



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
QUALIFICATIONS COMMITTEE (QC)**

**QC Meeting
Notice & Agenda**

**Wednesday, April 22, 2015
12:30 p.m. – 5:00 p.m.**

**California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832
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Important Notice to the Public

All times indicated, other than those identified as “time certain,” are approximate and subject to change. Agenda items may be discussed and action taken out of order at the discretion of the committee Chair. The meeting may be cancelled without notice. For verification of the meeting, call (916) 263-3680 or access the CBA’s website at www.cba.ca.gov.

Roll Call and Call to Order (**Robert Ruehl, Chair**).

- I. Chairperson’s Report (**Robert Ruehl**).
 - A. Discussion and Review of the QC Best Practices Guide for Conducting Personal Appearances/Section 69 Reviews.
 - B. Approval of the January 21, 2015, QC Minutes.
- II. Report of the CBA Liaison (**Kathleen Wright, CBA Member**).
 - A. Report on the January 22 and March 19-20, 2015 CBA Meetings.
- III. Report on Activities for the Initial Licensing Unit (**Veronica Daniel, Licensing Manager**).
- IV. Public Comment for Items Not on the Agenda.

Break.

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

Adjournment.

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

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

The meeting is accessible to individuals with physical disabilities. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Veronica Daniel at (916) 561-1754, or by email at veronica.daniel@cba.ca.gov, or send a written request to the CBA office at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815. Providing your request at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.

For further information regarding this meeting, please contact:

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Sacramento, CA 95815

An electronic copy of this agenda can be found at www.cba.ca.gov.



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QC Item I.A.
April 22, 2015

Discussion and Review of the Qualifications Committee Best Practices for Conducting Personal Appearances/Section 69 Reviews

Presented by: Bob Ruehl, CPA, QC Chair

Purpose of the Item

The purpose of this agenda item is to provide an opportunity for the Qualifications Committee (QC) to review the Best Practices for Conducting Personal Appearances/Sections 69 Reviews (Best Practices) (**Attachment 1**).

Action(s) Needed

No specific action is required on this agenda item.

Background

The Best Practices were developed by the QC over an 18-month period and approved in October 2012, to serve as a framework to help guide members in conducting personal appearances/Section 69 reviews. The Best Practices are included as part of the QC Manual, which serves as a reference guide regarding the functions of the QC, the role of its members, and procedures for QC meetings. The QC Manual is provided to all new members of the QC and copies are made available for review/reference at all QC meetings.

Comments

Given the length of time since the Best Practices were approved and with new members being appointed to the QC, it is appropriate to review the Best Practices and determine whether any updates are needed. To assist the QC with its review, a copy of the Certificate of Attest Experience (Public Accounting) is being provided for reference (**Attachment 2**). Should the QC recommend updates to the Best Practices, staff will incorporate any necessary revisions for review and consideration at the July 29, 2015 QC meeting.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff does not have a recommendation on this agenda item.

Attachments

1. Best Practices for Conducting Personal Appearances/Section 69 Reviews
2. Certificate of Attest Experience (Public Accounting)

Best Practices for Conducting Personal Appearances/Section 69 Reviews

The following is a framework developed by the QC to help guide members in conducting personal appearances/Section 69 reviews. As each review is unique, each situation should be handled on a case-by-case basis.

Personal Appearances/Section 69 Reviews

1. Review Certificate of Attest Experience (CAE) form to identify which audit and experience to consider.
2. Request a copy of the audit reports.
3. Review audit report and determine what type of audit was performed.
4. Ask applicant about his/her role in performing the audit and preparing the financial statements.
5. Ask applicant to walk-through the working papers that supports the experience documented on the CAE.
6. Using the CAE and/or audit report as a reference, review several areas to determine if the working papers and/or report demonstrate that the applicant followed audit standards in the following areas:
 - Financial statements – look for adequate disclosures, completion of disclosure checklists
 - Audit report – look for appropriate language, completion of quality control documents to ensure the audit reports follow standards
 - Working papers – look for audit plan, audit programs that are signed off as completed and reviewed. Check to see that the applicant is the only preparer of the working paper and that the work was reviewed by a different person (preferably an audit partner, senior manager)
 - Planning materiality, tolerable misstatement
 - Fraud and material misstatement – look for brainstorming session and risk assessments, inquiries of management (assessing risk of material misstatement)
 - Risk assessment procedures – evaluating internal controls at significant account balances and significant transaction level
 - Test of effectiveness of internal controls – designing tests of controls, testing controls and evaluating results and how it impacts the substantive testing
 - Substantive testing – look for audit programs and supporting work in testing significant account balances such as cash, receivables, revenues, liabilities, journal entries, etc
 - Subsequent events, going concern
 - Management representation letters
 - Communication to those charged with governance letters, if applicable

