembly Members *Allen, Bill Berryhill, Block, Butler,*
***Beth Gaines, Pan, V. Manuel Pérez, Williams, and Yamada*)**

February 6, 2012

An act to add Section 114.3 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1588, as amended, Atkins. Professions and vocations: reservist licensees: fees and continuing education.

Existing law provides for the regulation of various professions and vocations by boards, ~~commissions, or bureaus~~ within the Department of Consumer Affairs and for the licensure or registration of individuals in that regard. Existing law authorizes any licensee whose license expired while he or she was on active duty as a member of the California National Guard or the United States Armed Forces to reinstate his or her license without examination or penalty if certain requirements are met.

This bill would require the boards, ~~commissions, or bureaus~~ described above to waive the renewal fees ~~and~~, continuing education requirements, ~~if either is applicable~~ *and other renewal requirements as determined by the board, if any are applicable*, of any licensee or registrant who is a reservist called to active duty as a member of the United States

Military Reserve or the California National Guard if certain requirements are met. *The bill would require a licensee or registrant to meet certain renewal requirements within a specified time period after being discharged from active duty service prior to engaging in any activity requiring a license.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 114.3 is added to the Business and
 2 Professions Code, to read:
 3 114.3. (a) Notwithstanding any other provision of law, every
 4 board, ~~commission, or bureau~~ *as defined in Section 22*, within the
 5 department shall waive the renewal fees ~~and~~, continuing education
 6 requirements, ~~if either is applicable~~ *and other renewal requirements*
 7 *as determined by the board, if any are applicable*, for any licensee
 8 or registrant who is a reservist called to active duty as a member
 9 of the United States Military Reserve or the California National
 10 Guard if all of the following requirements are met:
 11 (a)
 12 (1) The licensee or registrant ~~was in good standing~~ *possessed*
 13 *a current and valid license* with the board, ~~commission, or bureau~~
 14 ~~at the time the reservist he or she was called to active duty.~~
 15 (b)
 16 (2) The renewal fees ~~or continuing education~~ requirements are
 17 waived only for the period during which the ~~reservist licensee or~~
 18 ~~registrant~~ is on active duty service.
 19 (c) ~~The active duty reservist, or the active duty reservist's spouse~~
 20 ~~or registered domestic partner, provides written notice satisfactory~~
 21 ~~to the board, commission, or bureau that substantiates the~~
 22 ~~reservist's active duty service.~~
 23 (3) *Written documentation that substantiates the licensee or*
 24 *registrant's active duty service is provided to the board.*
 25 (b) *The licensee or registrant shall not engage in any activities*
 26 *requiring a license during the period that the waivers provided by*
 27 *this section are in effect. In order to engage in any activities for*
 28 *which he or she is licensed, the licensee or registrant shall meet*
 29 *all necessary renewal requirements as determined by the board*

- 1 *within one year from the reservist's date of discharge from active*
- 2 *duty service.*
- 3 *(c) A board may adopt regulations to carry out the provisions*
- 4 *of this section.*

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AMENDED IN SENATE JUNE 12, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1904

Introduced by Assembly Members Block, Butler, and Cook

February 22, 2012

An act to add Section 115.5 to the Business and Professions Code, relating to professions and vocations, ~~and making an appropriation therefor.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1904, as amended, Block. Professions and vocations: military spouses: ~~temporary licenses.~~ *expedited licensure.*

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law provides for the issuance of reciprocal licenses in certain fields where the applicant, among other requirements, has a license to practice within that field in another jurisdiction, as specified. ~~Under existing law, licensing fees imposed by certain boards within the department are deposited in funds that are continuously appropriated. Existing law authorizes a licensee to reinstate an expired license without examination or penalty if, among other requirements, the license expired while the licensee was on active duty as a member of the California National Guard or the United States Armed Forces.~~

This bill would ~~authorize~~ *require* a board within the department to ~~issue a temporary license to expedite the licensure process for~~ an applicant who, ~~among other requirements,~~ holds an equivalent *a* license ~~in the same profession or vocation~~ in another jurisdiction, ~~as specified,~~ and is married to, or in a legal union with, an active duty member of the Armed Forces of the United States who is assigned to a duty station

in California under official active duty military orders. ~~The bill would require a board to expedite the process for issuing these temporary licenses. The bill would require the applicant to pay any fees required by the board and would require that those fees be deposited in the fund used by the board to administer its licensing program. To the extent that the bill would increase the amount of money deposited into a continuously appropriated fund, the bill would make an appropriation.~~

Vote: majority. Appropriation: *yes-no*. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 115.5 is added to the Business and
2 Professions Code, to read:
3 115.5. (a) A board within the department ~~may issue a~~
4 ~~temporary license to~~ *shall expedite the licensure process for* an
5 applicant who meets ~~all~~ *both* of the following requirements:
6 (1) ~~Submits an application in the manner prescribed by the~~
7 ~~board.~~
8 (2)
9 (1) Supplies evidence satisfactory to the board that the applicant
10 is married to, or in a domestic partnership or other legal union
11 with, an active duty member of the Armed Forces of the United
12 States who is assigned to a duty station in this state under official
13 active duty military orders.
14 (3)
15 (2) Holds a current license in another state, district, or territory
16 of the United States ~~with the requirements that the board determines~~
17 ~~are substantially equivalent to those established under this code~~
18 ~~for that occupation~~ *in the profession or vocation for which he or*
19 *she seeks a license from the board.*
20 (4) ~~Has not committed an act in any jurisdiction that would have~~
21 ~~constituted grounds for denial, suspension, or revocation of the~~
22 ~~license under this code at the time the act was committed.~~
23 (5) ~~Has not been disciplined by a licensing entity in another~~
24 ~~jurisdiction and is not the subject of an unresolved complaint,~~
25 ~~review procedure, or disciplinary proceeding conducted by a~~
26 ~~licensing entity in another jurisdiction.~~

- 1 ~~(6) Pays any fees required by the board. Those fees shall be~~
2 ~~deposited in the applicable fund or account used by the board to~~
3 ~~administer its licensing program.~~
4 ~~(7) Submits fingerprints and any applicable fingerprinting fee~~
5 ~~in the manner required of an applicant for a regular license.~~
6 ~~(b) A board shall expedite the procedure for issuing a temporary~~
7 ~~license pursuant to this section.~~
8 ~~(c) A temporary license issued under this section shall be valid~~
9 ~~for 180 days, except that the license may, at the discretion of the~~
10 ~~board, be extended for an additional 180-day period on application~~
11 ~~of the license holder.~~
12 ~~(d)~~
13 ~~(b) A board may adopt regulations necessary to administer this~~
14 ~~section.~~

AMENDED IN ASSEMBLY JULY 3, 2012

SENATE BILL

No. 1327

Introduced by Senator Cannella

(Coauthors: Senators Berryhill, Dutton, Harman, and La Malfa)

(Coauthors: Assembly Members Alejo, Jeffries, Portantino, ~~and~~ Silva,
and Solorio)

February 23, 2012

An act to add Section 12019.5 to the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

SB 1327, as amended, Cannella. State government: business information: Internet Web site.

Existing law requires a business to obtain various licenses from regulatory agencies. Existing law requires state agencies to take specified actions, including, but not limited to, designating a small business liaison, to assist small businesses to achieve compliance with statutory and regulatory requirements.

This bill would require the Governor to establish an Internet Web site to assist an individual with the licensing, permitting, and registration requirements necessary to start a business. The bill would require a state agency that the Governor determines has licensing authority to provide accurate updated information about its licensing requirements, and would prohibit a state agency from using this Internet Web site as the exclusive source of licensing information for the public. The bill would also authorize the Governor to impose a reasonable fee, *not to exceed the actual cost to provide the service*, upon users of the Internet Web site.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 12019.5 is added to the Government
2 Code, to read:

3 12019.5. (a) The Governor, or his or her designee, shall
4 establish an Internet Web site to provide an individual with all of
5 the necessary information on how to start a business in this state.
6 The Internet Web site shall contain information on the licensing,
7 permitting, and registration requirements of state agencies, and
8 shall include, but not be limited to, information that does all of the
9 following:

10 (1) Assists individuals with identifying the type of applications,
11 forms, or other similar documents an applicant may need.

12 (2) Provides a digital copy of all state *licensing, permitting, and*
13 *registration* applications, forms, or other similar documents *where*
14 *made* available for download. *If a direct link to a digital copy*
15 *cannot be provided, the digital copy shall be posted and made*
16 *easily accessible for download on the Internet Web site.*

17 (3) Instructs individuals on how and where to submit
18 applications, forms, or other similar documents.

19 (b) The Governor shall ensure that the Internet Web site is user
20 friendly and provides accurate, updated information.

21 (c) (1) Each state agency that the Governor determines has
22 licensing authority shall provide accurate updated information
23 about its licensing requirements.

24 (2) A state agency shall not use the Internet Web site established
25 under this section as the exclusive source of information for the
26 public to access licensing requirements for that agency.

27 (d) The Governor, or his or her designee, may impose a
28 reasonable fee, *not to exceed the actual cost to provide the service,*
29 as a condition of accessing information on the Internet Web site
30 established under subdivision (a).

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Search
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Permit Listing

Business permits and other requirements in the Unincorporated (Sacramento County) for business types:

Tax Preparation Services

Scroll down to view your results. Or you may search for another Business Type

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[Permit Listing](#)

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Go directly to City, County, State, Federal, or Other permit sections

County

[Go to Top](#)

Burglar Alarm: Permit required if installing an alarm system

Contact: County of Sacramento
Sheriff's Department
Alarm Bureau
P.O. Box 988
Sacramento, CA 95812-0988
916-874-5115

Notes: For other types of permits i.e. solicitors, peddlers contact the Special Investigations Units at 916-874-5832.

Business License: Required if in the unincorporated part of the County.

Contact: County of Sacramento
Department of Finance
Business License Section
700 H Street, Room 1710
Sacramento, CA 95814
916-874-6622

Applies to: Tax Preparation Services

Business Property Statement: Businesses are required to report all equipment, fixtures, supplies, and leasehold improvements held for business use at each location.

Contact: County of Sacramento
Assessor's Office
3701 Power Inn Road, Suite 3000
Sacramento, CA 95826-4329
916-875-0700

Notes: Property Statements are due January 1 of each year

Applies to: Tax Preparation Services

Fictitious Business Name Filing: Required if fictitious business name is used.

Contact: County of Sacramento
Treasurer Tax Collector's Office
Fictitious Business Name
700 H Street, Room 1710
Sacramento, CA 95814
916-874-6644

Applies to: Tax Preparation Services

Fire Prevention Information/Inspection: Businesses may be subject to a yearly inspection of facility - annual fee may be charged.

Contact: County of Sacramento
Fire Department

3012 Gold Canal Drive
Rancho Cordova, CA 95670
916-566-4000

Applies to: Tax Preparation Services

Zoning Clearance/Building Permits: Required if located in the unincorporated part of the county

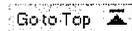
Contact: County of Sacramento
Planning/Community Development
827 7th Street, Room 230
Sacramento, CA 95814
916-874-6141

Notes: Logon at
www.co.sacramento.ca.us/business/feematx.html
to obtain county business permits and fees.

Applies to: Tax Preparation Services

Go directly to City, County, State, Federal, or Other permit sections

State



Corporation, Company or Partnership Filings: If you are considering becoming a corporation, (either stock or nonprofit), a limited liability company or a partnership (limited, or limited liability), you must file with the Secretary of State's Office.

Contact: Secretary of State
California Business Portal
1500 11th Street
Sacramento, CA 95814
916-657-5448

Notes: Also, if you are conducting business as one of the following, you must file a bond with the Secretary of State's Office: immigration consultant, credit services organization, dance studio, discount buying organization, employment agency, employment counseling service, invention developer, job listing service, nurses registry, or auctioneer or auction company.

Applies to: Tax Preparation Services

Discrimination Law: Harassment or discrimination in employment is prohibited if it is based on a person's race, ancestry, national origin, color, sex (including pregnancy), sexual orientation, religion, physical disability (including AIDS), mental disability, marital status, medical condition (cured cancer), and refusal of family care leave. Discrimination in housing, public services and accommodations is also prohibited.

Contact: Department of Fair Employment and Housing
2000 O Street, Suite 120
Sacramento, CA 95814-5212
1-800-884-1684

Notes: Employers must post the Harassment or Discrimination in Employment notice (DFEH 162) and provide their employees with a copy of the DFEH's information sheet on sexual harassment (DFEH 185) or a statement that contains equivalent information. Employers must also provide notice of an employee's right to request pregnancy disability leave or transfer, as well as notice to request a family or medical care leave (CFRA). Employers with 5 or more employees must maintain all personnel records for a minimum of 2 years.

Applies to: Tax Preparation Services

Occupational Safety and Health Information: Businesses with employees must prepare an Injury and Illness Prevention Plan. The state provides a no-fee consultation service to assist employers with preventing unsafe working conditions and workplace hazards.

Contact: Department of Industrial Relations
Cal/OSHA Consultation Services
2424 Arden Way Suite 410
Sacramento, CA 95825
916-263-2855

Notes: Certain permits/licenses/certifications may be required for compliance with Health & Safety Standards, General Industry Safety Order, Carcinogen regulations and Construction Safety orders i.e. excavation/trenching, asbestos related work, crane/derrick operation, air/liquid petroleum

gas tanks, etc.

Applies to: Tax Preparation Services

Registration Form for Employers: Required to file a registration form within 15 days after paying more than \$100.00 in wages to one or more employees. No distinction is made between full-time and part-time or permanent and temporary employees in meeting this requirement.

Contact: **Employment Development Department**
Employment Tax Customer Service
Office
For office locations...

Applies to: Tax Preparation Services

Sales & Use Permit (Seller's Permit): All businesses selling or leasing tangible property must obtain a Seller's Permit.

Contact: **State Board of Equalization**
Sales/ Use Tax Division
For office locations...

Notes: For Additional information about RESALE CERTIFICATE go to this website:
www.boe.ca.gov/sutax/faqresale.htm

Applies to: Tax Preparation Services

State Income Tax Information: Businesses should obtain the appropriate State income tax forms from the Franchise Tax Board.

Contact: **Franchise Tax Board**
3321 Power Inn Rd. Suite 250
Sacramento, CA 95826-3389
800-852-5711

Applies to: Tax Preparation Services

State Income Tax Information: Businesses should obtain the appropriate State income tax forms from the Franchise Tax Board.

Contact: **Franchise Tax Board**
Business Entities Division
P.O. Box 942857
Sacramento, CA 94257
888-635-0494

Notes: All businesses are required to submit a Business Income Tax statement annually.

Applies to: Tax Preparation Services

Wage/Hour Laws: Businesses with employees must comply with laws establishing minimum standards for wages, hours and working conditions.

Contact: **Department of Industrial Relations**
Labor Standards Enforcement
For office locations...

Applies to: Tax Preparation Services

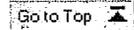
Workers' Compensation Information: Businesses with employees must maintain Workers' Compensation Insurance coverage on either a self-insured basis, or provided through a commercial carrier, or the State Workers' Compensation Insurance Fund.

Contact: **Department of Industrial Relations**
Relations
Division of Workers' Compensation
2424 Arden Way, Suite 230
Sacramento, CA 95825
916-263-2735

Applies to: Tax Preparation Services

Go directly to [City](#), [County](#), [State](#), [Federal](#), or [Other](#) permit sections

Federal



Employer Identification Number (EIN or SSN): Employers with employees, business partnerships, and corporations, must obtain an Employer Identification Number from the I.R.S. Businesses can obtain appropriate Federal income tax forms from this location.

Contact: [U.S. Department of Treasury](#)
Internal Revenue Service
4330 Watt Avenue
Sacramento, CA 95814
800-829-3676

Applies to: Tax Preparation Services

Proof of Residency Requirement: Employees hired after November 6, 1986 must provide proof of eligibility to work in the United States.

Contact: [U.S. Immigration and Naturalization Service](#)
630 Sansome St. Rm. 200
San Francisco, CA 94111
415-705-4411

Applies to: Tax Preparation Services

Go directly to [City](#), [County](#), [State](#), [Federal](#), or [Other](#) permit sections

Other



Consulting Training and Financial Assistance: May be used for business assistance information and answers to basic business questions. Business owners can utilize consultant's and information resources to examine new business opportunities, to develop financial or marketing skills, or to evaluate virtually any part of their business.

Contact: [Regional Environmental Business Resource and Assistance Center](#)
1410 Ethan Way
Sacramento, CA 95825
916-563-3241

Applies to: Tax Preparation Services

Tax Preparer Registration: Required for any person who for a fee, assists with or prepares a State or Federal tax return, or assumes responsibility for such a return, or who offers these services.

Contact: [California Tax Education Council](#)
P.O. Box 2890
Sacramento, CA 95812-2890
877-850-2832

Governor's Office of Business and Economic Development
CalGOLD staff: Frank.Ramirez@gov.ca.gov

AMENDED IN ASSEMBLY JUNE 11, 2012

AMENDED IN SENATE APRIL 12, 2012

SENATE BILL

No. 1576

Introduced by Committee on Business, Professions and Economic Development (Senators Price (Chair), Corbett, Correa, Emmerson, Hernandez, Negrete McLeod, Strickland, Vargas, and Wyland)

March 12, 2012

An act to amend Sections 5070.1, 5072, 5076, 5093, 5094.6, 5107, 7011.8, 7076, 8741, 8762, 8773, 12012, 12012.1, 12024.11, 12027, 12104, 12104.5, 12105, 12106.5, 12107, 12107.1, 12108, 12201, 12201.2, 12202, 12203, 12205, 12210.5, 12212, 12214, 12314, 12500.5, 12500.6, 12500.8, 12609, 12610, 12706, 12708, 12722, 12723, 12727, 12735, 13403, 13440, 13450, 13460, 13461, 13480, and 13710 of, to amend and renumber Section 12736 of, to repeal Section 13302 of, and to repeal and add Section 5019 of, the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

SB 1576, as amended, Committee on Business, Professions and Economic Development. Professions and vocations.

Existing law provides for the licensure and regulation of professions and vocations by boards within the Department of Consumer Affairs.

(1) Existing law provides for the licensure and regulation of the practice of accountancy by the California Board of Accountancy. Under existing law, permits to engage in the practice of public accountancy are required to be issued by the board only to holders of the certificate of certified public accountant, and to those partnerships, corporations,

and other persons who, upon application approved by the board, are registered with the board.

Under existing law, the rules of professional conduct adopted by the board are required to be printed as a part of the application blanks for both certificates and registration and every applicant for either a certificate or registration is required to subscribe thereto when making an application.

This bill would require such an applicant to acknowledge the fact that the applicant has read and understands the rules of professional conduct adopted by the board.

Existing law authorizes a partnership, except as specified, to be registered by the board to engage in the practice of public accountancy provided it meets certain requirements, including, but not limited to, that each partner personally engaged within this state in the practice of public accountancy has a valid permit or certificate to practice in this state and that, except as specified, each partner not personally engaged in the practice of public accountancy within this state is required to be a certified public accountant in good standing of some state.

This bill would modify those requirements to instead include that each partner engaged within this state in the practice of public accountancy has a valid permit or certificate to practice in this state and that, except as specified, each partner not engaged in the practice of public accountancy within this state is required to be a certified public accountant in good standing of some state.

Existing law requires a firm, in order to renew its registration, to have a specified peer review report accepted by a board-recognized peer review group. Existing law requires the board to adopt regulations and emergency regulations to implement, interpret, and make specific these peer review requirements.

This bill would delete that requirement to adopt emergency regulations.

Existing law requires an applicant for the certified public accountant license to comply with certain education, examination, and experience requirements under one of 2 provisions that set forth different standards, commonly referred to as the 2 "pathways." Existing law, under the 2nd pathway, requires an applicant to present satisfactory evidence that the applicant has completed certain education, and after December 31, 2013, that education is required to include specified ethics study. Existing law authorizes the Advisory Committee on Accounting Ethics Curriculum to determine that a course satisfies the ethics study

requirement. No later than June 1, 2012, existing law also requires the Advisory Committee on Accounting Ethics Curriculum to recommend to the board ethics study guidelines, as defined, to be included as part of the educational requirements.

This bill would delete those provisions establishing the responsibilities of the committee.

Existing law authorizes the board to conditionally renew or reinstate for a maximum of one year the permit or certificate of a holder who demonstrates financial hardship and who enters into a formal agreement with the board to reimburse the board within that one-year period for those unpaid costs.

This bill would authorize the board to conditionally renew or reinstate for a maximum of 3 years a permit or certificate if the holder demonstrates financial hardship and enters into a formal agreement with the board to reimburse the board within that 3-year period for those unpaid costs.

Existing law provides that an accountant who is no longer actively engaged in practice may, upon application to the board and meeting specified requirements, have his or her license placed on retired status. Existing law prohibits the board, beginning on a specified date, from approving an application for a retired status license if the applicant's permit is delinquent.

This bill would remove the prohibition against granting retired status to an accountant's license which had become delinquent and would allow an accountant whose license was canceled for failure to renew to apply for his or her license to be placed in retired status.

This bill would also exempt holders of licenses placed in retired status during a specified period from complying with certain requirements.

(2) Existing law, the Contractors' State License Law, provides for the licensure and regulation of contractors by the Contractors' State License Board. Existing law requires the board to appoint a registrar to serve as the executive officer and secretary of the board to carry out the duties delegated by the board. Under existing law, any person who reports to or causes a complaint to be filed with the board that a licensee has engaged in professional misconduct, knowing that complaint to be false, is guilty of a crime. Existing law authorizes the board to notify the district attorney or city attorney that a person has made what the board believes is a false report or complaint.

The people of the State of California do enact as follows:

1 SECTION 1. Section 5019 of the Business and Professions
2 Code is repealed.

3 SEC. 2. Section 5019 is added to the Business and Professions
4 Code, to read:

5 5019. Every applicant, when subscribing to an application for
6 certificate or registration, shall acknowledge the fact that the
7 applicant has read and understands the rules of professional conduct
8 adopted by the board.

9 SEC. 3. Section 5070.1 of the Business and Professions Code
10 is amended to read:

11 5070.1. (a) The board may establish, by regulation, a system
12 for the placement of a license ~~on~~ into a retired status, upon
13 application, for certified public accountants and public accountants
14 who are not actively engaged in the practice of public accountancy
15 or any activity which requires them to be licensed by the board.

16 (b) No licensee with a license ~~on~~ in a retired status shall engage
17 in any activity for which a permit is required.

18 (c) ~~Except as provided in subdivision (d), the~~ The board shall
19 deny an applicant's application ~~for to place a retired status~~ license
20 if the permit is canceled or in a retired status if the permit is subject
21 to an outstanding order of the board, is suspended, revoked, or
22 otherwise punitively restricted by the board, or is subject to
23 disciplinary action under this chapter.

24 (d) (1) ~~Upon approval of an application for a retired status~~
25 ~~license from the holder of a license canceled pursuant to Section~~
26 ~~5070.7, the board shall reissue that license in a retired status.~~

27 (d) (1) *The holder of a license that was canceled pursuant to*
28 *Section 5070.7 may apply for the placement of that license in a*
29 *retired status pursuant to subdivision (a).*

30 (2) *Upon approval of an application made pursuant to*
31 *paragraph (1), the board shall reissue that license in a retired*
32 *status.*

33 (2)

34 (3) *The holder of a canceled license that was placed in retired*
35 *status ~~on or after~~ between January 1, 1994, and ~~prior to~~ January 1,*
36 *1999, inclusive, shall not be required to meet the qualifications*
37 *established pursuant to subdivision (e), but shall be subject to all*
38 *other requirements of this section.*

1 (e) The board shall establish minimum qualifications ~~for to~~
2 ~~place a retired status license in retired status.~~

3 (f) The board may exempt the holder of a ~~retired status~~ license
4 ~~in a retired status~~ from the renewal requirements described in
5 Section 5070.5.

6 (g) The board shall establish minimum qualifications for the
7 restoration of a license in a retired status to an active status. These
8 minimum qualifications shall include, but are not limited to,
9 continuing education and payment of a fee as provided in
10 subdivision (h) of Section 5134.

11 SEC. 4. Section 5072 of the Business and Professions Code is
12 amended to read:

13 5072. (a) No persons shall engage in the practice of
14 accountancy as a partnership unless the partnership is registered
15 by the board.

16 (b) A partnership, other than a limited partnership, may be
17 registered by the board to engage in the practice of public
18 accountancy provided it meets the following requirements:

19 (1) At least one general partner shall hold a valid permit to
20 practice as a certified public accountant, public accountant, or
21 accountancy corporation, or shall be an applicant for a certificate
22 as a certified public accountant under Sections 5087 and 5088.

23 (2) Each partner engaged within this state in the practice of
24 public accountancy as defined by Section 5051 shall hold a valid
25 permit to practice in this state or shall have applied for a certificate
26 as a certified public accountant under Sections 5087 and 5088.

27 (3) Each partner not engaged in the practice of public
28 accountancy within this state shall be a certified public accountant
29 in good standing of some state, except as permitted by Section
30 5079.

31 (4) Each resident manager in charge of an office of the firm in
32 this state shall be a licensee in good standing of this state, or shall
33 have applied for a certificate as a certified public accountant under
34 Sections 5087 and 5088.

35 SEC. 5. Section 5076 of the Business and Professions Code is
36 amended to read:

37 5076. (a) In order to renew its registration, a firm, as defined
38 in Section 5035.1, shall have a peer review report of its accounting
39 and auditing practice accepted by a board-recognized peer review
40 program no less frequently than every three years.

1 (b) For purposes of this article, the following definitions apply:

2 (1) "Peer review" means a study, appraisal, or review conducted
3 in accordance with professional standards of the professional work
4 of a firm, and may include an evaluation of other factors in
5 accordance with the requirements specified by the board in
6 regulations. The peer review report shall be issued by an individual
7 who has a valid and current license, certificate, or permit to practice
8 public accountancy from this state or another state and is
9 unaffiliated with the firm being reviewed.

10 (2) "Accounting and auditing practice" includes any services
11 that are performed using professional standards defined by the
12 board in regulations.

13 (c) The board shall adopt regulations as necessary to implement,
14 interpret, and make specific the peer review requirements in this
15 section, including, but not limited to, regulations specifying the
16 requirements for board recognition of a peer review program,
17 standards for administering a peer review, extensions of time for
18 fulfilling the peer review requirement, exclusions from the peer
19 review program, and document submission.

20 (d) Nothing in this section shall prohibit the board from initiating
21 an investigation and imposing discipline against a firm or licensee,
22 either as the result of a complaint that alleges violations of statutes,
23 rules, or regulations, or from information contained in a peer review
24 report received by the board.

