



**DEPARTMENT OF CONSUMER AFFAIRS**  
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**CBA Item I.G.**  
September 18-19, 2014

## **Discussion Regarding What Criminal Convictions are Substantially Related to the Profession**

**Presented by:** Kristy Schieldge, DCA Legal Counsel  
Carl Sonne, Deputy Attorney General, Office of the Attorney General  
**Date:** August 25, 2014

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an educational presentation regarding crimes or acts that may be considered substantially related to the practice of public accountancy.

### **Action(s) Needed**

No specific action is required on this agenda item.

### **Background**

At the May 29 - 30, 2014 CBA meeting, members requested a discussion of this topic.

As part of the certified public accountant licensure process, applicants are required to be fingerprinted and clear a state and federal Criminal Offender Record Information (CORI) background check. Once the applicant is cleared and licensed, a record of their fingerprints remains on file with the California Department of Justice (DOJ). If the licensee is arrested in the future, the DOJ sends a Subsequent Arrest Report (SAR) to the CBA. Prior to January 1, 1998, fingerprinting was not a condition for CPA licensure in California. Consequently, the CBA identified approximately 27,700 licensees with an active status license that did not have fingerprint records on file. As these licensees are fingerprinted, the CBA will receive the CORIs and SARs from the DOJ for these licensees.

Enforcement staff review all CORI's and SAR's and determine whether the crime or act is substantially related to the practice of public accountancy, as established in CBA Regulations Section 99 (**Attachment 1**) which defines substantial relationship criteria.

## **Discussion Regarding What Convictions are Substantially Related to the Profession**

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### **Comments**

DCA Legal Counsel, Kristy Schieldge and Deputy Attorney General, Carl Sonne will provide an educational presentation on what convictions are substantially related to the practice of public accountancy and will be available to respond to questions. An outline of the presentation is provided in **Attachment 2**.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

None.

### **Attachments**

1. CBA Regulations Section 99, Substantial Relationship Criteria
2. What Crimes are "Substantially Related" to the Profession



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## Attachment 1

### **CBA Regulations Section 99 Substantial Relationship Criteria**

For the purposes of denial, suspension, or revocation of a certificate or permit pursuant to Division 1.5 (commencing with Section 475) of the Business and Professions Code, a crime or act shall be considered to be substantially related to the qualifications, functions or duties of a certified public accountant or public accountant if to a substantial degree it evidences present or potential unfitness of a certified public accountant or public accountant to perform the functions authorized by his or her certificate or permit in a manner consistent with the public health, safety, or welfare. Such crimes or acts shall include but not be limited to those involving the following:

- (a) Dishonesty, fraud, or breach of fiduciary responsibility of any kind;
- (b) Fraud or deceit in obtaining a certified public accountant's certificate or a public accountant's permit under Chapter 1, Division III of the Business and Professions Code;
- (c) Gross negligence in the practice of public accountancy or in the performance of the bookkeeping operations described in Section 5052 of the code;
- (d) Violation of any of the provisions of Chapter 1, Division III of the Business and Professions Code or willful violation of any rule or regulation of the board.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: Sections 481 and 5100, Business and Professions Code.

WHAT CRIMES ARE “SUBSTANTIALLY RELATED” TO THE PROFESSION

(Presentation to California Board of Accountancy – September 18, 2014)

- I. The History of the “Substantial Relationship” test
  - A. Pre-1970s cases
  - B. In 1970s “substantially related” language added to the statutory scheme
- II. The Legislative Framework
  - A. Business and Professions Code (Code) sections
    1. Code section 490
    2. Code section 5100, subdivision (a)
  - B. California Code of Regulations (CCR), title 16, section 99
- III. Defining “Substantially Related” Crimes
  - A. What does “substantially related” mean? *Clare v. State Bd. of Accountancy* (1992) 10 Cal.App.4th 294, 302.
  - B. Defining “Qualifications, Functions and Duties”
- IV. Illustrative cases examining whether crime is “substantially related”
  - A. Early Cases – “Moral turpitude” or “character”
  - B. Trend to Find What is Substantially Related
- V. Crimes of Dishonesty
  - A. Tax Evasion
  - B. Perjury/Subordination of Perjury
  - C. Conspiracy
  - D. Fraudulent Billing by Physician
  - E. Grand Theft, Tax Crimes and Conspiracy
- VI. Other Crimes Considered Substantially Related
  - A. Vehicular Manslaughter- Attorney
  - B. Assault - Attorney
  - C. Sex Crimes

- D. Felony Conspiracy
- E. Drug Importation / Sale
- F. Contracting Without an License / Bad Checks
- G. Concealed Weapon

VII. DUI Cases and the Substantial Relationship Test

- A. Vehicle Code section 23249.50 states in part:

“Legislative findings and intent:

“(a) The Legislature finds and declares all of the following:

“(1) Driving under the influence of an alcoholic beverage or a drug is a serious problem, constituting the largest group of misdemeanor violations in many counties.

“(2) Studies of first offenders have found that more than half of first offenders are alcoholics or problem drinkers. There are higher percentages of problem drinkers among second offenders than among first offenders.”

- B. California Supreme Court’s discipline against a DUI attorney

C. *Griffiths v. Superior Court* (2002) 96 Cal.App.4th 757 [discipline proper on physician license based on misdemeanor DUI and “wet reckless” convictions].

D. A Single DUI May Be Substantially Related: *Sulla v. Board of Registered Nursing* (2012) 205 Cal.App.4th 1195, 1206-07.



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**CBA Item I.H.**  
September 18-19, 2014

## **Discussion Regarding Compelling Physical or Mental Evaluations of Licensees or Applicants**

**Presented by:** Vincent Johnston, Enforcement Manager

**Date:** August 4, 2014

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an overview of the consumer protection elements afforded to Health Boards under Business and Professions Code (BPC) sections 820-828 (**Attachment 1**), specific to compelling licensees to undergo physical or mental evaluations.

### **Action(s) Needed**

No specific action is required unless the CBA directs staff to further develop this concept for discussion by the Committee on Professional Conduct (CPC) or Enforcement Program Oversight Committee (EPOC).

### **Background**

Late last year, the Department of Consumer Affairs (DCA) Legal Counsel informed staff that DCA health boards, such as the Medical Board of California, Dental Board of California, and California Board of Behavioral Sciences have the authority to compel a licensee to undergo an examination by a physician or psychologist to determine if the licensee's ability to practice is impaired due to a physical or mental illness affecting competency.

### **Comments**

The following information is intended to assist the CBA in understanding the elements and possible outcomes of BPC section 820 - 828 compelling licensees to undergo physical or mental evaluation, including its objective to increase consumer protection.

### **The Examination**

BPC section 820 provides DCA health boards with the authority to compel a licensee to undergo an examination by a physician or psychologist when the licensing agency believes that a licensee's ability to practice may be impaired due to a physical or mental illness affecting competency. The licensing agency chooses the physician or psychologist and pays for the initial examination. That physician or psychologist then writes a report to the licensing agency outlining the potential for consumer harm by the licensee, if any. The report is provided to the licensing agency and licensee. According

## **Discussion Regarding Compelling Physical or Mental Evaluations of Licensees or Applicants**

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to BPC section 821, should the licensee fail to undergo the required testing, their refusal may constitute grounds for discipline, including suspension or revocation of their permit.

### **Possible Outcomes**

Pursuant to BPC section 828, if after the examination the licensing agency determines that there is insufficient evidence to bring an action against the licensee, all records of the proceedings, including the order for the examination, investigative reports, and the report of the physicians or psychologists, are kept confidential and are not subject to discovery or subpoena. The records are destroyed after five years.

BPC section 822 outlines the possible outcomes if the licensing agency determines the licensee is not fit to practice. If, after review of the report prepared by the physician or psychologist, the licensing agency determines that the licensee's ability to practice is impaired because the licensee is mentally ill, or physically ill affecting competency, the licensing agency may take action by any one of the following methods:

- Revoking the licensee's certificate or license.
- Suspending the licensee's right to practice.
- Placing the licensee on probation.
- Taking such other action in relation to the licensee as the licensing agency in its discretion deems proper.

Any action taken by the licensing board is in accordance with the Administrative Procedure Act, and would follow the general process utilized by the CBA when pursuing disciplinary action.

### **Reinstatement**

As outlined under BPC section 823, in reinstating the certificate or license which has been revoked or suspended as a result of mental or physical illness affecting competency, the licensing agency may impose terms and conditions to be complied with by the licensee after the certificate or license has been reinstated. The authority of the licensing agency to impose terms and conditions includes, but is not limited to, the following:

- Requiring the licensee to obtain additional professional training and to pass an examination upon the completion of the training.
- Requiring the licensee to pass an oral, written, practical, or clinical examination, or any combination thereof to determine his or her present fitness to engage in the practice of his or her profession.
- Requiring the licensee to submit to a complete diagnostic examination by one or more physicians or psychologists appointed by the licensing agency. If the licensing agency requires the licensee to submit to such an examination, the licensing agency shall receive and consider any other report of a complete diagnostic examination given by one or more physicians or psychologists of the licensee's choice.
- Requiring the licensee to undergo continuing treatment.
- Restricting or limiting the extent, scope or type of practice of the licensee.

## **Discussion Regarding Compelling Physical or Mental Evaluations of Licensees or Applicants**

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### **Privacy Protection**

There are safeguards for the licensee and their privacy written into the law. BPC section 827 allows licensing agencies to convene in closed session to consider mental or physical health issues, and BPC section 828 provides record retention guidelines. BPC section 820 makes the examiner's report available to the licensee, and provides the ability for the licensee to submit their own examiner's report when requesting reinstatement. Further, the Administrative Procedure Act allows that if the matter were to proceed to an administrative hearing, testimony related to the actual physical or mental illness is sealed from the record.

### **Other Considerations**

The mental or physical examination requirement is an investigatory function that allows the licensing board to make a substantive determination on whether a licensee's ability to practice has or has not become impaired due to mental or physical illness. If the licensing board determines that a licensee's ability to practice is impaired based on the examination, the licensing board may take actions against his or her license or certificate under BPC section 822. However, such actions will be conducted through a separate administrative adjudication process as referenced under BCP 826. The licensee is able to practice throughout the process, and may only be prohibited from practicing by the licensing agency after a hearing.

Some health boards have expanded the applicability of BPC sections 820-828 to applicants for licensure. Specifically, the California Board of Psychology and Board of Behavioral Sciences have provisions allowing examination of applicants for licensure. After review, it does not appear that any non-health boards have included provisions similar to BPC sections 820-828 into their regulations.

In researching agencies outside of the DCA, it was identified that the State Bar of California has a procedure for assuming the law practice of attorneys who are incapacitated by reason of substance abuse or mental illness (BPC section 6190, **Attachment 2**).

### **Fiscal/Economic Impact Considerations**

The hourly rate for a mental or physical examination ranges from \$125 to \$600 per hour and the average cost for an examination ranges from \$600 to \$8,000, based on rates and costs provided by the Medical Board of California and California Board of Registered Nursing. The fiscal/economic impact will be further developed should the concept be assigned to the CPC or EPOC for further discussion.

### **Recommendation**

Staff has no recommendation on this agenda item.

### **Attachment**

1. Business and Professions Code sections 820-828
2. Business and Professions Code sections 6190

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**Attachment 1**

**California Business and Professions Code  
Division 2, Chapter 1, Article 12.5, Sections 820-828  
Compelling Licensees to Undergo Physical or Mental Evaluation**

**820.**

Whenever it appears that any person holding a license, certificate or permit under this division or under any initiative act referred to in this division may be unable to practice his or her profession safely because the licentiate's ability to practice is impaired due to mental illness, or physical illness affecting competency, the licensing agency may order the licentiate to be examined by one or more physicians and surgeons or psychologists designated by the agency. The report of the examiners shall be made available to the licentiate and may be received as direct evidence in proceedings conducted pursuant to Section 822.

**821.**

The licentiate's failure to comply with an order issued under Section 820 shall constitute grounds for the suspension or revocation of the licentiate's certificate or license.

**822.**

If a licensing agency determines that its licentiate's ability to practice his or her profession safely is impaired because the licentiate is mentally ill, or physically ill affecting competency, the licensing agency may take action by any one of the following methods:

- (a) Revoking the licentiate's certificate or license.
- (b) Suspending the licentiate's right to practice.
- (c) Placing the licentiate on probation.
- (d) Taking such other action in relation to the licentiate as the licensing agency in its discretion deems proper.

The licensing agency shall not reinstate a revoked or suspended certificate or license until it has received competent evidence of the absence or control of the condition which caused its action and until it is satisfied that with due regard for the public health and safety the person's right to practice his or her profession may be safely reinstated.

## California Business and Professions Code Sections 820-828

### **823.**

Notwithstanding any other provisions of law, reinstatement of a licentiate against whom action has been taken pursuant to Section 822 shall be governed by the procedures in this article. In reinstating a certificate or license which has been revoked or suspended under Section 822, the licensing agency may impose terms and conditions to be complied with by the licentiate after the certificate or license has been reinstated. The authority of the licensing agency to impose terms and conditions includes, but is not limited to, the following:

- (a) Requiring the licentiate to obtain additional professional training and to pass an examination upon the completion of the training.
- (b) Requiring the licentiate to pass an oral, written, practical, or clinical examination, or any combination thereof to determine his or her present fitness to engage in the practice of his or her profession.
- (c) Requiring the licentiate to submit to a complete diagnostic examination by one or more physicians and surgeons or psychologists appointed by the licensing agency. If the licensing agency requires the licentiate to submit to such an examination, the licensing agency shall receive and consider any other report of a complete diagnostic examination given by one or more physicians and surgeons or psychologists of the licentiate's choice.
- (d) Requiring the licentiate to undergo continuing treatment.
- (e) Restricting or limiting the extent, scope or type of practice of the licentiate.

### **824.**

The licensing agency may proceed against a licentiate under either Section 820, or 822, or under both sections.

### **825.**

As used in this article with reference to persons holding licenses as physicians and surgeons, "licensing agency" means a panel of the Division of Medical Quality.

### **826.**

The proceedings under Sections 821 and 822 shall be conducted in accordance with Chapter 5 (commencing with Section 11500) of Part 1 of Division 3 of Title 2 of the Government Code, and the licensing agency and the licentiate shall have all the rights and powers granted therein.

### **827.**

Notwithstanding the provisions of Article 9 (commencing with Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of the Government Code, relating to public meetings, the licensing agency may convene in closed session to consider any evidence relating to the licentiate's mental or physical illness obtained pursuant to the proceedings under Section 820. The licensing agency shall only convene in closed session to the extent that it is necessary to protect the privacy of a licentiate.

## California Business and Professions Code Sections 820-828

### **828.**

If the licensing agency determines, pursuant to proceedings conducted under Section 820, that there is insufficient evidence to bring an action against the licentiate pursuant to Section 822, then all licensing agency records of the proceedings, including the order for the examination, investigative reports, if any, and the report of the physicians and surgeons or psychologists, shall be kept confidential and are not subject to discovery or subpoena. If no further proceedings are conducted to determine the licentiate's fitness to practice during a period of five years from the date of the determination by the licensing agency of the proceeding pursuant to Section 820, then the licensing agency shall purge and destroy all records pertaining to the proceedings. If new proceedings are instituted during the five-year period against the licentiate by the licensing agency, the records, including the report of the physicians and surgeons or psychologists, may be used in the proceedings and shall be available to the respondent pursuant to the provisions of Section 11507.6 of the Government Code.

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**Attachment 2**

**California Business and Professions Code  
Division 3, Chapter 4, Article 12, Section 6190  
Incapacity to Attend to Law Practice – Jurisdiction of Courts**

**6190.**

The courts of the state shall have the jurisdiction as provided in this article when an attorney engaged in the practice of law in this state has, for any reason, including but not limited to excessive use of alcohol or drugs, physical or mental illness, or other infirmity or other cause, become incapable of devoting the time and attention to, and providing the quality of service for, his or her law practice which is necessary to protect the interest of a client if there is an unfinished client matter for which no other active member of the State Bar, with the consent of the client, has agreed to assume responsibility.



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**CBA Item II.A.**  
September 18-19, 2014

**Recommendations For Appointment(s)/Reappointment(s) to the  
Enforcement Advisory Committee**

**Presented by:** Jose Campos, CPA, Vice President

**Date:** August 15, 2014

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**Purpose of the Item**

The purpose of this agenda item is to recommend that Joseph Buniva, CPA, (**Attachment 1**) be reappointed as a member to the California Board of Accountancy (CBA) Enforcement Advisory Committee (EAC).

**Action Needed**

It is requested that the CBA adopt the recommendation.

**Background**

The EAC assists the CBA in an advisory capacity with enforcement activities. The committee reviews closed investigation files, offers technical guidance on open investigations, and participates in investigative hearings. The committee also considers, formulates, and proposes policies and procedures related to the CBA Enforcement Program.

**Comments**

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment will contribute to the committee's function and enable it to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

I also confer with the CBA Executive Officer to verify that the potential appointee has met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluation that is completed annually by the present chair of the committee. The evaluation requests feedback in the areas of interpersonal skills, communications, leadership, attendance, preparedness, technical skills, and participation. Should a member have attendance or performance issues, they may be subject to review and removal from the committee, at anytime, by action of the CBA.

## **Recommendations For Appointment(s)/Reappointment(s) to the Enforcement Advisory Committee**

Page 2 of 2

Prior to making a decision to recommend Mr. Buniva for reappointment to the EAC, I performed all the steps previously mentioned. I believe Mr. Buniva has exhibited a high level of professionalism during the performance of his duties and has demonstrated the skills and knowledge to serve on the EAC, which will allow the EAC to assist the CBA with its Enforcement Program.

### **Fiscal/Economic Impact**

None.

### **Recommendation**

Based on the information above, and in consultation with Cheryl Gerhardt, Chair of the EAC, I recommend that Joseph Buniva be reappointed for two years to the EAC effective October 1, 2014.

### **Attachments**

1. Curriculum Vitae of Joseph Buniva, CPA
2. Enforcement Advisory Committee Skill Matrix



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**CBA Item III.B.**  
September 18-19, 2014

## **Fiscal Year 2013-2014 Year End Financial Statement**

**Presented by:** Katrina Salazar, CPA, Secretary/Treasurer  
**Date:** August 18, 2014

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### **Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with the year end financial statement.

### **Action Needed**

None.

### **Background**

CBA financial statements are prepared quarterly (October, January, April, and August) and are included in CBA meeting materials. These statements provide an overview of year-to-date receipts, expenditures, and the status of the Accountancy Fund Reserve.

### **Comments**

None.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

None.

### **Attachments**

1. Year End Financial Statement – Narrative
2. Year End Financial Statement – Statistics
3. CBA Budget Allocation History
4. CBA Total Revenue and Expenditures
5. CBA Fund Condition Statement

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2013-14**  
**YEAR END FINANCIAL STATEMENT - NARRATIVE**  
(for period of 7-01-13 through 6-30-14)



**DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENT**

**BUDGET**

No budget changes have occurred since the last CBA meeting nor were there any impacts from the Governor's revision of the Budget in May 2014. The fiscal year (FY) 2014-15 budget is currently set at \$13,413,000.

**REVENUES/TOTAL RECEIPTS**

In FY 2013-14, the CBA collected approximately \$10.3 million in total receipts, an increase of about 2.4 percent from year-end FY 2012-13. The licensing line item has increased 20 percent reflecting an influx of applicants applying for CPA licensure before the new educational requirements became effective on January 1, 2014. The penalties and fines line item remains elevated resulting from the increased citations due to on-going peer review reporting deficiencies.

In August, CBA staff submitted revenue projections to the Department of Consumer Affairs (DCA) which will be included in the Governor's Budget for FY 2014-15 as well as the budget for FY 2015-16. Revenues for FY 2014-15 are projected to be approximately \$5,432,000, which represents a reduction of about \$4.87 million from year-end revenues in FY 2013-14. This is due to the temporary two-year fee reductions which began on July 1, 2014 and will end on June 30, 2016.

**EXPENDITURES**

Year-end FY 2013-14 CBA net expenditures amounted to approximately \$11,518,942 which is approximately \$40,000 less than what was budgeted and a 14 percent increase over what was spent the previous year.

The personal services line item, consisting of salaries, wages and benefits, increased nine percent from the figure reported on the year-end statement for FY 2012-13. Two factors for the increase were discussed at the May CBA meeting. The Personal Leave Program, which reduced wages in FY 2012-13 and ended June 30, 2013, and a new bargaining contract provision which increased wages three percent for tenured employees at the top of their classification resulting in higher FY 2013-14 wages.

Expenses for the fingerprint line item were more than the previous year and are expected to remain at elevated levels until all licensees, not previously fingerprinted and renewing in an active status, comply with the mandatory fingerprinting requirements that became effective on January 1, 2014.

General (office supplies) and equipment expenses remain elevated as the CBA continues to recruit and hire personnel to fill additional positions and purchase office equipment and other

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2013-14**  
**YEAR END FINANCIAL STATEMENT**  
supplies.

Printing expenses remain elevated due to peer review mail-out/inserts, printing of the hardcopy UPDATE publication, as well as increased expenditures for CBA-specific printed form letters for fingerprinting, and license renewal inserts.

Facilities operational expenses increased approximately \$33,000 from the same period last fiscal year due to security at meetings by the California Highway Patrol and additional facility planning fees from the Department of General Services for the upcoming relocation.

An amount of \$350,000 was transferred to the Architectural Revolving Fund (ARF) in FY 2013-14 to help pay for future moving costs and defray FY 2014-15 expenses. The funds are available anytime during the move and any unused funds will revert back to the Accountancy Fund Reserve (Reserve).

The Consultant and Professional Services line item reflects the CBA's use of additional subject matter expert consultants working with the Enforcement Division to investigate cases. In FY 2012-13, the CBA used two consultants; however, in FY 2013-14, the CBA used the assistance of four consultants. Two of the consultant's contracts will expire in FY 2014-15 and will not be renewed; however, the remaining two consultants will continue to assist the Enforcement Division.

A 24 percent increase in Departmental Services reflected in the year-end statement is due to increased CBA pro-rata assessments to support the administrative services of the Office of Information Services, which provides all State agencies with a standardized email system and charges a "fee per seat" as new staff are hired. Additionally, DCA administrative overhead increased due to costs associated with BreEZe. These expenditures will increase even more in FY 2014-15 as the CBA moves closer towards the transition to BreEZe.

## **RESERVES**

Expenditures outpaced revenues by \$1.2 million and the CBA ended the year with approximately \$14.2 million in the Reserve.

The fund condition statement included in **Attachment 5** reflects the latest revenue and expenditure totals for FY 2013-14 and projects the CBA's Reserve for the next four fiscal years. Included in the projections are the temporary fee reductions, repayment of a \$6 million outstanding loan in FY 2015-16, and increased expenditures associated with moving costs and recently established positions.

The Department of Finance released its semiannual General Fund Loan Obligation Report on July 24, 2014 confirming its intent for the \$6 million loan repayment to the CBA in FY 2015-16. It is expected that repayment language will be included in next year's budget bill.

CALIFORNIA BOARD OF ACCOUNTANCY

FISCAL YEAR 2013-14

Year End Financial Statement

(for period of 7/1/13 through 6/30/14)

Attachment 2

	FY 2013-14 Received/Expended 7/01/13 - 6/30/14 (12 months) [10]	FY 2012-13 Received/Expended 7/01/12 - 6/30/13 (12 months) [10]	% Change FY 2013-14 to FY 2012-13 to (A:B)	FY 2013-14 Annual Governor's Budget 7/01/13 - 6/30/14 (12 months)	FY 2013-14 Receipts/Expenditures Over/Under Budget (D:A)
<b>RECEIPTS</b>					
<b>Revenues:</b>					
Renewals [1]	5,796,577	5,638,702	2.8%	5,743,503	0.9%
Examination Fees	2,997,342	2,972,033	0.9%	2,976,862	0.7%
Licensing Fees	1,209,250	1,008,550	19.9%	971,350	24.5%
Practice Privilege Fees	0	161,500	-100.0%	0	N/A
Miscellaneous [2]	44,379	55,420	-19.9%	55,359	-19.8%
Monetary Sanctions [3]	0	0	NA	0	NA
Penalties and Fines	229,280	189,450	21.0%	375,350	-38.9%
<b>Total Revenues</b>	<b>10,276,828</b>	<b>10,025,655</b>	<b>2.5%</b>	<b>10,122,424</b>	<b>1.5%</b>
Interest [4]	33,054	40,786	NA	0	NA
<b>TOTAL NET RECEIPTS</b>	<b>10,309,882</b>	<b>10,066,441</b>	<b>2.4%</b>	<b>10,122,424</b>	<b>1.9%</b>
<b>EXPENDITURES:</b>					
<b>Personal Services:</b>					
Salaries & Wages	4,386,920	4,094,815	7.1%	4,440,516	-1.2%
Temporary Help	399,963	255,865	56.3%	137,000	191.9%
<b>Total Salaries &amp; Temp. Help</b>	<b>4,786,883</b>	<b>4,350,680</b>	<b>10.0%</b>	<b>4,577,516</b>	<b>190.7%</b>
<b>Benefits</b>					
Health Insurance	655,362	639,317	2.5%	829,418	-21.0%
Other Insurance and Miscellaneous	249,639	223,668	11.6%	77,086	223.8%
State Retirement	859,345	775,748	10.8%	900,947	-4.6%
Social Security	268,750	250,294	7.4%	312,609	-14.0%
<b>Total Benefits [5]</b>	<b>2,033,096</b>	<b>1,889,027</b>	<b>7.6%</b>	<b>2,120,060</b>	<b>184.2%</b>
<b>Total Personal Services:</b>	<b>6,819,979</b>	<b>6,239,707</b>	<b>9.3%</b>	<b>6,697,576</b>	<b>1.8%</b>
<b>Operating Expenses:</b>					
Fingerprints	35,363	18,999	86.1%	131,595	-73.1%
General Expense	158,651	122,761	29.2%	205,242	-22.7%
Printing	326,094	181,832	79.3%	84,608	285.4%
Communications	28,532	30,137	-5.3%	47,614	-40.1%
Postage	233,105	234,015	-0.4%	130,872	78.1%
Travel: In State	195,355	152,030	28.5%	132,886	47.0%
Training	23,481	10,043	133.8%	27,012	-13.1%
Facilities Operations	707,820	675,069	4.9%	613,818	15.3%
Architectural Revolving Fund (ARF)	350,000	0	NA	0	NA
Consultant & Professional Services	45,421	10,773	321.6%	317,076	-85.7%
Departmental Services	1,405,339	1,130,478	24.3%	1,424,289	-1.3%
Consolidated Data Center	80,290	53,445	50.2%	41,846	91.9%
Data Processing	23,942	18,487	29.5%	70,103	-65.8%
Central Administrative Services	415,964	517,594	-19.6%	415,964	0.0%
Exams	37,400	87,270	-57.1%	0	NA
Enforcement	688,291	653,173	5.4%	1,463,551	-53.0%
Equipment	146,435	59,917	144.4%	49,800	194.0%
<b>Total Operating Expenses:</b>	<b>4,901,483</b>	<b>3,956,023</b>	<b>23.9%</b>	<b>5,156,276</b>	<b>-4.9%</b>
<b>TOTAL EXPENDITURES</b>	<b>11,721,462</b>	<b>10,195,730</b>	<b>15.0%</b>	<b>11,853,852</b>	<b>-1.1%</b>
Less: Scheduled Reimbursements [6]	202,520	125,858	60.9%	296,000	-31.6%
<b>TOTAL NET EXPENDITURES</b>	<b>11,518,942</b>	<b>10,069,872</b>	<b>14.4%</b>	<b>11,557,852</b>	<b>-0.3%</b>
<b>RECEIPTS IN EXCESS OF EXPENSES PLUS COST RECOVERY</b>	<b>-1,209,060</b>	<b>-3,431</b>		<b>-1,435,428</b>	<b>0</b>
<b>BEGINNING RESERVES JULY 1 [7]</b>	<b>15,361,000</b>	<b>14,457,000</b>		<b>15,361,000</b>	
<b>Total Resources</b>	<b>14,238,354</b>	<b>15,193,823</b>		<b>13,925,572</b>	
<b>PROJECTED ENDING RESERVES</b>	<b>14,238,354</b>	<b>15,193,823</b>	<b>-6.3%</b>	<b>13,925,572</b>	
<b>GENERAL FUND LOAN 2002 [8]</b>	<b>(6,000,000)</b>				
<b>GENERAL FUND LOAN 2003 [8]</b>	<b>(270,000)</b>				
<b>GENERAL FUND LOAN 2008 [8]</b>	<b>(14,000,000)</b>				
<b>GENERAL FUND LOAN 2010 [8]</b>	<b>(10,000,000)</b>				
<b>GENERAL FUND LOAN 2011 [8]</b>	<b>(1,000,000)</b>				
<b>MONTHS IN RESERVE (MIR) [9]</b>	<b>14.8</b>	<b>15.6</b>		<b>14.5</b>	

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2013-14**  
**Year End Financial Statement**  
(for period of 7/1/13 through 6/30/14)

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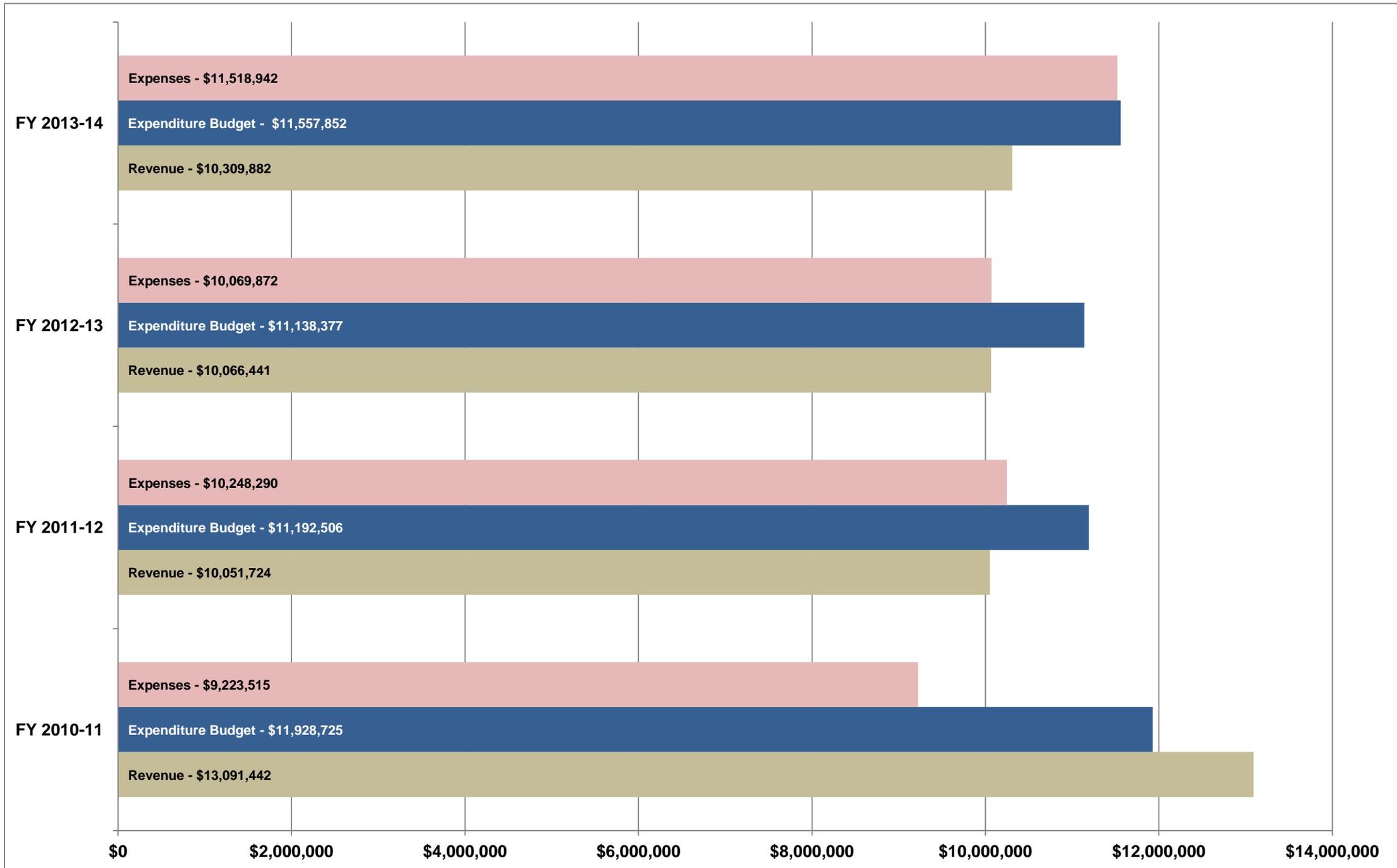
**Footnotes:**

- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes miscellaneous services to the public, dishonored check fees, certification fees, duplicate licenses, name changes, over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [3] Enforcement monetary sanctions received as components of stipulated settlements and disciplinary orders approved by the CBA. These orders bring to a conclusion any accusations that had previously been filed by the Executive Officer and are separate from fines or citations.
- [4] The interest line item reflects interest earned on remaining reserve balances and does not reflect interest from General Fund loans.
- [5] The following line items are part of the total benefits figure:  
Health Insurance - health, dental, vision.  
Other insurance and Miscellaneous - worker's compensation, unemployment insurance, transit discount.
- [6] Scheduled reimbursements are expenses that the CBA initially incurs for another agency/individual but are later repaid for. The CBA reimbursements consist of security guard services that are shared with other building tenants as well as costs to process fingerprint cards from out-of-state licensees that do not have access to a Live Scan facility.
- [7] FY 2013-14 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office.
- [8] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the "terms and conditions" of the loans, per the Budget Act are: "The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer." (Estimated at .389% for 2011, .515% for 2010, 2.78% for 2008, 1.64% for 2003, and 2.64% for 2002). "It is the intent of the Legislature that repayment be made so so as to ensure that the programs supported by this fund are not adversely affected by the loan through a reduction in service or an increase in fees." Outstanding General Fund loans total \$31,270,000.
- [9] Calculation: Net expenditure authority for FY 2013-14 (\$11,557,852) divided by twelve months equals monthly expenditure authority (\$963,154). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [10] Received/Expended amounts through June 30, 2014 for FY 2013-14 and June 30, 2013 for FY 2012-13 include encumbrances and are from DCA Budget Reports.