Disputes between an Applicant and Supervisor/Firm

1. Interview the signer alone and obtain an understanding regarding why they completed the form the way they did. This is in efforts of determining whether

Best Practices for Conducting Personal Appearances/Section 69 Reviews

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the signer understands the questions on the form and understands their responsibility as supervisor.

2. Interview the applicant alone to understand why they believe their experience was adequate and why they believe their supervisor should have answered the questions in the affirmative.
3. Interview the signer and the applicant together while reviewing the attest working papers in an effort to understand the nature and quality of the work performed. The interview should resolve the following questions:
 - Did the applicant perform substantive work in all of the required experience areas?
 - Do the working papers support the applicant or the signer with respect to the nature, quality and amount of experience obtained by the applicant?
4. Excuse both the signer and the applicant and confer internally (chair and vice chair) regarding the evidence presented. Make one of the following decisions based on the review:
 - The signer completed the Certificate of Attest Experience (CAE) form with an adequate understanding of the experience requirements. The working papers do not materially contradict the signer's position.
 - The applicant has a valid complaint. The working papers along with the interview of the signer reveal that the signer does not have an adequate understanding of the experience requirements and the signer is holding the applicant to a level which is higher and beyond the requirements in the regulations.
 - If it is determined that the signer is holding the applicant to a higher standard than required under the regulations, then communicate this fact to the signer and jointly review the regulations with him/her. At this point the signer may decide to change their opinion regarding the applicant's experience and submit a revised CAE form with affirmative answers. In rare instances where the signer does not agree with the (chair and vice-chair) assessment, the matter would be referred to the CBA's Enforcement Division.



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CERTIFICATE OF ATTEST EXPERIENCE (PUBLIC ACCOUNTING)

This Form is to be COMPLETED and MAILED directly to the California Board of Accountancy (CBA) by the Employer

PRINT OR TYPE

FULL NAME OF APPLICANT: (No Initials) (First) _____ (Middle) _____ (Last) _____	SOCIAL SECURITY # (Last 4 only) XXX-XX-____
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PERIOD OF EMPLOYMENT

List the dates applicant was under your supervision and obtained qualifying experience, as defined below.

FULL TIME DATES	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	PART-TIME DATES	FROM (MO/DAY/YR)	TO (MO/DAY/YR)	TOTAL PART-TIME HOURS
	/ /	/ /		/ /	/ /	

The experience required by Section 5095 of the California Accountancy Act (Accountancy Act) should be fulfilled primarily by financial statement audits and, secondarily, by other attest services (see Instructions, Section 2). Section 12.5 of the CBA Regulations establishes the attest experience requirement. **To be considered as qualifying, experience is that which enables the applicant to demonstrate the ability to understand the requirements of planning and conducting a financial statement audit or perform other attest services with minimum supervision that results in an opinion on full disclosure financial statements (see Instructions, Sections 1 and 2).**

Check either yes or no for each of the following items (A and B) to identify the experience of the applicant, while under your supervision, for purposes of qualifying the applicant for a CPA license.

QUALIFYING EXPERIENCE

Yes No

I.	A.	Does the applicant have experience in the planning of the audit, including the selection of the procedures to be performed?		
	B.	In your opinion, did such experience demonstrate a satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession?		
II.	A.	Does the applicant have experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements?		
	B.	In your opinion, did the application of the above-described procedures demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
III.	A.	Does the applicant have experience in the preparation of working papers in connection with the various elements of I and II, above?		
	B.	In your opinion, do the working papers demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
IV.	A.	Does the applicant have experience in the preparation of written explanations and comments on the work performed and its findings?		
	B.	In your opinion, do the written explanations and comments demonstrate satisfactory knowledge of current practice standards and pronouncements of the profession?		
V.	A.	Does the applicant have experience in the preparation of and reporting on full disclosure financial statements?		
	B.	In your opinion, did such participation demonstrate satisfactory knowledge of current professional standards?		