25 (e) A firm issued a substandard peer review report, as defined
26 by the board in regulation, shall submit a copy of that report to the
27 board. The board shall establish in regulation the time period that
28 a firm must submit the report to the board. This period shall not
29 exceed 60 days from the time the report is accepted by a
30 board-recognized peer review program provider to the date the
31 report is submitted to the board.

32 (f) (1) A board-recognized peer review program provider shall
33 file a copy with the board of all substandard peer review reports
34 issued to California-licensed firms. The board shall establish in
35 regulation the time period that a board-recognized peer review
36 program provider shall file the report with the board. This period
37 shall not exceed 60 days from the time the report is accepted by a
38 board-recognized peer review program provider to the date the
39 report is filed with the board. These reports may be filed with the
40 board electronically.

- 1 (2) Nothing in this subdivision shall require a board-recognized
2 peer review program provider, when administering peer reviews
3 in another state, to violate the laws of that state.
- 4 (g) The board shall, by January 1, 2010, define a substandard
5 peer review report in regulation.
- 6 (h) Any requirements imposed by a board-recognized peer
7 review program on a firm in conjunction with the completion of
8 a peer review shall be separate from, and in addition to, any action
9 by the board pursuant to this section.
- 10 (i) Any report of a substandard peer review submitted to the
11 board in conjunction with this section shall be collected for
12 investigatory purposes.
- 13 (j) Nothing in this section affects the discovery or admissibility
14 of evidence in a civil or criminal action.
- 15 (k) Nothing in this section requires any firm to become a
16 member of any professional organization.
- 17 (l) A peer reviewer shall not disclose information concerning
18 licensees or their clients obtained during a peer review, unless
19 specifically authorized pursuant to this section, Section 5076.1, or
20 regulations prescribed by the board.
- 21 (m) (1) By January 1, 2015, the board shall provide the
22 Legislature and Governor with a report regarding the peer review
23 requirements of this section that includes, without limitation:
- 24 (A) The number of peer review reports completed to date and
25 the number of reports which were submitted to the board as
26 required in subdivision (e).
- 27 (B) The number of enforcement actions that were initiated as a
28 result of an investigation conducted pursuant to subdivision (i).
- 29 (C) The number of firms that were recommended to take
30 corrective actions to improve their practice through the mandatory
31 peer review process, and the number of firms that took corrective
32 actions to improve their practice following recommendations
33 resulting from the mandatory peer review process.
- 34 (D) The extent to which mandatory peer review of accounting
35 firms enhances consumer protection.
- 36 (E) The cost impact on firms undergoing mandatory peer review
37 and the cost impact of mandatory peer review on the firm's clients.
- 38 (F) A recommendation as to whether the mandatory peer review
39 program should continue.

1 (G) The extent to which mandatory peer review of small firms
2 or sole practitioners that prepare nondisclosure compiled financial
3 statements on an other comprehensive basis of accounting enhances
4 consumer protection.

5 (H) The impact of peer review required by this section on small
6 firms and sole practitioners that prepare nondisclosure compiled
7 financial statements on an other comprehensive basis of accounting.

8 (I) The impact of peer review required by this section on small
9 businesses, nonprofit corporations, and other entities that utilize
10 small firms or sole practitioners for the purposes of nondisclosure
11 compiled financial statements prepared on an other comprehensive
12 basis of accounting.

13 (J) A recommendation as to whether the preparation of
14 nondisclosure compiled financial statements on an other
15 comprehensive basis of accounting should continue to be a part
16 of the mandatory peer review program.

17 (2) A report to the Legislature pursuant to this section shall be
18 submitted in compliance with Section 9795 of the Government
19 Code.

20 SEC. 6. Section 5093 of the Business and Professions Code is
21 amended to read:

22 5093. (a) To qualify for the certified public accountant license,
23 an applicant who is applying under this section shall meet the
24 education, examination, and experience requirements specified in
25 subdivisions (b), (c), and (d), or otherwise prescribed pursuant to
26 this article. The board may adopt regulations as necessary to
27 implement this section.

28 (b) (1) An applicant for admission to the certified public
29 accountant examination under the provisions of this section shall
30 present satisfactory evidence that the applicant has completed a
31 baccalaureate or higher degree conferred by a degree-granting
32 university, college, or other institution of learning accredited by
33 a regional or national accrediting agency included in a list of these
34 agencies published by the United States Secretary of Education
35 under the requirements of the Higher Education Act of 1965 as
36 amended (20 U.S.C. Sec. 1001 et seq.), or meeting, at a minimum,
37 the standards described in subdivision (c) of Section 5094. The
38 total educational program shall include a minimum of 24 semester
39 units in accounting subjects and 24 semester units in
40 business-related subjects. This evidence shall be provided at the

1 time of application for admission to the examination, except that
2 an applicant who applied, qualified, and sat for at least two subjects
3 of the examination for the certified public accountant license before
4 May 15, 2002, may provide this evidence at the time of application
5 for licensure.

6 (2) An applicant for issuance of the certified public accountant
7 license under the provisions of this section shall present satisfactory
8 evidence that the applicant has completed at least 150 semester
9 units of college education including a baccalaureate or higher
10 degree conferred by a college or university, meeting, at a minimum,
11 the standards described in Section 5094, the total educational
12 program to include a minimum of 24 semester units in accounting
13 subjects, 24 semester units in business-related subjects, and, after
14 December 31, 2013, shall also include a minimum of 10 units of
15 ethics study consistent with the requirements set forth in Section
16 5094.3 and 20 units of accounting study consistent with the
17 regulations promulgated under subdivision (c) of Section 5094.6.
18 This evidence shall be presented at the time of application for the
19 certified public accountant license. Nothing herein shall be deemed
20 inconsistent with Section 5094 or 5094.6. Nothing herein shall be
21 construed to be inconsistent with prevailing academic practice
22 regarding the completion of units.

23 (c) An applicant for the certified public accountant license shall
24 pass an examination prescribed by the board.

25 (d) The applicant shall show, to the satisfaction of the board,
26 that the applicant has had one year of qualifying experience. This
27 experience may include providing any type of service or advice
28 involving the use of accounting, attest, compilation, management
29 advisory, financial advisory, tax or consulting skills. To be
30 qualifying under this section, experience shall have been performed
31 in accordance with applicable professional standards. Experience
32 in public accounting shall be completed under the supervision or
33 in the employ of a person licensed or otherwise having comparable
34 authority under the laws of any state or country to engage in the
35 practice of public accountancy. Experience in private or
36 governmental accounting or auditing shall be completed under the
37 supervision of an individual licensed by a state to engage in the
38 practice of public accountancy.

39 (e) Applicants completing education at a college or university
40 located outside of this state, meeting, at a minimum, the standards

1 described in Section 5094, shall be deemed to meet the educational
2 requirements of this section if the board determines that the
3 education is substantially equivalent to the standards of education
4 specified under this chapter.

5 SEC. 7. Section 5094.6 of the Business and Professions Code
6 is amended to read:

7 5094.6. (a) The board shall, by regulation, adopt guidelines
8 for accounting study to be included as part of the education
9 required under Section 5093.

10 (b) For purposes of this section, "accounting study" means
11 independent study or other academic work in accounting, business,
12 ethics, business law, or other academic work relevant to accounting
13 and business, so as to enhance the competency of students as
14 practitioners.

15 SEC. 8. Section 5107 of the Business and Professions Code is
16 amended to read:

17 5107. (a) The executive officer of the board may request the
18 administrative law judge, as part of the proposed decision in a
19 disciplinary proceeding, to direct any holder of a permit or
20 certificate found to have committed a violation or violations of
21 this chapter to pay to the board all reasonable costs of investigation
22 and prosecution of the case, including, but not limited to, attorneys'
23 fees. The board shall not recover costs incurred at the
24 administrative hearing.

25 (b) A certified copy of the actual costs, or a good faith estimate
26 of costs where actual costs are not available, signed by the
27 executive officer, shall be prima facie evidence of reasonable costs
28 of investigation and prosecution of the case.

29 (c) The administrative law judge shall make a proposed finding
30 of the amount of reasonable costs of investigation and prosecution
31 of the case when requested to do so by the executive officer
32 pursuant to subdivision (a). Costs are payable 120 days after the
33 board's decision is final, unless otherwise provided for by the
34 administrative law judge or if the time for payment is extended by
35 the board.

36 (d) The finding of the administrative law judge with regard to
37 cost shall not be reviewable by the board to increase the cost award.
38 The board may reduce or eliminate the cost award, or remand to
39 the administrative law judge where the proposed decision fails to

1 make a finding on costs requested by the executive officer pursuant
2 to subdivision (a).

3 (e) The administrative law judge may make a further finding
4 that the amount of reasonable costs awarded shall be reduced or
5 eliminated upon a finding that respondent has demonstrated that
6 he or she cannot pay all or a portion of the costs or that payment
7 of the costs would cause an unreasonable financial hardship which
8 cannot be remedied through a payment plan.

9 (f) When an administrative law judge makes a finding that costs
10 be waived or reduced, he or she shall set forth the factual basis for
11 his or her finding in the proposed decision.

12 (g) Where an order for recovery of costs is made and timely
13 payment is not made as directed by the board's decision, the board
14 may enforce the order for payment in any appropriate court. This
15 right of enforcement shall be in addition to any other rights the
16 board may have as to any holder of a permit or certificate directed
17 to pay costs.

18 (h) In a judicial action for the recovery of costs, proof of the
19 board's decision shall be conclusive proof of the validity of the
20 order of payment and the terms of payment.

21 (i) All costs recovered under this section shall be deposited in
22 the Accountancy Fund.

23 (j) (1) Except as provided in paragraph (2), the board shall not
24 renew or reinstate the permit or certificate of a holder who has
25 failed to pay all of the costs ordered under this section.

26 (2) Notwithstanding paragraph (1) or paragraph (2) of
27 subdivision (g) of Section 125.3, the board may, in its discretion,
28 conditionally renew or reinstate for a maximum of three years the
29 permit or certificate of a holder who demonstrates financial
30 hardship and who enters into a formal agreement with the board
31 to reimburse the board within that three-year period for those
32 unpaid costs.

33 (k) Nothing in this section shall preclude the board from seeking
34 recovery of costs in an order or decision made pursuant to an
35 agreement entered into between the board and the holder of a
36 permit or certificate.

37 (l) (1) Costs may not be recovered under this section as a result
38 of a citation issued pursuant to Section 125.9 and its implementing
39 language if the licensee complies with the citation.

1 (2) The Legislature hereby finds and declares that this
2 subdivision is declaratory of existing law.

3 SEC. 9. Section 7011.8 of the Business and Professions Code
4 is amended to read:

5 7011.8. (a) Any person subject to licensure under this chapter
6 who reports to, or causes a complaint to be filed with, the
7 Contractors' State License Board that a person licensed by that
8 entity has engaged in professional misconduct, knowing the report
9 or complaint to be false, may be issued a citation by the registrar.

10 (b) The board may notify the appropriate district attorney or
11 city attorney that a person subject to licensure under this chapter
12 has made or filed what the entity believes to be a false report or
13 complaint against a licensee.

14 SEC. 10. Section 7076 of the Business and Professions Code
15 is amended to read:

16 7076. (a) An individual license shall be canceled upon the
17 death of a person licensed as an individual. An immediate member
18 of the family of the deceased licensee may request a continuance
19 of the license to complete projects in progress and undertake new
20 work for a reasonable amount of time to be determined by rules
21 of the board. The request for a continuance must be made in writing
22 and received at the board's headquarters office within 90 days
23 after the death. Approval of the continuance of an individual license
24 may be contingent upon meeting the bond requirements of Sections
25 7071.5 and 7071.6 within 90 days of notification by the board of
26 that requirement. The immediate member of the family must apply
27 for and obtain his or her own license to continue contracting after
28 the continuance expires.

29 (b) A partnership license shall be canceled upon the death of a
30 general partner. The remaining partner or partners shall notify the
31 registrar in writing within 90 days of the death of a general partner.
32 Failure to notify the registrar within 90 days of the death is grounds
33 for disciplinary action.

34 The remaining general partner or partners may request a
35 continuance of the license to complete projects in progress and
36 undertake new work for a reasonable amount of time to be
37 determined by rules of the board. The request for a continuance
38 must be made in writing and received at the board's headquarters
39 office within 90 days after the death. The remaining general partner

**CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
SB 1405**

Subject: Accountancy: military service: practice
privilege

Author: De Léon

Version: 6/19/12

Sponsor: CalCPA & Accountants'
Coalition

Summary

Current Law:

Existing law authorizes any board or bureau within the Department of Consumer Affairs to establish, by regulation, a system for an inactive license category for persons not actively engaged in practice. Existing law establishes renewal fees and other renewal requirements including continuing education and peer review requirements.

Existing law authorizes an individual whose principal place of business is not in this state, and who has a valid and current license to practice public accountancy from another state, to engage in the practice of public accountancy in this state under a practice privilege. In order to obtain a practice privilege, an individual is required to provide notice to the California Board of Accountancy (CBA) by submitting a notification form and pay fees. A practice privilege expires one year from the date of the notice to the CBA. Existing law authorizes the CBA to deny practice privileges using specified procedures. Existing law prohibits an individual with a practice privilege from signing an attest report unless he or she meets specified experience requirements and completes any continuing education or other conditions as required by the CBA. Existing law makes these provisions operative only if there is a specified appropriation in the annual Budget Act to fund the practice privilege provisions.

Proposed Law:

This bill, beginning January 1, 2014, would authorize a licensee to apply for a license in a military inactive status while he or she is engaged in active duty as a member of the California National Guard or the United States Armed Forces. It would exempt a licensee with that status from paying the biennial renewal fee or being subject to continuing education (CE) and peer review requirements. The bill would prohibit the holder of a license in a military inactive status from engaging in the practice of public accountancy. The bill would require the holder of a license in a military inactive status to pay the biennial renewal fee and meet CE and peer review requirements within one year after his or her discharge from active duty. It would also provide for conversion to active status prior to discharge from active duty.

This bill eliminates the notice and fee requirements of practice privilege effective July 1, 2013 and reinstates them on January 1, 2019. It authorizes individuals to do certain audit and review services through a firm licensed in California. It requires a practice privilege holder to cease practice and notify the CBA if certain conditions apply, and CBA authorization would be required to resume practice. The bill would require individuals who have met any of certain criteria within the prior seven years to notify the CBA regarding their intent to practice and would require CBA authorization to practice. This bill authorizes the CBA to revoke a practice privilege under certain circumstances including listed disqualifying conditions. If the practice privilege is revoked, the bill

requires the CBA to notify the individual's licensing boards and other entities. The bill allows the CBA to administratively suspend a practice privilege for certain reasons.

SB 1405 also requires the CBA to add information to its website in order to expedite a consumers' ability to find information regarding the license status of practice privilege holders.

The bill allows the CBA to make a determination, after January 1, 2016, if allowing individuals from certain states to exercise a practice privilege violates its duty to protect the public. If such a determination is made based on several required factors, individuals from such states would be required to file a notice and pay a fee in the same manner as the current practice privilege program.

Analysis

SB 1405 was amended on June 19, 2012. It retained its existing provisions regarding military inactive status; however, it was amended to also include mobility provisions. The existing practice privilege program will become inoperative on July 1, 2013, and it will be replaced with these mobility provisions. These provisions refer to mobility as practice privilege and include, in part, no notice, no fee; conditions under which an individual must cease practicing; conditions under which an individual must provide prior notification; CBA disciplinary authority; modifications to the CBA's website; and reports to the Legislature. These reports are required due to the fact that these mobility provisions will sunset on January 1, 2019, and be replaced with the current version of practice privilege. If this bill becomes law, California would become the 49th of the 55 jurisdictions to have mobility provisions in law.

Military Inactive Status:

SB 1405 retains the military inactive status provisions that it previously contained. Beginning January 1, 2014, it would authorize a licensee to apply for a license in a military inactive status while he or she is engaged in active duty as a member of the California National Guard or the United States Armed Forces. It would exempt a licensee with that status from paying the biennial renewal fee or being subject to continuing education (CE) and peer review requirements. The bill would prohibit the holder of a license in a military inactive status from engaging in the practice of public accountancy. The bill would require the holder of a license in a military inactive status to pay the biennial renewal fee and meet CE and peer review requirements within one year after his or her discharge from active duty. It would also provide for conversion to active status prior to discharge from active duty.

Practice Privilege/Mobility:

Under the new practice privilege system, there are three requirements to qualify for a practice privilege which are as follows: (§5096(a) – SEC. 7, p. 10-11)

- The individual's principle place of business is located outside of California.
- The individual has a valid and current license to practice public accountancy from another state.
- The individual satisfies one of the following:
 - Continuously practiced as a CPA for at least four of the last ten years.
 - Licensed by a state which the CBA determines is substantially equivalent to the requirements of Section 5093.

- The individual possesses qualifications substantially equivalent to the requirements of Section 5093.

The holder of a practice privilege must practice through a California licensed firm in order to perform the following services: (§5096(d) – SEC. 7, p. 11)

- An audit or review of a financial statement for an entity headquartered in California.
- A compilation of a financial statement that a third party might reasonably be expected to use and the report does not disclose a lack of independence for an entity headquartered in California.
- An examination of prospective financial information for an entity headquartered in California.

An individual is to cease practice for reasons noted in the Cause for Action chart (**Attachment 1**). In addition, the individual must notify the CBA within 15 days. Failure to do so results in the consequences listed on **Attachment 2**. (§5096(e)(6)- 5096(h) – SEC. 7, p. 12-13)

Prior to starting practice in California the practice privilege holder must determine if during the past seven years any of the criteria listed on **Attachment 1** apply. If so, they must notify the CBA and await authorization to commence practicing. **Attachment 2** lists the consequences for a violation of this section of the law. (§5096(i) – SEC. 7, p. 13-14)

An individual who practices public accountancy in this state and does not hold a California license or a practice privilege is subject to the consequences listed on **Attachment 2**. (§5096.1 – SEC. 10, p. 17-18)

The CBA may revoke a practice privilege for any of the reasons listed on **Attachment 1** under the “Revocation” column, including disqualifying conditions which are also listed in a separate column as they are listed separately in the bill. In addition, the holder of a practice privilege is subject to suspension, fine and other disciplinary action for conduct that would be grounds for discipline against a licensee. Additional consequences are listed in **Attachment 2**. (§5096.2 – SEC. 13, p. 20-21)

The CBA may administratively suspend a practice privilege for any of the reasons listed on **Attachment 1** with the consequences listed on **Attachment 2**. (§5096.4 – SEC. 18, p. 25-26)

An individual may not sign an attest report unless they meet the experience requirements of Section 5095, five hundred hours of experience. (§5096.5 – SEC. 21, p. 28)

The CBA may delegate to the executive officer the authority to issue any notice or order provided in the practice privilege article subject to the right of appeal as provided in the article. (§5096.6 – SEC. 24, p. 28-29)

The article’s contingency upon appropriation and positions in the Budget Act is being removed. (§5096.10 – SEC. 29, p. 30-31)

A firm that provides the following services must be licensed by the CBA: (§5096.12 – SEC. 32, p. 32)

- An audit or review of a financial statement for an entity headquartered in California.
- A compilation of a financial statement that a third party might reasonably be expected to use and the report does not disclose a lack of independence for an entity headquartered in California.
- An examination of prospective financial information for an entity headquartered in California.

The CBA will be required to post the following features on its website: (§5096.20 – SEC. 40, p.35-36)

- The ability to search by name and state of licensure.
- Any public information the CBA has on individuals exercising a practice privilege, including CBA actions.
- A disclaimer prior to being redirected to another website that explains that the site is not affiliated with the CBA with links to sections of the article outlining the disqualifying conditions.
- A plain language notification that state consumers are allowed to file complaints against practice privilege holders with the CBA.
- A link to websites that the CBA determines provide the consumer with the most complete and reliable information about an individual's license status.
- A link to contact information for any state board that does not maintain licensee status information on a website. The link shall include a disclaimer stating that the particular state board does not permit the consumer to obtain information and is not affiliated with the CBA.

The CBA shall biannually survey all of the websites of the other state boards to ensure the accuracy of their disclosure policies and disclaimers.

The CBA must consider the following factors when determining if another state board's practices are adequate to allow its licensees to exercise a practice privilege in California and report on them: (§5096.21(b) – SEC. 41, p. 37)

- Whether the state investigates complaints from the CBA in a timely manner.
- Whether the state makes its disciplinary history available to the public through the Internet.
- Whether the state's discipline is appropriate in light of the misconduct.
- Whether the state adequately addresses CBA referrals or otherwise responds to CBA inquiries.

If all of the following conditions exist, no Practice Privilege Notification Form shall be required nor shall the CBA be required to report on that state to the Legislature: (§5096.21(c) – SEC. 41, p. 37)

- NASBA adopts enforcement best practice guidelines,
- The CBA issues a finding that those guidelines meet or exceed its own practices,
- Another state has in place and is operating its enforcement practices that meet or exceed those guidelines, and

- The state's disciplinary history is publically available through the Internet.

The CBA shall report to the Legislature and others, including the public, preliminary determinations made by the CBA no later than July 1, 2015. It shall review those determinations prior to January 1, 2016 and as it deems needed thereafter.

(§5096.21(d) – SEC. 41, p. 38)

The CBA shall convene a stakeholder group to determine if the penalties in this article are sufficient to deter violations of Section 5096. (§5096.21(e) – SEC. 41, p.38)

The CBA shall report to the Legislature before January 1, 2018 that details the following: (§5096.21(f) – SEC. 41, p. 38)

- How the article was implemented and whether implementation is complete.
- Whether, in the opinion of the CBA, the article offers more, less, or equivalent protection to the prior practice privilege system.
- How other state boards have addressed referrals from the CBA including timeframes and outcomes.

Items for CBA Consideration and Possible Action

After analyzing SB 1405 and how it might be implemented, staff have highlighted the following list of issues for CBA input and possible direction.

Staff recommend that the CBA request that these issues be addressed through amendments to SB 1405.

- The most critical area that staff has identified centers on adopting regulations. Several areas will require regulations to effectuate the provisions outlined in the proposed text. For example, in proposed Business and Professions (B&P) Code Sections 5096(f) and (i)(1), individuals are required to notify the CBA of certain actions on a "form prescribed by the board." The CBA must adopt such forms via regulation.

Staff recommend that the CBA request that the author include language allowing the CBA to adopt emergency regulations to allow for implementation by July 1, 2013.

- *B&P Code Section 5096(e)(6) – p. 12*
This paragraph outlines what actions if taken by another state board of accountancy against an individual licensed to practice public accountancy in that jurisdiction shall necessitate that the individual cease practicing in California under a practice privilege – for example, revocation and suspension.

Staff recommend to the CBA that it request the author add other forms of discipline including stayed suspensions, stayed revocations, and probation. The purpose of this recommendation would be to ensure that all discipline imposed on an out-of-state licensee is properly vetted by the CBA prior to the individual resuming practice in California.

- *B&P Code Section 5096(e)(8) – p. 12*
Much like the paragraph above, this paragraph provides circumstances under which an out-of-state licensee must cease practicing in California under a practice privilege. Specifically, Section 5096(e)(8) requires that out-of-state licensees cease practice in California if they are barred from practice before the Securities and Exchange Commission or the Public Company Accounting Oversight Board.

Staff recommend that the CBA request that the author require an out-of-state licensee to cease practice in California under a practice privilege if s/he is barred from practice by any local, state, or federal entities (one example being the Internal Revenue Service).

- *B&P Code Section 5096(i)(1)(E) – p. 14*
Section 5096(i)(1) requires an individual to notify and receive authorization from the CBA prior to practicing in California if certain conditions have occurred in the previous seven years. One of these conditions is the individual “has otherwise acquired a disqualifying condition as described in Section 5096.” At no other time in Section 5096 is the term disqualifying condition used, although a list of disqualifying conditions is provided in Section 5096.2(a)(2). Presumably it could mean conditions outlined in Section 5096(e)(6)-(8), or those outlined in Section 5096(i)(1), or both.

Staff recommend that the CBA request that the author clarify the term “disqualifying condition as described in Section 5096,” since this subsection has a high degree of ambiguity.

- *B&P Code Section 5096.20(b) – p. 36*
This section requires that the CBA “biannually” review the websites and disclosure policies of the other state boards of accountancy to ensure that their disclaimers are accurate. The word “biannually” can have two meanings – once every two years (biennially) or every six months (semiannually).

Staff recommend that the CBA request that the author clarify this time period to be biennially.

Fiscal Estimate

Staff estimate that the number of individuals who would qualify for military inactive status would be less than 150 licensees. Each individual who applies for and is granted military inactive status would be exempt from paying the biennial renewal fee.

Under the practice privilege provisions, the CBA would no longer collect the current fees for obtaining a practice privilege.

Support/Opposition

There is currently no registered support or opposition other than the sponsors.

SB 1405

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Effective/Operative Date

While the bill itself would be effective on January 1, 2013, the practice privilege provisions become operative on July 1, 2013, and the military inactive provisions would become operative on January 1, 2014.

Related Bills

AB 1588 (Atkins) of 2012 – Requires all boards to waive renewal fees, continuing education (CE), and other renewal requirements at the discretion of the board for active duty California National Guard and military reservists. The licensee must have a current and valid license at the time they are called to active duty, and written documentation of active duty service must be provided. The waiver only applies to the period of active duty service.

AB 2473 (Niello and Ma) of 2008 – A CBA sponsored bill that would have abolished Pathway 1 and created no notice, no fee mobility. It was never heard in committee.

Recommendation

This bill is significantly different from the previous version of the bill. If the CBA maintains its current position of Support on the bill, a letter will be sent to the Legislature confirming the position.

Based on the CBA's previous positions and the CBA President's actions in this area, staff recommend that the CBA take a position of Support on SB 1405 and direct staff to work with the sponsors on making any necessary amendments.

