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CBA Item VII.C.2.
March 17-18, 2016

Presentation and Approval of the 2015 Peer Review Oversight Committee Annual Report

Presented by: Jeffrey De Lyser, CPA, Peer Review Oversight Committee Vice-Chair

Consumer Protection Objectives

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with the Peer Review Oversight Committee (PROC) 2015 Annual Report (**Attachment**).

The PROC Annual Report provides the CBA with important information regarding the effectiveness and continued relevance of the California Peer Review Program, which is an important component to the CBA's consumer protection mandate.

Action(s) Needed

The PROC is requesting the CBA approve the 2015 PROC Annual Report.

Background

Pursuant to CBA Regulations section 47(c), the PROC is required to report to the CBA annually regarding the results of its oversight, including the scope of work, findings, and conclusions.

Comments

The 2015 PROC Annual Report includes all specifically mandated content. The PROC activities and accomplishments, which represent the primary focus of this report, are outlined in Section VI.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

The PROC recommends that the CBA approve the 2015 PROC Annual Report and continue to provide guidance to the PROC concerning its oversight activities.

Attachment

2015 Peer Review Oversight Committee Annual Report

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

PEER REVIEW OVERSIGHT COMMITTEE

ANNUAL REPORT 2015

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I. Message from the Committee Chair

I am pleased to present to the CBA the Peer Review Oversight Committee's (PROC) 2015 Annual Report. I would like to thank the CBA for its continued trust in my leadership and stewardship of the PROC by re-appointing me as Chair. I would also like to extend my sincerest appreciation to Ms. Sherry McCoy, CPA, who served a two-year term as Vice-Chair of the PROC. Ms. McCoy has served on the PROC since its inception and continues to serve the CBA and consumers of California forthrightly and conscientiously. Mr. Jeffrey De Lyser, CPA, will now transition to the role of Vice-Chair.

This year also represents the first time in almost two years that the PROC has had its full complement of members. With the appointments by the CBA of Mr. Kevin Harper, CPA, and Ms. Renee Graves, CPA, the PROC now has all seven members. I look forward to working with Mr. Harper and Ms. Graves and the other valuable members of the PROC to continue to improve the work of the PROC.

Even with the new appointments, an eye towards the future must be maintained. Four of the original PROC members are set to reach their maximum eight-year term in July and September 2017. With this in mind, I will be working with Patti Bowers, CBA Executive Officer, and her staff on a transition plan which will be designed to minimize the loss of institutional knowledge and services of the PROC.

The PROC's presence as an active oversight body continues to flourish and grow. In addition to performing its routine oversight functions, including its annual oversight of the California Society of CPAs administration of peer reviews conducted using the American Institute of CPAs (AICPA) Peer Review Program, I had the opportunity to personally attend and actively participate in three National Association of State Boards of Accountancy (NASBA) sponsored events.

In July 2015, Governor Brown approved an out-of-state travel request for my attendance and participation at the NASBA PROC Summit. I participated in a panel session, including an active question and answer session. This provided me the opportunity to share with other states and NASBA the activities and practices used in California and to hear how other oversight committees perform their respective roles. Additionally, I was able to attend NASBA's Western Regional and Annual Meetings. At both meetings, discussions on changes to peer review and audit quality were discussed.

Based on the information gathered during the PROC activities and my attendance at the three NASBA events, the PROC is expecting the landscape for peer reviews to change dramatically over the next several years. The beginning of these changes can be seen in the launching of the AICPA Enhancing Audit Quality initiative in 2014 and the release of the AICPA 6-Point Plan of implementation in 2015. These changes are certain to affect all CPAs performing attest functions.

On a final note, an area that the PROC would like to bring to the CBA's attention is

the limited pool of qualified peer reviewers. Over the course of the PROC's oversight activities the topic of the population of peer reviewers, including the recruitment of new peer reviewers, has been a consistent point of discussion. The PROC expects that the new changes being implemented by the AICPA to the peer review program have the potential to further constrict the ability to attract new qualified peer reviewers. While the PROC is responsible for ensuring that administering entities adequately train and monitor peer reviewers, recruitment falls outside of its present scope of activities.

Ensuring an adequate population of qualified peer reviewers is of paramount importance to ensuring the effectiveness, thoroughness, and timeliness of peer reviews. The PROC stands ready to assist in this area as the CBA may see fit.

I look forward to another successful year and the opportunity to serve the CBA together with the highly qualified members of the PROC and CBA staff.

Respectfully,

Robert Lee, CPA

II. Background

In 2009, the CBA sponsored Assembly Bill (AB) 138 (Chapter 312, Statutes of 2009) implementing mandatory peer review. AB 138 was signed by Governor Arnold Schwarzenegger and became effective on January 1, 2010. AB 138 requires all California-licensed firms, including sole proprietorships, providing accounting and auditing services, to undergo a peer review once every three years as a condition of license renewal. Effective January 1, 2012, Senate Bill 543 (Chapter 448, Statutes of 2011) removed the sunset language included in the original enabling legislation, making mandatory peer review permanent in California. Peer review, as defined by Business and Professions Code (BPC) section 5076(b)(1), is a study, appraisal, or review conducted in accordance with professional standards of the professional work of a firm, and may include an evaluation of other factors in accordance with the requirements specified by the board in regulations. The peer review report shall be issued by an individual who has a valid and current license, certificate, or permit to practice public accountancy from this state or another state and is unaffiliated with the firm being reviewed.

III. PROC Responsibilities

The PROC derives its authority from BPC section 5076.1. The purpose of the PROC is to provide recommendations to the CBA on any matter upon which it is authorized to act to ensure the effectiveness of mandatory peer review.

The roles and responsibilities of the PROC, as defined by the CBA, are:

- Hold meetings as necessary in order to conduct business and report to the CBA

regarding the effectiveness of mandatory peer review.

- Ensure that Board-recognized peer review program providers (Provider) administer peer reviews in accordance with the standards set forth in Title 16, California Code of Regulations (CCR) section 48:
  - Conduct an annual administrative site visit.
  - Attend peer review board meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Attend peer review committee meetings, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Attend meetings conducted for the purposes of accepting peer review reports, as necessary but sufficient to evaluate and assess the effectiveness of the program.
  - Conduct reviews of peer review reports on a sample basis.
  - Attend, on a regular basis, peer reviewer training courses.
- Evaluate any *Application to Become A Board-recognized Peer Review Provider* and recommend approval or denial to the CBA.
- Refer to the CBA any Provider that fails to respond to any request.
- Collect and analyze statistical monitoring and reporting data from each Provider on an annual basis.
- Prepare an Annual Report to the CBA regarding the results of its oversight.

IV. Committee Members

The PROC is comprised of seven members, all of whom must possess and maintain a valid and active license to practice public accountancy issued by the CBA. Members are appointed to two-year terms and may serve a maximum of four consecutive terms.

Current members	Term Expiration Date	Maximum Term Date
Robert Lee, CPA, Chair	September 30, 2017	September 30, 2017
Sherry McCoy, CPA, Vice-Chair	July 31, 2017	July 31, 2017
Jeffrey De Lyser, CPA	March 31, 2017	March 31, 2021
Katherine Allanson, CPA	July 31, 2017	July 31, 2017
Kevin Harper, CPA	March 31, 2017	March 31, 2023
Nancy J. Corrigan, CPA	July 31, 2017	July 31, 2017
Renee Graves, CPA	November 19, 2017	November 30, 2023

At its November 19, 2015 meeting the CBA re-appointed Robert Lee, CPA, as Chair and appointed Jeff De Lyser, CPA, as Vice-Chair of the PROC. Additionally, the CBA appointed two new members to the PROC, Kevin Harper, CPA, and Renee Graves, CPA. The PROC is now fully staffed.

V. Board-Recognized Peer Review Program Providers

American Institute of Certified Public Accountants (AICPA)

The AICPA Peer Review Program is currently the only CBA-recognized Peer

Review Program Provider. Through regulation, the CBA established that the AICPA Peer Review Program meets the standards outlined in Title 16, CCR section 48. Further, the CBA accepts all AICPA-approved entities authorized to administer the AICPA Peer Review Program.

The AICPA Peer Review Program provides for a triennial review of a firm's accounting and auditing services performed by a peer reviewer who is unaffiliated with the firm being reviewed to ensure work performed conforms to professional standards. There are two types of peer reviews. System Reviews are designed for firms that perform audits or other similar engagements. Engagement Reviews are for firms that do not perform audits but perform other accounting work such as compilations and/or reviews. Firms can receive a rating of pass, pass with deficiency, or fail. Firms that receive ratings of pass with deficiency or fail must perform corrective actions.

a. California Society of Certified Public Accountants (CalCPA)

CalCPA administers the AICPA Peer Review Program in California. As an administering entity, CalCPA is responsible for ensuring that peer reviews are performed in accordance with the AICPA's Performing and Reporting on Peer Reviews (*Standards)*. The CalCPA Peer Review Committee (PRC) monitors the administration, acceptance, and completion of peer reviews. CalCPA administers the largest portion of peer reviews to California-licensed firms.

b. National Peer Review Committee (NPRC)

The National Peer Review Committee (NPRC) administers the AICPA peer review program for firms that meet any of the following three criteria:

1. The firm is required to be registered with and subject to permanent inspection by the Public Company Accounting Oversight Board (PCAOB).
2. The firm performs engagements under PCAOB standards.
3. The firm provides quality control materials (QCM), or is affiliated with a provider of QCM, that are used by firms that it peer reviews.

The NASBA Compliance Assurance Committee (CAC) provides oversight of the NPRC.

c. Other State Societies

California-licensed accountancy firms with their main office located in another state are required to have their peer review administered by AICPA's administering entity for that state. In most cases, the administering entity is the state CPA society in that state.

VI. Activities and Accomplishments

Following are the activities and accomplishments of the PROC during 2015.

a. Administrative Functions

i. Committee Meetings

The PROC holds meetings as necessary in order to conduct business and report to the CBA regarding the effectiveness of mandatory peer review.

The PROC held the following meetings:

- January 30, 2015 – Berkeley, CA
- May 1, 2015 – Los Angeles, CA
- August 21, 2015 – Sacramento, CA
- December 9, 2015 – San Diego, CA

A representative of the PROC attended five CBA meetings and reported on PROC activities.

ii. Oversight Checklists

The PROC has developed oversight checklists which serve to document the members' findings and conclusions after performing specific oversight activities. The checklists, listed here-in, are included in the PROC Procedures Manual and additional checklists will be developed as necessary.

Present Checklists:

- Summary of Peer Review Committee Meeting
- Summary of Peer Review Subcommittee Meeting
- Summary of Administrative Site Visit
- Summary of Peer Reviewer Training Course
- Peer Review Board Meeting Checklist
- Peer Review Program Provider Checklist
- Summary of Oversight of Out-of-State Peer Review Administering Entity
- Summary of Compliance Assurance Committee Meeting

Members submit the completed checklists to staff for future reference to demonstrate PROC activities.

iii. Approval of CBA-Recognized Peer Review Program Providers

At such time that the CBA receives an Application to Become a CBA-recognized Peer Review Program Provider, the PROC will review the

application and documentation using the Peer Review Program Provider Checklist and determine if the program meets the requirements outlined in Title 16, CCR section 48. Based on the review, the PROC will provide a recommendation to the CBA that the application be approved or denied.

iv. Withdrawal of Board Recognition of a Peer Review Program Provider

The PROC has not made any recommendations to the CBA concerning the withdrawal of CBA recognition of a peer review program provider.

b. Program Oversight

The PROC is charged with providing oversight of all CBA-recognized peer review program providers to ensure that peer reviews are being administered in accordance with the standards adopted by the CBA. During 2015, the PROC performed several activities to assess the effectiveness of the AICPA's Peer Review Program and its administering entities in California, the CalCPA and the NPRC.

i. AICPA

A. AICPA Peer Review Board (PRB)

The AICPA PRB is responsible for maintaining, furthering and governing the activities of the AICPA Peer Review Program, including the issuance of peer review standards, and peer review guidance, while being mindful of the profession's covenant to serve the public interest with integrity and objectivity.

During 2015, PROC members observed each AICPA PRB meeting as part of the PROC oversight activity.

B. AICPA Peer Review Program Annual Report on Oversight

The AICPA Annual Report on Oversight provides a general overview, statistics and information, the results of the various oversight procedures performed on the AICPA Peer Review Program, and concludes on whether the objectives of the oversight process were met.

The PROC reviewed the AICPA Annual Report on Oversight issued on September 30, 2014, for the calendar year 2013, at its January 2015 meeting. Based on the oversight procedures performed, the AICPA Oversight Task Force concluded that in all material respects (1) the administering entities were complying with the administrative procedures established by the AICPA, (2) the reviews were being conducted and reported upon in accordance with standards, (3) the results of the reviews were being evaluated on a consistent basis by all administering entities

and peer review committees, and (4) the information provided via the Internet or other media by administering entities was accurate and timely.

C. AICPA PRB Oversight Visit to CalCPA

Biennially, the AICPA PRB performs an onsite oversight of CalCPA's administration of the AICPA Peer Review Program. A member from the AICPA PRB Oversight Task Force reviews files and interviews staff at the administrative office. In addition, the member attends a peer review committee meeting and observes the report acceptance process of the committee members.

In the year that the AICPA PRB is not performing oversight, a member of the California PRC performs an administrative oversight. A report is issued and approved by the AICPA PRB.

ii. CalCPA

A. CalCPA Peer Review Committee PRC

During 2015, PROC attended both CalCPA PRC meetings, which took place in Mayand November 2015.

B. CalCPA Report Acceptance Body (RAB)

The CalCPA holds multiple RAB meetings per year. The RAB meetings generally occur via conference call. RAB members review and present the peer review reports subject to discussion on a general call. PROC members observe how the RAB executes its duties in the meeting to determine whether the peer review process is operating effectively in the state of California.

During 2015, PROC members observed six RAB meetings.

C. CalCPA PRC Oversight Visit to CalCPA

In the year where the AICPA Peer Review Board is not performing oversight, a member of the California PRC performs an administrative oversight of CalCPA.

The PROC reviewed an AICPA PRB approved report issued on May 4, 2015 of an oversight visit to the CalCPA conducted by a member of the PRC on November 19-21, 2014. The report had no findings or recommendations for the administration of the program.

D. CalCPA Administrative Site Visit

The PROC is charged with conducting, at a minimum, an annual Administrative Site Visit of each Peer Review Program Provider to determine if the provider is administering peer reviews in accordance with the standards adopted by the CBA.

On August 12, 2015, the PROC reviewed CalCPA's administration of the AICPA's Peer Review Program as part of the oversight program for the CBA. As an administering entity, CalCPA is responsible for administering the AICPA Peer Review Program in compliance with the AICPA Standards, interpretations, and other guidance established by the CBA. The PROC's responsibility is to determine whether the peer review program complies with the minimum requirements for a Peer Review Program, pursuant to Title 16, CCR, section 48.

The following procedures were performed as part of the PROC's oversight responsibilities:

- Reviewed policies and procedures used by CalCPA to govern its peer review program process.
- Read correspondence and other available documentation from other oversight activities performed at CalCPA.
- Reviewed the RAB assignment binder.
- Reviewed a sample of peer review reports and associated files for review.
- Discussed the peer review committee member and individual peer reviewer qualifications process with CalCPA personnel and selected a sample for inspection of resumes and other documentation.

E. CalCPA Sample Reviews

The PROC conducts reviews of peer reviews accepted by a provider on a sample basis. The review may include, but is not limited to, the peer review report; reviewers' working papers prepared or reviewed by the provider's peer review committee in association with the acceptance of the review; and materials concerning the acceptance of the review, the imposition of required remedial or corrective actions, the monitoring procedures applied, and the results.

This oversight activity was completed on August 12, 2015, in conjunction with the Administrative Site Visit.

F. CalCPA Peer Reviewer Training

The PROC is responsible for ensuring that peer review providers develop a training program designed to maintain or increase a peer reviewer's

currency of knowledge related to performing and reporting on peer reviews. The CalCPA Education Foundation offers two types of peer reviewer trainings. Each year, the CalCPA Education Foundation offers a two-day course for new peer reviewers and a one-day refresher course for existing peer reviewers.

During 2015, PROC members attended the one-day training course *AICPA Peer Review Program Advanced Course* on May 20, 2015.

G. CalCPA Annual Report on Oversight

The AICPA requires that each administering entity perform oversight of its peer review program every other year, alternating with the year that the AICPA conducts its oversight visit. CalCPA's Peer Review Administrative Committee (PRAC) monitors the oversight process. Each member of the PRAC has been approved by the Council of CalCPA and has current audit experience.

The PROC reviewed the CalCPA Peer Review Program Annual Report on Oversight for Calendar Year 2013, issued October 17, 2014. The oversight report summarizes the results of the mandated oversight of two percent of all reviews processed during the year and verification of the resumes and continuing professional education of one third of peer reviewers.

iii. NPRC

A. NASBA CAC

The charge of the NASBA CAC is to promote effective oversight of compliance with professional standards by CPAs and their firms. As such, the focus of the NASBA CAC is to recommend a nationwide strategy promoting a mandatory program for compliance assurance acceptable to boards of accountancy – PROCs. The NASBA CAC provides oversight of the NPRC.

The PROC observed the NASBA CAC meeting held on May 13, 2015.

B. NASBA CAC Report on the AICPA NPRC

The PROC reviewed the NASBA CAC report on the AICPA NPRC dated June 15, 2015 at its August 2015 meeting. Based on the oral reports provided at each CAC meeting by the NASBA representatives serving as members on the AICPA NPRC, as well as reviewing the comprehensive oversight report prepared by the AICPA NPRC issued October 31, 2014 and the administrative oversight report issued by a third party on October 10, 2014, the NASBA CAC is satisfied and can report that the AICPA

NPRC has operated appropriately for the period of November 1, 2013 to October 31, 2014.

iv. Other State Societies

A. Other State Societies

Most California-licensed accounting firms use CalCPA or AICPA NPRC to administer their peer reviews. There are some California-licensed firms that have their peer reviews administered by AICPA administering entities other than CalCPA and AICPA NPRC, meaning out-of-state CPA societies.

The PROC reviews, on a sample basis, the AICPA oversight visit reports as part of the oversight activity of out-of-state administrative entities each year. All AICPA oversight visit reports are reviewed and accepted by the AICPA PRB Oversight Task Force. For 2015, the PROC reviewed the AICPA's oversight reports for Washington, New York, Florida and Texas.

c. Other Activities

i. NASBA Western Regional Meeting

PROC Chair, Robert Lee, CPA, attended the June 17-19, 2015 NASBA Western Regional Meeting in Coronado, California. The meeting primarily focused on consumer protection and provided a forum to receive and share information regarding various topics, including peer review compliancy, the Uniform Accountancy Act, Uniform CPA Examination, the Accountancy License Database, education, and continuing professional education standards.

ii. NASBA 108th Annual Meeting

PROC Chair, Robert Lee, CPA, attended the NASBA October 25-28, 2015 108th Annual Meeting in Dana Point, California. Panelists discussed key elements of the exposure draft for the next version of the Uniform CPA Examination; how schools and accreditors are recognizing changes in education; state boards' enforcement efforts and their response to the Department of Labor's findings; what state boards can do now to get the most out of the peer review program; ways to bring diversity into the profession; and updates on NASBA's activities.

iii. NASBA PROC Summit

The NASBA PROC Summit is a conference held by the NASBA CAC every other year to support and promote Peer Review Oversight as a critical and valuable practice for all boards of accountancy. The conference is intended

to assist boards of accountancy in learning how to establish a new PROC and also share experiences among existing PROCs to help each board of accountancy be more effective with peer review oversight. Sessions and content are formed based on the most requested information by accountancy board members and PROC members considering the goals and objectives of the NASBA CAC.

PROC Chair, Robert Lee, CPA, received authorization to travel out-of-state to attend the NASBA PROC Summit held on July 10, 2015 in Nashville, Tennessee. He participated in a panel session and answered questions related to peer review. There were informational updates on the AICPA, release of a six-point plan to improve audit quality, the results of 90 surprise reviews, and a discussion about a May 1, 2016 reset of the educational material.

iv. U.S. Department of Labor (DOL)

The PROC reviewed, the Office of the Chief Accountant (OCA), Employee Benefit Security Administration (EBSA), U.S. DOL report titled, "Assessing the Quality of Employee Benefit Plan Audits," released on May 2015. The report assessed the level and quality of audits performed by CPAs of the Employee Retirement Income Security Act (ERISA) covered employee benefit plans.

VII. AICPA Exposure Draft on Standards for Performing and Reporting on Peer Reviews, *Improving Transparency and Effectiveness of Peer Review*.

On November 10, 2015, the AICPA released an exposure draft titled, "*Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review"* (AICPA Exposure Draft).

The proposed changes to the AICPA Standards issued by the PRB are as follows:

- Supplement the existing guidance for peer reviewer, reviewed firm, technical reviewer and RAB responsibilities for nonconforming engagements.
- Enhance the peer review of the firm's system of quality control to better assist the team captain and firm in identifying systemic causes and appropriate remediation of nonconforming engagements and systemic weaknesses.
- Clarify the timing of when results of the peer review should be communicated to the firm to allow time for the firm to identify appropriate remediation.
- Clarify the guidance for drafting descriptions of findings, deficiencies, and significant deficiencies.
- Clarify the peer review report model and provide greater transparency on the results of the review.
- Clarify the required firm representations for System and Engagement Reviews.
- Clarify information the AICPA and administering entities may provide about a review to third parties.

At its December 9, 2015 meeting, the PROC discussed the AICPA Exposure Draft and made the following observations for presentation and consideration by the CBA at its January 2016 meeting:

- Places increased responsibility on firms being peer reviewed
- Offers information, including reforming future complementary and clarifying changes to come
- Shifts peer review to a more remedial environment

The PROC supports the clarifying changes presented in the AICPA Exposure Draft.

VIII. Statistics

The data in the following table reflects the number of peer reviews performed by the AICPA and CalCPA from 2011 through 2014 and provides perspective on the size of the peer review program in California. The table provides statistics based off the most recent approved CalCPA Peer Review Annual Report as of October 22, 2015 reporting data from 2014. The table does not include statistics for peer reviews accepted by the NPRC or out-of-state administering entities.

Results of Peer Reviews Performed During 2011-2014*				
Type of Review	**2011**	**2012**	**2013**	**2014**
System	612	595	507	582
Engagement	1,118	1,265	1,102	1,077
Total	1,730	1,860	1,609	1,659

*Data received from CalCPA as of October 22, 2015 for 2011-2014.

IX. Observations

Based on PROC members' attendance at the various peer review bodies' meetings cited in this report, the PROC offers the following findings to the CBA.

AICPA

The PROC found the AICPA PRB to give ample consideration to the quality of the profession, and exhibit a high level of technical knowledge and diligence in striving to improve the quality of the peer review program and peer reviewers through their handling of a variety of issues that the program faces. The PROC found the agenda items for the meetings to be relevant and appropriate, and AICPA PRB members to execute their duties in a knowledgeable and professional manner understanding the importance of the peer review program to the accounting profession and the public that it serves.

CalCPA

Through participation in PRC and RAB meetings, and the Administrative Site Visits the PROC found the CalCPA to give ample consideration to the quality of the profession, and exhibit a high level of technical knowledge and diligence in striving to improve the quality of the peer review program and peer reviewers through their handling of a variety of issues that the program faces. The PROC found the agenda items for the meetings to be relevant and appropriate, and the CalCPA to execute their duties in a knowledgeable and professional manner under the importance of the peer review program to the accounting professions and the public that it serves.

NPRC

The PROC found the NPRC to give ample consideration to the quality of the profession, and exhibit a high level of technical knowledge and diligence in striving to improve the quality of the peer review program and peer reviewers through their handling of a variety of issues that the program faces. The PROC found the agenda items for the meetings to be relevant and appropriate, and the NPRC to execute their duties in a knowledgeable and professional manner under the importance of the peer review program to the accounting profession and the public that it serves.

X. Conclusion

Based on its oversight activities, the PROC concluded that the AICPA Peer Review Program, including its administering entities, CalCPA and NPRC, function effectively. The PROC recommends that the CBA continue to recognize the AICPA Peer Review Program as a Board-recognized Peer Review Program Provider.

California Board of Accountancy
Enforcement Activity Report

Report as of January 31, 2016

Complaints

Complaints/Records of Convictions	FY 2013/14	FY 2014/15	FY 2015/16 7 months of data
Received	3,255	2,702	1,632
Internal	*2,861*	*2,248*	*1,338*
Internal – Peer Review[1]	*1,892*	*449*	*284*
Internal – All Other	*969*	*1,799*	*1,054*
External	*394*	*454*	*294*
Assigned for Investigation	2,969	2,007	1,114
Closed – No Action	289	713	521
Average Days from Intake to Closure or Assignment for Investigation	4	4	5
Pending	0	0	1
Average Age of Pending Complaints (days)	0	0	0

[1] Peer Review internal complaints typically include investigation of failed peer review reports, failure to comply with peer review citations, filing an incorrect PR-1, or renewing a license without undergoing a peer review when a peer review is required. For FY 2013/14, these complaints included failures to respond during the initial peer review phase-in period (July 1, 2011 to July 1, 2013).

- The California Board of Accountancy (CBA) has received 1,632 complaints since the beginning of the new fiscal year, with 82 percent of these complaints being internal referrals.

- The top external complaint is regarding non-CPAs practicing public accounting.

California Board of Accountancy
Enforcement Activity Report

Report as of January 31, 2016

Investigations

Investigations	FY 2013/14	FY 2014/15	FY 2015/16 7 months of data
Assigned	2,969	1,953	1,114
Internal	*2,628*	*1,579*	*837*
Internal – Peer Review[1]	*1,888*	*439*	*271*
Internal – All Other	*740*	*1,140*	*566*
External	*341*	*374*	*277*
Closed	2,669	1,773	1,127
Average Days to Close	74	167	184
Total Investigations Pending	825	1,081	1,130
0-6 Months	*472*	*639*	*554*
6-12 Months	*191*	*211*	*313*
12-18 Months	*111*	*120*	*104*
18-21 Months	*18*	*39*	*46*
21-24 Months	*22*	*33*	*28*
> 24 Months	*11*	*39*	*85*
Average Age of Open Cases (days)	202	222	263
Median Age of Open Cases (days)	153	126	185

[1] For FY 2013/14, these investigations included failures to respond to multiple CBA requests to file the required PR-1 as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

Chart A on Page 7 illustrates the percentage of open cases by length of time.

- The CBA has closed 1,127 assigned investigations since the beginning of the fiscal year.

- Presently, there are 85 investigations over 24 months, which includes 35 new cases. These cases are the most complex investigations requiring additional time to resolve. Of the 85 investigations, staff has completed or neared completion on 45 of the cases, as follows:

  - Four cases have had an investigative report completed and are pending supervisor review
  - Nineteen cases have had investigations completed and are being prepared for referral to the Attorney General's Office
  - Eight cases are being prepared for citations and fines
  - Fourteen cases will be closed as of the next report

California Board of Accountancy
Enforcement Activity Report

Report as of January 31, 2016

- As previously communicated, management have been working diligently with staff to complete the investigations pending over 24 months and have successfully closed 56 of these cases during Fiscal Year (FY) 2015/16, including 10 since the last report.

Discipline

Attorney General Referrals	**FY 2013/14**	**FY 2014/15**	**FY 2015/16** 7 months of data
Referrals	74	97	58
Accusations Filed	34	47	48
Statements of Issues Filed	8	9	1
Petitions for Revocation of Probation Filed	2	2	5
Closed	31	63	46
Via Stipulated Settlement	*21*	*55*	*30*
Via Proposed Decision	*4*	*2*	*2*
Via Default Decision	*6*	*6*	*14*
Discipline Pending	95	119	123
0-6 Months	*50*	*42*	*47*
6-12 Months	*15*	*40*	*39*
12-18 Months	*16*	*28*	*22*
18-21 Month	*7*	*4*	*6*
21-24 Months	*4*	*0*	*4*
> 24 Months	*3*	*5*	*5*

Chart B on Page 7 illustrates the percentage of cases pending at the AG's Office by length of time.

- There are five cases pending at the Attorney General's Office for more than 24 months. The current status of the cases are as follows:

  - 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 decision was issued on August 28, 2014 denying the writ of mandate. The stay previously issued was dissolved and the CBA's decision revoking the Petitioner's license became effective. The Petitioner immediately filed a Notice of Appeal with the Appellate Court seeking a stay of the decision. The motion requesting a trial was denied at a hearing on December 12, 2014. A ruling from the Court of Appeals is pending.
  - Two cases settled and were adopted by the CBA at its January 2016 meeting and will be removed from the next report
  - Two cases have a hearing scheduled for mid-2016

California Board of Accountancy
Enforcement Activity Report

Report as of January 31, 2016

Citations and Fines

Citations	FY 2013/14	FY 2014/15	FY 2015/16 7 months of data
Total Citations Issued	1,522[1]	348	175
Total Fines Assessed	$399,020	$119,387	$65,200
Fines Average	$702	$343	$373
Average number of days from receipt of a complaint to issuance of a citation	33	142	150
Top 3 Violations Resulting in Citation			
1:	Response to CBA Inquiry (Reg 52)	CE Basic Requirements (Reg 87)	CE Basic Requirements (Reg 87)
2:	CE Basic Requirements (Reg 87)	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)
3:	Name of Firm (BPC 5060)	Name of Firm (BPC 5060)	Fingerprinting & Disclosure (Reg 37.5)

[1] For FY 2013/14, 1,481 citations were issued for failure to respond to multiple CBA requests to file the required PR-1 as part of the initial peer review phase-in period that occurred between July 1, 2011 and July 1, 2013.