NUMBER OF HOURS

VI. SUMMARY OF ATTEST EXPERIENCE HOURS (see Instructions, Section 3).	Audit	Other Attest	Review Services	Compilation
Experience in Planning the Audit or Other Attest Services (I. above)				
Experience in Applying a Variety of Audit Procedures and Techniques on the Audit or Other Attest Services Procedures (II. above)				
Experience in the Preparation of Working Papers on the Audit or Other Attest Services (III. above)				
Experience in the Preparation of Written Explanations on the Audit or Other Attest Services (IV. above)				
Experience in the Preparation of Full Disclosure Financial Statements (V. above)				
Compilation Hours Obtained Prior to January 1, 2008				
Total				

VII. Is the applicant related to anyone in your firm? Yes No (If yes, explain relationship) _____

NOTES TO EMPLOYER COMPLETING Certificate of Attest Experience (Public Accounting).

See Instructions Sections 1, 2, and 3.

For the authorization to sign attest reports, applicants applying for licensure under either Pathway 1 or Pathway 2 **must** obtain a **minimum of 500** hours of qualifying attest experience.

Section 69 of the CBA Regulations provides that the CBA may require an explanation of any representation made on the Certificate of Attest Experience (Public Accounting) and/or may inspect the documentation relating to the applicant's fulfillment of the experience requirement.

Section 12.5 of the CBA Regulations requires that public accounting experience be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm. 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 signing the verification is also the person supervising the experience, no second signature is required. **Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.**

I hereby certify, under penalty of perjury under the laws of the state of California, that the applicant (1) has been employed by me or my firm for the period indicated herein, and (2) in the course of such employment has obtained the experience indicated on this Certificate of Attest Experience (Public Accounting).

FIRM NAME	BUSINESS TELEPHONE:	Area Code ()
ADDRESS (INCLUDING City, State and Zip Code)		

SIGNATURE #1 (Supervisor) (DO NOT USE BLACK INK)	SOLE PROPRIETOR <input type="checkbox"/> PARTNER <input type="checkbox"/> SHAREHOLDER <input type="checkbox"/> OTHER (Second signature required) <input type="checkbox"/>
PRINTED NAME	CERTIFICATE NO. _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
DATE	U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____
SIGNATURE #2 (DO NOT USE BLACK INK)	SOLE PROPRIETOR <input type="checkbox"/> PARTNER <input type="checkbox"/> SHAREHOLDER <input type="checkbox"/> OTHER (Second signature required) <input type="checkbox"/>
PRINTED NAME	CERTIFICATE NO. _____ CPA <input type="checkbox"/> PA <input type="checkbox"/>
DATE	U.S. STATE OR OTHER AUTHORITY OF ISSUANCE _____

OFFICE USE ONLY
Date of last Section 69 Review _____
<input type="checkbox"/> APPROVED <input type="checkbox"/> REAPPEARANCE <input type="checkbox"/> NO RECORD
Verified by: _____
Date: _____

OFFICE USE ONLY
Date of last Section 69 Review _____
<input type="checkbox"/> APPROVED <input type="checkbox"/> REAPPEARANCE <input type="checkbox"/> NO RECORD
Verified by: _____
Date: _____

INSTRUCTIONS FOR COMPLETING CERTIFICATE OF ATTEST EXPERIENCE (PUBLIC ACCOUNTING)

The Certificate of Attest Experience (Public Accounting) is used by licensees to communicate to the CBA the experience an applicant has obtained while under their supervision in order for the CBA to determine whether the experience meets the requirements of CBA Regulation, Section 12.5.

Public accounting experience should be of a character and variety that enables the applicant to demonstrate the ability to understand the requirements of planning and conducting a financial statement audit or perform other attest services with minimum supervision that results in an opinion on full disclosure financial statements.

For the authorization to sign attest reports, applicants applying for licensure under either Pathway 1 or Pathway 2 **must** obtain a **minimum of 500 hours of attest experience**. It is important that very early in the applicant's employment the licensee and applicant formulate a plan tailored to demonstrate a variety of experience in audit services. A contemporaneous time record should be prepared and monitored by the licensee and the applicant.

1. **Qualifying Experience.**

Experience required under Items I, II, and III on the Certificate of Attest Experience (Public Accounting), it is expected the applicant will have gained attest experience in applying the procedures normally applied in a variety of situations. The applicant is expected to have experience in planning audits. It is unnecessary for an applicant to have performed all the procedures below or any single procedure any particular number of times. This experience may be obtained in one or more engagements, in one or more industries.