Attachment

- 1 – Cause for Action Chart
- 2 – Consequences for Violations of SB 1405
- 3 – SB 1405



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Attachment 1

Cause for Action Chart

CAUSE	ACTION	Individual Shall Cease Practice and Notify CBA (§5096(e)(6)-(8), (f))	Last Seven Years Criteria (prior notification) (§5096(i)(1))	Revocation (§5096(g), §5096(i)(2), & §5096.2(a)(1))	Disqualifying Conditions (§5096.2(a)(2))	Administrative Suspension (§5096.4(a))
License suspended or revoked.		X				
Disciplinary action for gross negligence, recklessness, or intentional wrongdoing.		X				
Disciplinary action for fraud or misappropriation of funds.		X				
Disciplinary action for preparation, publication or dissemination of false, fraudulent or materially incomplete or misleading financial statements, reports, or information in state of licensure.		X				
Convicted of any crime involving dishonesty.		X				
Barred from practice before the SEC or PCAOB.		X				
Subject of any final disciplinary action.			X			
Charges of professional misconduct pending.			X			
License reinstated following a suspension or revocation.			X			
Denied issuance or renewal of a professional license for any reason other than administrative error.			X			
Convicted of a crime or subject to pending criminal charges other than a minor traffic violation.			X			
Otherwise acquired a disqualifying condition described in §5096.			X			
No longer qualifies or complies with practice privilege law.				X		
Commits an act that would be grounds for denial of a license under §480.				X		
Commits an act that would be grounds for discipline under §5100.				X		
Commits an act outside of California that would be a violation in California.				X		
Acquires a Disqualifying Condition described in §5096.2 (see Disqualifying Conditions column)				X		
CBA determination that failure to cease practice (§5096(e)) or notify the CBA (§5069(f)) under §5096(g) was intentional.				X		

Cause for Action Chart
Page 2 of 2

ACTION CAUSE	Individual Shall Cease Practice and notify CBA (§5096(e)(6)-(8))	Last Seven Years Criteria (prior notification) (§5096(i)(1))	Revocation (§5096(g), §5096(i)(2), & §5096.2(a)(1))	Disqualifying Conditions (§5069.2(a)(2))	Administrative Suspension (§5096.4(a))
CBA determination that failure to cease practice (§5096(e)) or notify the CBA of seven year criteria (§5096(i)(1)) under §5096(i)(2) was intentional.			X		
Conviction of any crime other than a minor traffic violation.				X	
Any discipline, sanctions, denial or surrender of any license or authority to practice any profession in any jurisdiction or before any state, federal or local court or agency or the PCAOB (the CBA may exempt specified minor occurrences in regulation).				X	
Judgement or arbitration award involving professional conduct greater than \$30,000.				X	
Any other condition specified by the CBA in regulation.				X	
Conducting a disciplinary investigation.					X
Failure to timely respond to CBA inquiry.					X
Other conditions provided by the CBA in regulation.					X

Consequences for violations of SB 1405 as listed on this chart may be found on **Attachment 2**.



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Attachment 2

Consequences for Violations of SB 1405

Many of the following consequences are closely tied with the columns in **Attachment 1** as the two attachments are meant to be used in conjunction with one another. Also identified are the processes provided for in SB 1405 by which the CBA shall take action.

1. An individual who fails to cease practice for the reasons listed in column 1 of Attachment 1 as required in §5096(e)(6)-(8) and/or notify the CBA as required in §5096(f):

Shall not practice in this state with no possibility of reinstatement for a minimum of one year from the date the board learns of the violation. If the board determines it was intentional the practice privilege shall be revoked and the minimum time prior to reinstatement increases to two years. (§5096(g))

CBA Process: Not specified

2. An individual who properly ceases practice and notifies the CBA for the reasons listed in column 1 of Attachment 1 as required in §5096(e)(6)-(8), (f):

Shall not practice in this state until the board provides written permission to do so. (§5096(h))

CBA Process: Written permission

3. An individual who properly provides prior notification to the CBA of any of the “Last Seven Years Criteria (prior notification) (§5096(i)(1))” listed in column 2 of Attachment 1:

Shall not practice in this state until the board provides written permission to do so. (§5096(i)(1))

CBA Process: Written permission

4. An individual who does not cease practice as required in §5096(e)(6)-(8) and/or provide prior notification to the CBA of any of the “Last Seven Years Criteria (prior notification) (§5096(i)(1))” listed in column 2 of Attachment 1:

Shall not practice in this state with no possibility of reinstatement for a minimum of one year from the date the board knows there has been a violation. If the board determines it was intentional the practice privilege shall be revoked and the minimum time prior to reinstatement increases to two years. (§5096(i)(2))

CBA Process: Not specified

5. An individual who practices without qualifying for a practice privilege:

May have their practice privilege revoked. (§5096.1(1))

CBA Process: Administrative Procedures Act (APA)

6. An individual who commits acts listed in column 3 of Attachment 1, “Revocation (§5096(g), §5096(i)(2), & §5096.2(a)(1))” including any acts listed under column 4 of Attachment 1, “Disqualifying Conditions (§5069.2(a)(2))”:

May have their practice privilege revoked. (§5096.2(a))

CBA Process: Either of the following:

1 – Written Notification with right to appeal under APA

2 – Statement of Issues under the APA

7. An individual whose practice privilege has been revoked:

Cannot petition for reinstatement for a minimum of one year following the effective date of the notice of revocation unless a longer time period is specified. (§5096.2(c))

8. An individual who had any disciplinary proceeding against a practice privilege:

May be liable to the CBA for costs pursuant to §5107. (§5096.2(e))

9. When the CBA revokes or “otherwise limits” a practice privilege:

It shall notify the boards of accountancy where the individual is licensed, the SEC, the PCAOB, and NASBA. (§5096.2(g))

10. An individual who receives an Administrative Suspension (§5096.4) for any of the reasons listed in column 5 of Attachment 1:

Shall have a suspended right to practice (§5096.4(a)) until terminated by order of the CBA or Executive Officer (EO) (§5096.4(e)). An administrative suspension is not considered “discipline (§5096.4(f)),” and it does not preclude an individual from applying for a California license.

CBA Process: An order issued by CBA or the EO with possible appeal under the APA (§5096.4(c)) which can be combined with disciplinary proceedings against the practice privilege (§5096.4(g)).

AMENDED IN ASSEMBLY JUNE 19, 2012

AMENDED IN SENATE APRIL 10, 2012

SENATE BILL

No. 1405

Introduced by Senator De León

February 24, 2012

An act to amend, repeal, and add Sections 5072, 5096, 5096.1, 5096.2, 5096.3 5096.4, 5096.5, 5096.6, 5096.7, 5096.10, 5096.12, 5096.13, 5096.14, and 5096.15 of, to, add Sections 5058.4 and 5070.2 to, and to add and repeal Sections 5096.20 and 5096.21 of, the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1405, as amended, De León. Accountancy: military service: ~~inactive status~~ practice privilege.

Existing law provides for the licensure and regulation of the practice of accountancy by the California Board of Accountancy within the Department of Consumer Affairs. The department is under the control of the Director of Consumer Affairs.

Existing

(1) *Existing law provides for the regulation of various professions and vocations by boards within the Department of Consumer Affairs and for the licensure of individuals in that regard. Existing law authorizes any licensee whose license expired while he or she was on active duty as a member of the California National Guard or the United States Armed Forces to reinstate his or her license without examination or penalty if certain requirements are met. Existing law provides for the licensure and regulation of the practice of accountancy by the California Board of Accountancy. A permit issued to a certified public accountant or a public accountant is subject to a biennial renewal fee.*

Existing law also imposes certain continuing education and peer review requirements on persons licensed by the board. Existing law makes violation of certain provisions governing accountants a crime.

This bill, beginning January 1, 2014, would authorize a certified public accountant or a public accountant to apply to the board to have his or her permit placed in a military inactive status while he or she is engaged in active duty as a member of the California National Guard or the United States Armed Forces, and would exempt a person granted that status from paying the biennial renewal fee or participating in continuing education and peer review activities. The bill would prohibit a person in military exempt status from engaging in the practice of public accountancy and would impose various other requirements. The bill would thereby change the definition of a crime and impose a state-mandated local program. The bill would require a person in military exempt status to pay the biennial renewal fee and to meet continuing education and peer review requirements within a specified period after his or her discharge from active duty.

(2) Existing law authorizes 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, and to engage in the practice of public accountancy in this state under a practice privilege if a condition is satisfied. Under existing law, if such a condition is met, the individual, in order to obtain a practice privilege, is required to, among other things, provide notice to the board by submitting a notification form and pay fees, as specified. Existing law provides that an individual with a practice privilege is subject to the personal and subject matter jurisdiction and disciplinary authority of the board and the state courts and is required to comply with the accountancy provisions applicable to licensees. Under existing law, except as otherwise specified, a practice privilege expires one year from the date of the notice to the board. Existing law authorizes the board to deny practice privileges using specified procedures. Existing law prohibits an individual with a practice privilege from signing an attest report unless he or she meets specified experience requirements and completes any continuing education or other conditions as required by the board. Existing law makes these provisions operative only if there is a specified appropriation in the annual Budget Act to fund the practice privilege provisions.

This bill would, commencing July 1, 2013, and until January 1, 2019, eliminate the notification form and fee requirements and would instead

authorize an individual otherwise meeting a condition for a practice privilege to perform certain audit and financial statement review services only through a firm of certified public accountants that is required to be registered with the board. The bill would require the individual to cease practicing for a specified period of time under the practice privilege in this state if the regulatory agency in the state where the individual is licensed, among other things, suspends or revokes the license or takes specified disciplinary action against the individual or the individual is convicted of a crime involving dishonesty. The bill would require an individual who is required to cease practice to notify the board and cease practice and would make an individual who violates these requirements subject to specified discipline by the board. The bill would require an individual, within a specified time period before he or she wishes to practice in this state to notify the board and shall not practice until the board provides the person with written permission to do so if certain circumstances apply. The bill would eliminate the expiration on a practice privilege and would also eliminate the board's authority to deny a practice privilege, except as specified, and would authorize the board to instead revoke such a privilege. If the board revokes a practice privilege, the bill would require the board to notify the regulatory agency of the state where the individual is licensed and certain federal regulatory agencies. With respect to the signing of attestation reports, the bill would eliminate the continuing education or other conditions requirements required by the board. The bill would also delete that provision making these provisions contingent on a specified appropriation in the annual Budget Act.

The bill would require the board, prior to July 1, 2013, to add specified content to its Internet Web site in order to allow consumers to obtain license information about individuals with a practice privilege.

Commencing January 1, 2016, the bill would authorize the board to make a determination based on specified factors about whether allowing individuals from a particular state to practice pursuant to a practice privilege violates the board's duty to protect the public. If the board were to make such a determination, the bill would require the board to require those individuals, except as specified, to file the notification form and pay specified fees. The bill would require the board to report to the relevant policy committees of the Legislature and the director preliminary determinations made pursuant to these provisions no later than July 1, 2015.

The bill would, by January 1, 2018, require the board to prepare a report to be provided to the relevant policy committees of the Legislature and the director detailing, among other things, how the board has implemented these practice privilege provisions.

The bill would, by July 1, 2014, require the board to convene a specified stakeholder group to consider whether the penalties imposed pursuant to the practice privilege provisions are sufficient to deter violations.

The bill would make other related conforming changes.

Existing law prohibits a person from engaging in the practice of accountancy as a partnership unless the partnership is registered with the board. Existing law requires a partnership to meet certain requirements in order to be registered, including, that at least one general partner holds a specified permit or is an applicant for a specified certificate.

This bill would additionally authorize a partnership registered to provides certain services, as described above, to meet those requirements.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 5058.4 is added to the Business and
- 2 Professions Code, to read:
- 3 5058.4. The holder of a permit in a military inactive status
- 4 issued by the board pursuant to Section 5070.2, when lawfully
- 5 using the title “certified public accountant,” the CPA designation,
- 6 or any other reference that would suggest that the person is licensed
- 7 by the board, on materials such as correspondence, Internet Web
- 8 sites, business cards, nameplates, or name plaques, shall place the
- 9 term “military inactive” immediately after that title, designation,
- 10 or reference.
- 11 SEC. 2. Section 5070.2 is added to the Business and Professions
- 12 Code, to read:

1 5070.2. (a) (1) Beginning January 1, 2014, a holder of a permit
2 may apply to have his or her permit placed in a military inactive
3 status if the holder of a permit is engaged in, and provides sufficient
4 evidence of, active duty as a member of the California National
5 Guard or the United States Armed Forces.

6 (2) The board shall deny an applicant's application for a military
7 inactive status permit if the permit issued pursuant to Section 5070
8 is canceled or if it is suspended, revoked, or otherwise punitively
9 restricted by the board or subject to disciplinary action under this
10 chapter.

11 (b) No holder of a permit in a military inactive status shall
12 engage in any activity for which a permit is required.

13 (c) The holder of a permit in a military inactive status shall be
14 exempt from all of the following:

15 (1) Payment of the biennial renewal fee described in subdivision
16 (f) of Section 5134.

17 (2) The continuing education requirements of Section 5027.

18 (3) The peer review requirements of Section 5076.

19 (d) In order to convert a permit status from military inactive
20 status prior to discharge from active duty as a member of the
21 California National Guard or the United States Armed Forces, the
22 holder of a permit in a military inactive status shall comply with
23 all of the following requirements:

24 (1) Pay the current biennial renewal fee described in subdivision
25 (f) of Section 5134.

26 (2) Meet continuing education requirements as prescribed by
27 the board.

28 (3) Meet the peer review requirements as prescribed by the
29 board.

30 (e) The holder of a permit in a military inactive status shall,
31 within one year from his or her discharge from active duty as a
32 member of the California National Guard or the United States
33 Armed Forces, comply with all of the following requirements:

34 (1) Provide evidence to the board of the discharge date.

35 (2) Pay the current biennial renewal fee described in subdivision
36 (f) of Section 5134.

37 (3) Meet continuing education requirements as prescribed by
38 the board.

39 (4) Meet the peer review requirements as prescribed by the
40 board.

1 (f) The board may adopt regulations as necessary to administer
2 this section.

3 *SEC. 3. Section 5072 of the Business and Professions Code is*
4 *amended to read:*

5 5072. (a) No persons shall engage in the practice of
6 accountancy as a partnership unless the partnership is registered
7 by the board.

8 (b) A partnership, other than a limited partnership, may be
9 registered by the board to engage in the practice of public
10 accountancy provided it meets the following requirements:

11 (1) At least one general partner shall hold a valid permit to
12 practice as a certified public accountant, public accountant, or
13 accountancy corporation, or shall be an applicant for a certificate
14 as a certified public accountant under Sections 5087 and 5088.

15 (2) Each partner personally engaged within this state in the
16 practice of public accountancy as defined by Section 5051 shall
17 hold a valid permit to practice in this state or shall have applied
18 for a certificate as a certified public accountant under Sections
19 5087 and 5088.

20 (3) Each partner not personally engaged in the practice of public
21 accountancy within this state shall be a certified public accountant
22 in good standing of some state, except as permitted by Section
23 5079.

24 (4) Each resident manager in charge of an office of the firm in
25 this state shall be a licensee in good standing of this state, or shall
26 have applied for a certificate as a certified public accountant under
27 Sections 5087 and 5088.

28 (c) *This section shall become inoperative on July 1, 2013, and,*
29 *as of January 1, 2014, is repealed, unless a later enacted statute,*
30 *that becomes operative on or before January 1, 2014, deletes or*
31 *extends the dates on which it becomes inoperative and is repealed.*

32 *SEC. 4. Section 5072 is added to the Business and Professions*
33 *Code, to read:*

34 5072. (a) No persons shall engage in the practice of
35 accountancy as a partnership unless the partnership is registered
36 by the board.

37 (b) A partnership, other than a limited partnership, may be
38 registered by the board to engage in the practice of public
39 accountancy provided it meets the following requirements:

1 (1) At least one general partner shall hold a valid permit to
2 practice as a certified public accountant, public accountant, or
3 accountancy corporation, or shall be an applicant for a certificate
4 as a certified public accountant under Sections 5087 and 5088,
5 or the partnership shall be registered pursuant to subdivision (c)
6 of Section 5096.12.

7 (2) Each partner personally engaged within this state in the
8 practice of public accountancy as defined by Section 5051 shall
9 hold a valid permit to practice in this state or shall have applied
10 for a certificate as a certified public accountant under Sections
11 5087 and 5088, except for a partner with practice privileges
12 pursuant to Section 5096.

13 (3) Each partner not personally engaged in the practice of public
14 accountancy within this state shall be a certified public accountant
15 in good standing of some state, except as permitted by Section
16 5079.

17 (4) Each resident manager in charge of an office of the firm in
18 this state shall be a licensee in good standing of this state, or shall
19 have applied for a certificate as a certified public accountant under
20 Sections 5087 and 5088.

21 (c) This section shall become operative on July 1, 2013.

22 (d) This section shall remain in effect only until January 1, 2019,
23 and as of that date is repealed, unless a later enacted statute, that
24 is enacted before January 1, 2019, deletes or extends that date.

25 SEC. 5. Section 5072 is added to the Business and Professions
26 Code, to read:

27 5072. (a) No persons shall engage in the practice of
28 accountancy as a partnership unless the partnership is registered
29 by the board.

30 (b) A partnership, other than a limited partnership, may be
31 registered by the board to engage in the practice of public
32 accountancy provided it meets the following requirements:

33 (1) At least one general partner shall hold a valid permit to
34 practice as a certified public accountant, public accountant, or
35 accountancy corporation, or shall be an applicant for a certificate
36 as a certified public accountant under Sections 5087 and 5088.

37 (2) Each partner personally engaged within this state in the
38 practice of public accountancy as defined by Section 5051 shall
39 hold a valid permit to practice in this state or shall have applied

1 *for a certificate as a certified public accountant under Sections*
2 *5087 and 5088.*

3 *(3) Each partner not personally engaged in the practice of public*
4 *accountancy within this state shall be a certified public accountant*
5 *in good standing of some state, except as permitted by Section*
6 *5079.*

7 *(4) Each resident manager in charge of an office of the firm in*
8 *this state shall be a licensee in good standing of this state, or shall*
9 *have applied for a certificate as a certified public accountant under*
10 *Sections 5087 and 5088.*

11 *(c) This section shall become operative on January 1, 2019.*

12 *SEC. 6. Section 5096 of the Business and Professions Code is*
13 *amended to read:*

14 5096. (a) An individual whose principal place of business is
15 not in this state and who has a valid and current license, certificate
16 or permit to practice public accountancy from another state may,
17 subject to the conditions and limitations in this article, engage in
18 the practice of public accountancy in this state under a practice
19 privilege without obtaining a certificate or license under this
20 chapter if the individual satisfies one of the following:

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

24 (2) The individual has a license, certificate, or permit from a
25 state which has been determined by the board to have education,
26 examination, and experience qualifications for licensure
27 substantially equivalent to this state's qualifications under Section
28 5093.

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

33 (b) The board may designate states as substantially equivalent
34 under paragraph (2) of subdivision (a) and may accept individual
35 qualification evaluations or appraisals conducted by designated
36 entities, as satisfying the requirements of paragraph (3) of
37 subdivision (a).

38 (c) To obtain a practice privilege under this section, an
39 individual who meets the requirements of subdivision (a), shall do
40 the following:

1 (1) In the manner prescribed by board regulation, notify the
2 board of the individual's intent to practice.

3 (2) Pay a fee as provided in Article 8 (commencing with Section
4 5130).

5 (d) Except as otherwise provided by this article or by board
6 regulation, the practice privilege commences when the individual
7 notifies the board, provided the fee is received by the board within
8 30 days of that date. The board shall permit the notification to be
9 provided electronically.

10 (e) An individual who holds a practice privilege under this
11 article:

12 (1) Is subject to the personal and subject matter jurisdiction and
13 disciplinary authority of the board and the courts of this state.

14 (2) Shall comply with the provisions of this chapter, board
15 regulations, and other laws, regulations, and professional standards
16 applicable to the practice of public accountancy by the licensees
17 of this state and to any other laws and regulations applicable to
18 individuals practicing under practice privileges in this state except
19 the individual is deemed, solely for the purpose of this article, to
20 have met the continuing education requirements and ethics
21 examination requirements of this state when such individual has
22 met the examination and continuing education requirements of the
23 state in which the individual holds the valid license, certificate, or
24 permit on which the substantial equivalency is based.

25 (3) Shall not provide public accountancy services in this state
26 from any office located in this state, except as an employee of a
27 firm registered in this state. This paragraph does not apply to public
28 accountancy services provided to a client at the client's place of
29 business or residence.

30 (4) Is deemed to have appointed the regulatory agency of the
31 state that issued the individual's certificate, license, or permit upon
32 which substantial equivalency is based as the individual's agent
33 on whom notices, subpoenas or other process may be served in
34 any action or proceeding by the board against the individual.

35 (5) Shall cooperate with any board investigation or inquiry and
36 shall timely respond to a board investigation, inquiry, request,
37 notice, demand or subpoena for information or documents and
38 timely provide to the board the identified information and
39 documents.

1 (f) A practice privilege expires one year from the date of the
2 notice, unless a shorter period is set by board regulation.

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

7 (2) Disqualifying conditions include:

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

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

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

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

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

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

27 (h) *This section shall become inoperative on July 1, 2013, and,*
28 *as of January 1, 2014, is repealed, unless a later enacted statute,*
29 *that becomes operative on or before January 1, 2014, deletes or*
30 *extends the dates on which it becomes inoperative and is repealed.*

31 *SEC. 7. Section 5096 is added to the Business and Professions*
32 *Code, to read:*

33 *5096. (a) An individual whose principal place of business is*
34 *not in this state and who has a valid and current license, certificate*
35 *or permit to practice public accountancy from another state may,*
36 *subject to the conditions and limitations in this article, engage in*
37 *the practice of public accountancy in this state under a practice*
38 *privilege without obtaining a certificate or license under this*
39 *chapter if the individual satisfies one of the following:*

1 (1) *The individual has continually practiced public accountancy*
2 *as a certified public accountant under a valid license issued by*
3 *any state for at least four of the last 10 years.*

4 (2) *The individual has a license, certificate, or permit from a*
5 *state which has been determined by the board to have education,*
6 *examination, and experience qualifications for licensure*
7 *substantially equivalent to this state’s qualifications under Section*
8 *5093.*

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

13 (b) *The board may designate states as substantially equivalent*
14 *under paragraph (2) of subdivision (a) and may accept individual*
15 *qualification evaluations or appraisals conducted by designated*
16 *entities, as satisfying the requirements of paragraph (3) of*
17 *subdivision (a).*

18 (c) *An individual who qualifies for the practice privilege under*
19 *this section may engage in the practice of public accountancy in*
20 *this state, and no notice, fee, or other requirement shall be imposed*
21 *on that individual by the board.*

22 (d) *An individual who qualifies for the practice privilege under*
23 *this section may perform the following services only through a*
24 *firm of certified public accountants that has obtained a registration*
25 *from the board pursuant to Section 5096.12:*

26 (1) *An audit or review of a financial statement for an entity*
27 *headquartered in California.*

28 (2) *A compilation of a financial statement when that person*
29 *expects, or reasonably might expect, that a third party will use the*
30 *financial statement and the compilation report does not disclose*
31 *a lack of independence for an entity headquartered in California.*

32 (3) *An examination of prospective financial information for an*
33 *entity headquartered in California.*

34 (e) *An individual who holds a practice privilege under this*
35 *article:*

36 (1) *Is subject to the personal and subject matter jurisdiction*
37 *and disciplinary authority of the board and the courts of this state.*

38 (2) *Shall comply with the provisions of this chapter, board*
39 *regulations, and other laws, regulations, and professional*
40 *standards applicable to the practice of public accountancy by the*

1 licensees of this state and to any other laws and regulations
2 applicable to individuals practicing under practice privileges in
3 this state except the individual is deemed, solely for the purpose
4 of this article, to have met the continuing education requirements
5 and ethics examination requirements of this state when such
6 individual has met the examination and continuing education
7 requirements of the state in which the individual holds the valid
8 license, certificate, or permit on which the substantial equivalency
9 is based.

10 (3) Shall not provide public accountancy services in this state
11 from any office located in this state, except as an employee of a
12 firm registered in this state. This paragraph does not apply to
13 public accountancy services provided to a client at the client's
14 place of business or residence.

15 (4) Is deemed to have appointed the regulatory agency of the
16 state that issued the individual's certificate, license, or permit
17 upon which substantial equivalency is based as the individual's
18 agent on whom notices, subpoenas or other process may be served
19 in any action or proceeding by the board against the individual.

20 (5) Shall cooperate with any board investigation or inquiry and
21 shall timely respond to a board investigation, inquiry, request,
22 notice, demand or subpoena for information or documents and
23 timely provide to the board the identified information and
24 documents.

25 (6) Shall cease exercising the practice privilege in this state if
26 the regulatory agency in the state in which the individual's
27 certificate, license, or permit was issued takes action resulting in
28 the suspension or revocation of the individual's certificate, license,
29 or permit, or takes other disciplinary action against the individual's
30 certificate, license, or permit that arises from any of the following:

31 (A) Gross negligence, recklessness, or intentional wrongdoing
32 relating to the practice of public accountancy.

33 (B) Fraud or misappropriation of funds.

34 (C) Preparation, publication, or dissemination of false,
35 fraudulent, or materially incomplete or misleading financial
36 statements, reports, or information.

37 (7) Shall cease exercising the practice privilege in this state if
38 convicted in any jurisdiction of any crime involving dishonesty.

39 (8) Shall cease exercising the practice privilege if the U.S.
40 Securities and Exchange Commission or the Public Company

1 *Accounting Oversight Board bars the individual from practicing*
2 *before them.*

3 *(f) An individual who is required to cease practice pursuant to*
4 *paragraphs (6) to (8), inclusive, of subdivision (e) shall notify the*
5 *board within 15 calendar days, on a form prescribed by the board,*
6 *and shall not practice public accountancy in this state pursuant*
7 *to this section until he or she has received from the board written*
8 *permission to do so.*

9 *(g) An individual who fails to cease practice as required by*
10 *subdivision (e) or that fails to provide the notice required by*
11 *subdivision (f) shall be subject to the personal and subject matter*
12 *jurisdiction and disciplinary authority of the board as if the*
13 *practice privilege were a license and the individual were a licensee.*
14 *An individual in violation of subdivision (e) or (f) shall, for a*
15 *minimum of one year from the date the board learns there has*
16 *been a violation of subdivision (e) or (f), not practice in this state*
17 *and shall not have the possibility of reinstatement during that*
18 *period. If the board determines that the failure to cease practice*
19 *or provide the notice was intentional, that individual's practice*
20 *privilege shall be revoked and there shall be no possibility of*
21 *reinstatement for a minimum of two years.*

22 *(h) The board shall require an individual who provides notice*
23 *to the board pursuant subdivision (f) to cease the practice public*
24 *accountancy in this state until the board provides the individual*
25 *with written permission to resume the practice of public*
26 *accountancy in this state.*

27 *(i) (1) An individual to whom who, within the last seven years*
28 *immediately preceding the date on which he or she wishes to*
29 *practice in this state shall notify the board, on a form prescribed*
30 *by the board, and shall not practice public accountancy in this*
31 *state, any of the following criteria apply pursuant to this section*
32 *until the board provides the individual with written permission to*
33 *do:*

34 *(A) He or she has been the subject of any final disciplinary*
35 *action by the licensing or disciplinary authority of any other*
36 *jurisdiction with respect to any professional license or has any*
37 *charges of professional misconduct pending against him or her in*
38 *any other jurisdiction.*

39 *(B) He or she has had his or her license in another jurisdiction*
40 *reinstated after a suspension or revocation of the license.*

1 (C) He or she has been denied issuance or renewal of a
2 professional license or certificate in any other jurisdiction for any
3 reason other than an inadvertent administrative error.