- As noted in previous reports, the Average number of days from receipt of a complaint to issuance of a citation has increased from the FY 2013/14. This is due to the high volume of Peer Review (Failure to Respond) citations that were issued and the quick turn-around time that was initiated.

- 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.

- Violation of the continuing education basic requirements is currently the most common reason for issuance of a citation.

California Board of Accountancy
Enforcement Activity Report

Report as of January 31, 2016

Probation Monitoring

Monitoring Activities	FY 2015/16 7 months of data
Number of Licensees on Probation as of Last Report	100
New Probationers	6
Total Number of Probationers	102
Out-of-State Probationers	7
Probation Orientations Held since Last Report	14

Criminal Offender Record Information (CORI)

CORI Fingerprints[1]	FY 2014/15	FY 2015/16 7 months of data
Notification Letters Sent	19,715	4,723
CORI Compliances Received	11,971	5,715
Non-Compliance Notifications Sent (Audit)	742	403

CORI Enforcement Cases	FY 2014/15	FY 2015/16 7 months of data
Received	624	346
Assigned for Investigation	185	212
Closed – No Action	439	134
Non-Compliance Citations and Fines Issued	45	52
Referred to the Attorney General's Office	14	13

[1] CORI-related activities that occurred in FY 2013/14 were previously reflected on the Licensing Activity Report.

- Effective January 1, 2014, all licensees renewing their license in active status are required to have fingerprints on file for the purpose of conducting a state and federal criminal offender record information background check.

California Board of Accountancy
Enforcement Activity Report

Report as of January 31, 2016

Mobility

Enforcement Aspects of Mobility	FY 2014/15	FY 2015/16 7 months of data
Pre-Notification Forms Received	2	0
Cessation Event Forms Received	0	0
SEC Discipline Identified	27	29
PCAOB Discipline Identified	21	10
Out-of-State Accounting Firm Registrants That Reported Other Discipline	14	3
Complaints Against Practice Privilege Holders	11	3

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

- The complaints against practice privilege holders include practice without permit, discipline by other states/governmental agencies, and practice complaints.

- Staff sends letters to all CPAs who were disciplined by 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

The Enforcement Division has the following vacancies:

- One Staff Services Manager over the Attorney General and Citation Units

- One Associate Governmental Program Analyst in the Criminal Offender Record Information Unit (CORI)

- Two Investigative Certified Public Accountants (ICPA) Limited-term and one ICPA Retired Annuitant in the Investigations Unit

- One Office Technician in the Attorney General Unit

- One Student Assistant in the Probation Unit

- Nine CORI positions are scheduled to expire on June 30, 2016 and June 30, 2017.

California Board of Accountancy
Enforcement Activity Report

Report as of January 31, 2016

Chart A – Open Investigations as of January 31, 2016

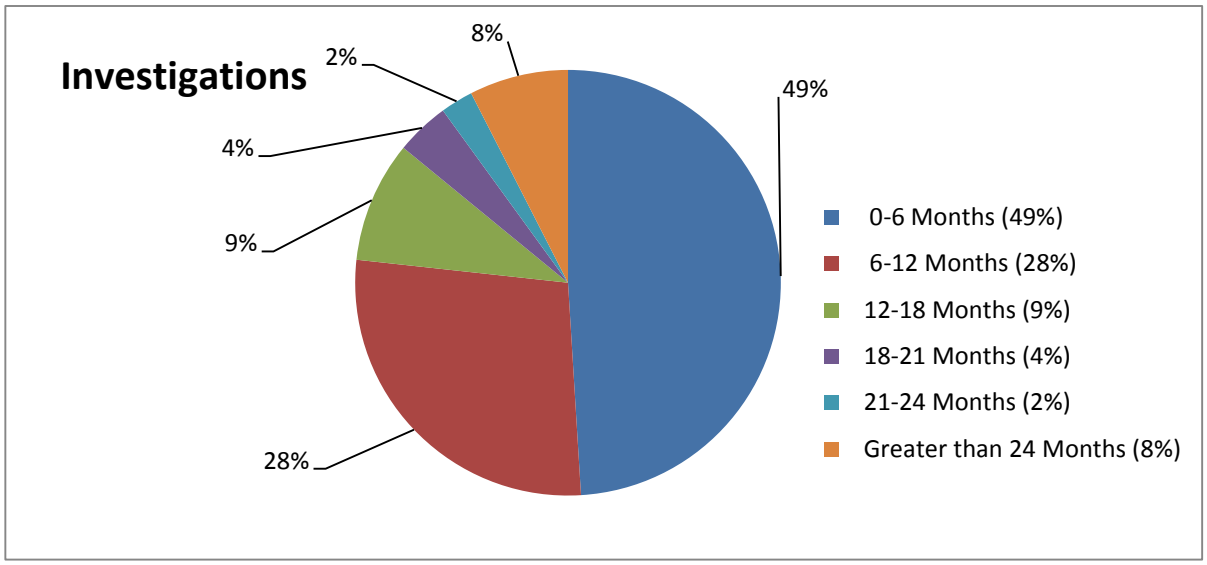
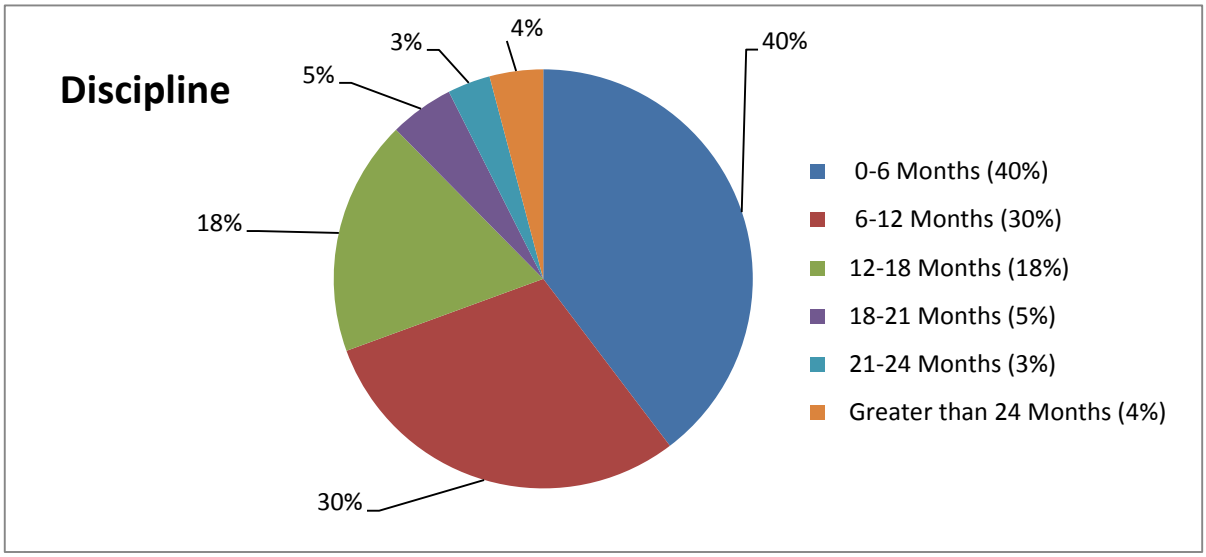


Chart B – Discipline Pending at the Attorney General Office as of January 31, 2016



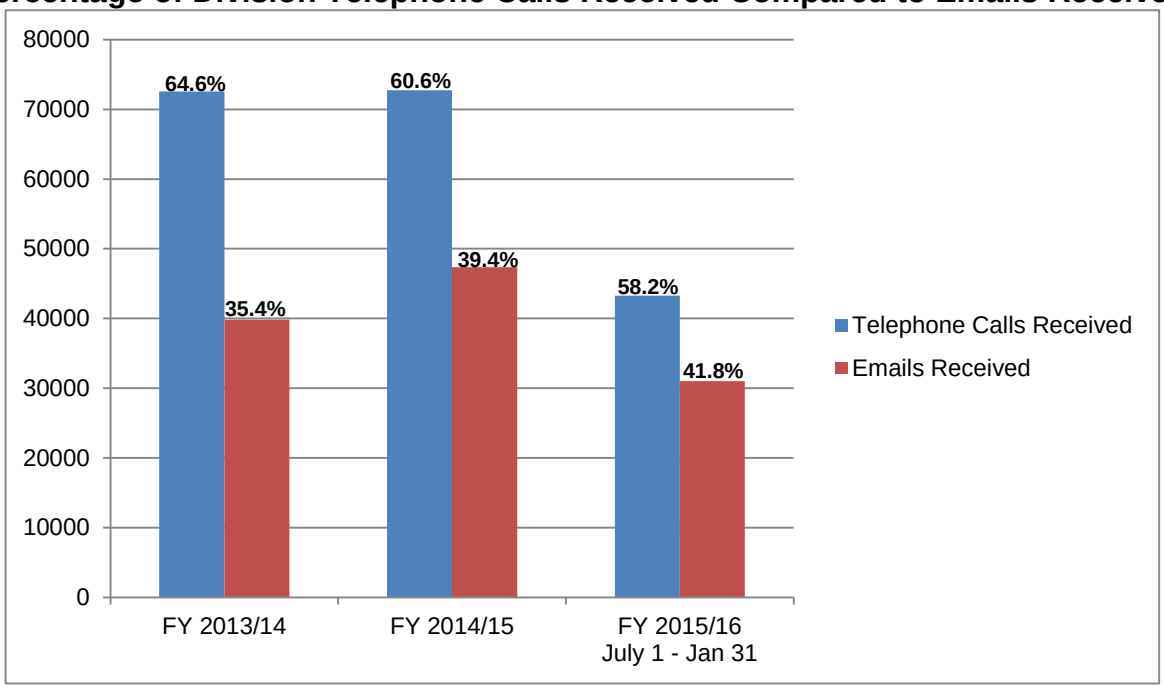
California Board of Accountancy
Licensing Activity Report
As of January 31, 2016

Contact with CBA Stakeholders

Telephone Calls Received	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
Examination Unit	18,815	22,809	11,393
Initial Licensing Unit	27,889	22,993	16,319
License Renewal and Continuing Competency Unit	25,172	26,449	15,305
Practice Privilege Unit	663	468	275

Emails Received	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
Examination Unit	10,867	13,121	8,077
Initial Licensing Unit	14,098	14,588	10,986
License Renewal and Continuing Competency Unit	14,488	19,258	11,684
Practice Privilege Unit	381	397	291

Percentage of Division Telephone Calls Received Compared to Emails Received



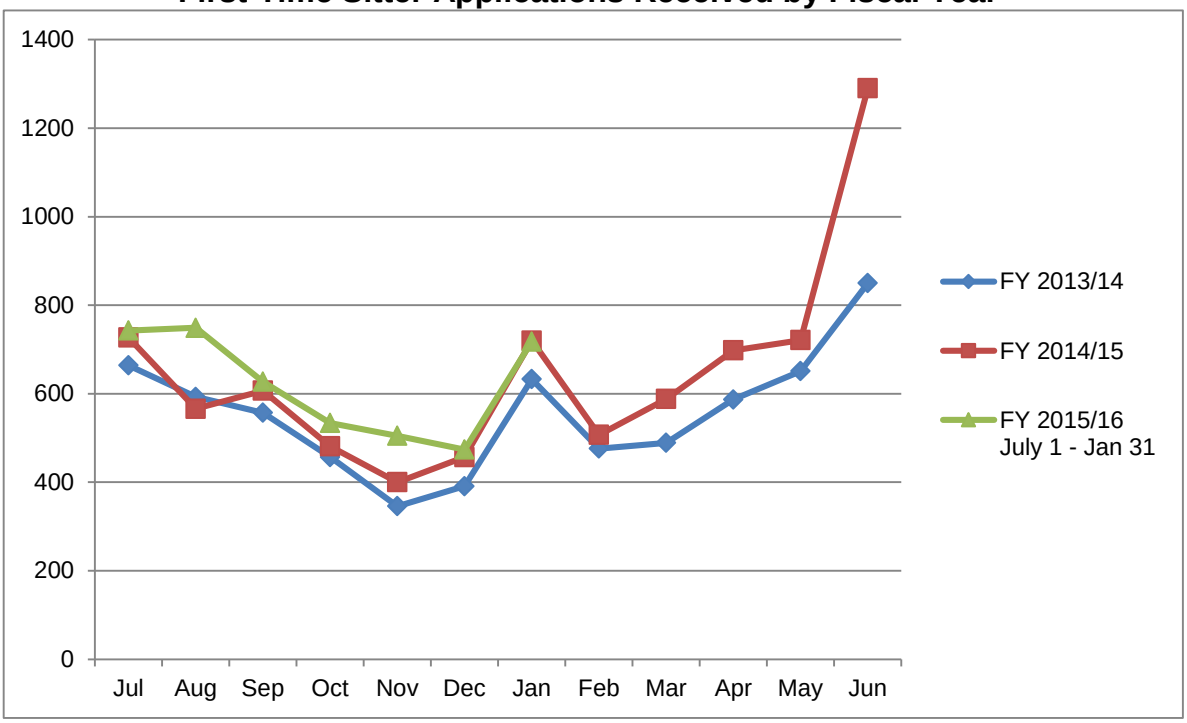
California Board of Accountancy
Licensing Activity Report
As of January 31, 2016

Examination and Initial Licensing Unit

- The Examination and Initial Licensing Unit is recruiting to fill a Seasonal Clerk position.

CPA Examination Applications	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
First-Time Sitter			
Total Received	6,661	7,762	4,350
Total Approved	6,720	6,451	4,665
Average Days to Process	20	29	28
Repeat Sitter			
Total Received	17,044	17,802	10,308
Total Approved	17,455	15,791	10,945
Average Days to Process	6	9	8

First-Time Sitter Applications Received by Fiscal Year



California Board of Accountancy
Licensing Activity Report
As of January 31, 2016

CPA Examination Special Requests	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
Conditional Credit and Notice to Schedule Extensions			
Total Received	173	181	82
Total Completed	176	167	93
Average Days to Process	18	30	30
Educational Qualification Appeals			
Total Received	50	29	14
Total Completed	52	27	16
Average Days to Process	22	21	23
Special Accommodation Requests			
Total Received	172	194	119
Total Completed	178	182	110
Average Days to Process	12	18	17

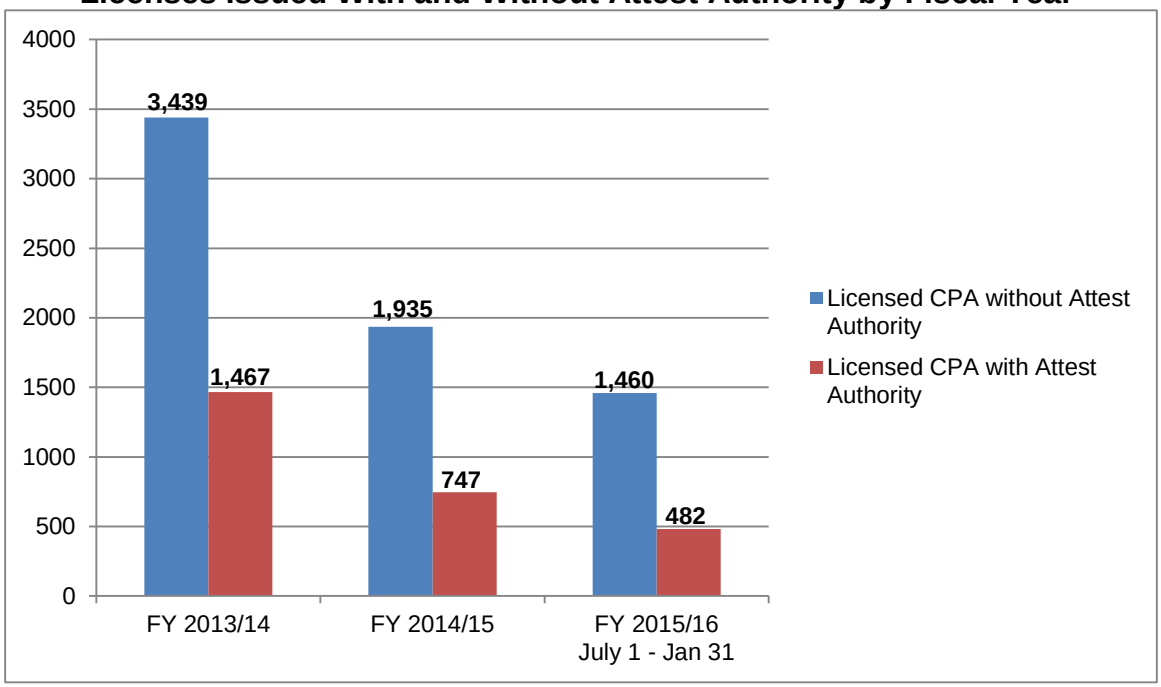
Individual License Applications	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
Certified Public Accountant			
Total Received	4,600	3,158	2,394
Total Approved	4,906	2,682	1,942
Average Days to Process	24	24	24

California Board of Accountancy
Licensing Activity Report
As of January 31, 2016

Method of Licensure*	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
150 Hour Requirement – attest**	17	245	271
150 Hour Requirement – general**	55	742	796
Pathway 1 – attest	522	182	60
Pathway 1 – general	824	272	189
Pathway 2 – attest	928	320	151
Pathway 2 – general	2,560	921	475

*Total Method of Licensure represents those applicants who were issued a license; refer to Total Approved.
** Effective January 1, 2016, all licensure applicants must meet the 150 semester unit requirement.

Licenses Issued With and Without Attest Authority by Fiscal Year



California Board of Accountancy
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Certification Requests	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
Total Received	1,039	1,051	596
Total Processed	972	1,042	500
Average Days to Process	22	20	22

Firm License Applications	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
Corporation			
Total Received	210	272	158
Total Approved	200	208	114
Average Days to Process	17	16	12
Partnership			
Total Received	91	92	57
Total Approved	92	76	38
Average Days to Process	17	16	16
Fictitious Name Permit			
Total Received	183	120	87
Total Approved	139	87	65
Average Days to Process	17	16	10

Practice Privilege	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
Out-of-State Accounting Firm Registrations			
Approved	209	135	35
Pending Review	0	0	0
Pending Correction of Deficiencies	5	0	0
Enforcement Referrals	11	15	8

California Board of Accountancy
Licensing Activity Report
As of January 31, 2016

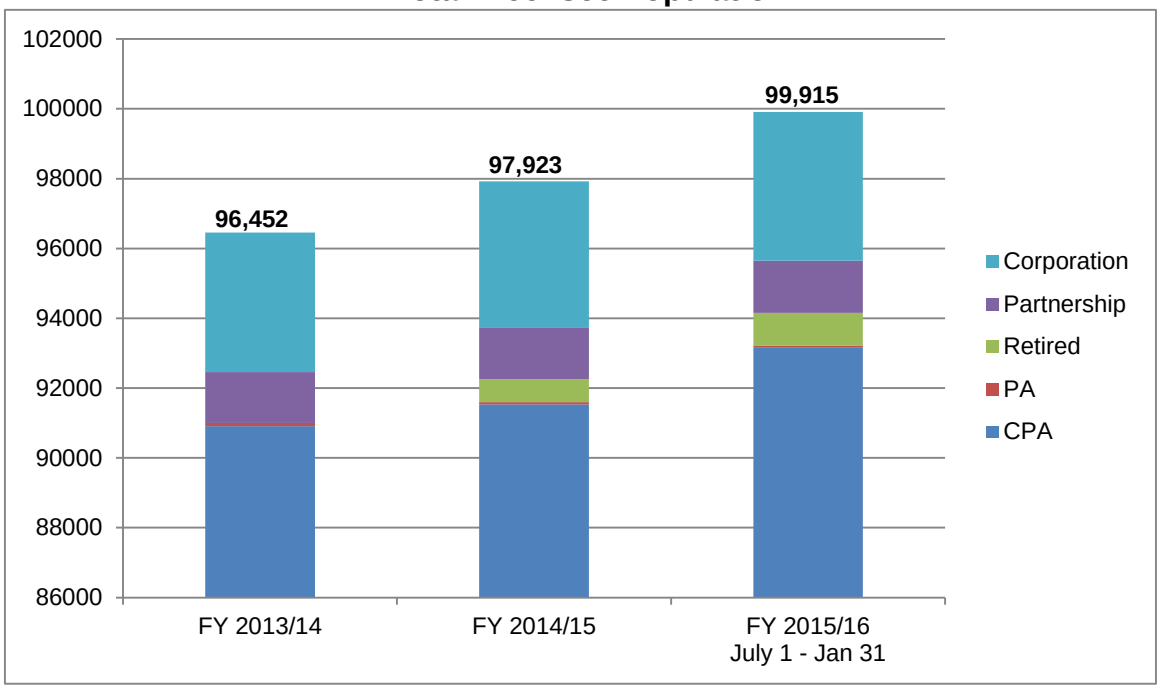
License Renewal and Continuing Competency Unit

- The License Renewal and Continuing Competency Unit is recruiting to fill a Program Technician II position.

- Staff approved two regulatory review courses bringing the total number of Board-approved courses to 28.

Licensee Population by License Type	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
CPA	90,912	91,530	93,156
PA	85	64	63
Retired	-	660	937
Partnership	1,460	1,490	1,494
Corporation	3,995	4,179	4,265

Total Licensee Population



California Board of Accountancy
Licensing Activity Report
As of January 31, 2016

License Renewal	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
Total Licenses Renewed			
Certified Public Accountant	39,164	40,122	24,582
Public Accountant	12	14	3
Corporation	1,526	1,500	1,014
Partnership	572	525	361
License Renewal Verification			
CPA/PA Applications Reviewed	39,605	34,199	28,099
Deficient Applications Identified	5,659	9,725	6,951
Compliance Responses Received	4,128	8,821	5,214
Outstanding Deficiencies	1,510	1,848	2,467
Top Three Renewal Deficiencies			
1:	Peer Review Form[1]	Peer Review Form[1]	Peer Review Form[1]
2:	Renewal Application[2]	Renewal Application[2]	Renewal Application[2]
3:	Ethics CE[3]	Ethics CE[3]	Ethics CE[3]

1 – Failure to submit/incomplete/filed on behalf of firm – peer review reporting form.
2 – Failure to submit/incomplete license renewal application.
3 – Failure to complete four hours of ethics continuing education.

License Renewal Related Activities	FY 2013/14	FY 2014/15	FY 2015/16 7 Months of Data
CE Audits			
Licensees Selected for Audit	855	900	525
Outstanding Audits	508	95	175
Compliance Letters Sent	347	1,297	442
Enforcement Referrals*			
	582	998	453

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

California Board of Accountancy
Licensing Activity Report
As of January 31, 2016

Retired Status*	**FY 2013/14**	**FY 2014/15**	**FY 2015/16** 7 Months of Data
Applications Received	--	671	280
Applications Failing to Meet Minimum Qualifications	--	11	3
Applications Approved	--	660	274

* Effective July 1, 2014 licensees may apply for retired status.

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CPC Item II. March 17, 2016

CBA Item X.A.2. March 17-18, 2016

Discussion and Possible Action to Make Technical ("Section 100") or Regulatory Changes to Amend Title 16, California Code of Regulations Sections 20 and 36.1.

Presented by: Pat Billingsley, Regulatory Analyst

Consumer Protection Objectives

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to discuss proposed changes to Title 16, California Code of Regulations, Division 1 (CBA Regulations), sections 20 and 36.1. The proposed changes include revising the Out-Of-State Accounting Firm Registration Form (PP-13 (1/13)) in section 20 to ensure consistency with Business and Professions Code (BPC) section 30 regarding collection of social security numbers. In addition, changes in section 36.1 are proposed to ensure consistency with BPC section 5087 regarding the description of licensure requirements for out of state licensee. Establishing consistency between the statute and the regulations will eliminate potential confusion for applicants and staff helping to ensure the protection of consumers in California.

Action(s) Needed

The CBA will be asked to approve the proposed language for CBA Regulations sections 20 and 36.1 and initiate the rulemaking process.

Background

With the passage of Senate Bill (SB) 560, BPC section 30 now states that the CBA "shall not process an application for an initial license unless the applicant provides its federal employer identification number, or individual taxpayer identification number or social security number where requested on the application." Under prior law, firms licensed in another state that apply for an Out-Of-State Firm Registration in California used an application form that did not require LLCs to provide a federal employer identification number (FEIN).

In addition, Assembly Bill (AB) 181 amended BPC section 5087 to now require applicants for California certified public account licensure who were licensed in another state to possess a current, active, and unrestricted license from the other state. Prior law only required a valid and unrevoked license.

Comments

Staff drafted proposed changes (**Attachment**) to CBA Regulations sections 20 and 36.1 to be consistent with the new language in BPC sections 30 and 5087.

Staff welcome any changes to the proposed text that the CBA may wish to include. Should the CBA approve the proposed regulatory language, it will also need to direct staff to initiate the rulemaking process.

Staff will attempt to have these amendments processed by the Office of Administrative Law (OAL) as "Section 100" changes which means that they are technical in nature to make the regulatory sections conform to the law. However, if this is denied by OAL, staff request that the CBA authorize the Executive Officer to initiate the proposed changes as a regular rulemaking.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend the CBA authorize the Executive Officer to pursue a Section 100 change to amend CBA Regulations sections 20 and 36.1 as provided in the **Attachment** or initiate a rulemaking if the Section 100 action is denied by the Office of Administrative Law.

Attachment

Proposed Regulatory Language

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Attachment

Proposed Regulatory Language

§ 20. Registration Forms for Out-of-State Accounting Firms.

(a) An out-of-state accounting firm organized and authorized to practice public accountancy under the laws of another state, as specified in Business and Professions Code Sections 5070 and 5035.3, that performs services pursuant to Business and Professions Code Section 5096.12(c), which requires the accounting firm to register with the Board, shall do so on the Out-of-State Accounting Firm Registration Form (PP-13 (~~1/13~~3/16)), which is hereby incorporated by reference.
(b) (1) An out-of-state accounting firm registered by the Board pursuant to subdivision (a) shall renew its registration on the last day of the month in which the registration was initially approved by the Board every second year.
(2) The out-of-state accounting firm shall provide the following information at the time of renewal:
(A) Current contact information;
(B) Current license information from all states in which the firm is licensed including license number, expiration date and any enforcement actions taken against the license including the following:
(i) Pending disciplinary action such as an accusation filed;
(ii) Revocation or suspension, including stayed revocation or stayed suspension;
(iii) Probation or other limitation on practice ordered by a state board of accountancy, including any interim suspension order;
(iv) Temporary restraining order or other restriction on practice ordered by a court;
(v) Public letter of reprimand issued;
(vi) Infraction, citation, or fine imposed; or,
(vii) Any other enforcement related orders of a state board of accountancy; and
(C) An update of the ownership information that was originally reported on the Out-of-State Accounting Firm Registration Form (PP-13 (~~1/13~~3/16)).
(3) An expired registration may be renewed at any time within five years after its expiration upon providing the information required in paragraph (2). A registration that is not renewed within five years following its expiration may not be renewed, and the registration shall be canceled immediately upon expiration of the five-year period. An out-of-state accounting firm with a registration that has cancelled pursuant to this paragraph may re-register pursuant to subdivision (a).
(c)(1) Each registered out-of-state accounting firm shall notify the Board of any change in its address of record within 30 days after the change. If the address of record is a post office box or mail drop, the change of address notification shall include the street

address of the firm.
(2) Each registered out-of-state accounting firm shall notify the Board of any change in its ownership, as reported on the Out-of-State Accounting Firm Registration Form (PP-13 (~~1/13~~3/16)), within 30 days after the change.
(3) For purposes of this section "registered firm" includes any firm registered by the Board pursuant to this section even if the registration is suspended or otherwise subject to disciplinary action, provided the registration is not expired, canceled or revoked.
(4) All notifications required under this subdivision shall be in writing and shall be signed by an individual authorized by the registered firm to submit such notifications along with the individual's printed name and title, and a certification that the information is true and correct to the best of the individual's knowledge.

NOTE: Authority cited: Sections 5010 and 5096.9, Business and Professions Code. Reference: Section 5096.12, Business and Professions Code.

§ 36.1. Out-of-State Licensee.

(a) The Board will consider applications filed under Section 5087 from holders of ~~valid unrevoked~~ current, active, and unrestricted Certified Public Accountant licenses issued under the laws of any state. The Board may deny an application when the facts indicate that the applicant has been a California resident before, during or after having obtained a CPA license in another state and when the facts indicate that the applicant's CPA license was obtained in another state to evade otherwise applicable California statutes and rules.
(b) An applicant pursuant to Business and Professions Code Section 5087 may be considered to have met the education, examination, and experience requirements for issuance of the California license if the applicant shows, to the satisfaction of the Board, that he or she has engaged in the practice of public accounting as a licensed Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.
(c) An applicant pursuant to Business and Professions Code Section 5087 may be considered to have met the attest experience requirement of Section 5095 if the applicant shows to the satisfaction of the Board that he or she has been authorized to provide attest services and engaged in the practice of public accounting as a Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code. Reference: Sections 5082, 5087 and 5095, Business and Professions Code.