Typical audit planning and procedures include, but are not limited to, the following:

- a. Obtaining sufficient understanding of the components of internal control (control environment, risk assessment, control activities, information and communications, and monitoring) to plan the audit. Procedures are usually performed to ascertain whether such components were in effect and operating effectively.
- b. Assessing risks embodied in the account balance, transaction class, and disclosure components of the financial statements and determining materiality.
- c. Applying appropriate analytical review procedures in performing an attestation engagement.
- d. Applying appropriate testing procedures to determine the existence and reasonableness of asset account balances such as cash, accounts receivable, inventory, property, plant and equipment, and other assets such as prepaids, intangible assets, and other deferred charges.
- e. Understanding and determining the valuation of accounts such as inventories, accounts receivable, marketable securities, real estate investments, and the appropriate accounting and applicable disclosures. These include costing and pricing concepts such as LIFO, FIFO, lower of cost or market, and excess and obsolete inventory, etc.
- f. Applying appropriate testing procedures to determine the reasonableness of liability account balances, such as accounts payable, accrued liabilities, income taxes, and notes and contracts payable, and the reasonableness of capital accounts and revenue and expense accounts.
- g. Testing of revenue and profit recognition, cut off of sales, purchases, cash receipts and disbursements, subsequent events review, and examination of pertinent documentation.
- h. Determining the existence of related party transactions, commitments and contingent liabilities, and appropriate financial statement disclosures.

Under Item IV on the Certificate of Attest Experience (Public Accounting), it is expected the applicant has written comments, observations, and conclusions resulting from the work performed.

Under Item V on the Certificate of Attest Experience (Public Accounting), it is expected the applicant has participated in the preparation of and reporting on full disclosure financial statements. The experience required under this item may be fulfilled partially by review services, if adequately supported by workpapers.

2. Experience Discussion.

The performance of financial statement audits should primarily fulfill the experience requirement. In addition, attest experience may include a combination of:

- a. Review services **to the extent they comply with the documentation of analytical procedures and the development of expectations as required by the Statements on Standards for Accounting and Review Services**. Frequently, only analytical review procedures qualify; however, the scope of work may be extended in selected areas and, thereby, may qualify. Examples include performing analytical review procedures or extending the scope of work in selected areas. Experience obtained in other areas (such as accounting write-up, tax compliance, consultations, forecasting and projections) is not considered qualifying under CBA Regulation, Section 12.5.
- b. Other attest services including, but not limited to:
 - Statements on Standards for Attestation Engagements (SSAE) No. 16.
 - Agreed-upon procedures.
 - Compliance audits.
- c. Compilation services **only to the extent preparation of full disclosure financial statements is supported by work papers. Compilation hours obtained after December 31, 2007, are no longer accepted as qualifying attest experience for licensure.**

The most frequent problems encountered by applicants with public accounting experience are:

- a. Failure to demonstrate and/or document participation in the audit planning process.
- b. Limited experience in applying audit procedures and participating in preparing and reporting on full disclosure financial statements. As a result, an applicant has difficulty demonstrating experience with disclosure requirements, financial statement preparation, and Generally Accepted Accounting Principles and Generally Accepted Auditing Standards requirements.
- c. Failure to demonstrate a reasonable awareness and understanding of current professional standards.

3. Other Sections of the Certificate of Attest Experience (Public Accounting).

- a. Summary of Attest Experience Hours (Part VI of Certificate of Attest Experience [Public Accounting]).

This summary should reflect only hours the applicant spent performing audit procedures pursuant to CBA Regulation, Section 12.5.

Experience in areas such as controllership functions, accounting write-up, tax compliance, consultations, forecasting, and projections, are **not** considered qualifying under CBA Regulation, Section 12.5.

The specific categories of experience should be completed as follows:

Audit Hours: This section should reflect only those hours spent in the planning and performing of audit procedures or other attest services in an audit engagement, and the hours spent on financial statement preparation.

Review Hours: This section should reflect only those hours spent in the performance of audit-type procedures or other attest services in a review engagement, and the hours spent on financial statement preparation. Frequently, analytical review is the only audit-type procedure performed, unless the scope in selected areas has been expanded, and audit-type procedures have been performed and documented.