4 (D) He or she has been convicted of a crime or is subject to
5 pending criminal charges in any jurisdiction other than a minor
6 traffic violation.

7 (E) He or she has otherwise acquired a disqualifying condition
8 as described in Section 5096.

9 (2) An individual who fails to cease practice as required by
10 subdivision (e) or who fails to provide the notice required by
11 paragraph (1) shall be subject to the personal and subject matter
12 jurisdiction and disciplinary authority of the board as if the
13 practice privilege were a license and the individual were a licensee.
14 An individual in violation of subdivision (e) or paragraph (1) shall,
15 for a minimum of one year from the date the board knows there
16 has been a violation of subdivision (e) or paragraph (1), not
17 practice in this state and shall not have the possibility of
18 reinstatement during that period. If the board determines that the
19 failure to cease practice or provide the notice was intentional, that
20 individual shall be prohibited from practicing in this state in the
21 same manner as if a licensee has their practice privilege revoked
22 and there shall be no possibility of reinstatement for a minimum
23 of two years.

24 (h) This section shall become operative on July 1, 2013.

25 (i) This section shall remain in effect only until January 1, 2019,
26 and as of that date is repealed, unless a later enacted statute, that
27 is enacted before January 1, 2019, deletes or extends that date.

28 SEC. 8. Section 5096 is added to the Business and Professions
29 Code, to read:

30 5096. (a) An individual whose principal place of business is
31 not in this state and who has a valid and current license, certificate
32 or permit to practice public accountancy from another state may,
33 subject to the conditions and limitations in this article, engage in
34 the practice of public accountancy in this state under a practice
35 privilege without obtaining a certificate or license under this
36 chapter if the individual satisfies one of the following:

37 (1) The individual has continually practiced public accountancy
38 as a certified public accountant under a valid license issued by
39 any state for at least four of the last 10 years.

1 (2) *The individual has a license, certificate, or permit from a*
2 *state which has been determined by the board to have education,*
3 *examination, and experience qualifications for licensure*
4 *substantially equivalent to this state’s qualifications under Section*
5 *5093.*

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

10 (b) *The board may designate states as substantially equivalent*
11 *under paragraph (2) of subdivision (a) and may accept individual*
12 *qualification evaluations or appraisals conducted by designated*
13 *entities, as satisfying the requirements of paragraph (3) of*
14 *subdivision (a).*

15 (c) *To obtain a practice privilege under this section, an*
16 *individual who meets the requirements of subdivision (a), shall do*
17 *the following:*

18 (1) *In the manner prescribed by board regulation, notify the*
19 *board of the individual’s intent to practice.*

20 (2) *Pay a fee as provided in Article 8 (commencing with Section*
21 *5130).*

22 (d) *Except as otherwise provided by this article or by board*
23 *regulation, the practice privilege commences when the individual*
24 *notifies the board, provided the fee is received by the board within*
25 *30 days of that date. The board shall permit the notification to be*
26 *provided electronically.*

27 (e) *An individual who holds a practice privilege under this*
28 *article:*

29 (1) *Is subject to the personal and subject matter jurisdiction*
30 *and disciplinary authority of the board and the courts of this state.*

31 (2) *Shall comply with the provisions of this chapter, board*
32 *regulations, and other laws, regulations, and professional*
33 *standards applicable to the practice of public accountancy by the*
34 *licensees of this state and to any other laws and regulations*
35 *applicable to individuals practicing under practice privileges in*
36 *this state except the individual is deemed, solely for the purpose*
37 *of this article, to have met the continuing education requirements*
38 *and ethics examination requirements of this state when such*
39 *individual has met the examination and continuing education*
40 *requirements of the state in which the individual holds the valid*

1 license, certificate, or permit on which the substantial equivalency
2 is based.

3 (3) Shall not provide public accountancy services in this state
4 from any office located in this state, except as an employee of a
5 firm registered in this state. This paragraph does not apply to
6 public accountancy services provided to a client at the client's
7 place of business or residence.

8 (4) Is deemed to have appointed the regulatory agency of the
9 state that issued the individual's certificate, license, or permit
10 upon which substantial equivalency is based as the individual's
11 agent on whom notices, subpoenas or other process may be served
12 in any action or proceeding by the board against the individual.

13 (5) Shall cooperate with any board investigation or inquiry and
14 shall timely respond to a board investigation, inquiry, request,
15 notice, demand or subpoena for information or documents and
16 timely provide to the board the identified information and
17 documents.

18 (f) A practice privilege expires one year from the date of the
19 notice, unless a shorter period is set by board regulation.

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

24 (2) Disqualifying conditions include:

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

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

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

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

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

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

5 (h) *This section shall become operative on January 1, 2019.*

6 SEC. 9. *Section 5096.1 of the Business and Professions Code*
7 *is amended to read:*

8 5096.1. (a) Any individual, not a licensee of this state, who is
9 engaged in any act which is the practice of public accountancy in
10 this state, and who has not given notice of intent to practice under
11 practice privileges and paid the fee required pursuant to the
12 provisions of this article, and who has a license, certificate or other
13 authority to engage in the practice of public accountancy in any
14 other state, regardless of whether active, inactive, suspended, or
15 subject to renewal on payment of a fee or completion of an
16 educational or ethics requirement, is:

17 (1) Deemed to be practicing public accountancy unlawfully in
18 this state.

19 (2) Subject to the personal and subject matter jurisdiction and
20 disciplinary authority of the board and the courts of this state to
21 the same extent as a holder of a valid practice privilege.

22 (3) Deemed to have appointed the regulatory agency of the state
23 that issued the individual's certificate or license as the individual's
24 agent on whom notice, subpoenas, or other process may be served
25 in any action or proceeding by the board against the individual.

26 (b) The board may prospectively deny a practice privilege to
27 any individual who has violated this section or implementing
28 regulations or committed any act which would be grounds for
29 discipline against the holder of a practice privilege.

30 (c) *This section shall become inoperative on July 1, 2013, and,*
31 *as of January 1, 2014, is repealed, unless a later enacted statute,*
32 *that becomes operative on or before January 1, 2014, deletes or*
33 *extends the dates on which it becomes inoperative and is repealed.*

34 SEC. 10. *Section 5096.1 is added to the Business and*
35 *Professions Code, to read:*

36 5096.1. (a) Any individual, not a licensee of this state, who is
37 engaged in any act which is the practice of public accountancy in
38 this state, and who does not qualify to practice pursuant to the
39 practice privilege described in Section 5096 and who has a license,
40 certificate, or other authority to engage in the practice of public

1 *accountancy in any other state, regardless of whether active,*
2 *inactive, suspended, or subject to renewal on payment of a fee or*
3 *completion of an educational or ethics requirement, is:*

4 *(1) Deemed to be practicing public accountancy unlawfully in*
5 *this state.*

6 *(2) Subject to the personal and subject matter jurisdiction and*
7 *disciplinary authority of the board and the courts of this state to*
8 *the same extent as a holder of a valid practice privilege.*

9 *(3) Deemed to have appointed the regulatory agency of the state*
10 *that issued the individual's certificate or license as the individual's*
11 *agent on whom notice, subpoenas, or other process may be served*
12 *in any action or proceeding by the board against the individual.*

13 *(b) The board may revoke a practice privilege from any*
14 *individual who has violated this section or implementing*
15 *regulations or committed any act which would be grounds for*
16 *discipline against the holder of a practice privilege.*

17 *(c) This section shall become operative on July 1, 2013.*

18 *(d) This section shall remain in effect only until January 1, 2019,*
19 *and as of that date is repealed, unless a later enacted statute, that*
20 *is enacted before January 1, 2019, deletes or extends that date.*

21 *SEC. 11. Section 5096.1 is added to the Business and*
22 *Professions Code, to read:*

23 *5096.1. (a) Any individual, not a licensee of this state, who is*
24 *engaged in any act which is the practice of public accountancy in*
25 *this state, and who has not given notice of intent to practice under*
26 *practice privileges and paid the fee required pursuant to the*
27 *provisions of this article, and who has a license, certificate or*
28 *other authority to engage in the practice of public accountancy in*
29 *any other state, regardless of whether active, inactive, suspended,*
30 *or subject to renewal on payment of a fee or completion of an*
31 *educational or ethics requirement, is:*

32 *(1) Deemed to be practicing public accountancy unlawfully in*
33 *this state.*

34 *(2) Subject to the personal and subject matter jurisdiction and*
35 *disciplinary authority of the board and the courts of this state to*
36 *the same extent as a holder of a valid practice privilege.*

37 *(3) Deemed to have appointed the regulatory agency of the state*
38 *that issued the individual's certificate or license as the individual's*
39 *agent on whom notice, subpoenas, or other process may be served*
40 *in any action or proceeding by the board against the individual.*

1 (b) *The board may prospectively deny a practice privilege to*
2 *any individual who has violated this section or implementing*
3 *regulations or committed any act which would be grounds for*
4 *discipline against the holder of a practice privilege.*

5 (c) *This section shall become operative on January 1, 2019.*

6 SEC. 12. *Section 5096.2 of the Business and Professions Code*
7 *is amended to read:*

8 5096.2. (a) Practice privileges may be denied for failure to
9 qualify under or comply with the provisions of this article or
10 implementing regulations, or for any act that if committed by an
11 applicant for licensure would be grounds for denial of a license
12 under Section 480 or if committed by a licensee would be grounds
13 for discipline under Section 5100, or for any act committed outside
14 of this state that would be a violation if committed within this state.

15 (b) The board may deny practice privileges using either of the
16 following procedures:

17 (1) Notifying the individual in writing of all of the following:

18 (A) That the practice privilege is denied.

19 (B) The reasons for denial.

20 (C) The earliest date on which the individual is eligible for a
21 practice privilege.

22 (D) That the individual has a right to appeal the notice and
23 request a hearing under the provisions of the Administrative
24 Procedure Act if a written notice of appeal and request for hearing
25 is made within 60 days.

26 (E) That, if the individual does not submit a notice of appeal
27 and request for hearing within 60 days, the board's action set forth
28 in the notice shall become final.

29 (2) Filing a statement of issues under the Administrative
30 Procedure Act.

31 (c) An individual who had been denied a practice privilege may
32 apply for a new practice privilege not less than one year after the
33 effective date of the notice or decision denying the practice
34 privilege unless a longer time period, not to exceed three years, is
35 specified in the notice or decision denying the practice privilege.

36 (d) *This section shall become inoperative on July 1, 2013, and,*
37 *as of January 1, 2014, is repealed, unless a later enacted statute,*
38 *that becomes operative on or before January 1, 2014, deletes or*
39 *extends the dates on which it becomes inoperative and is repealed.*

1 SEC. 13. Section 5096.2 is added to the Business and
2 Professions Code, to read:

3 5096.2. (a) (1) Practice privileges may be revoked for any of
4 the following reasons:

5 (A) If an individual no longer qualifies under, or complies with,
6 the provisions of this article or implementing regulations.

7 (B) If an individual commits any act that if committed by an
8 applicant for licensure would be grounds for denial of a license
9 under Section 480.

10 (C) If an individual commits any act that if committed by a
11 licensee would be grounds for discipline under Section 5100.

12 (D) If an individual commits any act outside of this state that
13 would be a violation if committed within this state.

14 (E) If an individual acquires at any time, while exercising the
15 practice privilege, any disqualifying condition under paragraph
16 (2).

17 (2) Disqualifying conditions include:

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

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

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

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

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

33 (b) The board may revoke practice privileges using either of
34 the following procedures:

35 (1) Notifying the individual in writing of all of the following:

36 (A) That the practice privilege is revoked.

37 (B) The reasons for revocation.

38 (C) The earliest date on which the individual may qualify for a
39 practice privilege.

1 (D) That the individual has a right to appeal the notice and
2 request a hearing under the provisions of the Administrative
3 Procedure Act if a written notice of appeal and request for hearing
4 is made within 60 days.

5 (E) That, if the individual does not submit a notice of appeal
6 and request for hearing within 60 days, the board's action set forth
7 in the notice shall become final.

8 (2) Filing a statement of issues under the Administrative
9 Procedure Act.

10 (c) An individual whose practice privilege has been revoked
11 may only subsequently exercise the practice privilege upon
12 application to the board for reinstatement of the practice privilege
13 not less than one year after the effective date of the notice or
14 decision revoking the practice privilege, unless a longer time
15 period is specified in the notice or decision revoking the practice
16 privilege.

17 (d) Holders of practice privileges are subject to suspension,
18 fines, or other disciplinary actions for any conduct that would be
19 grounds for discipline against a licensee of the board or for any
20 conduct in violation of this article or regulations adopted
21 thereunder.

22 (e) The board may recover its costs pursuant to Section 5107
23 as part of any disciplinary proceeding against the holder of a
24 practice privilege.

25 (f) The provisions of the Administrative Procedure Act,
26 including, but not limited to, the commencement of a disciplinary
27 proceeding by the filing of an accusation by the board, shall apply
28 under this article.

29 (g) If the board revokes or otherwise limits an individual's
30 practice privilege, the board shall promptly notify the regulatory
31 agency of the state or states in which the individual is licensed,
32 and the U.S. Securities and Exchange Commission, the Public
33 Company Accounting Oversight Board, and the National
34 Association of State Boards of Accountancy.

35 (h) This section shall become operative on July 1, 2013.

36 (i) This section shall remain in effect only until January 1, 2019,
37 and as of that date is repealed, unless a later enacted statute, that
38 is enacted before January 1, 2019, deletes or extends that date.

39 SEC. 14. Section 5096.2 is added to the Business and
40 Professions Code, to read:

1 5096.2. (a) Practice privileges may be denied for failure to
2 qualify under or comply with the provisions of this article or
3 implementing regulations, or for any act that if committed by an
4 applicant for licensure would be grounds for denial of a license
5 under Section 480 or if committed by a licensee would be grounds
6 for discipline under Section 5100, or for any act committed outside
7 of this state that would be a violation if committed within this state.

8 (b) The board may deny practice privileges using either of the
9 following procedures:

10 (1) Notifying the individual in writing of all of the following:

11 (A) That the practice privilege is denied.

12 (B) The reasons for denial.

13 (C) The earliest date on which the individual is eligible for a
14 practice privilege.

15 (D) That the individual has a right to appeal the notice and
16 request a hearing under the provisions of the Administrative
17 Procedure Act if a written notice of appeal and request for hearing
18 is made within 60 days.

19 (E) That, if the individual does not submit a notice of appeal
20 and request for hearing within 60 days, the board's action set forth
21 in the notice shall become final.

22 (2) Filing a statement of issues under the Administrative
23 Procedure Act.

24 (c) An individual who had been denied a practice privilege may
25 apply for a new practice privilege not less than one year after the
26 effective date of the notice or decision denying the practice
27 privilege unless a longer time period, not to exceed three years,
28 is specified in the notice or decision denying the practice privilege.

29 (d) This section shall become operative on January 1, 2019.

30 SEC. 15. Section 5096.3 of the Business and Professions Code
31 is amended to read:

32 5096.3. (a) Practice privileges are subject to revocation,
33 suspension, fines or other disciplinary sanctions for any conduct
34 that would be grounds for discipline against a licensee of the board
35 or for any conduct in violation of this article or regulations
36 implementing this article.

37 (b) Practice privileges are subject to discipline during any time
38 period in which they are valid, under administrative suspension,
39 or expired.

1 (c) The board may recover its costs pursuant to Section 5107
2 as part of any disciplinary proceeding against the holder of a
3 practice privilege.

4 (d) An individual whose practice privilege has been revoked
5 may apply for a new practice privilege not less than one year after
6 the effective date of the board's decision revoking the individual's
7 practice privilege unless a longer time period, not to exceed three
8 years, is specified in the board's decision revoking the practice
9 privilege.

10 (e) The provisions of the Administrative Procedure Act,
11 including, but not limited to, the commencement of a disciplinary
12 proceeding by the filing of an accusation by the board shall apply
13 under this article.

14 (f) *This section shall become inoperative on July 1, 2013, and,
15 as of January 1, 2014, is repealed, unless a later enacted statute,
16 that becomes operative on or before January 1, 2014, deletes or
17 extends the dates on which it becomes inoperative and is repealed.*

18 SEC. 16. *Section 5096.3 is added to the Business and
19 Professions Code, to read:*

20 5096.3. (a) *Practice privileges are subject to revocation,
21 suspension, fines or other disciplinary sanctions for any conduct
22 that would be grounds for discipline against a licensee of the board
23 or for any conduct in violation of this article or regulations
24 implementing this article.*

25 (b) *Practice privileges are subject to discipline during any time
26 period in which they are valid, under administrative suspension,
27 or expired.*

28 (c) *The board may recover its costs pursuant to Section 5107
29 as part of any disciplinary proceeding against the holder of a
30 practice privilege.*

31 (d) *An individual whose practice privilege has been revoked
32 may apply for a new practice privilege not less than one year after
33 the effective date of the board's decision revoking the individual's
34 practice privilege unless a longer time period, not to exceed three
35 years, is specified in the board's decision revoking the practice
36 privilege.*

37 (e) *The provisions of the Administrative Procedure Act,
38 including, but not limited to, the commencement of a disciplinary
39 proceeding by the filing of an accusation by the board shall apply
40 under this article.*

1 (f) *This section shall become operative on January 1, 2019.*

2 *SEC. 17. Section 5096.4 of the Business and Professions Code*
3 *is amended to read:*

4 5096.4. (a) The right of an individual to practice in this state
5 under a practice privilege may be administratively suspended at
6 any time by an order issued by the board or its executive officer,
7 without prior notice or hearing, for the purpose of conducting a
8 disciplinary investigation, proceeding, or inquiry concerning the
9 representations made in the notice, the individual's competence
10 or qualifications to practice under practice privileges, failure to
11 timely respond to a board inquiry or request for information or
12 documents, or under other conditions and circumstances provided
13 for by board regulation.

14 (b) The administrative suspension order is immediately effective
15 when mailed to the individual's address of record or agent for
16 notice and service as provided for in this article.

17 (c) The administrative suspension order shall contain the
18 following:

19 (1) The reason for the suspension.

20 (2) A statement that the individual has the right, within 30 days,
21 to appeal the administrative suspension order and request a hearing.

22 (3) A statement that any appeal hearing will be conducted under
23 the provisions of the Administrative Procedure Act applicable to
24 individuals who are denied licensure, including the filing of a
25 statement of issues by the board setting forth the reasons for the
26 administrative suspension of practice privileges and specifying
27 the statutes and rules with which the individual must show
28 compliance by producing proof at the hearing and in addition any
29 particular matters that have come to the attention of the board and
30 that would authorize the administrative suspension, or the denial
31 of practice privileges.

32 (d) The burden is on the holder of the suspended practice
33 privilege to establish both qualification and fitness to practice
34 under practice privileges.

35 (e) The administrative suspension shall continue in effect until
36 terminated by an order of the board or the executive officer or
37 expiration of the practice privilege under administrative suspension.

38 (f) Administrative suspension is not discipline and shall not
39 preclude any individual from applying for a license to practice
40 public accountancy in this state or from applying for a new practice

1 privilege upon expiration of the one under administrative
2 suspension, except that the new practice privilege shall not be
3 effective until approved by the board.

4 (g) Notwithstanding any administrative suspension, a practice
5 privilege expires one year from the date of notice unless a shorter
6 period is set by board regulation.

7 (h) Proceedings to appeal an administrative suspension order
8 may be combined or coordinated with proceedings for denial or
9 discipline of a practice privilege.

10 (i) *This section shall become inoperative on July 1, 2013, and,*
11 *as of January 1, 2014, is repealed, unless a later enacted statute,*
12 *that becomes operative on or before January 1, 2014, deletes or*
13 *extends the dates on which it becomes inoperative and is repealed.*

14 *SEC. 18. Section 5096.4 is added to the Business and*
15 *Professions Code, to read:*

16 *5096.4. (a) The right of an individual to practice in this state*
17 *under a practice privilege may be administratively suspended at*
18 *any time by an order issued by the board or its executive officer,*
19 *without prior notice or hearing, for the purpose of conducting a*
20 *disciplinary investigation, proceeding, or inquiry concerning the*
21 *individual's competence or qualifications to practice under*
22 *practice privileges, failure to timely respond to a board inquiry*
23 *or request for information or documents, or under other conditions*
24 *and circumstances provided for by board regulation.*

25 *(b) The administrative suspension order is immediately effective*
26 *when mailed to the individual's address of record or agent for*
27 *notice and service as provided for in this article.*

28 *(c) The administrative suspension order shall contain the*
29 *following:*

30 *(1) The reason for the suspension.*

31 *(2) A statement that the individual has the right, within 30 days,*
32 *to appeal the administrative suspension order and request a*
33 *hearing.*

34 *(3) A statement that any appeal hearing will be conducted under*
35 *the provisions of the Administrative Procedure Act applicable to*
36 *individuals who are denied licensure, including the filing of a*
37 *statement of issues by the board setting forth the reasons for the*
38 *administrative suspension of practice privileges and specifying*
39 *the statutes and rules with which the individual must show*
40 *compliance by producing proof at the hearing and in addition any*

1 particular matters that have come to the attention of the board
2 and that would authorize the administrative suspension, or the
3 revocation of practice privileges.

4 (d) The burden is on the holder of the suspended practice
5 privilege to establish both qualification and fitness to practice
6 under practice privileges.

7 (e) The administrative suspension shall continue in effect until
8 terminated by an order of the board or the executive officer.

9 (f) Administrative suspension is not discipline and shall not
10 preclude any individual from applying for a license to practice
11 public accountancy in this state.

12 (g) Proceedings to appeal an administrative suspension order
13 may be combined or coordinated with proceedings for revocation
14 or discipline of a practice privilege.

15 (h) This section shall become operative on July 1, 2013.

16 (i) This section shall remain in effect only until January 1, 2019,
17 and as of that date is repealed, unless a later enacted statute, that
18 is enacted before January 1, 2019, deletes or extends that date.

19 SEC. 19. Section 5096.4 is added to the Business and
20 Professions Code, to read:

21 5096.4. (a) The right of an individual to practice in this state
22 under a practice privilege may be administratively suspended at
23 any time by an order issued by the board or its executive officer,
24 without prior notice or hearing, for the purpose of conducting a
25 disciplinary investigation, proceeding, or inquiry concerning the
26 representations made in the notice, the individual's competence
27 or qualifications to practice under practice privileges, failure to
28 timely respond to a board inquiry or request for information or
29 documents, or under other conditions and circumstances provided
30 for by board regulation.

31 (b) The administrative suspension order is immediately effective
32 when mailed to the individual's address of record or agent for
33 notice and service as provided for in this article.

34 (c) The administrative suspension order shall contain the
35 following:

36 (1) The reason for the suspension.

37 (2) A statement that the individual has the right, within 30 days,
38 to appeal the administrative suspension order and request a
39 hearing.

1 (3) A statement that any appeal hearing will be conducted under
2 the provisions of the Administrative Procedure Act (Chapter 3.5
3 (commencing with Section 11340) of Part 1 of Division 3 of Title
4 2 of the Government Code) applicable to individuals who are
5 denied licensure, including the filing of a statement of issues by
6 the board setting forth the reasons for the administrative
7 suspension of practice privileges and specifying the statutes and
8 rules with which the individual must show compliance by producing
9 proof at the hearing and in addition any particular matters that
10 have come to the attention of the board and that would authorize
11 the administrative suspension, or the denial of practice privileges.

12 (d) The burden is on the holder of the suspended practice
13 privilege to establish both qualification and fitness to practice
14 under practice privileges.

15 (e) The administrative suspension shall continue in effect until
16 terminated by an order of the board or the executive officer or
17 expiration of the practice privilege under administrative
18 suspension.

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

25 (g) Notwithstanding any administrative suspension, a practice
26 privilege expires one year from the date of notice unless a shorter
27 period is set by board regulation.

28 (h) Proceedings to appeal an administrative suspension order
29 may be combined or coordinated with proceedings for denial or
30 discipline of a practice privilege.

31 (i) This section shall become operative on January 1, 2019.

32 SEC. 20. Section 5096.5 of the Business and Professions Code
33 is amended to read:

34 5096.5. (a) Notwithstanding any other provision of this article,
35 an individual may not sign any attest report pursuant to a practice
36 privilege unless the individual meets the experience requirements
37 of Section 5095 and completes any continuing education or other
38 conditions required by the board regulations implementing this
39 article.

1 (b) This section shall become inoperative on July 1, 2013, and,
2 as of January 1, 2014, is repealed, unless a later enacted statute,
3 that becomes operative on or before January 1, 2014, deletes or
4 extends the dates on which it becomes inoperative and is repealed.

5 SEC. 21. Section 5096.5 is added to the Business and
6 Professions Code, to read:

7 5096.5. (a) Notwithstanding any other provision of this article,
8 an individual may not sign any attest report pursuant to a practice
9 privilege unless the individual meets the experience requirements
10 of Section 5095.

11 (b) This section shall become operative on July 1, 2013.

12 (c) This section shall remain in effect only until January 1, 2019,
13 and as of that date is repealed, unless a later enacted statute, that
14 is enacted before January 1, 2019, deletes or extends that date.

15 SEC. 22. Section 5096.5 is added to the Business and
16 Professions Code, to read:

17 5096.5. (a) Notwithstanding any other provision of this article,
18 an individual may not sign any attest report pursuant to a practice
19 privilege unless the individual meets the experience requirements
20 of Section 5095 and completes any continuing education or other
21 conditions required by the board regulations implementing this
22 article.

23 (b) This section shall become operative on January 1, 2019.

24 SEC. 23. Section 5096.6 of the Business and Professions Code
25 is amended to read:

26 5096.6. (a) In addition to the authority otherwise provided
27 for by this code, the board may delegate to the executive officer
28 the authority to issue any notice or order provided for in this article
29 and to act on behalf of the board, including, but not limited to,
30 issuing a notice of denial of a practice privilege and an interim
31 suspension order, subject to the right of the individual to timely
32 appeal and request a hearing as provided for in this article.

33 (b) This section shall become inoperative on July 1, 2013, and,
34 as of January 1, 2014, is repealed, unless a later enacted statute,
35 that becomes operative on or before January 1, 2014, deletes or
36 extends the dates on which it becomes inoperative and is repealed.