NOTE: CBA Financial Reports are prepared quarterly (October, January, April, and August) and included in CBA Meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

<b>CBA Budget Allocation History</b>											
<b>(less reimbursements FM13)</b>											
<b>Year End FY 2013-14</b>	<b>Total Budget Act</b>	<b>Practice Privilege</b>	<b>Exam</b>	<b>Initial Licensing</b>	<b>Licensing Administration</b>	<b>RCC</b>	<b>Enforcement</b>	<b>Administration</b>	<b>Executive</b>	<b>Board</b>	
<b>\$ Budgeted</b>	<b>\$11,557,852</b>	127,993	860,445	1,332,593	533,006	1,550,464	4,580,456	2,056,711	437,199	78,985	
<b>\$ Spent<sup>1</sup></b>	<b>\$11,518,942</b>	69,862	886,921	1,266,414	582,303	1,592,579	3,956,921	2,218,063	834,781	111,098	
<b>Authorized Positions<sup>2</sup></b>	<b>75.9</b>	1.0	6.0	11.0	4.0	11.0	22.5	17.4	3.0	0.0	
<sup>1</sup> Dollars spent through the Fourth Quarter ending June 30, 2014.											
<sup>2</sup> Three limited-term positions expired as of June 30, 2013. One permanent Practice Privilege office assistant position was eliminated via a negative BCP.											
<b>FY 2012-13</b>	<b>Total Budget Act</b>	<b>Practice Privilege</b>	<b>Exam</b>	<b>Initial Licensing</b>	<b>Licensing Administration</b>	<b>RCC</b>	<b>Enforcement</b>	<b>Administration</b>	<b>Executive</b>	<b>Board</b>	
<b>\$ Budgeted</b>	<b>\$11,138,377</b>	210,426	866,598	1,300,985	605,291	1,155,907	4,462,554	2,000,197	417,059	119,360	
<b>\$ Spent</b>	<b>\$10,069,872</b>	173,158	811,677	1,182,577	563,050	1,299,912	3,442,237	2,129,545	470,587	122,987	
<b>Authorized Positions<sup>3</sup></b>	<b>79.9</b>	2.0	6.0	12.0	5.0	11.0	22.5	18.4	3.0	0.0	
<sup>3</sup> The elimination of salary savings required by the Department of Finance in FY 2012-13, required the CBA to eliminate 3.6 authorized positions.											
<b>FY 2011-12</b>	<b>Total Budget Act</b>	<b>Practice Privilege</b>	<b>Exam</b>	<b>Initial Licensing</b>	<b>Licensing Administration</b>	<b>RCC</b>	<b>Enforcement</b>	<b>Administration</b>	<b>Executive</b>	<b>Client Services</b>	<b>Board</b>
<b>\$ Budgeted</b>	<b>\$11,192,506</b>	223,850	783,475	1,455,026	559,625	1,119,251	4,365,077	2,126,576	447,700	0.0	111,925
<b>\$ Spent</b>	<b>\$10,248,290</b>	169,721	957,906	1,217,073	555,507	1,016,342	3,552,814	2,093,066	586,124	0.0	99,736
<b>Authorized Positions</b>	<b>83.5</b>	2.0	7.0	12.0	5.0	11.0	22.5	20.0	4.0	0.0	0.0
<b>FY 2010-11</b>	<b>Total Budget Act</b>	<b>Practice Privilege</b>	<b>Exam</b>	<b>Initial Licensing</b>	<b>Licensing Administration</b>	<b>RCC</b>	<b>Enforcement</b>	<b>Administration</b>	<b>Executive</b>	<b>Client Services<sup>4</sup></b>	<b>Board</b>
<b>\$ Budgeted</b>	<b>\$11,928,725</b>	176,337	1,023,455	1,208,197	618,616	929,864	5,150,079	2,169,348	519,624	0	133,206
<b>\$ Spent</b>	<b>\$9,223,515</b>	140,127	883,475	1,230,379	530,717	980,654	2,743,474	2,118,158	478,714	0	117,816
<b>Authorized Positions</b>	<b>84.0</b>	2.0	9.0	15.0	5.0	8.0	20.0	21.0	4.0	0.0	0.0
<sup>4</sup> The Client Services Unit was closed in 2010 and staff were redirected to the Examination, Enforcement, and RCC units.											

# CBA Total Revenue and Expenditures



**California Board of Accountancy  
Fund Condition Statement**

(Dollars in Thousands)

Prepared 9/17/14						New Fee Reduction PROJECTION 2014-15	General Fund Loan Repayment <sup>[1]</sup> BY 2015-16	Original Fee Restoration <sup>[4]</sup> BY + 1 2016-17		
		ACTUAL 2010-11	ACTUAL 2011-12	ACTUAL 2012-13	Year End ACTUAL 2013-14				BY + 2 2017-18	
<b>NOTE: \$31.270 Million General Fund Repayment Outstanding w/BCPS &amp; Scheduled loan repayments w/fee reductions beginning FY 2014/15</b>										
<b>BEGINNING BALANCE</b>		\$ 20,135	\$ 14,345	\$ 14,301	\$ 15,122	\$ 14,238	\$ 6,123	\$ 5,661	\$ 4,159	
Prior Year Adjustment		\$ 258	\$ 305	\$ 156	\$ 239	\$ -	\$ -	\$ -	\$ -	
Adjusted Beginning Balance		\$ 20,393	\$ 14,650	\$ 14,457	\$ 15,361	\$ 14,238	\$ 6,123	\$ 5,661	\$ 4,159	
<b>REVENUES AND TRANSFERS</b>										
Revenues:										
125600	Other regulatory fees	\$ 67	\$ 167	\$ 236	\$ 277	\$ 230	\$ 166	\$ 428	\$ 428	
125700	Other regulatory licenses and permits	\$ 4,827	\$ 4,622	\$ 4,639	\$ 4,826	\$ 2,665	\$ 2,616	\$ 4,685	\$ 4,685	
125800	Renewal fees	\$ 7,801	\$ 4,963	\$ 4,920	\$ 4,968	\$ 2,453	\$ 2,461	\$ 6,008	\$ 6,008	
125900	Delinquent fees	\$ 323	\$ 244	\$ 221	\$ 199	\$ 82	\$ 80	\$ 198	\$ 198	
141200	Sales of documents			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
142500	Miscellaneous services to the public			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
150300	Income from surplus money investments <sup>[2]</sup>	\$ 66	\$ 48	\$ 41	\$ 33	\$ -	\$ -	\$ -	\$ -	
160400	Sale of fixed assets			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
161000	Escheat of unclaimed checks and warrants	\$ 4	\$ 3	\$ 5	\$ 4	\$ 2	\$ 2	\$ 2	\$ 2	
161400	Miscellaneous revenues	\$ 3	\$ 5	\$ 4	\$ 2	\$ -	\$ -	\$ -	\$ -	
	Totals, Revenues	\$ 13,091	\$ 10,052	\$ 10,066	\$ 10,309	\$ 5,432	\$ 5,325	\$ 11,321	\$ 11,321	
Transfers from Other Funds										
F00001	GF loan repayment per Item 1120-011-0704, Loan of 2002 Interest of \$6 million loan at 2.64% through 7-1-2014						\$ 6,000			
							\$ 1,861			
Transfers to Other Funds										
T00001	GF loan per Item 1120-011-0704	(10,000)	(1,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Totals, Revenues and Transfers	\$ 3,091	\$ 9,052	\$ 10,066	\$ 10,309	\$ 5,432	\$ 13,186	\$ 11,321	\$ 11,321	
	Totals, Resources	\$ 23,484	\$ 23,702	\$ 24,523	\$ 25,670	\$ 19,670	\$ 19,309	\$ 16,982	\$ 15,481	
<b>EXPENDITURES</b>										
Disbursements:										
8860	FSCU (State Operations)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
0840	State Controller (State Operations)	\$ 19	\$ 13	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	
8860	Financial Information System for California (State Operations)	\$ -	\$ 28	\$ 55	\$ -	\$ -	\$ -	\$ -	\$ -	
8880	FISCAL			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
1110	Program Expenditures (State Operations) <sup>[3]</sup>	\$ 9,378	\$ 10,397	\$ 10,205	\$ 11,371	\$ 11,846	\$ 12,083	\$ 12,325	\$ 12,572	
	Architectural Revolving Fund (ARF)				\$ 350					
BCPs:										
	Enforcement	\$ -	\$ -	\$ -	\$ -	\$ 940	\$ 876	\$ 660	\$ -	
	Fingerprinting	\$ -	\$ -	\$ -	\$ -	\$ 923	\$ 851	\$ -	\$ -	
	Total Expenditures	\$ 9,397	\$ 10,438	\$ 10,267	\$ 11,721	\$ 13,709	\$ 13,810	\$ 12,985	\$ 12,572	
	Less Scheduled Reimbursements	\$ (24)	\$ (215)	\$ (126)	\$ (203)	\$ (296)	\$ (296)	\$ (296)	\$ (296)	
	Total Net Expenditures	\$ 9,373	\$ 10,223	\$ 10,141	\$ 11,518	\$ 13,413	\$ 13,514	\$ 12,689	\$ 12,276	
	Plus Cost Recovery	\$ 234	\$ 822	\$ 740	\$ 86	\$ 134	\$ 134	\$ 134	\$ 134	
<b>FUND BALANCE</b>										
	Reserve for economic uncertainties	\$ 14,345	\$ 14,301	\$ 15,122	\$ 14,238	\$ 6,123	\$ 5,661	\$ 4,159	\$ 3,071	
<b>Months in Reserve</b>										
		16.8	16.9	15.8	12.7	5.4	5.4	4.1	2.7	

**NOTES:**

- [1] ASSUMES WORKLOAD AND REVENUE PROJECTIONS ARE REALIZED IN BY+1 AND ONGOING.
- [2] INTEREST ON FUND ESTIMATED AT .3%.
- [3] ASSUMES APPROPRIATION GROWTH OF 2% IN BY+1 AND ONGOING.
- [4] RENEWAL FEES ARE ASSUMED TO BE RESTORED TO LEVELS PRIOR TO FY 2014-15:  
BIENNIAL RENEWAL - \$120 FROM \$50  
DELINQUENT RENEWAL - \$60 FROM \$25



**DEPARTMENT OF CONSUMER AFFAIRS**  
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**CBA Item IV.C.**  
September 18-19, 2014

**Comments Regarding the American Institute of Certified Public Accountants (AICPA) Exposure Draft Regarding Breach of an Independence Interpretation Proposed Interpretation of the AICPA Professional Ethics Division**

**Presented by:** Paul Fisher, Supervising Investigative CPA  
**Date:** August 15, 2014

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**Purpose of the Item**

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) an opportunity to discuss the above-referenced AICPA exposure draft (**Attachment 1**).

**Action(s) Needed**

The CBA is being asked whether it wishes to direct staff to prepare and submit comments to the AICPA regarding the above-referenced exposure draft.

**Background**

Consistent with guidance provided by the CBA at the May 2009 meeting, exposure drafts that are considered standard setting in nature, involving the actual standards that accountancy professionals employ in conducting their business, are generally not placed on the CBA agenda for comment unless specifically requested by a CBA Member. Each month, exposure drafts that are standard setting in nature are listed in the Executive Officer (EO) Monthly Report and CBA Members have an opportunity to comment individually. The above-referenced exposure draft was included in the July and August EO Monthly Report.

Exposure drafts that affect the CBA's regulatory functions are placed on the CBA agenda for discussion. For example, at the September 22, 2011 CBA meeting, the CBA discussed and adopted a staff-prepared letter to the AICPA and National Association of State Boards of Accountancy (NASBA) on proposed changes to the Statement on Standards for Continuing Professional Education Programs. These proposed standards affected CBA's continuing education requirements that exist in CBA regulations.

This exposure draft will have an impact on the auditor independence rules, which are a cornerstone of the profession. Even though it does not have a direct impact on CBA Regulations, given its significance, it is being placed on the CBA agenda for discussion.

# Comments Regarding the American Institute of Certified Public Accountants (AICPA) Exposure Draft Regarding Breach of an Independence Interpretation Proposed Interpretation of the AICPA Professional Ethics Division

Page 2 of 3

## Comments

The AICPA is proposing revisions to ET section 91 *Applicability* and a new Interpretation No. 101-20, "Breach of an Independence Interpretation," under rule 101, Independence. The explanation of the proposal provided by the AICPA states that currently a breach of an interpretation of the Independence rule would require a member's firm to resign from an attest engagement regardless of the consequences of the breach. The proposed revisions to ET section 91 would allow the member to exercise professional judgment and take into account whether a reasonable and informed third party, weighing the significance of the breach, the action to be taken, and all the specific facts and circumstances available to the member at that time, would be likely to conclude that the member is able to comply with the rules of the code of professional conduct. The revised section also states that a member's determination that the member has satisfactorily addressed the consequences of the breach will not, however, preclude an investigation or enforcement action concerning the underlying breach of the code of professional conduct and the member should be prepared to justify such determination.

The proposed new interpretation would allow the member's firm to not have to resign from the attest engagement. As is stated in the text of the proposed new interpretation, the interpretation provides guidance to assist members in evaluating and addressing the consequences of a breach of an independence interpretation and the impact on the attest engagement team's integrity, objectivity, and professional skepticism so the member or member's firm can determine if the consequences of a breach can be satisfactorily addressed. The interpretation also provides specific steps and actions the member should take when the member becomes aware that a breach of an independence interpretation has occurred. The proposed new interpretation provides guidance in identifying and communicating a breach, evaluating the significance of a breach, addressing the consequences of a breach, and communicating the breach with those charged with governance.

Staff reviewed the exposure draft to determine how the proposed changes may impact the CBA's rules on independence. The CBA's rule on independence, CBA Regulations section 65 (**Attachment 2**), states that a licensee shall be independent in the performance of services in accordance with professional standards. CBA Regulations section 58 (**Attachment 3**) states that licensees engaged in the practice of public accountancy shall comply with all applicable professional standards, including but not limited to generally accepted accounting principles and generally accepted auditing standards. Staff determined that the proposed changes would not have a direct impact on California's rules and regulations, but does impact the professional standards regarding independence as detailed above.

The deadline to comment on the exposure drafts is September 16, 2014. However, an extension of time to provide comments was requested by CBA staff and the AICPA has granted an extension until September 24, 2014.

**Comments Regarding the American Institute of Certified Public Accountants (AICPA) Exposure Draft Regarding Breach of an Independence Interpretation Proposed Interpretation of the AICPA Professional Ethics Division**

Page 3 of 3

**Fiscal/Economic Impact Considerations**

None.

**Recommendation**

Staff recommends that the CBA review and discuss the exposure draft in order to make the determination if the increased auditor professional judgment and guidance in the new proposed interpretation is sufficient to properly protect consumers when the auditor is no longer required to withdraw from an audit engagement when there is a breach of an interpretation of the Independence rule. The CBA may direct staff to prepare a comment letter to the AICPA regarding the exposure draft and also appoint a CBA member to approve this letter.

**Attachments**

1. AICPA Exposure Draft Titled: Breach of an Independence Interpretation Proposed Interpretation of the AICPA Professional Ethics Division
2. California Code of Regulations, Title 16, section 65
3. California Code of Regulations, Title 16, section 58

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# EXPOSURE DRAFT

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BREACH OF AN INDEPENDENCE INTERPRETATION

PROPOSED INTERPRETATION OF THE

AICPA PROFESSIONAL ETHICS DIVISION

**June 16, 2014**

**Comments are requested by September 16, 2014**

**Prepared by the AICPA Professional Ethics Executive Committee for comments from persons interested in independence, behavioral, and technical standards matters.**

**Comments should be addressed to Lisa A. Snyder, Director of the Professional Ethics Division, at [lsnyder@aicpa.org](mailto:lsnyder@aicpa.org)**

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New York, NY 10036-8775*

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June 16, 2014

This exposure draft contains important proposals for review and comment by the AICPA's membership and other interested parties regarding pronouncements for possible adoption by the Professional Ethics Executive Committee (PEEC). The text and an explanation of the proposed pronouncements are included in this exposure draft.

After the exposure period is concluded, and the PEEC has evaluated the comments, the PEEC may decide to publish one or more of the proposed pronouncements. Once published, the pronouncements become effective on the last day of the month in which they are published in the *Journal of Accountancy*, unless otherwise stated in the pronouncements.

Your comments are an important part of the standard-setting process; please take this opportunity to comment. Responses must be received at the AICPA by September 16, 2014. All written replies to this exposure draft will become part of the public record of the AICPA and will be available at:

[http://aicpa.org/InterestAreas/ProfessionalEthics/Community/ExposureDrafts/Pages/2014JuneBr  
eachesExposureDraftCommentLetters.aspx](http://aicpa.org/InterestAreas/ProfessionalEthics/Community/ExposureDrafts/Pages/2014JuneBr<br/>eachesExposureDraftCommentLetters.aspx).

All comments received will be considered by the PEEC at its November 12-13, 2014 meeting.

Please send comments to Lisa A. Snyder, director of the Professional Ethics Division, via e-mail at [lsnyder@aicpa.org](mailto:lsnyder@aicpa.org)

Sincerely,

Wes Williams, *Chair*  
*AICPA Professional Ethics Executive Committee*

Lisa A. Snyder, *Director*  
*AICPA Professional Ethics Division*

**Professional Ethics Executive Committee (2013–2014)**

Wes Williams, *Chair*  
Corey Arvizu  
Martin J. Benison  
Samuel L. Burke  
Tom Campbell  
Richard David  
Robert E. Denham  
Jana Dupree  
Raymond Johnson  
Bruce J. Jorth

Brian S. Lynch  
John J. Malahoski  
Linda J. McAninch  
Andrew Mintzer  
Jarold Mittleider  
Mary Louise Nunes  
Ray Roberts  
Michael Schmitz  
Edward Schultz  
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**Task Force Members:**

Bruce Jorth, *Chair*  
Cory Arvizu  
Raymond Johnson  
Jana Dupree

**Ethics Division Task Force Staff**

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*Senior Technical Manager*

Brandon H. Mercer, CPA, CGMA  
*Technical Manager*

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## **Explanation of Proposals**

The PEEC is exposing for comment revised ET section 91 *Applicability*, and new Interpretation No. 101-20, “Breach of an Independence Interpretation,” under Rule 101, *Independence* (AICPA, *Professional Standards*, ET sec. 101 par. .22), which provides guidance to members in public practice concerning a breach of an independence interpretation.

### *Breach of an Independence Interpretation*

Rule 101, *Independence*, states that a member in public practice shall be independent in the performance of professional services as required by standards promulgated by bodies designated by council. A breach of an interpretation of the *Independence* rule would require a member’s firm to resign from an attest engagement regardless of the consequences of the breach. The PEEC believes that the public interest is not served if a firm is forced to resign from an attest engagement due to a breach of an independence interpretation if the consequences of the breach are such that they do not affect the attest engagement team’s integrity, objectivity, and professional skepticism. Under such circumstances, the PEEC believes the public interest is better served by robust guidance to assist members in evaluating the impact of the independence breach and determining whether the firm should resign from the attest engagement or whether actions could be taken to satisfactorily address the consequences of the breach. Thus, the PEEC developed the proposed interpretation, which provides guidance to assist members in evaluating and addressing the consequences of a breach of an independence interpretation.

The proposed guidance clearly states that it is not always possible to address the consequences of a breach of an independence interpretation and even if a member follows the proposed guidance and believes to have satisfactorily addressed the consequences of a breach, that does not preclude a potential investigation or enforcement action. In addition, in order for the provisions of the proposed interpretation to be able to address the consequences of a breach of an independence interpretation, the firm must have established policies and procedures designed to provide it with reasonable assurance that the firm, its personnel, and, when applicable, others subject to independence requirements, maintain independence when required. This would include policies and procedures designed to provide the firm with reasonable assurance that it is notified of breaches of an independence interpretation and to enable it to take appropriate actions to resolve such situations.

The proposed interpretation states that no action can be taken to satisfactorily address the consequences of a breach when the threat to independence resulting from the breach is significant such that the attest engagement team’s integrity, objectivity, and professional skepticism are compromised. The PEEC believes that due to the significance of the threats to the attest engagement team’s integrity, objectivity, and professional skepticism, there is a rebuttable presumption that no action may satisfactorily address a breach when the breach is committed by the lead attest engagement partner or an individual in a position to influence the attest

engagement, or when the breach is known to any other partner or partner equivalent who fails to ensure the breach is promptly communicated to an appropriate individual within the firm.

When a breach is identified, the member should communicate the breach to an appropriate individual within the firm, for example, an individual with responsibility for the policies and procedures relating to independence or the attest engagement partner (the “responsible individual”). The PEEC believes that once alerted, the responsible individual should be required to evaluate the significance of the breach, as it may be such that the member who identified the breach is not in a proper position to perform the necessary steps required to fulfill the provisions of the interpretation. Depending upon the significance of the breach, it may be necessary to terminate the attest engagement or it may be possible to take action that satisfactorily addresses the consequences of the breach. When determining if satisfactory action could be taken to address the breach, among other specific factors, the responsible individual must consider whether a reasonable and informed third party would be likely to conclude that the attest engagement team’s integrity, objectivity, and professional skepticism would not be compromised. The PEEC believes that consideration of the views of an “informed third party” is an appropriate measure in determining if the breach can be satisfactorily addressed. If it is determined that satisfactory action can be taken, then the responsible individual must discuss the breach, and the actions he or she proposes to take to address the breach with those charged with governance. The specific matters to be discussed are outlined within the proposed interpretation. Those charged with governance must be satisfied that the actions to be taken to address the breach are appropriate and satisfactorily address the consequences of the breach in order for the firm to continue the attest engagement.

The proposed guidance requires the responsible individual to document certain factors involving the breach, including the communication to those charged with governance. The PEEC believes that a breach of an independence interpretation is of great significance and thus, documentation of the breach, actions taken, and matters discussed should be required.

#### *ET Section 91*

Proposed Interpretation No. 101-20 addresses breaches of an independence interpretation. The PEEC agreed to include guidance concerning breaches of all other provisions of the AICPA Code of Professional Conduct (the code) within ET section 91, *Applicability*. The guidance requires the member to evaluate the significance of the breach and take action to satisfactorily address the breach. In doing so, the member is required to consider whether a reasonable and informed third party would likely conclude that the member is able to comply with the code. The PEEC believes that these robust requirements are the core of proposed Interpretation No. 101-20 without the additional requirements that are specific to independence. Consistent with proposed Interpretation No. 101-20, a member’s determination that the member has satisfactorily addressed the consequences of the breach would not preclude an investigation or enforcement action concerning the underlying breach of the code.

In developing the proposed guidance, the PEEC has considered the new ethics standards issued by the International Ethics Standards Board for Accountants (IESBA) in March 2013 related to addressing a breach of a requirement of the IESBA Code of Ethics for Professional Accountants (IESBA code). The PEEC believes the proposed interpretation is substantially consistent with the guidance contained in the IESBA code related to breaches of the IESBA independence provisions, and any differences are necessary to make the proposed interpretation relevant to AICPA members practicing in the United States.

### **Effective Date**

PEEC does not believe that a delayed effective date for transition purposes is necessary. Accordingly, PEEC proposes that, if adopted, the proposed interpretation and revisions to ET section 91, *Applicability*, apply to breaches identified on or after the effective date, which will be the last day of the month in which the interpretation and revisions to ET section 91 are published in the *Journal of Accountancy*. However, see request for specific comments below.

### **Request for Specific Comments**

Although PEEC welcomes comments on all aspects of these proposals, it specifically requests feedback on the following:

Do you believe that a delayed effective date is necessary? If so, please explain why you believe additional time to implement the proposed interpretation and revisions to ET section 91 would be necessary and how much time you believe would be adequate.

## **Text of Proposed Revised Applicability ET Section 91**

*(Additions appear in **boldface italic**, and deletions are ~~stricken~~.)*

### **ET Section 91 – Applicability**

**As adopted January 12, 1988, unless otherwise indicated**

**.01** The bylaws of the AICPA require that members adhere to the rules of the Code of Professional Conduct. Members must be prepared to justify departures from these rules.

**.02** *Interpretation Addressing the Applicability of the AICPA Code of Professional Conduct.* For purposes of the applicability section of the code, a member is a member, an associated member, or an international associate of the AICPA [[sec. 92 par.21](#)].

1. The Rules of Conduct that follow apply to all professional services performed except
  - a. when the wording of the rule indicates otherwise
  - b. that a member who is practicing outside the United States will not be subject to discipline for departing from any of the rules stated herein as long as the member's conduct is in accord with the rules of the organized accounting profession in the country in which he or she is practicing. However, when a member's name is associated with financial statements under circumstances that would entitle the reader to assume that U.S. practices were followed, the member must comply with the requirements of rules 202, *Compliance With Standards* [[sec. 202 par. 01](#)], and 203, *Accounting Principles* [[sec. 203 par. 01](#)].
  - c. a member who is a member of a group engagement team (see the clarified SAS *Special Considerations—Audits of Group Financial Statements [Including the Work of Component Auditors]*) will not be subject to discipline if a foreign component auditor (accountant) departed from any of the ethics requirements stated herein with respect to the audit or review of group financial statements or other attest engagement, as long as the foreign component auditor's (accountant's) conduct, at a minimum, is in accord with the ethics and independence requirements set forth in the International Ethics Standards Board for Accountants' (IESBA's) Code of Ethics for Professional Accountants, and the members of the group engagement team are in compliance with the rules stated herein.
  - d. a member who is a member of a network firm (as defined in [paragraph .24 of section 92, Definitions](#)) will not be subject to discipline if a firm within the network (as defined in [paragraph .23 of section 92](#)) that is located outside the United States (foreign network firm) departed from any of the ethics requirements stated herein, as long as the foreign network firm's conduct, at a minimum, is in accord with the ethics and independence requirements set forth in the IESBA's Code of Ethics for Professional Accountants.

2. A member shall not knowingly permit a person, whom the member has the authority or capacity to control, to carry out on his or her behalf, either with or without compensation, acts that, if carried out by the member, would place the member in violation of the rules. Further, a member may be held responsible for the acts of all persons associated with him or her in public practice whom the member has the authority or capacity to control.
3. A member (as defined in [paragraph .21 of section 92](#)) or a covered member (as defined in [paragraph .07 of section 92](#)) may be considered to have his or her independence impaired, with respect to a client, as the result of the actions or relationships of certain persons or entities, as described in rule 101, [[sec. 101 par. 01](#)], and its interpretations and rulings, whom the member or covered member does not have the authority or capacity to control. Therefore, nothing in this section should lead one to conclude that the member's or covered member's independence is not impaired solely because of his or her inability to control the actions or relationships of such persons or entities.

***.03 Interpretation No. 101-20 under ET Section 101, Independence, contains guidance with which a member should comply with if the member identifies a breach of an independence provision of the code. If a member identifies a breach of any other provision of this Code, the member should evaluate the significance of the breach and its impact on the member's ability to comply with the rules of the code. The member should take whatever actions may be available, as soon as practicable, to satisfactorily address the consequences of the breach. The member should determine whether to report the breach, for example, to those who may have been affected by the breach, a professional body, relevant regulator or oversight authority. In making the evaluation and in determining what actions should be taken, the member should exercise professional judgment and take into account whether a reasonable and informed third party, weighing the significance of the breach, the action to be taken, and all the specific facts and circumstances available to the member at that time, would be likely to conclude that the member is able to comply with the rules of the code. A member's determination that the member has satisfactorily addressed the consequences of the breach will not, however, preclude an investigation or enforcement action concerning the underlying breach of the code and the member should be prepared to justify such determination.***

## **Text of Proposed New Interpretation No. 101-20—Breach of an Independence Interpretation**

### ***Introduction***

AICPA bylaws require members to comply with the *Independence* rule. This interpretation provides guidance to assist members in evaluating and addressing the consequences of a breach of an independence interpretation and the impact on the attest engagement team's integrity, objectivity, and professional skepticism so the member or member's firm can determine if the consequences of a breach can be satisfactorily addressed. This interpretation also provides specific steps and actions the member should take when the member becomes aware that a breach of an independence interpretation has occurred. However, a member's determination that he or she has satisfactorily addressed the consequences of a breach of an independence interpretation will not preclude an investigation or enforcement action. In any case, the member should be prepared to justify such determination.

### ***Required Policies and Procedures Established by the Firm***

In order for the consequences of an independence breach by a member or the member's firm to be able to be addressed by the provisions of this interpretation, the firm must have established policies and procedures designed to provide it with reasonable assurance that the firm, its personnel, and, when applicable, others subject to independence requirements, maintain independence when required. The policies and procedures should enable the firm to communicate its independence requirements to its personnel and, when applicable, others subject to them; to identify and evaluate circumstances and relationships that create threats to independence; and to take appropriate action to eliminate those threats or reduce them to an acceptable level by applying safeguards or, if effective safeguards cannot be applied, withdrawing from the engagement. These policies and procedures should be designed to provide the firm with reasonable assurance that it is notified of breaches of independence requirements and to enable it to take appropriate actions to resolve such situations.

### ***Breaches Resulting in Significant Threats***

In situations where a partner or professional employee of the firm intentionally and knowingly breaches an independence interpretation or breaches an independence interpretation due to ignorance or negligence, and the threat to independence resulting from the breach is significant such that the attest engagement team's integrity, objectivity and professional skepticism are compromised, the consequences of the breach would not be able to be addressed by the provisions of this interpretation as no actions could be taken to satisfactorily address the consequences of breach.

In other situations, where either of the following conditions exist, there is a rebuttable presumption that the breach would not be able to be addressed by the provisions of this interpretation as the threats to the attest engagement team's integrity, objectivity, and professional skepticism would be considered so significant that no actions could be taken to satisfactorily address the consequences of breach:

- a. A partner or professional employee that committed the breach is either the lead attest engagement partner or an individual in a position to influence the attest engagement; or
- b. The breach is known to any other partner or partner equivalent who fails to ensure the breach is promptly communicated to an appropriate individual within the firm as described in this interpretation.

(See the “Unsolicited Financial Interests” section of Interpretation No. 101-15, “Financial Relationships” [ET section 101.17], for guidance on unsolicited financial interests.)

### ***Identifying and Communicating a Breach***

When a breach is identified, the member should, in accordance with his or her firm’s policies and procedures, promptly communicate the breach to an appropriate individual within the firm, for example, an individual or individuals with responsibility for the policies and procedures relating to independence, or the attest engagement partner (the “responsible individual”).

The responsible individual should report the breach to those who need to take appropriate action and, where appropriate, to relevant network firms. The responsible individual should be satisfied that the interest or relationship that caused the breach has been terminated, suspended, or eliminated and address the consequences of the breach. A consequence of a breach may be that termination of the attest engagement is necessary.

### ***Evaluating the Significance of a Breach***

The responsible individual should evaluate the significance of the breach and its impact on the attest engagement team’s integrity, objectivity, and professional skepticism and the ability to issue an attest report. The significance of the breach will depend on factors such as the following:

- a. The nature and duration of the breach
- b. The number and nature of any previous breaches with respect to the current attest engagement
- c. Whether a member of the attest engagement team had knowledge of the interest or relationship that caused the breach
- d. Whether the individual who caused the breach is a member of the attest engagement team or another individual for whom there are independence requirements
- e. The role of the individual if the breach relates to a member of the attest engagement team
- f. The impact of the service, if any, on the accounting records or the amounts recorded in the attest client’s financial statements if the breach was caused by the provision of a professional service
- g. The extent of the self-interest, advocacy, undue influence, or other threats created by the breach

### ***Addressing the Consequences of a Breach***

Depending upon the significance of the breach, it may be necessary to terminate the attest engagement or it may be possible to take action that satisfactorily addresses the consequences of the breach. Certain breaches described in this interpretation are not able to be addressed by the provisions of this interpretation. For all other breaches, the responsible individual should

determine whether satisfactory action can be taken and is appropriate in the circumstances. In making this determination, the responsible individual should exercise professional judgment and take into account whether a reasonable and informed third party, weighing the significance of the breach, the action to be taken, and all the specific facts and circumstances available to the member at that time, would be likely to conclude that the attest engagement team's integrity, objectivity, and professional skepticism would be compromised and therefore whether independence is impaired.

Examples of actions that the responsible individual may consider include the following:

- a. Removing the relevant individual from the attest engagement team
- b. Conducting an additional review of the affected attest work or re-performing that work to the extent necessary, in either case using different personnel
- c. Recommending that the attest client engage another firm to review or re-perform the affected attest work to the extent necessary
- d. Engaging another firm to evaluate the results of the nonattest service or having another firm re-perform the nonattest service to the extent necessary to enable it to take responsibility for the service if the breach relates to a nonattest service that affects the accounting records or an amount that is recorded in the financial statements

### ***Communicating With Those Charged with Governance***

If the responsible individual determines that action cannot be taken to satisfactorily address the consequences of the breach, the responsible individual should inform those charged with governance as soon as practicable and take the steps necessary to terminate the attest engagement in compliance with any applicable legal or regulatory requirements relevant to terminating the attest engagement. Where termination is not permitted by law or regulation, the responsible individual should comply with any reporting or disclosure requirements.

If the responsible individual determines that action can be taken to satisfactorily address the consequences of the breach, the responsible individual should discuss the breach and the action taken or proposed to be taken with those charged with governance as soon as practicable. The matters to be discussed should include the following:

- a. The significance of the breach, including its nature and duration
- b. How the breach occurred and how it was identified
- c. The action taken or proposed to be taken and the responsible individual's rationale for why the action will satisfactorily address the consequences of the breach and enable the firm to issue the attest report
- d. The conclusion that, in the responsible individual's professional judgment, the integrity, objectivity, and professional skepticism of the attest engagement team has not been compromised and the rationale for that conclusion
- e. Any steps that the responsible individual has taken or proposes to take to reduce or avoid the risk of further breaches occurring

The responsible individual should communicate in writing with those charged with governance all matters discussed in accordance with the paragraph above and obtain the concurrence of those

charged with governance that action can be, or has been, taken to satisfactorily address the consequences of the breach. The communication shall include a description of the firm's policies and procedures relevant to the breach designed to provide it with reasonable assurance that independence is maintained and any steps that the firm has taken, or proposes to take, to reduce or avoid the risk of further breaches occurring. If those charged with governance do not concur that the action satisfactorily addresses the consequences of the breach, the responsible individual should take the steps necessary to terminate the attest engagement, where permitted by law or regulation, in compliance with any applicable legal or regulatory requirements relevant to terminating the attest engagement. Where termination is not permitted by law or regulation, the responsible individual should comply with any reporting or disclosure requirements.

### ***Breaches Relating to Previously Issued Reports***

If the breach occurred prior to the issuance of the previous attest report, the responsible individual should comply with this section in evaluating the significance of the breach and its impact on the attest engagement team's objectivity, integrity, and professional skepticism and its ability to issue an attest report in the current period. The responsible individual should also consider the impact of the breach, if any, on the attest engagement team's integrity, objectivity, and professional skepticism in relation to any previously issued attest reports, and the possibility of withdrawing such attest reports in accordance with professional standards, and discuss the matter with those charged with governance.

### ***Documentation***

The responsible individual should document the breach, the action taken, key decisions made and all the matters discussed with those charged with governance and any discussions with a professional body, relevant regulator, or oversight authority. When the firm continues with the attest engagement, the matters to be documented should also include the conclusion that, in the responsible individual's professional judgment, the integrity, objectivity, and professional skepticism of the attest engagement team have not been compromised and the rationale for why the action taken satisfactorily addressed the consequences of the breach such that the firm could issue an attest report.



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## Attachment 2

### **CBA Regulations Section § 65 Independence**

A licensee shall be independent in the performance of services in accordance with professional standards.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: Sections 5018, Business and Professions Code.



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### Attachment 3

#### **CBA Regulations Section § 58 Compliance with Standards**

Licenses engaged in the practice of public accountancy shall comply with all applicable professional standards, including but not limited to generally accepted accounting principles and generally accepted auditing standards.

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



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**CBA Item IV.D.**  
September 18-19, 2014

**Update on Legislation on Which the CBA Has Taken a Position and Additional Legislation Identified Since the CBA's July 2014 Meeting**

**Presented by:** Matthew Stanley, Legislative and Regulatory Coordinator

**Date:** August 27, 2014

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**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**

The CBA will be asked if it wishes to change any of its positions on legislation based on recent amendments.

**Background**

The CBA has taken positions on various pieces of legislation (**Attachment 1**). Staff recommend maintaining the current positions on Assembly Bill (AB) 1702, 2058, 2396, 2415, 2720 and Senate Bill (SB) 1243 and 1467, which have either not been amended or which have been amended, but not in a way which changes the effect of the bill.

SB 176 failed passage and is dead for the year. AB 186 was amended in such a way that it no longer affects the CBA, and staff will recommend that the CBA discontinue following the bill.

As the Governor has until the end of September to sign or veto bills, staff will provide a current status of every bill at the CBA's September 2014 meeting.

**Comments**

There is one bill that was significantly amended since the CBA's July 2014 meeting on which the CBA may wish to take a position.

**SB 1159 – Individual Tax ID Number (Attachment 2)**

*CBA Position:* Watch (concerns regarding how this bill conflicted with federal law were communicated to the author).

*What it Did*

SB 1159 would allow an entity within the Department of Consumer Affairs (DCA) to accept a federal individual taxpayer identification number on an application for an initial license in lieu of a social security number (SSN).

## Update on Legislation on Which the CBA Has Taken a Position and Additional Legislation Identified Since the CBA's July 2014 Meeting

Page 2 of 3

### *Amendments*

Beginning January 1, 2016, an entity within DCA shall require a federal individual taxpayer identification number or a social security number on an application for an initial license. In addition, no entity within DCA shall deny licensure to an applicant based on his or her citizenship or immigration status. Any regulations needed to implement this law are required to be in place before January 1, 2016.