Other Attest Hours: This section should reflect only those hours spent in the performance of operational audits, compliance audits, and other audits, as well as performance of agreed-upon procedures of an audit nature. If the predominant qualifying experience is shown in this section, it is probable it will be reviewed by the Qualifications Committee of the CBA.

Compilation Hours: Compilation services **only to the extent preparation of full disclosure financial statements is supported by work papers.** Compilation hours obtained after December 31, 2007, are no longer accepted as qualifying attest experience for licensure.

b. Certifying an Applicant's Experience if Obtained in More Than One Office.

If a single Certificate of Attest Experience (Public Accounting) is submitted for an applicant who has obtained experience in more than one office of the same firm, a cover letter also must be submitted furnishing information as to the basis for completing the Certificate of Attest Experience (Public Accounting) for multiple offices. Alternatively, separate Certificates of Attest Experience (Public Accounting) should be submitted by the separate offices. **A separate Certificate of Attest Experience (Public Accounting) must be submitted for experience obtained outside the United States regardless of whether it was obtained from the same firm as that obtained in the United States.**

c. Responsibility Associated with Signing the Certificate of Attest Experience (Public Accounting).

All California licensees in public practice signing the Certificate of Attest Experience (Public Accounting) are subject to the provisions of the CBA Regulations, Section 69. The signers must carefully review the Certificate of Attest Experience (Public Accounting), evaluate, and judge each applicant's experience. The signer is certifying, under penalty of perjury, whether in his or her opinion, the applicant has met the attest experience requirements of the CBA for licensure.

If additional information would be helpful in evaluating the applicant's experience, the CBA encourages an employer to attach an explanatory letter.

CBA Regulation, Section 69 provides that the CBA may require an explanation of any representation made on the Certificate of Attest Experience (Public Accounting) and/or may inspect the documentation relating to an applicant's fulfillment of the experience requirement.

Under CBA Regulation, Section 69, the CBA expects the documentation in support of affirmative answers on the Certificate of Attest Experience (Public Accounting) to consist of a record of engagements on which an applicant actually performed the attest procedures, the amount of time spent by the applicant on the procedures, and the aggregate amount of time spent on such engagements. Upon request, actual financial statements and supporting workpapers are required to be furnished to the CBA.

d. Current Experience.

In evaluating the experience of an applicant, emphasis is given to recent activities that demonstrate the applicant's knowledge and application of applicable professional standards. In determining currency, generally the CBA considers experience gained in the last five years. If the experience was gained prior to that time, the CBA will require the applicant to furnish evidence that he or she is knowledgeable of current practice standards and pronouncements of the profession.

e. Worksheet.

The Worksheet for Substantiation of Qualifying Experience Under CBA Regulation, Section 12.5 has been included to assist the applicant and the employer in accumulating information to support the opinions expressed on the Certificate of Attest Experience (Public Accounting). **It is not necessary to submit this worksheet with the Certificate of Attest Experience (Public Accounting).**

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QC Item I.B.
April 22, 2015

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

MINUTES OF THE
January 21, 2015
QUALIFICATIONS COMMITTEE (QC) MEETING

Hilton Los Angeles Airport
5711 West Century Blvd.
Los Angeles, CA 90045
Telephone: (310) 410-4000

The regularly scheduled meeting of the QC was called to order at 12:32 p.m. on January 21, 2015, by QC Chair, Robert Ruehl.

QC Members

Robert Ruehl, Chair
Jenny Bolsky, Vice-Chair
David Evans
Tracy Garone
Chuck Hester
Casandra Moore Hudnall – Absent
David Papotta
Erin Sacco Pineda – Absent
Kimberly Sugiyama
Nasi Raissian
Jeremy Smith

CBA Members

Jose A. Campos, CBA President
Kay Ko, CBA Member, QC Liason

CBA Staff

Patti Bowers, Executive Officer (EO)
Deanne Pearce, Assistant EO
Veronica Daniel, Licensing Manager
Ben Simcox, Licensing Coordinator
Kathryn Kay, Legislative Analyst

I. Chairperson's Report.

Mr. Ruehl welcomed CBA President Jose Campos and CBA member Kay Ko to the meeting. Mr. Ruehl stated that Ms. Ko was appointed to serve as the CBA member liaison to the QC. Mr. Ruehl noted that Mr. Eckley, Mr. Lee, and Ms. Mapes have retired from the QC. Resolutions were presented before the CBA at its November 2014 meeting and have been mailed out to the retired members. Mr. Ruehl acknowledged that Ben Simcox, CPA, has joined the CBA as the Initial Licensing Unit Coordinator and staff liaison to the QC. Kathryn Kay will remain on staff as she has accepted an opportunity to serve as the CBA Legislative Analyst.