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OUT-OF-STATE ACCOUNTING FIRM REGISTRATION FORM

This form must be completed by out-of-state accounting firms that intend to perform any of the following services for an entity headquartered in California:

- An audit or review of a financial statement;
- A compilation of a financial statement when it is expected, or reasonably might be expected, that a third party will use the financial statement and the compilation report does not disclose a lack of independence; or,
- An examination of prospective financial information.

Section A: Firm Information

Instructions: Unless otherwise noted, all of the below information is required.

Firm Name			
Address of Principal Place of Business (Address of Record)	City	State	Zip Code
Mailing Address (If different than above)	City	State	Zip Code
Business Telephone Number ( )	Fax Number ( )		
Business E-mail:			
Social Security Number (only required for sole proprietorships):*			
Federal Employer Identification Number ~~(required for general partnerships, limited partnerships and limited liability partnerships):~~*			

Section B: Licensure Information

Instructions: Provide the state of licensure, license number, and license expiration date for all states in which the firm is licensed or otherwise authorized to practice public accountancy. Attach additional pages, if necessary.

State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date
State of Licensure	License Number	Expiration Date

Section C: Form of Legal Organization

Instructions: Check the box that corresponds to the form of legal organization under which the firm is licensed or otherwise authorized to practice public accountancy.

- ☐ Sole Proprietorship
- ☐ Corporation
- ☐ Limited Liability Company (LLC)
- ☐ General Partnership
- ☐ Limited Partnership (LP)
- ☐ Limited Liability Partnership(LLP)

Section D: Enforcement Actions

Instructions: Have any of the following enforcement actions been taken against any of the licenses listed in Section B? (Check all that apply)

- ☐ Pending disciplinary action such as an accusation filed.
- ☐ Revocation or suspension, including stayed revocation or stayed suspension.
- ☐ Probation or other limitation on practice ordered by a state board of accountancy including any interim suspension order.
- ☐ Temporary restraining order or other restriction on practice ordered by a court.
- ☐ Public letter of reprimand issued.
- ☐ Infraction, citation, or fine imposed.
- ☐ Any other enforcement related orders of a state board of accountancy.

Section E: Firm Ownership Information

Instructions: An out-of-state accounting firm must provide a list of all owners associated with the firm. Please complete Attachment 1 and provide all of the required information as described below. Attach additional pages, if necessary.

Sole Proprietorship
The full name, address, license number, state of licensure, and expiration date of the license.

General Partnerships, Limited Partnership, and Limited Liability Partnership
A list of all Certified Public Accountant (CPA) partners, including full name, address, license number, state of licensure, and expiration date of the license.

A list of all non-CPA partners, including full name and address** for each partner.

Corporations
A list of all Certified Public Accountant (CPA) shareholders, including full name, address, license number, state of licensure, and expiration date of the license.

A list of all non-CPA shareholders, including full name and address for each shareholder.

Limited Liability Company
A list of all CPA directors or members, including full name, address, license number, state of licensure, and expiration date of the license.

A list of all non-CPA directors or members, the list must include the full name and address for each director or member.

Section F: Important Notice

Instructions: By signing the penalty of perjury statement below and submitting this registration form, you are certifying that you have received and read this notice.

- The practice of public accountancy by the accounting firm is limited to authorized practice by the holder of a practice privilege provided for by California Business and Professions Code Section 5096.
- If the firm engages in the practice of public accountancy through a practice privilege holder, it has consented to the personal, subject matter, and disciplinary jurisdiction of the California Board of Accountancy.
- The California Board of Accountancy may revoke, suspend, issue a fine pursuant to Article 6.5 (commencing with Section 5116 of the California Business and Professions Code), or otherwise restrict or discipline the firm for any act that would be grounds for discipline against a holder of a practice privilege through which the firm practices.
- Pursuant to Sections 2105, 15909.02, 16959, and 17451 of the California Corporations Code, before transacting intrastate business in California a business must first qualify and register with the California Secretary of State. For the purposes of determining if a business is transacting intrastate business, Section 191, subdivision (ai) of Section 15901.02, and subdivision (ap) of Section 17001 of the California Corporations Code defines transacting intrastate business as entering into repeated and successive transactions of its business in California, other than in interstate or foreign commerce.
- Any material misrepresentation of any information on the application is grounds for refusal or subsequent revocation of the registration.
- For sole proprietors and partnerships: The California State Board of Equalization (BOE) and the California Franchise Tax Board (FTB) may share taxpayer information with the CBA. You are required to pay your state tax obligation and your license may be suspended or your renewal application denied if the state tax obligation is not paid and your name appears on either the BOE or FTB certified list of top 500 tax delinquencies (Section 494.5 of the California Business and Professions Code).

Section G: Penalty of Perjury Statement

I hereby certify, under penalty of perjury under the laws of the State of California, that I am a person authorized to act for and bind the applicant and that all statements, answers, and representations made on this form and any accompanying attachments are true, complete, and accurate to the best of my knowledge. I further certify that I have read this entire registration form. By submitting this form and signing below, I am granting permission to the California Board of Accountancy to verify the information provided and to perform any investigation pertaining to the information I have provided on behalf of the firm as the California Board of Accountancy deems necessary.

Signature	Date
Printed Name	Title

NOTICE OF PERSONAL INFORMATION COLLECTION AND ACCESS:

The information provided in this form will be used by the California Board of Accountancy to determine whether the out-of-state firm qualifies for registration in California. Sections 30, 31, 5035.3, 5070, and 5096 through 5096.21 of the California Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the form as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, Board of Equalization, the Franchise Tax Board or to another government agency as may be necessary to permit the Board, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in California Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the California Information Practices Act. Certain information provided may be disclosed to a member of the public, upon request, under the California Public Records Act. The Executive Officer of the California Board of Accountancy is responsible for maintaining the information in this form, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.

*Disclosure of your social security number if you are a sole proprietor or federal employer identification number ("FEIN") ~~if you are a partnership~~ is mandatory except for corporations. Section 30 of the California Business and Professions Code and Public Law 94-455 (42 USCA 405(c)(2)(C)) authorize collection of your social security number. Your social security number or FEIN will be used exclusively for tax enforcement purposes or compliance with any judgment or order for family support in accordance with section 17520 of the California Family Code. If you fail to disclose your social security number or your FEIN, your application for initial or renewal license will not be processed AND you may be reported to the Franchise Tax Board, which may assess a $100 penalty against you.

**If provided to the Board and identified as residential or home, addresses will not be made available to the public unless listed as the “address of record” on the application.

Attachment 1 – Detailed Firm Ownership Information				
CPA Owners, Partners, Shareholders, Directors, and Members				
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Full Name	Address of Record	State of Licensure	License Number	Expiration Date
Non-CPA Owners, Partners, Shareholders, Directors, and Members				
Full Name	Address of Record			
Full Name	Address of Record			
Full Name	Address of Record			
Full Name	Address of Record			
Full Name	Address of Record			

CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FACSIMILE: (916) 263-3675
WEB ADDRESS: *http://www.cba.ca.gov*

EPOC Item II March 17, 2016

CBA Item X.B.2 March 17-18, 2016

Discussion Regarding the Revision Schedule for the Disciplinary Guidelines and Model Orders

Presented by: Dominic Franzella, Chief, Enforcement Division

Consumer Protection Objectives

The California Board of Accountancy (CBA) has a fiduciary responsibility to protect consumers, and does so by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. A vital function performed by the CBA in the accomplishment of this responsibility is receiving complaints, performing investigations, and taking enforcement action, when appropriate, against licensees that fail to adhere to California's statutes and regulations, including performing work in accordance with professional standards.

The CBA *Disciplinary Guidelines and Model Orders, 9th Edition, 2013* (Guidelines) set forth recommended discipline for violations of the current statutes and regulations. Ensuring that the Guidelines is regularly updated, both regarding the recommended minimum and maximum penalties and the current statutes and regulations, is paramount to ensuring that the CBA meets it mission of consumer protection.

Action(s) Needed

Staff are requesting the Enforcement Program Oversight Committee (EPOC) approve the schedule for revising the Guidelines (**Attachment 1**). Staff also request input from EPOC members regarding any additional concepts or changes it would like added to the next iteration of the Guidelines that are not already outlined in this agenda item or in **CBA Item X.B.3.**

Background

The Guidelines are revised on a tri-annual basis. The current edition of the Guidelines was adopted by the CBA on September 26, 2013. Once the revisions are completed and the revised Guidelines are adopted by the CBA, the rulemaking process is initiated. The revised Guidelines become effective once the rulemaking process is complete.

Comments

The CBA reviews the Guidelines to ensure they are current and applicable. When necessary, the CBA will incorporate new laws to ensure consumer protection. Due to the length of the document and the number of possible additions, it is often easier to

look at the Guidelines in sections, as opposed to the entire document at once. Therefore, staff recommends the following revision schedule:

March 2016

- Expose plan for proceeding to revise the Guidelines
- Review proposed language for inclusion of a Model Order related to a Permanent Restricted Practice Order (**CBA Item X.B.3**.)

May 2016

- Determine if any changes are necessary to mitigation, aggravation, or rehabilitation language
- Present any new law changes for inclusion
- Evaluate if changes are necessary to any existing violations
- Evaluate if changes are necessary to terms and conditions

September 2016

- Present final version of the Guidelines, seek EPOC and CBA approval to move forward with initiating rulemaking

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend the EPOC provide direction to staff regarding the revision schedule, conceptual changes, and other changes that members would like included in the Guidelines.

Attachment

Disciplinary Guidelines and Model Orders, 9th Edition, 2013

Attachment

CALIFORNIA BOARD OF ACCOUNTANCY

DISCIPLINARY GUIDELINES AND MODEL ORDERS

9TH EDITION, 2013

CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
(916) 263-3680 – TELEPHONE
(916) 263-3675 – FACSIMILE
WWW.CBA.CA.GOV

DISCIPLINARY GUIDELINES
AND
MODEL ORDERS

I. INTRODUCTION

The California Board of Accountancy (CBA) licenses the practice of accountancy in the State of California and may revoke, suspend, or refuse to renew any permit or certificate for violation of applicable statutes or regulations. The CBA examines applicants, sets education requirements, and may deny licensure and the authority to practice under practice privilege (California Business and Professions Code (BPC) section 5096 et seq.). The CBA may, by regulation, prescribe, amend, or repeal rules of professional conduct appropriate to the establishment and maintenance of a high standard of integrity and competency in the profession.

The CBA, through its Enforcement Division, assisted by its statutorily established Enforcement Advisory Committee, receives and investigates complaints; initiates and conducts investigations or hearings, with or without the filing of a complaint; and obtains information and evidence relating to any matter involving the conduct of Certified Public Accountants (CPA), Public Accountants (PA) and Accountancy Firms. The California Accountancy Act and the CBA regulations provide the basis for CBA disciplinary action. (See BPC sections 5000 et seq., and Title16 California Code of Regulations (CCR) sections 1 through 99.1.)

The expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or other authority to practice public accountancy in California, or the voluntary surrender of a license by a licensee shall not deprive the CBA of the authority to proceed with an investigation, action, or disciplinary proceeding against the licensee or to render a decision suspending or revoking the license. (See BPC section 5109.)

These disciplinary guidelines, designed for the use of Administrative Law (ALJ) Judges, attorneys, CBA licensees, and others involved in the CBA's disciplinary process, are revised from time to time. The guidelines cover model, including factors to be considered in aggravation and mitigation; standard probationary terms; and guidelines for specific offenses. The guidelines for specific offenses are referenced to the statutory and regulatory provisions violated.

These disciplinary guidelines set forth recommended discipline for the violation of current statutes and regulations; includes a provision for community service; and provides additional guidance regarding disciplinary and model orders.

The CBA recognizes that these recommended penalties and conditions of probation are merely guidelines and that mitigating or aggravating circumstances and other factors may necessitate deviations, as discussed herein.

II. GENERAL CONSIDERATIONS

The CBA requests that **Proposed Decisions** following administrative hearings include the following:

a. Specific code sections violated with their definitions.

b. Clear description of the violation.

c. Respondent's explanation of the violation if he or she is present at the hearing.

d. Findings regarding aggravation, mitigation, and rehabilitation where appropriate (See factors set forth below/ CCR section 99.1).

e. When suspension or probation is recommended, the CBA requests that the disciplinary order include terms within the recommended guidelines for that offense unless the reason for departure there from is clearly set forth in the findings and supported by the evidence.

   If the respondent fails to appear for the scheduled hearing, such action shall result in a **default decision** to revoke license.

   When the CBA, at a **reinstatement hearing**, denies a petitioner's request for reinstatement, the CBA requests that the Administrative Law Judge provide technical assistance in formulating language clearly setting forth the reasons for denial. Such a **statement** should include, for example, a statement on rehabilitation, including suggestions for further approaches by petitioner to demonstrate rehabilitation, where appropriate. The Petition for Reinstatement Checklist was designed to assist the CBA members and an ALJ with the preparation of a petition for reinstatement. See Attachment 1 for additional information.

f. **Reimbursement** to the CBA for costs of investigation and prosecution as warranted by BPC section 5107.

g. Imposition of an **Administrative Penalty** if warranted. See section VI for guidance.

The CBA will consider **stipulated settlements** to promote cost effectiveness and to expedite disciplinary decisions if such agreements achieve its disciplinary objectives. Deputy Attorneys General should inquire as to respondent's interest in stipulated settlement promptly after receipt of a notice of defense. If stipulated settlement appears unlikely, the case should be set for hearing.

The CBA's policy is that all disciplinary actions will be published.

It is also the CBA’s policy that matters resolved by stipulation include **cost recovery**.

The CBA's Executive Officer is authorized by statute to request an Administrative Law Judge, as part of any proposed decision in a disciplinary proceeding, to order the recovery of

reasonable costs of investigation and prosecution (BPC section 5107). This statute does not preclude the CBA from seeking recovery of costs through stipulations; thus, it does not change the CBA's policy of requesting and recovering costs where appropriate in stipulated settlements. Restitution to victims and/or administrative penalties should not be reasons to reduce, eliminate, or stay full recovery of all reasonable costs of investigation and prosecution.

In stipulated decisions involving **revocation** (no revocation stayed), the order will generally include the requirement that respondent must reimburse the CBA for all reasonable costs of investigation and prosecution prior to or upon reinstatement of respondent's revoked certificate under BPC section 5115.

The period of **probation** is generally three years. During the probation period, licensees are required to appear in person at interviews/meetings as directed by the CBA or its designated representatives to report on probation compliance.

Where an actual **suspension** is imposed, the order shall include the requirement that respondent engage in no activities for which certification is required (see model disciplinary orders). In addition, the respondent shall relinquish the certificate in question to the CBA and shall notify clients regarding the suspended status of the certificate, if directed to do so by the CBA.

When discipline includes a violation that can be corrected, **correction of the violation** should be included as the basis for any discipline.

Restitution should be considered for all cases in which harm is demonstrated against the complainant. However, restitution should consider the actual harm to a complainant; it is not intended to award damages.

III. EVIDENCE IN AGGRAVATION OF PENALTY

The following are among aggravating circumstances to be considered by ALJs in providing for penalties in proposed decisions:

1. Evidence that the violation was knowingly committed and/or was premeditated.

2. Licensee has a history of prior discipline, particularly where the prior discipline is for the same or similar type of conduct.

3. Licensee's actions resulted in financial damage to his or her clients or other consumers. The amount of loss may be an additional aggravating factor.

4. Violation of CBA probation.

5. Failure to comply with a final citation order.

6. Failure to comply with a notice to appear before the CBA or its designated representatives.

7. Failure to comply with continuing education requirements as ordered by the CBA or its designated representatives pursuant to CCR section 87.5.

8. Evidence that the licensee has not cooperated with the CBA's investigation.

9. Misappropriation of entrusted funds or other breach of fiduciary responsibility.

10. Duration of violation(s).

11. Evidence that the licensee knew or should have known that his or her actions could harm his or her clients or other consumers.

12. Evidence that the licensee took advantage of his or her client for personal gain, especially if the licensee was able to take advantage due to the ignorance, age, or lack of sophistication of the client.

IV. EVIDENCE IN MITIGATION OF PENALTY

The following are among mitigating circumstances that may be taken into account by ALJs in providing for penalties in proposed decisions:

1. The licensee has cooperated with the CBA's investigation, other law enforcement or regulatory agencies, and/or the injured parties.

2. The passage of considerable time since an act of professional misconduct occurred with no evidence of recurrence or evidence of any other professional misconduct.

3. Convincing proof of rehabilitation, including the factors in CCR section 99.1 as well as other relevant considerations.

4. Demonstration of remorse by the licensee.

5. Recognition by licensee of his or her wrongdoing and demonstration of corrective action to prevent recurrence.

6. Violation was corrected without monetary losses to consumers and/or restitution was made in full.

7. If violation involved multiple licensees, the relative degree of culpability of the subject licensee should be considered.

V. REHABILITATION CRITERIA

The CBA's rehabilitation criteria, set forth in CCR section 99.1, are as follows:

When considering the denial of a certificate or permit under BPC section, the suspension or revocation of a certificate or permit or restoration of a revoked certificate under BPC section 5115, the CBA, in evaluating the rehabilitation of the applicant and his or her present eligibility for a certificate or permit, will consider the following criteria:

1. Nature and severity of the act(s) or offense(s)~~;~~.

2. Criminal record and evidence of any act(s) committed subsequent to the act(s) or offense(s) under consideration that could also be considered as grounds for denial, suspension, or revocation.

3. The time that has elapsed since commission of the act(s) or offense(s) referred to in subdivision (1) or (2).

4. The extent to which the applicant or respondent has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or respondent.

5. If applicable, evidence of expungement proceedings pursuant to section 1203.4 of the Penal Code.

6. Evidence, if any, of rehabilitation submitted by the applicant or respondent.

VI. ADMINISTRATIVE PENALTIES

BPC section 5116 et seq. allow the CBA to order any licensee or applicant for licensure or examination to pay an administrative penalty as part of any disciplinary proceeding. In matters that go through the administrative hearing process, the CBA's Executive Officer may request an Administrative Law Judge to impose an administrative penalty as part of any proposed decision.

The administrative penalty assessed shall be in addition to any other penalties or sanctions imposed on the licensee or other person, including but not limited to, license revocation, license suspension, denial of the application for licensure, or denial of admission to the licensing examination. When probation is ordered, an administrative penalty may be included as a condition of probation.

For any violation, with the exception of violation of subdivisions (a), (c), (i), (j), or (k) of BPC section 5100, any licensee may be assessed an administrative penalty of not more than $5,000 for the first violation and not more than $10,000 for each subsequent violation.

For violation of subdivisions (a), (c), (i), (j), or (k) of BPC section 5100, licensed firms may be assessed an administrative penalty of not more than $1,000,000 for the first violation and not more than $5,000,000 for any subsequent violation. The administrative penalty that may be assessed an individual licensee who violates these sections is limited to not more than $50,000 for the first violation and not more than $100,000 for any subsequent violation.

Administrative penalties may be assessed under one or more violations; however, the total administrative penalty shall not exceed the amount of the highest administrative penalty allowed.

The term "violation" used in BPC sections 5116.1, 5116.2, and 5116.3 is intended to include the total violations in the disciplinary proceeding. Accordingly, "first violation" refers to the respondent's first disciplinary action and "subsequent violations" refers to any subsequent disciplinary actions.

Cost recovery ordered under BPC section 5107 should not be a reason to reduce or eliminate the amount of administrative fines.

The following criteria should be considered in assessing administrative penalties.

1. Nature and extent of actual and potential consumer harm.

2. Nature and extent of actual and potential harm to clients.

3. Nature and severity of the violation.

4. The role of the person in the violation.

5. The person’s attitude toward his or her commission of the violations.

6. Recognition of wrongdoing.

7. Person’s history of violations.

8. Nature and extent of cooperation with the CBA’s investigation.

9. The person’s ability to pay the administrative penalty.

10. The level of administrative penalty necessary to deter future violations.

11. Nature and extent to which the person has taken corrective action to ensure the violation will not recur.

12. Nature and extent of restitution to consumers harmed by violations.

13. The violations involve sanctions by other government agencies or other regulatory licensing bodies, i.e. Internal Revenue Service, Securities and Exchange Commission, and Public Company Accounting Oversight Board.

14. Other aggravating or mitigating factors.

VII. DISCIPLINARY GUIDELINES

The offenses and penalties are listed chronologically by statute number in the Business and Professions Code (BPC) and by regulation number in Title 16 of the California Code of Regulations (CCR). The number in brackets following each condition of probation refers to the model order so numbered (See **Model Orders**). The probation terms listed under "if warranted" for each violation are to be considered, and imposed, if facts and circumstances warrant.

CALIFORNIA ACCOUNTANCY ACT:
BUSINESS AND PROFESSIONS CODE, DIVISION 3, CHAPTER 1

ARTICLE 2

Section 5037(a) OWNERSHIP OF ACCOUNTANTS' WORKPAPERS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, [1, 2, 4] 3 years probation

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 54.1)

Section 5037(b)(1)(2) RETURN OF CLIENT DOCUMENTS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]

5. Restricted Practice [28]
6. Engagement Letters [29]
7. Ethics Continuing Education [31]
8. Regulatory Review Course [32]
9. Continuing Education Courses [36]
10. Community Service – Free Services [40]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference Section 68)

ARTICLE 3

Section 5050(a) PRACTICE WITHOUT PERMIT; TEMPORARY PRACTICE

Except as provided for in sections 5050(c), 5054, and 5096.12, this section applies to a respondent who practices for a time without a valid license to practice or to respondent who practices without obtaining a practice privilege.

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Active License Status [37]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5050(c) PRACTICE WITHOUT PERMIT; TEMPORARY PRACTICE; FOREIGN ACCOUNTANTS

Applies to respondents licensed in a foreign country who are temporarily practicing in California and hold out as California licensees.

Minimum Penalty – Cease and Desist Letter
Maximum Penalty – Refer to Prosecutorial Agency for Unlicensed Practice

(See section on Unlicensed Activities.)

Section 5055 TITLE OF CERTIFIED PUBLIC ACCOUNTANT/
Section 5056 TITLE OF PUBLIC ACCOUNTANT
(Applies to respondent who assumes or uses the title certified public accountant, CPA, public accountant, or PA without having an appropriate permit to practice.)

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Active License Status [37]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5058 USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 2)

Section 5058.1 TITLES IN CONJUNCTION WITH CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:

1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5058.2 INACTIVE DESIGNATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required:

1. Standard Conditions of Probation [15-24]

If warranted:

1. Probation Monitoring Costs [27]
2. Continuing Education Courses [36]
3. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5058.3 RETIRED DESIGNATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required:

1. Standard Conditions of Probation [15-24]

If warranted:

1. Probation Monitoring Costs [27]
2. Continuing Education Courses [36]
3. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 3.5

Section 5060 NAME OF FIRM

Minimum Penalty – Continuing Education Courses [36] for licensee, licensee partners, licensee directors, shareholders, and/or officers of corporation
Maximum Penalty – Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5072)

Section 5061 COMMISSIONS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring [27]
5. Restricted Practice [28]
6. Engagement Letters [29]
7. Ethics Continuing Education [31]
8. Regulatory Review Course [32]
9. Continuing Education Courses [36]
10. Community Service – Free Services [40]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5062 REPORT CONFORMING TO PROFESSIONAL STANDARDS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Engagement Letters [29]
7. Ethics Continuing Education [31]
8. Regulatory Review Course [32]
9. Peer Review [33]
10. CPA Exam [34]
11. Samples – Audits, Review or Compilation [38]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5100(j))

Section 5062.2 RESTRICTIONS ON ACCEPTING EMPLOYMENT WITH AN AUDIT CLIENT

Minimum Penalty – Revocation stayed, 30 day suspension, 3 years probation [1-4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]

3. Regulatory Review Course [32]
4. Community Service – Free Services [40]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5063 REPORTABLE EVENTS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1,2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Samples – Audit, Review or Compilation [38]
9. Prohibition from Handling Funds [39]
10. Community Service – Free Services [40]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference Sections 59, 60, 61)

Section 5063.3 CONFIDENTIAL INFORMATION DISCLOSURE

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Samples – Audit, Review or Compilation [38]
9. Probation from Handling Funds [39]
10. Community Service – Free Services [40]
11. Notice to Clients [42]
12. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 4

Section 5070.1(b) PRACTICE WITH A RETIRED LICENSE STATUS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation

2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Active License Status [37]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5071.2(b) PRACTICE WITH A MILITARY LICENSE STATUS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Active License Status [37]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5072(a) REQUIREMENTS FOR REGISTRATION AS A PARTNERSHIP
Applies to licensee(s) in a partnership who practices for a time without partnership license (section 5073) and subsequently renews, or to a partnership in practice without a license.

Minimum Penalty – Continuing Education Courses for Licensee Partners [36]
Maximum Penalty – Revocation of partnership/individual licenses [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]

7. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(See section on **Unlicensed Activities.**)

Section 5073(d) PARTNERSHIP APPLICATIONS (ADMISSION OR WITHDRAWAL OF PARTNER)

Minimum Penalty – Continuing Education Courses for Licensee Partners [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5076(a) PEER REVIEW

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Peer Review [33]
8. Continuing Education Courses [36]
9. Sample – Audit, Review or Compilation [38]
10. Notification to Clients/Cessation of Practice [42]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Sections 40, 32, 43)

Section 5076(f) PEER REVIEW – DOCUMENT SUBMISSION REQUIREMENT

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Peer Review [33]
8. Continuing Education Courses [36]
9. Sample – Audit, Review or Compilation [38]
10. Notification to Clients/Cessation of Practice [42]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 46)

Section 5078 OFFICES NOT UNDER PERSONAL MANAGEMENT OF CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT; SUPERVISION

Minimum Penalty – Continuing Education Courses for Licensee Owners [36] and/or require CPA or PA to develop standards for supervision, and implement a practice plan; permit practice investigation within 3 months to insure compliance [20]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5079(a)(b)(d) NONLICENSEE OWNERSHIP OF FIRMS

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation of partnership or corporate registration and individual licenses [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed, 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 51.1)

ARTICLE 5

Section 5081(a) REQUIREMENTS FOR ADMISSION TO CERTIFIED PUBLIC ACCOUNTANT EXAMINATION (ACTS DENYING ADMISSION TO EXAM)

Minimum Penalty – Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of Section 5100 for applicable provisions

Maximum Penalty – Denial of admission to examination or revocation of license if issued (Reference relevant section for discipline based upon nature of act.)

If warranted:
1. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5081(b)(c) REQUIREMENTS FOR ADMISSION TO CERTIFIED PUBLIC ACCOUNTANT EXAMINATION

Minimum/Maximum Penalty – Denial of admission to examination, or revocation of license if issued.

If warranted:
1. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5088 INTERIM PRACTICE RIGHTS: OUT OF STATE CPA

Minimum/Maximum Penalty – If Board rejects application, cease practice immediately. If practice continues, see provisions on **Unlicensed Activities** and **Practice Privilege**.

Section 5095(a) MINIMUM NUMBER OF ATTEST SERVICES HOURS; ATTEST EXPERIENCE

Minimum Penalty – Revocation stayed and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. CPA Exam [34]
7. Continuing Education Courses [36]
8. Active License Status [36]
9. Notification to Clients/Cessation of Practice [42]
10. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 5.1: Practice Privilege

Section 5096(d) PRACTICING THROUGH AN UNREGISTERED FIRM

Minimum Penalty – Revocation stayed [1, 2, 4] 3 years probation
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Suspension [3]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5096(e)(2) COMPLY WITH RULES, LAWS, AND STANDARDS

Minimum Penalty – One year suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3] (Section 5096(g)).
3. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [30]

4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5096(e)(3) PRACTICE FROM AN UNAUTHORIZED OFFICE IN THIS STATE

Minimum Penalty – One year suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3] (Section 5096(g)).
3. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Administrative Penalty not to exceed maximum set forth in section 5116-[43]

Section 5096(e)(5) COOPERATE WITH BOARD

Minimum Penalty – One year suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3] (Section 5096(g)).
3. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5096(e)(6), (7), (8), & (9) FAILURE TO CEASE EXERCISING THE PRACTICE PRIVILEGE

Minimum Penalty – One year suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3] (Section 5096(g)).
3. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Ethics Continuing Education [31]
2. Regulatory Review Course [32]

3. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years pursuant to Section 5096(g).

Section 5096(f) FAILURE TO NOTIFY THE BOARD/CEASE PRACTICE

Minimum Penalty – One year suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3] (Section 5096(g)).
3. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years pursuant to Section 5096(g).

Section 5096(i) FAILURE TO FILE PRE-NOTIFICATION FORM

Minimum Penalty – One year suspension [3]
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3] (Section 5096(g)).
3. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years.