### *Analysis*

The amendments address the CBA's concerns which were previously communicated to the author. The concerns were that the law did not specifically allow the CBA to grant a license to an undocumented immigrant, which caused a conflict with federal law. The amendments now provide this specific authority in compliance with federal law.

### *Recommendation*

As the CBA will continue to license only those individuals who meet California's qualifications, from a regulatory standpoint, this bill would have no effect on consumer protection; therefore, the CBA may wish to take a Neutral position on the bill.

There is a new bill that was significantly amended and now affects the CBA since the July 2014 meeting on which the CBA may wish to take a position.

### SB 1226 – Professions and Vocations (Attachment 3)

#### *What it Does*

This bill would require all Department of Consumer Affairs (DCA) boards and bureaus, after July 1, 2016, to expedite, and may assist, the initial licensure process for an applicant who supplies evidence that he or she has served as an active duty member of the armed forces and was honorably discharged.

#### *Analysis*

Current law requires DCA boards to expedite the licensure process for spouses, who are licensed in another state, of those actively serving in the military who are assigned a duty station in California. Current law also requires, beginning January 1, 2015, that all DCA boards ask on the application if the individual is serving in, or has previously served in, the military.

#### *Recommendation*

Consistent with the CBA's previous positions on military related bills, staff recommend that the CBA adopt a Support position on SB 1226.

## **Update on Legislation on Which the CBA Has Taken a Position and Additional Legislation Identified Since the CBA's July 2014 Meeting**

Page 3 of 3

### **Recommendation**

The following is a summary of the staff recommendations provided above:

- No action is needed to follow staff recommendation to maintain current positions on AB 1702, 2058, 2396, 2415, 2720, and SB 1243 and 1467. For reference, attached is a letter from the Orange County Treasurer regarding AB 2415 (**Attachment 4**), and a letter from CalCPA regarding SB 1467 (**Attachment 5**).
- Discontinue following AB 186.
- Take a Neutral position on SB 1159.
- Take a Support position on SB 1226.

### **Attachments**

1. Legislative Tracking List
2. SB 1159
3. SB 1226
4. AB 2415 Letter from Orange County Treasurer
5. SB 1467 Letter from CalCPA
6. CBA Position Letters to the Governor



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## Attachment 1

### 2013-14 Legislative Tracking List

Bill #	Author	Topic	Position	Status
AB 186	Maienschein	Temporary licenses	Support	Governor
AB 1702	Maienschein	Incarceration	Support	Governor
AB 2058	Wilk	Open Meetings	Oppose	Governor
AB 2396	Bonta	Expungement of a Conviction	Oppose	Governor
AB 2415	Ting	Property Tax Agents	Oppose Unless Amended	Governor
AB 2720	Ting	Record of Actions Taken	Support	Governor
SB 176	Galgiani	Administrative Procedures	Support	Failed
SB 1159	Lara	Individual Tax ID Number	Watch	Governor
SB 1243	Lieu	DCA Sunset Bill	Watch	Governor
SB 1467	Senate Business and Professions	Omnibus Bill	Support	Governor

AMENDED IN ASSEMBLY AUGUST 22, 2014

AMENDED IN ASSEMBLY AUGUST 4, 2014

AMENDED IN ASSEMBLY JUNE 30, 2014

AMENDED IN ASSEMBLY JUNE 18, 2014

AMENDED IN SENATE APRIL 7, 2014

**SENATE BILL**

**No. 1159**

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**Introduced by Senator Lara**

February 20, 2014

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An act to amend ~~Section~~ *Sections 30, 2103, 2111, 2112, 2113, 2115, 3624, and 6533 of, and to add Section 135.5 to, the Business and Professions Code, to amend Section 17520 of the Family Code, and to amend Section 19528 of the Revenue and Taxation Code, relating to professions and vocations.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1159, as amended, Lara. Professions and vocations: license applicants: individual tax identification number.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs, among other licensing bodies. Existing law requires those licensing bodies to require a licensee, at the time of issuance of the license, to provide its federal employer identification number if the licensee is a partnership, or his or her social security number for all other licensees. Existing law requires those licensing bodies to report to the Franchise Tax Board any licensee who fails to provide the federal employer identification number or social security number, and subjects

the licensee to a penalty for failing to provide the information after notification, as specified.

This bill, *no later than January 1, 2016*, would require those licensing bodies to require an applicant ~~other than a partnership~~ to provide either an individual tax identification number or social security number ~~and would if the applicant is an individual~~. *The bill would require the licensing bodies to report to the Franchise Tax Board, and subject a licensee to a penalty, for failure to provide that information, as described above. The bill would prohibit, except as specified, any entity within the department from denying licensure to an applicant based on his or her citizenship status or immigration status. The bill would require every board within the department to implement regulatory and procedural changes necessary to implement these provisions no later than January 1, 2016, and would authorize implementation at an any time prior to that date.* The bill would make other conforming changes.

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 30 of the Business and Professions Code  
2 is amended to read:

3 30. (a) (1) Notwithstanding any other law, any board, as  
4 defined in Section 22, and the State Bar and the Bureau of Real  
5 Estate shall, at the time of issuance of the license, require that the  
6 applicant provide its federal employer identification number, if  
7 the applicant is a partnership, or the applicant's ~~individual taxpayer~~  
8 ~~identification number~~ or social security number for all other  
9 applicants.

10 (2) *No later than January 1, 2016, in accordance with Section*  
11 *135.5, a board, as defined in Section 22, and the State Bar and*  
12 *the Bureau of Real Estate shall require either the individual*  
13 *taxpayer identification number or social security number if the*  
14 *applicant is an individual for purposes of this subdivision.*

15 (b) A licensee failing to provide the federal employer  
16 identification number, or the individual taxpayer identification  
17 number or social security number shall be reported by the licensing  
18 board to the Franchise Tax Board. If the licensee fails to provide  
19 that information after notification pursuant to paragraph (1) of  
20 subdivision (b) of Section 19528 of the Revenue and Taxation

1 Code, the licensee shall be subject to the penalty provided in  
2 paragraph (2) of subdivision (b) of Section 19528 of the Revenue  
3 and Taxation Code.

4 (c) In addition to the penalty specified in subdivision (b), a  
5 licensing board may not process an application for an initial license  
6 unless the applicant provides its federal employer identification  
7 number, or individual taxpayer identification number or social  
8 security number where requested on the application.

9 (d) A licensing board shall, upon request of the Franchise Tax  
10 Board, furnish to the Franchise Tax Board the following  
11 information with respect to every licensee:

12 (1) Name.

13 (2) Address or addresses of record.

14 (3) Federal employer identification number if the licensee is a  
15 partnership, or the licensee's individual taxpayer identification  
16 number or social security number for all other licensees.

17 (4) Type of license.

18 (5) Effective date of license or a renewal.

19 (6) Expiration date of license.

20 (7) Whether license is active or inactive, if known.

21 (8) Whether license is new or a renewal.

22 (e) For the purposes of this section:

23 (1) "Licensee" means a person or entity, other than a  
24 corporation, authorized by a license, certificate, registration, or  
25 other means to engage in a business or profession regulated by  
26 this code or referred to in Section 1000 or 3600.

27 (2) "License" includes a certificate, registration, or any other  
28 authorization needed to engage in a business or profession  
29 regulated by this code or referred to in Section 1000 or 3600.

30 (3) "Licensing board" means any board, as defined in Section  
31 22, the State Bar, and the Bureau of Real Estate.

32 (f) The reports required under this section shall be filed on  
33 magnetic media or in other machine-readable form, according to  
34 standards furnished by the Franchise Tax Board.

35 (g) Licensing boards shall provide to the Franchise Tax Board  
36 the information required by this section at a time that the Franchise  
37 Tax Board may require.

38 (h) Notwithstanding Chapter 3.5 (commencing with Section  
39 6250) of Division 7 of Title 1 of the Government Code, a federal  
40 employer identification number, individual taxpayer identification

1 number, or social security number furnished pursuant to this section  
2 shall not be deemed to be a public record and shall not be open to  
3 the public for inspection.

4 (i) A deputy, agent, clerk, officer, or employee of a licensing  
5 board described in subdivision (a), or any former officer or  
6 employee or other individual who, in the course of his or her  
7 employment or duty, has or has had access to the information  
8 required to be furnished under this section, may not disclose or  
9 make known in any manner that information, except as provided  
10 in this section to the Franchise Tax Board or as provided in  
11 subdivision (k).

12 (j) It is the intent of the Legislature in enacting this section to  
13 utilize the federal employer identification number, individual  
14 taxpayer identification number, or social security number for the  
15 purpose of establishing the identification of persons affected by  
16 state tax laws and for purposes of compliance with Section 17520  
17 of the Family Code and, to that end, the information furnished  
18 pursuant to this section shall be used exclusively for those  
19 purposes.

20 (k) If the board utilizes a national examination to issue a license,  
21 and if a reciprocity agreement or comity exists between the State  
22 of California and the state requesting release of the individual  
23 taxpayer identification number or social security number, any  
24 deputy, agent, clerk, officer, or employee of any licensing board  
25 described in subdivision (a) may release an individual taxpayer  
26 identification number or social security number to an examination  
27 or licensing entity, only for the purpose of verification of licensure  
28 or examination status.

29 (l) For the purposes of enforcement of Section 17520 of the  
30 Family Code, and notwithstanding any other law, a board, as  
31 defined in Section 22, and the State Bar and the Bureau of Real  
32 Estate shall at the time of issuance of the license require that each  
33 licensee provide the individual taxpayer identification number or  
34 social security number of each individual listed on the license and  
35 any person who qualifies *for* the license. For the purposes of this  
36 subdivision, “licensee” means an entity that is issued a license by  
37 any board, as defined in Section 22, the State Bar, the Bureau of  
38 Real Estate, and the Department of Motor Vehicles.

39 *SEC. 2. Section 135.5 is added to the Business and Professions*  
40 *Code, to read:*

1     135.5. (a) *The Legislature finds and declares that it is in the*  
2 *best interests of the State of California to provide persons who are*  
3 *not lawfully present in the United States with the state benefits*  
4 *provided by all licensing acts of entities within the department,*  
5 *and therefore enacts this section pursuant to subsection (d) of*  
6 *Section 1621 of Title 8 of the United States Code.*

7     (b) *Notwithstanding subdivision (a) of Section 30, and except*  
8 *as required by subdivision (e) of Section 7583.23, no entity within*  
9 *the department shall deny licensure to an applicant based on his*  
10 *or her citizenship status or immigration status.*

11     (c) *Every board within the department shall implement all*  
12 *required regulatory or procedural changes necessary to implement*  
13 *this section no later than January 1, 2016. A board may implement*  
14 *the provisions of this section at any time prior to January 1, 2016.*

15     SEC. 3. *Section 2103 of the Business and Professions Code is*  
16 *amended to read:*

17     2103. ~~An applicant who is a citizen of the United States shall~~  
18 ~~be eligible for a physician's and surgeon's certificate if he or she~~  
19 ~~has completed the following requirements:~~

20     (a) Submitted official evidence satisfactory to the board of  
21 completion of a resident course or professional instruction  
22 equivalent to that required in Section 2089 in a medical school  
23 located outside the United States or Canada. However, nothing in  
24 this section shall be construed to require the board to evaluate for  
25 equivalency any coursework obtained at a medical school  
26 disapproved by the board pursuant to Article 4 (commencing with  
27 Section 2080).

28     (b) Submitted official evidence satisfactory to the board of  
29 completion of all formal requirements of the medical school for  
30 graduation, except the applicant shall not be required to have  
31 completed an internship or social service or be admitted or licensed  
32 to practice medicine in the country in which the professional  
33 instruction was completed.

34     (c) Attained a score satisfactory to an approved medical school  
35 on a qualifying examination acceptable to the board.

36     (d) Successfully completed one academic year of supervised  
37 clinical training in a program approved by the board pursuant to  
38 Section 2104. The board shall also recognize as compliance with  
39 this subdivision the successful completion of a one-year supervised  
40 clinical medical internship operated by a medical school pursuant

1 to Chapter 85 of the Statutes of 1972 and as amended by Chapter  
2 888 of the Statutes of 1973 as the equivalent of the year of  
3 supervised clinical training required by this section.

4 (1) Training received in the academic year of supervised clinical  
5 training approved pursuant to Section 2104 shall be considered as  
6 part of the total academic curriculum for purposes of meeting the  
7 requirements of Sections 2089 and 2089.5.

8 (2) An applicant who has passed the basic science and English  
9 language examinations required for certification by the Educational  
10 Commission for Foreign Medical Graduates may present evidence  
11 of those passing scores along with a certificate of completion of  
12 one academic year of supervised clinical training in a program  
13 approved by the board pursuant to Section 2104 in satisfaction of  
14 the formal certification requirements of subdivision (b) of Section  
15 2102.

16 (e) Satisfactorily completed the postgraduate training required  
17 under Section 2096.

18 (f) Passed the written examination required for certification as  
19 a physician and surgeon under this chapter.

20 *SEC. 4. Section 2111 of the Business and Professions Code is*  
21 *amended to read:*

22 2111. (a) Physicians who are not citizens but who meet the  
23 requirements of subdivision ~~(b)~~, ~~are legally admitted to the United~~  
24 ~~States;~~ *(b)* and who seek postgraduate study in an approved medical  
25 school may, after receipt of an appointment from the dean of the  
26 California medical school and application to and approval by the  
27 Division of Licensing, be permitted to participate in the  
28 professional activities of the department or division in the medical  
29 school to which they are appointed. The physician shall be under  
30 the direction of the head of the department to which he or she is  
31 appointed, supervised by the staff of the medical school's medical  
32 center, and known for these purposes as a "visiting fellow." The  
33 visiting fellow shall wear a visible name tag containing the title  
34 "visiting fellow" when he or she provides clinical services.

35 (b) (1) Application for approval shall be made on a form  
36 prescribed by the division and shall be accompanied by a fee fixed  
37 by the division in an amount necessary to recover the actual  
38 application processing costs of the program. The application shall  
39 show that the person does not immediately qualify for a physician's  
40 and surgeon's certificate under this chapter and that the person has

1 completed at least three years of postgraduate basic residency  
2 requirements. The application shall include a written statement of  
3 the recruitment procedures followed by the medical school before  
4 offering the appointment to the applicant.

5 (2) Approval shall be granted only for appointment to one  
6 medical school, and no physician shall be granted more than one  
7 approval for the same period of time.

8 (3) Approval may be granted for a maximum of three years and  
9 shall be renewed annually. The medical school shall submit a  
10 request for renewal on a form prescribed by the division, which  
11 shall be accompanied by a renewal fee fixed by the division in a  
12 amount necessary to recover the actual application processing costs  
13 of the program.

14 (c) Except to the extent authorized by this section, the visiting  
15 fellow may not engage in the practice of medicine. Neither the  
16 visiting fellow nor the medical school may assess any charge for  
17 the medical services provided by the visiting fellow, and the  
18 visiting fellow may not receive any other compensation therefor.

19 (d) The time spent under appointment in a medical school  
20 pursuant to this section may not be used to meet the requirements  
21 for licensure under Section 2102.

22 (e) The division shall notify both the visiting fellow and the  
23 dean of the appointing medical school of any complaint made  
24 about the visiting fellow.

25 The division may terminate its approval of an appointment for  
26 any act that would be grounds for discipline if done by a licensee.  
27 The division shall provide both the visiting fellow and the dean of  
28 the medical school with a written notice of termination including  
29 the basis for that termination. The visiting fellow may, within 30  
30 days after the date of the notice of termination, file a written appeal  
31 to the division. The appeal shall include any documentation the  
32 visiting fellow wishes to present to the division.

33 (f) Nothing in this section shall preclude any United States  
34 citizen who has received his or her medical degree from a medical  
35 school located in a foreign country and recognized by the division  
36 from participating in any program established pursuant to this  
37 section.

38 *SEC. 5. Section 2112 of the Business and Professions Code is*  
39 *amended to read:*

1 2112. (a) Physicians who are not citizens ~~but are legally~~  
2 ~~admitted to the United States~~ and who seek postgraduate study,  
3 may, after application to and approval by the Division of Licensing,  
4 be permitted to participate in a fellowship program in a specialty  
5 or subspecialty field, providing the fellowship program is given  
6 in a hospital in this state which is approved by the Joint Committee  
7 on Accreditation of Hospitals and providing the service is  
8 satisfactory to the division. Such physicians shall at all times be  
9 under the direction and supervision of a licensed, board-certified  
10 physician and surgeon who is recognized as a clearly outstanding  
11 specialist in the field in which the foreign fellow is to be trained.  
12 The supervisor, as part of the application process, shall submit his  
13 or her curriculum vitae and a protocol of the fellowship program  
14 to be completed by the foreign fellow. Approval of the program  
15 and supervisor is for a period of one year, but may be renewed  
16 annually upon application to and approval by the division. The  
17 approval may not be renewed more than four times. The division  
18 may determine a fee, based on the cost of operating this program,  
19 which shall be paid by the applicant at the time the application is  
20 filed.

21 (b) Except to the extent authorized by this section, no such  
22 visiting physician may engage in the practice of medicine or receive  
23 compensation therefor. The time spent under appointment in a  
24 medical school pursuant to this section may not be used to meet  
25 the requirements for licensure under Section 2101 or 2102.

26 (c) Nothing in this section shall preclude any United States  
27 citizen who has received his or her medical degree from a medical  
28 school located in a foreign country from participating in any  
29 program established pursuant to this section.

30 *SEC. 6. Section 2113 of the Business and Professions Code is*  
31 *amended to read:*

32 2113. (a) Any person who does not immediately qualify for  
33 a physician's and surgeon's certificate under this chapter and who  
34 is offered by the dean of an approved medical school in this state  
35 a full-time faculty position may, after application to and approval  
36 by the Division of Licensing, be granted a certificate of registration  
37 to engage in the practice of medicine only to the extent that the  
38 practice is incident to and a necessary part of his or her duties as  
39 approved by the division in connection with the faculty position.  
40 A certificate of registration does not authorize a registrant to admit

1 patients to a nursing or a skilled or assisted living facility unless  
2 that facility is formally affiliated with the sponsoring medical  
3 school. A clinical fellowship shall not be submitted as a faculty  
4 service appointment.

5 (b) Application for a certificate of registration shall be made on  
6 a form prescribed by the division and shall be accompanied by a  
7 registration fee fixed by the division in a amount necessary to  
8 recover the actual application processing costs of the program. To  
9 qualify for the certificate, an applicant shall submit all of the  
10 following:

11 ~~(1) Documentary evidence satisfactory to the division that the~~  
12 ~~applicant is a United States citizen or is legally admitted to the~~  
13 ~~United States.~~

14 ~~(2)~~

15 (1) If the applicant is a graduate of a medical school other than  
16 in the United States or Canada, documentary evidence satisfactory  
17 to the division that he or she has been licensed to practice medicine  
18 and surgery for not less than four years in another state or country  
19 whose requirements for licensure are satisfactory to the division,  
20 or has been engaged in the practice of medicine in the United States  
21 for at least four years in approved facilities, or has completed a  
22 combination of that licensure and training.

23 ~~(3)~~

24 (2) If the applicant is a graduate of an approved medical school  
25 in the United States or Canada, documentary evidence that he or  
26 she has completed a resident course of professional instruction as  
27 required in Section 2089.

28 ~~(4)~~

29 (3) Written certification by the head of the department in which  
30 the applicant is to be appointed of all of the following:

31 (A) The applicant will be under his or her direction.

32 (B) The applicant will not be permitted to practice medicine  
33 unless incident to and a necessary part of his or her duties as  
34 approved by the division in subdivision (a).

35 (C) The applicant will be accountable to the medical school's  
36 department chair or division chief for the specialty in which the  
37 applicant will practice.

38 (D) The applicant will be proctored in the same manner as other  
39 new faculty members, including, as appropriate, review by the  
40 medical staff of the school's medical center.

1 (E) The applicant will not be appointed to a supervisory position  
2 at the level of a medical school department chair or division chief.

3 ~~(5)~~

4 (4) Demonstration by the dean of the medical school that the  
5 applicant has the requisite qualifications to assume the position to  
6 which he or she is to be appointed and that shall include a written  
7 statement of the recruitment procedures followed by the medical  
8 school before offering the faculty position to the applicant.

9 (c) A certificate of registration shall be issued only for a faculty  
10 position at one approved medical school, and no person shall be  
11 issued more than one certificate of registration for the same period  
12 of time.

13 (d) (1) A certificate of registration is valid for one year from  
14 its date of issuance and may be renewed twice.

15 A request for renewal shall be submitted on a form prescribed  
16 by the division and shall be accompanied by a renewal fee fixed  
17 by the division in an amount necessary to recover the actual  
18 application processing costs of the program.

19 (2) The dean of the medical school may request renewal of the  
20 registration by submitting a plan at the beginning of the third year  
21 of the registrant's appointment demonstrating the registrant's  
22 continued progress toward licensure and, if the registrant is a  
23 graduate of a medical school other than in the United States or  
24 Canada, that the registrant has been issued a certificate by the  
25 Educational Commission for Foreign Medical Graduates. The  
26 division may, in its discretion, extend the registration for a two-year  
27 period to facilitate the registrant's completion of the licensure  
28 process.

29 (e) If the registrant is a graduate of a medical school other than  
30 in the United States or Canada, he or she shall meet the  
31 requirements of Section 2102 or 2135, as appropriate, in order to  
32 obtain a physician's and surgeon's certificate. Notwithstanding  
33 any other provision of law, the division may accept clinical practice  
34 in an appointment pursuant to this section as qualifying time to  
35 meet the postgraduate training requirements in Section 2102, and  
36 may, in its discretion, waive the examination and the Educational  
37 Commission for Foreign Medical Graduates certification  
38 requirements specified in Section 2102 in the event the registrant  
39 applies for a physician's and surgeon's certificate. As a condition  
40 to waiving any examination or the Educational Commission for

1 Foreign Medical Graduates certification requirement, the division  
2 in its discretion, may require an applicant to pass the clinical  
3 competency examination referred to in subdivision (d) of Section  
4 2135. The division shall not waive any examination for an applicant  
5 who has not completed at least one year in the faculty position.

6 (f) Except to the extent authorized by this section, the registrant  
7 shall not engage in the practice of medicine, bill individually for  
8 medical services provided by the registrant, or receive  
9 compensation therefor, unless he or she is issued a physician's and  
10 surgeon's certificate.

11 (g) When providing clinical services, the registrant shall wear  
12 a visible name tag containing the title "visiting professor" or  
13 "visiting faculty member," as appropriate, and the institution at  
14 which the services are provided shall obtain a signed statement  
15 from each patient to whom the registrant provides services  
16 acknowledging that the patient understands that the services are  
17 provided by a person who does not hold a physician's and  
18 surgeon's certificate but who is qualified to participate in a special  
19 program as a visiting professor or faculty member.

20 (h) The division shall notify both the registrant and the dean of  
21 the medical school of a complaint made about the registrant. The  
22 division may terminate a registration for any act that would be  
23 grounds for discipline if done by a licensee. The division shall  
24 provide both the registrant and the dean of the medical school with  
25 written notice of the termination and the basis for that termination.  
26 The registrant may, within 30 days after the date of the notice of  
27 termination, file a written appeal to the division. The appeal shall  
28 include any documentation the registrant wishes to present to the  
29 division.

30 *SEC. 7. Section 2115 of the Business and Professions Code is*  
31 *amended to read:*

32 2115. (a) Physicians who are not citizens ~~but are legally~~  
33 ~~admitted to the United States~~ and who seek postgraduate study  
34 may, after application to and approval by the Division of Licensing,  
35 be permitted to participate in a fellowship program in a specialty  
36 or subspecialty field, providing the fellowship program is given  
37 in a clinic or hospital in a medically underserved area of this state  
38 that is licensed by the State Department of Health Services or is  
39 exempt from licensure pursuant to subdivision (b) or (c) of Section  
40 1206 of the Health and Safety Code, and providing service is

1 satisfactory to the division. These physicians shall at all times be  
2 under the direction and supervision of a licensed, board certified  
3 physician and surgeon who has an appointment with a medical  
4 school in California and is a specialist in the field in which the  
5 fellow is to be trained. The supervisor, as part of the application  
6 process, shall submit his or her curriculum vitae and a protocol of  
7 the fellowship program to be completed by the foreign fellow.  
8 Approval of the program and supervisor is for a period of one year,  
9 but may be renewed annually upon application to and approval by  
10 the division. The approval may not be renewed more than four  
11 times. The division may determine a fee, based on the cost of  
12 operating this program, which shall be paid by the applicant at the  
13 time the application is filed.

14 (b) Except to the extent authorized by this section, no visiting  
15 physician may engage in the practice of medicine or receive  
16 compensation therefor. The time spent under appointment in a  
17 clinic pursuant to this section may not be used to meet the  
18 requirements for licensure under Section 2102.

19 (c) Nothing in this section shall preclude any United States  
20 citizen who has received his or her medical degree from a medical  
21 school located in a foreign country from participating in any  
22 program established pursuant to this section.

23 (d) For purposes of this section, a medically underserved area  
24 means a federally designated Medically Underserved Area, a  
25 federally designated Health Professional Shortage Area, and any  
26 other clinic or hospital determined by the board to be medically  
27 underserved. Clinics or hospitals determined by the board pursuant  
28 to this subdivision shall be reported to the Office of Statewide  
29 Health Planning and Development.

30 *SEC. 8. Section 3624 of the Business and Professions Code is*  
31 *amended to read:*

32 3624. (a) The committee may grant a certificate of registration  
33 to practice naturopathic medicine to a person who does not hold  
34 a naturopathic doctor's license under this chapter and is offered a  
35 faculty position by the dean of a naturopathic medical education  
36 program approved by the committee, if all of the following  
37 requirements are met to the satisfaction of the committee:

38 ~~(1) The applicant furnishes documentary evidence that he or~~  
39 ~~she is a United States citizen or is legally admitted to the United~~  
40 ~~States.~~

1     ~~(2)~~  
2     (1) The applicant submits an application on a form prescribed  
3 by the committee.

4     ~~(3)~~  
5     (2) The dean of the naturopathic medical education program  
6 demonstrates that the applicant has the requisite qualifications to  
7 assume the position to which he or she is to be appointed.

8     ~~(4)~~  
9     (3) The dean of the naturopathic medical education program  
10 certifies in writing to the committee that the applicant will be under  
11 his or her direction and will not be permitted to practice  
12 naturopathic medicine unless incident to and a necessary part of  
13 the applicant’s duties as approved by the committee.

14     (b) The holder of a certificate of registration issued under this  
15 section shall not receive compensation for or practice naturopathic  
16 medicine unless it is incidental to and a necessary part of the  
17 applicant’s duties in connection with the holder’s faculty position.

18     (c) A certificate of registration issued under this section is valid  
19 for two years.

20     *SEC. 9. Section 6533 of the Business and Professions Code is*  
21 *amended to read:*

22     6533. In order to meet the qualifications for licensure as a  
23 professional fiduciary a person shall meet all of the following  
24 requirements:

25     (a) Be at least 21 years of age.  
26     ~~(b) Be a United States citizen, or be legally admitted to the~~  
27 ~~United States.~~

28     ~~(c)~~  
29     (b) Have not committed any acts that are grounds for denial of  
30 a license under Section 480 or 6536.

31     ~~(d)~~  
32     (c) Submit fingerprint images as specified in Section 6533.5 in  
33 order to obtain criminal offender record information.

34     ~~(e)~~  
35     (d) Have completed the required prelicensing education  
36 described in Section 6538.

37     ~~(f)~~  
38     (e) Have passed the licensing examination administered by the  
39 bureau pursuant to Section 6539.

40     ~~(g)~~

- 1 (f) Have at least one of the following:
- 2 (1) A baccalaureate degree of arts or sciences from a college or
- 3 university accredited by a nationally recognized accrediting body
- 4 of colleges and universities or a higher level of education.
- 5 (2) An associate of arts or sciences degree from a college or
- 6 university accredited by a nationally recognized accrediting body
- 7 of colleges and universities, and at least three years of experience
- 8 working as a professional fiduciary or working with substantive
- 9 fiduciary responsibilities for a professional fiduciary, public
- 10 agency, or financial institution acting as a conservator, guardian,
- 11 trustee, personal representative, or agent under a power of attorney.
- 12 (3) Experience of not less than five years, prior to July 1, 2012,
- 13 working as a professional fiduciary or working with substantive
- 14 fiduciary responsibilities for a professional fiduciary, public
- 15 agency, or financial institution acting as a conservator, guardian,
- 16 trustee, personal representative, or agent under a power of attorney.
- 17 ~~(h)~~
- 18 (g) Agree to adhere to the Professional Fiduciaries Code of
- 19 Ethics and to all statutes and regulations.
- 20 ~~(i)~~
- 21 (h) Consent to the bureau conducting a credit check on the
- 22 applicant.
- 23 ~~(j)~~
- 24 (i) File a completed application for licensure with the bureau
- 25 on a form provided by the bureau and signed by the applicant under
- 26 penalty of perjury.
- 27 ~~(k)~~
- 28 (j) Submit with the license application a nonrefundable
- 29 application fee, as specified in this chapter.
- 30 ~~SEC. 2.~~
- 31 *SEC. 10.* Section 17520 of the Family Code is amended to
- 32 read:
- 33 17520. (a) As used in this section:
- 34 (1) “Applicant” means a person applying for issuance or renewal
- 35 of a license.
- 36 (2) “Board” means an entity specified in Section 101 of the
- 37 Business and Professions Code, the entities referred to in Sections
- 38 1000 and 3600 of the Business and Professions Code, the State
- 39 Bar, the Bureau of Real Estate, the Department of Motor Vehicles,
- 40 the Secretary of State, the Department of Fish and ~~Game~~, *Wildlife*,

1 and any other state commission, department, committee, examiner,  
2 or agency that issues a license, certificate, credential, permit,  
3 registration, or any other authorization to engage in a business,  
4 occupation, or profession, or to the extent required by federal law  
5 or regulations, for recreational purposes. This term includes all  
6 boards, commissions, departments, committees, examiners, entities,  
7 and agencies that issue a license, certificate, credential, permit,  
8 registration, or any other authorization to engage in a business,  
9 occupation, or profession. The failure to specifically name a  
10 particular board, commission, department, committee, examiner,  
11 entity, or agency that issues a license, certificate, credential, permit,  
12 registration, or any other authorization to engage in a business,  
13 occupation, or profession does not exclude that board, commission,  
14 department, committee, examiner, entity, or agency from this term.

15 (3) “Certified list” means a list provided by the local child  
16 support agency to the Department of Child Support Services in  
17 which the local child support agency verifies, under penalty of  
18 perjury, that the names contained therein are support obligors found  
19 to be out of compliance with a judgment or order for support in a  
20 case being enforced under Title IV-D of the *federal* Social Security  
21 Act.

22 (4) “Compliance with a judgment or order for support” means  
23 that, as set forth in a judgment or order for child or family support,  
24 the obligor is no more than 30 calendar days in arrears in making  
25 payments in full for current support, in making periodic payments  
26 in full, whether court ordered or by agreement with the local child  
27 support agency, on a support arrearage, or in making periodic  
28 payments in full, whether court ordered or by agreement with the  
29 local child support agency, on a judgment for reimbursement for  
30 public assistance, or has obtained a judicial finding that equitable  
31 estoppel as provided in statute or case law precludes enforcement  
32 of the order. The local child support agency is authorized to use  
33 this section to enforce orders for spousal support only when the  
34 local child support agency is also enforcing a related child support  
35 obligation owed to the obligee parent by the same obligor, pursuant  
36 to Sections 17400 and 17604.

37 (5) “License” includes membership in the State Bar, and a  
38 certificate, credential, permit, registration, or any other  
39 authorization issued by a board that allows a person to engage in  
40 a business, occupation, or profession, or to operate a commercial

1 motor vehicle, including appointment and commission by the  
2 Secretary of State as a notary public. “License” also includes any  
3 driver’s license issued by the Department of Motor Vehicles, any  
4 commercial fishing license issued by the Department of Fish and  
5 ~~Game, Wildlife~~, and to the extent required by federal law or  
6 regulations, any license used for recreational purposes. This term  
7 includes all licenses, certificates, credentials, permits, registrations,  
8 or any other authorization issued by a board that allows a person  
9 to engage in a business, occupation, or profession. The failure to  
10 specifically name a particular type of license, certificate, credential,  
11 permit, registration, or other authorization issued by a board that  
12 allows a person to engage in a business, occupation, or profession,  
13 does not exclude that license, certificate, credential, permit,  
14 registration, or other authorization from this term.

15 (6) “Licensee” means a person holding a license, certificate,  
16 credential, permit, registration, or other authorization issued by a  
17 board, to engage in a business, occupation, or profession, or a  
18 commercial driver’s license as defined in Section 15210 of the  
19 Vehicle Code, including an appointment and commission by the  
20 Secretary of State as a notary public. “Licensee” also means a  
21 person holding a driver’s license issued by the Department of  
22 Motor Vehicles, a person holding a commercial fishing license  
23 issued by the Department of Fish and Game, and to the extent  
24 required by federal law or regulations, a person holding a license  
25 used for recreational purposes. This term includes all persons  
26 holding a license, certificate, credential, permit, registration, or  
27 any other authorization to engage in a business, occupation, or  
28 profession, and the failure to specifically name a particular type  
29 of license, certificate, credential, permit, registration, or other  
30 authorization issued by a board does not exclude that person from  
31 this term. For licenses issued to an entity that is not an individual  
32 person, “licensee” includes an individual who is either listed on  
33 the license or who qualifies for the license.

34 (b) The local child support agency shall maintain a list of those  
35 persons included in a case being enforced under Title IV-D of the  
36 *federal* Social Security Act against whom a support order or  
37 judgment has been rendered by, or registered in, a court of this  
38 state, and who are not in compliance with that order or judgment.  
39 The local child support agency shall submit a certified list with  
40 the names, social security numbers, and last known addresses of

1 these persons and the name, address, and telephone number of the  
2 local child support agency who certified the list to the department.  
3 The local child support agency shall verify, under penalty of  
4 perjury, that the persons listed are subject to an order or judgment  
5 for the payment of support and that these persons are not in  
6 compliance with the order or judgment. The local child support  
7 agency shall submit to the department an updated certified list on  
8 a monthly basis.

9 (c) The department shall consolidate the certified lists received  
10 from the local child support agencies and, within 30 calendar days  
11 of receipt, shall provide a copy of the consolidated list to each  
12 board that is responsible for the regulation of licenses, as specified  
13 in this section.

14 (d) On or before November 1, 1992, or as soon thereafter as  
15 economically feasible, as determined by the department, all boards  
16 subject to this section shall implement procedures to accept and  
17 process the list provided by the department, in accordance with  
18 this section. Notwithstanding any other law, all boards shall collect  
19 social security numbers or individual taxpayer identification  
20 numbers from all applicants for the purposes of matching the names  
21 of the certified list provided by the department to applicants and  
22 licensees and of responding to requests for this information made  
23 by child support agencies.

24 (e) (1) Promptly after receiving the certified consolidated list  
25 from the department, and prior to the issuance or renewal of a  
26 license, each board shall determine whether the applicant is on the  
27 most recent certified consolidated list provided by the department.  
28 The board shall have the authority to withhold issuance or renewal  
29 of the license of an applicant on the list.

30 (2) If an applicant is on the list, the board shall immediately  
31 serve notice as specified in subdivision (f) on the applicant of the  
32 board's intent to withhold issuance or renewal of the license. The  
33 notice shall be made personally or by mail to the applicant's last  
34 known mailing address on file with the board. Service by mail  
35 shall be complete in accordance with Section 1013 of the Code of  
36 Civil Procedure.

37 (A) The board shall issue a temporary license valid for a period  
38 of 150 days to any applicant whose name is on the certified list if  
39 the applicant is otherwise eligible for a license.

