



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
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QC Item I.A.
January 23, 2013

Department of Consumer Affairs
California Board of Accountancy

Minutes of Meeting
October 24, 2012
CPA Qualifications Committee

Red Lion Hotel
150 Hegenberger Rd.
Oakland, CA 94621

The regularly scheduled meeting of the Certified Public Accountant Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:05 a.m. on October 24, 2012 by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair
Maurice Eckley, Jr., Vice-Chair
Carlos Aguila
Jenny Bolsky
Gary Bong
Michael Haas
Alan Lee
Kristina Mapes
Casandra Moore Hudnall
Robert Ruehl
Jeremy Smith
James Woyce

Board Liaison Present

Diana Bell

Staff Present

Veronica Daniel, Licensing Manger
Dominic Franzella, Licensing Chief
Stephanie Hoffman, Licensing Coordinator

QC Members Absent

Brian Cates
Lewis Fisher
Chuck Hester
Ash Shenouda

I. CHAIRPERSON'S REPORT

- A. Approval of the August 1, 2012, QC Meeting Minutes.

It was moved by Kris Mapes, seconded by Carlos Aguila and unanimously carried by those present to adopt the minutes of the August 1, 2012 QC Meeting.

- B. Report on the September 20-21, 2012 CBA Meeting

Mr. Hinojosa reported he had provided the CBA with an overview of the role of the QC as well as an update on the August 1, 2012 meeting.

The members were informed that in an effort to further manage the CBA's fund reserves, which presently stand at \$14 million, a Budget Taskforce comprised of CBA Members Manuel Ramirez and Michael Savory was created. Staff was directed to bring back to the CBA an appropriate fee reduction to get the level in the reserve fund down to approximately \$1.8 million in two years with the understanding that a fee reduction will not take effect until Fiscal Year 2014-15.

Mr. Franzella provided information on a recently-established internal taskforce comprised of staff from the Examination and Initial Licensing Units. The Taskforce was established to facilitate a smooth transition to the new educational requirements for CPA licensure with heavy emphasis on outreach.

The CBA considered three separate policy issues on the new educational requirements:

- Options to allow in limited circumstances the ability for candidates to qualify for the uniform CPA examination prior to the conferral of a baccalaureate degree or higher
- Option to expand the list of qualifying disciplines in Business and Professions Code Section 5094.3 related to the ethics study requirement
- Options to extend the deadline to apply for licensure under the present pathways

Mr. Franzella also advised the CBA was working toward mobility more in line with the other states. Language was passed and signed into law in September 2012, with an effective date of July 1, 2013. Regulations regarding mobility provisions will need to be adopted.

II. REPORT ON ACTIVITIES IN THE INITIAL LICENSING UNIT

The QC was provided the Initial Licensing Unit report, which included a breakdown of the number of applications received by license type, processing timeframes and the number of licenses issued under each pathway. The report also included the number of firm applications received and processing timeframes for those applications. The numbers reported were for the time period of July 2012 – September 2012.

Ms. Daniel informed the Committee that a second round of interviews for a Licensing Coordinator had been conducted.

III. PROPOSED MEETING DATES FOR 2013

The QC discussed the following proposed meeting dates for 2013:

- January 23, 2013
- April 24, 2013
- July 31, 2013
- October 23, 2013

It was moved by Ms. Mapes, seconded by Ms. Bolsky and unanimously carried to recommend the above proposed 2013 meeting dates to the CBA.

IV. DISCUSSION RELATED TO APPEARANCES CONDUCTED IN ACCORDANCE WITH TITLE 16, CALIFORNIA CODE OF REGULATIONS, SECTIONS 12.5 AND 69

The QC reviewed comments provided by members documenting best practices as well as common reasons for deferral, which occurred over the past 12 months.

Comments and generalized reasons for deferral will be incorporated into the QC manual and provided to the QC for its review at the January 2013 meeting.

IV. PUBLIC COMMENT

None.

V. AGENDA ITEMS FOR FUTURE CPA QUALIFICATIONS COMMITTEE MEETINGS

- Approval of October 24, 2012 QC minutes
- How the new educational requirements will affect out-of-state licensees and applicants applying for reissuance of the license
- Finalization of peer training
- 500 audit hours – Audit vs. Review

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

C12-023 - Applicant appeared and presented work papers from his government accounting experience. He has 66 months of experience, with a 12-month experience requirement.