Section 5096.5 UNAUTHORIZED SIGNING OF ATTEST REPORTS

Minimum Penalty – Revocation stayed [1, 2, 4] 3 years probation
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Suspension [3] (Section 5096(g)).
3. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5096.12 FIRM PRACTICING WITHOUT A PRACTICE PRIVILEGE HOLDER

Minimum Penalty – Revocation stayed [1, 2, 4] 3 years probation
Maximum Penalty – Revoke Practice Privilege [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation 3 to 5 years
2. Standard Conditions of Probation [15-21, 23, 24]

If warranted:
1. Probation Monitoring Costs [27]
2. Suspension [3] (Section 5096(g)).
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 5.5

Section 5097 AUDIT DOCUMENTATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Library Reference Material [30]
6. Ethics Continuing Education [31]

7. Regulatory Review Course [32]
8. Peer Review [33]
9. CPA Exam [34]
10. Continuing Education Courses [36]
11. Samples - Audits, Review or Compilation [38]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Sections 68.2, 68.3, 68.4, 68.5)

ARTICLE 6

Section 5100 DISCIPLINE IN GENERAL, (including but not limited to that set forth in subsections (a) through (l) of this section)

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Optional conditions which relate to underlying facts and circumstances; reference conditions listed in 5100 (a)-(j)
4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5100(a) CONVICTION OF ANY CRIME SUBSTANTIALLY RELATED TO THE QUALIFICATIONS, FUNCTIONS AND DUTIES OF A CPA/PA

FOR FELONY CONVICTIONS OR MULTIPLE MISDEMEANOR CONVICTIONS:

Minimum Penalty – Revocation stayed. Actual suspension from practice 120 days. Three years probation [1-4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [15-24]

If warranted:
1. Supervised Practice [25]
2. Restitution [26]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]

5. Engagement Letters [29]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. CPA Exam [23] or Enrolled Agents Exam [35]
9. Continuing Education Courses [36]
10. Samples - Audit, Compilation or Review [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
14. Conditions as appropriate relating to physical or mental disability or condition [44-49]

IN THE CASE OF A SINGLE MISDEMEANOR VIOLATION, TAILOR PROBATION TO CIRCUMSTANCES; ADJUSTING THE REQUIRED CONDITIONS ACCORDINGLY AND CHOOSING APPROPRIATE WARRANTED CONDITIONS FROM THE ABOVE LIST.

Section 5100(b) FRAUD OR DECEIT IN OBTAINING LICENSE/PERMIT/REGISTRATION

Minimum Penalty – Revocation stayed with 180 days actual suspension and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.
Maximum Penalty – Revocation or application denied. [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5100(c) DISHONESTY, FRAUD, GROSS NEGLIGENCE, OR REPEATED ACTS OF NEGLIGENCE IN THE PRACTICE OF PUBLIC ACCOUNTANCY OR THE PERFORMANCE OF BOOKKEEPING

Minimum Penalty – Revocation stayed [1, 2, 4], 3 years probation
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [15-24]

If warranted:

1. Supervised Practice [25]
2. Restitution [26]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Peer Review [33]
8. CPA Exam [34]
9. Continuing Education Courses [36]
10. Samples - Audit, Review or Compilation [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Notification to Clients [42]
14. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
15. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(d) CANCELLATION, REVOCATION OR SUSPENSION BY ANY OTHER STATE OR FOREIGN COUNTRY

Minimum Penalty – Revocation stayed [1, 2, 4], probation 3 years
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [15-24]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. CPA Exam [34] or Enrolled Agents Exam [35]
9. Continuing Education Courses [36]
10. Samples - Audit, Review or Compilation [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(e) VIOLATION OF PROVISIONS OF SECTION 5097

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Library Reference Material [30]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Peer Review [33]
9. CPA Exam [34]
10. Samples - Audits, Review or Compilation [38]
11. Community Service – Free Services [40]
12. Notice to Clients [42]
13. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5100(f) VIOLATIONS OF PROVISIONS OF SECTION 5120

Section 5120 states "Any person who violates any of the provisions of Article 3 (commencing with section 5050) is guilty of a misdemeanor, punishable by imprisonment for not more than six months, or by a fine of not more than one thousand dollars, or both." Whenever the Board has reason to believe that any person is liable for punishment under this article, the Board, or its designated representatives, may certify the facts to the appropriate enforcement officer of the city or county where the alleged violation had taken place and the officer may cause appropriate proceedings to be brought.

Violations of Article 3 include:

5050 and 5051	PRACTICE WITHOUT PERMIT/" PUBLIC ACCOUNTANCY" DEFINED
5055 and 5056	TITLE OF CERTIFIED PUBLIC ACCOUNTANT/ PUBLIC ACCOUNTANT
5058	USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED

Minimum/Maximum Penalty – See specific statute/regulation violated for recommended penalty

Section 5100(g) WILLFUL VIOLATION OF THE ACCOUNTANCY ACT, OR A RULE OR REGULATION PROMULGATED BY THE BOARD

Minimum/Maximum Penalty – See specific statute or regulation violated for recommended penalty

Section 5100(h) SUSPENSION OR REVOCATION OF THE RIGHT TO PRACTICE BEFORE ANY GOVERNMENTAL BODY OR AGENCY

Minimum Penalty – Revocation stayed [1, 2, 4] 3 years probation
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [26]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. CPA Exam [34] or Enrolled Agents Exam [35]
9. Continuing Education Courses [36]
10. Samples - Audit, Review or Compilation [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
15. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(i) FISCAL DISHONESTY OR BREACH OF FIDUCIARY RESPONSIBILITY OF ANY KIND

Minimum Penalty – Revocation stayed, 30 day suspension, 3 years probation [1-4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [15-24]

If warranted:
1. Supervised Practice [25]
2. Restitution [26]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. CPA Exam [34] or Enrolled Agents Exam [35]
8. Continuing Education Courses [36]
9. Prohibition from Handling Funds [39]

10. Community Service – Free Services [40]
11. Notice to Clients [42]
12. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
13. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(j) KNOWING PREPARATION, PUBLICATION OR DISSEMINATION OF FALSE, FRAUDULENT, OR MATERIALLY MISLEADING FINANCIAL STATEMENTS, REPORTS, OR INFORMATION

Minimum Penalty – Revocation stayed, 60 days suspension, 3 years probation [1-4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 to 5 years probation
2. Suspension [3]
3. Standard Conditions of Probation [15-24]

If warranted:
1. Supervised Practice [25]
2. Restitution [26]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Engagement Letters [29]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. CPA Exam [23] or Enrolled Agents Exam [35]
9. Continuing Education Courses [36]
10. Samples - Audit, Review or Compilation [38]
11. Community Service – Free Services [40]
12. Notice to Clients [42]
13. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
14. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(k) EMBEZZLEMENT, THEFT, MISAPPROPRIATION OF FUNDS OR PROPERTY, OR OBTAINING MONEY, PROPERTY OR OTHER VALUABLE CONSIDERATION BY FRAUDULENT MEANS OR FALSE PRETENSES

Minimum Penalty – Revocation stayed, 90 day suspension, 3 years probation [1-4]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [15-24]

If warranted:

1. Supervised Practice [25]
2. Restitution [26]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. CPA Exam [34] or Enrolled Agents Exam [35]
8. Continuing Education Courses [36]
9. Prohibition from Handling Funds [39]
10. Notice to Clients [42]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(l) DISCIPLINE, PENALTY, OR SANCTION BY THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD OR SECURITIES AND EXCHANGE COMMISSION

Minimum Penalty – Revocation stayed [1, 2, 4], 3 years probation
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted (include those related to underlying offense(s)):
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. CPA Exam [34] or Enrolled Agents Exam [35]
9. Continuing Education Courses [36]
10. Samples - Audit, Review or Compilation [38]
11. Prohibition from Handling Funds [39]
12. Community Service – Free Services [40]
13. Notice to Clients [42]
14. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
15. Conditions as appropriate relating to physical or mental disability or condition [44-49]

Section 5100(m) UNLAWFULLY ENGAGING IN PRACTICE OF PUBLIC ACCOUNTANCY IN ANOTHER STATE

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Active License Status [37]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5101 DISCIPLINE OF PARTNERSHIP

Minimum Penalty – Revocation stayed [1, 2, 4], 3 years probation

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Engagement Letters [29]
7. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5104 RELINQUISHMENT OF CERTIFICATE OR PERMIT (revocation or suspension)

Minimum/Maximum Penalty – Revocation [1, 2]

Section 5105 RELINQUISHMENT OF CERTIFICATE OR PERMIT (delinquent)

Minimum/Maximum Penalty – Revocation [1, 2]

Section 5110(a) ACTS CONSTITUTING CAUSE FOR BOARD'S DENIAL OF EXAM APPLICATION OR ADMISSION, VOIDANCE OF GRADES, OR DENIAL OF LICENSE APPLICATION OR REGISTRATION

Minimum/Maximum Penalty – Denial of admission to examination, denial of licensure application, or revocation of license if issued.

If warranted:
1. Administrative Penalty not to exceed maximum set forth in Section 5116 [43]

ARTICLE 7

Sections 5120/5121 VIOLATIONS AS MISDEMEANOR/EVIDENCE OF VIOLATION

See Section 5100(f) and section on **Unlicensed Activities**.

ARTICLE 9

Section 5152 CORPORATION REPORTS

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation
Maximum Penalty – Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

Section 5152.1 ACCOUNTANCY CORPORATION RENEWAL OF PERMIT TO PRACTICE

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation
Maximum Penalty – Suspend corporate accountancy registration and/or individual licenses for 90 days [3]
See sections 5050 and 5060(b)

Section 5154 DIRECTORS, SHAREHOLDERS, AND OFFICERS MUST BE LICENSED

Minimum Penalty – Continuing Education Courses for licensee directors, shareholders, and/or officers of corporation [36]
Maximum Penalty – Revocation of corporate registration [1, 2] and discipline of individual licenses

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5155 DISQUALIFIED SHAREHOLDER NONPARTICIPATION

Minimum Penalty – Revocation stayed [1, 2, 4}, 3 years probation
Maximum Penalty – Revocation of individual and corporate license [1, 2]

CONDITIONS OF PROBATION:
Required: 1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]

5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 5156 UNPROFESSIONAL CONDUCT (ACCOUNTANCY CORPORATION)

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation
Maximum Penalty – Revocation of individual and corporate licenses [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If Revocation stayed [4], 3-5 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31] for licensee directors, shareholders and/or officers
4. Regulatory Review Course [32] for licensee directors, shareholders and/or officers
5. Community Service – Free Services [40]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Note: An accountancy corporation is bound by the same regulations as individual respondents. See specific statute or regulation violated for recommended penalty.

Section 5158 PRACTICE OF PUBLIC ACCOUNTANCY; MANAGEMENT (ACCOUNTANCY CORPORATION)

Minimum Penalty – Continuing Education Courses [36] for licensee directors, stakeholders, and/or officers of corporation. Require CPA or PA to develop management plan; permit practice investigation within 3 months to ensure compliance with management requirement and plan [20, 33]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:

1. If Revocation stayed [4], 3-5 years probation
2. Standard Conditions of Probation [15-24]

If warranted:

1. Supervised Practice [25]
2. Restitution [26]
3. Probation Monitoring Cost [27]
4. Restricted Practice [28]
5. Engagement Letters [29]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
9. Conditions as appropriate relating to physical or mental disability or condition [44-49]

CALIFORNIA BOARD OF ACCOUNTANCY REGULATIONS
TITLE 16 CALIFORNIA CODE OF REGULATIONS

ARTICLE 1: GENERAL

SECTION 3 NOTIFICATION OF CHANGE OF ADDRESS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – 90 day Suspension [3]

SECTION 5 OBSERVANCE OF RULES

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Samples - Audit, Review or Compilation [38]
6. Community Service – Free Services [40]
7. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Note: Reference the specific regulation for appropriate discipline.

ARTICLE 2: EXAMINATIONS

SECTION 8.2 REQUIREMENTS FOR ISSUANCE OF THE AUTHORIZATION TO TEST

Minimum Penalty – Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of section 5100 for applicable provisions

Maximum Penalty – Denial of admission to examination or revocation of license if issued; Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 3: PRACTICE PRIVILEGES

SECTION 20 NOTIFICATION OF CHANGE OF INFORMATION FOR REGISTERED OUT-OF-STATE ACCOUNTING FIRMS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – 90 day Suspension [3]

CONDITIONS OF PROBATION:
Required:
1. If suspension stayed [4], probation 3 to 5 years
2. Standard Conditions of Probation [15-24]

If warranted:
1. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 5: REGISTRATION

SECTION 37.5 FINGERPRINTING

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in Section 5116 [43]

ARTICLE 6: PEER REVIEW

SECTION 40(a)(b)(c) ENROLLMENT AND PARTICIPATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]

4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Peer Review [33]
8. Continuing Education Courses [36]
9. Sample – Audit, Review or Compilation [38]
10. Notification to Clients/Cessation of Practice [42]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5076(a))

SECTION 41 FIRM RESPONSIBILITIES

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5076(a))

SECTION 43 EXTENSIONS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 44 NOTIFICATION OF EXPULSION

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Sample – Audit, Review or Compilation [38]
9. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
10. Conditions as appropriate relating to physical or mental disability or condition [44-49]

SECTION 45 REPORTING TO BOARD

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5076(a)

SECTION 46(a) DOCUMENT SUBMISSION REQUIREMENTS

Applies to firms that receive a substandard peer review rating.

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]

4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5076(f))

SECTION 46(b) DOCUMENT SUBMISSION REQUIREMENTS

Applies to firms that receive a "pass" or "pass with deficiencies" peer review rating.

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 9: RULES OF PROFESSIONAL CONDUCT

SECTION 50 CLIENT NOTIFICATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION

Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

Section 50.1 ATTEST CLIENT NOTIFICATION

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation
Maximum Penalty – Revocation of partnership or corporate registration and individual licenses

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Administrative Penalty not to maximum set forth in section 5116 [43]

SECTION 51 FIRMS WITH NONLICENSEE OWNERS

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION

Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5 Regulatory Review Course [32]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 51.1 NOTIFICATION OF NON-LICENSEE OWNERSHIP

Minimum Penalty – Continuing Education Courses [36] for California licensee partners or for licensee shareholders of corporation

Maximum Penalty – Revocation of partnership or corporate registration and individual licenses

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5079)

SECTION 52 RESPONSE TO BOARD INQUIRY

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Community Service – Free Services [40]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 53 DISCRIMINATION PROHIBITED

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 54.1 DISCLOSURE OF CONFIDENTIAL INFORMATION PROHIBITED

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Notice to Clients [42]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5037)

SECTION 54.2 RECIPIENTS OF CONFIDENTIAL INFORMATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed, [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Supervised Practice [25]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Continuing Education Courses [36]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 56 COMMISSIONS – BASIC DISCLOSURE REQUIREMENT

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Engagement Letters [29]
7. Ethics Continuing Education [31]
8. Regulatory Review Course [32]
9. Continuing Education Courses [36]
10. Community Service – Free Services [40]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 56.1 COMMISSIONS – PROFESSIONAL SERVICES PROVIDED TO CLIENT

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Continuing Education Courses [36]
9. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 57 INCOMPATIBLE OCCUPATIONS AND CONFLICT OF INTEREST

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Engagement Letters [29]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Continuing Education Courses [36]
9. Prohibition from Handling Funds [39]
10. Community Service – Free Services [40]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 58 COMPLIANCE WITH STANDARDS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]

2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Engagement Letters [29]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Peer Review [33]
9. CPA Exam [34]
10. Continuing Education Courses [36]
11. Samples - Audit, Review or Compilation [38]
12. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 59 REPORTING OF RESTATEMENTS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Community Service – Free Services [40]
9. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5063)

SECTION 60 REPORTING OF INVESTIGATIONS BY THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]

4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Community Service – Free Services [40]
9. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5063)

SECTION 61 THE REPORTING OF SETTLEMENTS, ARBITRATION AWARDS, AND JUDGMENTS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Engagement Letters [29]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Continuing Education Courses [36]
9. Community Service – Free Services [40]
10. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5063)

SECTION 62 CONTINGENT FEES

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [1, 2, 4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Engagement Letters [29]

7. Ethics Continuing Education [31]
8. Regulatory Review Course [32]
9. Continuing Education Courses [36]
10. Community Service – Free Services [40]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 63 ADVERTISING

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Community Service – Free Services [40]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 65 INDEPENDENCE

Minimum Penalty – Revocation stayed [1, 2, 4], 3 years of probation
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Engagement Letters [29]
7. Ethics Continuing Education [31]
8. Regulatory Review Course [32]
9. Peer Review [33]
10. CPA Exam [34]
11. Samples - Audit, Review or Compilation [38]
12. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 67 APPROVAL OF USE OF FICTITIOUS NAME

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 90 day suspension, 3 years probation [1-4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Community Service – Free Services [40]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 68 RETENTION OF CLIENT'S RECORDS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [1, 2, 4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Restitution [26]
4. Probation Monitoring Costs [27]
5. Restricted Practice [28]
6. Engagement Letters [29]
7. Ethics Continuing Education [31]
8. Regulatory Review Course [32]
9. Continuing Education Courses [36]
10. Community Service – Free Services [40]
11. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
12. Conditions as appropriate relating to physical or mental disability or condition [44-49]

(Reference Section 5037)

SECTION 68.1 WORKING PAPERS DEFINED; RETENTION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation

2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restitution [26]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Engagement Letters [29]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Continuing Education Courses [36]
9. Community Service – Free Services [40]
10. Administrative Penalty not to exceed maximum set forth in section 5116 [43]
11. Conditions as appropriate relating to physical or mental disability or condition [44-49]

SECTION 68.2 COMPONENTS OF AUDIT DOCUMENTATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Peer Review [33]
8. CPA Exam [24]
9. Samples - Audits, Review or Compilation [38]
10. Community Service – Free Services [40]
11. Notice to Clients [42]
12. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5097)

SECTION 68.3 RETENTION PERIOD FOR AUDIT DOCUMENTATION

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Library Reference Material [30]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Peer Review [33]
9. CPA Exam [34]
10. Samples - Audits, Review or Compilation [38]
11. Community Service – Free Services [40]
12. Notice to Clients [42]
13. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5097)

SECTION 68.4 CHANGES IN AUDIT DOCUMENTATION AFTER ISSUANCE OF REPORT

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Library Reference Material [30]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Peer Review [33]
9. CPA Exam [34]
10. Samples - Audits, Review or Compilation [38]
11. Community Service – Free Services [40]
12. Notice to Clients [42]
13. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5097)

SECTION 68.5 AUDIT DOCUMENTATION RETENTION AND DESTRUCTION POLICY

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]
3. Continuing Education Courses [36]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Library Reference Material [30]
6. Ethics Continuing Education [31]
7. Regulatory Review Course [32]
8. Peer Review [33]
9. CPA Exam [34]
10. Samples - Audits, Review or Compilation [38]
11. Community Service – Free Services [40]
12. Notice to Clients [42]
13. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

(Reference Section 5097)

SECTION 69 CERTIFICATION OF APPLICANT'S EXPERIENCE

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Community Service – Free Services [40]
7. Administrative Penalty not to exceed maximum set forth in section 5116 [46]

ARTICLE 11: ACCOUNTANCY CORPORATION RULES

SECTION 75.8 SECURITY FOR CLAIMS AGAINST AN ACCOUNTANCY CORPORATION

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [15-24]

If warranted:
1. Supervised Practice [25]
2. Restitution [26]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Samples - Audit, Review or Compilation [38]
9. Prohibition from Handling Funds [39]
10. Community Service – Free Services [40]
11. Notification to Clients [42]
12. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 75.9 SHARES: OWNERSHIP AND TRANSFER

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation
Maximum Penalty – Revocation of corporate registration [1,2] and discipline of individual licenses

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 75.11(b) CERTIFICATION OF REGISTRATION; CONTINUING VALIDITY; NOTIFICATION OF NAME AND ADDRESS CHANGES

Minimum Penalty – Continuing Education Courses [36] for licensee directors, shareholders, and/or officers of corporation
Maximum Penalty – Suspend corporate accountancy registration and/or individual licensees for 90 days [3]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Restricted Practice [28]
3. Ethics Continuing Education [31]
4. Regulatory Review Course [32]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 12: CONTINUING EDUCATION RULES

Section 80 INACTIVE LICENSE STATUS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:
Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Probation Monitoring Costs [27]
3. Restricted Practice [28]
4. Ethics Continuing Education [31]
5. Regulatory Review Course [32]
6. Continuing Education Courses [36]
7. Active License Status [37]
8. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 81(a) CONTINUING EDUCATION REQUIREMENTS FOR RENEWING AN EXPIRED LICENSE

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Samples – Audit, Review or Compilation [38]
9. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 87 BASIC REQUIREMENTS (Continuing Education)

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Samples – Audit, Review or Compilation [38]
9. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 87.5 ADDITIONAL CONTINUING EDUCATION REQUIREMENTS

Minimum Penalty – Continuing Education Courses [~~25~~36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Active License Status [37]
6. Samples - Audit, Review or Compilation [38]
7. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 87.6 RECORDS REVIEW CONTINUING EDUCATION REQUIREMENTS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:
Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Samples - Audit, Review or Compilation [38]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 87.8 REGULATORY REVIEW COURSE

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Continuing Education Courses [36]
4. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 89 CONTROL AND REPORTING

Minimum Penalty – Continuing Education Courses [36]

Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION:

Required:
1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 89.1 REPORTS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required:
1. Standard Conditions of Probation [15-24]

If warranted:
1. Probation Monitoring Costs [27]
2. Ethics Continuing Education [31]
3. Regulatory Review Course [32]
4. Continuing Education Courses [36]
5. Samples - Audit, Review or Compilation [38]
6. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

SECTION 90 EXCEPTIONS AND EXTENSIONS

Minimum Penalty – Continuing Education Courses [36]
Maximum Penalty – Revocation [1, 2]

CONDITIONS OF PROBATION

Required:
1. If revocation stayed [4] 3 years probation
2. Standard Conditions of Probation [15-24]

If warranted:
1. Suspension [3] with/without stay [4]
2. Supervised Practice [25]
3. Probation Monitoring Costs [27]
4. Restricted Practice [28]
5. Ethics Continuing Education [31]
6. Regulatory Review Course [32]
7. Continuing Education Courses [36]
8. Samples – Audit, Review or Compilation [38]
9. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

ARTICLE 12.5: CITATIONS AND FINES

SECTION 95.4 FAILURE TO COMPLY WITH CITATION

Minimum Penalty – Compliance with Citation Abatement Order and/or Fine as issued
Maximum Penalty – Revocation stayed, 3 years probation [1, 2, 4]

CONDITIONS OF PROBATION:

Required:
1. Standard Conditions of Probation [15-24]
2. Restitution [26]
3. Compliance with Citation Abatement Order and/or Fine

If warranted:
1. Probation Monitoring Costs [27]
2. Administrative Penalty not to exceed maximum set forth in section 5116 [43]

VIOLATION OF PROBATION

Minimum penalty - Citation and Fine (19)
Maximum penalty - Vacate stay order and impose penalty that was previously stayed; and/or revoke, separately and severally, for violation of probation and/or for any additional offenses. [1-4]

California Code of Regulations section 95 provides the authority for the Executive Officer to issue citations and fines from $100 to $5000 to a licensee for violation of a term or condition contained in a decision placing that licensee on probation.

The maximum penalty is appropriate for repeated **similar** offenses, or for probation violations indicating a cavalier or recalcitrant attitude. If the probation violation is due in part to the commission of additional offense(s), additional penalties shall be imposed according to the nature of the offense; and the probation violation shall be considered as an aggravating factor in imposing a penalty for those offenses.

UNLICENSED ACTIVITIES

If any unlicensed individual or firm violates, or is suspected of violating, any of the following Business and Professions Code sections, the matter may be referred to the Division of Investigation and if the allegation is confirmed, to the District Attorney or other appropriate law enforcement officer for prosecution.

Section 5050	**Section 5056**	**Section 5072**
Section 5051	**Section 5058**	**Section 5088**
Section 5055	**Section 5071**	

CCR section 95.6 also provides the authority for the Executive Officer to issue citations and fines from $100 to $5000 and an order of abatement against any person defined in Business and Professions Code section 5035 who is acting in the capacity of a licensee under the jurisdiction of the CBA.

Section 5120 provides that any person who violates any provisions of Article 3 is guilty of a misdemeanor and can be imprisoned for not more than 6 months or assessed a fine of not more than $1,000 or both. Injunctions may be requested (see section 5122 immediately following).

INJUNCTIONS

Section 5122 provides that "Whenever in the judgment of the Board (or with its approval, in the judgment of the Enforcement Advisory Committee), any person has engaged, or is about to engage, in any acts or practices which constitute, or will constitute, an offense against this chapter, the Board may make application to the appropriate court for an order enjoining the acts or practices, and upon showing by the Board that the person has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order, or such other order that may be appropriate shall be granted by the court." This section applies to licensees and unlicensed persons.

VIII. MODEL ORDERS

LICENSEES

1. **Revocation** - Single Cause:

   _____License No._____issued
   (Ex: Certified Public Accountant) (Ex: 00000)

   to respondent_____is revoked.
   (Name)

2. **Revocation -** Multiple Causes**:**

   _____License No._____issued to respondent_____is revoked pursuant to Determination(s) of Issues_____separately and for all of them.

3. **Suspension:**

   _____License No._____issued to respondent_____is suspended for _____. During the period of suspension the respondent shall engage in no activities for which certification as a Certified Public Accountant or Public Accountant is required as described in Business and Professions Code, Division 3, Chapter 1, Section 5051.

4. **Standard Stay Order:**

   However,____(revocation/suspension)_____ is stayed and respondent is placed on probation for____years upon the following terms and conditions:

PETITIONS FOR REINSTATEMENT

5. **Grant petition without restrictions on the license:**

The petition for reinstatement filed by _____ is hereby granted and Petitioner's certificate s hall be fully restored.

6. Grant petition and place license on probation:

The petition for reinstatement filed by _____ is hereby granted. Petitioner's certificate shall be fully restored. However, the certificate shall then be immediately revoked, the revocation shall be stayed, and petitioner shall be placed on probation for__ years upon the following terms and conditions *(list standard and applicable optional conditions of probation):*

7. Grant petition and place license on probation after petitioner completes conditions precedent to reinstatement of the license:

The petition for reinstatement filed by _____ is hereby granted and Petitioner's certificate shall be fully reinstated upon the following conditions precedent *(list conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc):*

Upon completion of the conditions precedent above, Petitioner's certificate shall be reinstated. Upon reinstatement, Petitioner's certificate shall be revoked. However, said revocation shall be stayed and Petitioner shall be placed on probation for a period of ___ years under the following terms and conditions *(list standard and applicable optional conditions of probation):*

8. Deny Petition:

The petition for reinstatement filed by _____ is hereby denied. Option: In accordance with Section 5115(a) of the Business and Professions Code, Petitioner may file a new petition for reinstatement only after ____ years have elapsed from the effective date of this decision.
Note: (3 years maximum)

Note: Business and Professions Code section 5115 also allows a person to file a petition for a reduction in penalty. The above checklist can also be used for these petitions.

PETITION FOR REVOCATION OF PROBATION

9. Revocation of Probation:

Certified Public Accountant Certificate No. _____, heretofore issued to Respondent _____, is revoked.

10. Continuance of Probation:

However, revocation is stayed and respondent is placed on probation for years upon the following terms and conditions:

APPLICANTS

11. Grant application without restrictions on the license:

The application of respondent _____ for initial licensure is hereby granted and a license shall be issued to respondent upon successful completion of all licensing requirements including payment of all fees.

12. Grant application and place license on probation:

The application of respondent _____ for initial licensure is hereby granted and a license shall be issued to respondent upon successful completion of all licensing requirements including payment of all fees. Said license shall immediately be revoked, the order of revocation stayed and respondent's license placed on probation for a period of _____ years on the following conditions:

13. Grant application and place license on probation after applicant completes conditions precedent to reinstatement of the license:

The application filed by _____ for initial licensure is hereby granted and a license shall be issued upon the following conditions precedent *(list conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc):*

Upon completion of the conditions precedent above and successful completion of all licensing requirements, Respondent shall be issued a license. However, the license shall be immediately revoked, and Respondent shall be placed on probation for a period of ___ years under the following terms and conditions *(list standard and applicable optional conditions of probation):*

14. Deny Application:

The application of Respondent _____ for initial licensure is hereby denied.

STANDARD CONDITIONS OF PROBATION
(TO BE INCLUDED IN ALL CASES OF PROBATION)

16. Obey All Laws

Respondent shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.

17. Cost Reimbursement

Respondent shall reimburse the Board $_____for its investigation and prosecution costs. The payment shall be made within __ days/months of the date the Board's decision is final.

Option: The payment shall be made as follows: _____[specify either prior to the resumption of practice or in quarterly payments (due with quarterly written reports), the final payment being due one year before probation is scheduled to terminate].

18. Submit Written Reports

Respondent shall submit, within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.

19. Personal Appearances

Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the Board or its designated representatives, provided such notification is accomplished in a timely manner.

20. Comply With Probation

Respondent shall fully comply with the terms and conditions of the probation imposed by the Board and shall cooperate fully with representatives of the California Board of Accountancy in its monitoring and investigation of the respondent's compliance with probation terms and conditions.

21. Practice Investigation

Respondent shall be subject to, and shall permit, a practice investigation of the respondent's professional practice. Such a practice investigation shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.

22. Comply With Citations

Respondent shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

23. Tolling of Probation for Out-of-State Residence/Practice

In the event respondent should leave California to reside or practice outside this state, respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, and make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the Board.

24. Violation of Probation

If respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

The CBA's Executive Officer may issue a citation under California Code of Regulations, Section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

25. Completion of Probation

Upon successful completion of probation, respondent's license will be fully restored.