1 (B) Except as provided in subparagraph (D), the 150-day time  
2 period for a temporary license shall not be extended. Except as  
3 provided in subparagraph (D), only one temporary license shall  
4 be issued during a regular license term and it shall coincide with  
5 the first 150 days of that license term. As this paragraph applies  
6 to commercial driver's licenses, "license term" shall be deemed  
7 to be 12 months from the date the application fee is received by  
8 the Department of Motor Vehicles. A license for the full or  
9 remainder of the license term shall be issued or renewed only upon  
10 compliance with this section.

11 (C) In the event that a license or application for a license or the  
12 renewal of a license is denied pursuant to this section, any funds  
13 paid by the applicant or licensee shall not be refunded by the board.

14 (D) This paragraph shall apply only in the case of a driver's  
15 license, other than a commercial driver's license. Upon the request  
16 of the local child support agency or by order of the court upon a  
17 showing of good cause, the board shall extend a 150-day temporary  
18 license for a period not to exceed 150 extra days.

19 (3) (A) The department may, when it is economically feasible  
20 for the department and the boards to do so as determined by the  
21 department, in cases where the department is aware that certain  
22 child support obligors listed on the certified lists have been out of  
23 compliance with a judgment or order for support for more than  
24 four months, provide a supplemental list of these obligors to each  
25 board with which the department has an interagency agreement to  
26 implement this paragraph. Upon request by the department, the  
27 licenses of these obligors shall be subject to suspension, provided  
28 that the licenses would not otherwise be eligible for renewal within  
29 six months from the date of the request by the department. The  
30 board shall have the authority to suspend the license of any licensee  
31 on this supplemental list.

32 (B) If a licensee is on a supplemental list, the board shall  
33 immediately serve notice as specified in subdivision (f) on the  
34 licensee that his or her license will be automatically suspended  
35 150 days after notice is served, unless compliance with this section  
36 is achieved. The notice shall be made personally or by mail to the  
37 licensee's last known mailing address on file with the board.  
38 Service by mail shall be complete in accordance with Section 1013  
39 of the Code of Civil Procedure.

40 (C) The 150-day notice period shall not be extended.

1 (D) In the event that any license is suspended pursuant to this  
2 section, any funds paid by the licensee shall not be refunded by  
3 the board.

4 (E) This paragraph shall not apply to licenses subject to annual  
5 renewal or annual fee.

6 (f) Notices shall be developed by each board in accordance with  
7 guidelines provided by the department and subject to approval by  
8 the department. The notice shall include the address and telephone  
9 number of the local child support agency that submitted the name  
10 on the certified list, and shall emphasize the necessity of obtaining  
11 a release from that local child support agency as a condition for  
12 the issuance, renewal, or continued valid status of a license or  
13 licenses.

14 (1) In the case of applicants not subject to paragraph (3) of  
15 subdivision (e), the notice shall inform the applicant that the board  
16 shall issue a temporary license, as provided in subparagraph (A)  
17 of paragraph (2) of subdivision (e), for 150 calendar days if the  
18 applicant is otherwise eligible and that upon expiration of that time  
19 period the license will be denied unless the board has received a  
20 release from the local child support agency that submitted the name  
21 on the certified list.

22 (2) In the case of licensees named on a supplemental list, the  
23 notice shall inform the licensee that his or her license will continue  
24 in its existing status for no more than 150 calendar days from the  
25 date of mailing or service of the notice and thereafter will be  
26 suspended indefinitely unless, during the 150-day notice period,  
27 the board has received a release from the local child support agency  
28 that submitted the name on the certified list. Additionally, the  
29 notice shall inform the licensee that any license suspended under  
30 this section will remain so until the expiration of the remaining  
31 license term, unless the board receives a release along with  
32 applications and fees, if applicable, to reinstate the license during  
33 the license term.

34 (3) The notice shall also inform the applicant or licensee that if  
35 an application is denied or a license is suspended pursuant to this  
36 section, any funds paid by the applicant or licensee shall not be  
37 refunded by the board. The Department of Child Support Services  
38 shall also develop a form that the applicant shall use to request a  
39 review by the local child support agency. A copy of this form shall  
40 be included with every notice sent pursuant to this subdivision.

1 (g) (1) Each local child support agency shall maintain review  
2 procedures consistent with this section to allow an applicant to  
3 have the underlying arrearage and any relevant defenses  
4 investigated, to provide an applicant information on the process  
5 of obtaining a modification of a support order, or to provide an  
6 applicant assistance in the establishment of a payment schedule  
7 on arrearages if the circumstances so warrant.

8 (2) It is the intent of the Legislature that a court or local child  
9 support agency, when determining an appropriate payment schedule  
10 for arrearages, base its decision on the facts of the particular case  
11 and the priority of payment of child support over other debts. The  
12 payment schedule shall also recognize that certain expenses may  
13 be essential to enable an obligor to be employed. Therefore, in  
14 reaching its decision, the court or the local child support agency  
15 shall consider both of these goals in setting a payment schedule  
16 for arrearages.

17 (h) If the applicant wishes to challenge the submission of his  
18 or her name on the certified list, the applicant shall make a timely  
19 written request for review to the local child support agency who  
20 certified the applicant's name. A request for review pursuant to  
21 this section shall be resolved in the same manner and timeframe  
22 provided for resolution of a complaint pursuant to Section 17800.  
23 The local child support agency shall immediately send a release  
24 to the appropriate board and the applicant, if any of the following  
25 conditions are met:

26 (1) The applicant is found to be in compliance or negotiates an  
27 agreement with the local child support agency for a payment  
28 schedule on arrearages or reimbursement.

29 (2) The applicant has submitted a request for review, but the  
30 local child support agency will be unable to complete the review  
31 and send notice of its findings to the applicant within the time  
32 specified in Section 17800.

33 (3) The applicant has filed and served a request for judicial  
34 review pursuant to this section, but a resolution of that review will  
35 not be made within 150 days of the date of service of notice  
36 pursuant to subdivision (f). This paragraph applies only if the delay  
37 in completing the judicial review process is not the result of the  
38 applicant's failure to act in a reasonable, timely, and diligent  
39 manner upon receiving the local child support agency's notice of  
40 findings.

1 (4) The applicant has obtained a judicial finding of compliance  
2 as defined in this section.

3 (i) An applicant is required to act with diligence in responding  
4 to notices from the board and the local child support agency with  
5 the recognition that the temporary license will lapse or the license  
6 suspension will go into effect after 150 days and that the local  
7 child support agency and, where appropriate, the court must have  
8 time to act within that period. An applicant's delay in acting,  
9 without good cause, which directly results in the inability of the  
10 local child support agency to complete a review of the applicant's  
11 request or the court to hear the request for judicial review within  
12 the 150-day period shall not constitute the diligence required under  
13 this section which would justify the issuance of a release.

14 (j) Except as otherwise provided in this section, the local child  
15 support agency shall not issue a release if the applicant is not in  
16 compliance with the judgment or order for support. The local child  
17 support agency shall notify the applicant in writing that the  
18 applicant may, by filing an order to show cause or notice of motion,  
19 request any or all of the following:

20 (1) Judicial review of the local child support agency's decision  
21 not to issue a release.

22 (2) A judicial determination of compliance.

23 (3) A modification of the support judgment or order.

24 The notice shall also contain the name and address of the court  
25 in which the applicant shall file the order to show cause or notice  
26 of motion and inform the applicant that his or her name shall  
27 remain on the certified list if the applicant does not timely request  
28 judicial review. The applicant shall comply with all statutes and  
29 rules of court regarding orders to show cause and notices of motion.

30 This section shall not be deemed to limit an applicant from filing  
31 an order to show cause or notice of motion to modify a support  
32 judgment or order or to fix a payment schedule on arrearages  
33 accruing under a support judgment or order or to obtain a court  
34 finding of compliance with a judgment or order for support.

35 (k) The request for judicial review of the local child support  
36 agency's decision shall state the grounds for which review is  
37 requested and judicial review shall be limited to those stated  
38 grounds. The court shall hold an evidentiary hearing within 20  
39 calendar days of the filing of the request for review. Judicial review

1 of the local child support agency's decision shall be limited to a  
2 determination of each of the following issues:

3 (1) Whether there is a support judgment, order, or payment  
4 schedule on arrearages or reimbursement.

5 (2) Whether the petitioner is the obligor covered by the support  
6 judgment or order.

7 (3) Whether the support obligor is or is not in compliance with  
8 the judgment or order of support.

9 (4) (A) The extent to which the needs of the obligor, taking  
10 into account the obligor's payment history and the current  
11 circumstances of both the obligor and the obligee, warrant a  
12 conditional release as described in this subdivision.

13 (B) The request for judicial review shall be served by the  
14 applicant upon the local child support agency that submitted the  
15 applicant's name on the certified list within seven calendar days  
16 of the filing of the petition. The court has the authority to uphold  
17 the action, unconditionally release the license, or conditionally  
18 release the license.

19 (C) If the judicial review results in a finding by the court that  
20 the obligor is in compliance with the judgment or order for support,  
21 the local child support agency shall immediately send a release in  
22 accordance with subdivision (l) to the appropriate board and the  
23 applicant. If the judicial review results in a finding by the court  
24 that the needs of the obligor warrant a conditional release, the court  
25 shall make findings of fact stating the basis for the release and the  
26 payment necessary to satisfy the unrestricted issuance or renewal  
27 of the license without prejudice to a later judicial determination  
28 of the amount of support arrearages, including interest, and shall  
29 specify payment terms, compliance with which are necessary to  
30 allow the release to remain in effect.

31 (l) The department shall prescribe release forms for use by local  
32 child support agencies. When the obligor is in compliance, the  
33 local child support agency shall mail to the applicant and the  
34 appropriate board a release stating that the applicant is in  
35 compliance. The receipt of a release shall serve to notify the  
36 applicant and the board that, for the purposes of this section, the  
37 applicant is in compliance with the judgment or order for support.  
38 Any board that has received a release from the local child support  
39 agency pursuant to this subdivision shall process the release within  
40 five business days of its receipt.

1 If the local child support agency determines subsequent to the  
2 issuance of a release that the applicant is once again not in  
3 compliance with a judgment or order for support, or with the terms  
4 of repayment as described in this subdivision, the local child  
5 support agency may notify the board, the obligor, and the  
6 department in a format prescribed by the department that the  
7 obligor is not in compliance.

8 The department may, when it is economically feasible for the  
9 department and the boards to develop an automated process for  
10 complying with this subdivision, notify the boards in a manner  
11 prescribed by the department, that the obligor is once again not in  
12 compliance. Upon receipt of this notice, the board shall  
13 immediately notify the obligor on a form prescribed by the  
14 department that the obligor's license will be suspended on a  
15 specific date, and this date shall be no longer than 30 days from  
16 the date the form is mailed. The obligor shall be further notified  
17 that the license will remain suspended until a new release is issued  
18 in accordance with subdivision (h). Nothing in this section shall  
19 be deemed to limit the obligor from seeking judicial review of  
20 suspension pursuant to the procedures described in subdivision  
21 (k).

22 (m) The department may enter into interagency agreements with  
23 the state agencies that have responsibility for the administration  
24 of boards necessary to implement this section, to the extent that it  
25 is cost effective to implement this section. These agreements shall  
26 provide for the receipt by the other state agencies and boards of  
27 federal funds to cover that portion of costs allowable in federal  
28 law and regulation and incurred by the state agencies and boards  
29 in implementing this section. Notwithstanding any other provision  
30 of law, revenue generated by a board or state agency shall be used  
31 to fund the nonfederal share of costs incurred pursuant to this  
32 section. These agreements shall provide that boards shall reimburse  
33 the department for the nonfederal share of costs incurred by the  
34 department in implementing this section. The boards shall  
35 reimburse the department for the nonfederal share of costs incurred  
36 pursuant to this section from moneys collected from applicants  
37 and licensees.

38 (n) Notwithstanding any other law, in order for the boards  
39 subject to this section to be reimbursed for the costs incurred in  
40 administering its provisions, the boards may, with the approval of

1 the appropriate department director, levy on all licensees and  
2 applicants a surcharge on any fee or fees collected pursuant to law,  
3 or, alternatively, with the approval of the appropriate department  
4 director, levy on the applicants or licensees named on a certified  
5 list or supplemental list, a special fee.

6 (o) The process described in subdivision (h) shall constitute the  
7 sole administrative remedy for contesting the issuance of a  
8 temporary license or the denial or suspension of a license under  
9 this section. The procedures specified in the administrative  
10 adjudication provisions of the Administrative Procedure Act  
11 (Chapter 4.5 (commencing with Section 11400) and Chapter 5  
12 (commencing with Section 11500) of Part 1 of Division 3 of Title  
13 2 of the Government Code) shall not apply to the denial,  
14 suspension, or failure to issue or renew a license or the issuance  
15 of a temporary license pursuant to this section.

16 (p) In furtherance of the public policy of increasing child support  
17 enforcement and collections, on or before November 1, 1995, the  
18 State Department of Social Services shall make a report to the  
19 Legislature and the Governor based on data collected by the boards  
20 and the district attorneys in a format prescribed by the State  
21 Department of Social Services. The report shall contain all of the  
22 following:

23 (1) The number of delinquent obligors certified by district  
24 attorneys under this section.

25 (2) The number of support obligors who also were applicants  
26 or licensees subject to this section.

27 (3) The number of new licenses and renewals that were delayed,  
28 temporary licenses issued, and licenses suspended subject to this  
29 section and the number of new licenses and renewals granted and  
30 licenses reinstated following board receipt of releases as provided  
31 by subdivision (h) by May 1, 1995.

32 (4) The costs incurred in the implementation and enforcement  
33 of this section.

34 (q) Any board receiving an inquiry as to the licensed status of  
35 an applicant or licensee who has had a license denied or suspended  
36 under this section or has been granted a temporary license under  
37 this section shall respond only that the license was denied or  
38 suspended or the temporary license was issued pursuant to this  
39 section. Information collected pursuant to this section by any state  
40 agency, board, or department shall be subject to the Information

1 Practices Act of 1977 (Chapter 1 (commencing with Section 1798)  
2 of Title 1.8 of Part 4 of Division 3 of the Civil Code).

3 (r) Any rules and regulations issued pursuant to this section by  
4 any state agency, board, or department may be adopted as  
5 emergency regulations in accordance with the rulemaking  
6 provisions of the Administrative Procedure Act (Chapter 3.5  
7 (commencing with Section 11340) of Part 1 of Division 3 of Title  
8 2 of the Government Code). The adoption of these regulations  
9 shall be deemed an emergency and necessary for the immediate  
10 preservation of the public peace, health, and safety, or general  
11 welfare. The regulations shall become effective immediately upon  
12 filing with the Secretary of State.

13 (s) The department and boards, as appropriate, shall adopt  
14 regulations necessary to implement this section.

15 (t) The Judicial Council shall develop the forms necessary to  
16 implement this section, except as provided in subdivisions (f) and  
17 (l).

18 (u) The release or other use of information received by a board  
19 pursuant to this section, except as authorized by this section, is  
20 punishable as a misdemeanor.

21 (v) The State Board of Equalization shall enter into interagency  
22 agreements with the department and the Franchise Tax Board that  
23 will require the department and the Franchise Tax Board to  
24 maximize the use of information collected by the State Board of  
25 Equalization, for child support enforcement purposes, to the extent  
26 it is cost effective and permitted by the Revenue and Taxation  
27 Code.

28 (w) (1) The suspension or revocation of any driver's license,  
29 including a commercial driver's license, under this section shall  
30 not subject the licensee to vehicle impoundment pursuant to Section  
31 14602.6 of the Vehicle Code.

32 (2) Notwithstanding any other law, the suspension or revocation  
33 of any driver's license, including a commercial driver's license,  
34 under this section shall not subject the licensee to increased costs  
35 for vehicle liability insurance.

36 (x) If any provision of this section or the application thereof to  
37 any person or circumstance is held invalid, that invalidity shall not  
38 affect other provisions or applications of this section which can  
39 be given effect without the invalid provision or application, and  
40 to this end the provisions of this section are severable.

1 (y) All rights to administrative and judicial review afforded by  
2 this section to an applicant shall also be afforded to a licensee.

3 ~~SEC. 3.~~

4 *SEC. 11.* Section 19528 of the Revenue and Taxation Code is  
5 amended to read:

6 19528. (a) Notwithstanding any other law, the Franchise Tax  
7 Board may require any board, as defined in Section 22 of the  
8 Business and Professions Code, and the State Bar, the Bureau of  
9 Real Estate, and the Insurance Commissioner (hereinafter referred  
10 to as licensing board) to provide to the Franchise Tax Board the  
11 following information with respect to every licensee:

12 (1) Name.

13 (2) Address or addresses of record.

14 (3) Federal employer identification number, if the licensee is a  
15 partnership, or the licensee's individual taxpayer identification  
16 number or social security number of all other licensees.

17 (4) Type of license.

18 (5) Effective date of license or renewal.

19 (6) Expiration date of license.

20 (7) Whether license is active or inactive, if known.

21 (8) Whether license is new or renewal.

22 (b) The Franchise Tax Board may do the following:

23 (1) Send a notice to any licensee failing to provide the federal  
24 employer identification number, individual taxpayer identification  
25 number, or social security number as required by subdivision (a)  
26 of Section 30 of the Business and Professions Code and subdivision  
27 (a) of Section 1666.5 of the Insurance Code, describing the  
28 information that was missing, the penalty associated with not  
29 providing it, and that failure to provide the information within 30  
30 days will result in the assessment of the penalty.

31 (2) After 30 days following the issuance of the notice described  
32 in paragraph (1), assess a one-hundred-dollar (\$100) penalty, due  
33 and payable upon notice and demand, for any licensee failing to  
34 provide either its federal employer identification number (if the  
35 licensee is a partnership) or his or her individual taxpayer  
36 identification number or social security number (for all others) as  
37 required in Section 30 of the Business and Professions Code and  
38 Section 1666.5 of the Insurance Code.

39 (c) Notwithstanding Chapter 3.5 (commencing with Section  
40 6250) of Division 7 of Title 1 of the Government Code, the

1 information furnished to the Franchise Tax Board pursuant to  
2 Section 30 of the Business and Professions Code or Section 1666.5  
3 of the Insurance Code shall not be deemed to be a public record  
4 and shall not be open to the public for inspection.

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AMENDED IN ASSEMBLY AUGUST 19, 2014

AMENDED IN ASSEMBLY AUGUST 11, 2014

AMENDED IN ASSEMBLY JUNE 30, 2014

AMENDED IN SENATE MAY 13, 2014

AMENDED IN SENATE APRIL 7, 2014

**SENATE BILL**

**No. 1226**

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**Introduced by Senator Correa**

*(Coauthors: Assembly Members Chávez and Patterson)*

February 20, 2014

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An act to amend Section 7574.18 of, and to add Section 115.4 to, the Business and Professions Code, relating to veterans.

LEGISLATIVE COUNSEL'S DIGEST

SB 1226, as amended, Correa. Veterans: professional licensing.

Under existing law, boards within the Department of Consumer Affairs license and regulate persons practicing various healing arts, professions, vocations, and businesses, including accountants, dentists, proprietary security services, and real estate brokers. Existing law requires a board to expedite the licensure process for an applicant who holds a current license in another state, district, or territory of the United States in the profession or vocation for which he or she seeks a license from the board, if the applicant is married to, or in a domestic partnership or other 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.

This bill, on and after July 1, 2016, would require a board to expedite, or when applicable assist, the *initial* licensure process for an applicant

who supplies satisfactory evidence to the board that he or she has served as an active duty member of the Armed Forces of the United States and was honorably discharged.

Existing law requires a person registered and hired as a proprietary private security officer to complete training in security officer skills within 6 months of registration being issued or being employed, except as specified.

This bill would authorize submission of Verification of Military Experience and Training (VMET) records showing the person has completed ~~comparable~~ *equivalent* military training in lieu of completing a course of training in security officer skills. The bill would require the department to determine the type of equivalent military training that qualifies to serve as a substitute.

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 115.4 is added to the Business and  
2 Professions Code, to read:

3 115.4. (a) Notwithstanding any other law, on and after July 1,  
4 2016, a board within the department shall expedite, and may assist,  
5 the *initial* licensure process for an applicant who supplies  
6 satisfactory evidence to the board that the applicant has served as  
7 an active duty member of the Armed Forces of the United States  
8 and was honorably discharged.

9 (b) A board may adopt regulations necessary to administer this  
10 section.

11 SEC. 2. Section 7574.18 of the Business and Professions Code  
12 is amended to read:

13 7574.18. (a) Except for a person who has completed the course  
14 of training required by Section 7583.45, a person registered and  
15 hired as a proprietary private security officer shall complete training  
16 in security officer skills within six months from the date upon  
17 which registration is issued, or within six months of his or her  
18 employment with a proprietary private security employer.

19 (b) (1) Except as provided in paragraph (2), a course provider  
20 shall issue a certificate to a proprietary private security officer  
21 upon satisfactory completion of a required course, conducted in  
22 accordance with the department’s requirements.

1 (2) If a proprietary private security employer administers a  
2 course of training pursuant to this section, that proprietary private  
3 security employer shall issue a certificate to a proprietary private  
4 security officer for the completion of training in security officer  
5 skills that each proprietary private security officer is required to  
6 complete, as determined by the department, including, but not  
7 limited to, power-to-arrest training. However, the employer shall  
8 not be required to provide a certificate for training courses provided  
9 pursuant to a curriculum adopted by the department that are specific  
10 to that employer's business and where the subject of training is  
11 not specifically required by the department.

12 (c) An employer of a proprietary private security officer may  
13 provide training programs and courses in addition to the training  
14 required in this section.

15 (d) The department shall develop and establish by regulation a  
16 standard course and curriculum, which shall include a minimum  
17 number of hours of instruction, for the skills training required by  
18 subdivision (a) to promote and protect the safety of persons and  
19 the security of property. For this purpose, the regulations adopted  
20 by the department pursuant to Section 7574.5, as added by Chapter  
21 721 of the Statutes of 2007, are continued in existence, and shall  
22 be amended by the department as necessary.

23 (e) The course of training required by subdivision (a) may be  
24 administered, tested, and certified by any proprietary private  
25 security employer, organization, or school approved by the  
26 department. The department may approve any proprietary private  
27 security employer, organization, or school to teach the course.

28 (f) (1) A proprietary private security employer shall annually  
29 provide each employee registered pursuant to this chapter with  
30 specifically dedicated review or practice of security officer skills  
31 prescribed in the training required in this section. The bureau shall  
32 adopt and approve by regulation the minimum number of hours  
33 required for annual review.

34 (2) A proprietary private security employer shall maintain at  
35 the principal place of business or branch office a record verifying  
36 completion of the review or practice training for a period of not  
37 less than two years. The records shall be available for inspection  
38 by the department upon request.

39 (g) This section does not apply to a peace officer, as defined in  
40 Chapter 4.5 (commencing with Section 830) of Title 3 of Part 2

1 of the Penal Code, who has successfully completed a course of  
2 study in the exercise of the power to arrest approved by the  
3 Commission on Peace Officer Standards and Training. This section  
4 does not apply to armored vehicle guards.

5 (h) A person registered and hired as a proprietary private security  
6 officer may submit Verification of Military Experience and  
7 Training (VMET) records that document that the person has  
8 completed equivalent military training in lieu of completing a  
9 course of training in security officer skills pursuant to subdivision

10 (a). The department shall determine the type of equivalent military  
11 training that qualifies to serve as a substitute.

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ASSISTANT TREASURER-TAX COLLECTOR  
ADMINISTRATION

**TOMAS VARGAS**  
ASSISTANT TREASURER-TAX COLLECTOR  
INVESTMENTS

August 27, 2014

Members of the California State Senate  
State Capitol  
Sacramento, CA 95814

**Bill: AB 2415**  
**Position: OPPOSE UNLESS AMENDED**

Dear Senators:

As a CPA and as the Orange County Treasurer, I write to inform you of my position of oppose, unless amended, on AB 2415 (Ting) regarding property tax agents.

AB 2415 would establish a statewide structure for the regulation of Property Tax Agents. Property Tax Agents come from a variety of disciplines, including attorneys, certified public accountants (CPA), realtors, mortgage brokers, and former employees of a county assessor's office. While this regulatory scheme may be well-warranted, I believe the bill is flawed by including CPAs in this proposal.

CPAs are already regulated by the California Board of Accountancy (CBA). The CBA's mission is consumer protection, which it accomplishes through its licensing and enforcement functions. This bill would impose a second state registration requirement on CPAs performing property tax agent work regardless of the fact that they are already licensed and regulated by the CBA for any work they perform while using the CPA designation. I join the CBA in requesting an amendment to exempt CPAs from this bill as they are already regulated and held to professional standards by the CBA.

Sincerely,

Shari L. Freidenrich, CPA, CCMT, CPFA, ACPFIM  
Treasurer-Tax Collector

cc: Assembly Member Philip Ting  
Anna Caballero, Secretary, Business, Consumer Services, and Housing Agency  
Awet Kidane, Director, Department of Consumer Affairs

*Mission: Ensure safe and timely receipt, deposit, collection and investment of public funds.*



1201 "K" Street, Ste. 1000  
Sacramento, CA 95814  
(916) 441-5351  
[www.calcpa.org](http://www.calcpa.org)

August 27, 2014

The Honorable Jerry Brown  
Governor of California  
State Capitol  
Sacramento, CA 95814

**RE: SB 1467 (Committee on BP&ED)**

**SUPPORT**

Dear Governor Brown,

On behalf of the 40,000 members of the California Society of CPAs, we urge you to sign SB 1467, which is an omnibus bill containing legislative provisions requested by the California Board of Accountancy (CBA). These non-controversial legislative changes are necessary for the CBA to continue to regulate the CPA profession and ensure consumer protection.

SB 1467 is a consensus measure with no known opposition. We respectfully request your signature on SB 1467. Please do not hesitate to contact us should you have any questions.

Best regards,

A handwritten signature in black ink, appearing to read "Bruce C. Allen".

Bruce C. Allen, Director  
Government Relations

cc: The Honorable Ted Lieu



**DEPARTMENT OF CONSUMER AFFAIRS**  
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Attachment 6

August 22, 2014

Governor Edmund G. Brown  
State Capitol  
Sacramento, CA 95814

**Bill: AB 1702**  
**Position: SUPPORT**

Dear Governor Brown:

The California Board of Accountancy (CBA) has taken a support position on AB 1702.

AB 1702 provides that an individual who satisfies any licensure requirements while incarcerated, applies for a license following release, and is otherwise eligible for a license cannot have their application for a license delayed or denied solely due to their previous status of incarceration.

While the CBA does not delay or deny a license solely on an incarceration, this bill reinforces the CBA's current practice of evaluating an applicant's prior convictions based on substantial relationship to the practice of public accountancy and not based on incarceration.

For this reason, the CBA requests that you sign AB 1702.

Sincerely,

Michael M. Savoy, CPA  
CBA President

c: Assembly Member Brian Maienschein  
Members, California Board of Accountancy  
Patti Bowers, Executive Officer

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August 22, 2014

Governor Edmund G. Brown  
State Capitol  
Sacramento, CA 95814

**Bill: AB 2058**  
**Position: VETO**

Dear Governor Brown:

The California Board of Accountancy (CBA) has taken an oppose position on AB 2058.

AB 2058 would require that a standing advisory committee of less than three members publicly notice its meetings. It defines a standing committee as one that has a continuing subject matter jurisdiction or has a meeting schedule fixed by a state body. According to the bill, a standing advisory committee's membership composition does not matter. The new provisions use the phrase, "fewer than three individuals," and, "irrespective of their composition." When taken together this would appear to exclude even a single member from acting in an advisory body capacity without public notice.

This bill would prevent the CBA, and all of its various committees, from asking one or two members to review a document, draft a letter, provide expert analysis, or work on legal language without giving public notice. Under current law, all of these, and any other advisory activities of these one or two members are already vetted and voted upon in a publically noticed meeting of the whole committee or board.

AB 2058 would prevent the CBA's Vice-President from performing his or her duties such as reviewing applications for those seeking positions on various CBA committees in order to provide a recommendation to the CBA on which applicants should be appointed without publically noticing his or her doing so. This bill would also appear to eliminate individual board member visits to Legislators in support of any board business as it would be impractical, if not impossible, to publically notice legislative visits.

In addition, making advisory activities of one or two members open as a public meeting will greatly increase costs as a staff member would need to travel to attend the meeting for the purpose of recording minutes. Agencies would also need to contract for meeting space that would be able to accommodate the public,

August 21, 2014  
Page 2

thus incurring further costs. The ongoing annual cost to the CBA is estimated to be over \$89,000.

The CBA truly appreciates the goal of this bill to increase public participation and government transparency. The CBA has unilaterally taken several steps to increase its transparency. However, the CBA believes that the advisory activities of one or two members are already given complete transparency and the chance for public input when they are fully vetted and voted upon in forums that are already open to the public.

For these reasons, the CBA requests that you veto AB 2058.

Sincerely,

Michael M. Savoy, CPA  
CBA President

c: Assembly Member Scott Wilk  
Members, California Board of Accountancy  
Patti Bowers, Executive Officer



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August 27, 2014

Governor Edmund G. Brown  
State Capitol  
Sacramento, CA 95814

**Bill: AB 2396**  
**Position: VETO**

Dear Governor Brown:

The California Board of Accountancy (CBA) has taken an oppose position on AB 2396.

AB 2396 would prohibit a board from denying a license based solely on a conviction that has been dismissed.

The CBA has a provision in Business and Professions Code (BPC) section 5106 which specifically grants the CBA the authority to deny a license based on a conviction irrespective of a subsequent order such as a dismissal. This language allows the CBA to deny, as an example, licensure as a certified public accountant to an individual who has been convicted of crimes such as fraud or embezzlement regardless of whether such a conviction has been expunged. This provision was placed in the CBA's law in order to protect consumers.

Because AB 2396 includes the language stating, "notwithstanding any other provisions of this code," AB 2396 would supersede BPC section 5106, and the CBA would no longer be able to protect consumers in this manner. AB 2396 would remove license denial as an enforcement tool for consumer protection in these cases.

For this reason, the CBA strongly urges you to veto AB 2396.

Sincerely,

Michael M. Savoy, CPA  
CBA President

c: Assembly Member Rob Bonta  
Members, California Board of Accountancy  
Patti Bowers, Executive Officer

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August 26, 2014

Governor Edmund G. Brown  
State Capitol  
Sacramento, CA 95814

**Bill: AB 2415**  
**Position: VETO**

Dear Governor Brown:

The California Board of Accountancy (CBA) opposes AB 2415. This bill would establish a statewide structure for the regulation of Property Tax Agents. Property Tax Agents come from a variety of disciplines, including attorneys, certified public accountants (CPA), realtors, mortgage brokers and former employees of a county assessor's office.

This bill would impose a second state registration requirement on CPAs performing property tax agent work regardless of the fact that they are already licensed and regulated by the CBA for any work they perform while using the CPA designation. The CBA requested that the bill exempt CPAs as they are already regulated and held to professional standards by the CBA.

CPAs have been providing property tax representation since 1796, and this professional service provided by CPAs has been regulated by the CBA since 1901. The CBA's mission is consumer protection, which it rigorously pursues, whether the CPA is performing an audit, preparing an individual's tax return, or representing a business before a county assessor.

This bill came about due to a scandal in the Los Angeles County Assessor's office. Yet despite the fact that they were not CPAs, this bill places CPAs alongside those who were involved. If a CPA had been a part of this, the CBA already had the authority to take action in the case, and would have promptly done so.

Finally, AB 2415 could be perceived to minimize the role of the CBA as it does not provide for notification of the CBA if a CPA is found to be in violation of the applicable provisions of the Business and Professions Code or CBA Regulations. This is a serious flaw in the bill's consumer protection provisions. If the Secretary of State takes action under section 22260.7(d) against a licensee of the CBA, the CBA is not notified, and that licensee could continue practicing as a CPA in California, potentially putting other consumers at risk.

Governor Edmund G. Brown

August 26, 2014

Page 2

The CBA's statutory responsibility is to ensure that California consumers are protected from CPAs who do not follow professional standards. The CBA has been successfully protecting consumers from CPAs acting as property tax agents for over 100 years. This bill unnecessarily adds other agencies and confusion into that process. It is for these reasons that the CBA strongly urges you to veto AB 2415.

Sincerely,

Michael M. Savoy, CPA  
CBA President

c: Assembly Member Philip Ting  
Members, California Board of Accountancy  
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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June 18, 2014

Governor Edmund G. Brown  
State Capitol  
Sacramento, CA 95814

**Bill: AB 2720**  
**Position: SUPPORT**

Dear Governor Brown:

At its May 29, 2014 meeting, the California Board of Accountancy (CBA) voted to take a support position on AB 2720.

AB 2720 would require a state body to publicly report any action taken and the vote or abstention on that action of each member present.

Pursuant to Business and Professions Code section 5017.1, the CBA keeps minutes which are publically posted on the CBA website. As a normal part of keeping those minutes, the CBA already complies with this proposed legislation. The CBA also supports the increased transparency in government that this bill represents.

For this reason, the CBA requests your signature on AB 2720.

Sincerely,

Michael M. Savoy, CPA  
CBA President

c: Assembly Member Philip Ting  
Members, California Board of Accountancy  
Patti Bowers, Executive Officer



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September 4, 2014

Governor Edmund G. Brown  
State Capitol  
Sacramento, CA 95814

**Bill: SB 1467**  
**Position: SUPPORT**

Dear Governor Brown:

The California Board of Accountancy (CBA) has taken a support position on SB 1467, which contains non-controversial provisions for boards under the Department of Consumer Affairs.

Specifically, SB 1467 contains four provisions requested by the CBA.

1. It authorizes the CBA to collect, but not require, an email address from applicants or licensees renewing a license, and it provides that an email address collected by the CBA shall be treated as confidential.
2. It authorizes the CBA to, by regulation, allow experience in academia to satisfy the one-year experience requirement for a CPA license.
3. It clarifies that a CPA who is licensed in another state and who holds and exercises a practice privilege in California, must notify the CBA in writing within 30 days of any pending criminal charges.
4. It corrects a drafting error by moving the requirement that the CBA consult with the Public Company Accounting Oversight Board and the United States Securities and Exchange Commission to practice privilege requirements which are in effect until January 1, 2019.

In addition, SB 1467 makes changes regarding the Governor's appointments to the CBA. Although the CBA did not request this particular change, it is in support of this portion of the bill as well, as it will give the Governor greater flexibility when making appointments to the CBA.

For these reasons, the CBA requests your signature on SB 1467.

Sincerely,

Michael M. Savoy, CPA  
CBA President

c: Senate Business, Professions and Economic Development Committee  
Members, California Board of Accountancy  
Patti Bowers, Executive Officer

**DEPARTMENT OF CONSUMER AFFAIRS**

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**CBA Item IV.F.**

September 18-19, 2014

**Update on the CBA 2013-2015 Communications and Outreach Plan****Presented by:** Lauren Hersh, Information & Planning Manager**Date:** September 3, 2014**Purpose of the Item**

The purpose of this agenda item is to keep the California Board of Accountancy (CBA) informed of communications and outreach efforts and activities.

**Action(s) Needed**

No specific action is required on this 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****Outreach**

“So You Want to Be an Accountant?” is a live and webcast outreach event created by CBA staff in partnership with the CalCPA Institute. Geared toward accounting students, educators and CPA candidates, this event will be held on September 17, 2014, at the University of San Diego. Among the presenters are CBA President Michael M. Savoy, CPA, Executive Officer Patti Bowers, and Licensing Division Chief Dominic Franzella, and Exam and Practice Privilege Manager Jenny Sheldon.

Partnering with the CalCPA Institute, the event will be webcast with an online interactive component which allows those registered for the webcast to ask questions. This two-hour informative event will give future CPAs a view of what they can expect from initial application through their first renewal.