37 SEC. 24. Section 5096.6 is added to the Business and
38 Professions Code, to read:

39 5096.6. (a) In addition to the authority otherwise provided for
40 by this code, the board may delegate to the executive officer the

1 *authority to issue any notice or order provided for in this article*
2 *and to act on behalf of the board, including, but not limited to,*
3 *issuing an interim suspension order, subject to the right of the*
4 *individual to timely appeal and request a hearing as provided for*
5 *in this article.*

6 *(b) This section shall become operative on July 1, 2013.*

7 *(c) This section shall remain in effect only until January 1, 2019,*
8 *and as of that date is repealed, unless a later enacted statute, that*
9 *is enacted before January 1, 2019, deletes or extends that date.*

10 *SEC. 25. Section 5096.6 is added to the Business and*
11 *Professions Code, to read:*

12 *5096.6. (a) In addition to the authority otherwise provided for*
13 *by this code, the board may delegate to the executive officer the*
14 *authority to issue any notice or order provided for in this article*
15 *and to act on behalf of the board, including, but not limited to,*
16 *issuing a notice of denial of a practice privilege and an interim*
17 *suspension order, subject to the right of the individual to timely*
18 *appeal and request a hearing as provided for in this article.*

19 *(b) This section shall become operative on January 1, 2019.*

20 *SEC. 26. Section 5096.7 of the Business and Professions Code*
21 *is amended to read:*

22 *5096.7. Except as otherwise provided in this article, the*
23 *following definitions apply:*

24 *(a) Anywhere the term “license,” “licensee,” “permit,” or*
25 *“certificate” is used in this chapter or Division 1.5 (commencing*
26 *with Section 475), it shall include persons holding practice*
27 *privileges under this article, unless otherwise inconsistent with the*
28 *provisions of the article.*

29 *(b) Any notice of practice privileges under this article and*
30 *supporting documents is deemed an application for licensure for*
31 *purposes of the provisions of this code, including, but not limited*
32 *to, the provisions of this chapter and the provisions of Division*
33 *1.5 (commencing with Section 475) related to the denial,*
34 *suspension and revocation of licenses.*

35 *(c) Anywhere the term “employee” is used in this article it shall*
36 *include, but is not limited to, partners, shareholders, and other*
37 *owners.*

38 *(d) This section shall become inoperative on July 1, 2013, and,*
39 *as of January 1, 2014, is repealed, unless a later enacted statute,*

1 *that becomes operative on or before January 1, 2014, deletes or*
2 *extends the dates on which it becomes inoperative and is repealed.*

3 *SEC. 27. Section 5096.7 is added to the Business and*
4 *Professions Code, to read:*

5 *5096.7. (a) Anywhere the term “license,” “licensee,”*
6 *“permit,” or “certificate” is used in this chapter or Division 1.5*
7 *(commencing with Section 475), it shall include persons holding*
8 *practice privileges under this article, unless otherwise inconsistent*
9 *with the provisions of the article.*

10 *(b) Anywhere the term “employee” is used in this article it shall*
11 *include, but is not limited to, partners, shareholders, and other*
12 *owners.*

13 *(c) For purposes of this article, the term “license” includes*
14 *certificate or permit.*

15 *(d) This section shall become operative on July 1, 2013.*

16 *(e) This section shall remain in effect only until January 1, 2019,*
17 *and as of that date is repealed, unless a later enacted statute, that*
18 *is enacted before January 1, 2019, deletes or extends that date.*

19 *SEC. 28. Section 5096.7 is added to the Business and*
20 *Professions Code, to read:*

21 *5096.7. Except as otherwise provided in this article, the*
22 *following definitions apply:*

23 *(a) Anywhere the term “license,” “licensee,” “permit,” or*
24 *“certificate” is used in this chapter or Division 1.5 (commencing*
25 *with Section 475), it shall include persons holding practice*
26 *privileges under this article, unless otherwise inconsistent with*
27 *the provisions of the article.*

28 *(b) Any notice of practice privileges under this article and*
29 *supporting documents is deemed an application for licensure for*
30 *purposes of the provisions of this code, including, but not limited*
31 *to, the provisions of this chapter and the provisions of Division*
32 *1.5 (commencing with Section 475) related to the denial,*
33 *suspension and revocation of licenses.*

34 *(c) Anywhere the term “employee” is used in this article it shall*
35 *include, but is not limited to, partners, shareholders, and other*
36 *owners.*

37 *(d) This section shall become operative on January 1, 2019.*

38 *SEC. 29. Section 5096.10 of the Business and Professions Code*
39 *is amended to read:*

1 5096.10. (a) The provisions of this article shall only be
2 operative if commencing July 1, 2005, and continuing during the
3 period provided in Section 5096.11, there is an appropriation from
4 the Accountancy Fund in the annual Budget Act to fund the
5 activities in the article and sufficient hiring authority is granted
6 pursuant to a budget change proposal to the board to provide
7 staffing to implement this article.

8 (b) *This section shall become inoperative on July 1, 2013, and,
9 as of January 1, 2013, is repealed, unless a later enacted statute,
10 that becomes operative on or before January 1, 2013, deletes or
11 extends the dates on which it becomes inoperative and is repealed.*

12 *SEC. 30. Section 5096.10 is added to the Business and
13 Professions Code, to read:*

14 5096.10. (a) *The provisions of this article shall only be
15 operative if commencing July 1, 2005, and continuing during the
16 period provided in Section 5096.11, there is an appropriation from
17 the Accountancy Fund in the annual Budget Act to fund the
18 activities in the article and sufficient hiring authority is granted
19 pursuant to a budget change proposal to the board to provide
20 staffing to implement this article.*

21 (b) *This section shall become operative on January 1, 2019.*

22 *SEC. 31. Section 5096.12 of the Business and Professions Code
23 is amended to read:*

24 5096.12. (a) A certified public accounting firm that is
25 authorized to practice in another state and that does not have an
26 office in this state may engage in the practice of public accountancy
27 in this state through the holder of a practice privilege provided
28 that:

29 (1) The practice of public accountancy by the firm is limited to
30 authorized practice by the holder of the practice privilege.

31 (2) A firm that engages in practice under this section is deemed
32 to consent to the personal, subject matter, and disciplinary
33 jurisdiction of the board with respect to any practice under this
34 section.

35 (b) The board may revoke, suspend, issue a fine pursuant to
36 Article 6.5 (commencing with Section 5116), or otherwise restrict
37 or discipline the firm for any act that would be grounds for
38 discipline against a holder of a practice privilege through which
39 the firm practices.

1 (c) *This section shall become inoperative on July 1, 2013, and,*
2 *as of January 1, 2014, is repealed, unless a later enacted statute,*
3 *that becomes operative on or before January 1, 2014, deletes or*
4 *extends the dates on which it becomes inoperative and is repealed.*

5 SEC. 32. *Section 5096.12 is added to the Business and*
6 *Professions Code, to read:*

7 5096.12. (a) *A certified public accounting firm that is*
8 *authorized to practice in another state and that does not have an*
9 *office in this state may engage in the practice of public accountancy*
10 *in this state through the holder of a practice privilege provided*
11 *that:*

12 (1) *The practice of public accountancy by the firm is limited to*
13 *authorized practice by the holder of the practice privilege.*

14 (2) *A firm that engages in practice under this section is deemed*
15 *to consent to the personal, subject matter, and disciplinary*
16 *jurisdiction of the board with respect to any practice under this*
17 *section.*

18 (b) *The board may revoke, suspend, issue a fine pursuant to*
19 *Article 6.5 (commencing with Section 5116), or otherwise restrict*
20 *or discipline the firm for any act that would be grounds for*
21 *discipline against a holder of a practice privilege through which*
22 *the firm practices.*

23 (c) *A firm that provides the services described in subdivision*
24 *(d) of Section 5096 shall obtain a registration from the board.*

25 (d) *This section shall become operative on July 1, 2013.*

26 (e) *This section shall remain in effect only until January 1, 2019,*
27 *and as of that date is repealed, unless a later enacted statute, that*
28 *is enacted before January 1, 2019, deletes or extends that date.*

29 SEC. 33. *Section 5096.12 is added to the Business and*
30 *Professions Code, to read:*

31 5096.12. (a) *A certified public accounting firm that is*
32 *authorized to practice in another state and that does not have an*
33 *office in this state may engage in the practice of public accountancy*
34 *in this state through the holder of a practice privilege provided*
35 *that:*

36 (1) *The practice of public accountancy by the firm is limited to*
37 *authorized practice by the holder of the practice privilege.*

38 (2) *A firm that engages in practice under this section is deemed*
39 *to consent to the personal, subject matter, and disciplinary*

1 jurisdiction of the board with respect to any practice under this
2 section.

3 (b) The board may revoke, suspend, issue a fine pursuant to
4 Article 6.5 (commencing with Section 5116), or otherwise restrict
5 or discipline the firm for any act that would be grounds for
6 discipline against a holder of a practice privilege through which
7 the firm practices.

8 (c) This section shall become operative on January 1, 2019.

9 SEC. 34. Section 5096.13 of the Business and Professions Code
10 is amended to read:

11 5096.13. (a) The notification of intent to practice under a
12 practice privilege pursuant to Section 5096 shall include the name
13 of the firm, its address and telephone number, and its federal
14 taxpayer identification number.

15 (b) This section shall become inoperative on July 1, 2013, and,
16 as of January 1, 2014, is repealed, unless a later enacted statute,
17 that becomes operative on or before January 1, 2014, deletes or
18 extends the dates on which it becomes inoperative and is repealed.

19 SEC. 35. Section 5096.13 is added to the Business and
20 Professions Code, to read:

21 5096.13. (a) The notification of intent to practice under a
22 practice privilege pursuant to Section 5096 shall include the name
23 of the firm, its address and telephone number, and its federal
24 taxpayer identification number.

25 (b) This section shall become operative on January 1, 2019.

26 SEC. 36. Section 5096.14 of the Business and Professions Code
27 is amended to read:

28 5096.14. (a) An individual shall not be deemed to be in
29 violation of this article solely because he or she begins the practice
30 of public accounting in California prior to notifying the board as
31 indicated in subdivision (c) of Section 5096, provided the notice
32 is given within five business days of the date practice begins. An
33 individual who properly notifies the board within the five-day
34 period provided for in this section shall be deemed to have a
35 practice privilege from the first day of practice in California unless
36 the individual fails to timely submit the required fee pursuant to
37 subdivision (c) of Section 5096.

38 (b) Subdivision (a) does not apply in those instances in which
39 prior approval by the board is required pursuant to subdivision (g)
40 of Section 5096.

1 (c) In addition to any other applicable sanction, the board may
2 issue a fine pursuant to Section 5096.3 for notifying the board
3 more than five business days after beginning practice in California.

4 (d) *This section shall become inoperative on July 1, 2013, and,*
5 *as of January 1, 2014, is repealed, unless a later enacted statute,*
6 *that becomes operative on or before January 1, 2014, deletes or*
7 *extends the dates on which it becomes inoperative and is repealed.*

8 SEC. 37. Section 5096.14 is added to the Business and
9 Professions Code, to read:

10 5096.14. (a) *An individual shall not be deemed to be in*
11 *violation of this article solely because he or she begins the practice*
12 *of public accounting in California prior to notifying the board as*
13 *indicated in subdivision (c) of Section 5096, provided the notice*
14 *is given within five business days of the date practice begins. An*
15 *individual who properly notifies the board within the five-day*
16 *period provided for in this section shall be deemed to have a*
17 *practice privilege from the first day of practice in California unless*
18 *the individual fails to timely submit the required fee pursuant to*
19 *subdivision (c) of Section 5096.*

20 (b) *Subdivision (a) does not apply in those instances in which*
21 *prior approval by the board is required pursuant to subdivision*
22 *(g) of Section 5096.*

23 (c) *In addition to any other applicable sanction, the board may*
24 *issue a fine pursuant to Section 5096.3 for notifying the board*
25 *more than five business days after beginning practice in California.*

26 (d) *This section shall become operative on January 1, 2019.*

27 SEC. 38. Section 5096.15 of the Business and Professions Code
28 is amended to read:

29 5096.15. (a) It is the intent of the Legislature that the board
30 adopt regulations providing for a lower fee or no fee for out-of-state
31 accountants who do not sign attest reports for California clients
32 under the practice privilege. These regulations shall ensure that
33 the practice privilege program is adequately funded. These
34 regulations shall be adopted as emergency regulations in
35 accordance with Chapter 3.5 (commencing with Section 11340)
36 of Part 1 of Division 3 of Title 2 of the Government Code and, for
37 purposes of that chapter, the adoption of the regulations shall be
38 considered by the Office of Administrative Law to be necessary
39 for the immediate preservation of the public peace, health and
40 safety, and general welfare.

1 **(b)** *This section shall become inoperative on July 1, 2013, and,*
2 *as of January 1, 2014, is repealed, unless a later enacted statute,*
3 *that becomes operative on or before January 1, 2014, deletes or*
4 *extends the dates on which it becomes inoperative and is repealed.*

5 **SEC. 39.** *Section 5096.15 is added to the Business and*
6 *Professions Code, to read:*

7 **5096.15.** *(a) It is the intent of the Legislature that the board*
8 *adopt regulations providing for a lower fee or no fee for*
9 *out-of-state accountants who do not sign attest reports for*
10 *California clients under the practice privilege. These regulations*
11 *shall ensure that the practice privilege program is adequately*
12 *funded. These regulations shall be adopted as emergency*
13 *regulations in accordance with Chapter 3.5 (commencing with*
14 *Section 11340) of Part 1 of Division 3 of Title 2 of the Government*
15 *Code and, for purposes of that chapter, the adoption of the*
16 *regulations shall be considered by the Office of Administrative*
17 *Law to be necessary for the immediate preservation of the public*
18 *peace, health and safety, and general welfare.*

19 **(b)** *This section shall become operative on January 1, 2019.*

20 **SEC. 40.** *Section 5096.20 is added to the Business and*
21 *Professions Code, to read:*

22 **5096.20.** *(a) To ensure that Californians are protected from*
23 *out-of-state licensees with disqualifying conditions who may*
24 *unlawfully attempt to practice in this state under a practice*
25 *privilege, prior to July 1, 2013, the board, on or before July 1,*
26 *2013, shall add features to the out-of-state licensee tab of the home*
27 *page of its Internet Web site that allow consumers to obtain*
28 *information about an individual whose principal place of business*
29 *is not in this state and who seeks to exercise a practice privilege*
30 *in this state, that is at least equal to the information that was*
31 *available to consumers through its home page prior to January 1,*
32 *2013, through the practice privilege form previously filed by*
33 *out-of-state licensees pursuant to Section 5096, as added by*
34 *Chapter 921 of the Statutes of 2004, and the regulations adopted*
35 *thereunder. At minimum, these features shall include all of the*
36 *following:*

37 **(1)** *The ability of the consumer to search by name and state of*
38 *licensure.*

39 **(2)** *The disclosure of information in the possession of the board,*
40 *which the board is otherwise authorized to publicly disclose, about*

1 *an individual exercising a practice privilege in this state, including,*
2 *but not limited to, whether the board has taken action of any form*
3 *against that individual and, if so, what the action was or is.*

4 (3) *A disclaimer that the consumer must click through prior to*
5 *being referred to any other board Internet Web site, which in plain*
6 *language explains that the consumer is being referred to an*
7 *Internet Web site that is maintained by a regulatory agency or*
8 *other entity that is not affiliated with the board. This disclaimer*
9 *shall include a link to relevant sections of this article that set forth*
10 *disqualifying conditions, including, but not limited to, Section*
11 *5096.2.*

12 (4) *A statement in plain language that notifies consumers that*
13 *they are permitted to file complaints against such individuals with*
14 *the board.*

15 (5) *A link to the Internet Web site or web sites that the board*
16 *determines, in its discretion, provides the consumer the most*
17 *complete and reliable information available about the individual's*
18 *status as a licenseholder, permitholder, or certificate holder.*

19 (6) *If the board of another state does not maintain an Internet*
20 *Web site that allows a consumer to obtain information about its*
21 *licensees including, but not limited to, disciplinary history, and*
22 *that information is not available through a link to an Internet Web*
23 *site maintained by another entity, a link to contact information for*
24 *that board, which contains a disclaimer in plain language that*
25 *explains that the consumer is being referred to a board that does*
26 *not permit the consumer to obtain information, including, but not*
27 *limited to, disciplinary history, about individuals through the*
28 *Internet Web site, and that the out-of-state board is not affiliated*
29 *with the board.*

30 (b) *The board shall biannually survey the Internet Web sites*
31 *and disclosure policies of other boards to ensure that its*
32 *disclaimers are accurate.*

33 (e) *This section shall remain in effect only until January 1, 2019,*
34 *and as of that date is repealed, unless a later enacted statute, that*
35 *is enacted before January 1, 2019, deletes or extends that date.*

36 SEC. 41. *Section 5096.21 is added to the Business and*
37 *Professions Code, to read:*

38 5096.21. (a) *On and after January 1, 2016, if the board*
39 *determines, through a majority vote of the board at a regularly*
40 *scheduled meeting at which a quorum is present, that allowing*

1 *individuals from a particular state to practice in this state pursuant*
2 *to a practice privilege as described in Section 5096, violates the*
3 *board's duty to protect the public, the board shall require*
4 *out-of-state individuals licensed from that state, as a condition to*
5 *exercising a practice privilege in this state, to file the notification*
6 *form and pay the applicable fees as required by former Section*
7 *5096, as added by Chapter 921 of the Statutes of 2004, and*
8 *regulations adopted thereunder.*

9 *(b) The board shall, at minimum, consider the following factors*
10 *in making the determination required by subdivision (a):*

11 *(1) Whether the state investigates complaints and referrals from*
12 *the board in a timely manner.*

13 *(2) Whether the state makes the disciplinary history of its*
14 *licensees publicly available through the Internet in a manner that*
15 *allows the board to adequately link consumers to an Internet Web*
16 *site to obtain information that was previously made available to*
17 *consumers about individuals from the state prior to January 1,*
18 *2013, through the notification form.*

19 *(3) Whether the state imposes discipline against licensees that*
20 *is appropriate in light of the nature of the alleged misconduct.*

21 *(4) Whether the state adequately addresses enforcement*
22 *referrals made by the board to the accountancy regulatory board*
23 *of that state, or otherwise fails to respond to requests the board*
24 *deems necessary to meet its obligations under this article.*

25 *(c) Notwithstanding subdivision (a), if (1) the National*
26 *Association of State Boards of Accountancy (NASBA) adopts*
27 *enforcement best practices guidelines, (2) the board issues a*
28 *finding after a public hearing that those practices meet or exceed*
29 *the board's own enforcement practices, (3) a state has in place*
30 *and is operating pursuant to enforcement practices substantially*
31 *equivalent to the best practices guidelines, and (4) disciplinary*
32 *history of a state's licensees is publicly available through the*
33 *Internet in a manner that allows the board to link consumers to*
34 *an Internet Web site to obtain information comparable to the*
35 *information that was previously available to consumers through*
36 *the practice privilege form filed by out-of-state licensees pursuant*
37 *to former Section 5096, as added by Chapter 921 of the Statutes*
38 *of 2004, no practice privilege form shall be required to be filed*
39 *by any licensee of that state as required by subdivision (a), nor*

1 shall the board be required to report on that state to the Legislature
2 as required by subdivision (d).

3 (d) (1) The board shall report to the relevant policy committees
4 of the Legislature, the director, and the public, upon request,
5 preliminary determinations made pursuant to this section no later
6 than July 1, 2015. The board shall, prior to January 1, 2016, and
7 thereafter as it deems appropriate, review its determinations made
8 pursuant to subdivision (b) to ensure that it is in compliance with
9 this section.

10 (2) This subdivision shall become inoperative on July 1, 2017,
11 pursuant to Section 10231.5 of the Government Code.

12 (e) On or before July 1, 2014, the board shall convene a
13 stakeholder group consisting of members of the board, board
14 enforcement staff, and representatives of the accounting profession
15 and consumer representatives to consider whether the penalties
16 set forth in this article are sufficient to deter violations of the
17 self-reporting requirements of Section 5096.

18 (f) On or before January 1, 2018, the board shall prepare a
19 report to be provided to the relevant policy committees of the
20 Legislature, the director, and the public, upon request, that, at
21 minimum, explains in detail all of the following:

22 (1) How the board has implemented this article and whether
23 implementation is complete.

24 (2) Whether this article is, in the opinion of the board, more,
25 less, or equivalent in the protection it affords the public than its
26 predecessor article.

27 (3) Describes how other state boards of accountancy have
28 addressed referrals to those boards from the board, the timeframe
29 in which those referrals were addressed, and the outcome of
30 investigations conducted by those boards.

31 (g) This section shall remain in effect only until January 1, 2019,
32 and as of that date is repealed, unless a later enacted statute, that
33 is enacted before January 1, 2019, deletes or extends that date.

34 ~~SEC. 3.~~

35 SEC. 42. No reimbursement is required by this act pursuant to
36 Section 6 of Article XIII B of the California Constitution because
37 the only costs that may be incurred by a local agency or school
38 district will be incurred because this act creates a new crime or
39 infraction, eliminates a crime or infraction, or changes the penalty
40 for a crime or infraction, within the meaning of Section 17556 of

1 the Government Code, or changes the definition of a crime within
2 the meaning of Section 6 of Article XIII B of the California
3 Constitution.

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MEMORANDUM

DATE	July 24, 2012
TO	Board Members California Board of Accountancy Department of Consumer Affairs
FROM	 Kristy Shellans, Attorney III Division of Legal Affairs, Department of Consumer Affairs
SUBJECT	Areas of Concern and Legal Issues with Proposed SB 1405 (as written June 19, 2012)

Please be advised that I have serious concerns about Senate Bill (SB) 1405 in its present form. As currently written, this legislative proposal, in my opinion, would seriously undermine or eliminate the primary functions of the California Board of Accountancy (CBA) and its consumer protection mandate in, at least, the following ways:

(1) **Eliminates the CBA's current authority to deny a practice privilege and encourages individuals to not seek licensure in California.** This bill would license out of state licensees for practice in California by allowing individuals to obtain a "practice privilege" by operation of law if the person is simply licensed in another state for four of the last 10 years in a state deemed "substantially equivalent" by the CBA (even if the license is restricted by the other state – see pp. 10-11, § 5096(a)(1)-(3)). Further, although the bill would authorize the provision of certain services only when the practice privilege holder is an employee of a firm registered with the CBA, such services would be permitted to be provided separate and apart from any firm if the services are provided "at the client's place of business or residence" (p. 12, § 5096(e)(3)). As a result, practice privileges could be issued to unknown individuals working in places without the knowledge of the CBA. California's current requirements for education (accounting study, ethics), examination (no international exam recognition), and fingerprint clearances are stricter for CPA licensure in California. Also, it is my understanding that the Board has a more extensive enforcement program than other states. As a result, applicants could be encouraged by this proposal to seek education and licensure in another state with less stringent standards and the CBA would have no authority to impose further limitations on licensure if these individuals chose to practice in California;

(2) **Eliminates the CBA's current authority to monitor individuals who practice accountancy in California and are licensed in another state.** This bill would prohibit the CBA from requiring any notice (this would include a current

address of record in California), fee (used to fund the CBA) or "other requirement" (this would include criminal background checks) from any individual licensed in another state, but practicing public accountancy in California (see p. 11, § 5096(c)). Consequently, the CBA would have no way to track and provide current information on its individual CPA licensing population to anyone in California. Regardless, this proposal would still require the CBA to post possibly outdated material on its Web site for California consumers regarding *past* privilege holders (the CBA would report only those issued privileges prior to July 1, 2013) (see p.35-36, § 5096.20);

(3) **Allows practice privilege holders into this State that are currently not permitted to practice and relies mainly on self-disclosure to police unauthorized practice issues.** Current practice privileges issued to out-of-state licensees are valid for one year, but may be denied, after application, based on certain disqualifying conditions. (Bus.&Prof.Code, § 5096.) This bill would eliminate those requirements and instead require that the "practice privilege" not be time limited. Due to the lack of prior notice to the CBA, this proposal would rely heavily on the holder of the practice privilege to self-disclose their disqualifying condition or status to the CBA and to voluntarily "cease practice" as the main avenue for enforcing compliance with these provisions (see pp.12-14, § 5096(e)-(i)). The holder of the practice privilege would be required to self-disclose to the Board, within 15 calendar days, that they are required to cease practice because the licensing board in their home state has suspended or revoked their license, or that he or she has received "other" discipline based on specified misconduct. However, the disclosure for those "other" types of discipline would be limited to conduct involving mainly intentional, reckless, gross negligent or dishonest acts. The list omits other acts that are typically grounds for non-issuance of a practice privilege or probationary license orders in California, including repeated acts of negligence and other substantially-related crimes. (See p. 12-13, § 5096(e)(6)-(8),(f)(g)). Further, it is also unclear how the CBA would revoke these privileges under this proposal if it cannot monitor or track these individuals since service of any legal process by mail under the Administrative Procedure Act is only effective on a licensee when the licensee is required to maintain an "address of record" (Gov.Code, § 11505(c)); and,

(4) **Improperly cedes the CBA's and State's authority to determine which particular State is substantially equivalent to the CBA's qualifications to a private, non-governmental body.** This bill would permit the CBA's determinations regarding which states to recognize as substantially equivalent to be overridden by the National Association of State Boards of Accountancy (NASBA)'s enforcement best practice guidelines. If, after a *public* hearing where the CBA's internal enforcement processes could be made public, the CBA makes findings that this private body's practices "meet or exceed" the board's own enforcement practices, then the CBA's determinations to not permit recognition would be disregarded. (See p. 36-37, § 5096.21(a),(c).) This means a private

CBA Board Members

July 24, 2012

Page 3 of 3

entity's processes could supplant the board's own enforcement program and the Board's own discretion in this area, thus jeopardizing current or future board actions that do not conform to this private agency's standards for how to conduct an investigation.

Based on the foregoing, the current proposal, in my opinion, would deprive the CBA of its current jurisdiction, authority and discretion to monitor practice privilege holders in California. Further, I believe that this proposal would provide a huge disincentive for applicants to obtain education, training, or licensure in California as a Certified Public Accountant, thus jeopardizing the Board's continued existence.

Please feel free to contact me if you have concerns, questions or need further clarification.



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Attachment 1

PROPOSED AMENDMENT TO SECTION 5076

5076.

(a) In order to renew its registration in an active status or convert to an active status, a firm, as defined in Section 5035.1, shall have a peer review report of its accounting and auditing practice accepted by a board-recognized peer review program no less frequently than every three years.

(b) For purposes of this article, the following definitions apply:

(1) Peer review means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) Accounting and auditing practice includes any services that ~~are~~ were performed in the prior three years using professional standards defined by the board in regulations.

(continues; only relevant portion of §5076 is shown)



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LC Item V.

July 26, 2012

CBA Item VIII.B.5.

July 26, 2012

Discussion and Possible Action to Amend
Business and Professions Code Section 5076 – Peer Review

Presented by: Matthew Stanley, Legislation/Regulation Analyst

Date: June 29, 2012

Purpose of the Item

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with information regarding which licensees are required to undergo peer review and the possibility of certain exceptions being made to that requirement.

Action(s) Needed

The CBA will be asked to decide whether an amendment to Business and Professions Code Section 5076 is needed.