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

Recommendation: Approve.

C12-025 – Applicant did not show for scheduled appearance.

C12-031 - Applicant appeared and presented work papers from his private industry experience. He has 27 months of experience, with a 24-month experience requirement.

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

Recommendation: Approve.

C12-032 - Applicant appeared and presented work papers for his government accounting experience. He has 47 months of experience, with a 12-month experience requirement.

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

Recommendation: Approve.

C12-033 – Applicant and his employer appeared and presented work papers from his public accounting experience. Applicant was disputing the Certificate of Attest Experience. He is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The Certificate of Attest Experience was not affirmatively completed in its entirety. The employer could not attest that the applicant had an understanding of any areas of the Certificate of Attest Experience that would qualify the applicant for licensure. The work papers provided did not reflect support to counter the employer's opinion.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain, at a minimum 500 hours of qualifying experience that will enable him to demonstrate an understanding of the requirements of planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. Any new experience must be obtained under the supervision of a licensee authorized to sign attest reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not he will be required to reappear with work papers for the QC's review.

C12-034 – Applicant appeared and presented work papers for his private industry accounting experience. He is currently licensed with general experience.

The work papers did not support the experience requirement in that most elements were missing (i.e., fraud brainstorming, analytical reviews, financial statement preparation, etc.). The documentation was inadequate and did not demonstrate satisfactory knowledge of current standards and pronouncements.

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

The following Section 69 reviews took place on October 3, 2012, and are made a part of these minutes.

C12-027 - Applicant and her employer appeared and presented work papers for her public accounting experience. She has 57.25 months of experience, with a 12-month experience requirement.

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

Recommendation: Approve.

C12-028 - Applicant and his employer appeared and presented work papers for his public accounting experience. He has 13.5 months of experience with this employer, with a 12-month experience requirement.

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

The work reviewed consisted of very little audit hours.

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

The firm is placed on reappearance status.

C12-029 - Applicant and his employer appeared and presented work papers for his public accounting experience. He has 21 months of experience with this employer, with a 12-month experience requirement. He has 24.75 months of public accounting experience with two employer additional employers.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure. However, the Certificate of Attest Experience did not reflect all of the applicant's audit hours.

Recommendation: Upon receipt by the CBA of an updated and corrected Certificate of Attest Experience the applicant will be approved for licensure.

The firm is placed on reappearance status.

ADJOURNMENT

There being no further business to be conducted, the meeting was adjourned at approximately 3:00 P.M. on October 24, 2012. The next meeting of the CPA Qualifications Committee will be held on January 23, 2013.

Fausto Hinojosa, Chair

Prepared by Stephanie Hoffman, Licensing Coordinator

**CALIFORNIA BOARD OF ACCOUNTANCY
INITIAL LICENSING UNIT REPORT
OCTOBER 2012 – DECEMBER 2012**

QC Item II.
January 23, 2013

INITIAL LICENSING	October	November	December
CPA Licensure Applications Received by Type *			
Type A	369	243	180
Type B	27	13	10
Type C	43	24	21
Type D	8	4	4
Type E	3	0	3
Total	450	284	218
Processing Time Frames (Days)			
CPA	24	25	25
Applicants Licensed Under			
Pathway 0	0	1	0
Pathway 1A	41	32	35
Pathway 1G	54	29	37
Pathway 2A	84	62	62
Pathway 2G	153	110	165
Total	332	234	299
Firm Applications Received			
Partnership	12	6	10
Corporation	23	17	16
Fictitious Name Permit (Registration)	13	15	21
Total	48	38	47
Processing Time Frames (Days)			
Partnership	14	12	11
Corporation	14	12	11
Fictitious Name Permit (Registration)	14	12	11

**CALIFORNIA BOARD OF ACCOUNTANCY
INITIAL LICENSING UNIT REPORT
OCTOBER 2012 – DECEMBER 2012
UNIT ACTIVITIES**

Initial Licensing Unit

- Staff has scheduled a live Facebook event for January 16, 2013. For the event, staff will provide information on the new educational requirements for licensure and answer various questions related to the impending transition to the new requirements taking effect January 1, 2014.
- Staff recently posted a self-assessment worksheet to assist potential CPA applicants in determining how their respective education aligns with the new educational requirements set to take effect January 1, 2014.

***Application Types**

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

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

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

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

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