Staff has held several encouraging discussions with public information officers at the State Controller’s Office (SCO) and Franchise Tax Board (FTB) regarding potential opportunities for outreach collaboration. The SCO staff was interested in partnering with the CBA to share in distributing our respective consumer protection messages, as well as those of interest to our licensees, such as peer review reporting and fingerprinting. Both agencies are interested in providing our newly updated Consumer Assistance Booklet at their consumer outreach events this fall. Staff will provide additional information when events are calendared. CBA staff is also looking into a

## Update on the CBA 2013-2015 Communications and Outreach Plan

Page 2

possible interagency agreement with the FTB for production of future CBA YouTube videos.

### Social Media

CBA and CalCPA staff launched a social media campaign to market “So You Want to Be a CPA?” in order to drive registration for the event. On a more general basis, social media traffic and engagement seems to be on the upswing as students head back to class and summer draws to a close. At this writing, the CBA has 2,751 Facebook fans, 1,482 Twitter followers, and 621 direct LinkedIn connections. Once again, the CBA has received recognition for its tweets, including one on August 11, 2014 asking “What Is Your Fraud IQ?” with a link to a Journal of Accountancy article on the topic on spotting fraud which was ranked as the 17<sup>th</sup> most engaging tweet that day from California government and one on August 18, 2014 that read “Offering your clients financial planning services? #CPAs must meet new standards as of July 1, 2014. UPDATE pg. 8. <http://www.dca.ca.gov/cba/updates/update75.pdf> ...” was ranked 24th most engaging tweet that day from California government.

### Press Releases

The chart below illustrates the number of press advisories, topical news releases and enforcement press releases issued in 2012, 2013, and to date for 2014. News releases and press advisories are now being shared via social media as well as through traditional distribution methods. In addition to reaching reporters who follow us on Twitter, social media distribution provides the public with another opportunity to access information directly from the CBA.

<b>Press Releases</b>	<b>2012</b>	<b>2013</b>	<b>2014*</b>
Press advisories & topical news releases	19	19	14
Enforcement press releases	35	56	25
<b>Total</b>	<b>54</b>	<b>75</b>	<b>39</b>

\*as of 9/3/2014

### E-News

E-News subscriptions have increased by 117 since the last report. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest. The increases are reflected in the number of total subscriptions.

<b>List Name</b>	<b>External</b>	<b>Internal</b>	<b>Total</b>
California Licensee	9,511	57	9,568
Consumer Interest	4,382	60	4,442
Examination Applicant	2,852	47	2,899
Licensing Applicant	3,485	50	3,535
Out-of-State Licensee	2,288	51	2,339
Statutory and Regulatory	7,645	66	7,711

## Update on the CBA 2013-2015 Communications and Outreach Plan

Page 3

<b>List Name</b>	<b>External</b>	<b>Internal</b>	<b>Total</b>
CBA Meeting Info & Agenda Materials	3,556	48	3,604
UPDATE Publication	7,202	29	7,231
<b>Total subscriptions</b>	<b>40,921</b>	<b>408</b>	<b>41,329</b>

### PUBLICATIONS

The Spring/Summer edition of UPDATE was posted on July 24, 2014 and mailed out August 7 and 8, 2014. The writing of articles for the Fall edition is underway. Articles include:

- Attest Study
- CBA Annual Report
- Committee Recruitment
- Citations on the Website
- Continuing Education Deficiencies
- CPA Exam Practice Analysis
- Sunset Review
- Unregistered Corporations

The content for the new Consumer Protection Booklet has been finalized. While a fresh design is planned for the booklet, staff will be having a small batch printed using the current design with the new content so it will be available for outreach purposes this fall.

### Fiscal/Economic Impact Considerations

None.

### Recommendation

None.



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**CBA Item V.A.**  
September 18, 2014

**Regulation Hearing Regarding Title 16, California Code of Regulations (CCR)  
Sections 12, 12.5, and 37 – Continuing Education for Licensure with Experience  
Obtained Five Years or More Prior to Application or With a Cancelled License**

**Presented by:** Matthew Stanley, Legislative and Regulatory Coordinator  
**Date:** August 20, 2014

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**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**

Effective January 1, 2014, CBA Regulations sections 12, 12.5, and 37 specify that an applicant who is applying with experience obtained five or more years prior to application and who has not passed the Uniform Certified Public Accountant Examination during this five-year period or an applicant who is applying for reissuance following cancellation of a license shall be required to complete 80 hours of continuing education (CE) within two years preceding receipt of application by the CBA.

At its May 2014 meeting, the CBA directed staff to move forward with the rulemaking process to revise CBA Regulations sections 12, 12.5, and 37 to change the window in which CE must be completed. This proposal would allow applicants to complete all of the required hours in the two-years preceding the approval of application by the CBA.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on July 15, 2014 and published on July 25, 2014, thus initiating the required 45-day public comment period. September 8, 2014, marks the end of the public comment period, and on September 18, 2014, during the CBA meeting, a public hearing will be conducted on the proposed action.

**Comments**

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

- Notice of Proposed Action (**Attachment 1**)
- Proposed Regulatory Language (**Attachment 2**)
- Initial Statement of Reasons (**Attachment 3**)

**Regulation Hearing Regarding Title 16, California Code of Regulations (CCR)  
Sections 12, 12.5, and 37 – Continuing Education for Licensure with Experience  
Obtained Five Years or More Prior to Application or With a Cancelled License**  
Page 2 of 2

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

**Recommendation**

None.

**Attachments**

1. Notice of Proposed Action
2. Proposed Regulatory Language
3. Initial Statement of Reasons

## TITLE 16. California Board of Accountancy

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (CBA) 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 Declan Suites San Diego, 701 A Street, San Diego, California 92101, at 1:00 PM, on September 18, 2014. 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 CBA at its office not later than 5:00 p.m. on September 8, 2014 or must be received by the CBA at the hearing. The CBA, 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, 5018, 5092, 5093, and 5095 of the Business and Professions Code (BPC), and to implement, interpret, or make specific sections 5023, 5070.7, 5092, 5093, and 5095 of the Business and Professions Code, the CBA is considering changes to Division 1 of Title 16 of the California Code of Regulations (CCR) as follows:

### INFORMATIVE DIGEST

#### A. Informative Digest

Current law, CCR Title 16 sections 12 and 12.5, states that an applicant for CPA licensure who is applying with experience obtained five or more years prior to application and who has not passed the Uniform CPA Examination during this five-year period shall be required to complete 80 hours of continuing education (CE) in the two years preceding receipt of application by the CBA. CCR Title 16 section 37 states that an applicant who is applying for a reissued certificate shall, within two years prior to receipt of application, complete 80 hours of CE that meets specified requirements. Additionally, all sections state that a minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with a minimum of 12 hours in subject areas described in CCR Title 16 section 87(a)(2). This proposal would change the timeframe in which an applicant for CPA licensure can complete the 80 hours of CE to occur two years preceding approval of the application by the CBA. Additionally, current law requires an applicant to complete 20 hours of CE in the one-year period immediately preceding the receipt of the application, with a minimum of 12 hours

completed in subject areas described in section 87(a)(2). This proposal would maintain the requirement that a minimum of 12 hours be completed in subject areas described in section 87(a)(2), but would eliminate the requirement that 20 hours be completed within one year preceding receipt of application.

The regulatory proposal is as follows:

**1. Amend Section 12 of Title 16 of the California Code of Regulations**

Section 12 specifies the experience requirements for licensees applying for licensure under BPC section 5092 and 5093. This regulatory proposal would require an applicant to complete 80 hours of CE, including the minimum of 12 hours mandated in subject areas described in CCR Title 16 section 87(a)(2), in the two years preceding the date of approval of the application by the CBA.

**2. Amend Section 12.5 of Title 16 of the California Code of Regulations**

Section 12.5 specifies the experience requirements for an applicant seeking CPA licensure with the authority to sign reports on attest engagements. This regulatory proposal would require an applicant to complete 80 hours of CE, including the minimum of 12 hours mandated in subject areas described in CCR Title 16 section 87(a)(2), in two years preceding the date of approval of the application by the CBA.

**3. Amend Section 37 of Title 16 of the California Code of Regulations**

This section specifies the requirements for reissuance of a cancelled CPA license. This regulatory proposal would require an applicant applying to have their license reissued to complete 80 hours of CE, including the minimum of 12 hours mandated in subject areas described in CCR Title 16 section 87(a)(2), in two years preceding the date of approval of the application by the CBA.

**B. Policy Statement Overview/Anticipated Benefits of Proposal**

This proposal would allow an applicant for CPA licensure to complete all 80 hours in the two years preceding the CBA's approval of the application for licensure. This change will allow the CBA the ability to notify the applicant, who may have been unaware of the required CE, the opportunity to complete the required hours and avoid outright rejection of the application for noncompliance.

**C. Consistency and Compatibility with Existing State Regulations**

During the process of developing these regulations and amendments, the CBA has conducted a search of any similar regulations on this topic and has concluded that these regulations are neither inconsistent nor incompatible with existing state regulations.

**FISCAL IMPACT ESTIMATES**

**Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies**

or Costs/Savings in Federal Funding to the State: None

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. It is determined the proposed regulation will only affect a small number of CPA applicants applying or reapplying for licensure who could be eligible to obtain a job requiring a CPA license. Generally, the CBA receives 65-70 applications per year that would apply to the proposed regulations.

**AND**

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

This proposal does not change the existing CE requirement in current law. This regulatory proposal would change the timeframe in which it must be completed.

Cost Impact on Representative Private Person or Business:

The CBA is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Effect on Housing Costs: None

**EFFECT ON SMALL BUSINESS**

The CBA has determined that the proposal may affect small business.

**RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS:**

Impact on Jobs/Businesses:

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

CE helps to ensure consumers receive accounting services from CPAs who maintain currency of knowledge, proficiency, and who provide competent and ethical service in the performance of their duties. This proposal will ensure applicants understand and complete the CE requirement before the approval of their application.

CONSIDERATION OF ALTERNATIVES

The CBA 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 CBA 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 CBA at 2000 Evergreen Street, Suite 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: Andrew Breece  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone No.: (916) 561-1782  
Fax No.: (916) 263-3678  
E-Mail Address: Andrew.breece@cba.ca.gov

The backup contact person is:

Name: Matthew Stanley  
Address: California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815  
Telephone No.: (916) 561-1792  
Fax No.: (916) 263-3678  
E-Mail Address: mstanley@cba.ca.gov

Website Access: Materials regarding this proposal can be found at [http://www.dca.ca.gov/cba/laws\\_and\\_rules/pubpart.shtml](http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml).

**Proposed Regulatory Language**

**§ 12. General Experience Required Under Business and Professions Code Sections 5092 and 5093.**

(a) In order to meet the experience requirement of Section 5092 or Section 5093 of the Business and Professions Code, experience must be supervised by a person holding a valid, active license or comparable authority to practice public accounting as specified in subdivision (d) of Section 5092 or subdivision (d) of Section 5093. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3)(A) All verifications shall be submitted to the Board on Form 11A-29 (5/11) for public accounting experience or Form 11A-29A (5/11) for private industry and governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (a)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (a)(3)(A).

(b) The experience required by Section 5092 or Section 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

(c) The experience required by Section 5092 or Section 5093 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(d) An applicant who is applying with experience obtained five (5) or more years prior to application and who has not passed the Uniform CPA Examination during this five-year period shall be required to complete 80 hours of continuing education, which shall meet the following requirements:

(1) The 80 hours must be completed in the two years preceding approval of the application by the Board.

(2) All 80 hours must meet the requirements as described in Section 87.

(3) A minimum of 12 hours must be completed in subject areas described in Section 87(a)(2).

(4) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas, as described in Section 87(a)(2) and (3), for which the applicant may claim credit.

Note: Authority cited: Sections 5010, 5092 and 5093, Business and Professions Code.  
Reference: Sections 5092 and 5093, Business and Professions Code.

#### **§ 12.5. Attest Experience Under Business and Professions Code Section 5095.**

(a) To be authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095, an applicant for a California Certified Public Accountant license pursuant to Business and Professions Code Sections 5087, 5092, or 5093 or holder of an unexpired, valid, active California Certified Public Accountant license issued pursuant to Business and Professions Code Sections 5087, 5092, or 5093 shall show to the satisfaction of the Board that he or she meets the requirements of this section and Business and Professions Code Section 5095.

(1) Some or all of the experience required by Section 5095 and this section may be completed prior to issuance of the California Certified Public Accountant license. Any experience that would be qualifying for purposes of Section 5095 and this section may also serve as qualifying experience for purposes of Sections 5092 or 5093. To be qualifying for purposes of Section 5095 and this section, any experience obtained after issuance of the California Certified Public Accountant license must be obtained while the license is held in active status.

(2) A holder of an active California Certified Public Accountant license may commence signing reports on attest engagements upon receipt of notification from the Board that he or she has met the requirements of this section and Business and Professions Code Section 5095. A holder of an inactive California Certified Public Accountant license may apply under this section, but must convert the license to active status before commencing to sign reports on attest engagements.

(3) An applicant for the California Certified Public Accountant license who has met the requirements of this section and Business and Professions Code Section 5095 may commence signing reports on attest engagements upon license issuance.

(b) In order to meet the attest experience requirements of Section 5095 an applicant for or holder of a California Certified Public Accountant license shall show to the satisfaction of the Board that the applicant has completed a minimum of 500 hours of attest experience. This experience shall include all of the following:

(1) Experience in the planning of the audit including the selection of the procedures to be performed.

(2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.

(3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.

(4) Experience in the preparation of written explanations and comments on the work performed and its findings.

(5) Experience in the preparation of and reporting on full disclosure financial statements.

(c) Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

(d) In order to be qualifying, experience obtained pursuant to Section 5095 of the Business and Professions Code must be supervised by a person holding a valid active license or comparable authority to provide attest services as specified in subdivision (b) of Business and Professions Code Section 5095. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3)(A) All verifications shall be submitted to the Board on Form 11A-6A (5/11) for public accounting experience or on Form 11A-6 (5/11) for private industry or governmental

accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (d)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (d)(3)(A).

(e) In order to demonstrate the completion of qualifying experience, an applicant for or holder of a California Certified Public Accountant license may be required to appear before the Qualifications Committee to present work papers, or other evidence, substantiating that his or her experience meets the requirements of Section 5095 of the Business and Professions Code and of subsection (b) of this section.

(f) The applicant who is applying with attest experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of subsection (b) and generally accepted auditing standards. Alternatively, the applicant may acquire a minimum of 500 hours of United States experience which meets the requirements of Business and Professions Code Section 5095 and subsection (b).

(g) An applicant who is applying with experience obtained five (5) or more years prior to application and who has not passed the Uniform CPA Examination during this five-year period shall be required to complete 80 hours of continuing education, which shall meet the following requirements:

(1) The 80 hours must be completed in the two years preceding approval of the application by the Board.

(2) All 80 hours must meet the requirements as described in Section 87.

(3) The 80 hours must be completed as follows:

(A) A minimum of 12 hours must be completed in subject areas described in Section 87(a)(2).

(B) 16 hours in financial accounting standards.

(C) 16 hours in auditing standards.

(D) 8 hours in compilation and review.

(E) 8 hours in other comprehensive basis of accounting.

(F) 8 hours in the prevention, detection, and/or reporting of fraud affecting financial statements.

(4) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal.

The certificate of completion must also delineate the subject areas for which the applicant may claim credit.

(h) The experience required by Section 5092, 5093, or 5095 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

Note: Authority cited: Sections 5010 and 5095, Business and Professions Code.  
Reference: Section 5023, 5092, 5093 and 5095, Business and Professions Code.

### **§ 37. Reissuance.**

(a) A certified public accountant (CPA) whose certificate has been cancelled by the operation of Business and Professions Code Section 5070.7 may apply for and obtain a new certificate if the applicant is otherwise qualified under the provisions of Section 5070.7 and the applicant meets the requirements of subsection (b) or (c) of this section. The reissued certificate will permit the CPA to perform the same services as did the cancelled certificate except that a CPA whose cancelled certificate authorized signing reports on attest engagements may choose to be reissued a certificate that does not provide this authorization.

An applicant who is applying for a reissued certificate shall complete 80 hours of continuing education that meets the following requirements:

(1) For an applicant whose reissued certificate will authorize signing reports on attest engagements, the 80 hours must be completed as follows:

(A) The 80 hours must be completed in the two years preceding approval of the application by the Board.

(B) All 80 hours must meet the requirements as described in Section 87.

(C) Within the 80 hours, the following minimums must be met:

(i) A minimum of 12 hours must be completed in subject areas described in Section 87(a)(2).

(ii) 16 hours in financial accounting standards.

(iii) 16 hours in auditing standards.

(iv) 8 hours in compilation and review.

(v) 8 hours in other comprehensive basis of accounting.

(vi) 8 hours in the prevention, detection, and/or reporting of fraud affecting financial statements.

(2) For an applicant whose reissued certificate will not authorize signing reports on attest engagements, 80 hours must be completed as follows:

(A) The 80 hours must be completed in the two years preceding approval of the application by the Board.

(B) All 80 hours must meet the requirements as described in Section 87.

(C) A minimum of 12 hours must be completed in subject areas described in Section 87(a)(2).

(3) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas for which the applicant may claim credit.

(c) In lieu of meeting the requirements of subsection (b) of this section, the applicant may choose to retake and successfully complete the entire Uniform CPA examination.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: Section 5070.7, Business and Professions Code.

**CALIFORNIA BOARD OF ACCOUNTANCY**

**INITIAL STATEMENT OF REASONS**

Hearing Date: September 18, 2014

Subject Matter of Proposed Regulations: Continuing Education for Licensure with Experience Obtained Five Years or More Prior to Application or with a Cancelled License

Section(s) Affected: Title 16, Division 1, sections 12, 12.5, and 37

**1. Amend Section 12**

Specific Purpose of each adoption, amendment, or repeal:

1. Problem being addressed:

Currently, an applicant applying for Certified Public Accountant (CPA) licensure under section 12 with experience obtained five or more years prior to application and who has not passed the Uniform CPA Exam (CPA Exam) during this five-year period is required to complete 80 hours of continuing education (CE) within two years preceding the receipt of application by the California Board of Accountancy (CBA). Title 16, California Code of Regulations (“CBA Regulations”) section 12(d)(1) states, “all 80 hours must be completed in two years preceding receipt of application by the Board.” If an applicant is unaware of the CE requirement, it may lead to insufficient CE and a deficient application. Applicants would be required to complete CE and reapply for licensure. This proposal would resolve that problem by allowing applicants to complete the required CE in the two years preceding “approval” of the application by the board. This change would allow applicants who are unaware of the CE requirement the opportunity to address the deficiency and avoid outright rejection of the application for noncompliance with this section.

Additionally, existing law at CBA regulation 12(d)(3) states, “a minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).” Applicants unaware of the CE requirement would be similarly unable to meet the timing element of this CE requirement. This proposal would resolve that problem by removing the requirement that 20 hours

of CE be completed in the one year “immediately preceding the receipt of the application.” The 20-hour requirement is being struck to allow applicants more flexibility in completing the 80 hour requirement over a two-year period.

2. Anticipated benefits from this regulatory action:

The CBA’s regulatory proposal would allow time for the CBA to notify an applicant who applies for licensure of the CE requirement, and would allow time for the applicant to complete it. This would reduce licensing delays and increase efficiencies for applicants applying for licensure. Additionally, removing the requirement for 20 hours of CE to be completed in the one year immediately preceding the receipt of the application provides consistency with the rest of the proposed amendments to allow applicants more time to satisfy eligibility requirements.

Factual Basis/Rationale

Currently, applicants who have not met all requirements are sent a deficiency letter. CBA regulations section 71 provides that applications are abandoned “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.” The CBA’s regulatory proposal would allow time for the CBA to notify an applicant for licensure of the CE requirement if they have not completed the required hours, and provide time for the applicant to complete the CE.

**2. Amend Section 12.5**

Specific purpose of each adoption, amendment, or repeal:

1. Problem being addressed:

An applicant applying for CPA licensure with the authority to sign reports on attest engagements, with experience obtained five or more years prior to application and who has not passed the CPA Exam during this five-year period, is required to complete 80 hours of CE within two years preceding the receipt of application by the CBA. CBA Regulations section 12.5(g)(1) states, “the 80 hours must be completed in two years preceding receipt of application by the Board.” If an applicant is unaware of the CE requirement, it may lead to insufficient CE and a deficient application. Applicants would be required to complete CE and reapply for licensure. This proposal would resolve that problem by allowing applicants to complete the required CE in the two years preceding “approval” of the application by the CBA. This change would allow applicants who are unaware of the CE requirement the opportunity to address the deficiency and avoid outright rejection of the application for noncompliance

with this section.

Additionally, existing law at Section 12(g)(3)(A) states, “a minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).” Applicants unaware of the CE requirement would be unable to meet the timing element of the CE. This proposal would resolve that problem by removing the requirement that 20 hours of CE be completed in the one year “immediately preceding the receipt of the application.” The 20-hour requirement is being struck to allow applicants more flexibility in completing the 80 hour requirement over a two-year period.

2. Anticipated benefits from this regulatory action:

The CBA’s regulatory proposal would allow time for the CBA to notify an applicant who applies for licensure of the CE requirement, and would allow time for the applicant to complete it. This would reduce licensing delays and increase efficiencies for applicants applying for licensure. Additionally, removing the requirement for 20 hours of CE to be completed in the one year immediately preceding the receipt of the application provides consistency with the rest of the proposed amendments.

Factual Basis/Rationale

Currently, applicants who have not met all requirements are sent a deficiency letter. CBA regulations section 71 provides that applications are abandoned “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.” The CBA’s regulatory proposal would allow time for the CBA to notify an applicant who applies for licensure of the CE requirement if they have not completed the required hours, and provide time for the applicant to complete the CE.

**3. Amend Section 37**

Specific purpose of each adoption, amendment, or repeal:

1. Problem being addressed:

An applicant applying for reissuance of a cancelled CPA license is required to complete 80 hours of CE within two years preceding the receipt of application by the CBA. However, an applicant unaware of the CE requirement may have insufficient CE at the time of filing. CBA Regulations section 37(b) states, “An applicant who is applying for a reissued certificate shall, within two years prior to receipt of application, complete 80 hours of continuing education that meets the

following requirements.” (See also 37(b)(2)(A).) If an applicant is unaware of the CE requirement, it may lead to insufficient CE and a deficient application. Applicants would be required to complete CE and reapply for licensure. That problem is being addressed by striking the above-mentioned language and replacing it with language that only requires that the applicant “complete 80 hours of continuing education”...within two years “preceding approval” of the application by the CBA. This change would allow applicants who are unaware of the CE requirement the opportunity to address the deficiency and avoid outright rejection of the application for noncompliance with this section.

Additionally, existing law at section 37 states that, “a minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).” Applicants unaware of the CE requirement would similarly be unable to meet the timing element of the CE, which creates an inconsistency with the rest of the proposed amendments. This proposal would resolve that problem by removing the requirements that 20 hours of CE be completed in the one year “immediately preceding the receipt of the application.” The 20-hour requirement is being struck to allow applicants more flexibility in completing the 80 hour requirement over a two-year period.

2. Anticipated benefits from this regulatory action:

The CBA’s regulatory proposal would allow time for the CBA to notify an applicant who applies for licensure of the CE requirement, and would allow time for the applicant to complete it. This would reduce licensing delays and increase efficiencies for applicants applying for licensure. Additionally, removing the requirement for 20 hours of CE to be completed in the one year immediately preceding the receipt of the application provides consistency with the rest of the proposed amendments.

Factual Basis/Rationale

Currently, applicants who have not met all requirements are sent a deficiency letter. CBA Regulations section 71 provides that applications are abandoned “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.” The CBA’s regulatory proposal would allow time for the CBA to notify an applicant who applies for reissuance of a cancelled CPA license of the CE requirement, and would allow time for the applicant to complete the required hours.

Underlying Data

Technical, theoretical, or empirical studies, reports, or documents relied upon:

Minutes of the May 29, 2014 CBA's Committee on Professional Conduct Meeting  
Minutes of the May 29, 2014 CBA Meeting  
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:

This proposal does not change the existing CE requirement in current law. This regulatory proposal would change the timeframe in which it must be completed. This change would also allow applicants who are unaware of the CE requirement the opportunity to address the deficiency and avoid outright rejection of the application. This would increase efficiencies and potentially reduce licensing delays for those who wish to employ new CPAs or start new CPA firms.

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 regulatory proposal is not of sufficient magnitude to affect the creation or elimination of jobs. It only affects a small number of CPA applicants applying or reapplying for licensure who could be eligible to obtain a job requiring a CPA license. Generally, the CBA receives 65-70 applications per year that would apply to the proposed regulations.
- It will not create new business or eliminate existing businesses within the State of California because the regulatory proposal is not of sufficient magnitude to affect the creation or elimination of businesses in the State of California. It only affects a small number of CPA applicants applying or reapplying for licensure who could be eligible to obtain a job requiring a CPA license. Generally, the CBA receives 65-70 applications per year that would apply to the proposed regulations.
- It will not affect the expansion of businesses currently doing business within the State of California because the regulatory proposal is not of sufficient magnitude to affect the expansion of businesses in the State of California. It only affects a small number of CPA applicants applying or reapplying for licensure who could be eligible to obtain a job requiring a CPA license. Generally, the CBA receives 65-70 applications per year that would apply to the proposed regulations.
- This regulatory proposal benefits the health and welfare of California residents because it allows the CBA to notify an applicant for CPA licensure of required CE meant to assist licensees in maintaining currency of knowledge. This

ensures services offered to California consumers are performed in accordance with professional standards, while still allowing time for the applicant to complete the CE without reapplying.

- This regulatory proposal benefits does not affect worker safety because the regulatory proposal does not deal with worker safety.
- This regulatory proposal benefits does not affect the state's environment because the regulatory proposal does not deal with the state's environment.

### Specific Technologies or Equipment

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

### Consideration of Alternatives

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 or less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.

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

Alternative: The CBA considered not changing the CBA regulations and to continue to require applicants to complete all 80 hours of CE within two years preceding the receipt of application.

Reasons the Alternative was rejected: Requiring all 80 hours of CE to be completed within two years preceding the receipt of application does not allow applicants who have deficient CE and who are unaware of the CE requirements to correct their deficiency without reapplying.





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**CBA Item V.B.**  
September 18-19, 2014

**Discussion and Possible Action to Adopt or Amend CBA Regulation Sections 12, 12.5, and 37 – Continuing Education for Licensure with Experience Obtained Five Years or More Prior to Application or With a Cancelled License**

**Presented by:** Matthew Stanley, Legislative and Regulatory Coordinator

**Date:** August 27, 2014

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**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 amending CBA Regulations sections 12 and 12.5, regarding certified public accountant (CPA) licensure for applicants who apply with experience obtained five or more years prior to application and CBA Regulations section 37, regarding applicants applying for reissuance following cancellation of a license.

**Action(s) Needed**

The CBA will be asked to adopt the proposed changes to CBA Regulations sections 12, 12.5, and 37 (**Attachment**).

**Background**

Effective January 1, 2014, CBA Regulations sections 12, 12.5, and 37 specify that an applicant who is applying with experience obtained five or more years prior to application and who has not passed the Uniform Certified Public Accountant Examination during this five-year period or an applicant who is applying for reissuance following cancellation of a license shall be required to complete 80 hours of continuing education (CE) within two years preceding receipt of application by the CBA.

At its May 2014 meeting, the CBA directed staff to move forward with the rulemaking process to revise CBA Regulations sections 12, 12.5, and 37 to change the window in which CE must be completed. This proposal would allow applicants to complete all of the required hours in the two-years preceding the approval of application by the CBA.

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

## **Discussion and Possible Action to Adopt or Amend CBA Regulation Sections 12, 12.5, and 37 – Continuing Education for Licensure with Experience Obtained Five Years or More Prior to Application or With a Cancelled License**

Page 2 of 3

### **Comments**

Following the May 2014 CBA meeting, staff identified additional amendments for CBA consideration.

In the originally proposed amendments for CBA Regulations sections 12, 12.5, and 37, the requirement to complete 20 hours of CE in the one year immediately preceding receipt of application was eliminated; however, the requirement to complete 12 hours in technical subject areas remained. Staff are proposing that the language relating to the 12-hour technical subject matter requirement be eliminated as each section identified below already contains a provision that of the 80 hours, a minimum of 40 hours be completed in technical subject matter.

#### **CBA Regulations section 12**

CBA Regulation section 12.5(d)(2) clearly identifies that the 80 hours of CE must be completed pursuant to CBA Regulation section 87(a)(2) and 87(a)(3), specifically that a minimum of 40 hours must be completed in technical subject matter, and no more than 40 hours can be completed in non-technical subject matter.

#### **CBA Regulations Section 12.5**

CBA Regulations section 12.5(g)(3)(A-E) identifies that in order to obtain CPA licensure with the authority to sign attest engagements, 56 hours of CE must be completed in specified courses, all of which are technical subject matter. The remaining hours can be completed in either technical or non-technical subject matter as defined in CBA Regulations section 87(a)(2) and 87(a)(3).

#### **CBA Regulations Section 37**

CBA Regulation section 37(b)(1)(C)(i-v) identifies that in order to have a CPA license reissued with the authority to sign attest engagements, 56 hours of CE must be completed in specified courses, all of which are technical subject matter. The remaining hours can be completed in either technical or non-technical subject matter as defined in CBA Regulations section 87(a)(2) and 87(a)(3).

CBA Regulations section 37(b)(2)(B) clearly identifies that the 80 hours of CE must be completed pursuant to CBA Regulation section 87(a)(2) and 87(a)(3), specifically that a minimum of 40 hours must be completed in technical subject matter, and no more than 40 hours can be completed in non-technical subject matter.

For CBA Regulations sections 12, 12.5, and 37, staff are also proposing to incorporate references that the CE must meet the requirements as described in CBA Regulations section 88, which defines what programs qualify for CE.

The numbering of the regulations has also been modified to accommodate the previously described proposed amendments. Modifications to the originally proposed language are identified in double underline and ~~double strikethrough~~.

**Discussion and Possible Action to Adopt or Amend CBA Regulation Sections 12, 12.5, and 37 – Continuing Education for Licensure with Experience Obtained Five Years or More Prior to Application or With a Cancelled License**

Page 3 of 3

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

**Fiscal/Economic Impact Considerations**

None.

**Recommendation**

Staff recommend the CBA adopt the motion regarding substantive changes in order to incorporate the changes described.

**Attachment**

Amendments to the Proposed Regulatory Language, CBA Regulations Sections 12, 12.5 and 37



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**Attachment**

## **Amendments to Proposed Regulatory Language CBA Regulations Section 12, 12.5, and 37**

### **§ 12. General Experience Required Under Business and Professions Code Sections 5092 and 5093.**

(a) In order to meet the experience requirement of Section 5092 or Section 5093 of the Business and Professions Code, experience must be supervised by a person holding a valid, active license or comparable authority to practice public accounting as specified in subdivision (d) of Section 5092 or subdivision (d) of Section 5093. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3)(A) All verifications shall be submitted to the Board on Form 11A-29 (5/11) for public accounting experience or Form 11A-29A (5/11) for private industry and governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (a)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (a)(3)(A).

(b) The experience required by Section 5092 or Section 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

(c) The experience required by Section 5092 or Section 5093 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(d) An applicant who is applying with experience obtained five (5) or more years prior to application and who has not passed the Uniform CPA Examination during this five-year period shall be required to complete 80 hours of continuing education, which shall meet the following requirements:

(1) The 80 hours must be completed in the two years preceding ~~receipt~~ approval of the application by the Board.

(2) All 80 hours must meet the requirements as described in Section 87(a)(2-4) and Section 88.

~~(3) A minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with a minimum of 12 hours must be completed in subject areas described in Section 87(a)(2).~~

~~(3)~~ Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas, as described in Section 87(a)(2) and (3), for which the applicant may claim credit.

Note: Authority cited: Sections 5010, 5092 and 5093, Business and Professions Code. Reference: Sections 5092 and 5093, Business and Professions Code.

### **§ 12.5. Attest Experience Under Business and Professions Code Section 5095.**

(a) To be authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095, an applicant for a California Certified Public Accountant license pursuant to Business and Professions Code Sections 5087, 5092, or 5093 or holder of an unexpired, valid, active California Certified Public Accountant license issued pursuant to Business and Professions Code Sections 5087, 5092, or 5093 shall show to the satisfaction of the Board that he or she meets the requirements of this section and Business and Professions Code Section 5095.

(1) Some or all of the experience required by Section 5095 and this section may be completed prior to issuance of the California Certified Public Accountant license. Any experience that would be qualifying for purposes of Section 5095 and this section may also serve as qualifying experience for purposes of Sections 5092 or 5093. To be

qualifying for purposes of Section 5095 and this section, any experience obtained after issuance of the California Certified Public Accountant license must be obtained while the license is held in active status.

(2) A holder of an active California Certified Public Accountant license may commence signing reports on attest engagements upon receipt of notification from the Board that he or she has met the requirements of this section and Business and Professions Code Section 5095. A holder of an inactive California Certified Public Accountant license may apply under this section, but must convert the license to active status before commencing to sign reports on attest engagements.

(3) An applicant for the California Certified Public Accountant license who has met the requirements of this section and Business and Professions Code Section 5095 may commence signing reports on attest engagements upon license issuance.

(b) In order to meet the attest experience requirements of Section 5095 an applicant for or holder of a California Certified Public Accountant license shall show to the satisfaction of the Board that the applicant has completed a minimum of 500 hours of attest experience. This experience shall include all of the following:

(1) Experience in the planning of the audit including the selection of the procedures to be performed.

(2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.

(3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.

(4) Experience in the preparation of written explanations and comments on the work performed and its findings.

(5) Experience in the preparation of and reporting on full disclosure financial statements.

(c) Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

(d) In order to be qualifying, experience obtained pursuant to Section 5095 of the Business and Professions Code must be supervised by a person holding a valid active license or comparable authority to provide attest services as specified in subdivision (b) of Business and Professions Code Section 5095. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3)(A) All verifications shall be submitted to the Board on Form 11A-6A (5/11) for public accounting experience or on Form 11A-6 (5/11) for private industry or governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (d)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (d)(3)(A).

(e) In order to demonstrate the completion of qualifying experience, an applicant for or holder of a California Certified Public Accountant license may be required to appear before the Qualifications Committee to present work papers, or other evidence, substantiating that his or her experience meets the requirements of Section 5095 of the Business and Professions Code and of subsection (b) of this section.

(f) The applicant who is applying with attest experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of subsection (b) and generally accepted auditing standards. Alternatively, the applicant may acquire a minimum of 500 hours of United States experience which meets the requirements of Business and Professions Code Section 5095 and subsection (b).

(g) An applicant who is applying with experience obtained five (5) or more years prior to application and who has not passed the Uniform CPA Examination during this five-year period shall be required to complete 80 hours of continuing education, which shall meet the following requirements:

(1) The 80 hours must be completed in the two years preceding receipt approval of the application by the Board.

(2) All 80 hours must meet the requirements as described in Section ~~87~~ 88.

(3) The 80 hours must include, at a minimum, the following: ~~be completed as follows:~~

~~(A) A minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with A minimum of 12 hours must be completed in subject areas described in Section 87(a)(2).~~

~~(A~~B~~)~~ 16 hours in financial accounting standards.

~~(B~~C~~)~~ 16 hours in auditing standards.

~~(C~~D~~)~~ 8 hours in compilation and review.

~~(D~~E~~)~~ 8 hours in other comprehensive basis of accounting.

~~(E~~F~~)~~ 8 hours in the prevention, detection, and/or reporting of fraud affecting financial statements.

(F) 24 hours in courses that meet the requirements of Section 87(a)(2) or Section 87(a)(3).

(4) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas for which the applicant may claim credit.

(h) The experience required by Section 5092, 5093, or 5095 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

Note: Authority cited: Sections 5010 and 5095, Business and Professions Code.  
Reference: Section 5023, 5092, 5093 and 5095, Business and Professions Code.