OPTIONAL CONDITIONS OF PROBATION
(To Be Included In Cases Where Appropriate)

26. Supervised Practice

Within thirty days of the effective date of this decision, respondent shall submit to the Board or its designee for its prior approval a plan of practice that shall be monitored by another CPA or PA who provides periodic reports to the Board or its designee. Respondent shall pay all costs for such monitoring.

27. Restitution

Respondent shall make restitution to _____ in the amount of $_____ and shall provide the Board with a written release from _____ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

28. Probation Monitoring Costs

Respondent shall pay all costs associated with probation monitoring as determined by the CBA. Such costs shall be payable to the CBA within 30 days. Failure to pay such costs by the deadline(s) as directed shall be considered a violation of probation. If costs are billed after the completion of the probationary period, the obligation to pay the costs shall continue, but the probation shall not be extended.

29. Restricted Practice

Respondent shall be prohibited from _____(performing certain types of engagements such as audits, reviews, compilations, or attestation engagements, etc.), and/or from practice in_____ (certain specialty areas, i.e. bookkeeping, write-up, tax, auditing, etc.).

30. Engagement Letters

Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the Board or its designee upon request.

31. Library Reference Materials

Respondent shall have immediate access to, shall use, and shall maintain published materials and/or checklists that are consistent with the practice. Such materials and checklists shall be produced on-site for review by the Board or its designee upon reasonable notice.

32. Ethics Continuing Education

Respondent shall complete four hours of continuing education in course subject matter pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations (within a given period of time or prior to resumption of practice). Courses must be a minimum of one hour as described in California Code of Regulations section 88.2, (Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

33. Regulatory Review Course

Respondent shall complete a CBA-approved course on the provisions of the California Accountancy Act and the California Board of Accountancy Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations (within a given period of time or prior to resumption of practice). The course also will include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined. The course shall be (a minimum of) two hours.

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

34. Peer Review

During the period of probation, all audit, review, and compilation reports and work papers shall be subject to peer review by a certified peer reviewer at respondent's expense. The review shall evaluate the respondent's and his/her firm's system of quality control, including its organizational structure, the policies and procedures established by the firm, and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements. The specific engagements to be reviewed shall be at the discretion of the peer reviewer.

Upon completion of the peer review, respondent shall submit a copy of the report with the reviewer's conclusions and findings to the Board.

35. CPA Exam

Respondent shall take and pass the (section) of the CPA examination (within a given period of time - e.g., within 180 days of the effective date of the decision or within 180 days of completion of educational program, etc. or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said exam, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

36. Enrolled Agents Exam

Respondent shall take and pass the enrolled agents exam (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said examination, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

37. Continuing Education Courses

Respondent shall complete and provide proper documentation of (specified) professional education courses within (a designated time). This shall be in addition to continuing education requirements for relicensing.

38. Active License Status

Respondent shall at all times maintain an active license status with the Board, including during any period of suspension. If the license is expired at the time the Board's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

39. Samples - Audit, Review or Compilation

During the period of probation, if the respondent undertakes an audit, review or compilation engagement, the respondent shall submit to the Board as an attachment to the required quarterly report a listing of the same. The Board or its designee may select one or more from each category and the resulting report and financial statement and all related working papers must be submitted to the Board or its designee upon request.

40. Prohibition from Handling Funds

During the period of probation the respondent shall engage in no activities which require receiving or disbursing funds for or on behalf of any other person, company, partnership, association, corporation, or other business entity.

41. Community Service - Free Services

Respondent shall participate in a community service program as directed by the Board or its designee in which respondent provides free professional services on a regular basis to a community or charitable facility or agency, amounting to a minimum of ____ hours. Such services to begin no later than __ days after respondent is notified of the program and to be completed no later than _____. Respondent shall submit proof of compliance with this requirement to the Board. Respondent is entirely responsible for his or her performance in the program and the Board assumes neither express nor implied responsibility for respondent's performance nor for the product or services rendered.

42. Relinquish Certificate

Respondent shall relinquish and shall forward or deliver the certificate or permit to practice to the Board office within 10 days of the effective date of this decision and order.

43. Notification to Clients/Cessation of Practice

In orders that provide for a cessation or suspension of practice, respondent shall comply with procedures provided by the California Board of Accountancy or its designee regarding notification to, and management of, clients.

44. Administrative Penalty

Respondent shall pay to the Board an administrative penalty in the amount of $_____ for violation of Section(s) _____ of the California Accountancy Act. The payment shall be made within __days/months of the date the Board's decision is final.

45. Medical Treatment

Respondent shall undergo and continue treatment by a licensed physician of respondent's choice and approved by the Board or its designee until the treating physician certifies in writing in a report to the Board or its designee that treatment is no longer necessary. Respondent shall have the treating physician submit reports to the Board at intervals determined by the Board or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the Board of its determination that respondent is physically fit to practice.

46. Psychotherapist

Respondent shall undergo and continue treatment by a licensed psychotherapist of respondent's choice and approved by the Board or its designee until the treating psychotherapist certifies in writing in a report to the Board or its designee that treatment is no longer necessary. Respondent shall have the treating psychotherapist submit reports to the Board at intervals determined by the Board or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the Board of its determination that respondent is mentally fit to practice.

47. Rehabilitation Program/Chemical Dependence

Respondent shall successfully complete or shall have successfully completed a rehabilitation program for chemical dependence that the Board or its designee approves and shall have reports submitted by the program. If a program was not successfully completed prior to the period of probation, the respondent, within a reasonable period of time as determined by the Board or its designee but not exceeding 90 days of the effective date of the decision, shall be enrolled in a program. In addition, respondent must attend support groups, (e.g. Narcotics Anonymous, Alcoholic Anonymous etc.), as directed by the Board or its designee. Respondent is responsible for all costs of such a program.

48. Drugs - Abstain From Use

Respondent shall completely abstain from the personal use of all psychotropic drugs, including alcohol, in any form except when the same are lawfully prescribed.

49. Drugs - Screening

Respondent shall participate or shall have participated in a drug screening program acceptable to the Board and shall have reports submitted by the program. Respondent is responsible for all costs associated with said screening and reporting.

50. Biological Fluid Testing

Respondent, at any time during the period of probation, shall fully cooperate with the Board or its designee in its supervision and investigation of compliance with the terms and conditions of probation, and shall, when requested, submit to such tests and samples as the Board or its designee may require for the detection of alcohol, narcotics, hypnotic, dangerous drugs, or controlled substances. Respondent is responsible for all costs associated with this investigation and testing.

Conditions 44-49 shall be used when evidence indicates respondent may have physical or mental ailment(s) or conditions(s) which contributed to the violation or when the same are alleged by respondent to be a contributing factor to the violation(s).

CALIFORNIA BOARD OF ACCOUNTANCY

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EPOC Item III. March 17, 2016

CBA Item X.B.3 March 17-18, 2016

Discussion and Possible Approval of Model Orders for Permanent Restricted Practice for Inclusion in Proposed Amendments to the California Board of Accountancy *Disciplinary Guidelines and Model Orders*

Presented by: Dominic Franzella, Chief, Enforcement Division

Consumer Protection Objectives

The California Board of Accountancy (CBA) has a fiduciary responsibility to protect consumers, and does so by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. A vital function performed by the CBA in the accomplishment of this responsibility is receiving complaints, performing investigations, and taking enforcement action, when appropriate, against licensees that fail to adhere to California's statutes and regulations, including performing work in accordance with professional standards.

Developing a standardized model order for imposing a permanent restriction of practice to a licensee will ensure that consumers are protected by restricting a licensee from performing or engaging in services for which s/he have demonstrated a lack of competence and remediation does appear as an option.

Action(s) Needed

Staff are requesting the CBA approve the proposed regulatory language for Permanent Restricted Practice Order for inclusion in a future rulemaking associated with the *Disciplinary Guidelines and Model Orders, 9th Edition, 2013* (Guidelines).

Background

In 2014, the CBA adopted language for inclusion in legislation that would allow the CBA to, in lieu of outright revocation, permanently restrict a licensee from performing or engaging in various services. The CBA took this step because the law previously did not provide an Administrative Law Judge (ALJ) with the authority to include permanent practice restrictions as part of a proposed decision.

The CBA's proposal was outlined in Business and Professions Code (BPC) section 5100.5 (**Attachment 1**) and included in the CBA's sunset bill. The bill was approved by the Legislature in 2015 and took effect January 1, 2016.

Comments

BPC section 5100.5(a) provides for the CBA to, after hearing and notice, for unprofessional conduct, permanently restrict or limit the practice of a licensee or impose a probationary term or condition of a license that prohibits a licensee performing or engaging in any acts or services defined in BPC section 5051 (**Attachment 2**). A permanent restricted practice order is to be used when there has been unprofessional conduct, including gross negligence, on the part of the licensee and when the problem will not necessarily be remediated during the term of probation.

The permanent restricted practice order can be used to restrict the licensee from performing or offering specific services including attest work that subjects the licensee to peer review, estate planning and/or acting as a trustee or trustor. This permanent restricted practice order will prohibit the licensee from performing or offering specific services during and after the term of probation until the respondent successfully petitions the CBA as listed in CBA Regulations section 5115.

With the authority to now impose a permanent restricted practice order, the CBA will need to establish a Model Order it wishes an ALJ to employ when seeking to restrict a licensee's practice. This, therefore, requires the CBA to undertake a rulemaking to include in its Guidelines.

In (**Attachment 3**) staff have provided excerpts of the Guidelines – specifically Section VIII, which includes Model Orders and Standard and Optional Terms and Conditions for Probation – for those areas to be affected by the inclusion of a new Permanent Restricted Practice Order. The proposed language includes the addition of a new model order, which is now Number 5, and a Standard Term and Condition of Probation, Number 29.

Provided the CBA adopts the language for inclusion in a future rulemaking regarding the Guidelines, staff believe that on a case-by-case basis the permanent restricted practice order can be provided to an ALJ for consideration at hearing prior to the regulation being approved.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend the CBA approve the proposed regulatory language for Permanent Restricted Practice Order for inclusion in a future rulemaking associated with the Guidelines.

Attachments

1. Business and Professions Code section 5100.5
2. Business and Professions Code section 5051
3. Excerpt from the *Disciplinary Guidelines and Model Order, 9th Edition, 2013* pgs. 59-68

CALIFORNIA BOARD OF ACCOUNTANCY

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Attachment 1

State of California BUSINESS AND PROFESSIONS CODE
DIVISION 3. PROFESSIONS AND VOCATIONS GENERALLY
Chapter 1. Accountants Article 6. Disciplinary Proceedings
§ 5100

5100.5.

(a) <u>After notice and hearing the board may, for unprofessional conduct, permanently restrict or limit the practice of a licensee or impose a probationary term or condition on a license, which prohibits the licensee from performing or engaging in any of the acts or services described in Section 5051.</u>

(b) A licensee may petition the board pursuant to Section 5115 for reduction of penalty or reinstatement of the privilege to engage in the service or act restricted or limited by the board.

(c) The authority or sanctions provided by this section are in addition to any other civil, criminal, or administrative penalties or sanctions provided by law, and do not supplant, but are cumulative to, other disciplinary authority, penalties, or sanctions.

(d) Failure to comply with any restriction or limitation imposed by the board pursuant to this section is grounds for revocation of the license.

(e) For purposes of this section, both of the following shall apply:

(1) “Unprofessional conduct” includes, but is not limited to, those grounds for discipline or denial listed in Section 5100.

(2) “Permanently restrict or limit the practice of” includes, but is not limited to, the prohibition on engaging in or performing any attestation engagement, audits, or compilations.

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Attachment 2

State of California BUSINESS AND PROFESSIONS CODE
DIVISION 3. PROFESSIONS AND VOCATIONS GENERALLY
Chapter 1. Accountants
Article 3. Application of Chapter
§ 5051

5051. Except as provided in Sections 5052 and 5053, a person shall be deemed to be engaged in the practice of public accountancy within the meaning and intent of this chapter if he or she does any of the following:
(a) Holds himself or herself out to the public in any manner as one skilled in the knowledge, science, and practice of accounting, and as qualified and ready to render professional service therein as a public accountant for compensation.
(b) Maintains an office for the transaction of business as a public accountant.
(c) Offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an audit, examination, verification, investigation, certification, presentation, or review of financial transactions and accounting records.
(d) Prepares or certifies for clients reports on audits or examinations of books or records of account, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports that are to be used for publication, for the purpose of obtaining credit, for filing with a court of law or with any governmental agency, or for any other purpose.
(e) In general or as an incident to that work, renders professional services to clients for compensation in any or all matters relating to accounting procedure and to the recording, presentation, or certification of financial information or data.
(f) Keeps books, makes trial balances, or prepares statements, makes audits, or prepares reports, all as a part of bookkeeping operations for clients.
(g) Prepares or signs, as the tax preparer, tax returns for clients.
(h) Prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans.
(i) Provides management consulting services to clients. The activities set forth in subdivisions (f) to (i), inclusive, are “public accountancy” only when performed by a certified public accountant or public accountant, as defined in this chapter.
A person is not engaged in the practice of public accountancy if the only services he or she engages in are those defined by subdivisions (f) to (i), inclusive, and he or she does not hold himself or herself out, solicit, or advertise for clients using the certified public accountant or public accountant designation. A person is not holding himself or herself out, soliciting, or advertising for clients within the meaning of this section solely by

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reason of displaying a CPA or PA certificate in his or her office or identifying himself or herself as a CPA or PA on other than signs, advertisements, letterhead, business cards, publications directed to clients or potential clients, or financial or tax documents of a client.

Attachment 3

CALIFORNIA BOARD OF ACCOUNTANCY

DISCIPLINARY GUIDELINES AND MODEL ORDERS

9TH EDITION, 2013

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VIII. MODEL ORDERS

LICENSEES

1. **Revocation** - Single Cause:

   _____License No._____issued
   (Ex: Certified Public Accountant) (Ex: 00000)

   to respondent_____is revoked.
   (Name)

2. **Revocation -** Multiple Causes**:**

   _____License No._____issued to respondent_____is revoked pursuant to Determination(s) of Issues_____separately and for all of them.

3. **Suspension:**

   _____License No._____issued to respondent_____is suspended for _____. During the period of suspension the respondent shall engage in no activities for which certification as a Certified Public Accountant or Public Accountant is required as described in Business and Professions Code, Division 3, Chapter 1, Section 5051.

4. **Standard Stay Order:**

   However,____(revocation/suspension)_____ is stayed and respondent is placed on probation for____years upon the following terms and conditions:

5. **Permanent Restricted Practice Order (to be placed after any probationary order):**

   Order of Restricted Practice

   After the period of probation set forth above is successfully completed, it is further ordered that Respondent shall be prohibited from _____(performing certain types of engagements such as audits, reviews, compilations, or attestation engagements, etc.), and/or from practice in_____(certain specialty areas, i.e. bookkeeping, write-up, tax, auditing, etc.). Respondent shall be prohibited from performing the above mentioned services permanently or until such time as Respondent successfully petitions the Board for reinstatement of the privilege to engage in any of the service(s) or act(s) restricted by this Order.

   (*Note*: This restriction is authorized by Business and Professions Code section 5100.5. It should be used where the violation involves unprofessional conduct in the performance or failure to perform particular accountancy acts or services or where serious or repeated violations in a particular practice area are found and revocation is not warranted.)

PETITIONS FOR REINSTATEMENT

6. Grant petition without restrictions on the license:

The petition for reinstatement filed by _____ is hereby granted and Petitioner's certificate shall be fully restored.

7. Grant petition and place license on probation:

The petition for reinstatement filed by _____ is hereby granted. Petitioner's certificate shall be fully restored. However, the certificate shall then be immediately revoked, the revocation shall be stayed, and petitioner shall be placed on probation for__ years upon the following terms and conditions *(list standard and applicable optional conditions of probation):*

8. Grant petition and place license on probation after petitioner completes conditions precedent to reinstatement of the license:

The petition for reinstatement filed by _____ is hereby granted and Petitioner's certificate shall be fully reinstated upon the following conditions precedent *(list conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc):*

Upon completion of the conditions precedent above, Petitioner's certificate shall be reinstated. Upon reinstatement, Petitioner's certificate shall be revoked. However, said revocation shall be stayed and Petitioner shall be placed on probation for a period of ___ years under the following terms and conditions *(list standard and applicable optional conditions of probation):*

9. Deny Petition:

The petition for reinstatement filed by _____ is hereby denied. Option: In accordance with Section 5115(a) of the Business and Professions Code, Petitioner may file a new petition for reinstatement only after ____ years have elapsed from the effective date of this decision.
Note: (3 years maximum)

Note: Business and Professions Code section 5115 also allows a person to file a petition for a reduction in penalty. The above checklist can also be used for these petitions.

PETITION FOR REVOCATION OF PROBATION

10. Revocation of Probation:

Certified Public Accountant Certificate No. _____, heretofore issued to Respondent _____, is revoked.

11. Continuance of Probation:

However, revocation is stayed and respondent is placed on probation for ____years upon the following terms and conditions:

APPLICANTS

12. Grant application without restrictions on the license:

The application of respondent _____ for initial licensure is hereby granted and a license shall be issued to respondent upon successful completion of all licensing requirements including payment of all fees.

13. Grant application and place license on probation:

The application of respondent _____ for initial licensure is hereby granted and a license shall be issued to respondent upon successful completion of all licensing requirements including payment of all fees. Said license shall immediately be revoked, the order of revocation stayed and respondent's license placed on probation for a period of _____ years on the following conditions:

14. Grant application and place license on probation after applicant completes conditions precedent to reinstatement of the license:

The application filed by _____ for initial licensure is hereby granted and a license shall be issued upon the following conditions precedent *(list conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc):*

Upon completion of the conditions precedent above and successful completion of all licensing requirements, Respondent shall be issued a license. However, the license shall be immediately revoked, and Respondent shall be placed on probation for a period of ___ years under the following terms and conditions *(list standard and applicable optional conditions of probation):*

15. Deny Application:

The application of Respondent _____ for initial licensure is hereby denied.

STANDARD CONDITIONS OF PROBATION
(TO BE INCLUDED IN ALL CASES OF PROBATION)

16. Obey All Laws
Respondent shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.

17. Cost Reimbursement
Respondent shall reimburse the Board $_____for its investigation and prosecution costs. The payment shall be made within __ days/months of the date the Board's decision is final.

Option: The payment shall be made as follows: _____[specify either prior to the resumption of practice or in quarterly payments (due with quarterly written reports), the final payment being due one year before probation is scheduled to terminate].

18. Submit Written Reports
Respondent shall submit, within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.

19. Personal Appearances
Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the Board or its designated representatives, provided such notification is accomplished in a timely manner.

20. Comply With Probation
Respondent shall fully comply with the terms and conditions of the probation imposed by the Board and shall cooperate fully with representatives of the California Board of Accountancy in its monitoring and investigation of the respondent's compliance with probation terms and conditions.

21. Practice Investigation
Respondent shall be subject to, and shall permit, a practice investigation of the respondent's professional practice. Such a practice investigation shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.

22. Comply With Citations
Respondent shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

23. Tolling of Probation for Out-of-State Residence/Practice

In the event respondent should leave California to reside or practice outside this state, respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, and make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the Board.

24. Violation of Probation

If respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

The CBA's Executive Officer may issue a citation under California Code of Regulations, Section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

25. Completion of Probation

Upon successful completion of probation, respondent's license will be fully restored, unless the Board has ordered that respondent's license be permanently restricted or limited even after probation has been completed.

OPTIONAL CONDITIONS OF PROBATION
(To Be Included In Cases Where Appropriate)

26. Supervised Practice
Within thirty days of the effective date of this decision, respondent shall submit to the Board or its designee for its prior approval a plan of practice that shall be monitored by another CPA or PA who provides periodic reports to the Board or its designee. Respondent shall pay all costs for such monitoring.

27. Restitution
Respondent shall make restitution to _____ in the amount of $_____ and shall provide the Board with a written release from _____ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

28. Probation Monitoring Costs
Respondent shall pay all costs associated with probation monitoring as determined by the CBA. Such costs shall be payable to the CBA within 30 days. Failure to pay such costs by the deadline(s) as directed shall be considered a violation of probation. If costs are billed after the completion of the probationary period, the obligation to pay the costs shall continue, but the probation shall not be extended.

29. Restricted Practice
Respondent shall be prohibited from _____(performing certain types of engagements such as audits, reviews, compilations, or attestation engagements, etc.), and/or from practice in_____ (certain specialty areas, i.e. bookkeeping, write-up, tax, auditing, etc.). <u>The respondent will be prohibited from performing the above mentioned services until such time that they successfully petition the board as listed in 5115.</u>

30. Engagement Letters
Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the Board or its designee upon request.

31. Library Reference Materials
Respondent shall have immediate access to, shall use, and shall maintain published materials and/or checklists that are consistent with the practice. Such materials and checklists shall be produced on-site for review by the Board or its designee upon reasonable notice.

32. Ethics Continuing Education
Respondent shall complete four hours of continuing education in course subject matter pertaining to the following: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations (within a given period of time or prior to resumption of practice). Courses must be a minimum of one hour as described in

California Code of Regulations section 88.2, (Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

33. Regulatory Review Course

Respondent shall complete a CBA-approved course on the provisions of the California Accountancy Act and the California Board of Accountancy Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations (within a given period of time or prior to resumption of practice). The course also will include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined. The course shall be (a minimum of) two hours.

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

34. Peer Review

During the period of probation, all audit, review, and compilation reports and work papers shall be subject to peer review by a certified peer reviewer at respondent's expense. The review shall evaluate the respondent's and his/her firm's system of quality control, including its organizational structure, the policies and procedures established by the firm, and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements. The specific engagements to be reviewed shall be at the discretion of the peer reviewer.

Upon completion of the peer review, respondent shall submit a copy of the report with the reviewer's conclusions and findings to the Board.

35. CPA Exam

Respondent shall take and pass the (section) of the CPA examination (within a given period of time - e.g., within 180 days of the effective date of the decision or within 180 days of completion of educational program, etc. or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said exam, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

36. Enrolled Agents Exam

Respondent shall take and pass the enrolled agents exam (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said examination, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

37. Continuing Education Courses

Respondent shall complete and provide proper documentation of (specified) professional education courses within (a designated time). This shall be in addition to continuing education requirements for relicensing.

38. Active License Status

Respondent shall at all times maintain an active license status with the Board, including during any period of suspension. If the license is expired at the time the Board's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

39. Samples - Audit, Review or Compilation

During the period of probation, if the respondent undertakes an audit, review or compilation engagement, the respondent shall submit to the Board as an attachment to the required quarterly report a listing of the same. The Board or its designee may select one or more from each category and the resulting report and financial statement and all related working papers must be submitted to the Board or its designee upon request.

40. Prohibition from Handling Funds

During the period of probation the respondent shall engage in no activities which require receiving or disbursing funds for or on behalf of any other person, company, partnership, association, corporation, or other business entity.

41. Community Service - Free Services

Respondent shall participate in a community service program as directed by the Board or its designee in which respondent provides free professional services on a regular basis to a community or charitable facility or agency, amounting to a minimum of ____ hours. Such services to begin no later than __ days after respondent is notified of the program and to be completed no later than _____. Respondent shall submit proof of compliance with this requirement to the Board. Respondent is entirely responsible for his or her performance in the program and the Board assumes neither express nor implied responsibility for respondent's performance nor for the product or services rendered.

42. Relinquish Certificate

Respondent shall relinquish and shall forward or deliver the certificate or permit to practice to the Board office within 10 days of the effective date of this decision and order.

43. Notification to Clients/Cessation of Practice

In orders that provide for a cessation or suspension of practice, respondent shall comply with procedures provided by the California Board of Accountancy or its designee regarding notification to, and management of, clients.

44. Administrative Penalty

Respondent shall pay to the Board an administrative penalty in the amount of $_____ for violation of Section(s) _____ of the California Accountancy Act. The payment shall be made within __days/months of the date the Board's decision is final.

45. Medical Treatment

Respondent shall undergo and continue treatment by a licensed physician of respondent's choice and approved by the Board or its designee until the treating physician certifies in writing in a report to the Board or its designee that treatment is no longer necessary. Respondent shall have the treating physician submit reports to the Board at intervals determined by the Board or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the Board of its determination that respondent is physically fit to practice.

46. Psychotherapist

Respondent shall undergo and continue treatment by a licensed psychotherapist of respondent's choice and approved by the Board or its designee until the treating psychotherapist certifies in writing in a report to the Board or its designee that treatment is no longer necessary. Respondent shall have the treating psychotherapist submit reports to the Board at intervals determined by the Board or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the Board of its determination that respondent is mentally fit to practice.

47. Rehabilitation Program/Chemical Dependence

Respondent shall successfully complete or shall have successfully completed a rehabilitation program for chemical dependence that the Board or its designee approves and shall have reports submitted by the program. If a program was not successfully completed prior to the period of probation, the respondent, within a reasonable period of time as determined by the Board or its designee but not exceeding 90 days of the effective date of the decision, shall be enrolled in a program. In addition, respondent must attend

support groups, (e.g. Narcotics Anonymous, Alcoholic Anonymous etc.), as directed by the Board or its designee. Respondent is responsible for all costs of such a program.

48. Drugs - Abstain From Use

Respondent shall completely abstain from the personal use of all psychotropic drugs, including alcohol, in any form except when the same are lawfully prescribed.

49. Drugs - Screening

Respondent shall participate or shall have participated in a drug screening program acceptable to the Board and shall have reports submitted by the program. Respondent is responsible for all costs associated with said screening and reporting.

50. Biological Fluid Testing

Respondent, at any time during the period of probation, shall fully cooperate with the Board or its designee in its supervision and investigation of compliance with the terms and conditions of probation, and shall, when requested, submit to such tests and samples as the Board or its designee may require for the detection of alcohol, narcotics, hypnotic, dangerous drugs, or controlled substances. Respondent is responsible for all costs associated with this investigation and testing.

Conditions 44-49 shall be used when evidence indicates respondent may have physical or mental ailment(s) or conditions(s) which contributed to the violation or when the same are alleged by respondent to be a contributing factor to the violation(s).

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 1566

Subject:	Reports.	**Author:**	Wilk
Version:	January 4, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary

Assembly Bill (AB) 1566 (**Attachment 1**) would add a section to the Government Code and require a written report submitted to the Legislature by any state agency, to include a signed statement by the head of that agency, declaring that the factual contents of the report are true to the best of his or her knowledge. If the head of the agency knows the content to be false yet declares them as true, he or she would be liable for a civil penalty not to exceed $20,000. Staff will recommend that the California Board of Accountancy (CBA) take a support position on the bill.

Background

Current law generally sets out the requirements for the submission of written reports by public agencies to the Legislature.

Analysis

Staff have been in contact with the author's office on this bill, and at this time, they are still preparing the fact sheet. There is no background information available and as a result staff's analysis is focused solely on the proposed language. It is anticipated that additional information will be available by the CBA meeting.

AB 1566 would require that a written report submitted to the Legislature by any state agency, to include a signed statement by the head of that agency, declaring the factual contents of the report are true to the best of his or her knowledge.

The declaration in the signed statement as to the truth of the factual contents of the written report shall not apply to any forecasts, predictions, recommendations, or opinions contained in the written report.

According to the bill, a written report is either of the following:

- A document required by statute to be prepared and submitted to the Legislature, or any state legislative or executive body.
- A document, summary, or statement requested by a Member of the Legislature.

According to the bill, any person who declares as true any material matter pursuant to this section that he or she knows to be false shall be liable for a civil penalty not to exceed $20,000.

This proposal could affect the CBA's reports due to the legislature (**Attachment 2**). The CBA already provides these reports with the review of the Executive Officer and the approval of the CBA, and this bill would impact that process.

It appears that the objective of AB 1566 is to increase accountability and transparency in government.

Fiscal Estimate
The fiscal impact is minor and absorbable.

Recommendation
Support. In complying with this bill, the CBA would increase the transparency of its operations.

Support/Opposition
Support: None at this time

Opposition: None at this time

Effective/Operative Date
January 1, 2017.

Related Bills
None.

Attachment
1. AB 1566
2. Reports Due to the Legislature

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 1566

Introduced by Assembly Member Wilk

January 4, 2016

An act to add Section 7550.7 to the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

AB 1566, as introduced, Wilk. Reports.

Existing law generally sets out the requirements for the submission of written reports by public agencies to the Legislature, the Governor, the Controller, and state legislative and other executive entities.

This bill would require a written report, as defined, submitted by any state agency or department to the Legislature, a Member of the Legislature, or any state legislative or executive body to include a signed statement by the head of the agency or department declaring that the factual contents of the written report are true, accurate, and complete to the best of his or her knowledge.

This bill would also make any person who declares as true any material matter pursuant to these provisions that he or she knows to be false liable for a civil penalty not to exceed $20,000.

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

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

SECTION 1. Section 7550.7 is added to the Government Code, to read:

7550.7. (a) (1) Notwithstanding any other law, a written report submitted to the Legislature, a Member of the Legislature, or any state legislative or executive body by any state agency or department shall include a signed statement by the head of that agency or department declaring that the factual contents of the report are true, accurate, and complete to the best of his or her knowledge.

(2) With respect to the Franchise Tax Board, the signed statement described in paragraph (1) shall be made by the executive officer of that board, and with respect to the State Board of Equalization, the statement shall be made by the executive director of that board.

(b) Paragraph (1) of subdivision (a) shall apply to the head of every state agency or department, including, but not limited to, elected officials of state government, and any state official whose duties are prescribed by the California Constitution.