Background

In March of 2010, the CBA heard a presentation regarding individuals who wanted to renew in an inactive status, but were still required to undergo peer review. Specifically mentioned was an individual who was retiring and renewing in an inactive status who sought clarification regarding whether he was subject to peer review. It was determined that the law required a peer review; however, the CBA directed staff to draft regulatory language to exempt those renewing in an inactive status from peer review.

At the July 2010 CBA meeting, the concept of creating a retired status for licensees via legislation was introduced, and at the September 2010 CBA meeting, it was decided to pursue such legislation. With the potential for a similar situation arising for this new status, it was decided to await the outcome of the retired status legislation (AB 431 of 2011) before changing the peer review regulations. This year's SB 1576 contains the final provisions for the retired status law.

Comments

Current law requires a peer review to have been completed in order to renew regardless of license status. The proposed language (**Attachment 1**) would change this to renewal in an active status. In addition, it would require a peer review for a licensee converting a license to an active status who has performed accounting and auditing services in the prior three years. This would eliminate the possibility of a licensee renewing in an inactive status and converting to active status a short time later to avoid the peer review requirement. A status conversion occurs when a licensee changes

**Discussion and Possible Action to Amend Business and Professions Code
Section 5076 – Peer Review**

Page 2 of 2

from one status to another at any time other than renewal. Thus, it is not currently covered by the peer review law.

While the renewal portion of the proposal could be accomplished through regulation, since the law currently requires a peer review only in order to renew, the status conversion portion of the proposal can only be done through a legislative change. In addition, staff believe that amending Section 5076, the peer review law, would afford a more broad solution to this issue.

Should the CBA want to provide an exception to peer review for those renewing in a status other than active, there is still sufficient time in the legislative year to request that the proposed language be included in SB 1576, the omnibus bill.

Fiscal/Economic Impact Considerations

Currently, peer review staff receive a large number of inquiries regarding how their inactive status affects their need for a peer review. Many of these are licensees who are entering retirement. With this proposal, these calls should significantly decrease. In addition, the licensees who are retired or inactive will not need to undergo a peer review.

Recommendation

Staff recommend that the CBA direct staff to request that the proposed language be included in the omnibus bill, SB 1576.

Attachments

Proposed Amendment to Section 5076



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Attachment 1

PROPOSED AMENDMENT TO SECTION 5076

5076.

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(b) For purposes of this article, the following definitions apply:

(1) Peer review means a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

(2) Accounting and auditing practice includes any services that ~~are~~ were performed in the prior three years using professional standards defined by the board in regulations.

(continues; only relevant portion of §5076 is shown)



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CBA Item VIII.G.2.
July 26, 2012

Discussion and Possible Action on the Role of the Peer Review Oversight Committee

Presented by: Nancy Corrigan, Chair, Peer Review Oversight Committee
Date: June 25, 2012

Purpose of the Item

The purpose of this agenda item is to review the role of the Peer Review Oversight Committee (PROC), as outlined in the California Board of Accountancy (CBA) Member Guidelines and Procedures Manual (G&P Manual) to ensure it reflects the PROC's roles as authorized in statute.

Action(s) Needed

The CBA members will be requested to take action on the revised PROC roles and responsibilities as recommended and adopted by the PROC.

Background

In November 2011, CBA members requested the PROC revisit their roles and responsibilities to ensure they accurately reflect the activities presently being performed by the PROC. The PROC reviewed the present roles and responsibilities at the April and June meetings and provided recommendations for changes.

The majority of changes to the PROC's roles and responsibilities center around ensuring peer review program providers administer peer reviews in accordance with CBA Regulations Section 48, which set forth the minimum requirements for a peer review program. The changes also make the roles and responsibilities more general in the event that additional peer review program providers are approved by the CBA in the future.

Comments

The revised roles and responsibilities remain consistent with Business and Professions Code Section 5076.1 and Title 16, California Code of Regulations Sections 47 and 48.3, which provide a broad framework for the role of the PROC (**Attachment 1**).

The revised roles and responsibilities were adopted by the PROC at its June 15, 2012 meeting. If the revisions are approved by the CBA, the updated roles and responsibilities will replace the current roles outlined in the PROC Procedures Manual and the G&P Manual.

Fiscal/Economic Impact Considerations

None

Recommendation

Staff recommends that the G&P Manual be revised as presented on **Attachment 2**. These revisions will update the G&P Manual to reflect the PROC's roles and responsibilities as recommended and adopted by the PROC.

Attachments

1. Business and Professions Code Section 5076.1, Title 16, California Code of Regulations Sections 47 and 48.3.
2. Excerpt from the CBA Member G&P Manual.

Business and Professions Code

5076.1. (a) The board shall appoint a peer review oversight committee of certified public accountants of this state who maintain a license in good standing and who are authorized to practice public accountancy to provide recommendations to the board on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

(b) The committee may request any information from a board-recognized peer review program provider deemed necessary to ensure the provider is administering peer reviews in accordance with the standards adopted by the board in regulations. Failure of a board-recognized peer review program provider to respond to the committee shall result in referral by the committee of the provider to the board for further action. Any information obtained by the board, its representatives, or the peer review oversight committee in conjunction with its review of peer review program providers shall not be a public record, and shall be exempt from public disclosure, provided, however, this information may be disclosed under any of the following circumstances:

- (1) In connection with disciplinary proceedings of the board.
- (2) In connection with legal proceedings in which the board is a party.
- (3) In response to an official inquiry by a federal or state governmental regulatory agency.
- (4) In compliance with a subpoena or summons enforceable by court order.
- (5) As otherwise specifically required by law.

(c) The members of the committee shall be appointed to two-year terms and may serve a maximum of four consecutive terms.

(d) The board may adopt, as necessary, regulations further defining the minimum qualifications for appointment as a committee member and additional administrative elements designed to ensure the effectiveness of mandatory peer review.

Title 16, California Code of Regulations

47. Peer Review Oversight Committee.

(a) The Peer Review Oversight Committee shall be comprised of not more than seven licensees. The licensees shall maintain a valid and active license to practice public accounting in California issued by the Board.

(b) No member of the committee shall be a current member or employee of the Board.

(c) The committee shall hold meetings as necessary in order to conduct business and shall report to the Board regarding the effectiveness of mandatory peer review. This shall include an annual report to the Board regarding the results of its oversight, and shall include the scope of work, findings, and conclusions regarding its oversight.

(d) The committee is authorized to request from a Board-recognized peer review program provider those materials necessary to perform its review.

(e) Should a Board-recognized peer review program provider fail to respond to any request, the committee shall refer the matter to the Board.

(f) The committee shall review and recommend to the Board for approval of peer review program provider applications for recognition by the Board.

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

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

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

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

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

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

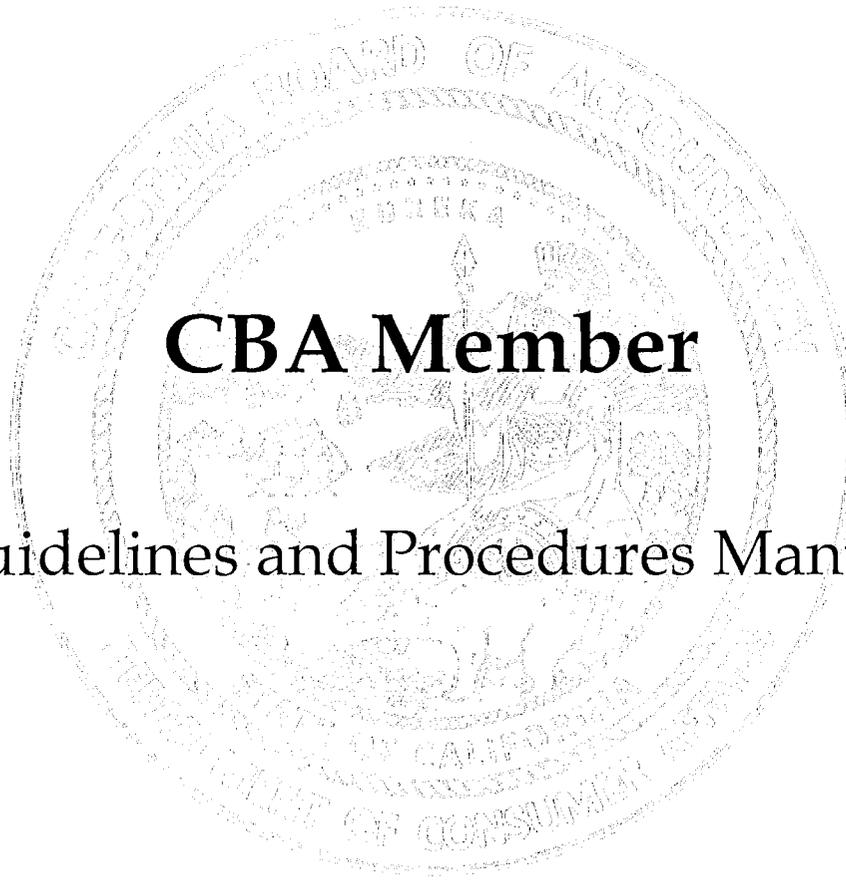
(5) Sufficient documents to conduct sample reviews of peer reviews accepted by the Board-recognized peer review program provider. These may include, but are not limited to, the report; reviewer working papers prepared or reviewed by the Board-recognized peer review program's peer review committee in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

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

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

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

The California Board of Accountancy



CBA Member

Guidelines and Procedures Manual

Last updated
May 2012



b. Membership.

The EAC is comprised of up to 13 licensees.

c. Meetings/Minutes.

The EAC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Peer Review Oversight Committee (PROC)

a. Purpose.

To act as an advisory committee and assist the CBA in its oversight of the Peer Review Program by:

- Overseeing the activities of sponsoring organizations related to how peer reviews are processed and evaluated.
- Ensuring the sponsoring organizations adhere to the American Institute of Certified Public Accountants (AICPA) *Standards for Performing and Reporting on Peer Reviews* (Standards).
- Ensuring that peer reviewers are properly qualified.
- Ensuring that peer reviews are being accepted in a consistent manner by the sponsoring organization's report acceptance body.
- Evaluating organizations outside the AICPA structure that desire to administer peer reviews in California.
- Representing the CBA at the AICPA's Peer Review Board meetings.

b. Membership.

The PROC is comprised of 7 licensees

c. Meetings/Minutes.

The PROC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

3. Qualifications Committee (QC)

a. Purpose.

To act as an advisory committee and assist the CBA in its licensure activities by:

- Conducting work paper reviews of experience of applicants appearing before the committee
- Interviewing employers that appear before the committee under the provision of Section 69, of the Accountancy Regulations
- Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized to act

b. Membership.

The QC is comprised of 16 licensees.

c. Meetings/Minutes.

The QC meets approximately four times annually, generally for one day each meeting. An additional Section 69 review may be conducted by QC members approximately one month prior to each committee meeting for those employers not in the geographic area of the upcoming QC meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

4. Other Committees.

The CBA may create and appoint other committees consisting of certified public accountants in good standing of this State or other qualified interested parties, who may but need not be members of the CBA for the purpose of making recommendations on such matters as may be specified by the CBA.

B. STANDING, AD HOC, and OTHER COMMITTEES/TASK FORCES.

1. Committee on Professional Conduct (CPC).

a. Purpose.

To assist the CBA in consideration of issues relating to professional conduct by:

- Considering and developing recommendations on issues that apply to the practice of public accountancy and affect consumers
- Considering, formulating, and proposing policies and procedures related to emerging and unresolved issues
- Reviewing selected exposure drafts and developing recommendations to present to the CBA

b. Membership.

The CPC may be comprised of up to seven CBA members.

c. Meetings/Minutes.



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CBA Item IX.A.
July 26, 2012

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE
MAY 24-25, 2012
CBA MEETING

The Hilton Pasadena
 168 South Los Robles Ave.
 Pasadena, CA 91101
 Telephone: (626) 577-1000
 Facsimile: (626) 584-3148

Roll Call and Call to Order.

CBA President Marshal Oldman called the meeting to order at 12:31 p.m. on Thursday, May 24, 2012 at The Hilton Pasadena. The meeting recessed at 4:30 p.m. President Oldman reconvened the meeting at 9:00 a.m. on Friday, May 25, 2012, and the meeting adjourned at 10:10 a.m.

CBA Members

May 24, 2012

Marshal Oldman, President	12:31 p.m. to 4:30 p.m.
Leslie LaManna, Vice President	12:31 p.m. to 4:30 p.m.
Michael Savoy, Secretary-Treasurer	12:31 p.m. to 4:30 p.m.
Sarah (Sally) Anderson	12:35 p.m. to 4:30 p.m.
Diana Bell	12:33 p.m. to 4:30 p.m.
Alicia Berhow	12:31 p.m. to 4:30 p.m.
Michelle Brough	12:31 p.m. to 4:30 p.m.
Donald Driftmier	Absent
Herschel Elkins	12:31 p.m. to 4:30 p.m.
Laurence (Larry) Kaplan	12:31 p.m. to 4:30 p.m.
Louise Kirkbride	Absent
Kitak (K.T.) Leung	12:31 p.m. to 4:30 p.m.
Manuel Ramirez	12:31 p.m. to 4:30 p.m.
David Swartz	12:31 p.m. to 4:30 p.m.

CBA Members

May 25, 2012

Marshal Oldman, President	9:00 a.m. to 10:10 a.m.
Leslie LaManna, Vice President	9:00 a.m. to 10:10 a.m.

Michael Savoy, Secretary-Treasurer	9:00 a.m. to 10:10 a.m.
Sarah (Sally) Anderson	9:00 a.m. to 10:10 a.m.
Diana Bell	9:00 a.m. to 10:10 a.m.
Alicia Berhow	Absent
Michelle Brough	Absent
Donald Driftmier	Absent
Herschel Elkins	9:00 a.m. to 10:10 a.m.
Laurence (Larry) Kaplan	9:00 a.m. to 10:10 a.m.
Louise Kirkbride	Absent
Kitak (K.T.) Leung	9:00 a.m. to 10:10 a.m.
Manuel Ramirez	9:03 a.m. to 10:10 a.m.
David Swartz	9:00 a.m. to 10:10 a.m.

Staff and Legal Counsel

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

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
 Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)
 Sherry McCoy, Member, PROC
 James Rider, Vice Chair, EAC
 Seid Sadat, Member, PROC

Other Participants

Pilar Onate-Quintana, KP Public Affairs
 Ric Rosario, President and CEO, CAMICO
 Jonathan Ross, KP Public Affairs
 Hal Schultz, California Society of CPAs (CalCPA)
 Jeannie Tindel, CalCPA

- I. Report of the President
 - A. Probation Monitoring Overview

Mr. Fisher provided an overview of this item.

Ms. Anderson inquired how effective probation is and if there are enough resources to follow up with licensees currently on probation.

Mr. Fisher stated that typically the person on probation is trying to correct his/her actions and it is rare to have to take further actions.

Mr. Ramirez inquired at what time does CBA enforcement staff determine that a practice investigation is appropriate.

Mr. Fisher stated that all probation cases are evaluated on a case-by-case basis with their assigned probation monitor. A practice investigation is appropriate when the licensee has practice activity issues rather than simply administrative issues.

Mr. Kaplan inquired about the methods enforcement staff uses to contact and stay in touch with probationers.

Mr. Fisher stated that a licensee on probation will attend a face-to-face meeting with his/her probation monitor, complete quarterly probation reports and have contact with their assigned CBA probation monitor as necessary.

Ms. Bowers further stated that during the course of probation there is minimum level of interaction required; however, if circumstances warrant, there may be additional practice investigations or face-to-face meetings.

II. Report of the Vice President.

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

It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to appoint Joseph Rosenbaum to the EAC.

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

There was no report for this item.

C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee (PROC).

Mr. Ramirez inquired if there is a limit on how many years a person may

serve as chair of the PROC. For succession planning, Mr. Ramirez recommended that Ms. Corrigan serve as chair for one more year while mentoring another PROC member to serve as chair.

Ms. LaManna stated that due to the critical issues that the PROC are currently undertaking, four years does not seem too long for Ms. Corrigan to serve as PROC chair.

Mr. Oldman suggested that Ms. Corrigan appoint a vice chair to the PROC.

Mr. Swartz commented that Ms. Corrigan serves as an excellent chair to the PROC.

It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to reappoint Ms. Corrigan as chair to the PROC and suggest that Ms. Corrigan appoint a Vice Chair to the PROC.

It was moved by Ms. LaManna, seconded by Mr. Swartz and unanimously carried by those present to reappoint the PROC members to one year terms.

Ms. Bowers commented that these reappointments will be revisited at the November 2012 CBA meeting.

III. Report of the Secretary/Treasurer

A. Discussion of Governor's Budget.

B. Fiscal Year 2011-2012 Mid-Year Financial Statement.

Mr. Savoy provided an overview of this item (See Attachment__)

Ms. Anderson inquired if there is any way the CBA loan to the General Fund can be repaid if a dire situation occurs.

Ms. Shellans stated that one board has received repayment of its loan to the General Fund, because it proved they were near bankruptcy.

Mr. Swartz inquired how lead much time is necessary to trigger a request for repayment of the loan to the General Fund be re-evaluated.

Ms. Bowers commented that there are no specific guidelines, and an argument for the repayment would need to be put together and submitted to the Department of Finance.

Mr. Ramirez inquired if there is any latitude to decrease examination fees by 20-40 percent. Mr. Ramirez requested that this be researched for discussion at the November CBA meeting.

Ms. Brough agreed with Mr. Ramirez and suggested that when considering reducing examination fees, the CBA take into consideration the high unemployment rate and current status of the economy.

Mr. Oldman requested that an agenda item be added to the July 2012 Secretary/Treasurer's Report to discuss the appropriate CBA committee to task with evaluating examination costs and fees.

IV. Report of the Executive Officer (EO)

A. Update on Staffing.

Ms. Bowers stated that the CBA is almost fully staffed.

B. Update on CBA 2010-2012 Communications and Outreach Plan (Written Report Only).

No comments were received on this item.

C. Discussion and Possible Action to Amend Business and Professions Code Sections 5063(b)(2) and 5063.2 – Civil Action Settlements or Arbitration Awards

Mr. Stanley provided an overview of this item (See Attachment ___).

There was no action on this item.

V. Report of the Licensing Chief.

A. Report on Licensing Division.

Mr. Franzella provided an overview of this item (See Attachment___).

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

Ms. Daniel provided an overview of this item. Ms. Daniel noted that the rulemaking package for the Accounting Study regulations is currently being review by DCA and staff anticipates that the Office of Administrative Law will render a final decision on the rulemaking file by September 2012. Ms. Daniel stated that efforts to communicate information regarding the new educational requirements to all affected stakeholders is ongoing and the CBA website has been updated with

new information. Ms. Daniel further stated that staff joined CalCPA and presented information about the new educational requirements via a webinar in April.

C. Presentation on the New Educational Requirement for CPA Licensure Set to Take Effect January 1, 2014.

Mr. Franzella provided a PowerPoint presentation on this item (See Attachment ___).

Ms. Anderson inquired how CBA staff are notifying students who have attended college outside of California, about the new educational requirements for CPA licensure.

Mr. Franzella stated that as part of the joint Ethics Curriculum Committee (ECC) and Accounting Education Committee (AEC) joint meeting last year, an email was sent to all state accountancy board executive officers about the new educational requirements. Mr. Franzella also stated that staff have notified NASBA and the American Accounting Association about the new educational requirements. Mr. Franzella further stated that the CBA has held several open house events and ECC members have reported back to advisors with the new educational requirements.

Mr. Ramirez asked if staff can review an institution's curriculum to determine if it meets the new educational requirements.

Mr. Franzella stated that an internal taskforce of CBA staff will be established to evaluate outreach options. Mr. Franzella further stated CBA staff are working to get additional information to universities.

Ms. Tindel commented that CalCPA has conducted outreach to exam review course providers and firms. Schools in California are preparing their own matrices about how to become qualified for CPA licensure. The outreach is occurring, and Mr. Franzella has done a great job.

VI. Report of the Enforcement Chief.

A. Enforcement Case Activity and Aging Report.

Mr. Ixta provided an overview of this item (See Attachment___).

B. Citation and Fine Report.

Mr. Ixta reported that failure to respond to the CBA and continuing education violations make up a majority of the citations and fines.

C. Reportable Events Report.

Mr. Ixta reported that there have been 25 more reportable events from the last CBA meeting, with a majority of these events being restatements.

D. Update on Peer Review Implementation.

Mr. Ixta reported that 401 licensees have appealed peer review citations. Additionally, he noted that in the coming months the Peer Review Unit will issue notification letters to the third round of licensee who have a reporting date of July 1, 2013, citations for the first group of licensees required to report peer review, and issue deficiency letters to the second group of licensees required to report peer review.

Mr. Ramirez suggested that as part of the verification procedures, staff request a copy of billing documents from the last year, to determine if a firm is performing accounting and auditing work and reporting correctly on the peer review reporting form.

Ms. Elkins asked what the most common reason for a licensee to appeal a peer review citation.

Mr. Ixta stated that the most common reason for appeal is that a licensee was not aware he/she was required to report because the licensee is not practicing and did not believe he/she were subject to peer review.

VII. 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).

VIII. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC)(Diana Bell, Chair).

1. Report of the May 24, 2012 EPOC Meeting.

There were no comments on this item.

2. Discussion on Possible Changes to the Role of EPOC.

It was moved by Ms. Bell, seconded by Mr. Elkins and unanimously carried by those present that the proposed changes to the Role of EPOC be adopted.

3. Discussion on Possible Changes to the Role of the EAC.

It was moved by Ms. Bell, seconded by Ms. Anderson and unanimously carried by those present that the proposed changes to the role of the EAC be adopted.

Ms. Bell noted that future EPOC agenda items will include establishing guidelines for auditing a closed and finished case and to define the responsibilities of the CBA member liaison to EPOC.

B. Legislative Committee (LC) (Sally Anderson, Chair).

1. Report of the May 24, 2012.

There were no comments received on this item.

2. Update on Bills on Which the CBA Has Taken a Position (AB 1504, AB 1537, AB 1588, AB 1810, AB 1904, AB 1914, AB 1982, AB 2022, AB 2041, AB 2570, SB 103, SB 975, SB 1099, SB 1165, and SB 1576).

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to maintain the current positions on AB 1537, AB 1588, AB 1904, AB 1982, AB 2022, AB 2041, AB 2570 and SB 103.

It was moved by Ms. Anderson, seconded by Ms. Bell and unanimously carried by those present that the CBA discontinue following AB 1504, AB 1810 and SB 1165.

AB 1914 – Agency Report.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to maintain its current Oppose position on AB 1914.

AB 975 – Regulatory Authority.

It was moved by Ms. Anderson, seconded by Mr. Elkins and unanimously carried by those present that the CBA maintain its current Watch position on SB 975.

SB 1099 – Regulations: Effective Date.

It was moved by Ms. Anderson, seconded by Mr. Swartz and unanimously carried by those present that the CBA maintain its current Oppose position on SB 1099.

SB 1576 – Omnibus Bill.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present that the CBA maintain its current Support position on SB 1576.

3. AB 1345 – Local Government Audits.

Ms. Anderson stated that the LC propose including the following amendments in AB 1345:

- Only the lead audit partner should be subject to mandatory rotation, allowing the technical audit partner to remain for continuity benefiting the local agency.
- Require a two year “cooling off” period similar to the SEC rules, which prohibit the lead audit partner from resuming work with the local agency for two years.
- Add a payroll schedule to the audit requirements, prepared by the local agency for the auditor as part of the audit, including all compensation for elected officials and designated employees paid from local agency sources.
- Clarify the author’s intent that the first partner rotation occur in the 2018-19 fiscal year (FY).

Mr. Ramirez inquired if the CBA should include that the partners cannot rotate back and forth.

It was moved by Ms. Anderson, seconded by Ms. Bell and carried by those present that the CBA take a Support if Amended position on AB 1345, and that the four amendments suggested by the LC be incorporated into the bill. Mr. Elkins abstained.

4. Consideration of Positions on Legislation.

AB 1409 – Regulations: Small Businesses.

It was moved by Ms. Anderson, seconded by Mr. Elkins and unanimously carried by those present that the CBA take a Watch position on AB 1409.

SB 1327 – State Government: Internet Website.

It was moved by Ms. Anderson, seconded by Ms. LaManna and unanimously carried by those present that the CBA take a Watch position on AB 1327 that changes to an Oppose position if the bill passes the Senate Appropriations Committee without the amendment to exclude occupational licensing.

SB 1405 – Accountancy: Military Service: Inactive Status

Ms. LaManna inquired if a military inactive status licensee will be required to complete continuing education (CE) retroactively to return to active status.

Ms. Pearce stated that a licensee would need to meet the current CE requirements.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present that the CBA take a Support position on SB 1405.

5. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

No legislation impacting the CBA was identified by staff after the posting of the meeting notice.

C. Committee on Professional Conduct (CPC) (Michael Savoy, Chair).

1. Report of the May 24, 2012 CPC Meeting.

There were no comments received on this item.

2. Discussion on Initiating a Rulemaking to Amend Title 16, California Code of Regulations Sections 80, 80.1, 80.2, 81, 87, 87.1, 87.8, 87.9, 88, 88.1, 88.2 and 89.

It was moved by Mr. Savoy, seconded by Mr. Swartz and unanimously carried by those present to approve the draft regulatory language with an amendment to delete the requirement for a 90% passing rate for ethics CE courses.

3. Discussion Regarding the CBA's Requirements for Maintaining Adequate Security Claims Against an Accountancy Corporation (CBA Regulation 75.8).

Ric Rosario, President and CEO of CAMICO, presented information on CAMICO insurance claims. Mr. Rosario stated that the average claim is \$100,000. CAMICO believes the current level of insurance required seems sufficient. Mr. Rosario further stated that there have been very few instances where insurance has not been adequate; therefore, the current limits are sufficient to protect consumers.

It was moved by Mr. Savoy, seconded by Mr. Ramirez and

unanimously carried by those present that the CBA retain the existing language and maintain the current level of insurance required.

D. Strategic Planning Committee (SPC) (Manuel Ramirez, Chair).

There was no report for this item.

E. Enforcement Advisory Committee (EAC) (Cheryl Gerhardt, Chair).

Report of the May 3, 2012 EAC Meeting.

Mr. Rider provided the report for this item. Mr. Rider stated that eight investigative hearings were conducted at the May 3, 2012 EAC Meeting. Of the eight cases heard, six cases were referred to the Attorney General, one case was assigned additional CE, and one case was recommended for additional investigation. Mr. Rider stated that 16 closed cases were reviewed and the EAC agreed with closure on all of the closed cases. Mr. Rider noted that the next EAC meeting is in July 2012.