### **§ 37. Reissuance.**

(a) A certified public accountant (CPA) whose certificate has been cancelled by the operation of Business and Professions Code Section 5070.7 may apply for and obtain a new certificate if the applicant is otherwise qualified under the provisions of Section 5070.7 and the applicant meets the requirements of subsection (b) or (c) of this section. The reissued certificate will permit the CPA to perform the same services as did the cancelled certificate except that a CPA whose cancelled certificate authorized signing reports on attest engagements may choose to be reissued a certificate that does not provide this authorization.

~~(b) An applicant who is applying for a reissued certificate shall, within two years prior to receipt of application, complete 80 hours of continuing education that meets the following requirements: An applicant who is applying for a reissued certificate shall complete 80 hours of continuing education that meets the following requirements:~~

(1) For an applicant whose reissued certificate will authorize signing reports on attest engagements, the 80 hours must be completed as follows:

(A) The 80 hours must be completed in the two years preceding ~~receipt~~ approval of the application by the Board.

(B) All 80 hours must meet the requirements as described in Section ~~87~~ 88.

(C) Within the 80 hours, the following minimums must be met:

~~(i) A minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with A minimum of 12 hours must be completed in subject areas described in Section 87(a)(2).~~

~~(ii)~~ 16 hours in financial accounting standards.

~~(iii)~~ 16 hours in auditing standards.

~~(iiiiv)~~ 8 hours in compilation and review.

~~(ivv)~~ 8 hours in other comprehensive basis of accounting.

~~(vvi)~~ 8 hours in the prevention, detection, and/or reporting of fraud affecting financial statements.

(vi) 24 hours in courses that meet the requirements of Section 87(a)(2) or Section 87(a)(3).

(2) For an applicant whose reissued certificate will not authorize signing reports on attest engagements, 80 hours must be completed as follows:

(A) The 80 hours must be completed in the two years preceding ~~receipt~~ approval of the application by the Board.

(B) All 80 hours must meet the requirements as described in Section ~~87(a)(2-4)~~ and Section 88.

~~(C) A minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with A minimum of 12 hours must be completed in subject areas described in Section 87(a)(2).~~

(3) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas for which the applicant may claim credit.

(c) In lieu of meeting the requirements of subsection (b) of this section, the applicant may choose to retake and successfully complete the entire Uniform CPA examination.

Note: Authority cited: Sections 5010 and 5018, Business and Professions Code.  
Reference: Section 5070.7, Business and Professions Code.

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**Licensee Population**

<b>Type of License</b>	<b>As of June 30, 2013</b>	<b>As of June 30, 2014</b>	<b>As of August 31, 2014</b>
CPA	87,015	90,912	91,093
PA	105	85	85
Partnership	1,431	1,460	1,465
Corporation	3,835	3,995	4,013

**Contact with CBA Stakeholders**

<b>Telephone Calls Received</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
Examination Unit	22,610	18,815	3,576
Initial Licensing Unit	24,006	27,889	3,986
License Renewal and Continuing Competency Unit	20,958	25,172	4,855
Practice Privilege Unit	921	663	83

<b>Emails Received</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
Examination Unit	11,551	10,867	2,148
Initial Licensing Unit	9,670	14,098	2,171
License Renewal and Continuing Competency Unit	9,601	14,488	2,835
Practice Privilege Unit	583	381	42

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**Examination Unit**

- The Examination Unit is presently recruiting to fill the vacant Examination and Practice Privilege Manager position and two recently vacated positions – one Retired Annuitant Staff Services Analyst and one permanent intermittent Office Technician position.

<b>CPA Examination Applications</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
<b>First-Time Sitter</b>			
Total Received	7,175	6,661	988
Total Processed	7,462	6,720	1,519
Average Days to Process	25	20	29
<b>Repeat Sitter</b>			
Total Received	18,584	17,044	2,130
Total Processed	18,685	17,455	2,267
Average Days to Process	8	6	11

<b>CPA Examination Special Requests</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
<b>Conditional Credit and Notice to Schedule Extensions*</b>			
Total Received	114	173	23
Total Completed	104	176	17
Average Days to Process	16	18	20
<b>Educational Qualification Appeals**</b>			
Total Received	40	50	3
Total Completed	37	52	3
Average Days to Process	20	22	9
<b>Special Accommodation Requests**</b>			
Total Received	69	172	14
Total Completed	69	178	19
Average Days to Process	8	12	22

\* These statistics were not tracked prior to January 1, 2013.

\*\* These statistics were not tracked prior to April 1, 2013.

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<b>New Educational Requirements Advisory Reviews</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
Total Reviews Completed	-	445	364
Met All Requirements	-	166	209
Deficient 150 Only	-	59	33
Deficient Ethics Only	-	51	27
Other Combination of Deficiencies		169	95
Approved Masters Degree	-	6	21
Average Days to Process	-	26	25

**Initial Licensing Unit**

- The Initial Licensing Unit (ILU) continues to work on a comprehensive template letter update project. The purpose of the project is to ensure that the standard communications sent by the ILU are succinct and informative.
- The Initial Licensing Unit is presently recruiting to fill two Office Technician positions.

<b>Individual License Applications</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
<b>Certified Public Accountant</b>			
Total Received	3,654	4,600	462
Total Processed	3,474	4,906	410
Average Days to Process	25	24	15
<b>Method of Licensure</b>			
Pathway 0	4	0	0
Pathway 1 – attest	416	522	41
Pathway 1 – general	543	824	40
Pathway 2 – attest	756	928	58
Pathway 2 – general	1,755	2,560	172
New Requirements – attest	n/a	17	24
New Requirements – general	n/a	55	72

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<b>Certification Requests</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
Total Received	1,073	1,039	150
Total Processed	1,073	972	55
Average Days to Process	20	22	13

<b>Firm License Applications</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
<b>Corporation</b>			
Total Received	221	210	34
Total Processed	174	200	40
Average Days to Process	14	17	14
<b>Partnership</b>			
Total Received	89	91	9
Total Processed	70	92	8
Average Days to Process	14	17	14
<b>Fictitious Name Permit</b>			
Total Received	169	183	22
Total Processed	105	139	15
Average Days to Process	14	17	14

**License Renewal and Continuing Competency Unit**

- Since retired status became effective July 1, 2014, the License Renewal and Continuing Competency (RCC) Unit has received and processed over 50 retired status applications.
- Working collaboratively with the new CORI Unit and Administration Division, the RCC Unit transitioned the retroactive fingerprint process to the CORI Unit. Staff worked in drafting workflows/flowcharts and developing and instituting a training calendar.
- The RCC Unit is presently recruiting to fill one permanent Office Technician position, one permanent Staff Services Analyst position, and one Retired Annuitant Staff Services Analyst position.

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<b>License Renewal</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
<b>Total Licenses Renewed</b>			
Certified Public Accountant	38,334	39,164	3,016
Public Accountant	25	12	2
Corporation	1,560	1,526	96
Partnership	579	572	39
<b>License Renewal Verification</b>			
CPA/PA Applications Reviewed	36,927	39,605	4,462
Deficient Applications Identified	4,064	5,659	1,139
Compliance Responses Received	3,453	4,128	1,357
Outstanding Deficiencies	558	1,510	1,242
<b>Top Three Renewal Deficiencies</b>			
1) Failure to Submit/Incomplete/Filed on Behalf of Firm – Peer Review Reporting Form	--	66%	77%
2) Failure to Submit/Incomplete License Renewal Application	--	23%	19%
3) Failure to Complete Four Hours of Ethics Continuing Education	--	11%	9%
<b>CE Audits</b>			
Licensees Selected for Audit	30	855	150
Outstanding Audits	0	484	417
Compliance Letters Sent	30	371	213
<b>Fingerprints<sup>^</sup></b>			
Notification Letters Sent	--	15,373	3,544
CORI Compliances Received	--	5,643	2,185
Non-Compliance Notifications (Audit)	--	131	51
<b>Enforcement Referrals*</b>	<b>53</b>	<b>582</b>	<b>140</b>

-- Previously, license renewal applications that were identified as deficient due to more than one reason were categorized and reported as a "multiple" deficiency. Beginning January 1, 2014 this category was expanded to provide a more accurate accounting of each deficiency type identified.

\* Enforcement Referrals include license renewal-related deficiencies such as CE, fingerprints, and peer review.

<sup>^</sup> Going forward, the fingerprint information will be provided in the Enforcement Activity Report.

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**Practice Privilege Unit**

<b>Practice Privilege</b>	<b>FY 2012/13</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
<b>Out-of-State Accounting Firm Registrations</b>			
Total Approved	--	209	25
Total Pending Review	--	0	0
Total Deficiencies Identified	--	5	5
Total Enforcement Referrals	--	10	0

- The Practice Privilege Unit welcomed Marisa Becerra as the new Practice Privilege Coordinator on July 31, 2014.
- As noted in the Examination Unit section of this report, the CBA is presently recruiting to fill the vacant Examination and Practice Privilege Manager position.

## California Board of Accountancy Enforcement Activity Report

Report as of August 31, 2014

### Complaints

1.1 – Complaints/Records of Convictions	FY 2012/13	FY 2013/14	FY 2014/15
Received	3,271	3,255	463
<i>Internal – Peer Review (Failure to Respond)</i>	1,800	1,481	0
<i>Internal – Peer Review (Other)*</i>	508	411	89
<i>Internal – All Other</i>	510	969	290
<i>External</i>	453	394	84
Assigned for Investigation	2,951	2,969	337
Closed – No Action	329	289	120
Average Days from Intake to Closure or Assignment for Investigation	3	4	5
Pending	3	0	9
Average Age of Pending Complaints (days)	3	0	2

\* Peer Review (Other) internal complaints typically include investigation of failed peer review reports, failure to comply with peer review citations, filing an incorrect Peer Review Reporting Form, or renewing a license without undergoing a peer review when a peer review is required.

### Comments

- All licensees who failed to file the Peer Review Reporting Form (PR-1) were issued a Citation during the three-year phase-in period. To date, a total of 633 licensees still have not complied with the Citation (see Chart 5.1) and an Internal – Peer Review (Other) complaint may eventually be initiated if the licensees fail to comply with the peer review citation. Please note, the three-year phase-in period ended during fiscal year 2013/14, bringing the total Peer Review (Failure to Respond) complaints to zero during the current fiscal year.
- Approximately 73 percent of the total complaints received have been assigned for investigation. This rate projects to approximately 3,380 cases at the end of the current fiscal year, slightly higher than the previous fiscal year.
- The current rate of external complaints remains relatively consistent with the two previous fiscal years: 14, 12, and 18 percent, respectively.

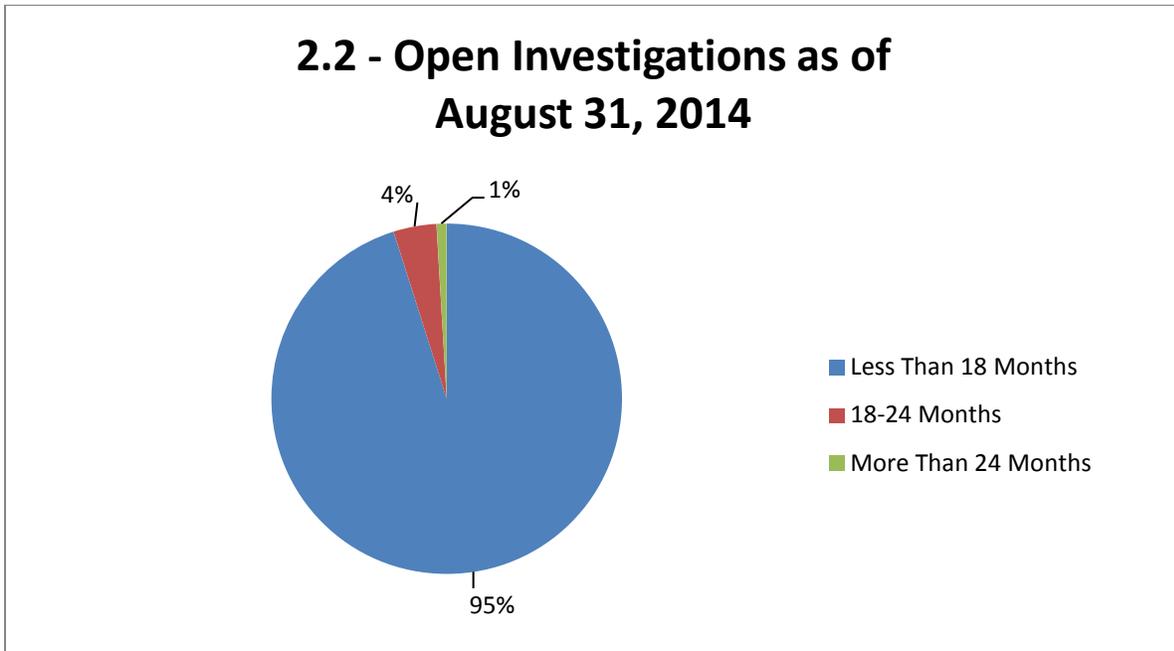
## Investigations

<b>2.1 – Investigations</b>	FY 2012/13	FY 2013/14	FY 2014/15
Assigned	2,951	2,969	337
<i>Internal – Peer Review (Failure to Respond)</i>	1,794	1,481	0
<i>Internal – Peer Review (Other)</i>	437	407	89
<i>Internal – All Other</i>	361	740	177
<i>External</i>	359	341	71
Closed	2,872	2,669	307
Average Days to Close	73	74	162
Investigations Pending	518	825	858
<i>&lt; 18 Months</i>	500	774	816
<i>18-24 Months</i>	17	42	34
<i>&gt; 24 Months</i>	1	9	8
Average Age of Open Cases (days)	166	202	202
Median Age of Open Cases (days)	104	153	150

## Comments

- The number of Investigations Pending increased from 825 to 858 since the previous report.
- The Average and Median Ages of Open Investigations remain consistent with data reflected during the previous fiscal year.
- The total number of pending investigations that are between 18 and 24 months has decreased from 42 to 34 since the previous report.
- The total number of pending investigations over 24 months decreased slightly from nine to eight since the previous report. These cases are the most complex investigations requiring additional time to resolve. The status of the eight pending investigations over 24 months are as follows:
  - One investigation is on-going.
  - One investigation is pending compliance with a subpoena.
  - Six investigations are pending Investigative Hearings.

Chart 2.2 illustrates the percentage of total open cases by length of time. Approximately 95 percent of investigations have been open for less than 18 months; four percent of investigations have been open for 18 to 24 months; and one percent of investigations have been open for more than 24 months.



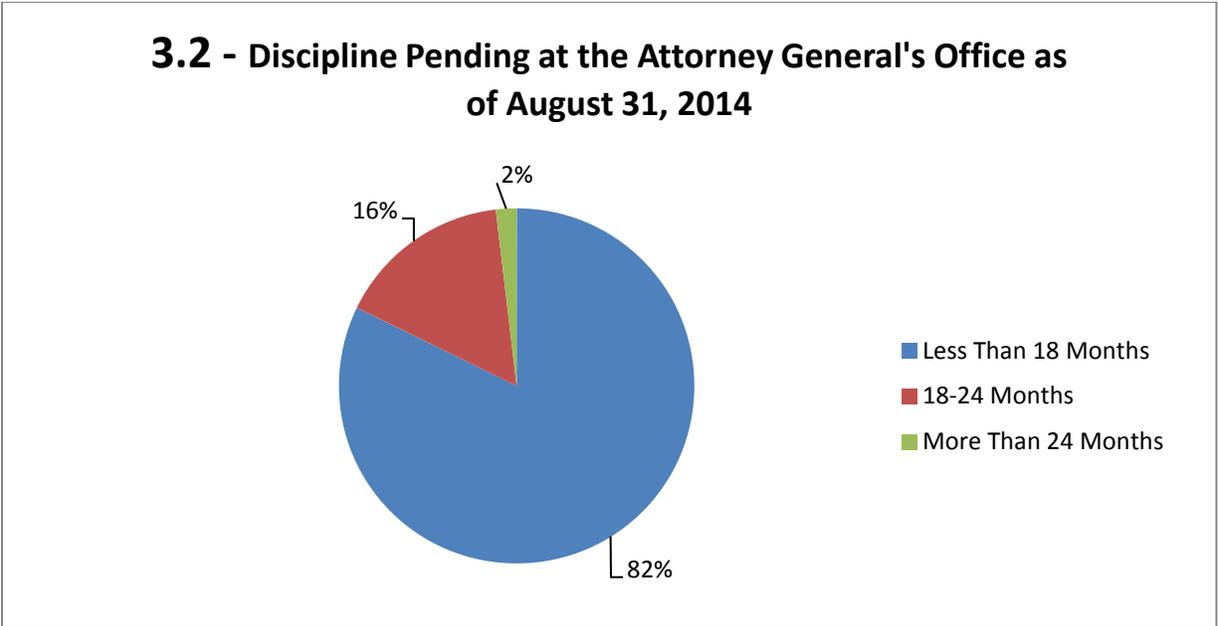
## Discipline

<b>3.1 - AG Referrals</b>	FY 2012/13	FY 2013/14	FY 2014/15
Referrals	62	74	24
Accusations Filed	50	34	7
Statements of Issues Filed	3	8	1
Petitions for Revocation of Probation Filed	3	2	0
Closed	58	31	23
<i>Via Stipulated Settlement</i>	39	21	21
<i>Via Proposed Decision</i>	5	4	0
<i>Via Default Decision</i>	14	6	2
Discipline Pending	57	95	107
<i>&lt; 18 Months</i>	52	82	88
<i>18-24 Months</i>	2	10	17
<i>&gt; 24 Months</i>	3	3	2

## Comments

- There are 23 disciplinary matters that became effective during this fiscal year: 21 via Stipulated Settlement and two via Default Decision.
- The number of investigations pending at the AG has increased from 57 in FY 2012/13 to 107 during the current fiscal year.
- There are two cases that have been at the AG's Office for more than 24 months:
  - A writ was filed with the California Superior Court in August 2012 following adoption of a proposed decision and denial of a Petition for Reconsideration in July 2012. A Superior Court hearing was held in June 2013. The Court issued a tentative decision in September 2013. However, additional testimony was taken on February 27, 2014. Arguments were heard on March 27, 2014 and the tentative decision is currently pending.
  - An administrative hearing is scheduled for September 2014.

Chart 3.2 illustrates the number of cases pending at the AG's Office by percentage. Approximately 82 percent of all CBA cases at the AG's Office have been open less than 18 months, 16 percent have been pending 18-24 months, and two percent have been pending more than 24 months.



## Citations and Fines

<b>4.1 – Citations</b>	FY 2012/13	FY 2013/14	FY 2014/15
Total Citations Issued	1,883	1,522	7
Total Fines Assessed	\$532,400	\$399,020	\$3,800
<i>Peer Review (Failure to Respond)</i>	1,800	1481	---
<i>Peer Review Fines Assessed</i>	\$450,000	\$370,250	---
<i>Other Citations</i>	83	41	7
<i>Other Fines Assessed</i>	\$82,400	\$28,770	\$3,800
<i>Other Fines Average</i>	\$993	\$702	\$543
Average number of days from receipt of a complaint to issuance of a citation	67	33	259
Top 3 Violations			
1:	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)
2:	CE Basic Requirements (Reg 87)	CE Basic Requirements (Reg 87)	Name of Firm (BPC 5060)
3:	Practice Without Permit (BPC 5050)	Name of Firm (BPC 5060)	CE Basic Requirements (Reg 87)

### Comments

- A total of seven Other Citations were issued since the previous report, with fines totaling \$3,800.
- The Other Fines Average amount of \$543 is lower than the two previous fiscal years. The fine amount assessed varies from \$100 to \$5,000 and is determined on a case-by-case basis. Factors that may increase or decrease the fine amount include aggravating or mitigating circumstances, and length of time the violation existed.
- During the previous two fiscal years, the majority of the citations were related to Peer Review (Failure to Respond). The average days to issue the peer review citation was five days, which reduced the overall average days to issue a citation. The three-year phase in period associated with peer review citations ended during fiscal year 2013/14. Thus, the current average number of days to issue a citation is higher than the two previous fiscal years.

## **Probation Monitoring**

Upon completion of the disciplinary process, matters are referred to a CBA Probation Monitor for tracking and compliance with the terms of probation. There are 77 licensees on probation, with four residing out-of-state.

## **Peer Review**

<b>5.1 - Peer Review</b>						
License Ending In	Reporting Deadline	Peer Review Required	Peer Review Not Required	Not Applicable (Non-firms)	Total	Licensees Still Needing to Report
01-33	7/1/11	2,634	4,304	15,776	22,714	0
34-66	7/1/12	2,182	4,011	13,180	19,373	0
67-00	7/1/13	2,143	3,921	14,255	20,310	633
		6,959	12,236	43,211	62,397	633

## **Comments**

- The above data represents the results and status of the initial three-year phase-in period associated with Peer Review. A total of nine licensees reported their peer review information to the CBA since the last report.
- A total of 633 licensees still need to file the Peer Review Reporting Form (PR-1). Please note, a citation has already been issued to these licensees and an Internal – Peer Review (Other) complaint may be initiated for failure to comply with the peer review citation.

## **Performance Measures**

The CBA presently meets four of its five performance measures, including *Intake*, *Intake Through Investigation*, *Probation Intake*, and *Probation Violation Response*.

While the CBA does not currently meet the 540-day performance measure associated with *Formal Discipline*, it has seen improvements in the timeframes associated with this measure. The discipline performance measure metric has steadily decreased over the past four fiscal years from an annual average of 924 days in FY 2010-11 to 888 days in FY 2011-12, 835 days in FY 2012-13, and 813 days in FY 2013-14. This is a decrease of 12 percent while at the same time increasing the volume of referrals to and filings by the AG's Office.

The fourth quarter average reflects nine closed disciplinary cases during the period of April 1, 2014 to June 30, 2014. Of those cases, two matters went to hearing at the Office of Administrative Hearings (OAH). One was non-adopted by the CBA and one was granted a petition for reconsideration. Also, two matters were scheduled for OAH hearings and were settled immediately prior to the commencement of the hearing.

The CBA works to close all cases as expeditiously as possible. Upon conclusion of the investigation, the matter is referred to the AG's Office for preparation and filing of a pleading which takes, on average, 160 to 190 days. After the filing of a pleading, it takes an average of 170 to 204 days to resolve a matter via a stipulated settlement or 325 to 379 days to resolve a matter via a formal OAH hearing. When a matter is set for hearing, the wait to secure a hearing date from OAH can exceed one year and can consume approximately two-thirds of the performance measure time. These indirect, but unavoidable, timeframes with the AG and OAH impact the timeframe in which formal disciplinary cases are resolved.

The CBA will continue to work internally and externally to reduce investigative timeframes and work cooperatively with outside agencies to identify and reduce inefficiencies. With the addition of new ICPA positions, it is expected that the Enforcement Division will further decrease its investigative time and be closer to DCA's *Formal Discipline* performance measure.

## **Mobility**

Effective July 1, 2013, the CBA implemented a no notice, no fee practice privilege model in California. The table below depicts the enforcement aspects of mobility, including the receipt and investigation of Practice Privilege Pre-Notification Forms and Notification of Cessation Event Forms.

<b>6.1 - Mobility</b>	<b>FY 2013/14</b>	<b>FY 2014/15</b>
Pre-Notification Forms Received	15	1
Cessation Event Forms Received	0	0
SEC Discipline Identified	37	6
PCAOB Discipline Identified	11	3
Out-of-State Accounting Firm Registrants That Reported Other Discipline	10	0
Complaints against Practice Privilege Holders	2	3

### **Comments**

- Only one Pre-Notification Form was received this current fiscal year.
- Staff sent letters to all CPAs who were disciplined from either the Securities and Exchange Commission or the Public Company Accounting Oversight Board to inform them that they must seek CBA authorization prior to practicing in California.

### **Division Highlights and Future Considerations**

- Enforcement management has welcomed Jenny Sheldon as the Manager of the newly established Discipline and Probation Monitoring unit in the Enforcement Division. Ms. Sheldon previously served as the Manager of the CBA Examination and Practice Privilege Programs unit.
- Enforcement staff was successful in obtaining a Penal Code 23 Restriction after the CPA was arrested for committing embezzlement, grand theft, fraud, and check forgery.
- The Retroactive Fingerprinting has transitioned from the License Renewal and Continuing Competency Unit to the temporary Criminal Offender Record Information (CORI) Unit.

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 California Board of  
 Accountancy

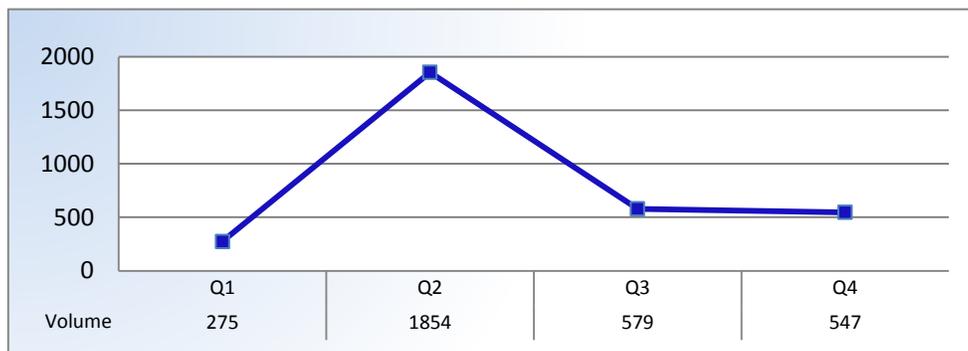
## Performance Measures

### Annual Report (2013 – 2014 Fiscal Year)

To ensure stakeholders can review the Board's progress toward meeting its enforcement goals and targets, we have developed a transparent system of performance measurement. These measures will be posted publicly on a quarterly and annual basis.

#### PM1 | Volume

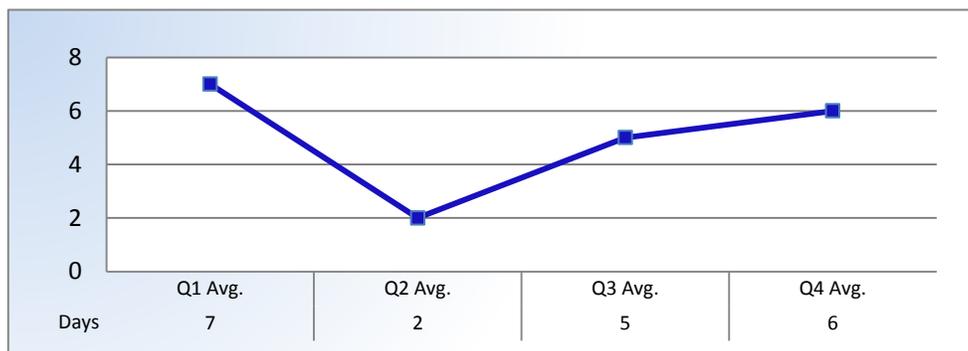
Number of complaints and convictions received.



**Fiscal Year Total: 3,255**

#### PM2 | Intake

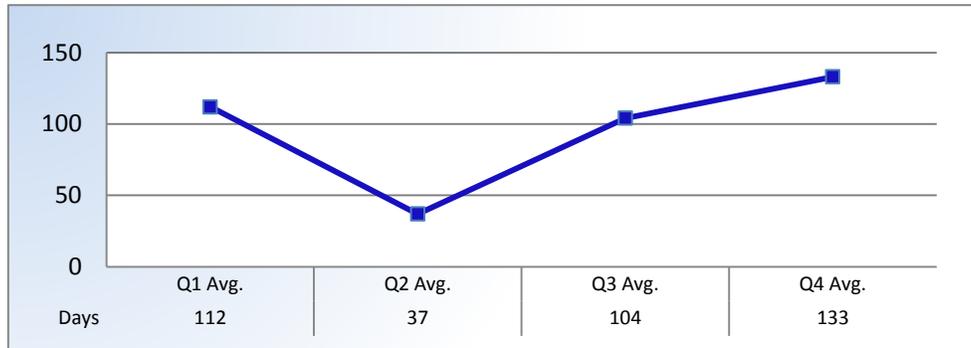
Average cycle time from complaint receipt, to the date the complaint was assigned to an investigator.



**Target Average: 10 Days Annual Average: 4 Days**

### PM3 | Intake & Investigation

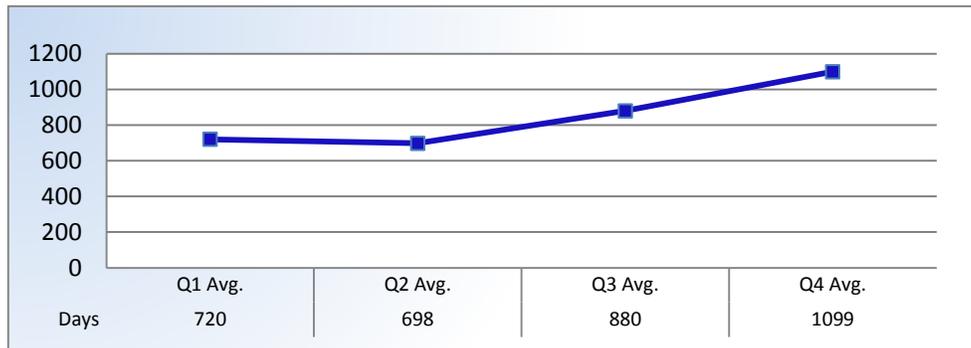
Average cycle time from complaint receipt to closure of the investigation process. Does not include cases sent to the Attorney General or other forms of formal discipline.



**Target Average: 180 Days Annual Average: 62 Days**

### PM4 | Formal Discipline

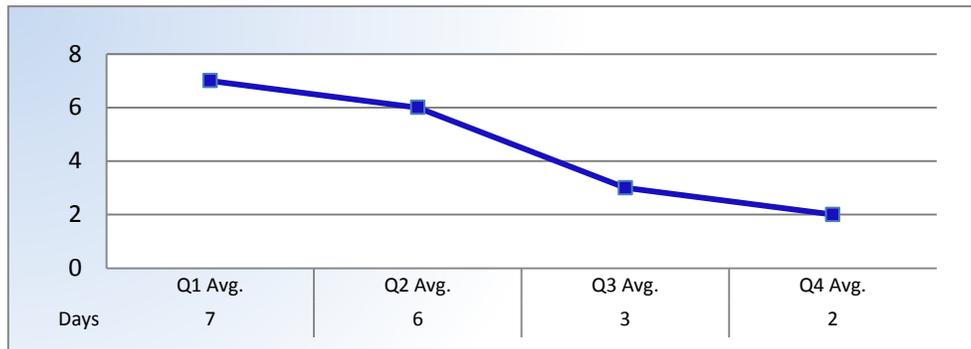
Average number of days to complete the entire enforcement process for cases resulting in formal discipline. (Includes intake and investigation by the Board and prosecution by the AG).



**Target Average: 540 Days Annual Average: 813 Days**

### PM7 | Probation Intake

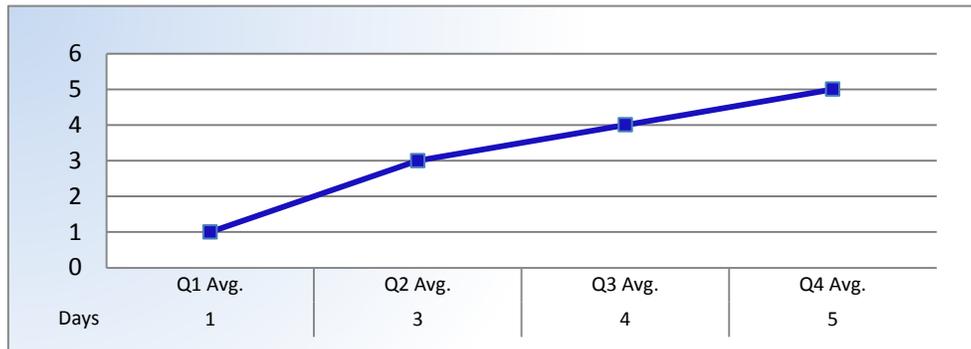
Average number of days from monitor assignment, to the date the monitor makes first contact with the probationer.



**Target Average: 5 Days**

### PM8 | Probation Violation Response

Average number of days from the date a violation of probation is reported, to the date the assigned monitor initiates appropriate action.



**Target Average: 15 Days**



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**CBA Item VIII.A.1.**  
September 18-19, 2014

### **Approval of the 2015 EAC Meeting Dates**

**Member:** Cheryl Gerhardt, CPA, Chair, Enforcement Advisory Committee (EAC)

**Date:** August 8, 2014

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#### **Purpose of the Item**

The purpose of this agenda item is to request the California Board of Accountancy (CBA) approve the 2015 Enforcement Advisory Committee (EAC) meeting dates.

#### **Action Needed**

The EAC is requesting the CBA to approve the 2015 meeting dates.

#### **Background**

At its July 2014 meeting, the EAC approved the following meeting dates and locations:

- January 29, 2015 – Northern California
- April 30, 2015 – Southern California
- July 9, 2015 – Northern California
- October 22, 2015 – Southern California
- December 10, 2015 – Southern California

#### **Comments**

None.

#### **Fiscal / Economic Impact Considerations**

None.

#### **Recommendation**

The EAC recommends approval of the meeting dates.



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**CBA Item VIII.B.2.**  
September 18-19, 2014

### **Approval of the 2015 QC Meeting Dates**

**Presented by:** Maurice Eckley, CPA, Chair, Qualifications Committee  
**Date:** August 12, 2014

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#### **Purpose of the Item**

The purpose of this agenda item is to request that the California Board of Accountancy (CBA) approve the 2015 Qualifications Committee (QC) meeting dates.

#### **Action(s) Needed**

The QC is requesting the CBA approve the 2015 meeting dates.

#### **Background**

None.

#### **Comments**

At its July 2014 meeting, the QC approved the following meeting dates and locations:

- January 21, 2015 – Southern California
- April 22, 2015 – Northern California
- July 29, 2015 – Southern California
- October 21, 2015 – Northern California

#### **Fiscal/Economical Impact Considerations**

None.

#### **Recommendation**

The QC recommends approval of the meeting dates.



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**CBA Item VIII.C.2.**  
September 18-19, 2014

### **Approval of the 2015 PROC Meeting Dates**

**Presented by:** Robert Lee, CPA, Chair, Peer Review Oversight Committee  
**Date:** August 22, 2014

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#### **Purpose of the Item**

The purpose of this agenda item is to request that the California Board of Accountancy (CBA) approve the 2015 Peer Review Oversight Committee (PROC) meeting dates.

#### **Action(s) Needed**

The PROC is requesting the CBA approve the 2015 meeting dates.

#### **Background**

None.

#### **Comments**

At its August 2014 meeting, the PROC approved the following meeting dates and locations:

- January 30, 2015 – Northern California
- May 1, 2015 – Southern California
- August 21, 2015 – Northern California
- December 9, 2015 – Southern California

#### **Fiscal/Economical Impact Considerations**

None.

#### **Recommendation**

The PROC recommends approval of the meeting dates.



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**CPC Item II.**  
September 18, 2014

**CBA Item IX.A.2.**  
September 18-19, 2014

## **Discussion Regarding the Study of California's Attest Experience Requirement**

**Presented by:** Dominic Franzella, Chief, Licensing Division

**Date:** August 21, 2014

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### **Purpose of the Item**

The purpose of this agenda item is to provide the Committee on Professional Conduct (CPC) with the following as it relates to the study of California's attest experience requirement:

1. Estimated populations and targeted response rates for each audience (with the exception of consumers<sup>1</sup>).
2. Proposed methodologies to employ for each audience when conducting the study.
3. Draft statements/questions for each target audience.
4. Next areas/topics for CPC consideration at the November 2014 meeting.

### **Action(s) Needed**

The CPC is being asked to:

1. Determine whether the estimated targeted response rates for each of the audiences is appropriate.
2. Approve the methodology types for each target audience.
3. Provide input on the overall direction of the draft statements/questions for each target audience, including any additional statements/questions it would like to have included as part of the study.