(c) For purposes of this section, a "written report" is either of the following:

(1) A document required by statute to be prepared and submitted to the Legislature, or any state legislative or executive body.

(2) A document, summary, or statement requested by a Member of the Legislature.

(d) The declaration in the signed statement as to the truth, accuracy, and completeness of the factual contents of the written report shall not apply to any forecasts, predictions, recommendations, or opinions contained in the written report.

(e) Any person who declares as true any material matter pursuant to this section that he or she knows to be false shall be liable for a civil penalty not to exceed twenty thousand dollars ($20,000). The civil penalties provided for in this section shall be exclusively assessed and recovered in a civil action brought in the name of the people of the State of California in any court of competent jurisdiction by the Attorney General.

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Attachment 2

Calendar of Reports Due to the Legislature

REPORTS TO THE LEGISLATURE			
Report Name	**Frequency**	**Due Date**	**Unit**
Enforcement Consultant Contracts	**Annually** Next due June 1, 2016	On or before June 1 of each year	Administration
Summary of Actions Taken to Implement Statute by Regulation	**As needed**	Six (6) months after the operative date or effective date of statute, whichever is later	Administration
SB 852 of 2014 Line Item 1110-404 Enforcement Report	**Annually (2016-18)**	January 10 *Report must be sent to DOF*	Admin/ Enforcement
SB 852 of 2014 Line Item 1110-405 Licensing Report	**Annually (2016-18)**	January 10 *Report must be sent to DOF*	Admin/ Licensing
Practice Privilege Final Report	**One-time**	January 1, 2018	Administration

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 1707

Subject:	Requirements for Denials of Public Records Requests.	**Author:**	Linden
Version:	January 25, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary

Assembly Bill (AB) 1707 (**Attachment 1**) would amend the California Public Records Act to require that agencies subject to these rules include in their responses to requests for public records the name of documents withheld, and the exemption that applies to each document. Additionally, the agencies should respond to all requests via written response, regardless of how the request is made.

Background

Currently, the California Public Records Act requires state or local agencies to deny a request for records in whole or in part if certain documents fall under one of the exemptions outlined in the Act. The exemptions are necessary to protect a variety of documents that contain privileged materials.

Analysis

This bill would require agencies subject to the California Public Records Act to include in their responses to requests for public records the name of documents withheld, and the exemption that applies to each document. Additionally, the agencies should respond to all requests via written response, regardless of how the request is made.

According to the author's fact sheet (**Attachment 2**), the problem with the existing law is that request denial notifications only contain a list of exemptions that may apply to the documents requested and not the details of the types of documents withheld or the exemptions that apply.

The author's intent with this bill is to increase transparency and promote clarify to help the public adequately understand the activities of state and local agencies.

Currently, the California Public Records Act allows the CBA to keep its investigation files private, and the CBA is not required to acknowledge that an investigation exists. If the CBA were to comply with this bill, it would be required to disclose the existence of an investigation and the existence of specific documents pertaining to that investigation that would, quite possibly, convey intent or strategy to the defense.

This bill could possibly create a workload for the CBA that would require a staffing augmentation. Responding to every request in writing and to this level of detail is a time consuming task and would take resources away from the daily operation of the CBA. However, the intent to increase transparency is within the CBA's mission and might be beneficial to consumer protection.

The CBA may decide to direct staff to watch this bill and monitor what developments occur after the March 2016 CBA meeting, or it may decide to oppose the bill based on the preliminary analysis provided today.

Fiscal Estimate
Possibly could require the addition of one new position to respond to every request in a detailed written fashion.

Recommendation
Staff do not have a recommendation on this bill.

Support/Opposition
Support: None at this time

Opposition: None at this time

Effective/Operative Date
January 1, 2017.

Related Bills
None.

Attachment
1. AB 1707
2. Fact Sheet for AB 1707

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 1707

Introduced by Assembly Member Linder

January 25, 2016

An act to amend Section 6255 of the Government Code, relating to public records.

LEGISLATIVE COUNSEL'S DIGEST

AB 1707, as introduced, Linder. Public records: response to request.

The California Public Records Act requires state and local agencies to make public records available for inspection, unless an exemption from disclosure applies. The act requires a response to a written request for public records that includes a denial of the request, in whole or in part, to be in writing.

This bill instead would require that response to be in writing regardless of whether the request was in writing. The bill would require that written response additionally to include a list that contains the title or other identification of each record requested but withheld due to an exemption and the specific exemption that applies to that record. Because local agencies would be required to comply with this new requirement, this bill would impose a state-mandated local program.

The California Constitution requires local agencies, for the purpose of ensuring public access to the meetings of public bodies and the writings of public officials and agencies, to comply with a statutory enactment that amends or enacts laws relating to public records or open meetings and contains findings demonstrating that the enactment furthers the constitutional requirements relating to this purpose.

This bill would make legislative findings to that effect.

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

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

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

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

SECTION 1. Section 6255 of the Government Code is amended to read:

6255. (a) The agency shall justify withholding any record by demonstrating that the record in question is exempt under express provisions of this chapter or that on the facts of the particular case the public interest served by not disclosing the record clearly outweighs the public interest served by disclosure of the record.

(b) A response to ~~a written~~ *any* request for inspection or copies of public records that includes a determination that the request is denied, in whole or in part, shall be in writing. *That written response also shall include a list that contains both of the following:*

(1) The title or other identification of each record requested but withheld due to an exemption.

(2) The specific exemption that applies to that record.

SEC. 2. The Legislature finds and declares that Section 1 of this act, which amends Section 6255 of the Government Code, furthers, within the meaning of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the purposes of that constitutional section as it relates to the right of public access to the meetings of local public bodies or the writings of local public officials and local agencies. Pursuant to paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution, the Legislature makes the following findings:

Because the people have the right of access to information concerning the conduct of the people's business, requiring local agencies to provide a written response to any request for public records that is denied and to include in that response a list of each record being withheld due to an exemption from disclosure and

the specific exemption that applies furthers the purposes of Section 3 of Article 1.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district under this act would result from a legislative mandate that is within the scope of paragraph (7) of subdivision (b) of Section 3 of Article I of the California Constitution.

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FACT SHEET: AB 1707 TRANSPARENCY IN GOVERNMENT ACT

OFFICE OF ASSEMBLYMAN ERIC LINDER

IN BRIEF

AB 1707 modifies the California Public Records Act to require that agencies subject to these rules include in their responses to requests for public records the name of documents withheld, and the exemption that applies to each document. Additionally, the agencies should respond to all requests via written response, regardless of how the request is made.

THE ISSUE

Upon receipt of a request for records under the California Public Records Act, a state or local agency has the ability to deny the request in whole or in part if certain documents fall under one of the exemptions outlined in the Act. The exemptions are necessary to protect a variety of documents that contain privileged material, including trade secrets and confidential medical information.

However, request denial notifications only contain a list of exemptions that may apply to the documents requested. The list does not include information detailing the types of documents being withheld, or the exemptions that apply. Under the current system, an applicant is unable to examine for him or herself whether the document should indeed be exempt.

Lastly, written responses are only granted to those who request records in writing. Some agencies may use this as a loophole in order to only provide detail justifications of exemptions to those who requested records in writing. It should be the state's goal to take steps towards increasing transparency and helping citizens understand the daily activities of the services provided by the numerous agencies in California, not to impede investigations.

EXISTING LAW

The California Government Code Sections 6250 – 6270 are known as the California Public Records Act. Currently, under Section 6255 (a) agencies are required to justify withholding a record if:

- they believe it falls under one of the exemptions in the Act, or
- the facts of a particular case show that "the public interest served by not disclosing the record clearly outweigh the public interest served by disclosure of the record."

Agencies subject to the Public Records act are simply required to list the exemptions and write a brief justification of why they believe the document should be exempt either under the Act or their own discretion. Additionally, pursuant to Section 6255 (b), written responses are only granted to those who make their requests in writing.

THE SOLUTION

AB 1707 adds language to section 6255 (b) that requires agencies subject to the Public Records Act to provide a written response to the individual or group requesting records, regardless of how the request is made (verbal or written).

Additionally, the written response must include the title or any other identification of the document, and the exemption that applies to each record exempted. This does not replace the current requirement of justifying the exemption. The requirement should not present extraneous costs to agencies, since they are already required to conduct the research. The only difference implemented by the requirement is having to present it in writing.

AB 1707 increases transparency and promotes clarity to help the public adequately understand the activities of state and local agencies.

FOR MORE INFORMATION

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CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 1939

Subject:	Study of Licensing Requirements	**Author:**	Patterson
Version:	February 12, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary
Assembly Bill (AB) 1939 (**Attachment 1**) would require the director of the Department of Consumer Affairs (DCA) to conduct a study and submit it to the Legislature by July 1, 2017, to identify, explore, and address areas where occupational licensing requirements create an unnecessary barrier to labor market entry or labor mobility, particularly for dislocated workers, transitioning service members, and military spouses. Staff will recommend a Watch position on this bill.

Background
Current law has various boards, bureaus, commissions, committees, and similarly constituted agencies fall under DCA.

The Little Hoover Commission, which investigates state government operations and promotes efficiency, economy and improved service, is currently studying occupational licensing.

Analysis
This bill would require the Director of DCA to conduct a study and submit to the Legislature by July 1, 2017, a report identifying, exploring, and addressing areas where occupational licensing requirements create an unnecessary barrier to labor market entry or labor mobility, particularly for dislocated workers, transitioning service members, and military spouses.

According to the author's fact sheet (**Attachment 2**), the problem with licensing in California is that licensing requirements create an unnecessary barrier to entry into a particular field. The author's intent is to study this problem by mandating that DCA report to the Legislature. This study might provide more information to help identify issues with occupational licensing requirements.

Fiscal Estimate
There are no fiscal/economic impact considerations for this bill.

Recommendation
Staff recommend a Watch position due to the sensitive nature of the Little Hoover Commission hearings in February and March 2016.

Support/Opposition
Support: None at this time.

Opposition: None at this time.

Effective/Operative Date
January 1, 2017.

Related Bills
None.

Attachment
1. AB 1939
2. Fact Sheet for AB 1939

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 1939

Introduced by Assembly Member Patterson

February 12, 2016

An act to add Section 312.3 to the Business and Professions Code, relating to professions.

LEGISLATIVE COUNSEL'S DIGEST

AB 1939, as introduced, Patterson. Licensing Requirements.

Under existing law, the Department of Consumer Affairs is comprised of various boards, bureaus, commissions, committees, and similarly constituted agencies that license and regulate the practice of various professions and vocations for the purpose of protecting the people of California. Existing law requires each of these entities to submit annually to the director of the department its methods for ensuring that every licensing examination it administers is subject to periodic evaluation.

This bill would require the director of the department to conduct a study and submit to the Legislature by July 1, 2017, a report identifying, exploring, and addressing occupational licensing requirements that create unnecessary barriers to labor market entry or mobility.

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

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

SECTION 1. Section 312.3 is added to the Business and Professions Code, to read:

312.3. (a) The director shall conduct a study and submit to the Legislature by July 1, 2017, a report identifying, exploring, and

addressing areas where occupational licensing requirements create an unnecessary barrier to labor market entry or labor mobility, particularly for dislocated workers, transitioning service members, and military spouses.

(b) The report to be submitted pursuant to subdivision (a) shall be submitted in compliance with Section 9795 of the Government Code.

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AB 1939 (Patterson)

DCA Licensing Study Bill

SUMMARY

AB 1939 will mandate the Department of Consumer Affairs to conduct a study and report to the Legislature identifying and exploring areas addressing where occupational licensing requirements create an unnecessary barrier to labor market entry or labor mobility, particularly for dislocated workers, transitioning service members, and military spouses by July 1, 2017.

EXISTING LAW

Many different professions and occupations have been added to the list of jobs that require state licensure under the Department of Consumer Affairs. The intent of licensing these professions and occupations is to ensure that those performing these jobs are qualified individuals, thus providing consumers with a quality product and or service. A recent Dan Walters article pointed out that "the California boards that hand out the licenses are typically dominated by licensees themselves, so they have a built-in interest in dampening competition."

PROBLEM

Currently, the Department of Consumer Affairs issues a variety of licenses in more than 250 business and professional categories ranging from jobs such as upholsterers and milk samplers to doctors and psychiatrists. Licensing typically always cost fees and a degree of training, increasing the barriers of entry into a particular field. In many cases, the licenses or professional training from another state may not be applicable in California, making it a difficult transition to work in California. For example, California is one of two states that license Dietetic technicians and one of seven states that license upholsterers. From travel agents, milk samplers, manicurists to doctors, bus drivers, opticians and more-licensure affects a multitude of Californians.

A report issued by the White House and the Treasury Department surveyed licensing requirements across the United States and determined that "often the requirements for obtaining a license are not in sync with the skills needed for the job." This is extremely problematic because when the requirements to obtain a license do not align with the skills that are needed for a job then the purpose of licensing is no longer about ensuring that licensees are qualified in their scope of practice, rather it just creates more barriers for individual thus making it even more difficult for them to work.

In this report the White House notes that by making it more difficult to enter certain professions, excessive licensing may reduce employment opportunities and raise prices for consumers.

Along with higher costs there can be other problems with licensing requirements. These requirements have the potential to make it much more difficult for Californians to enter into the labor market particularly for dislocated workers, transitioning service members, and military spouses.

Arbitrary licensing requirements introduce a number of problems but mainly they create barriers for Californians to work. In California approximately 20.7% of workers are regulated

and licensed by the Department of Consumer Affairs. With a number of people this large who are required to be licensed, it is imperative that there not be any arbitrary requirements that make it even more difficult for individuals to work.

SOLUTION

Mandating the Department of Consumer Affairs to conduct a study and then report their findings to the Legislature is the first step to solving the problem of arbitrary licensing requirements that create barriers for individuals to work. Through this study we will then have more information which will help us identify where there are deficiencies in occupational licensing requirements. By doing this the Legislature can then address each deficiency and then provide an adequate solution thus eliminating unnecessary barriers and promoting the intent of licensing requirements which is to ensure that qualified workers deliver the best product to consumers.

SUPPORT

OPPOSITION

For more information:

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CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2560

Subject:	Professional Land Surveyors' Act	**Author:**	Obernolte
Version:	February 19, 2016	**Sponsor:**	California Board of Accountancy
Status:	Introduced		

Summary

Assembly Bill (AB) 2560 (**Attachment 1**) is a spot bill and will be used as a vehicle for the CBA's previously approved legislative proposal to grant the CBA the legislative authority to adopt emergency regulations pursuant to Business and Professions Code (BPC) section 5096.21(a) to expedite the rulemaking process related to removing states from the practice privilege program. Since the CBA is the sponsor of this bill, no position needs to be taken and staff will send a letter of sponsorship to the author's office.

Background

Current law states that if the CBA determines that allowing individuals from a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public, it shall require, by regulation, out-of-state individuals licensed from that state, to file the notification form and pay the fees as required under the notice and fee practice privilege program. As the normal rulemaking process takes between 12 to 18 months to complete, the CBA would like to reduce the rulemaking time in order to better protect consumers.

In order to ensure that the practice privilege program is protecting consumers, BPC section 5096.21(a) requires the CBA to determine whether allowing individuals from a particular state to practice in California pursuant to a practice privilege violates its duty to protect the public. If the determination is made that allowing individuals from a particular state puts consumers at risk, the CBA will need to require out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to provide the notice and apply the fees as required under the previous practice privilege program. This determination will be made by the CBA pursuant to BPC section 5096.21.

Analysis

The CBA's proposal was not included in the Senate Business, Professions and Economic Development Committee's (B&P) 2016 annual omnibus bill due to the substantive changes.

AB 2560 will be amended 30 days after being introduced to add the proposed amendment (**Attachment 2**) to BPC 5096.21(a). Staff will provide another analysis including these changes as well as any updates at the May CBA meeting.

Fiscal Estimate

There is no fiscal impact.

Recommendation
Sponsor. The CBA is the sponsor of this bill, and staff will send a letter of sponsorship to the author's office.

Support/Opposition
Support: California Board of Accountancy

Opposition: None at this time

Effective/Operative Date
January 1, 2017

Related Bills
None.

Attachments
1. AB 2560
2. Proposed amendment to BPC 5096.21(a)

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 2560

Introduced by Assembly Member Obernolte

February 19, 2016

An act to amend Sections 8704, 8720.1, 8743, 8744, 8748.5, 8760, 8770, 8773.3, 8775.2, 8783, and 8804 of the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 2560, as introduced, Obernolte. Professional Land Surveyors' Act.

The Professional Land Surveyors' Act provides for the licensure and regulation of land surveyors by the Board for Professional Engineers, Land Surveyors, and Geologists, which is within the Department of Consumer Affairs, and requires any person practicing, or offering to practice, land surveying in the state to submit evidence that he or she is qualified to practice and to be licensed under the act.

This bill would change masculine pronouns, as specified, throughout that act and make other nonsubstantive changes.

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

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

SECTION 1. Section 8704 of the Business and Professions Code is amended to read:

8704. Any person practices land surveying when he *or she* professes to be a land surveyor or is in responsible charge of land surveying work.

SEC. 2. Section 8720.1 of the Business and Professions Code is amended to read:

8720.1. Each review committee shall consist of no fewer than three licensed land surveyors appointed by the board. Each member of a committee shall have the same qualifications and shall be subject to the same rules and regulations as if he *or she* were a member of the board.

SEC. 3. Section 8743 of the Business and Professions Code is amended to read:

8743. The names and addresses of at least four land surveyors or civil engineers, duly qualified to practice in the place in which such practice has been conducted, each of whom has sufficient knowledge of the applicant to enable him *or her* to certify to the applicant's professional integrity, ~~ability~~ *ability,* and fitness to receive a license, shall be submitted with the application for the second division of the examination.

SEC. 4. Section 8744 of the Business and Professions Code is amended to read:

8744. The applicant for the second division of the examination shall state in his *or her* application that, should he *or she* be licensed, he *or she* will support the Constitution of this ~~State~~ *state* and of the United States, and that he *or she* will faithfully discharge the duties of a licensed land surveyor.

SEC. 5. Section 8748.5 of the Business and Professions Code is amended to read:

8748.5. If an applicant for license as a land surveyor or certification as a land surveyor-in-training is found by the board to lack the qualifications required for admission to the examination for such license or certification, the board may, in accordance with the provisions of Section 158 of this code, refund to him *or her* one-half of the amount of his *or her* application fee.

SEC. 6. Section 8760 of the Business and Professions Code is amended to read:

8760. Every licensed land surveyor or registered civil engineer may administer and certify oaths:

(a) When it becomes necessary to take testimony for the identification or establishment of old, ~~lost~~ *lost,* or obliterated corners.

(b) When a corner or monument is found in a perishable ~~condition,~~ *condition* and it appears desirable that evidence concerning it be perpetuated.

(c) When the importance of the survey makes it ~~desirable,~~ *desirable* to administer an oath to his *or her* assistants for the faithful performance of ~~their~~ *his or her* duty.

A record of oaths shall be preserved as part of the field notes of the survey and a memorandum of them shall be made on the record of survey filed under this article.

SEC. 7. Section 8770 of the Business and Professions Code is amended to read:

8770. The record of survey filed with the county recorder of any county shall be securely fastened by him *or her* into a suitable book provided for that purpose.

He *or she* shall keep proper indexes of such record of survey by the name of grant, tract, ~~subdivision~~ *subdivision,* or United States subdivision.

The original map shall be stored for safekeeping in a reproducible condition. It shall be proper procedure for the recorder to maintain for public reference a set of counter maps that are prints of the original ~~maps,~~ *maps* and the original maps to be produced for comparison upon demand.

SEC. 8. Section 8773.3 of the Business and Professions Code is amended to read:

8773.3. In every case where a corner record is filed pursuant to Section 8773, the licensed land surveyor or registered civil engineer shall reconstruct or rehabilitate the monument of such corner, and accessories to such corner, so that the same shall be left by him *or her* in such physical condition that it remains as permanent a monument as is reasonably possible and so that the same may be reasonably expected to be located with facility at all times in the future.

SEC. 9. Section 8775.2 of the Business and Professions Code is amended to read:

8775.2. Maps, documents, or reports prepared by, or under the direction of, a licensed photogrammetric surveyor shall carry his *or her* signature and certificate ~~number~~ *number,* which will indicate his *or her* responsibility for the work.

SEC. 10. Section 8783 of the Business and Professions Code is amended to read:

8783. A plea or verdict of guilty or a conviction following a plea of nolo contendere made to a charge substantially related to the qualifications, ~~functions~~ *functions,* and duties of a land surveyor is deemed to be a conviction within the meaning of this article. The board may order the license or certificate suspended or revoked, or may decline to issue a license or certificate, when the time for appeal has ~~elapsed, or~~ *elapsed,* the judgment of conviction has been affirmed on ~~appeal~~ *appeal,* or when an order granting probation is made suspending the imposition of sentence, irrespective of a subsequent order under the provisions of Section 1203.4 of the Penal Code allowing such person to withdraw his *or her* plea of guilty and to enter a plea of not guilty, or setting aside the verdict of guilty, or dismissing the accusation, ~~information~~ *information,* or indictment.

SEC. 11. Section 8804 of the Business and Professions Code is amended to read:

8804. The renewal or reinstatement of any certificate of registration of a civil engineer under Chapter 7 (commencing with Section ~~6700) of Division 3,~~ *6700),* who is also a licensed land surveyor, shall not include the renewal or restoration of his *or her* land surveyor's ~~license,~~ *license* without the payment of the surveyor's renewal fee or penalty.

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CALIFORNIA BOARD OF ACCOUNTANCY

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Attachment 2

Proposed Amendments to BPC Section 5096.21(a) – Emergency Rulemaking

5096.21(a) (1) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.
(2) The board may adopt emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) to implement subdivision (a). The adoption of the regulations shall be deemed an emergency and necessary for the immediate preservation of the public peace, health, safety, or general welfare for purposes of Sections 11346.1 and 11349.6 of the Government Code.

(b) The board shall, at minimum, consider the following factors in making the determination required by subdivision (a):
(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

(c) Notwithstanding subdivision (a), if (1) the National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines, (2) the board, upon a majority vote at a regularly scheduled board meeting, issues a finding after a public hearing that those practices meet or exceed the board's own enforcement practices, (3) a state has in place and is operating pursuant to enforcement practices substantially equivalent to the best practices guidelines, and (4) disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the board to link consumers to an Internet Web site to obtain information at least equal to the information that was previously available to consumers through the practice

privilege form filed by out-of-state licensees pursuant to former Section 5096, as added by Chapter 921 of the Statutes of 2004, no practice privilege form shall be required to be filed by any licensee of that state as required by subdivision (a), nor shall the board be required to report on that state to the Legislature as required by subdivision (d).

(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this section no later than July 1, 2015. The board shall, prior to January 1, 2016, and thereafter as it deems appropriate, review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section. (2) This subdivision shall become inoperative on July 1, 2017, pursuant to Section 10231.5 of the Government Code.

(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.

(f) On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:
(1) How the board has implemented this article and whether implementation is complete.
(2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.
(3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

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

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2853

Subject:	Public Records.	**Author:**	Gatto
Version:	February 19, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary

Assembly Bill (AB) 2853 (**Attachment**) is an intent language spot bill which expresses the intent of the Legislature to amend this bill to include provisions that would clarify that the term "public record," for purposes of the California Public Records Act, includes those writings kept on private cellular phone or other electronic device of an elected official, official, or employee or a public agency if those records relate to the public's business. Staff will recommend a Watch position.

Background

Current law defines the term "public record," for purposes of the Public Records Act, to mean any writing containing information relating to the conduct of the public's business prepared, owned, used or retained by any state or local agency regardless of physical form or characteristics.

Analysis

Staff have been in contact with the author's office on this bill, and at this time, they are still preparing the fact sheet. There is limited background information available and as a result, staff's analysis is focused solely on the proposed language. It is anticipated that additional information will be available by the CBA meeting.

A spot bill amends a code section in such an innocuous way as to be totally nonsubstantive. The bill has been introduced to assure that a germane vehicle will be available at a later date after the deadline has passed to introduce bills. At that future date, the bill can be amended with more substance included. The purpose for which the author intends to use it is unknown.

An intent language spot bill, however, expresses the intent of the author so that the public is reasonably sure of its final intent. Therefore, this bill has been brought to the CBA for a formal Watch position rather than as a part of the list of spot bills.

This bill would amend the term "public record" for purposes of the California Public Records Act, to include those writings kept on the private cellular phone or other electronic device of an elected official, official, or employee or a public agency if those records relate to the public's business.

Fiscal Estimate

There are no fiscal/economic considerations for this bill.

Recommendation
Staff recommend a Watch position on this bill due its potential direct effect on CBA members.

Support/Opposition
Support: None at this time.

Opposition: None at this time.

Effective/Operative Date
January 1, 2017.

Related Bills
None.

Attachment
AB 2853

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 2853

Introduced by Assembly Member Gatto

February 19, 2016

An act relating to public records.

LEGISLATIVE COUNSEL'S DIGEST

AB 2853, as introduced, Gatto. Public records.

The California Public Records Act defines the term "public record," for purposes of that act, to mean any writing containing information relating to the conduct of the public's business prepared, owned, used, or retained by any state or local agency regardless of physical form or characteristics.

This bill would express the intent of the Legislature to subsequently amend this bill to include provisions that would clarify that the term "public record," for purposes of that act, includes those writings kept on the private cellular phone or other electronic device of an elected official, official, or employee or a public agency if those records relate to the public's business.

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

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

SECTION 1. It is the intent of the Legislature to subsequently amend this bill to include provisions that would clarify that the term "public record," for purposes of the California Public Records Act, includes those writings kept on the private cellular phone or

other electronic device of an elected official, official, or employee or a public agency if those records relate to the public's business.

O

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
AB 2859

Subject:	Professions and vocations: retired category: licenses.	**Author:**	Low
Version:	February 19, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary
Assembly Bill (AB) 2859 (**Attachment**) would add a section to the Business and Professions Code (BPC) to authorize any boards, bureaus, commissions, or programs within the Department of Consumer Affairs (DCA) to establish by regulation a system for a retired category of license for persons who are not actively engaged in practice, and would prohibit the holder of a retired license from engaging in any activity for which a license is required, unless regulation specifies the criteria for a retired licensee to practice his or her profession. Staff will recommend a Support if Amended position.

Background
Current California Board of Accountancy (CBA) regulations state that, in order to be eligible for a license in a retired status, a licensee shall submit a completed application to the CBA. A licensee applying to have his or her license placed in retired status, must have held a license for a minimum of twenty years. During those twenty years, the licensee must have had a license from the CBA for a minimum of five years. In order to place a license in a retired status, an applicant must pay a $75 fee.

Analysis
Staff have been in contact with the author's office on this bill, and at this time, they are still preparing the fact sheet. There is limited background information available and as a result, staff's analysis is focused solely on the proposed language. It is anticipated that additional information will be available by the CBA meeting.

Staff recommend the CBA direct staff to reach out to the author and suggest amendments that would exclude boards, bureaus, commissions and other programs within DCA that have their own statutes regarding a retired license status.

Fiscal Estimate
There are no fiscal/economic considerations for this bill.

Recommendation
Staff recommend a Support if Amended position on this bill to request that the author amend the proposed language to exclude boards, bureaus, commissions, and programs within DCA that have their own statutes regarding retired license status.

Support/Opposition
Support: None at this time.

Opposition: None at this time.

Effective/Operative Date
January 1, 2017.

Related Bills
None.

Attachment
AB 2859

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL No. 2859

Introduced by Assembly Member Low

February 19, 2016

An act to add Section 463 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 2859, as introduced, Low. Professions and vocations: retired category: licenses.

Existing law provides for numerous boards, bureaus, commissions, or programs within the Department of Consumer Affairs that administer the licensing and regulation of various businesses and professions. Existing law authorizes any of the boards, bureaus, commissions, or programs within the department, except as specified, to establish by regulation a system for an inactive category of license for persons who are not actively engaged in the practice of their profession or vocation. Under existing law, the holder of an inactive license is prohibited from engaging in any activity for which a license is required. Existing law defines "board" for these purposes to include, unless expressly provided otherwise, a bureau, commission, committee, department, division, examining committee, program, and agency.

This bill would additionally authorize any of the boards, bureaus, commissions, or programs within the department to establish by regulation a system for a retired category of license for persons who are not actively engaged in the practice of their profession or vocation, and would prohibit the holder of a retired license from engaging in any activity for which a license is required, unless regulation specifies the criteria for a retired licensee to practice his or her profession. The bill

would authorize a board upon its own determination, and would require a board upon receipt of a complaint from any person, to investigate the actions of any licensee, including, among others, a person with a license that is retired or inactive.

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

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

SECTION 1. Section 463 is added to the Business and Professions Code, to read:

463. (a) Any of the boards, bureaus, commissions, or programs within the department may establish, by regulation, a system for a retired category of licensure for persons who are not actively engaged in the practice of their profession or vocation.

(b) The regulation shall contain the following:

(1) The holder of a retired license issued pursuant to this section shall not engage in any activity for which a license is required, unless the board, by regulation, specifies the criteria for a retired licensee to practice his or her profession or vocation.

(2) The holder of a retired license shall not be required to renew that license.

(3) In order for the holder of a retired license issued pursuant to this section to restore his or her license to an active status, the holder of that license shall meet all the following:

(A) Pay a fee established by statute or regulation.