Mr. Campos provided his background and thanked the QC members for their service. Mr. Campos discussed that in 2015, the CBA will be focusing on its study of California's attest experience requirement, undergoing sunset review, the mobility/practice privilege program, and continued monitoring of its fee structure and reserve.

A. Presentation and Discussion Regarding Requirements for Reporting Actions Taken at Board Meetings in Accordance with California Government Code section 11123.

Ms. Pearce provided an overview of this item. Ms. Pearce stated effective January 1, 2015, all state bodies must publicly report any action taken and the vote or abstention on that action of each member present for action. Staff will make a note of such action(s) in the meeting minutes. This new procedure is to promote increased transparency and will be implemented beginning this meeting and going forward.

B. Approval of the July 30, 2014 QC Meeting Minutes.

It was moved by Mr. Ruehl and seconded by Ms. Bolsky to approve the minutes of the July 30, 2014 QC Meeting.

Yes: Mr. Ruehl, Ms. Bolsky, Mr. Evans, Ms. Garone, Mr. Hester, Mr. Papotta, Ms. Sugiyama, Ms. Raissian and Mr. Smith

No: None.

Abstain: None.

Absent: Ms. Moore Hudnall and Ms. Sacco Pineda.

The motion passed.

II. Report of the CBA Liaison.

A. Report on the September 18-19 and November 20-21, 2014, CBA Meetings.

Ms. Ko reported that the CBA met on September 18-19, 2014 and discussed the following:

- Ms. Bowers announced the recipients of the CBA Leadership Award of Excellence were Matthew Stanley, Licensing Manager and Terri Dobson, Personnel Analyst.
- Kristy Schieldge, DCA Legal Counsel and Carl Sonne, Deputy Attorney General, provided the CBA with an educational presentation regarding what criminal convictions are substantially related to the profession.
- The CBA took a position on the following bills:
 - The CBA took a Support position on SB 1226, which would require DCA boards to expedite the initial licensure process for an applicant who has served as an active duty member of the armed forces and was honorably discharged.
 - The CBA took a Neutral position on SB 1159, which would allow an entity within DCA to accept a federal taxpayer identification number on an application for an initial license in lieu of a social security number.
 - The CBA maintained their positions on AB 1702, 2058, 2396, 2415, and 2720
 - The CBA discontinued following AB 186, as it was amended in such a way that it no longer affected the CBA.

Ms. Ko also reported that the CBA met on November 20-21, 2014 and discussed the following:

- The CBA elected Jose Campos as President, Katrina Salazar as Vice-President, and Alicia Berhow as Secretary-Treasurer.
- The Peer Review Report, which is due to the Legislature on January 1, 2015, was approved.
- Ms. Pearce provided an overview of the analysis of the fee levels and their impact on the Accountancy Fund Reserve. The CBA approved a fee increase, which will eliminate the current negative cash flow, bring revenues and expenditures into alignment, and maintain a six month Accountancy Fund reserve. Proposed regulations to implement the fee increase will be presented to the CBA in March 2015.
- The CBA approved the proposed legislative language and directed staff to pursue legislation, which would provide the CBA and Administrative Law

Judges the statutory authority to impose permanent practice restrictions as part of a final disciplinary order. The CBA also directed staff to pursue legislation to clarify restoration requirements for a retired status license.

- Both legislative proposals will be submitted to the Senate Committee on Business, Professions and Economic Development for consideration in the 2015 Annual Omnibus Bill.

III. Report on the Activities of the Initial Licensing Unit.

Ms. Daniel provided an overview of this item. Ms. Daniel noted that the current processing time for individual CPA applicants is 16 days and 14 days for accounting firm applications. Ms. Daniel also noted that Ben Simcox was appointed as Initial Licensing Unit Coordinator, and started on December 15, 2014, and new Licensing Division Chief, Gina Sanchez, will be starting soon.

IV. Public Comment for Items Not on the Agenda.

None.

V. 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 interview individual applicants for CPA licensure.]

C15-001 – The applicant appeared and presented work papers from her public accounting experience. She has 31 months of experience, with a 12-month experience requirement. She is currently licensed with general accounting experience.