### **Background**

Over the past three meetings, the CPC has discussed and evaluated various aspects for conducting a study on California's attest experience requirement. In March 2014, it reviewed a series of survey questions for distribution to the other state boards of accountancy to obtain various national regulatory insights on the attest experience

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<sup>1</sup> Staff and CPS HR are continuing discussion on all aspects of the consumer audience, especially statements/questions. This group will likely be divided into three areas – consumers that employ the services of CPAs for attest-related services, consumer/agencies that rely on CPA attest work products, and consumers that employ CPAs for accounting services (non-attest work) to test for consumer confusion. As noted later in the paper, staff will bring similar information for this target audience to the CPC's November 2014 meeting.

## Discussion Regarding the Study of California's Attest Experience Requirement

Page 2 of 6

requirement. In May and July 2014, the California Board of Accountancy (CBA) established the foundational elements for performing a comprehensive California-specific study. This included approving targeted audiences (new licensees (less than three years of licensure), hiring manager/signers of the Certificate of Attest Experience form, individuals licensed between 10-20 years, pending applicants for licensure, university accounting programs/faculty, and consumers) and areas/topics to explore for these audiences.

### Comments

In July 2014, the CPC was introduced to the vendor – CPS HR Consulting (CPS HR) – selected to develop a plan for CBA approval on conducting a study on California's attest experience requirement. Since the July 2014 meeting, staff and CPS HR have met on multiple occasions to develop various statements/questions for each audience, discussed methodologies for effectively testing each target audience, and reviewed and discussed estimated population sizes for each target audience and initial targeted response rate for each audience.

For **Attachments 1-5**, staff has provided a document for each audience (with the exception of consumers) that includes the following information: estimated population size and proposed targeted response rates, proposed methodology for collecting information, and draft statements/questions.

### Estimated Population Size and Proposed Targeted Response Rates

The proposed population sizes are (for the most part) based on a range of years specific to each audience. Below is the method staff employed for obtaining the estimated sample sizes.

- *New Licensees* (licensed three years or less) – Total number of licenses issued between July 1, 2011 and June 30, 2014
- *Hiring Managers/Signers of the Certificate of Attest Experience Form* – Total number of individual signers between July 1, 2009 and June 30, 2014
- *Individuals Licensed Between 10-20 Years* – Total number of individuals with original license issuance dates between January 1, 1994 and December 31, 2004 that have an active status license
- *Pending Applicants for CPA Licensure* – Total number of individuals with pending initial applications for licensure as of August 20, 2014
- *University Accounting Programs/Faculty* – This number is to be determined, as staff continues to work on obtaining an accurate number of accounting programs.

The estimated population data is being provided to offer the CPC an understanding of the size and scope of the study for which the CBA will eventually be undertaking. The final populations will be available as the CBA moves closer to launching the survey.

As for the proposed targeted response rates for each audience, staff and CPS HR took into consideration the limitations of the demographical-related data available for each audience. Given that the CBA does not have a wide range of demographical data

## Discussion Regarding the Study of California's Attest Experience Requirement

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available that would allow for a more scientific calculation for establishing a statistically reliable sample size and possibly a smaller sample size, it will be necessary and advantageous to target a larger sample size. Additionally, for those with anticipated smaller estimated population sizes, staff and CPS HR believe a higher response rate is achievable as it will not require a tremendous amount of outreach and follow up to obtain responses. It is important to note that the established response rates will guide staff, working with CPS HR, in performing the necessary outreach and follow-up activities in ensuring that the target is met. And until such time as the target is met, the survey may continue.

### **Action Needed**

The CPC will need to determine if the proposed response rate for each target audience is sufficient. Should the CPC believe the response rate for a particular audience be altered, staff would request any guidance the CPC would like for staff and CPS HR to consider when proposing a new target response rate.

### Proposed Methodology for Collecting Information

For all but the audience of university accounting programs/faculty, staff and CPS HR are proposing an on-line survey as the methodology. The advantages to an on-line survey include:

- Large numbers of respondents from diverse locations can have input at a low cost per capita
- Relative anonymity of the survey can promote frankness on topics that have some perceived risk for the responders
- Survey results may be more quantitatively reported if scaled items are used

Staff and CPS HR do realize that there are some inherent weaknesses to this methodology, which include the fact that this methodology does not allow for the same depth associated with focus groups or interviews and it requires a higher degree of follow up to ensure a strong response rate. Specific to the high degree of follow up, staff believe that effective and targeted outreach will aid in minimizing this area. As for the limitations on the lack of depth, given the overall size of some of the populations, use of multiple focus groups and one-on-one interviews would be cost prohibitive and overly time-consuming.

As for the audience of university accounting programs/faculty, staff and CPS HR are proposing performing telephone interviews. The advantages with performing interviews include more in-depth feedback and the ability to tackle more complex and nuanced issues. Conversely, some of the weakness in conducting interviews includes interviewees' concerns regarding anonymity and that they are more time-consuming related to performing and compiling data. While, presently, staff does not have an estimated population size for this audience, it is not anticipated that the audience will be prohibitively large. As for the concerns related to anonymity, staff and CPS HR will take all necessary measures to ensure outreach is performed to ease concerns regarding anonymity.

## Discussion Regarding the Study of California's Attest Experience Requirement

Page 4 of 6

As members give consideration to the methodologies being recommended – namely, survey (for most groups) and interviews – two other possibilities the CPC may wish to consider are focus groups and data/literature review. Below are the strength and weaknesses for these two additional areas.

### *Focus Groups*

#### Strengths

- Participants can experience a strong opportunity to have a voice on an issue.
- Focus groups have a visibility that stakeholder input is valued.
- Effectively managed focus groups can express a predominant or consensus view in many cases.

#### Weaknesses:

- Focus group sessions have requirement for substantial planning logistics and require skilled facilitators.
- Some focus group members can dominate the discussion without effective session management.
- To be more balanced focus groups should represent a diversity of views and positions, which can be more difficult to convene.

### *Data/Literature Reviews*

#### Strengths

- The content is static and may not require extensive time to gather primary source materials.
- This method minimizes the need to re-do lines of inquiry that have already been completed.

#### Weaknesses:

- For this method, findings are limited to the depth, breadth, and timeliness of the available data, relevant studies, or both.

### **Action Needed**

The CPC will need to determine whether the proposed methodologies for each target audiences are appropriate. Again, for all of the audiences with the exception of the university accounting programs/faculty, the staff are recommending the use of a survey method. For the university accounting programs/faculty, staff are recommending telephone interviews.

### Draft Statements/Questions

In developing the draft statements/questions, staff and CPS HR used the previously CPC-approved areas/topics for exploration (which the CPC approved at its July 2014 meeting) as guideposts. The draft statements/questions for each group represent a launching point for CPC consideration. Provided the CPC approves of the direction staff and CPS HR are moving, staff will provided final statements/questions at the November 2014 meeting. In developing the volume of questions, staff and CPS HR

## Discussion Regarding the Study of California's Attest Experience Requirement

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took into consideration what would be perceived as a reasonable amount of time to complete a survey. Presently, staff and CPS HR are using 15 minutes as the standard.

The attachment associated with each target audience includes a combination of statements and questions. For the statements and questions, there is a mix of time-range responses, "yes/no" responses, multiple choice responses, and items that will have survey takers use a Likert Scale in responding. For certain responses (often those of a "yes/no" variety), the survey also will employ a Skip Logic approach. Below are definitions associated with the Likert Scale and Skip Logic.

### *Likert Scale*

A Likert Scale is a common survey response scale in which the survey taker selects responses to affirmative statements (e.g., "I receive the training needed to do my job well.") that indicate a degree of agreement, disagreement, or neither agreement or disagreement. A common five-level Likert Scale used in survey work includes responses of: strongly disagree, disagree, neither agree nor disagree, agree, strongly agree.

### *Skip Logic*

Skip Logic is a term to refer to the capability in an on-line survey to direct the survey taker to a particular next item that depends on the response to an initial question. For example, responding "Yes" to a survey question would automatically take you to a different next survey item than responding "No." This technique allows for more detailed research that is more customized to survey takers and specific topics within the survey.

There are a handful of questions, mostly which result from employing a Skip Logic approach, that include multiple choice responses. These questions are identified in *italic* and are an area that staff and CPS HR continue to work on developing the criteria that will populate possible selections from which survey takers may choose. Staff and CPS HR believe this is an important area for CPC input and would request the CPC to provide any items it wishes to have included as possible responses. This could be an area that the CPC could direct the subcommittee to assist staff and CPS HR in developing.

Lastly, at the conclusion of each set of statements/questions, an open-ended comment box will be provided. This area will allow survey takers to provide any additional comments they believe the CBA should consider in evaluating the attest experience requirement.

### **Action Needed**

The CPC is being asked to:

- Opine on the overall direction of the statements/questions being proposed for each target audience.

## **Discussion Regarding the Study of California's Attest Experience Requirement**

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- Provide input on any additional statements/questions or overall topics it would like to have included as part of the study.
- Provide any items it wishes to have included as possible responses for those statements/questions that include multiple choice options. As an alternative, the CPC could direct the subcommittee to assist staff and CPS HR in developing the proposed responses.

### **Next Steps Associated with the Study for the November 2014 CPC Meeting**

For the November 2014 meeting, staff and CPS HR will bring forth final statements/questions for each of the audiences, including those associated with the audience of consumer and an outreach plan associated with the study, with an emphasis on obtaining a high degree of participation and responses from the various audiences.

Staff wants to assure the CPC that considerable consideration has already occurred with regards to an outreach plan. Staff are already exploring how best to leverage its strong social media presence, use of the CBA's website, and creative and informative mailers designed to encourage active participation from targeted audiences.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

Staff recommends that the CPC:

- Determine whether the target response rate for each audience meets the needs of the survey.
- Approve a set of methodologies for conducting the survey with each audience.
- Provide guidance to staff and CPS HR on whether the draft statements/questions are meeting the CPC's anticipated direction for the study.

### **Attachment**

1. CBA Attest Stakeholder Survey – Statement/Questions, New Licensees (less than 3 years)
2. CBA Attest Stakeholder Survey – Statement/Questions, Hiring Managers/Signers of the Certificate of Attest Experience Form
3. CBA Attest Stakeholder Survey – Statement/Questions, Experience CPAs (license between 10-20 years)
4. CBA CBA Attest Stakeholder Survey – Statement/Questions, Pending Applicants for CPA Licensure
5. CBA Attest Stakeholder Survey – Statement/Questions, University of Accounting Programs/Faculty

Estimated Population	Targeted Response Rates
10,300	2,060-2,575 (20-25%)

**Draft Statements/Questions**

Attest:

1. My attest experience significantly added to my overall CPA expertise. (Likert scale)
2. Obtaining the needed hours of attest experience was difficult. (Likert scale)  
*Skip Logic Item: For those answering "Strongly Agree" or "Agree:" If you experienced delays in your objective to complete the 500 hour attest experience, what was the greatest impact to you of the delay? (scale: multiple choice + N/A option)*
3. Using the time choices provided, please indicate the duration in months it took to achieve the sign-off of your attest experience (scale of months: 3-6, 7-12, 12-23, 24+)
4. Using the scale provided, at the point that your attest experience was signed off by your supervisor, how many hours of attest experience had you completed? (scale in hours bands: 500-750, 751-1,000, 1,001-1,500, 1,501-2,000, 2,001+)
5. At the completion of 500 hours of attest experience I was qualified to conduct attest work independently. (Likert scale) Note: will need to qualify authorized vs. qualified.
6. I understand the distinction between being authorized to complete attest work and being qualified to conduct attest work. (Likert scale)

General:

1. At initial licensure, I was expecting to pursue the license with attest experience and complete the attest experience requirement. (scale: Yes/No/Unknown)
2. As part of my initial work experience I did complete attest experience but it was not sufficient to complete the attest requirement. (scale: Yes/No/Unknown)
3. As part of my initial licensure I did pursue completing the attest experience requirement but encountered barriers to competing it. (scale: Yes/No/Unknown)  
*Skip Logic Item: If "Yes" to the item above: The major barrier that prevented my completing the attest experience requirement was? (scale: multiple choice: 4-5 choices—one response allowed)*
4. As part of my initial CPA licensure I did not pursue licensure with attest experience because it was not important to my overall career expertise. (Likert scale)
5. In hindsight, I believe completing the attest experience would have benefitted my professional expertise even if not intending to conduct attest work in my career. (Likert scale)  
*Use Skip Logic Item: If "Strongly Agree" or "Agree" to the above: How would the attest experience have benefitted my professional expertise? (scale: multiple choice, multiple responses allowed)*
6. I expect to pursue the "A" license and complete the attest experience requirement sometime in the next five years. (Likert scale).  
*For both agreement and disagreement to the item above, follow-up question: Explain the reason(s) for pursuing or not pursuing the A license (scale: multiple choice, multiple responses allowed)*
7. I do not believe that attest work will be a growing area of accountancy work in the next five years. (Likert scale)

Estimated Population	Targeted Response Rates
<b>717</b>	<b>359 (50%)</b>

**Sample Survey Questions**

1. In the last five years my firm has had challenges in being able to assign attest work to employees to help them fulfill the requirement for CPA licensure. (Likert scale)
2. *Using the scale below from most important to least important, indicate the reasons you have had difficulty assigning attest work. (scale: ranking choices + N/A choice)*
3. On an ongoing basis the approximate % of attest work this firm does is: (scale: <10%; 10-25%; 25-50%; >50%)
4. Our estimate of attest work in the next five years as a % of total firm work is: (scale: <10%; 10-25%; 25-50%; >50%)
5. At the completion of the attest experience requirement, the typical employee in your firm is qualified to conduct attest work independently. (Likert scale)  
 Skip Logic Item: If “Strongly Disagree” or “Disagree,” In general, what is the number of years an employee must have working on attest engagements prior to being authorized to sign on the firm’s behalf on attest reports? (Input number of years)
6. Even after your firm has signed off on the attest experience requirement for an employee, which condition best describes the level of oversight of the employee’s attest work in the next two years? (scale: independent work; assigned to Sr. CPA; reviews of work products by \_\_\_\_)
7. Using the time choices provided, please indicate the duration in months it takes to achieve the sign-off an employee’s attest experience (scale: 3-6, 7-12, 12-23, 24+)
8. Using the scale provided, what is the point at which attest experience is normally signed off by your firm, in terms of the number of hours of work completed? (scale: 500-750, 751-1,000, 1,001-1,500, 1,501-2,000, 2,001+)
9. The individual completing the Certificate of Attest Experience has sufficient information to determine if the experience requirements have been met. (Likert scale)
10. *What is your estimate of the level of risk to your firm if the current 500 hour attest experience requirement were to be eliminated? (scale: Lo/Med/Hi Risk)*  
 Skip logic to the above item – *If they identified at least medium risk in previous question: What do you see as the primary risks to your firm if the current 500 hour attest experience requirement were to be eliminated? (scale: multiple choice + “other” with text box to specify)*
11. The attest experience significantly adds to the overall expertise of the CPAs NOT performing attest work. (Likert scale)

**CBA ATTEST STAKEHOLDER SURVEY – STATEMENTS/QUESTIONS**  
**EXPERIENCED CPAs (LICENSED BETWEEN 10-20 YEARS)**

**Attachment 3**

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Estimated Population	Targeted Response Rates
20,196	4,039-5,049 (20-25%)

**Sample Survey Items**

1. Using the scale provided, what is your opinion about the level of supervisor-monitored attest experience needed prior to licensure to be allowed to perform attest work independently? (scale: 500-750 hours; 750-1000 hrs.; > 1000-1500 hours; >1500 hours )
2. *Based on your career experience, what is the most common barrier to completing the required attest experience for licensure (scale: multiple choice-select only one response)*
3. Obtaining the attest experience required for licensure directly benefited you in your work as a CPA. (Likert scale, or could be multiple choice if we ask “how has the attest experience benefitted you”)
4. The attest experience significantly adds to the overall expertise of the CPAs NOT performing attest work. (Likert scale)

Estimated Population	Targeted Response Rates
1,245	249-311 (20-25%)

**Sample Survey Items**

**Attest:**

1. I expect difficulty in completing the 500 hours of attest experience in a timely manner. (Likert scale)
2. I expect that attest work will be a significant portion of my CPA work in the next five years. (Likert scale)
3. At the completion of the 500 hour attest experience requirement I expect to be qualified to conduct attest work independently. (Likert scale)
4. I expect the time period required for me to complete the required attest experience for supervisor sign-off to be. (scale in months: 3-6, 7-12, 12-23, 24+)
5. I expect attest work to be among the more difficult accountancy work I will do. (Likert scale)
6. I expect to complete the attest experience requirement even if I do not expect to conduct attest work regularly in my career. (Likert scale)

**General:**

1. At this time, I do not intend to pursue licensure with attest experience and complete the attest experience requirement. (scale: Yes/No/Unknown)  
*Follow-up to above item: (follow-up choices depend on whether in agreement or disagreement) Please explain the reason(s) for your response to the above item (scale: multiple choice, multiple responses allowed)*
2. I expect to pursue the "A" license and complete the attest experience requirement sometime in the next five years. (Likert scale)  
*Follow-up to above item: (follow-up choices depend on whether in agreement or disagreement) Please explain the reason(s) for your response to the above item (scale: multiple choice, multiple responses allowed)*
3. I do not believe that attest work will be a growing area of accountancy work in the next five years. (Likert scale)

<b>Estimated Population</b>	<b>Targeted Response Rates</b>
<b>TBD</b>	<b>TBD (50%)</b>

**Sample Survey Items**

1. I believe additional university course work is a valid alternative to the current 500 hour attest experience requirement. (Likert scale)  
Possible follow up to the above: inquire whether their program offers sufficient opportunities for students to obtain the course work.
2. Students report to me that securing the needed attest experience is often difficult. (Likert scale)
3. Accountancy employers report to me that providing the needed attest experience is often difficult. (Likert scale)
4. The attest experience significantly adds to overall CPA expertise. (Likert scale)
5. I expect attest work as a percentage of overall CPA work to (scale: same level, significantly increase, significantly decrease) in the next five years.
6. Students report to me that completing the needed attest experience is beneficial to their overall accountancy expertise. (Likert scale)



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**CBA Item X.A.**  
 September 18-19, 2014

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

**DRAFT**

**MINUTES OF THE**  
**July 24, 2014**  
**CBA MEETING**

Tsakopoulos Library Galleria  
 828 I Street  
 Sacramento, CA 95814  
 Telephone: (916) 264-2920

Roll Call and Call to Order.

CBA President Michael Savoy called the meeting to order at 11:58 a.m. on Thursday, July 24, 2014 at the Tsakopoulos Library Galleria. The meeting convened into closed session at 2:59 p.m. and recessed at 3:24 p.m. President Savoy reconvened the open meeting from 3:28 p.m. to 4:15 p.m. at which time closed session was reconvened at 4:19 p.m. The meeting adjourned following closed session at 4:47 p.m.

CBA Members

May 29, 2014

Michael Savoy, President	11:58 a.m. to 4:47 p.m.
Jose Campos, Vice President	11:58 a.m. to 4:47 p.m.
Katrina Salazar, Secretary-Treasurer	11:58 a.m. to 4:47 p.m.
Sarah (Sally) Anderson	11:58 a.m. to 4:47 p.m.
Diana Bell	11:58 a.m. to 4:47 p.m.
Alicia Berhow	11:58 a.m. to 4:47 p.m.
Herschel Elkins	11:58 a.m. to 4:47 p.m.
Laurence (Larry) Kaplan	11:58 a.m. to 4:47 p.m.
Louise Kirkbride	Absent
Kay Ko	12:00 p.m. to 4:47 p.m.
Leslie LaManna	11:58 a.m. to 4:47 p.m.
K.T. Leung	11:58 a.m. to 4:47 p.m.
Manuel Ramirez	11:59 a.m. to 4:47 p.m.
Mark Silverman	11:58 a.m. to 4:47 p.m.

## Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer  
Rich Andres, Information Technology Staff  
Emmanuel Estacio, Information Technology Staff  
Dominic Franzella, Chief, Licensing Division  
Lauren Hersh, Information and Planning Manager  
Rafael Ixta, Chief, Enforcement Division  
Vincent Johnston, Enforcement Manager  
Nicholas Ng, Administration Manager  
Corey Riordan, Board Relations Analyst  
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)  
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)  
Matthew Stanley, Regulation and Legislation Coordinator

## Committee Chairs and Members

Jeffrey DeLyser, Vice-Chair, Enforcement Advisory Committee (EAC)  
Robert Lee, Chair, Peer Review Oversight Committee (PROC)

## Other Participants

Bruce Allen, California Society of Certified Public Accountants (CalCPA)  
Marc Aprea, Aprea & Micheli  
Ken Bishop, President and CEO, National Association of State Boards of Accountancy (NASBA)  
Maria Caldwell, NASBA  
Kimberly Chen, Legislative Aide to Assembly Member Phillip Ting  
Jason Fox, CalCPA  
Christine Lally, Deputy Director, Board and Bureau Relations, Department of Consumer Affairs (DCA)  
Marcie Larson, Administrative Law Judge, Office of Administrative Hearings  
Kasey O'Connor, CalCPA  
Pilar Oñate-Quintana, KP Public Affairs  
Joseph Petito, The Accountants Coalition  
Jon Ross, KP Public Affairs  
Brandon Rutchmann, BreEZe Project Director, DCA  
Hal Schultz, CalCPA

- I. Report of the President.
  - A. Resolution for Retiring Qualifications Committee Member Fausto Hinojosa.

**It was moved by Ms. Berhow, seconded by Mr. Campos and unanimously carried by those present to approve the resolution for retiring Qualifications Committee member Fausto Hinojosa.**

## B. DCA Director's Report.

Ms. Lally was present on behalf of Director Awet Kidane and introduced Mr. Rutchmann, who is the BreEZe Project Manager

### 1. Update on BreEZe.

Mr. Rutchmann provided an overview of the BreEZe Project. Mr. Ruchmann stated that after Release 1 of the project, staff identified various lessons learned and challenges, including the design methodology, organizational change management and designation of project resources. He further stated that the project is currently half way through with the design process of Release 2 and staff will be exploring restructuring the boards/bureaus included in Release 3.

## C. Discussion Regarding the Draft Sunset Review Report.

Mr. Stanley provided an overview of this item. Mr. Stanley stated that CBA members could provide comments or revisions regarding the report through August 1, 2014.

Mr. Campos provided the following suggestions:

- Section 1 – Include when new licensees were required to be fingerprinted
- Section 5 – Provide an explanation that the increase in complaints is due to proactive consumer protection measures implemented by the CBA
- Section 9 – When necessary, incorporate processes impacting timeframes that are out of the CBA's control
- Section 11 – Incorporate mobility and enforcement guidelines as additional reasons why the CBA's participation in national organizations is critical.

Mr. Elkins suggested that the CBA include a statement that some of the discipline performance issues are due to factors outside of the CBA's control.

## II. Report of the Vice President.

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

There was no report on this item.

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

There was no report on this item.

- C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this item.

III. Report of the Secretary/Treasurer.

- A. Discussion of Governor's Budget.

There was no report on this item.

IV. Report of the Enforcement Advisory Committee, Qualifications Committee and Peer Review Oversight Committee.

- A. Enforcement Advisory Committee (EAC).

- 1. Report of the July 10, 2014 EAC Meeting.

Mr. DeLyser reported that the EAC reviewed eight open investigations and held four investigative hearings.

- B. Qualifications Committee (QC).

There was no report on this item.

- C. Peer Review Oversight Committee (PROC).

There was no report on this item.

V. Report of the Executive Officer (EO).

- A. Update on the Relocation of the CBA's Principal Office.

Ms. Bowers reported that lease negotiations are underway and additional information will be provided as it becomes available.

- B. Update on Staffing.

There was no report on this item.

- C. Update on the CBA 2013–2015 Communications and Outreach Plan (Written Report Only).

Mr. Ramirez inquired about the CBA's current relationship with the press.

Ms. Hersh stated that press' interest in the CBA is very limited, as many

media outlets have withdrawn from Sacramento.

VI. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Mr. Franzella provided an overview of this item.

Mr. Savoy stated that he received an email from a California State University Professor, which included information that students may be having issues with completing the new educational requirements.

Mr. Franzella stated that staff was looking into the issue and would provide the CBA more information.

Mr. Schultz stated that he believes that the universities should be encouraged to design programs that satisfy the new educational requirements.

Ms. Bowers complimented the Licensing Division for being proactive with reaching out to examination candidates regarding educational deficiencies.

VII. Report of the Enforcement Chief.

A. Report on Enforcement Division Activity.

Mr. Ixta provided an overview of this item. He stated that the Enforcement Division has received 3,255 complaints in Fiscal Year (FY) 2013-2014 and 2,969 cases were assigned for investigation. He noted that 74 days was the average days to close cases. Mr. Ixta reported that 74 cases were referred to the Attorney General's Office (AG) resulting in 95 cases still pending. Mr. Ixta further noted that since the last report, 23 licensees have reported their peer review information and currently 642 licensees still need to report.

VIII. Regulations.

A. Discussion and Possible Action to Issue a Notice of Decision Not to Proceed with Rulemakings Regarding Section 98 – Disciplinary Guidelines and Model Orders and Section 19 – Practice Privilege Notification of Pending Criminal Charges Form.

**It was moved by Mr. Campos, seconded by Mr. Leung, and unanimously carried by those present to:**

- **Rescind the prior motion and direct staff to take all steps necessary to complete the rulemaking process to amend**

**section 98 of Title 16 of the California Code of Regulations (CCR) and the Disciplinary Guidelines**

- **Rescind the prior motion and take all steps necessary to complete the rulemaking process to incorporate by reference its Practice Privilege Notification of Pending Criminal Charges form in section 19 of Title 16 of the CCR**
- **Recommend that staff file corresponding Notices of Decision Not to Proceed with the office of Administrative Law (OAL)**

- B. Discussion and Possible Action to Initiate Rulemaking Regarding CBA Regulations Section 98 – Disciplinary Guidelines and Model Orders and Section 19 – Practice Privilege Notification of Pending Criminal Charges Form.

**It was moved by Mr. Elkins, seconded by Mr. Ramirez, and unanimously carried by those present to direct staff to take all steps necessary to initiate the formal rulemaking to amend CCR, Title 16, section 98 and the Disciplinary Guidelines 9<sup>th</sup> edition, which are incorporated by reference, and authorize the Executive Officer to make any non-substantive changes to the rulemaking package. If no adverse comments are received during the 45-day comment period and no hearing is requested, authorize the Executive Officer to adopt the proposed regulation at CCR, Title 16, section 98 as filed with the OAL.**

**It was moved by Mr. Elkins, seconded by Ms. Bell and unanimously carried by those present to direct staff to take all the steps necessary to initiate the formal rulemaking to amend CCR, Title 16, section 19 and incorporate by reference the Practice Privilege Notification of Pending Criminal Charges form, and authorize the Executive Officer to make any non-substantive changes to the rulemaking package. If no adverse comments are received during the 45-day comment period and no hearing is requested, authorize the Executive Officer to adopt the proposed regulation at CCR, Title 16, section 19 as files with the OAL.**

Mr. Campos requested that staff provide the CBA with information regarding the processing issue, to ensure the error does not reoccur.

- IX. Petition Hearings.

- A. Cristian Gonzalez – Reduction of Penalty.

The CBA heard Mr. Gonzalez’s petition for reduction of penalty.

- X. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate of Disciplinary Matters

(Petition for Reduction of Penalty).

XI. Committee/Group Reports.

A. Legislative Committee (LC).

1. Report of the July 24, 2014 LC Meeting.
2. Update on Legislation on Which the CBA Has Taken a Position (AB 186, AB 1702, AB 2058, AB 2396, AB 2415, AB 2720, SB 176, SB 1159, and SB 1467).

Mr. Kaplan reported that the LC was not recommending any change in position to AB 186, AB 1702, AB 2058, AB 2396, AB 2720, and SB 176.

Mr. Kaplan noted AB 2415 has seen ongoing discussion between the author and various stakeholders. Mr. Kaplan reported that Ms. Chen, from Assembly member Ting's office, provided the draft amendments and information on the progress of the discussions with stakeholders. Mr. Kaplan further stated that CalCPA also testified that they have agreed to the amendments and would remove their opposition, if the amendments were incorporated into the bill.

Mr. Campos stated that he was compelled that Los Angeles County already has a registration requirement. He further stated that due to the need of transparency, the CBA may not want to take an oppose position.

Mr. Aprea provided information regarding the Los Angeles County Property Tax Ordinance, which became effective on July 1, 2014. He stated that of the 1,100 registrants, 400 were surveyed and determined that approximately 15 percent were working in accounting firms.

Ms. Chen stated that Assembly member Ting requests that the CBA take a neutral position on AB 2415, as they have reached an agreement with stakeholders and the bill was currently being amended.

Mr. Ramirez expressed his concerns that the bill includes CPAs, which are currently regulated by the CBA. He stated that he recommended that the CBA maintain its previous position of opposed bill unless amended to exclude CPAs.

**It was moved by Mr. Kaplan, seconded by Mr. Ramirez and carried by those present to accept the LC's recommendation to**

**continue with its “Oppose unless amended” position on AB 2415 to exclude CPAs and to direct staff to send letters stating such to the Senate and Governor when appropriate. Mr. Campos voted against the LC’s recommendation.**

Mr. Kaplan stated that SB 1159 has not changed significantly since the CBA took a “Watch” position in May and the LC took no action on this bill, maintaining the CBA’s “Watch” position.

Mr. Kaplan informed the CBA that the annual omnibus bill, SB 1467, includes a new provision affecting the CBA. The new provision removes a requirement that two CBA members represent small firms and eliminates the definition of small firms from the law, which provides the Governor with greater flexibility when making appointments to the CBA. Mr. Kaplan further stated that the LC took no action on this bill, maintaining the CBA’s “Support” position.

3. Consideration of Positions on Newly Introduced Legislation.

a. SB 1243 – Professions and Vocations.

Mr. Kaplan stated that SB 1243 addresses issues that were a part of the Department of Consumer Affairs’ 2014 sunset review. It contains six provisions which may affect the CBA.

- It would require boards to provide meeting notices by email, mail or both at the option of those that request it. In addition, a statement of intent to webcast must be included on the public notice.
- Current law allows the CBA and other entities to disconnect phone service to those who advertise unlicensed activity in the phone book and who fail to comply with a cease and desist order. This bill will change this law to include any form of advertising.
- DCA would be required to develop and offer enforcement training to enforcement employees at least once per year.
- DCA would be required to conduct a study of the efficiency and cost-effectiveness of its pro rata system.
- The DCA annual report to the Governor was revised to add detail regarding programs under DCA. This may require the CBA to provide DCA with more information if it is not already in DCA’s possession.
- DCA would be required to develop a board member mentor program through which experienced board members would mentor a new board member from a different board.

**It was moved by Mr. Kaplan, seconded by Ms. Salazar, and**

**unanimously carried by those present to accept the LC's recommendation to take a "Watch" position on SB 1243.**

4. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

There was no report on this item.

B. Committee on Professional Conduct (CPC).

1. Report of the July 24, 2014 CPC Meeting.
2. Discussion Regarding the Study of California's Attest Experience Requirement.

Mr. Campos reported that representatives of CPS HR Consulting, Michael DeSousa, Geoff Burcaw, and Arnold Schuler attended the CPC meeting and will be working with the CPC and staff on California's study of the attest experience requirement. Mr. Campos stated that the CPC explored three topics and made decisions to guide CPS HR Consulting as they begin to develop questions and statements for the study.

Mr. Campos reported that the CPC adopted a general unifying question to aid in guiding the study. Specifically, Mr. Campos stated the agreed upon question as:

- Is the present attest experience requirement necessary and sufficient to support the CBA mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with professional standards?

Mr. Campos also noted that the CPC finalized a group of audiences and various topics/areas of consideration which it originally adopted in May. He noted that two additional groups were added, specifically university accounting programs and professions and experienced CPAs. Lastly, Mr. Campos noted that the CPC accepted staff's recommendations of the scope of the consumer audience related to consumers, with a slight change from "Agencies that rely on CPA attest work products" to "Agencies and consumers that rely on CPA attest work products."

**It was moved by Ms. Salazar, seconded by Mr. Elkins, and unanimously carried by those present to accept the CPC's recommendation to adopt the stated unifying question, added university accounting programs and professors, and experienced CPAs as audiences, and defined the scope of the consumer**

**audience as supplied by staff with the slight modification on the second bullet point to read “agencies and consumers that rely on the CPA attest work products.”**

It is anticipated that CPS HR Consulting will return to the CPC in September with initial questions, methodologies, and population and sample size information.

C. Mobility Stakeholder Group.

1. Report on the July 23, 2014 MSG Meeting.
2. Overview of the MSG Decision Matrix – A Summary of Previous Decisions Made by the MSG.

Ms. Salazar reported that an updated MSG decision matrix would be provided as a written report only at each meeting.

3. Overview and Comparison of the Prior and Current California Practice Privilege Laws.

Ms. Salazar reported that staff provided a summary of the similarities and differences between the prior practice privilege law and the current law. She noted that some of the major differences include the no notice and no fee provisions in the current law, the increased out-of-state firm registration requirements, the various reports to the Legislature and other stakeholders, and the increased prescription of the CBA website.

4. Overview of the Consumer Protection Provisions of the California Practice Privilege Law (Article 5.1 of Chapter 1 of Division 3 of the Business and Professions Code (BPC)) and Proposed Timeline for Future Discussions.

Ms. Salazar reported that staff provided an overview of the consumer protection provisions of the mobility law. She noted that the provisions include qualifications, pre-notification, rules regarding cessation of practice, administrative suspensions, disciplinary actions, out-of-state accounting firm registrations, improvements to the CBA website, and the functions of the MSG. She further noted that the MSG will be reviewing the provisions in more detail over its next two meetings in order to fulfill its charge to consider whether the provisions of the mobility law are consistent with the CBA's duty to protect the public.

5. Overview of the Implementation of the Current California Practice Privilege Law.

Ms. Salazar noted that staff provided the MSG with an overview of how the mobility law has been implemented. The implementation resulted in modifications to the CBA's Practice Privilege database, development of several new forms, a new registration for out-of-state firms was initiated, enforcement processes were modified, and the practice privilege and license lookup portion of the website was overhauled. Ms. Salazar noted that staff provided a walkthrough of the website including the License Lookup for out-of-state licensees, SEC and PCAOB discipline information, various disclaimers required by the law, where consumers can file a complaint, and links to CPAverify and other state boards' of accountancy websites.

6. Overview of Practice Privilege/Mobility Provisions in Other States/Jurisdictions.

Ms. Salazar reported that a chart was prepared by staff that provides the MSG with a summary of the mobility provisions of other state boards of accountancy.

7. Overview and Discussion Regarding Survey of Other States' Practice Privilege/Mobility Provisions to Obtain Information Necessary for Reporting Under BPC 5096.21(d).

Ms. Salazar reported that the MSG was informed of the survey that was approved by the CBA at its May 2014 meeting, which includes some questions that were developed as a direct result of the MSG's request for information.

**It was moved by Mr. Campos, seconded by Mr. Ramirez, and unanimously carried by those present to allow staff flexibility in the timing of the survey, in order to allow NASBA to complete its work interviewing other states regarding their enforcement practices, while keeping in mind the ultimate deadline for preparing the report to the Legislature.**

8. Discussion Regarding Stakeholder Objectives Pursuant to BPC Section 5096.1(e).

Ms. Salazar reported that the MSG developed two stakeholder objectives and requested that the MSG have the opportunity, at each meeting, to add and revise objectives as needed.

- The first objective was to help licensees know and understand their self-reporting requirements in other states where they are licensed and/or practicing.

- The second objective was to assure the CBA that all states have adequate enforcement.