F. Qualifications Committee (QC) (Fausto Hinosa, Chair).

Report of the April 25, 2012 QC Meeting.

Ms. Daniel provided the report for this item.

Ms. Daniel stated that the QC made final recommendations for changes to the letters and instructions sent to the employers and applicants when scheduling Section 69 reviews and personal appearances. Ms. Daniel further stated that Mr. Franzella provided a PowerPoint presentation to the QC members outlining the new educational requirements for CPA licensure that will become effective January 1, 2014.

Mr. Swartz inquired how candidates are selected to appear before the QC.

Ms. Pearce stated that foreign applicants and are required to appear and other candidates are chosen on a case-by-case basis.

G. Peer Review Oversight Committee (PROC)

Report of the April 20, 2012 PROC Meeting.

Ms. Corrigan reported that the PROC discussed its participation in the two CalCPA Report Acceptance Body meetings. Ms Corrigan stated that CBA staff provided the status of licensees reporting peer review and the

PROC discussed correspondence planned to be sent to licensees as a part of the three-year phase in period. Ms. Corrigan stated that the PROC discussed future articles planned for UPDATE.

Ms. Corrigan further stated that the PROC discussed the National Peer Review Committee (NPRC) and had a presentation from Jim Brackens, with the peer review program from AICPA. Ms. Corrigan noted that the PROC has deferred its conclusions about the degree of oversight needed by the PROC, to give further consideration regarding NASBA's Compliance Assurance Committee. Ms. Corrigan further stated the next PROC meeting is June 15, and that future PROC agenda items include:

- National Peer Review Committee process – NASBA presentation – June 15, 2012.
- Review of responsibilities and follow-up to the CBA regarding guidelines issued in early 2008.
- Review of change of firms' registration and how this impacts their peer review.

It was moved by Mr. Ramirez, seconded by Mr. Kaplan and unanimously carried by those present to accept the EPOC, LC, CPC, QC, EAC, and PROC committee reports.

IX. Acceptance of Minutes.

- A. Draft Minutes of the March 22-23, 2012 CBA Meeting.
- B. Draft Minutes of the March 22, 2012 CBA Open House.
- C. Minutes of the March 22, 2012 EPOC Meeting.
- D. Minutes of the March 22, 2012 LC Meeting.
- E. Minutes of the March 23, 2012 CPC Meeting.
- F. Minutes of the January 25, 2012 QC Meeting.
- G. Minutes of the February 2, 2012 EAC Meeting.
- H. Minutes of the February 10, 2012 PROC Meeting.

It was moved by Mr. Ramirez, seconded by Mr. Elkins and unanimously carried by those present to accept agenda items XI.A-H.

X. 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. Nominations for NASBA 2012 Awards.

There was no action taken on this item.

2. Update of NASBA Committees.

a. Accountancy Licensee Database (ALD) Task Force.

There was no report for this item.

b. Board Relevance & Effectiveness Committee.

There was no report for this item.

c. Education Committee.

There was no report on for this item.

d. Uniform Accountancy Act Committee (UAA).

There was no report for this item.

XI. Closing Business

A. Public Comments.*

No public comments were received.

B. Agenda Items for Future CBA Meetings.

Mr. Ramirez requested that the CBA discuss if the electronic delivery of the UPDATE publication is sufficiently meeting regulations.

Mr. Swartz requested that the CBA be provided with an update on mobility.

C. Press Release Focus

Ms. Pearce stated the topic of focus for a post-meeting press release is the EAC and PROC appointments and reappointments.

Adjournment.

- XII. President Oldman adjourned the meeting at 10:10 a.m. on Friday, May 25, 2012.

_____ Marshal A. Oldman, Esq., President

_____ Michael M. Savoy, CPA,
Secretary-Treasurer

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

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EPOC Item I.
 July 26, 2012

CBA Item IX.B.
 July 26, 2012

**ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE
 MINUTES OF MEETING**

Thursday, May 24, 2012

The Hilton Pasadena
 168 South Los Robles Avenue
 Pasadena, CA 91101

DRAFT

Roll Call and Call to Order

Diana Bell, Committee Chair, called the meeting of the California Board of Accountancy's (CBA) Enforcement Program Oversight Committee (EPOC) to order at 9:00 a.m. Ms. Bell requested that the role be called.

EPOC Members in Attendance

Diana Bell
 Michelle Brough
 Herschel Elkins
 K. T. Leung
 David Swartz

CBA Members Observing

Leslie LaManna
 Manual Ramirez
 Michael Savoy

CBA Staff and Legal Counsel in Attendance

Rich Andres, Information Technology Staff
 Patti Bowers, Executive Officer
 Veronica Daniel, Manager, Licensing Division
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Chief, Licensing Division
 Rafael Ixta, Chief, Enforcement Division
 Kari O'Connor, Executive Analyst
 Deanne Pearce, Assistant Executive Officer
 Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs
 Matthew Stanley, Legislation/Regulation Analyst

Committee Chairs and Members

Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)

Other Participants

Jonathon Ross, KP Public Affairs

Hal Schultz, CalCPA

Jeannie Tindel, CalCPA

I. Approve Minutes of the March 22, 2012 EPOC Meeting.

It was moved by Mr. Swartz, seconded by Mr. Leung, and carried by those present to approve the minutes of the March 22, 2012 EPOC meeting.

II. Discussion on Possible Changes to the Role of the EPOC.

Mr. Ixta stated that this agenda item was a continuation of the discussion at the March 22 and 23 EPOC and CBA meetings regarding the role of the EPOC. The members had discussed the current role of the EPOC as established in the CBA Member Guidelines and Procedures Manual (G&P Manual) and the concerns of legal counsel regarding the separation of duties between the prosecution portion of enforcement and the decision makers. Mr. Ixta stated that based on the comments at the March meeting, CBA staff drafted proposed changes to the role of the EPOC to ensure a clear separation of duties as required under the Administrative Procedures Act and also to address the EPOC members' concerns about consumer protection.

Mr. Ixta presented the proposed changes to the G&P Manual (**Attachment 1**). He noted that the policy oversight responsibilities had been deleted to address legal counsel concerns regarding separation of duties. The responsibility for making revisions to the CBA disciplinary guidelines were added to memorialize a duty the EPOC already performs. Additional responsibilities added were to provide oversight on enforcement goals and objectives, to recommend legislative and regulatory changes specific to the enforcement program, to perform an internal audit on a closed and finalized case when specific concerns are raised by the CBA in a final decision, and to define the responsibilities of the CBA member liaison to the Enforcement Advisory Committee (EAC).

Mr. Ixta noted that in connection with the added responsibilities, two future EPOC agenda items will be to establish guidelines for auditing a closed and finalized case and to define the responsibilities of the CBA member liaison to the EAC.

Mr. Elkins stated that providing oversight on enforcement goals and objectives is a very broad statement and he asked what it meant.

Ms. Bowers responded that she envisioned it to be related to the CBA Strategic Plan. The Strategic Plan references goals and objectives specific to the Enforcement Program, and the EPOC could assist the Strategic Planning Committee in this area.

Following discussion, it was moved by Mr. Elkins, seconded by Mr. Leung, and unanimously carried to recommend to the CBA to approve the proposed changes to the role of the Enforcement Program Oversight Committee in the CBA Member Guidelines and Procedures Manual (Attachment 1).

III. Discussion on Possible Changes to the Role of the Enforcement Advisory Committee

Mr. Ixta stated that this agenda item was also a continuation from the discussion at the March EPOC and CBA meetings regarding the inconsistencies between the Enforcement Advisory Committee's (EAC) duties as listed in the G&P Manual and the EAC's statutory authority.

Mr. Ixta stated that based on discussion at the meetings, CBA staff had drafted proposed changes to the G&P Manual to clearly define the duties authorized in statute and actually performed by the EAC.

Mr. Ixta stated that the proposed changes (**Attachment 2**) eliminate EAC involvement in formulating and proposing policies and procedures related to the Enforcement Program because this duty is inconsistent with the EAC's statutory authority. The proposed changes also memorialize in writing two tasks the EAC already performs: 1) review of open investigations upon the request of Enforcement staff; and 2) review of closed investigations. With regard to review of closed investigations, Mr. Ixta noted that the EAC reviews approximately 20 percent of investigations closed by Enforcement staff with no violation as a means of quality control to ensure that procedures and conclusions are followed and in compliance with statute.

Following discussion, it was moved by Mr. Swartz, seconded by Mr. Leung, and unanimously carried to recommend to the CBA to approve the proposed changes to the role of the Enforcement Advisory Committee in the CBA Member Guidelines and Procedures Manual (Attachment 2).

IV. Public Comments.

No public comments were received.

V. Agenda Items for Next Meeting.

1. Establish guidelines for auditing a closed and finalized case.
2. Define the responsibilities of the CBA Liaison the EAC.

Adjournment.

There being no further business to conduct, the EPOC meeting adjourned at 9:20 a.m.

SECTION II**CBA COMMITTEES AND TASK FORCES**

The intent of all committees is to serve in an advisory capacity to the CBA. The Enforcement Advisory, Peer Review Oversight, and Qualifications Committees are statutory in nature, meaning their use is written into the Accountancy Act. All other committees are standing in nature, and may be created/dissolved at the CBA's discretion.

Each committee and/or task force shall have a Chairperson. The Chairperson is designated by the CBA President, and is tasked with running the committee/task force meeting. The Chair opens and closes the meeting, and counts the vote. The Chair is also responsible for coordinating with staff the creation of the minutes, and the presentation of those minutes to the CBA.

CBA members who wish to attend committee meetings, but that are not a part of the committee, may do so. However, pursuant to the Bagley-Keene Act, if the CBA member's presence at the committee meeting would constitute a CBA quorum, they may make no comment, vote on any agenda item, or sit at the table with the committee.

At the November CBA meeting, the President shall inform CBA members that if they wish to participate on a committee for the next year, they must submit written notice to the Executive Analyst. The Executive Analyst will then compile the list of interested parties, and supply it to the President in December. The President, at their discretion, will then make appointments to CBA committees effective the first of January, the following year.

A. STATUTORY COMMITTEES (Ref. Business & Professions Code §§ 5020, 5023, & 5024).

B. STANDING, AD HOC, and OTHER COMMITTEES/TASK FORCES.

1. Committee on Professional Conduct (CPC).

a. Purpose.

To assist the CBA in consideration of issues relating to professional conduct by:

- Considering and developing recommendations on issues that apply to the practice of public accountancy and affect consumers
- Considering, formulating, and proposing policies and procedures related to emerging and unresolved issues
- Reviewing selected exposure drafts and developing recommendations to present to the CBA

b. Membership.

The CPC may be comprised of up to seven CBA members.

c. Meetings/Minutes.

The CPC generally meets before scheduled CBA meetings. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

2. Enforcement Program Oversight Committee (EPOC).

a. Purpose.

To assist the CBA in the consideration of issues relating to ~~professional conduct~~the Enforcement Program by:

- ~~Reviewing policy issues related to the Enforcement Program~~
- ~~Overseeing the program's compliance with CBA policies by way of performing periodic internal audits~~
- Reviewing and proposing revisions to the CBA's *Manual of Disciplinary Guidelines and Model Disciplinary Orders*.
- Providing oversight on enforcement goals and objectives.
- Recommending proposed legislative and/or regulatory changes related to the Enforcement Program.
- Performing an internal audit of a closed and finalized enforcement case when specific concerns are raised by the CBA in a final decision, in accordance with established guidelines.
- Defining the responsibilities of the CBA member liaison to the Enforcement Advisory Committee.

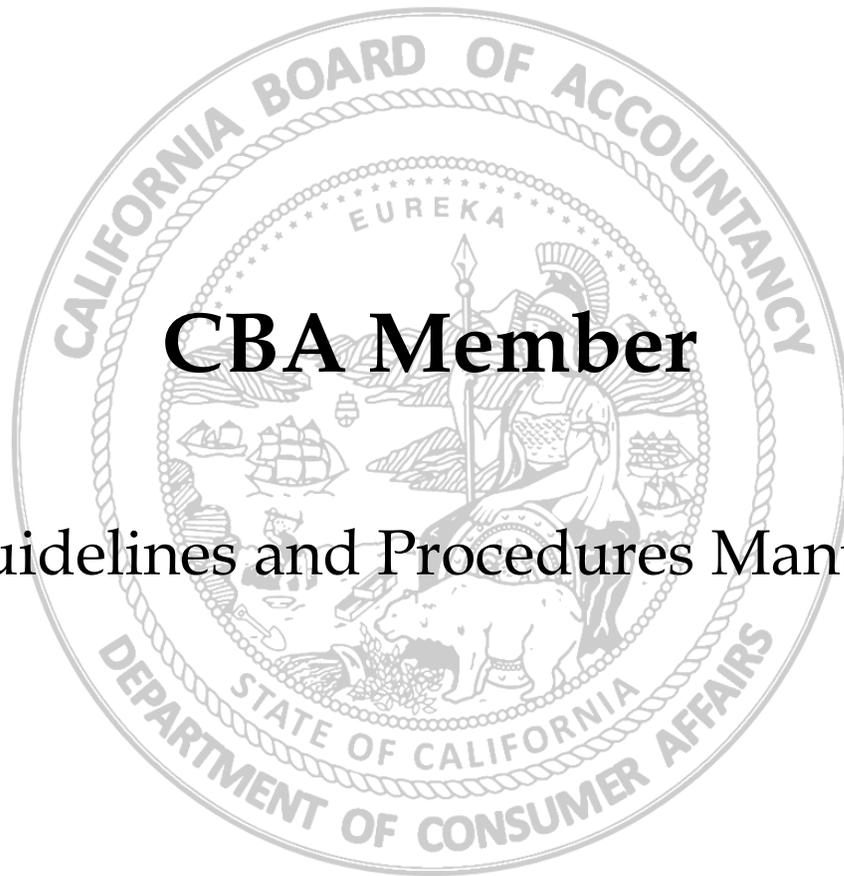
b. Membership.

The EPOC may be comprised of up to seven CBA members.

c. Meetings/Minutes

Meeting to review the CBA's Disciplinary Guidelines shall be held on a tri-annual basis. More frequent meeting for any purpose may be called as deemed necessary. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

The California Board of Accountancy



CBA Member

Guidelines and Procedures Manual

Last updated
May 2012



SECTION II

CBA COMMITTEES AND TASK FORCES

The intent of all committees is to serve in an advisory capacity to the CBA. The Enforcement Advisory, Peer Review Oversight, and Qualifications Committees are statutory in nature, meaning their use is written into the Accountancy Act. All other committees are standing in nature, and may be created/dissolved at the CBA's discretion.

Each committee and/or task force shall have a Chairperson. The Chairperson is designated by the CBA President, and is tasked with running the committee/task force meeting. The Chair opens and closes the meeting, and counts the vote. The Chair is also responsible for coordinating with staff the creation of the minutes, and the presentation of those minutes to the CBA.

CBA members who wish to attend committee meetings, but that are not a part of the committee, may do so. However, pursuant to the Bagley-Keene Act, if the CBA member's presence at the committee meeting would constitute a CBA quorum, they may make no comment, vote on any agenda item, or sit at the table with the committee.

At the November CBA meeting, the President shall inform CBA members that if they wish to participate on a committee for the next year, they must submit written notice to the Executive Analyst. The Executive Analyst will then compile the list of interested parties, and supply it to the President in December. The President, at their discretion, will then make appointments to CBA committees effective the first of January, the following year.

A. STATUTORY COMMITTEES (Ref. Business & Professions Code §§ 5020, 5023, & 5024).

1. Enforcement Advisory Committee (EAC).

a. Purpose.

To assist the CBA in an advisory nature with its enforcement activities by:

- Serving in a technical advisory capacity to the Executive Officer and the Enforcement Program. The EAC members may participate in investigative hearings along with staff investigators; counsel from the Attorney General's Office and where appropriate, outside counsel.
- In an appropriate manner, consistent with the Administrative Procedure Act, reporting its findings from any investigation or hearing to the CBA, or upon direction of the CBA, to the Executive Officer.
-
- Reviewing open investigations upon request by Enforcement staff and providing technical assistance.

- Reviewing closed investigations and reporting its findings and recommendations to the CBA or upon direction of the CBA, to the Executive Officer.
Making recommendations and forwarding reports to the CBA for action on any matter on which it is authorized by the CBA to consider.

b. Membership.

The EAC is comprised of up to 13 licensees.

c. Meetings/Minutes.

The EAC meets approximately four times annually, generally for one day each meeting. Minutes are prepared from the meeting, and presented to the CBA for acceptance.

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LC Item I.
July 26, 2012

CBA Item IX.C
July 26, 2012

**LEGISLATIVE COMMITTEE
MINUTES OF THE MEETING****DRAFT**

May 24, 2012

The Hilton Pasadena
168 South Los Robles Avenue
Pasadena, CA 91101
Phone: (626) 577-1000 – Fax: (626) 584-3148

CALL TO ORDER

Sally Anderson, Chair, called the meeting of the Legislative Committee (LC) to order at 9:30 a.m. Ms. Anderson requested that the roll be called.

Present

Sally Anderson, Chair
Diana Bell
Herschel Elkins
Larry Kaplan
Manuel Ramirez
Michael Savoy

CBA Members Observing

Michelle Brough
Leslie LaManna
K.T. Leung
Marshal Oldman
David Swartz

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Veronica Daniel, Licensing Manager
Paul Fisher, Supervising Investigative CPA

Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Nick Ng, Administrative Manager
Kari O'Connor, Executive Analyst
Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs
Matthew Stanley, Legislation/Regulation Analyst

Other Participants

Cheryl Gerhardt, Chair, Enforcement Advisory Committee
Jonathan Ross, KP Public Affairs
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA

- I. Approve Minutes of the March 22, 2012 LC Meeting

It was moved by Mr. Ramirez, seconded by Ms. Bell and unanimously carried by those present to approve the minutes of the March 22, 2012 LC Meeting.

- II. Update on Bills on Which the CBA Has Taken a Position (AB 1504, AB 1537, AB 1588, AB 1810, AB 1904, AB 1914, AB 1982, AB 2022, AB 2041, AB 2570, SB 103, SB 975, SB 1099, SB 1165 and SB 1576)

Mr. Stanley presented an update on bills which the CBA took a position on at the March 2012 CBA meeting. Staff recommended maintaining current positions on AB 1537, AB 1588, AB 1904, AB 1982, AB 2022, AB 2041, AB 2570 and SB 103, because they either had not been amended or amendments that were made were minor technical amendments that did not affect the contents of the bills.

The LC agreed to maintain its current position.

Mr. Stanley stated that AB 1504, AB 1810 and SB 1165 have either failed or have been amended in such a way as they no longer are relevant to the CBA. Staff recommended the CBA discontinue following these bills.

It was moved by Ms. Bell, seconded by Mr. Elkins and unanimously carried to recommend the CBA discontinue following bills AB 1504, AB 1810 and SB 1165.

Mr. Stanley stated that the remaining bills that the CBA had taken positions on are still relevant to the CBA and have had significant amendments to them since the March 2012 CBA meeting.

AB 1914 – Agency Reports

Mr. Stanley explained AB 1914 would require agencies to report annually to the Legislature its progress on required reports and explain any overdue reports. In addition, the bill stated legislative intent to withhold appropriations from agencies that fail to submit timely reports. Mr. Stanley indicated that the amendments add legislative findings, expand the scope of the annual report to include a compliance plan, and add specifics for how the Legislature could withhold appropriations from an agency that fails to submit timely reports. Staff recommended maintaining an Oppose position on AB 1914.

The LC agreed to maintain its current Oppose position on AB 1914.

SB 975 – Regulatory Authority

Mr. Stanley stated SB 975 is in response to legislation that was vetoed by the Governor last year regarding the Water Commission establishing continuing education requirements for professional engineers. This bill is not in line with the Governor's veto message, and the Governor has already authorized the Department of Consumer Affairs (DCA) to take an Oppose position. Mr. Stanley further stated that amendments to the bill add legislative findings. It also broadens the scope to include local agencies as entities that cannot impose additional licensing requirements. DCA's position has not changed. Staff recommended maintaining a Watch position on SB 975.

The LC agreed to maintain its current Watch position on SB 975.

SB 1099 – Regulations: Effective Date

Mr. Stanley reported that SB 1099 would make regulations effective on either January 1 or July 1. Presently, regulations are effective 30 days after approval by the Office of Administrative Law (OAL). The CBA took an oppose position at its March 2012 meeting. Mr. Stanley indicated that the amendments add April 1 and October 1 as dates on which regulations could take effect. This could potentially add up to three months to the current rulemaking timeframe. In addition, amendments were added that will require OAL approved regulations to be posted on agency websites for six months following their approval and provide a link of the posting to OAL. Staff recommended maintaining an Oppose position due to time that could be added to the rulemaking process.

The LC agreed to maintain its current Oppose position on SB 1099.

SB 1576 – Omnibus Bill

Mr. Stanley noted the annual omnibus bill SB 1576 contains various provisions affecting the CBA and other boards.

Mr. Stanley further stated the amendments to the bill added the retired status language that was approved by the CBA at its January 2012 meeting. Legislative staff inadvertently submitted an earlier draft of the language to Legislative Counsel without all of the changes recommended by the CBA; however, CBA staff have been informed that the changes will be added in the next amendment to the bill. Staff recommended maintaining a Support position.

Mr. Elkins inquired as to what the definition of a delinquent license is. Mr. Stanley replied that delinquent is when a licensee has not paid or renewed their license in a timely fashion. Mr. Elkins further inquired whether a licensee can still practice with a delinquent status. Mr. Stanley stated that a licensee cannot practice if their license is delinquent or expired.

Ms. Shellans clarified that delinquent actually means expired. DCA refers to it as delinquent because a licensee can reinstate their license if they do so within a certain time frame; however, a licensee cannot practice with a delinquent status.

The LC agreed to maintain its current Support position on SB 1576.

III. AB 1345 – Local Government: Audits

Mr. Stanley explained that this bill authorizes the California State Controller (Controller) to appoint a CPA to complete a local agency audit if the agency fails to submit the audit report to the Controller within nine months of the period audited. The Controller must first notify the agency of its failure and allow a reasonable time before appointing a CPA. In addition, the bill requires audit partner rotation ever six years. This requirement can be waived by the controller if another eligible firm is not available to perform the audit.

Mr. Stanley further stated that AB 1345 is a scaled down version of AB 229 from 2011, which the CBA originally opposed, but later took a neutral if amended position to remove a final objection. The specific items which the CBA oppose on AB 229 have since been removed. These items include:

- requiring the Controller to create a directory of CPAs who are qualified to conduct audits of local agencies.
- allowing the Controller to suspend a CPA from performing any local agency audit before the CBA held any kind of administrative hearing.
- allowing the Controller to impose an additional three year suspension on a CPA who has already been disciplined by the CBA.

The remainder of AB 229 is now contained in AB 1345. The sponsor clarified that the intent of AB 229, and thus AB 1345 as well, was to ensure that the leadership of local government agencies are accountable to the tax payers for their actions. In addition, the sponsor clarified that the legislation is in response to the allegations regarding the City of Bell.

Mr. Stanley indicated that in early April staff sent the CBA's letter of opposition to AB 1345 to the author, Assembly Member Lara. A member of his staff expressed a desire to hold a meeting to discuss the CBA's opposition to partner rotation as the CBA did not express concern with this provision in AB 229. Ms. Bowers and Ms. Anderson, at the request of President Oldman, attended the meeting on May 1, 2012.

During the meeting, representatives of the author and sponsor provided input as to why they believe AB 1345 is good for consumer protection. Specifically, they indicated that audit partner rotation assists in maintaining independence which helps to ensure consumers are protected. In addition, they indicated that AB 1345 is consistent with current law for school district audits. The Controller's office stated that no compelling rationale had been offered by the CBA as to why local agencies should meet a different standard than that of school districts. They indicated that mandatory audit partner rotation was the key to the consumer protection provided in this bill.

Mr. Stanley indicated that this bill would go into effect on January 1, 2013, with audit partner rotation commencing in fiscal year 2013/14 fiscal year. It is the author and sponsor's intention that the first year partner rotation would be required is in fiscal year 2018/19, six years after the law takes effect. Staff and counsel believe that, with the way the law is currently written, an audit partner engaged with a local agency since fiscal year 2007/08 or earlier, would need to be rotated on July 1, 2013.

Mr. Stanley further stated that, based on the information from the May 1 meeting, the author and sponsor remain willing to engage in dialog regarding the CBA's concerns. If the CBA has remaining concerns with the current version of the bill, staff recommend that the CBA consider suggesting an amendment that would remove its opposition to AB 1345 and that specific direction be provided as to the desired amendment.

Ms. Anderson gave a summary of the May 1 meeting, stating that Ms. Bowers and she met with staff from Assembly Member Lara's and the Controller's Office. Ms. Anderson expressed that she believes the bill is going to pass, but due to the fact that the CBA is the licensing agency, the author and Controller's office would like to see the CBA take at least a Neutral, but preferably Support position. Ms. Anderson stated that at the meeting she could not speak on behalf

of all CBA members, as she did not know the specifics of each member's opposition to the bill. Ms. Anderson expressed her personal opinion to the attendees of the meeting that she did not believe that there was any evidence that partner rotation would create a better audit. Ms. Anderson pointed out at the meeting that the technical aspects of an audit are such that it can take several years to gain familiarity to ensure the consumer is getting the best possible service. Requiring that the partner rotate shortly after gaining this familiarity may lead to a decrease in the quality of service to the consumer. The author and sponsor reiterated, and were very clear, that they see partner rotation as the key consumer protection part of this bill. Ms. Anderson also suggested that similar to the school district offices, large complex cities have numerous supplemental schedules that relate to compliance and if there are specific items they have issues with, such as payroll, then it would make sense to have a payroll schedule added to the audit requirements. Ms. Anderson explained this schedule could be prepared by the local agency as part of the audit. The Securities and Exchange Commission (SEC) requires that all top salaried employees disclose their entire salaries so that the shareholders know exactly what the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer are making. Ms. Anderson suggested a similar schedule should be required for all compensation for the top five or ten elected officials and designated employees who are paid from local agency sources.

Mr. Ramirez recognized and agreed with Ms. Anderson's statement regarding government entities being required to submit a schedule of income, but questioned whether the Auditor Controller has the authority for that type of change. Ms. Anderson replied that when she worked for school districts, they were not required by government auditing standards, but are required by the state to disclose income.

Ms. Anderson also expressed her concern regarding partner rotation. She stated that requiring partner rotation was a disadvantage for small firms because they would require both the engagement partner and the technical partner to rotate at the same time. This would mean that a firm would need to have at least four competent partners specializing in government audits. The response from the Controller's office representative was that their responsibility was not to the firms, but to the taxpayers.