(B) Certify, in a manner satisfactory to the board, that he or she has not committed an act or crime constituting grounds for denial of licensure.

(C) Comply with the fingerprint submission requirements established by regulation.

(D) If the board requires completion of continuing education for renewal of an active license, complete continuing education equivalent to that required for renewal of an active license, unless a different requirement is specified by the board.

(E) Complete any other requirements as specified by the board by regulation.

(c) A board may upon its own determination, and shall upon receipt of a complaint from any person, investigate the actions of any licensee, including a person with a license that either restricts

or prohibits the practice of that person in his or her profession or vocation, including, but not limited to, a license that is retired, inactive, canceled, revoked, or suspended.

O

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
ACR 131

Subject:	Professions and vocations: licensing fees: equity.	**Author:**	Patterson
Version:	February 2, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary

Assembly Concurrent Resolution (ACR) 131 (**Attachment 1**) expresses the will of the Legislature to encourage the Department of Consumer Affairs (DCA) and its boards, bureaus, and commissions to create policies that promote fairness and equity to guarantee that each licensee pays a fair amount, especially in regards to initial and ongoing license fees.

Background

A concurrent resolution is a measure that can be introduced in either House (Assembly or Senate), and if approved by both Houses, is filed with the Secretary of State. The Governor's signature is not required. These measures usually express the will of the Legislature and have no legal impact.

Existing law requires that some licenses expire on either the last day of the birth month of the licensee or at 12:00 a.m. on the birth date of the licensee during the second year of a two year term. A certified public accountant (CPA) license is valid for a two-year period, and expires every other year at midnight on the last day of the birth month. The year of expiration is based upon the birth year. If a licensee was born in an even year, the license will expire each even year; if the licensee was born in an odd year, it will expire each odd year.

Furthermore, Business and Professions Code (BPC) section 5134(j) states that if a license is issued one year or less before it will expire, then the initial license fee is an amount equal to 50 percent of the renewal fee in effect on the last regular renewal date before the date on which the license is issued.

Analysis

According to the author, an adverse effect of the current law is that some professionals are required to renew their licenses within just a few months or even weeks after issuance. This, according to the author, is unfair because that licensee who has only had a valid license for a few months must pay the same amount as another licensee who has had their license for an entire 1-2 year licensing term.

This measure would encourage DCA and its boards, bureaus, and commissions to create policies that promote fairness and equity to guarantee that each licensee pays a fair amount, especially in regards to initial and ongoing license fees. This resolution is the author's response to Governor Jerry Brown's veto message on a previous bill. The Governor's veto message agrees with the creation of equitable licensing fees; however, it suggested "such endeavor can be crafted more carefully and thoughtfully through regulation."

For the CBA, the prorated fee in BPC section 5134(j) may already address the author's concerns.

Fiscal Estimate
There are no fiscal/economic considerations for this bill.

Recommendation
Staff recommend a Watch position due to its intent to increase fairness. Staff will continue to monitor its progress through the process and bring it back to the CBA's May 2016 meeting for reevaluation at that time.

Support/Opposition
Support: None at this time.

Opposition: None at this time.

Effective/Operative Date
January 1, 2017.

Related Bills
None.

Attachments
1. ACR 131
2. Fact Sheet for ACR 131

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

Assembly Concurrent Resolution No. 131

Introduced by Assembly Member Patterson
(Coauthors: Assembly Members Chávez, Gordon, and Wilk)
(Coauthor: Senator Anderson)

February 2, 2016

Assembly Concurrent Resolution No. 131—Relative to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

ACR 131, as introduced, Patterson. Professions and vocations: licensing fees: equity.

This measure would encourage the Department of Consumer Affairs and its boards, bureaus, and commissions to create policies that promote fairness and equity to guarantee that each licensee pays a fair amount, especially in regards to initial and ongoing license fees.

Fiscal committee: yes.

WHEREAS, Existing law provides for the licensure and regulation of various professions and vocations by boards, bureaus, and committees within the Department of Consumer Affairs, including, among others, accountants, acupuncturists, architects, athletes, automotive mechanics, barbers and cosmologists, chiropractors, contractors, court reporters, dental hygienists, dentists, doctors, engineers, fiduciaries, marriage and family therapists, nurses, optometrists, osteopathic physicians and surgeons, pharmacists, physical therapists, physician assistants, private schools, private guards and other security-related jobs,

psychologists, realtors, respiratory care practitioners, speech pathologists, social workers, and veterinarians; and

WHEREAS, The mission of many of the boards, bureaus, and committees within the Department of Consumer Affairs is to protect people and promote the health and safety of Californians by licensing and regulating various professions and vocations; and

WHEREAS, Hardworking individuals must often complete hundreds of hours of professional training requirements, including, but not limited to, education, schooling, internships, or other requirements, to meet professional licensing standards in order to be licensed by the State of California and pursue their profession; and

WHEREAS, Existing law establishes fees for initial licenses, initial temporary and permanent licenses, and original licenses for those various professions and vocations; and

WHEREAS, Licensees may spend up to hundreds of dollars for their initial license and pay thousands of dollars to the State of California over their career to maintain their license, not including the thousands of dollars licensees may pay to put themselves through training or educational programs to gain the skills needed for a given profession; and

WHEREAS, Existing law requires that licenses issued to certain licensees expire at 12 a.m. on either the last day of the birth month of the licensee or at 12 a.m. of the legal birth date of the licensee during the 2nd year of a 2-year term if not renewed, yet fails to provide licensees the opportunity to prorate their initial licensing fee to the specific amount of time actually licensed; and

WHEREAS, The Governor supports an equitable licensing fee policy that would prorate license fees based on how many months have elapsed between the initial issuance of a license and the time of renewal, as stated in his message upon vetoing Assembly Bill 483 (Patterson, 2015), which was unanimously passed by the Senate and passed the Assembly with a vote of 78-0; and

WHEREAS, The Legislature recognizes the important and valuable services that those licensees provide to the state; now, therefore, be it

Resolved by the Assembly of the State of California, the Senate thereof concurring, That the Legislature encourages the Department of Consumer Affairs and its boards, bureaus, and commissions to create policies that promote fairness and equity to guarantee that

each licensee pays a fair amount, especially in regards to initial and ongoing license fees; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the author for appropriate distribution.

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ACR 131 (Patterson)
Equitable License Fees for California Professionals

SUMMARY

ACR 131 will recognize the hard work, hundreds of hours of professional training requirements, and thousands of dollars spent over the course of a career to maintain professional licenses. It simply states that the Legislature encourages the Department of Consumer Affairs as well as the various boards, bureaus and commissions to create policies that promote fairness and equity to guarantee that each licensee pays a fair amount, especially in regards to initial and ongoing license fees.

EXISTING LAW

California law requires that some licenses expire on either the last day of the birth month of the licensee or at 12:00 AM on the birth date of the licensee during the second year of a two year term. Professions affected by this rule include architects, acupuncturists, dental hygienists, dentists, occupational therapists, osteopathic physicians and surgeons, registered veterinary technicians, and veterinarians. Other licenses have different policies that are equitable to each licensee such as a two year licensure from the initial date of licensure with a renewal every two years from that date.

PROBLEM

An adverse effect of this current "birth month" system is that some professionals are required to renew their licenses within just a few months or even weeks after issuance. This is unfair because that licensee who has only had a valid license for a few months must pay the same amount as another licensee who has had their license for an entire 1-2 year licensing term. This added cost comes at a time where licensees are just beginning their careers, often are still looking for employment and are trying to pay off their student loans.

For example, a constituent in the 23rd Assembly District recently graduated from school and received her dental hygienist license. Right after receiving her license, she was notified that her brand-new license expired in three weeks, due to her birth date, and that she had to pay a full $160 renewal fee. This occurred only a few months after she paid $575 for her state exam and application and $100 for her initial license.

Birth month license renewal date policies such as the one experienced by my constituent add an unnecessary burden to newly licensed professionals thus putting them at a disadvantage in starting their careers.

SOLUTION

Last year AB 463- a bill that would have required a fair, prorated initial licensure fee- received bi-partisan support and was unanimously passed by the Legislature, however it was vetoed by the Governor. In his veto message the Governor stated, "I am directing the Department of Consumer Affairs to work with each board, bureau, and commission to devise a sound approach to guarantee that each licensee pay a fair amount."

ACR 131 states that the Legislature encourages the Department of Consumer Affairs to promote an equitable licensing fee program for professionals.

For more information:

Contact:
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CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
SB 1155

Subject:	Professions and vocations: licenses: military service fee waiver.	**Author:**	Morrell
Version:	February 18, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary
Senate Bill (SB) 1155 (**Attachment**) would add a new section to the Business and Professions Code (BPC) requiring the Department of Consumer Affairs (DCA) to establish and maintain a program that grants a fee waiver for the application for and issuance of a license to an individual who is an honorably discharged veteran. This bill does not apply to a license renewal.

Background
Current law authorizes any licensee whose license expired while he or she was on active duty as a member of the California National Guard of United States Armed Forces to reinstate his or her license without examination or penalty if certain requirements are met. Furthermore, boards are required to waive the renewal fees, continuing education requirements, and other renewal requirements, if applicable, of any licensee or registrant called to active duty.

Current law also requires each board to inquire in every application if the individual applying for licensure is serving in, or has previously served in, the military. Furthermore, a board is required to expedite and assist the initial licensure process for an applicant who has served in the military.

Analysis
Staff have been in contact with the author's office on this bill, and at this time, they are still preparing the fact sheet. There is limited background information available and as a result, staff's analysis is focused solely on the proposed language. It is anticipated that additional information will be available by the CBA meeting.

This bill would require DCA to establish and maintain a program that grants a fee waiver for the application and initial license issued to an honorably discharged veteran.

Fiscal Estimate
There is a fiscal loss associated to this bill. The application fee ($250 as of July 1, 2016) and initial license fee ($120 as of July 1, 2016), totaling $370 per application, would be lost for those applicants who are veterans.

Recommendation
Support. Staff recommend a Support position on this bill as it is in line with the CBA's stance on offering assistance to military personnel.

Support/Opposition
Support: None at this time.

Opposition: None at this time.

Effective/Operative Date
January 1, 2017.

Related Bills
None.

Attachment
SB 1155

SENATE BILL No. 1155

Introduced by Senator Morrell

February 18, 2016

An act to add Section 114.6 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

SB 1155, as introduced, Morrell. Professions and vocations: licenses: military service.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law authorizes any licensee whose license expired while he or she was on active duty as a member of the California National Guard or the United States Armed Forces to reinstate his or her license without examination or penalty if certain requirements are met. Existing law also requires the boards to waive the renewal fees, continuing education requirements, and other renewal requirements, if applicable, of any licensee or registrant called to active duty as a member of the United States Armed Forces or the California National Guard, if certain requirements are met. Existing law requires each board to inquire in every application if the individual applying for licensure is serving in, or has previously served in, the military. Existing law, on and after July 1, 2016, requires a board within the Department of Consumer Affairs to expedite, and authorizes a board to assist, the initial licensure process for an applicant who has served as an active duty member of the Armed Forces of the United States and was honorably discharged.

This bill would require the Department of Consumer Affairs, in consultation with the Department of Veterans Affairs and the Military Department, to establish and maintain a program that grants a fee waiver

for the application for and the issuance of an initial license to an individual who is an honorably discharged veteran, as specified.

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

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

SECTION 1. Section 114.6 is added to the Business and Professions Code, to read:

114.6. The Department of Consumer Affairs, in consultation with the Department of Veterans Affairs and the Military Department, shall establish and maintain a program that grants a fee waiver for the application for and issuance of a license to an individual who is an honorably discharged veteran who served as an active duty member of the California National Guard or the United States Armed Forces. Under this program, all of the following apply:

(a) The Department of Consumer Affairs shall grant only one fee waiver to a veteran.

(b) The fee waiver shall apply only to an application of and a license issued to an individual veteran and not to an application of or a license issued to a business or other entity.

(c) A waiver shall not be issued for a renewal of a license or for the application for and issuance of a license other than one initial license.

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CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
SB 1251

Subject:	Publication of state financial obligations.	**Author:**	Moorlach
Version:	February 18, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary

Senate Bill (SB) 1251 (**Attachment**) would establish the California Financial Transparency Act of 2016 and would require an unspecified entity of state government to create and maintain a dedicated web page, linked to the homepage of its Internet website, that lists specific state financial obligations. This bill would also require the Secretary of State to include in a ballot pamphlet a copy of all the information posted on a dedicated web page, hyperlinked to the homepage of the Internet website of said entity.

Background

Current law requires a local agency, if it maintains a website and is required to report specific financial information to the State Controller, to post, in a conspicuous location on its website, information on the annual compensation of its elected officials, officers, and employees. The agency meets this requirement by posting a link to the State Controller's Government Compensation in California website.

Currently, the Political Reform Act of 1974 and the Elections Code each require the Secretary of State to prepare a ballot pamphlet that contains specific information.

Analysis

This bill would establish the California Financial Transparency Act of 2016 and would require an unspecified government entity to create and maintain a dedicated webpage, linked to the homepage of its website, that lists specific state financial obligations. Furthermore, this bill would require the Secretary of State to include in a ballot pamphlet a copy of all the information posted on a dedicated webpage.

According to the fact sheet, voters lack the most basic background information to make important decisions affecting the state's fiscal situation. The intent of this bill is to provide basic accounting data from non-partisan and credible sources as well as the state's Comprehensive Annual Finance Report.

Fiscal Estimate

There are no fiscal/economic considerations for this bill.

Recommendation

Although Senator Moorlach requested that the CBA review this bill, staff recommend a Watch position on this bill as it has only a minor nexus with the CBA's mission of consumer protection.

Support/Opposition
Support: None at this time.

Opposition: None at this time.

Effective/Operative Date
January 1, 2017.

Related Bills
None.

Attachment
SB 1251

SENATE BILL No. 1251

Introduced by Senator Moorlach

February 18, 2016

An act to amend Section 9084 of the Elections Code, and to amend Section 88001 of, and to add Chapter 5.3 (commencing with Section 8347) to Division 1 of Title 2 of, the Government Code, relating to state government.

LEGISLATIVE COUNSEL'S DIGEST

SB 1251, as introduced, Moorlach. Publication of state financial obligations: Internet Web site and ballot pamphlet.

(1) Existing law requires a local agency, if it maintains an Internet Web site and is required to report specific financial information to the Controller, to post, in a conspicuous location on its Internet Web site, information on the annual compensation of its elected officials, officers, and employees. Existing law authorizes a local agency to meet this requirement by posting a link to the Controller's Government Compensation in California Internet Web site in a conspicuous location on its Internet Web site.

This bill would establish the California Financial Transparency Act of 2016 and would require ____ [an entity of state government] to create and maintain a dedicated Web page, hyperlinked to the homepage of its Internet Web site, that lists specific state financial obligations.

(2) The Political Reform Act of 1974 and the Elections Code each require the Secretary of State to prepare a ballot pamphlet that contains specific information.

This bill would require the Secretary of State to include in a ballot pamphlet a copy of all the information posted on a dedicated Web page, hyperlinked to the homepage of the Internet Web site of an unspecified

entity in state government, pursuant to the California Financial Transparency Act of 2016.

(3) The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act's purposes with a ⅔ vote of each house and compliance with specified procedural requirements.

The act also provides that, notwithstanding this vote requirement, the Legislature may amend specified provisions to add to the ballot pamphlet information regarding candidates or other information.

This bill, which would require additional information to be included in the ballot pamphlet, without making other changes to the act, would therefore require a majority vote.

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

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

SECTION 1. Section 9084 of the Elections Code is amended to read:

9084. The ballot pamphlet shall contain all of the following:

(a) A complete copy of each state measure.

(b) A copy of the specific constitutional or statutory provision, if any, that each state measure would repeal or revise.

(c) A copy of the arguments and rebuttals for and against each state measure.

(d) A copy of the analysis of each state measure.

(e) Tables of contents, indexes, art work, graphics, and other materials that the Secretary of State determines will make the ballot pamphlet easier to understand or more useful for the average voter.

(f) A notice, conspicuously printed on the cover of the ballot pamphlet, indicating that additional copies of the ballot pamphlet will be mailed by the county elections official upon request.

(g) A written explanation of the judicial retention procedure as required by Section 9083.

(h) The Voter Bill of Rights pursuant to Section 2300.

(i) If the ballot contains an election for the office of United States Senator, information on candidates for United States Senator. A candidate for United States Senator may purchase the space to place a statement in the state ballot pamphlet that does not exceed 250 words. The statement may not make any reference to any

opponent of the candidate. The statement shall be submitted in accordance with timeframes and procedures set forth by the Secretary of State for the preparation of the state ballot pamphlet.

(j) If the ballot contains a question on the confirmation or retention of a justice of the Supreme Court, information on justices of the Supreme Court who are subject to confirmation or retention.

(k) If the ballot contains an election for the offices of President and Vice President of the United States, a notice that refers voters to the Secretary of State's Internet Web site for information about candidates for the offices of President and Vice President of the United States.

(*l*) A written explanation of the appropriate election procedures for party-nominated, voter-nominated, and nonpartisan offices as required by Section 9083.5.

(m) A written explanation of the top 10 contributor lists required by Section 84223 of the Government Code, including a description of the Internet Web sites where those lists are available to the public.

(n) A copy of all the information posted on the Web page of the Internet Web site of the ____ pursuant to the California Financial Transparency Act of 2016 (Chapter 5.3 (commencing with Section 8347) of Division 1 of Title 2 of the Government Code).

SEC. 2. Chapter 5.3 (commencing with Section 8347) is added to Division 1 of Title 2 of the Government Code, to read:

Chapter 5.3. California Financial Transparency Act of 2016

8347. This chapter shall be known and may be cited as the California Financial Transparency Act of 2016.

8347.10. The ____ [an entity of state government] shall post all of the following current total amounts on a dedicated Web page that is hyperlinked to the homepage of its Internet Web site:

(a) State revenues.

(b) State expenditures.

(c) Unfunded state pension liability.

(d) Unfunded state retiree medical benefit liability.

(e) Unfunded infrastructure needs.

(f) Bond debt.

8347.20. On or before January 1 and July 1 of each year, the ____ shall update the Web page required by Section 8347.10.

SEC. 3. Section 88001 of the Government Code is amended to read:

88001. The ballot pamphlet shall contain all of the following:

(a) A complete copy of each state measure.

(b) A copy of the specific constitutional or statutory provision, if any, that would be repealed or revised by each state measure.

(c) A copy of the arguments and rebuttals for and against each state measure.

(d) A copy of the analysis of each state measure.

(e) Tables of contents, indexes, art work, graphics, and other materials that the Secretary of State determines will make the ballot pamphlet easier to understand or more useful for the average voter.

(f) A notice, conspicuously printed on the cover of the ballot pamphlet, indicating that additional copies of the ballot pamphlet will be mailed by the county elections official upon request.

(g) A written explanation of the judicial retention procedure as required by Section 9083 of the Elections Code.

(h) The Voter Bill of Rights pursuant to Section 2300 of the Elections Code.

(i) If the ballot contains an election for the office of United States Senator, information on candidates for United States Senator. A candidate for United States Senator may purchase the space to place a statement in the state ballot pamphlet that does not exceed 250 words. The statement may not make any reference to any opponent of the candidate. The statement shall be submitted in accordance with timeframes and procedures set forth by the Secretary of State for the preparation of the state ballot pamphlet.

(j) If the ballot contains a question as to the confirmation or retention of a justice of the Supreme Court, information on justices of the Supreme Court who are subject to confirmation or retention.

(k) If the ballot contains an election for the offices of President and Vice President of the United States, a notice that refers voters to the Secretary of State's Internet Web site for information about candidates for the offices of President and Vice President of the United States.

(*l*) A written explanation of the appropriate election procedures for party-nominated, voter-nominated, and nonpartisan offices as required by Section 9083.5 of the Elections Code.

(m) A written explanation of the top 10 contributor lists required by Section 84223, including a description of the Internet Web sites where those lists are available to the public.

(n) A copy of all the information posted on the Web page of the Internet Web site of the ____ pursuant to the California Financial Transparency Act of 2016 (Chapter 5.3 (commencing with Section 8347) of Division 1 of Title 2).

SEC. 4. The Legislature finds and declares that Section 3 of this act, amending Section 88001 of the Government Code, is an amendment of the Political Reform Act of 1974 that requires the inclusion of additional information on the ballot pamphlet in accordance with Section 88007 of the Government Code.

O

CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
SB 1348

Subject:	Licensure applications: military experience.	**Author:**	Cannella
Version:	February 19, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary
Senate Bill (SB) 1348 (**Attachment**) would require each board, with a governing law authorizing veterans to apply military experience and training towards licensure requirements, to modify their application for licensure to advise veteran applicants about their ability to apply that experience and training towards licensure requirements.

Background
Current law requires each board within the Department of Consumer Affairs (DCA) to inquire in every application for licensure if the individual applying for licensure is serving in, or has previously served in, the military.

There is no specific governing law within the Accountancy Act that authorizes veterans to apply military experience and training towards licensure requirements; however, there is no law prohibiting counting such experience either.

Analysis
Staff have been in contact with the author's office on this bill, and at this time, they are still preparing the fact sheet. There is limited background information available and as a result, staff's analysis is focused solely on the proposed language. It is anticipated that additional information will be available by the California Board of Accountancy (CBA) meeting.

This bill would not change the way the CBA allows for experience or training. Any qualifying experience, supervised by a certified public accountant (CPA), may count towards the experience requirement for CPA licensure.

Fiscal Estimate
There is no fiscal/economic consideration for this bill.

Recommendation
Support. Staff recommend a Support position on this bill as it is in line with the CBA's stance on offering assistance to military personnel.

Support/Opposition
Support: None at this time.

Opposition: None at this time.

Effective/Operative Date
January 1, 2017

Related Bills
None.

Attachment
SB 1348

SENATE BILL No. 1348

Introduced by Senator Cannella

February 19, 2016

An act to amend Section 114.5 of the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

SB 1348, as introduced, Cannella. Licensure applications: military experience.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law requires each board to inquire in every application for licensure if the individual applying for licensure is serving in, or has previously served in, the military.

This bill would require each board, with a governing law authorizing veterans to apply military experience and training towards licensure requirements, to modify their application for licensure to advise veteran applicants about their ability to apply that experience and training towards licensure requirements.

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

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

SECTION 1. Section 114.5 of the Business and Professions Code is amended to read:

114.5. ~~Commencing January 1, 2015, each~~ *(a) Each* board shall inquire in every application for licensure if the individual applying for licensure is serving in, or has previously served in, the military.

(b) If a board's governing law authorizes veterans to apply military experience and training towards licensure requirements, that board shall modify their application for licensure to advise veteran applicants about their ability to apply military experience and training towards licensure requirements.

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CALIFORNIA BOARD OF ACCOUNTANCY
LEGISLATIVE ANALYSIS
SB 1445

Subject:	Taxation.	**Author:**	Hertzberg
Version:	February 19, 2016	**Sponsor:**	Author
Status:	Introduced		

Summary

Senate Bill (SB) 1445 (**Attachment**) would state legislative findings regarding California's tax climate and would state that the intent of the Legislature is to make three changes to the tax code: 1) broaden the tax base by imposing a modest sales tax on services, 2) establish the Retail Sales Tax on Services Fund in the State Treasury, and 3) provide tax relief to middle- and low-income Californians to offset the effect of a sales tax on services, among other purposes. Staff will recommend a Watch position on this bill.

Background

Current law imposes a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in California.

This bill states legislative intent to make these changes to the tax code: 1) broaden the tax base by imposing a modest sales tax on services, 2) establish the Retail Sales Tax on Services Fund in the State Treasury, and 3) provide tax relief to middle- and low-income Californians to offset the effect of a sales tax on services, among other purposes.

The author introduced a similar bill in 2015, SB 8, which according to the author's office, sought to repair California's failed tax system to keep up with an economy that has evolved over the years from an agriculture and manufacturing-based economy to a services-based economy.

Analysis

Staff have been in contact with the author's office on this bill, and at this time, they are still preparing the fact sheet. There is limited background information available and as a result, staff's analysis is focused solely on the proposed language. It is anticipated that additional information will be available by the CBA meeting.

An intent language spot bill, expresses the intent of the author so that the public is reasonably sure of its final intent. At a future date, the bill can be amended with more substance. Intent language does not have force of law.

Fiscal Estimate

This is an intent bill and the author's intent may change with future amendments. Depending on future amendments, this bill might have a significant economic impact. However, at this time there are no fiscal/economic considerations for this bill.

Recommendation
Staff recommend the CBA take a Watch position on this bill and direct staff to continue to monitor its development. Staff's recommendation is based on the Watch position the CBA took on SB 8 in 2015 and the fact that this is currently a spot bill.

Support/Opposition
Support: None at this time.

Opposition: None at this time.

Effective/Operative Date
January 1, 2017

Related Bills
SB 8 (2015) (failed passage)

Attachment
SB 1445

SENATE BILL No. 1445

Introduced by Senator Hertzberg

February 19, 2016

An act to add Chapter 3.8 (commencing with Section 6305) to Part 1 of Division 2 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 1445, as introduced, Hertzberg. Taxation.

The Sales and Use Tax Law imposes a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state.

This bill would state legislative findings regarding California's tax climate and would state that the intent of the bill is to make 3 changes to the taxation within the state, including broadening the tax base by imposing a modest sales tax on services. This bill would also establish the Retail Sales Tax on Services Fund in the State Treasury and state the intent of the Legislature that moneys in the fund would be appropriated to, among other things, provide tax relief to middle- and low-income Californians to offset the effect of a sales tax on services, among other purposes.

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

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

1 SECTION 1. The Legislature finds and declares all of the
2 following:

(a) California has long been known as the land of opportunity, but for many of its residents the future is receding. Inequality continues to rise — even though California has one of the most progressive tax structures in the nation. Protecting middle class Californians is critical to our future.

(b) California's tax collections are heavily dependent on the income of its top earners. This has led to dramatic revenue swings year over year. During the dot-com economic boom of the 1990s through the early part of the 21st century, state revenues soared by as much as 20 percent in a single year only to fall precipitously during the dot-com bust. More recently, when the great recession hit, a 3.6 percent decline in California's economy resulted in a 23 percent plunge in General Fund revenues which resulted in a loss of over $20 billion annually to the General Fund.

(c) This revenue instability has caused California's residents to suffer. Essential services, including health care and child care for families, were cut at a time when they were needed most. In addition, the state cut billions of dollars to education, including adult education, which could have helped families recover from the recession. Relying on this outdated system to support California's needs is dangerous fiscal policy.

(d) An underlying problem is that, while California's economy has evolved, its tax system has failed to keep up with the times. Over the past 60 years, California has moved from an agriculture- and manufacturing-based economy to a service-based economy. As a result, state tax revenues have become less reliant on revenues derived from the Sales and Use Tax on goods and more reliant on revenues derived from the Personal Income Tax. In 1950, the Sales and Use Tax comprised 61 percent of state General Fund revenues; today, it accounts for about 30 percent. The Personal Income Tax accounted for 12 percent of the General Fund in 1950; today, it accounts for almost 70 percent.

(e) It is the intent of this act to:

(1) Increase opportunities for California residents and businesses and promote upward mobility for Californians with middle class tax relief, more stable education and higher education systems, and new jobs through business growth.

(2) Realign the state's outdated tax code with the realities of California's 21st century economy.

(3) Substitute a new, revenue neutral personal income tax structure for the existing structure.

(4) Ensure that out-of-state corporations that do business in California contribute their fair share to California's economy.

(f) The intent of this act is to make three broad changes to the tax code:

(1) Provide tax relief to middle- and low-income Californians while simplifying the personal income tax and maintaining progressivity and also mitigating the reliance on top income earners, which currently contributes to revenue instability.

(2) Broaden the tax base by imposing a modest sales tax on services. These changes would more fairly apportion taxes between goods and services and would produce more stable revenues. Local jurisdictions would not be authorized to increase sales tax on services, as they now can do with the sales tax on goods. Health care services, education services, child care, rent, interest, and services represented by very small businesses would be exempted from the sales tax on services, and offsetting tax relief would be provided to middle- and low-income California families.

(3) Enhance the state's business climate and incentivize entrepreneurship and business creation by lowering the corporate income tax on small businesses, exempting very small businesses from the sales tax on services, and significantly reducing the minimum franchise tax.

SEC. 2. Chapter 3.8 (commencing with Section 6305) is added to Part 1 of Division 2 of the Revenue and Taxation Code, to read:

Chapter 3.8. Retail Sales Tax On Services Fund

6305. (a) The Retail Sales Tax on Services Fund is hereby created in the State Treasury.

(b) All amounts of tax required to be paid to the state under this chapter shall be paid to the board in the form of remittances payable to the board. The board shall transmit the payments, less refunds and costs of administration, to the Treasurer to be deposited into the Retail Sales Tax on Services Fund.

(c) It is the intent of this act that the moneys in the fund would be appropriated to:

(1) Provide tax relief to middle- and low-income Californians to offset the effect of the sales tax on services.

(2) Assist in securing greater stability for California's infrastructure, its workforce, and its health care and education systems, including higher education.

(3) Enhance California's business climate and incentivize and protect small businesses.