9. Discussion Regarding Proposed Agenda Items for Next Meeting.

Ms. Salazar noted that for its next meeting in November, the MSG will be discussing the following topics:

- The results of the survey of the other state boards of accountancy
- An in-depth review of consumer protection provisions of the mobility law, discussing stakeholder objectives
- Reviewing the latest licensing, enforcement, and website usage statistics for mobility
- A summary of states that do not provide full data to ALD
- The NASBA Enforcement Guidelines

XII. Acceptance of Minutes

A. Draft Minutes of the May 29-30, 2014 CBA Meeting.

**It was moved by Mr. Campos, seconded by Ms. Berhow and carried by those present to accept the draft the minutes of the May 29-30, 2014 meeting, with the amendment of “stat” to “state” on page 19555, section VIII.A.3.c. Ms. Salazar, Mr. Elkins, and Mr. Ramirez abstained.**

B. Minutes of the March 20, 2014 CPC Meeting.

C. Minutes of the March 20, 2014 EPOC Meeting.

D. Minutes of the March 20, 2014 LC Meeting.

E. Minutes of the January 30, 2014 EAC Meeting.

F. Minutes of the January 31, 2014 PROC Meeting.

G. Minutes of the January 22, 2014 QC Meeting.

**It was moved by Mr. Campos, seconded by Mr. Savoy, and carried by those present to accept the minutes of agenda items XII.B. – XII.G. Ms. Salazar, Mr. Elkins, and Mr. Ramirez abstained.**

XIII. Other Business.

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

There was no report on this item.

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

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force.

There was no report on this item.

C. Nominations for NASBA Board of Directors.

There was no report on this item.

XIV. Closing Business.

A. Public Comments.

There were no comments.

B. Agenda Items for Future CBA Meetings.

Mr. Savoy requested a discussion take place regarding the upcoming CBA board vacancies.

C. Press Release Focus.

Ms. Hersh suggested the study regarding attest experience requirement as the topic for the Press Release Focus.

XV. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, Reconsideration of Board's Decision, and Decision after Non-Adoption).

President Savoy adjourned the meeting at 4:47 p.m. on Thursday, July 24, 2014.

\_\_\_\_\_ Michael M. Savoy, CPA, President

\_\_\_\_\_ Katrina Salazar, CPA,  
Secretary-Treasurer

Corey Riordan, 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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CPC Item I.

September 18, 2014

CBA Item X.B.

September 18-19, 2014

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

MINUTES OF THE  
July 24, 2014  
COMMITTEE ON PROFESSIONAL CONDUCT MEETING

DRAFT

Tsakopoulos Library Galleria  
828 I Street  
Sacramento, CA 95814  
Telephone: (916) 264-2920

CALL TO ORDER

Jose Campos, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 9:53 a.m. Mr. Campos requested that the role be called.

Present

Jose Campos, Chair  
Sarah (Sally) Anderson  
Larry Kaplan  
Leslie LaManna  
K.T. Leung  
Katrina Salazar  
Mark Silverman

CBA Members Observing

Diana Bell  
Alicia Berhow  
Herschel Elkins  
Kay Ko  
Manuel Ramirez  
Michael Savoy

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer  
Deanne Pearce, Assistant Executive Officer

Rich Andres, Information Technology Staff  
Veronica Daniel, Licensing Manager  
Manny Estacio, Information Technology Staff  
Dominic Franzella, Chief, Licensing Division  
Lauren Hersh, Information and Planning Manager  
Rafael Ixta, Chief, Enforcement Division  
Vince Johnston, Enforcement Manager  
Nick Ng, Administration Manager  
Corey Riordan, Board Relations Analyst  
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs  
Carl Sonne, Deputy Attorney General  
Matthew Stanley, Legislation and Regulation Coordinator

Other Participants

Bruce Allen, California Society of CPAs (CalCPA)  
Ken Bishop, National Association of State Boards of Accountancy (NASBA)  
Geoff Burcaw, CPS HR Consulting (CPS HR)  
Maria Caldwell, NASBA  
Michael DeSousa, CPS HR  
Jason Fox, CalCPA  
Ed Howard, Center for Public Interest Law  
Bob Lee, Chair, Peer Review Oversight Committee  
Kasey O'Connor, CalCPA  
Pilar Onate-Quintana, KP Public Affairs  
Joe Petito, Accountants Coalition  
Jonathan Ross, KP Public Affairs  
Arnold Schuler, CPS HR  
Hal Schultz, CalCPA

I. Approve Minutes of the May 29, 2014 CPC Meeting

**It was moved by Ms. LaManna, seconded by Mr. Kaplan and carried unanimously to approve the minutes of the May 29, 2014 CPC meeting, Ms. Salazar abstained.**

II. Discussion Regarding the Study of California's Attest Experience Requirement

Mr. Franzella introduced three representatives of CPS HR Consulting, Michael DeSousa, Geoff Burcaw, and Arnold Schuler who will be working with the CPC on the study of the attest experience requirement.

Mr. Franzella requested that the CPC make decisions on three topics to guide staff and CPS HR Consulting as they begin to develop questions and statements for the study.

Mr. Franzella outlined the first topic, the development of an overall unifying question to be the focus for the study. This question will provide a focal point when selecting questions and statements to ensure that the answers provided will be responsive to this unifying question. He provided a suggested question that focused on consumer protection.

**It was moved by Ms. Salazar, seconded by Ms. Anderson and carried unanimously to adopt the suggested question with a change to have it read, “Is the present attest experience requirement necessary and sufficient to support the CBA mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with professional standards?”**

Mr. Franzella next discussed the area of audience and topics of evaluation. This subject was previously discussed at the CPC’s May 2014 meeting when four staff-suggested audience groups were approved along with one recommended by the CPC. Mr. Franzella explained that in meetings with CPS HR Consulting, a sixth audience was suggested, university accounting programs and professors. This audience will provide data on attest curriculum, education as a substitute for experience, and the preparation of individuals for success in the profession.

**It was moved by Mr. Silverman, seconded by Mr. Leung and carried unanimously to approve the inclusion of the proposed audiences and topics of evaluation.**

Mr. Leung inquired, and the CPC discussed, if it would be possible to add experienced certified public accountants (CPA) who are not hiring managers or signers of experience forms as an additional audience to broaden the surveyed population.

**It was moved by Mr. Leung, seconded by Ms. LaManna and carried unanimously to add experienced CPAs as an additional audience.**

Mr. Franzella described the third topic as the scope of the consumer audience. He requested that the CPC define this scope in order to guide CPS HR Consulting as it develops the questions and statements related to this audience and provided three guideposts for consideration as follows:

- Consumers that employ CPAs for purposes of having the CPA provide attest service
- Agencies that rely on CPA attest work products
- Consumers that employ CPAs for accounting services beyond simply attest services to test for consumer confusion

Ms. Anderson suggested a slight change to the second bullet to read “Agencies and consumers that rely on CPA attest work products.”

**It was moved by Ms. Salazar, seconded by Mr. Leung and carried unanimously to accept staff’s recommendation with the change suggested by Ms. Anderson.**

Mr. Franzella stated that it is anticipated that CPS HR Consulting will return to the CPC in September with initial questions, methodologies, and population and sample size information.

#### VII. Public Comments

No Public Comments were received.

#### VIII. Agenda Items for Next Meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 10:42 a.m.



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**CBA Item X.C.**

September 18-19, 2014

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**  
**PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**MINUTES OF THE**  
**MAY 2, 2014**  
**PROC MEETING**

Hilton Los Angeles Airport  
 5711 West Century Boulevard  
 Los Angeles, CA 90045  
 (310) 410-4000

I. Roll Call and Call to Order.

PROC Chair Nancy Corrigan called the meeting to order at 9:02 a.m. on Friday, May 2, 2014. The meeting adjourned at 2:38 p.m.

Ms. Corrigan announced that Vice Chair Sherry McCoy would preside over the meeting and give the PROC report at the May 29-30, 2014 CBA meeting.

PROC Members:

Nancy Corrigan, Chair	9:02 a.m. – 2:38 p.m.
Sherry McCoy, Vice Chair	9:02 a.m. – 2:38 p.m.
Robert Lee	9:02 a.m. – 2:38 p.m.
Katherine Allanson	9:02 a.m. – 2:38 p.m.
Jeffrey DeLyser	9:02 a.m. – 2:38 p.m.
Seid M. Sadat	9:02 a.m. – 2:38 p.m.

Staff:

Patti Bowers, Executive Officer  
 Rafael Ixta, Chief, Enforcement Division  
 Paul Fisher, CPA, Supervising Investigative Certified Public Accountant  
 Sara Narvaez, Enforcement Manager  
 Vincent Johnston, Enforcement Manager  
 Kay Lewis, CPA, Investigative Certified Public Accountant  
 April Freeman, Peer Review Analyst  
 Alice Tran, Peer Review Analyst

Other Participants:

Michael Savoy, CPA, CBA President  
 Linda McCrone, CPA, California Society of Certified Public Accountants (CalCPA)  
 Marcia Hein, CPA, CalCPA  
 Janice Gray, CPA, Compliance Assurance Committee (CAC), National Association of State Boards of Accountancy (NASBA)

II. Welcome Message from the CBA President.

CBA President Michael Savoy welcomed PROC members, staff and guests. He stated that he believes it is important for him to attend committee meetings and would like to thank members for their hard work.

Mr. Savoy updated the PROC on his April 28, 2014 visit with legislative staff. He stated that the CBA is opposing Assembly Bill (AB) 2058 that would require any meetings of an advisory body consisting of one or two members be noticed and open to the public. The CBA is also opposing, unless amended, AB 2165 that would require the CBA to complete the application review process and issue a license to those who qualify within 45 days of the filing of the application.

Mr. Savoy briefed the PROC on topics such as the retroactive fingerprinting requirements, obtaining email addresses from licensees, and accepting academia as experience for licensure. He stated that the CBA has begun work to study the current attest experience requirement for CPA licensure. He spoke about the Mobility Stakeholder Group that will monitor the new mobility standards, and the CBA's preparation for the 2015 Sunset Review.

III. Report of the Committee Chair.

A. Approval of January 31, 2014 Minutes.

Ms. McCoy asked if members had revisions to the minutes of the January 31, 2014 PROC meeting. Members did not have revisions to the minutes.

**It was motioned by Robert Lee, seconded by Jeffrey DeLyser, and unanimously carried by those present to adopt the minutes of the January 31, 2014 PROC meeting.**

B. Report on the March 20-21, 2014 CBA Meeting.

Ms. Corrigan stated that she attended the March CBA meeting and reported on business conducted at the most recent PROC meeting and recent PROC oversight activities. She also advised PROC members of the CBA's activities at its March meeting including pending legislation concerning public notice of meetings and the Mobility Stakeholder Group. She also spoke about the educational presentation on the Enforcement process, including the monitoring of out-of-state probationers. Ms. Corrigan advised the CBA that the PROC reviewed oversight reports of out-of-state administering entities and the National Peer Review Committee (NPRC).

Ms. Corrigan stated that she presented the PROC's Third Annual Report to the CBA. She stated it was well received and the CBA members acknowledged the progress the PROC has made and thanked members for all of their hard work. The PROC Annual Report was the focus of the CBA news release.

#### IV. Overview of CalCPA Peer Review Technical Review Process.

Ms. McCoy introduced Marcia Hein, CPA, who is a technical reviewer for CalCPA and is also active with the Colorado State Society of CPAs.

Ms. Hein described the duties and qualifications of a technical reviewer, the objective of a technical review, and explained in detail the process in which peer review reports are reviewed by technical reviewers at CalCPA. Ms. Hein provided members with an example of a technical review package and explained the various forms and checklists.

#### V. Report on PROC Activities.

##### A. Assignment of Future PROC Activities.

Ms. McCoy confirmed the following assignments:

- May 13, 2014, American Institute of Certified Public Accountants (AICPA) Peer Review Board Meeting – Nancy Corrigan and Seid Sadat
- May 21, 2014, CalCPA Peer Reviewer Training – Sherry McCoy and Katherine Allanson
- May 22-23, 2014, CalCPA Peer Review Committee (PRC) Meeting (Dana Point) – Katherine Allanson and Seid Sadat
- May 29-30, 2014 CBA Meeting (Southern California) – Nancy Corrigan and Sherry McCoy
- June 26-27, 2014, CalCPA Peer Reviewer Training – Seid Sadat
- July 24, 2014, CBA Meeting (Sacramento) – Nancy Corrigan
- August 6, 2014, AICPA Peer Review Board Meeting – Jeffrey DeLyser

##### B. Report on February 25, 2014 CalCPA Report Acceptable Body (RAB) Meeting.

Katherine Allanson attended the RAB meeting on February 25, 2014. She stated it was the first RAB meeting that she did not have the materials to review in advance of the teleconference. She added that since she has attended so many RAB meetings, not having the materials did not significantly impact her ability to monitor the meeting. The RAB consisted of four reviewers who reviewed 50 peer review reports. Ms. Allanson stated she continues to be impressed with the RAB members' knowledge about all of the reports. In addition, they have great rapport and are very respectful of each other, taking time to answer everyone's questions and explain their thought processes.

##### C. Report on March 19, 2014 CalCPA RAB Meeting.

Ms. McCoy attended the RAB meeting on March 19, 2014. She stated that she did not have materials to review prior to the teleconference. There was a guest speaker at the RAB meeting that spoke on industry specific topics. There was also discussion regarding the quality of peer reviewers, including training and monitoring.

##### D. Discussion of the CalCPA Annual Report on Oversight for Calendar Year 2012.

Ms. McCoy advised members that the CalCPA Annual Report on Oversight for the calendar year 2012 has been made available for review and requested questions or comments from members. Members did not have any questions or comments.

- E. Discussion of the CAC Report Regarding the Oversight of the National Peer Review Committee (NPRC).

The CAC Report Regarding the Oversight of the NPRC was discussed during Janice Gray's presentation. Members did not have any questions or comments.

- F. Discussion of the 2014 Administrative Site Visit to CalCPA.

Mr. Ixta suggested that one of the members who conducted the 2013 Administrative Site Visit attend again with a member who has not conducted a visit in order to maintain continuity. Last year Mr. Lee attended with Ms. McCoy, therefore, Mr. Lee should attend with the assistance from another member. Mr. DeLyser volunteered.

Linda McCrone stated that a Monday or Tuesday in July would be best for her schedule.

Staff was directed to provide Mr. Lee and Mr. DeLyser with materials from past visits.

- G. Discussion of the CalCPA Peer Review Committee Chair's Report on the Administrative Oversight Visit to CalCPA.

Ms. McCoy advised members that the CalCPA Peer Review Committee Chair's Report on the Administrative Oversight Visit to CalCPA has been made available for review and requested questions or comments from members. Members did not have any questions or comments.

## VI. Overview of Changes to the NASBA CAC Oversight of the NPRC.

Janice Gray, Chair of the NASBA CAC, provided members with the report titled, NASBA Compliance Assurance Committee Report on the AICPA National Peer Review Committee. The NPRC accepts all peer review reports for firms that do public company work, and any firms that choose to have their peer review done through the NPRC. The peer review only covers non-public company work; any public company work is reviewed by the Public Committee Accounting Oversight Board (PCAOB). The AICPA Peer Review Board (PRB) is researching why firms not doing public company work would want the NPRC to do their peer review.

Ms. Gray explained that the CAC meets three to four times per year, mostly telephonically, with one face-to-face meeting in conjunction with the PRB Oversight Committee meeting. At each meeting, the CAC receives a report from the two NASBA representatives who serve on the NPRC. NASBA has two appointments on the NPRC that are former board members. The CAC also reviews the AICPA Oversight Report, and contracts a third-party to prepare an administrative oversight report. Ms. Gray pointed out that that the report states that the administration of the NPRC is operating appropriately.

Ms. Gray spoke about the CAC's teleconferences in January and March 2014, with the next meeting to be held in May. She stated that the CAC will provide a recap of their meetings to state PROCs. She also advised members that a decision has been made that will not allow state PROC members to participate in the conference calls; however, the CAC is going to have two meetings per year at which state PROC members may attend. The NASBA and AICPA representatives will be available so that PROC members can hear their reports first hand. PROC members will be able to submit questions in advance of the teleconferences.

Ms. Gray added that the CAC developed four training videos on how to set up and operate Peer Review Oversight Committees. The videos are available on the resource page on NASBA's website.

At the request of Jim Brackens, Vice President of Ethics and Practice Quality, AICPA, Ms. Gray advised members that there are a lot of changes coming to the peer review program. She also spoke about the peer reviews called into question by the U.S. Department of Labor.

In response to a member question, Ms. Gray spoke about the AICPA Exposure Draft for Standards for Accounting & Review Services (SARS). She gave background on the issue and stated that the AICPA PRB has not taken an official position on this issue. Since this issue affects California firms, Mr. Ixta suggested that a PROC member be appointed to work with staff to draft an issue paper for discussion at the next PROC meeting. Seid Sadat volunteered to work with staff on the issue paper.

## VII. Reports and Status of Peer Review Program

### A. Status of PROC Roles and Responsibilities Activity Tracking.

April Freeman stated that the activity tracking chart for 2014 was updated to capture recently attended activities and upcoming events.

Mr. Seid asked if the PROC is going to continue to receive peer review reporting statistics. Mr. Ixta advised that the statistics provided were only for the implementation period. The Renewal Unit is currently collecting the Peer Review Reporting Forms at the time of renewal and contacting any licensee who does not submit a form. If the Renewal Unit cannot gain compliance, the licensee will be referred to the Enforcement Division for further action.

Ms. Freeman added that staff is still following up with licensees who have reported that they are subject to peer review, and attempting to gain compliance with citations.

## VIII. Report of the Enforcement Chief.

### A. Discussion of Newly Developed Committee Member Resource Guide.

Mr. Ixta informed members that, under the direction of the Executive Officer, the CBA developed a Committee Member Resource Guide. He stated the guide will be helpful in orienting new members. Mr. Ixta covered several of the topics in the guide, including committee roles, staff liaisons, the appointment process, and reimbursement.

The Committee Members Resource Guide is available on the CBA website.

### B. Discussion of the AICPA Peer Review Matching Program with Annual Audits of the Employee Retirement Insurance Security Act (ERISA).

Mr. Ixta advised members of the issue paper drafted by Ms. McCrone. He explained that ERISA audits are required to be disclosed during a peer review and the peer reviewers required to select one of those engagements in a system review. Through the U.S. Department of Labor, the AICPA has become aware of CPA firms that failed to disclose ERISA audits.

Ms. McCrone expanded on the information and gave statistics on how many firms fall into the following categories:

- firms with a peer review in progress
- firms with a previous engagement review that had accepted an ERISA audit after the peer review year end
- database errors
- firms with a previous system review that performed an ERISA audit in a year between peer review
- firms that performed an ERISA audit during their peer review year, but did not notify the administering entity or their peer reviewer of such engagement.

Ms. McCrone stated that there are about 15 California firms that fall in the last category and will have their peer reviews recalled. The state boards will be notified of the recalled peer reviews. However, due to confidentiality, the state board will need to contact the firm for details. She added that the matching process is still in progress.

IX. Future Agenda Items.

1. AICPA Exposure Draft on Standards for Accounting & Review Services
2. Peer Review Recalls/Replacements

X. Public Comment for Items Not on the Agenda.

Ms. Corrigan informed members that as part of the PROC's succession planning, she is terminating her role as PROC Chair and has recommended that Mr. Lee be appointed Chair. If approved at the May 29-30, 2014 CBA meeting, Mr. Lee will assume the Chair position at the August 22, 2014 PROC meeting.

XI. Adjournment.

There being no further business, Ms. McCoy adjourned the meeting at 2:38 p.m. on Friday, May 2, 2014.

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Sherry McCoy, CPA, Vice Chair

April Freeman, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1720.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**CBA Item X.D.**  
 September 18-19, 2014

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

**MINUTES OF THE**  
**April 23, 2014**  
**QUALIFICATIONS COMMITTEE (QC) MEETING**

California Board of Accountancy  
 2000 Evergreen Street, Suite 250  
 Sacramento, CA 95815-3832  
 Telephone: (916) 263-3680  
 Facsimile: (916) 263-3675

The regularly scheduled meeting of the QC was called to order at approximately 10:34 a.m. on April 23, 2014, by QC Chair, Maurice Eckley, Jr.

QC Members

Maurice Eckley, Jr., Chair  
 Robert Ruehl, Vice Chair  
 Jenny Bolsky  
 David Evans  
 Tracy Garone  
 Chuck Hester – Absent  
 Fausto Hinojosa  
 Kristina Mapes  
 Casandra Moore Hudnall  
 Alan Lee  
 David Papotta  
 Erin Sacco Pineda – Absent  
 Jeremy Smith

CBA Staff

Patti Bowers, Executive Officer  
 Veronica Daniel, Licensing Manager  
 Dominic Franzella, Chief, Licensing Division  
 Kathryn Kay, Licensing Coordinator

I. Chairperson's Report.

Mr. Eckley welcomed Ms. Tracy Garone, Mr. David Evans, and Mr. David Papotta to the QC. He added that an orientation was held for the new members and they were provided an overview of the CBA and information on the overall purpose of the QC.

Mr. Eckley noted that Mr. Hester was reappointed to the QC and that Mr. Cates and Mr. Fisher have retired from the committee.

A. Approval of the October 23, 2013 QC Meeting Minutes.

**It was moved by Ms. Bolsky, seconded by Ms. Mapes and unanimously carried by those present to adopt the minutes of the October 23, 2013 QC meeting.**

B. Approval of the January 22, 2014 QC Meeting Minutes.

**It was moved by Ms. Bolsky, seconded by Ms. Mapes and carried by those present to adopt the minutes of the January 22, 2014 QC meeting. Mr. Hinojosa abstained.**

II. Report of the CBA Liaison.

A. Report on the January 23-24 and March 20-21, 2014, CBA Meetings.

Mr. Franzella reported the CBA's current Fiscal Year (FY) budget is now set at \$11,557,852, which is slightly reduced from the previous figure reported in the first-quarter financial statement. He stated this change is mainly due to delays in BreEZe expenditures and increases in employee compensation. He further stated the 2014-2015 CBA budget has been preliminarily set at \$13,413,000 which is an increase of \$1.86 million over the last fiscal year, with the majority of the increase due to additional Budget Change Proposal positions.

Mr. Franzella highlighted that the new Mobility Stakeholder Group (MSG) held their inaugural meeting and adopted their policies, procedures and approved agenda items for the next MSG meeting. Mr. Franzella added MSG's purpose is to consider whether the practice privilege provisions are consistent with the CBA's duty to protect the public and to consider whether the mobility law satisfies the objectives of stakeholders of the accounting profession.

Mr. Franzella reported that in order to assist the CBA in future deliberations regarding California's attest experience requirement, the CBA recently approved survey questions to obtain information from other state boards of

accountancy regarding attest experience requirements in effect in other states. The survey will be conducted online.

Mr. Hinojosa inquired how to provide comments regarding CBA discussion on the elimination of the attest experience requirement in California.

Mr. Franzella responded that the Committee on Professional Conduct (CPC) is presently discussing this topic and that comments can be sent to staff to forward to the CPC.

Mr. Franzella stated the CBA took positions on various bills, including Assembly Bill (AB) 2165, which would impose timeframes for the licensure process. He added the CBA's position letter can be found on the CBA website.

Mr. Franzella added that the next CBA meeting will be held in Los Angeles on May 29-30, 2014, at the Hilton Los Angeles Airport.

Mr. Eckley inquired whether a vehicle exists to submit comments and questions online to CBA members during meetings.

Mr. Franzella responded that staff is presently exploring ways to make CBA webcasts more interactive. He highlighted the CBA presently uses various social media outlets during CBA meetings to highlight meeting topics and to provide a forum for participation.

### III. Overview of the Newly Developed Committee Member Resource Guide (March 2014).

Mr. Franzella provided an overview of this item. He stated the new Committee Member Resource Guide was developed in March to establish a centralized resource for various CBA committee members and to serve as the foundation in new member orientation. He added the QC Manual was revised to remove duplicative information. Mr. Franzella encouraged members to review the revised QC Manual and to contact staff with any questions, comments or suggestions related to improving this document.

### IV. Report on the Activities of the Initial Licensing Unit.

Ms. Daniel provided an overview of this item. She reported the Initial Licensing Unit (ILU) has started to see a decrease in the total number of applications received for initial CPA licensure. She highlighted that in January 2014, the total number of applications was still above average (428 received), but it is down considerably from December 2013 (748 received).

Ms. Daniel stated that in February 2014, the ILU received its first batch of initial applications for CPA licensure from individuals applying under the new educational requirements.

Ms. Daniel reported that on February 4, 2014, Mr. Franzella spoke at the California Society of CPAs Sacramento Chapter Student Luncheon. She added the engagement took place at California State University, Sacramento and was titled “2014 Education Requirements for CPA Licensure.”

Ms. Daniel reported that the ILU is presently recruiting to fill an Office Technician position.

V. Public Comment for Items Not on the Agenda.

Ms. Bowers welcomed the newly appointed members and thanked all members for their continued commitment and service to the CBA.

VI. Review on Individual Applicants [Closed session in accordance with Government Code section 11126(c)(2), and Business and Professions Code sections 5022 and 5023.]

The QC conducted its annual internal audit of randomly selected staff approved applications for licensure. A total of 3,982 files were approved from July 1, 2013 through March 31, 2014. The QC reviewed 99 files and concurred with all staff application approvals.

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.]

C13-034 – The applicant appeared and presented work papers from his public accounting experience. He has 92.25 months of experience, with a 12-month experience requirement. He is currently licensed with general experience.

The employer’s understanding of the Certificate of Attest Experience (CAE) was adequate and the firm was removed from reappearance status. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C14-019 – The applicant and her employer appeared with work papers from her government accounting experience. She has 24 months of experience, with a 12-month experience requirement. She is currently licensed with general experience.

Recommendation: Defer. The employer's understanding of the CAE was inadequate. The content of the work papers provided did not include audit engagements. 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 her 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 CAE must be submitted. A determination will then be made as to whether she will be required to reappear with work papers for the QC's review. The employer has been placed on reappearance.

C14-020 – The applicant and his employer appeared due to a family relationship and presented work papers from his public accounting experience. He has 47.75 months of experience, with a 12-month experience requirement.

The employer's understanding of the CAE was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure. There was no conflict of interest.

Recommendation: Approve.

**The following Section 69 reviews took place on April 16, 2014, and are made a part of these minutes.**

C14-017 – The applicant appeared and presented work papers from her foreign public accounting experience. She has 45.25 months of experience, with a 24-month experience requirement.

The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C14-018 – The applicant appeared and presented work papers from her government experience. She has 12 months of experience, with a 12-month experience requirement.

Recommendation: Defer. The content of the work papers provided did not include evidence of reporting on full disclosure statements. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must reappear with a complete set of work papers substantiating her ability 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 CAE must be submitted. A determination will then be made as to whether she will be required to reappear with work papers for the QC's review.

As a result of the review, the applicant requested licensure with general accounting experience.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at approximately 11:01 A.M. on April 23, 2014. The next meeting of the QC will be held on July 30, 2014 at the Irvine Hilton.

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Maurice Eckley, Jr., CPA, Chair

Kathryn Kay, Licensing Coordinator, prepared the QC meeting minutes. If you have any questions, please call (916) 561-1742.



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**CBA Item XII.C.**  
September 18-19, 2014

### **Press Release Focus**

**Presented by:** Deanne Pearce, Assistant Executive Officer

**Date:** September 3, 2014

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#### **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 California Board of Accountancy (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 item.

#### **Background**

A post-CBA meeting press release, *California Board of Accountancy To Study Attest Experience Requirement* was issued following the July CBA meeting. Nine new enforcement action press releases have also been issued.

A press advisory notifying the media of the September 18-19, 2014 CBA meeting is scheduled to be distributed September 15, 2014.

#### **Comments**

None.

#### **Fiscal/Economic Impact Considerations**

None.

#### **Recommendation**

Staff recommendation will be made at the time of this presentation.

#### **Attachments**

1. California Board of Accountancy to Study Attest Experience Requirement
2. CBA Moves to Protect Consumers by Restricting a San Diego Area CPA from Practicing Public Accounting
3. Enforcement Action Press Releases



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## Attachment 1

# NEWS RELEASE

FOR IMMEDIATE RELEASE

Contact: Lauren Hersh (916) 561-1789

## **CALIFORNIA BOARD OF ACCOUNTANCY TO STUDY ATTEST EXPERIENCE REQUIREMENT**

SACRAMENTO – The California Board of Accountancy (CBA) will be launching a study to determine whether it should continue its present attest experience requirement for prospective Certified Public Accountants. At issue is whether the current requirement is necessary in supporting the CBA’s mission to protect consumers.

Attest experience includes audits, reviews of financial statements, or examinations of prospective financial information. Currently, those qualifying for a CPA license in California may do so under the “general experience” requirement or “attest experience” requirement.

According to CBA President Michael Savoy, the CBA will be performing this study on both a national and state level during 2015.

“This study, both in length and breadth, is designed to aid the CBA in determining whether to maintain, modify, or eliminate the attest experience requirement,” said Savoy. “At the end of the day we need to answer the question ‘what is in the best interest of California consumers?’”

The CBA has contracted with Sacramento-based CPS HR Consulting to conduct the preliminary work developing the study. The consulting firm is a self-supporting public entity with strong expertise in working with the public sector for federal, state, and local governments.

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*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 90,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.*

Subscribe to CBA [E-News](#) to receive links to the latest digital edition of UPDATE and the latest information on CBA programs and activities.   



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## Attachment 2

# NEWS RELEASE

## CBA MOVES TO PROTECT CONSUMERS BY RESTRICTING A SAN DIEGO AREA CPA FROM PRACTICING PUBLIC ACCOUNTING

SACRAMENTO – The Superior Court of the State of California, County of San Diego, North County Division, has granted the California Board of Accountancy’s request to restrict a Solana Beach CPA from practicing public accounting pending the outcome of the criminal charges against her.

Christine Meyer, of Solana Beach, CA, has been charged with committing fraud and embezzlement, grand theft, forgery, and check forgery. Ms. Meyer is presently incarcerated.

CBA Executive Officer Patti Bowers says the CBA sought the order under California Penal Code Section 23 to protect the public as the criminal case progresses.

Ms. Bowers stated: “While the legal proceedings involving Ms. Meyer continue in this matter, it is our responsibility to protect the public. Although Ms. Meyer is presently incarcerated, the order prevents her from practicing as a CPA, either directly or indirectly, pending the outcome of her criminal case and I appreciate the hard work of Deputy Attorney General Carl Sonne to bring this successful result.”

Ms. Meyer is also prohibited from acting as a CPA or performing activities for which a CPA license is required, either directly or indirectly, while on pretrial own recognizance (O.R.) release, while on bail pending resolution of this criminal proceeding, as a post-conviction condition of probation, or any California Board of Accountancy disciplinary proceeding, whichever concludes last. The order does not constitute discipline on Ms. Meyer’s CPA license.

The CBA encourages consumers who have a complaint against any accountant licensed in California to file a complaint directly on the CBA website, [www.cba.ca.gov](http://www.cba.ca.gov).

###

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**California Board of Accountancy  
Enforcement Action News Release**

Sent to [business@ocregister.com](mailto:business@ocregister.com) (Orange County Register) on August 27, 2014

**Joel En-Hui Kim, Fullerton, CA (CPA 124635)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#K\\_1984](http://www.dca.ca.gov/cba/discipline/index.shtml#K_1984)

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Sent to [business@ocregister.com](mailto:business@ocregister.com) (The Orange County Register) on September 2, 2014

**Rodney Joe Clarida (CPA 31851) and Clarida & Ludeke CPAs, Inc, (COR 6412) Brea, CA** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding these enforcement actions.

[http://www.dca.ca.gov/cba/discipline/index.shtml#C\\_1860](http://www.dca.ca.gov/cba/discipline/index.shtml#C_1860)  
[http://www.dca.ca.gov/cba/discipline/index.shtml#C\\_1861](http://www.dca.ca.gov/cba/discipline/index.shtml#C_1861)

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Sent to [apacheco@newspress.com](mailto:apacheco@newspress.com) (Santa Barbara News Press) and [wjacobson@lompocrecord.com](mailto:wjacobson@lompocrecord.com) (Lompoc Record) on September 2, 2014

**John Joseph Dimeglio, Milpitas, CA (CPA 54183)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#D\\_1957](http://www.dca.ca.gov/cba/discipline/index.shtml#D_1957)

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Sent to [newstips@registerguard.com](mailto:newstips@registerguard.com) (The Register Guard) on September 2, 2014

**John C. Gregor, Eugene, OR (CPA 48645)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#G\\_1965](http://www.dca.ca.gov/cba/discipline/index.shtml#G_1965)

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Sent to [editor@desertstarweekly.com](mailto:editor@desertstarweekly.com) (Desert Star Weekly) and [Patricia.Myers@thedesertsun.com](mailto:Patricia.Myers@thedesertsun.com) (The Desert Sun) on September 2, 2014

**Michael B. Huse, Sky Valley, CA (CPA 68244)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#H\\_1964](http://www.dca.ca.gov/cba/discipline/index.shtml#H_1964)

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Sent to [LaJolla@patch.com](mailto:LaJolla@patch.com) (San Diego/La Jolla Patch) and [diana.mccabe@utsandiego.com](mailto:diana.mccabe@utsandiego.com) (San Diego Union-Tribune) on July 9, 2014

**Irene T. Jewell, Walnut Creek, CA (CPA 20590)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#J\\_1855](http://www.dca.ca.gov/cba/discipline/index.shtml#J_1855)

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Sent to [business@latimes.com](mailto:business@latimes.com) (Los Angeles Times) on September 2, 2014

**Leland George Lau, Alhambra, CA (CPA 49763)** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding this enforcement action.

[http://www.dca.ca.gov/cba/discipline/index.shtml#L\\_1961](http://www.dca.ca.gov/cba/discipline/index.shtml#L_1961)

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Sent to [newsroom@recordnet.com](mailto:newsroom@recordnet.com) (The Stockton Record), and [mgllover@sacbee.com](mailto:mgllover@sacbee.com) (The Sacramento Bee) on September 2, 2014

**Gordon Robert Lindstrom (CPA 39113) Gordon Lindstrom and Associates, Certified Public Accountant (FNP 300) and Lindstrom & Winsborrow Accountancy Corporation (COR 6769), Stockton, CA** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding these enforcement actions.

[http://www.dca.ca.gov/cba/discipline/index.shtml#L\\_1966](http://www.dca.ca.gov/cba/discipline/index.shtml#L_1966)

[http://www.dca.ca.gov/cba/discipline/index.shtml#G\\_1967](http://www.dca.ca.gov/cba/discipline/index.shtml#G_1967)

[http://www.dca.ca.gov/cba/discipline/index.shtml#L\\_1968](http://www.dca.ca.gov/cba/discipline/index.shtml#L_1968)

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Sent to [ighori@pe.com](mailto:ighori@pe.com) (The Riverside-Press Enterprise) on September 2, 2014

**Shawn Edgar Washington (CPA 59049) and Shawn Washington Accountancy Corporation (COR 5527), Moreno Valley, CA** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding these enforcement actions.

[http://www.dca.ca.gov/cba/discipline/index.shtml#W\\_1007](http://www.dca.ca.gov/cba/discipline/index.shtml#W_1007)

[http://www.dca.ca.gov/cba/discipline/index.shtml#S\\_1009](http://www.dca.ca.gov/cba/discipline/index.shtml#S_1009)

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Sent to [business@ocregister.com](mailto:business@ocregister.com) (The Orange County Register) and [business@latimes.com](mailto:business@latimes.com) (The Los Angeles Times) on September 2, 2014

**John Zilei Zhong (CPA 97729), John Zhong CPA & Company (COR 6463) and Hacienda Accounting & Mgmt. Inc. (COR 6485), Hacienda Heights, CA** 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](mailto:pbowers@cba.ca.gov) should you have any questions regarding these enforcement actions.

[http://www.dca.ca.gov/cba/discipline/index.shtml#Z\\_1856](http://www.dca.ca.gov/cba/discipline/index.shtml#Z_1856)

[http://www.dca.ca.gov/cba/discipline/index.shtml#J\\_1857](http://www.dca.ca.gov/cba/discipline/index.shtml#J_1857)

[http://www.dca.ca.gov/cba/discipline/index.shtml#H\\_1858](http://www.dca.ca.gov/cba/discipline/index.shtml#H_1858)

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