Recommendation: Approve. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Note: The employer's understanding of the Certificate of Attest Experience was inadequate. The work papers provided by the employer were limited to first existence and both client files presented were from the same industry, as such reappearance is recommended for the employer. The employer needs to present a broader variety of engagements to encompass those not limited to initial start-ups and the same industry.

The employer has been placed on reappearance.

C15-002 – The applicant appeared and presented work papers from her private industry experience. She has 38.5 months of experience, with a 12-

month experience requirement. She is currently licensed with general accounting experience.

The employer had adequate understanding of the CAE. The work performed by the applicant was reviewed and no deficiencies were noted. The work in aggregate was adequate to support licensure.

Recommendation: Approve.

C15-003 – The applicant was unable to attend the meeting, however her employer appeared due to a family relationship and presented work papers from the applicant's public accounting experience. She has 50.5 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.

C15-004 – The applicant and his employer appeared with work papers from his public accounting experience due to the employer's reappearance status. The applicant has 95 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 applicant and remove employer from the Reappearance Status list.

C15-005 – The applicant and his employer appeared with work papers from his public accounting experience due to the employer's reappearance status. The applicant has 22.75 months of experience, with a 12-month experience requirement. He is currently licensed with general accounting experience.

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 applicant and remove employer from the Reappearance Status list.

C15-006 – The applicant and his employer appeared due to a family relationship and presented work papers from his public accounting experience. He has 26 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.

C15-008 – This was an applicant dispute scheduled before the Chair and Vice-Chair. The employer appeared with work papers from the applicant's public accounting experience. The applicant did not show up for the meeting and the meeting was canceled. The employer was informed that the meeting would be re-scheduled for a QC meeting in the future, in the event the applicant would like to continue to dispute information provided by the employer.

The following Section 69 reviews took place on January 14, 2015, and are made a part of these minutes.

C15-007 – The applicant and his employer appeared due to a family relationship and presented work papers from his public accounting experience. He has 62 months of experience, with a 24-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.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at approximately 3:30 p.m. on January 21, 2015. The next meeting of the QC will be held on April 22, 2015 in Sacramento, California.

Robert Ruehl, CPA, Chair

Prepared by: Ben Simcox, ILU Coordinator

**California Board of Accountancy
Report on the Activities for the Initial Licensing Unit
As of February 28, 2015**

Initial Licensing Unit (ILU) Statistics

Individual License Applications	FY 2012/13	FY 2013/14	FY 2014/15
CPA Licensure Applications Received by Type¹			
Type A	3,036	3,819	1,512
Type B	206	219	107
Type C	329	473	332
Type D	54	52	30
Type E	29	37	14
Total Received	3,654	4,600	1,995
Total Approved	3,474	4,906	1,620
Average Days to Process	25	24	22
Method of Licensure			
Pathway 0 ²	4	0	0
Pathway 1 – attest	416	522	111
Pathway 1 – general	543	824	175
Pathway 2 – with attest	756	928	228
Pathway 2 – without attest	1,755	2,560	624
New Requirements – attest	--	17	109
New Requirements – general	--	55	373

¹ Application Type

² Although uncommon, the CBA does have occasion to issue licenses under Pathway 0 due to the reissuance process.

California Board of Accountancy
Report on the Activities for the Initial Licensing Unit
As of February 28, 2015

Firm License Applications	FY 2012/13	FY 2013/14	FY 2014/15
Corporation			
Total Received	221	210	195
Total Approved	174	200	144
Average Days to Process	14	17	16
Partnership			
Total Received	89	91	66
Total Approved	70	92	54
Average Days to Process	14	17	16
Fictitious Name Permit			
Total Received	169	183	89
Total Approved	105	139	59
Average Days to Process	14	17	16

Customer Service	FY 2012/13	FY 2013/14	FY 2014/15
Telephone Calls Received	24,006	27,889	14,891
Emails Received	9,670	14,098	8,847
Certifications			
Total Received	1,073	1,039	693
Total Processed	1,073	972	742
Average Days to Process	20	22	22

ILU Highlights

- The ILU welcomed Janet Zimmer, as a new Associate Governmental Program Analyst (AGPA) in March 2015.
- ILU staff are working towards implementation of the next phase of the attest study, which includes outreach and pre-testing. The attest study is set to launch to target audiences in May 2015.