Mr. Ramirez stated that the CBA's primary concern is to protect the public, and understands that Assembly Member Lara is attempting to accomplish that through this bill. He further stated that the SEC requires rotation of partners and agreed with Ms. Anderson in regards to expertise, but indicated that while he does not support firm rotation he is comfortable with partner rotation as long as the provisions of AB 1345 are clarified.

Mr. Elkins expressed his concern with how partner rotation could force smaller firms out of business. He further stated that he is not comfortable with a Neutral position and indicated that the CBA should maintain an Oppose position.

Mr. Savoy inquired about Ms. Anderson's statement regarding firms needing at least four partners.

Ms. Anderson explained that a firm in order to rotate partners in a government audit would have to have at least four partners who specialize in government audits as it isn't the same accounting system and it is a whole different line of business. If a firm only had two or three partners they would lose the business when it came time for partner rotation.

Mr. Ramirez commented on Mr. Elkins concerns. The idea of firm rotation every five years for the SEC is that at the end of those five years those clients will be among a pool of available clients. It is not likely that the smaller firms will lose clients, in this market place when one firm loses a client, it will then solicit from the pool. He further stated that he doesn't believe that a two person firm would go out of business, but in essence would have to compete for the business and he believes that there is a benefit of partner rotation, as it could create more activity in the market place, which isn't necessarily bad for the consumers of California.

Mr. Ramirez inquired if there is a CBA member that presently serves as a liaison to Assembly Member Lara's office.

Ms. Bowers replied that at this time a CBA member is not assigned as a liaison, but it is a possibility. Ms. Bowers further stated that Ms. Anderson attended the May 1 meeting with staff to assist with answering questions and helping the attendees to understand the CBA's perspective, so it might be appropriate to continue that relationship.

Mr. Ramirez expressed his desire to continue to have a CBA liaison for future bills which might have an effect on regulating the accountancy profession. Mr. Ramirez suggested that the LC could recommend the CBA assign a liaison to the Chair of the Joint Legislative Audit Committee so that the CBA can continue to have communication and be available to answer questions.

Ms. Anderson explained that at the May 1 meeting, she suggested partner rotation to only require the engaging partner rotate or have a longer term on the technical review partner. The technical review partner can then give input to the incoming partner.

Mr. Ramirez inquired as to whether there is a “cooling off” period after the partner rotates. He further inquired whether the CBA could recommend to the author to have a two year cooling off period, as the SEC does for consistency.

Ms. Bowers clarified that Assembly Member Lara’s office has indicated that they would allow for a generous implementation period and in their letter to the CBA they indicate that it is their intent that the rotation would begin in fiscal year 2018/19. Ms. Bowers suggested that the CBA request that the author clarify in the language when the rotation goes into effect.

Ms. Tindel complimented the CBA for their effort to work with the author’s office to improve this bill.

It was moved by Mr. Ramirez, seconded by Ms. Bell and carried to recommend the CBA take a Support position on AB 1345 if amended as follows:

- **Only the lead audit partner should be subject to mandatory rotation, allowing the technical audit partner to maintain continuity for the benefit of the local agency.**
- **Require a two year “cooling off” period similar to the SEC rules that would prohibit the lead audit partner from resuming work with the local agency for two years.**
- **Add a payroll schedule to the audit requirements, prepared by the local agency for the auditor as part of the audit, including all compensation for elected officials and designated employees paid from local agency sources.**
- **Clarify in the language of the bill that the author’s intent is the first partner rotation will take place in fiscal year 2018/19.**

Mr. Ramirez inquired regarding his recommendation for a permanent liaison to the Joint Legislative Audit Committee Chair.

Ms. Bowers asked for clarification of whether the liaison was specifically for AB 1345 or Assembly Member Lara’s Office.

Mr. Ramirez suggested that it should be for whoever is the Chair of the Joint Legislative Audit Committee.

Ms. Bowers recommended that the LC make a recommendation to the CBA that would be specific to this piece of legislation to avoid delays and discuss a permanent liaison at a later date. Ms. Bowers stated that if the CBA approves the recommendation it could take effect immediately.

It was moved by Mr. Ramirez, seconded by Mr. Savoy and carried unanimously by those present to appoint a CBA liaison to Assembly Member Lara's office to assist with AB 1345.

IV. Consideration of Positions on Legislation

A. AB 1409 – Regulations: Small Businesses.

Mr. Stanley stated that AB 1409 is a committee bill for the Assembly Committee on Jobs, Economic Development and the Economy. Among other things, the bill clarifies the type of reasonable alternatives that we must include in our Initial Statement of Reasons (ISR). When the CBA is proposing a regulation it is incumbent upon them to provide info on what other reasonable alternatives they have considered. Mr. Stanley further stated that this bill is clarifying what types of alternatives we would discuss. It would also require the inclusion of any reasonable alternative submitted by the public or by the Office of Small Business Advocate. In addition, it would require the ISR to assess whether there are similar or related regulations put forth already by another state entity. The CBA seldom receives any public comments recommending alternatives when proposing regulation. If the CBA were to receive such a comment, staff would incorporate the information into the ISR. Mr. Stanley indicated that the second part of the proposal requiring an assessment of other state regulatory entities is unclear as to whether that means in California or other states. The author's office indicated that it is meant to be just the entities in California and they would clarify this in a future amendment. Because of the minimal impact on the CBA, staff recommended the CBA take a Watch position on AB 1409.

It was moved by Ms. Bell, seconded by Mr. Elkins and carried unanimously by those present to recommend that the CBA take a Watch position on AB 1409.

B. SB 1327 – State Government: Internet Website.

Mr. Stanley reported that SB 1327 requires the Governor to establish a website to assist individuals with licensing requirements necessary to start a business. It further requires state agencies that have licensing authority to provide accurate updated information regarding their licensing requirements. It also authorizes a reasonable fee be paid by users of the site. Mr. Stanley further stated that this bill is currently on the Senate Appropriations Committee suspense file and the author's office have indicated that if the bill were to move off the suspense file, they would make a clarifying amendment stating that the bill is intended for business licensing information and not

occupational licensing. Staff recommended the CBA take a position of Watch on SB 1327 that changes to an Oppose position if the bill passes the Senate Appropriations Committee without the amendment.

It was moved by Mr. Elkins, seconded by Mr. Savoy and carried unanimously by those present to recommend that the CBA take a Watch position on AB 1327 that changes to an Oppose if the bill passes the Senate Appropriations Committee without the amendment.

C. SB 1405 – Accountancy: Military Service: Inactive Service.

Mr. Stanley gave a brief history of this bill, stating that it was originally brought to the CBA at the March 2012 meeting and at that time it was still a spot bill. Staff were directed to work with the sponsors on changes that would improve the bill. This bill was amended on April 10, 2012, to incorporate those changes. Beginning January 1, 2014, it will create a military inactive status for those on active duty as a member of the National Guard or Armed Forces. This status exempts the licensee from paying a renewal fee, Continuing Education (CE) and peer review requirements. Having this status prohibits the licensee from engaging in the practice of public accountancy. Once discharged from active duty, all fees, CE and peer review requirements must be satisfied within a one year period to convert/renew the license in active status. This bill will also provide for a status conversion if a licensee chooses to reactivate their license while still on active military duty. Staff recommended the CBA take a position of Support on SB 1405.

It was moved by Mr. Elkins, seconded by Ms. Bell and carried unanimously by those present to recommend that the CBA take a Support position on AB 1405.

V. Comments from Member of the Public

No public comments were received

VI. Agenda Items for Next Meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 10:33 a.m.



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CBA Item IX.D.
 July 26, 2012

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**MINUTES OF THE
 April 20, 2012
 PROC MEETING**

Hilton Los Angeles North/Glendale
 100 W. Glenoaks Boulevard
 Glendale, CA 91202
 Telephone: (818) 551-4005

PROC Members:

Nancy Corrigan, Chair
 Katherine Allanson
 Gary Bong
 T. Ki Lam
 Sherry McCoy
 Robert Lee
 Seid M. Sadat

Staff and Legal Counsel:

Rafael Ixta, Chief, Enforcement Division
 April Freeman, Peer Review Analyst

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)
 Hal Schultz, CalCPA
 Jim Brackens, American Institute of Certified Public Accountants (AICPA)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:32 a.m.

II. Report of the Committee Chair.

A. Approval of February 10, 2012 Minutes.

Ms. Corrigan asked members if they had any changes or corrections to the minutes of the February 10, 2012 PROC meeting. Ms. Corrigan asked that a statement be added to Item VII to clarify that member appointment forms would be mailed to members in addition to being available to them in the meeting materials.

It was motioned by Katherine Allanson, seconded by Robert Lee, and unanimously carried by those present to adopt the minutes of the February 10, 2012 PROC meeting with revisions.

B. Report on the March 22-23, 2012 CBA Meeting.

Ms. Corrigan stated that her report to the CBA included highlights from the January 20, 2012 AICPA Peer Review Board meeting; however, the focus was the presentation of the 2011 PROC Annual Report. The CBA deemed the report well done and requested a press release documenting the early accomplishments of the PROC. She added that the recommendation that the CBA assign an appropriate record retention period for report acceptance body (RAB) meeting materials has been assigned to the Committee on Professional Conduct (CPC). The CPC will address the issue at its May 24, 2012 meeting.

C. Report on Conflicts of Interest Issue.

Ms. Corrigan reported that the remaining conflict of interest questions have been answered by the Department of Consumer Affairs' (DCA) Legal Office. She advised the CBA of the resolution of this issue during her report at the March 22-23, 2012 CBA meeting.

Rafael Ixta suggested adding all of the conflict of interest questions and answers to the PROC Procedure Manual. Katherine Allanson suggested it also be captured in the 2012 PROC Annual Report as an accomplishment.

III. Reports and Status of Peer Review Initial Implementation.

A. Statistics of Licensees Who Have Reported Their Peer Review Information to the CBA.

April Freeman reported that as of March 27, 2012, over 34,000 peer review reporting forms have been submitted to the CBA. The reporting forms are categorized as follows:

Licenses Ending in 01-33

Peer Review Required	2,210
Peer Review Not Required (firms)	4,206
Peer Review Not Applicable (non-firms)	15,377

Licenses Ending in 34-66

Peer Review Required	896
Peer Review Not Required (firms)	2,527
Peer Review Not Applicable (non-firms)	9,346

Gary Bong requested clarification on firms that might fall through the cracks and asked if CBA is looking at the whole licensee population. Mr. Ixta explained that the staff is looking at the entire licensee population and is also verifying the information on a percentage of Peer Review Reporting Forms.

Seid Sadat raised the issue of the disconnect between the renewal process and the submission of reporting forms. Both Mr. Sadat and Mr. Bong believe that the public should have access to peer review information, including whether a firm is subject to peer review and the date of their last peer review.

Mr. Ixta reminded members that the CBA has approved proposed regulations that will require reporting forms be submitted at the time of renewal beginning in 2014. He added that due to the transition to the Breeze system, DCA has placed a moratorium on modifying existing databases and creating new databases. This prevents CBA from modifying the current licensing database to capture peer review information.

Ms. Corrigan requested that the issue of making peer review information available to the public be formally raised to the CBA. Mr. Ixta stated that staff would research the issue and bring it back to the PROC prior to raising it to the CBA.

B. Status of Correspondence to Licensees Regarding Peer Review Reporting and Updates to License Renewal Application.

Ms. Freeman reminded members that on January 27, 2012, 10,545 reminder letters were mailed to licensees who are required to report peer review information by July 1, 2012. She added that in May, staff will begin preparing the notification letters for the third group of licensees that are due to report by July 1, 2013.

C. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Freeman stated that the chart has been updated to capture recently attended activities and upcoming events, including the peer reviewer training courses.

Ms. Corrigan called attention to the AICPA Peer Review Board meeting that is scheduled for May 8, 2012. This event will be added to the PROC calendar and the activity tracking chart.

D. Discussion of UPDATE Articles Regarding Peer Review.

Ms. Freeman advised members that four articles concerning peer review have been submitted for the next edition of UPDATE. The articles include the following subjects: reporting form verification process, citations issued for non-response to CBA inquiries, the importance of reading CBA correspondence, and the benefits of peer review to consumers. She added that the articles are still being reviewed by management and the DCA Legal Office.

E. Discussion Regarding Appeals Received by Licensees Cited for Failing to Respond to Peer Review Notification Letters.

Ms. Freeman reminded members that 872 citations were issued in February 2012 to licensees who failed to respond to CBA inquiries concerning peer review. She explained the appeal process and indicated that approximately 500 appeals had been received. The majority of appeals were based on the licensee's misunderstanding of the reporting requirements, not receiving the notifications, and confusing the CBA with the CalCPA.

Mr. Ixta reminded members that the citations were not issued for failing to submit the reporting form, but rather for failing to respond to the CBA's letters.

IV. Discussion of the National Peer Review Committee (NPRC).

A. Discussion Regarding the National Association of State Boards of Accountancy's (NASBA) Report on Oversight of the NPRC.

Mr. Ixta discussed NASBA's Compliance Assurance Committee (CAC) Report on the AICPA NPRC, dated February 25, 2012. California firms that are SEC issuers are peer reviewed by the NPRC. Recently, NASBA has established a process to provide oversight to the NPRC. The oversight process includes: (1) having two NASBA representatives on the NPRC which report back to the CAC, (2) reviewing NPRC's oversight report, and (3) having an independent third party provide an administrative oversight report.

Mr. Ixta reiterated that the PROC is legislatively mandated to provide oversight to any organization administering peer reviews to California firms. The PROC is responsible for determining if NASBA's oversight process is sufficient.

B. Presentation by AICPA Regarding the NPRC.

Jim Brackens explained that the NPRC administers peer reviews for firms that are required to be registered with and inspected by the Public Company Accounting Oversight Board. Large, multi-state firms also sometimes volunteer to be reviewed by the NPRC. He discussed the different set of professional standards for audit issuers used by the NPRC and stated that the AICPA has always been concerned with oversight of all administering entities.

Mr. Brackens explained various aspects of NPRC oversight, including:

- The overlap in membership between the AICPA Peer Review Board (PRB) and the NPRC;
- The Chair of the NPRC attends both the closed and open sessions of the AICPA PRB to be accountable to AICPA and state boards;
- The AICPA PRB performs the oversight on NPRC (whereas other administering entities' oversight is performed by the Oversight Task Force);
- The AICPA PRB engages a third-party firm to perform an administrative review of NPRC's processes;
- The availability of the NPRC's annual oversight report;
- The members of the CAC and PRB meet separately once a year to determine if the NPRC is working effectively.
- NPRC oversights 8-10% of peer review reports, which is higher than the 2% of reports reviewed by state societies.
- NPRC oversights the same percentage of peer reviewers as the state societies, but only oversight NPRC-only reviewers. Resumes of peer reviewers who do both NPRC and state society reviews are reviewed by the state society.

Mr. Brackens explained that the CAC is a committee of NASBA and that the Chair is usually a member of NASBA's Board of Directors. All other committee members are current or former state board members. Their current initiative is to get all states to

have a PROC, but also provide oversight to the NPRC, review peer review exposure drafts, and weigh in on policy issues. He suggested inviting Janice Gray, the Chair of the CAC, to a future PROC meeting to give more detailed information about the CAC.

Mr. Brackens distributed and explained statistical data on the NPRC. He stated pass rates are higher because the larger firms have a more robust system of control, and also because they are subject to SEC rules which are stricter than AICPA.

Mr. Brackens explained that the report acceptance process is the same, but can take much longer. The peer review team can be up to 50 members and take seven months or longer to do the field work. Depending on the size of the firm, an NPRC panel will approve a plan of action and oversee the entire peer review.

Mr. Bong questioned whether smaller firms are held to a higher standard than larger firms. Mr. Brackens stated that there is no difference in the standards, in fact, peer review teams that review large firms are typically made up of senior managers who are considered experts in their fields and hold their clients to a very high standard. He added that the significance of a finding on an engagement is usually going to be very insignificant as compared to the firm's system of control as a whole.

Ms. Corrigan stated that the PROC has yet to determine what level of oversight to give the NPRC. She indicated that discussions with the Texas state PROC revealed that they do not currently review peer reviews performed by NPRC, although they are considering changing that policy. Texas currently relies on AICPA to oversight the NPRC. A discussion with Nevada revealed that they do not have an active oversight process.

Members agreed that out-of-state firms should be held to the same peer review standards as California-licensed firms. The PROC agreed to research the following categories to determine what level of oversight is needed for each:

1. Firms peer reviewed by CalCPA;
2. Firms peer reviewed by NPRC;
3. Firms peer reviewed by other AICPA administering entities;
4. Firms peer reviewed by peer review providers other than the AICPA.

Ms. Allanson questioned whether an out-of-state firm is required to provide a copy of their peer review report prior to practicing in California. Mr. Ixta clarified that the individual practicing in California would be required to obtain a Practice Privilege. Robert Lee asked if the holder of a Practice Privilege is required to undergo peer review before practicing in California or if they are subjecting themselves to peer review by practicing in California. Mr. Ixta recommended that staff research this topic and bring it back to a future meeting.

Ms. Allanson questioned how other state's PROCs oversight the NPRC. Mr. Bracken stated that all of them rely on NASBA. He added that no state PROC observes NPRC RAB meetings and that it is not practical to have 55 jurisdictions watching each other. He was not in a position to say whether the AICPA would be open to a state PROC participating in an NPRC RAB meeting.

Ms. Allanson questioned whether the CBA has a representative at NASBA and, if so, could they observe the CAC on the PROC's behalf. She stated that the PROC should encourage CBA participation on the CAC. Staff will find out what, if any, representation the CBA has at NASBA.

V. Report on PROC Activities.

A. Report on the February 16, 2012 Administrative Site Visit at the CalCPA.

Ms. Corrigan reported that she and Sherry McCoy performed an Administrative Site Visit at the CalCPA office. She gave an overview of the visit and advised members that the written summary of the visit is currently with CBA staff for review prior to PROC approval. She stated the visit went very well; there were no exceptions or issues. The visit helped them understand the process.

Ms. McCoy further explained that they reviewed checklists, warning letters, on-site procedures, and files. She stated they also researched how other state societies, such as Texas, perform administrative site visits. She added that it was a lot of work for one day and suggested allocating more time in the future.

Ms. Allanson suggested that as the PROC becomes more familiar with CalCPA's processes, the focus of the administrative visit could rotate from year to year.

B. Report on CalCPA Report Acceptance Body (RAB) Meetings.

T. Ki Lam attended the February 5, 2012 and March 6, 2012 RAB meetings at the CalCPA's San Mateo office and reviewed materials prior to the teleconference. She stated the dialogue was good and the participants were very knowledgeable.

Mr. Bong reported that he was unable to attend the RAB meeting on February 15, 2012, due to medical reasons.

Ms. Corrigan reminded members to let her or CBA staff know if they are unable to attend a scheduled assignment so that another member can be assigned.

C. Assignment of Future PROC Activities.

Ms. Corrigan made/confirmed the following assignments:

- April 26, 2012 CalCPA Peer Review Committee Meeting – Nancy Corrigan & Sherry McCoy
- May 8, 2012 AICPA PRB Meeting – T. Ki Lam & Seid Sadat
- May 17, 2012 2 p.m. CalCPA RAB Meeting – Seid Sadat
- May 23, 2012 CalCPA Peer Reviewer Training – Katherine Allanson (CBA-sponsored) & T. Ki Lam.
- June 27-28, 2012 CalCPA Peer Reviewer Training – Seid Sadat (CBA-sponsored) & Gary Bong
- July 24, 2012 2 p.m. CalCPA RAB Meeting – Katherine Allanson

VI. Discussion Regarding Possible Changes to the PROC's Roles and Responsibilities.

Ms. Corrigan summarized the reviewed roles and responsibilities and asked if members had any comments or questions.

Members discussed the difference between a peer review program provider and an administering entity and decided that the term used in the roles and responsibilities should be broad enough to reference any future providers.

Members discussed the need for attending all peer review board and committee meetings for each provider, and suggested that meetings be attended as needed.

CBA staff was directed to edit the roles and responsibilities and bring a copy showing the edits to the June 15, 2012 PROC meeting.

VII. Discussion of Title 16 California Code of Regulations Section 40(b) Regarding Peer Review Due Dates.

Mr. Ixta reminded members that Linda McCrone distributed information at the February meeting outlining the rules that the AICPA uses to determine the peer review due dates for firms that have undergone a change in firm structure.

Mr. Ixta explained that Title 16, California Code of Regulations, Section 40(b) clearly states that firms licensed after January 1, 2010 are required to have a peer review accepted within 18 months of completion of their first accounting and auditing engagement. Even in the case of firm mergers, dissolutions, etc., the CBA bases the peer review due date on the license number. This means that if a firm splits, the new firm must obtain a new license number and have a peer review accepted within 18 month of completion of services. The firm that keeps the existing license number remains on the same peer review schedule. Mr. Ixta clarified that it is the firm's decision as to which firm keeps the existing license number and which firm applies for a new license number.

Ms. Allanson questioned if the CBA could consider using the rules that AICPA uses to determine peer review due dates. She added that the purpose of peer review is to protect the consumer, and right now there is an added burden to firms that have a structural change. Mr. Sadat felt that firms considering changes in firm structure should take peer review due dates into account prior to making changes. Mr. Bong stated that the possibility of having a second peer review in less than three years is just the cost of doing business and that most new firms would want a new peer review. Mr. Brackens added that most state boards defer the issue to their AICPA administering entity.

Ms. McCrone explained that the average peer review takes about six months to complete and that a peer review must cover an entire year. This means that new firms cannot always have a peer review report accepted within 18 months of the completion of their first accounting and auditing engagement. The AICPA rules state that new firms must have a peer review submitted, not accepted, within 18 months of the year-end of their first engagement. Ms. McCrone added that firms are extremely confused by the inconsistent policies.

Mr. Ixta stated that the PROC has the option of recommending modifying regulations to address the following two issues: (1) does a firm need 24 months, instead of 18 months, to get their first peer review accepted, and (2) should there be any exceptions of the 18-month rule for firms undergoing a change in firm structure.

VIII. Future Agenda Items.

Agenda items for future meetings:

- Publicizing peer review information
- Discussion of 18-month rule, mergers and dissolutions (CCR Section 40)
- Follow-up on 2011 PROC Annual Report recommendations
- Continued discussion of oversight of the NPRC and other administering entities
- Information on practice privilege peer review requirements
- Written summary of administrative site visit
- Edited roles and responsibilities of PROC

IX. Public Comment for Items Not on the Agenda.

Mr. Brackens advised members that the January 2013 AICPA Peer Review Board meeting will be held in San Diego.

X. Adjournment.

There being no further business, the meeting was adjourned at 2:00 p.m.

Nancy J. Corrigan, Chair

April Freeman, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1720.



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CBA Item XI.C
July 26, 2012

Press Release Focus

Presented by: Lauren Hersh, Information & Planning Manager

Date: July 12, 2012

Purpose of the Item

The purpose of this agenda item is to provide suggestions for an appropriate focus for the press release to be issued following each CBA meeting. This is a dynamic analysis based on the activities of each CBA meeting.

Action(s) Needed

No specific action is required on this agenda item

Background

There have been 10 press releases since the May 2012 CBA meeting; one announcing the appointments to the Enforcement Advisory Committee and Peer Review Oversight Committee and nine enforcement actions. In addition, a press advisory notifying the media of the July meeting is scheduled to be sent out July 23, 2012.

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommendation will be made at the time of this presentation.

Attachments

1. News Release
2. Enforcement Action News Release



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Attachment 1

NEWS RELEASE

CALIFORNIA BOARD OF ACCOUNTANCY APPOINTS MEMBERS TO ITS ENFORCEMENT ADVISORY COMMITTEE AND PEER REVIEW OVERSIGHT COMMITTEE

SACRAMENTO – The California Board of Accountancy (CBA) has announced the appointment of Joseph R. Rosenbaum, CPA, CFF, to the Enforcement Advisory Committee (EAC). The EAC assists the CBA in an advisory capacity with enforcement activities. Mr. Rosenbaum was appointed by the CBA at its meeting in Pasadena on May 24-25, 2012.

Additionally, the CBA announced the reappointment of Katherine Allanson, CPA; Gary Bong, CPA; Tze Ki Lam, CPA; Robert Lee, CPA; Sherry McCoy, CPA; and Seid Sadat, CPA to the Peer Review Oversight Committee (PROC). Nancy Corrigan, CPA, was also reappointed as Chair. The PROC is a legislatively mandated committee vested with the responsibility of overseeing California's mandatory peer review requirement.

The CBA actively recruits CPAs with diversified backgrounds that have the technical skills, the interest, and the commitment to serve on one of the CBA's advisory committees. A CPA's service benefits both the consumer and the profession. Please visit the CBA's website for additional information on participating on a CBA committee.

Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

For immediate news updates via email, subscribe to CBA's E-News at <https://www.cba.ca.gov/forms/enews>.

More information about the California Board of Accountancy is available at www.cba.ca.gov



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**California Board of Accountancy
Enforcement Action News Release**

Attachment 2

Sent to diana.mccabe@utsandiego.com (San Diego Union Tribune) on June 28, 2012

Ronald Irving Anson, Del Mar, CA (CPA 14144) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_a.shtml#773

Sent to business@ocregister.com (Orange County Register) on June 28, 2012

Kevin Edwin Brooks, Ladera Ranch, CA (CPA 62641) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_b.shtml#841

Sent to business@latimes.com (Los Angeles Times) and business@ocregister.com (Orange County Register) on June 28, 2012

Heng B. Chhay, Alhambra, CA (CPA 83718), Jeffrey Freeman, Los Angeles, CA (CPA 68714), Michael J. Greif, Rancho Palos Verdes, CA (Applicant) and Mayer, Hoffman, McCann P.C. Irvine, CA (COR 5091) have been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_c.shtml#771

http://www.dca.ca.gov/cba/discipline/decisions/index_f.shtml#663

http://www.dca.ca.gov/cba/discipline/decisions/index_g.shtml#806

http://www.dca.ca.gov/cba/discipline/decisions/index_m.shtml#865

**California Board of Accountancy
Enforcement Action News Release**

Sent to steve.green@lasvegassun.com (Las Vegas Sun) on June 28, 2012

Stephen P. Corso, Las Vegas, NV (CPA 70189) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact **Patti Bowers, Executive Officer**, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_c.shtml#809

Sent to strousdale@bayareanewsgroup.com (Oakland Tribune/Contra Costa Times) on June 28, 2012

Raymond Young and Raymond Young, CPA, An Accountancy Corporation, Fremont, CA (CPA 65676; COR 4887) have been disciplined by the California Board of Accountancy. Please utilize the attached links to the California Board of Accountancy's Web page to access details of these enforcement actions. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding these enforcement actions.

http://www.dca.ca.gov/cba/discipline/decisions/index_r.shtml#745

http://www.dca.ca.gov/cba/discipline/decisions/index_y.shtml#743