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LC Item II.L. March 17, 2016

CBA Item X.C.2.I. March 17-18, 2016

Update on Previously Approved Legislative Proposal Regarding Expedited Rulemaking Authority for Practice Privilege Program

Presented by: Nooshin Movassaghi, Legislative Analyst

Consumer Protection Objectives

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with an update regarding proposed language for inclusion in the 2016 annual omnibus bill. These proposals protect consumers by providing a level of flexibility by changing the current course title requirement to a subject requirement similar to the CBA Regulations section 9.2, and provide the CBA with emergency rulemaking authority to remove states from the no notice, no fee practice privilege program.

Action(s) Needed

No specific action is required on this agenda item.

Background

In 2015, the CBA approved two proposals to amend Business and Professions Code (BPC) sections 5094.3 and 5096.21(a), and directed staff to initiate the legislative process regarding these changes. These proposals provide a level of flexibility by changing the current course title requirement to the a subjects requirement (BPC section 5094.3), and provide the CBA the statutory authority to expedite any potential rulemaking (pursuant to BPC section 5096.21(a)).

Staff prepared and submitted these two proposals to the Senate Business Profession, and Economic Development Committee (B&P) for consideration for inclusion in the annual omnibus bill. The Senate B&P included the proposal to create more flexibility to the ethics subjects educational requirement, but due to the substantive nature of the changes, did not include the proposal to provide the CBA the statutory authority to expedite any potential rulemaking.

Comments

The proposal included in the Senate B&P's 2016 omnibus bill (**Attachment**) involves BPC 5094.3, which would add flexibility to the ethics study requirement by changing "courses containing the following terms in the course title" to "the following subjects relating to ethics." This change does not expand the disciplines in which the ethics education can be earned. Many of California's colleges and universities have made

changes to their course titles to assist their students in complying with the existing ethics requirement which became effective on January 1, 2014. However, the requirement of specific terms in the course title may be too restrictive for applicants that received their college education outside of California or prior to the law becoming effective. In order to create flexibility, the CBA voted to amend the requirement related to the specific course titles.

The omnibus bill introduction does not fall under the regular bill introduction deadline of February 19, 2016. Historically, the omnibus bill has been introduced close to the March CBA meeting. If the omnibus bill is introduced before the CBA's March meeting, staff will provide copies of the bill at the meeting.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
If the omnibus bill is introduced prior to the CBA's March meeting, staff will recommend that the CBA take a support position on this bill.

Attachment
Proposed Amendments to BPC section 5094.3 – Ethics Study Requirements

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Attachment

Proposed Amendments to BPC Section 5094.3 – Ethics Study Requirements

5094.3
(a) An applicant for licensure as a certified public accountant shall, to the satisfaction of the board, provide documentation of the completion of 10 semester units or 15 quarter units of ethics study, as set forth in paragraph (2) of subdivision (b) of Section 5093, in the manner prescribed in this section.
(b) (1) Between January 1, 2014, and December 31, 2016, inclusive, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (d), (e), and (f).
(2) Beginning January 1, 2017, an applicant shall complete 10 semester units or 15 quarter units in courses described in subdivisions (c), (d), (e), and (f).
(c) A minimum of three semester units or four quarter units in courses at an upper division level or higher devoted to accounting ethics or accountants' professional responsibilities, unless the course was completed at a community college, in which case it need not be completed at the upper division level or higher.
(d) Between January 1, 2014, and December 31, 2016, inclusive, a maximum of 10 semester units or 15 quarter units, and on and after January 1, 2017, a maximum of 7 semester units or 11 quarter units, in ~~courses containing the following terms in the course title~~ the following subjects relating to ethics:
(1) Business, government, and society.
(2) Business law.
(3) Corporate governance.
(4) Corporate social responsibility.
(5) Ethics.
(6) Fraud.
(7) Human resources management.
(8) Business leadership.
(9) Legal environment of business.
(10) Management of organizations.
(11) Morals.
(12) Organizational behavior.
(13) Professional responsibilities.
(14) Auditing.
(e) (1) A maximum of three semester units or four quarter units in courses taken in the following disciplines:
(A) Philosophy.
(B) Religion.
(C) Theology.

(2) To qualify under this subdivision, the course title shall contain one or more of the terms “introduction,” “introductory,” “general,” “fundamentals of,” “principles,” “foundation of,” or “survey of,” or have the name of the discipline as the sole name of the course title.

(f) A maximum of one semester unit of ethics study for completion of a course specific to financial statement audits.

(g) An applicant who has successfully passed the examination requirement specified under Section 5082 on or before December 31, 2013, is exempt from this section unless the applicant fails to obtain the qualifying experience as specified in Section 5092 or 5093 on or before December 31, 2015.

(Amended by Stats. 2013, Ch. 474, Sec. 4. Effective October 1, 2013.)

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LC Item II.M March 17, 2016

CBA Item X.C.2.m. March 17-18, 2016

Other Bills Being Watched by the California Board of Accountancy

Presented by: Nooshin Movassaghi, Legislative Analyst

Consumer Protection Objectives

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) with a list of spot bills and other bills which may eventually have potential implactions for the CBA. This list allows for the CBA to be informed of all potential bills and to assure they are in line with the CBA's mission related to consumer protection.

Action(s) Needed

This agenda item is an informational item and no action is required.

Background

A spot bill is a bill which amends a code section in a nonsubstantive way. A spot bill may be introduced to ensure that a vehicle will be available at a later date.

Comments

Every year, a number of spot bills or other bills that may eventually affect the CBA, are introduced. Staff have provided a list of these bills which will be monitored and potentially brought to future CBA meetings. The bills are as follows:

- Assembly Bill (AB) 1868, Wagner – Regulations: legislative notice.
- AB 1887, Low – State Government: discrimination: travel.
- AB 1949, Baker – Department of Consumer Affairs.
- AB 2421, Jones – Professions and vocations.
- AB 2423, Jones – Professions.
- AB 2691, Holden – Accountants.
- AB 2701, Jones – Department of Consumer Affairs: boards: training requirements.
- AB 2843, Chau – Public records.
- Senate Bill (SB) 1130, Wieckowski – False advertising: substantiation of claims: county counsel.
- SB 1444, Hertzberg – Personal information: privacy: state agencies: mitigation and response plans.
- SB 1448, Glazer – Department of Consumer Affairs.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations at this time.

Recommendation

Staff will monitor these bills and bring to future CBA meetings if applicable.

Attachments

None.

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MSG Item II. March 17, 2016

CBA Item X.D.2. March 17-18, 2016

Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives

Presented by: Written Report Only

Consumer Protection Objectives

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with its decision matrix (**Attachment 1**) and stakeholder objectives (**Attachment 2**). The decision matrix and stakeholder objectives are intended to ensure that the MSG is considering whether the provisions of the California practice privilege law "satisfy the objectives of stakeholders of the accounting profession in this state, including consumers."

Action(s) Needed

No specific action is required on this agenda item.

Background

At its March 2014 meeting, staff presented the MSG with a plan to maintain a decision matrix in order to track decisions made by the MSG. The purpose for the decision matrix was to assist the MSG and staff in determining what activities have been accomplished and what decisions still remain for discussion.

In addition, the MSG is charged with considering whether the provisions of the California practice privilege law "satisfy the objectives of stakeholders of the accounting profession in this state, including consumers." At its July 2014 meeting, the MSG established two stakeholder objectives and requested that they be provided at future meetings in order that the MSG may continue to revise and add to them as needed.

Comments

Staff will continue to provide the decision matrix and stakeholder objectives as a written report only agenda item unless otherwise directed by the MSG.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff do not have a recommendation on this agenda item.

Attachments

1. MSG Decision Matrix
2. Stakeholder Objectives

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Attachment 1

MSG Decision Matrix

Date	Decision
~~March 2014~~	~~The MSG will meet three times per year in conjunction with the March, July and November CBA meetings.~~
March 2014	The MSG will prepare a written report to the CBA at least once per calendar year.
March 2014	The MSG will prepare a final report in time to be considered by the CBA as it prepares its final report to the Legislature which is due January 1, 2018.
November 2014	The MSG adopted the following definition for "stakeholders:" Stakeholders include consumers, licensees, applicants, and professional organizations and groups that have a direct or indirect stake in the CBA because they can affect or be affected by the CBA's actions, objectives, and policies.
March 2015	The MSG approved the timeline for making determinations pursuant to Business and Professions Code (BPC) section 5096.21. The MSG agreed that staff will prepare a letter for each state to notify them of the process the CBA is undertaking and to request specific information that will assist the CBA as it makes the determinations pursuant to BPC section 5096.21.[1]
May 2015	The MSG opined that the National Association of State Boards of Accountancy's Guiding Principles of Enforcement (NASBA Enforcement Guidelines) meet or exceed the CBA's enforcement practices.
July 2015	The MSG selected NASBA to assist the CBA in comparing the enforcement practices of other states to the NASBA Enforcement Guidelines.
July 2015	The MSG will meet in conjunction with scheduled CBA meetings until the comparison project is complete.

[1] At its May 28-29, 2015 meeting, the CBA deferred the timeframe for sending the letter to the Executive Officer.

Date	**Decision**
September 2015	The MSG approved a legislative proposal to grant emergency rule-making authority to remove states from California's mobility program.

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Attachment 2

Stakeholder Objectives

Date Added or Revised	Objective
July 2014	Help out-of-state licensees know and understand their self-reporting requirements.
July 2014	Assure the CBA that all states have adequate enforcement.

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MSG Item III. March 17, 2016

CBA Item X.D.3. March 17-18, 2016

Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21

Presented by: Written Report Only

Consumer Protection Objectives

The purpose of this agenda item is to provide the Mobility Stakeholder Group (MSG) with an opportunity to discuss items related to the timeline for practice privilege activities (**Attachment**) pursuant to Business and Professions Code (BPC) section 5096.21. BPC section 5096.21(a) requires the California Board of Accountancy (CBA) to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public.

Action(s) Needed

No specific action is required on this agenda item.

Background

In 2012, the Legislature revised the practice privilege law to eliminate the requirement for out-of-state licensees to provide notice and fee prior to obtaining a California practice privilege. BPC section 5096.21(a) requires the California Board of Accountancy (CBA) to make determinations as to whether allowing licensees of a particular state to practice in California under a no notice, no fee practice privilege violates its duty to protect the public. If this determination shows the public is at risk, the licensees of those particular states would, following a rulemaking by the CBA, revert back to using the prior practice privilege program with its notice and fee provisions. These determinations are to be made on and after January 1, 2016, and on an ongoing basis. In making the determinations, the CBA is required to consider three factors:

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet website to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.

3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

Alternatively, a state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. The National Association of State Boards of Accountancy adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The initial timeline for this project was approved by the CBA at its March 2015 meeting.

Comments
This agenda item is a standing item to keep members apprised of upcoming activities regarding the determinations made pursuant to BPC section 5096.21. It also serves as an opportunity for members to discuss any of the items on the timeline.

The timeline reflects the most current information available. Staff determined the timeline based on the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

The timeline may be changed as needed or as directed.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

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Attachment

Timeline for Practice Privilege Activities Pursuant to Business and Professions Code Section 5096.21

Substantial Equivalence to NASBA's Enforcement Guidelines

Business and Professions Code (BPC) section 5096.21(c) states that a state's licensees may remain in the no notice, no fee practice privilege program if the following four conditions are met:

1. The National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines (Enforcement Guidelines).
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

This portion of the timeline outlines the activities surrounding the CBA's determination of which states' enforcement practices are substantially equivalent to NASBA's Enforcement Guidelines. While the law does not specify a date by which these activities must be concluded, staff developed this timeline keeping in mind the following dates and timeframes:

- January 1, 2018 – Final report is due to the Legislature
- January 1, 2019 – Sunset date of the no notice, no fee practice privilege program
- 12 to 18 months – the amount of time normally required to complete the rulemaking process

These dates are the only firm dates in BPC section 5096.21. There is no firm date by which the CBA must take action to remove a state or states from the no notice, no fee practice privilege program. This allows some flexibility for the CBA to work with an individual state in bringing it to a position where the CBA may indicate that they are substantially equivalent to the NASBA Enforcement Guidelines.

May 28, 2015	NASBA released its final version of its Enforcement Guidelines
May 28, 2015	CBA issued a finding that the NASBA Enforcement Guidelines met the CBA's enforcement practices
July 23, 2015	CBA determines how best to compare other states' enforcement practices with the NASBA Enforcement Guidelines
Summer/Fall 2015	Staff implements the method for comparing other states' enforcement practices with the NASBA Enforcement Guidelines
January 2016	CBA makes its initial determinations of substantial equivalence based on early research provided by the entity to be selected in **CBA Agenda Item XI.D.4.** (this date may be later if the consultant approach is selected)
September 2016	CBA reviews the final findings provided by the entity performing the research

State-by-State Determinations

After the CBA completes the portion of the timeline regarding substantial equivalence to the NASBA Enforcement Guidelines, there may be states that were not found to be substantially equivalent. If so, these states may still remain under the no notice, no fee practice privilege program if they are allowed to do so by the CBA in the state-by-state determination process.

The CBA must determine whether allowing the licensees of those states to practice in California under a practice privilege violates its duty to protect the public. In doing so, the CBA must consider the three items listed in BPC section 5096.21(b):

1. Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
2. Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
3. Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.

The CBA is required to make the determinations using these considerations on and after January 1, 2016. The following portion of the timeline outlines the activities

surrounding the CBA's determinations made for those states not found to be substantially equivalent to NASBA's Enforcement Guidelines.

September 2016	Staff requests information to assist the CBA in making the determinations from states not found by the CBA to be substantially equivalent to the NASBA Enforcement Guidelines
March 2017	CBA reviews information provided by those states and identifies any that are at risk of removal from the no notice, no fee practice privilege program
May and July 2017	CBA deliberates on states that should remain or be removed from the no notice, no fee practice privilege program
July 2017	CBA initiates Rulemaking to remove states, where the CBA determines that allowing the licensees of that state to practice in California under a practice privilege violates its duty to protect the public, from the no notice, no fee practice privilege program
November 2017	CBA conducts a public hearing on the Rulemaking and initiates a 15-day notice of changes to include any additional states
July 2017 – January 2019	CBA continues reviewing states regarding whether their licensees should remain or be removed from the no notice, no fee practice privilege program as needed

<u>Practice Privilege Final Report to the Legislature</u>

BPC section 5096.21(f) states:

> On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:
> (1) How the board has implemented this article and whether implementation is complete.
> (2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.
> (3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.

At its initial meeting, the Mobility Stakeholder Group (MSG) decided to prepare a final report for the CBA to reference as it prepares its report to the Legislature by January 1, 2018. This portion of the timeline outlines the activities surrounding these reporting requirements.

July 2017	CBA receives the MSG's Final Report
September 2017	CBA reviews its draft Practice Privilege Report to the Legislature
November 2017	CBA approves the final version of the Practice Privilege Report to the Legislature
January 1, 2018	Practice Privilege Report due to the Legislature

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MSG Item IV. March 17, 2016

CBA Item X.D.4. March 17-18, 2016

Discussion and Possible Action Regarding the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c)

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objectives

The purpose of this agenda item is to allow the California Board of Accountancy (CBA) the opportunity to discuss the findings of the National Association of State Boards of Accountancy (NASBA) related to Business and Professions Code (BPC) Section 5096.21(c). The findings will be used by the CBA to determine whether allowing licensees of certain states to continue practicing under a no notice, no fee practice privilege fulfills the responsibility of the CBA to protect consumers.

Action(s) Needed

The CBA will be asked to decide, for each state identified by NASBA as substantially equivalent, whether it wants to approve the information, audit the information, or defer action.

Background

BPC section 5096.21(a) (**Attachment 1**), requires the CBA to determine on and after January 1, 2016, whether allowing individuals from a particular state to practice in California pursuant to a practice privilege violates its duty to protect the public.

A state may be allowed to remain under the no notice, no fee practice privilege program under BPC 5096.21(c) if the following four statutory conditions are met:

1. NASBA adopts enforcement best practices guidelines.
2. The CBA issues a finding that those practices meet or exceed the CBA's own enforcement practices.
3. A state has in place, and is operating pursuant to, enforcement practices substantially equivalent to the best practices guidelines.
4. Disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the CBA to link consumers to a website. The information available must be at least equal to the information that was previously available to consumers through the practice privilege form that was used in the CBA's notice and fee practice privilege program.

The first condition was fulfilled when NASBA released its Guiding Principles of Enforcement (NASBA Enforcement Guidelines) (**Attachment 2**) in May 2015. The second condition was fulfilled when the CBA issued a finding that the NASBA Enforcement Guidelines met the CBA's own enforcement practices at its May 27-29, 2015 meeting.

In order to meet the third condition, at the July 2015 meeting, the CBA discussed the best approach to complete a comparision of states' enforcement practices to determine if they are substantially equivalent to the NABA Enforcement Guidelines including identifiying the process and objectives of the party who would be responsible for conducting the comparison. After an in depth discussion, the CBA selected NASBA as the enity to conduct the research. The process in which the research and recommendations were to be made is outlined below and includes the deliverables to the CBA:

- NASBA will be responsible for gathering the information needed to assess the substantial equivalency of each state.
- NASBA will rely, in large part, on data it previously gathered during the drafting of the NASBA Enforcement Guidelines.
- NASBA will collect additional information through email, phone calls, and travel to meet with other states.
- In order to encourage candor and open discussions, NASBA will honor the confidentiality of any direct communication with the other state boards of accountancy and will retain the data collected during this process.
- NASBA's subjective analysis of each state's statutes, rules, and practices will assist in deciding whether, collectively, they create an enforcement practice that reflects the objectives of the NASBA Enforcement Guidelines.
- A representative from NASBA will be available at future CBA meetings where substantial equivalence to the NASBA Enforcement Guidelines is discussed.
- NASBA will provide staff with the ability to audit the basis of the substantial equivalency determinations by meeting with NASBA to collectively review states as identified by the CBA. This review will include a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions, and, when deemed necessary by staff, a confidential review of the underlying documents used to make a particular determination at a meeting between NASBA and staff.

<u>Comments</u>

NASBA's Objectives for Substantial Equivalency Evaluation (**Attachment 3**) were presented at the July 2015 CBA meeting to assist with the evaluation process as they relate to determining states' substantial equivalence to the NASBA Enforcement Guidelines. The objectives are identified below with additional identifying criteria provided by NASBA

- Time Frames for Prosecuting a Complaint from Intake to Final Disposition
    - Average Number of Complaints

    - Timeliness of Past and Present Complaints
- Enforcement Resources to Adequately Staff Investigations
    - Investigation Resources for Current and Projected Workload
    - Investigator Training Required
    - Use of Experts
- Case Management
    - Available Case Funding
    - Prioritization of Cases
- Disciplinary Guidelines
    - Consistency of Discipline
    - Factors in Assessing Penalties
    - Grounds for Revocation, Suspension, Probation, Fine, Penalty or Remediation
- Internet Disclosures
    - CPAverify versus Individual Board Website

Consistant with the Timeline for Activities Regarding Determination to be Made Pursuant to BPC Section 5096.21 as identified in **CBA Agenda Item X.D.3.** NASBA provided the results of its initial analysis of other states' enforcement practices as they compare to the NASBA Enforcement Guidelines at the January 2016 CBA meeting.

NASBA's revised analysis now identifies 27 jurisdictions as substantially equivalent to the NASBA Enforcement Guidelines (**Attachment 4**). The second column in **Attachment 4** titled *SE* shows the jurisdictions NASBA identifies as substantially equivalent to the NASBA Enforcement Guidelines. The third column in **Attachment 4** titled *SE w/o DISC FLAG* represents jurisdictions NASBA identifies as substantially equivalent with the exception that these jurisdictions do not currently reflect the necessary disciplinary flag on the Internet. NASBA continues to work diligently with these jurisdictions in order to bring them into substantially equivalent status as soon as possible. NASBA continues to actively pursue additional information from the remaining jurisdictions in order to bring further recommendations to a future CBA meeting.

For the 27 states identified by NASBA as substantially equivalent, staff have identified three options for how to proceed. For each state individually, the CBA may approve the state as substantially equivalent, request that staff conduct an audit of the information gathered by NASBA, or defer action.

For the option of approving a state, if the CBA determines that there is sufficient information regarding a particular state that indicates that consumers are being protected, the CBA could make a motion determining that a state meets the requirements of BPC section 5096.21(c), specifically, that the state is substantially equivalent to the NASBA Enforcement Guidelines and posts its disciplinary history online.

The CBA may choose to defer action on a state, particularly if it wants to see the results of an initial audit before taking any action. Any states on which the CBA defers action

will be brought back to the CBA for consideration at its next meeting along with any additional states identified as substantially equivalent by NASBA.

If the CBA opts to direct staff to conduct any audits, staff have provided the following regarding how the CBA may choose to pursue the audit process.

Audit Process

If the CBA chooses to conduct an audit of any or all states, it may choose to use the State Information Sheet (**Attachment 5**) as a tool during the audit process. This sheet may serve in determining how the responding state's enforcement practices compare to the NASBA Enforcement Guidelines on each point. The State Information Sheet provides a list of questions to be asked for each state the CBA chooses to audit, and corresponds to the NASBA Enforcement Guidelines (**Attachment 2**) and additional items requested by the CBA as part of its mission to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

If the CBA chooses to conduct an audit, it may wish to have the President appoint one or two members to work with the CBA Executive Officer and her designees to perform the audit ("audit team").

In order to evaluate the criteria applied in conducting the audit process, the CBA may choose to conduct audits in one or two states initially and allow for a review of the results before moving on to additional states. The first audits would be conducted shortly after the March 2016 CBA meeting and serve as a review of NASBA's identification of substantially equivalent states, with outcomes to be brought back to the CBA at its May 2016 meeting.

After reviewing the first audits and potentially revising the audit process, the CBA would then direct staff to initiate the audit of the remaining states identified by NASBA that the CBA chooses to audit. Staff would then present the outcomes from the additional audits at the July 2016 CBA meeting.

In order to encourage candor and open discussions, NASBA will honor the confidentiality of any direct communication with the other state boards of accountancy and will retain the data collected during its identification of substantially equivalent states. NASBA will provide the audit team a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions, and, when deemed necessary by the CBA, a confidential review of the underlying documents used to make a particular identification at a meeting between NASBA and the audit team.

If the CBA chooses to audit the NASBA results, staff request direction from the CBA as to the specific jurisdictions it wishes audited. To assist with the state selection process, the CBA may want to consider factors such as licensee population and practice privilege holder information from all jurisdictions as provided in **Attachment 6**, or any other information upon which the CBA may decide.

In February, NASBA presented a memo (**Attachment 7**) to staff with its recommendation on the audit process. It suggests an audit of a representative number of states that takes into account both the licensee population and past practice privilege activity of CPAs from those states. The recommended audit of the selected jurisdictions (**Attachment 7**) had the highest number of CPAs submitting practice privilege applications to the CBA during the prior practice privilege paper application process, with the exception of New York whose evaluation is incomplete at this time. NASBA's recommended jurisdictions would represent a 20 percent audit rate of the identified substantially equivalent population.

The CBA may choose to take any of the three described actions with as many or as few of the listed 27 states as it wishes, or it may choose to pursue other actions.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachments
1. BPC Section 5096.21
2. NASBA's Guiding Principles of Enforcement
3. Objectives for Substantial Equivalency Evaluation
4. NASBA Listing of Substantially Equivalent States
5. State Information Sheet
6. Table of Factors to Assist with State Selection for Audit
7. NASBA's recommended audit

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Attachment 1

Business and Professions Code

5096.21

(a) On and after January 1, 2016, if the board determines, through a majority vote of the board at a regularly scheduled meeting, that allowing individuals from a particular state to practice in this state pursuant to a practice privilege as described in Section 5096, violates the board's duty to protect the public, pursuant to Section 5000.1, the board shall require, by regulation, out-of-state individuals licensed from that state, as a condition to exercising a practice privilege in this state, to file the notification form and pay the applicable fees as required by former Section 5096, as added by Chapter 921 of the Statutes of 2004, and regulations adopted thereunder.
(b) The board shall, at minimum, consider the following factors in making the determination required by subdivision (a):
(1) Whether the state timely and adequately addresses enforcement referrals made by the board to the accountancy regulatory board of that state, or otherwise fails to respond to requests the board deems necessary to meet its obligations under this article.
(2) Whether the state makes the disciplinary history of its licensees publicly available through the Internet in a manner that allows the board to adequately link consumers to an Internet Web site to obtain information that was previously made available to consumers about individuals from the state prior to January 1, 2013, through the notification form.
(3) Whether the state imposes discipline against licensees that is appropriate in light of the nature of the alleged misconduct.
(c) Notwithstanding subdivision (a), if (1) the National Association of State Boards of Accountancy (NASBA) adopts enforcement best practices guidelines, (2) the board, upon a majority vote at a regularly scheduled board meeting, issues a finding after a public hearing that those practices meet or exceed the board's own enforcement practices, (3) a state has in place and is operating pursuant to enforcement practices substantially equivalent to the best practices guidelines, and (4) disciplinary history of a state's licensees is publicly available through the Internet in a manner that allows the board to link consumers to an Internet Web site to obtain information at least equal to the information that was previously available to consumers through the practice privilege form filed by out-of-state licensees pursuant to former Section 5096, as added by Chapter 921 of the Statutes of 2004, no practice privilege form shall be required to be filed by any licensee of that state as required by subdivision (a), nor shall the board be required to report on that state to the Legislature as required by subdivision (d).
(d) (1) The board shall report to the relevant policy committees of the Legislature, the director, and the public, upon request, preliminary determinations made pursuant to this

section no later than July 1, 2015. The board shall, prior to January 1, 2016, and thereafter as it deems appropriate, review its determinations made pursuant to subdivision (b) to ensure that it is in compliance with this section.
(2) This subdivision shall become inoperative on July 1, 2017, pursuant to Section 10231.5 of the Government Code.
(e) On or before July 1, 2014, the board shall convene a stakeholder group consisting of members of the board, board enforcement staff, and representatives of the accounting profession and consumer representatives to consider whether the provisions of this article are consistent with the board's duty to protect the public consistent with Section 5000.1, and whether the provisions of this article satisfy the objectives of stakeholders of the accounting profession in this state, including consumers. The group, at its first meeting, shall adopt policies and procedures relative to how it will conduct its business, including, but not limited to, policies and procedures addressing periodic reporting of its findings to the board.
(f) On or before January 1, 2018, the board shall prepare a report to be provided to the relevant policy committees of the Legislature, the director, and the public, upon request, that, at minimum, explains in detail all of the following:
(1) How the board has implemented this article and whether implementation is complete.
(2) Whether this article is, in the opinion of the board, more, less, or equivalent in the protection it affords the public than its predecessor article.
(3) Describes how other state boards of accountancy have addressed referrals to those boards from the board, the timeframe in which those referrals were addressed, and the outcome of investigations conducted by those boards.
(g) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

Guiding Principles of Enforcement
NASBA
5-28-15

The purpose of issuing these Guiding Principles is to promote consumer protection by promoting uniformly effective board enforcement and disclosure policies and practices nationally as a reinforcing compliment to mobility, which depends upon all states having confidence in the enforcement and disclosure policies and practices of the home state of the mobile licensee. While of course not binding on boards, these Guiding Principles are based on exhaustive, multi-year research into the enforcement and disclosure practices and policies of the boards of the 55 jurisdictions, and represent NASBA identifying common practices for boards to consider and, potentially, against which to measure themselves.

ENFORCEMENT

Board enforcement throughout the nation is largely complaint driven. How boards handle complaints is, therefore, foundational to how well its enforcement program works to benefit consumers.

What follows are the performance-based hallmarks of enforcement programs and Guiding Principles related to each. How fast are complaints addressed? How are complaints prioritized? How fast are urgent complaints addressed? What discipline is imposed? What is the quality of the resources available and the capacity of those resources? These are some of the key questions to be weighed when evaluating an enforcement program.

1. Time Frames for prosecuting a complaint from intake to final disposition

General Findings: State laws often dictate the manner in which boards prosecute cases, in some cases dictating the manner in which actions are handled. For example one board may have the authority to close a complaint without merit almost immediately based solely on the decision of the Executive Director, while another board may be required to hold the file open until a vote by the board at the next scheduled meeting.

When considering a new complaint, boards should first determine whether a complaint has legal merit and, if legal merit is found, whether the state board has jurisdictional nexus on the matter. If both these criteria are satisfied and the board determines to move forward with the enforcement matter, the board should then consider whether any discipline already issued by another agency, board, etc. was sufficient to address the violations or whether the harm justifies further enforcement action by the board.

An analysis of the various jurisdictions reveals useful benchmarks for the time frame of handling complaints. Set forth below are targeted time frames that boards should strive to meet, understanding there are instances where different time frames are appropriate in light of the legal and operational considerations (e.g. volume of complaints) that may justify different targets for certain boards.

a. Decision to (i) close complaints for lack of legal merit or jurisdictional nexus or (ii) initiate an investigation
    i. Target – 7 days after expiration of time period for responses with either receipt of all supporting document from parties or failure to respond, or

at next scheduled board/complaint committee meeting

b. Assignment of investigator
    i. Target – 10 days from decision to initiate investigation
c. Completion of investigation
    i. Target – 180 days or less from initiation of investigation
d. Formal Discipline at administrative level – final disposition
    i. Target – 540 days or less from initiation of complaint
e. Initiation of action (re-opening of complaint) or initiation of new complaint following probation violation
    i. Target – 15 days or next scheduled board/complaint committee meeting

2. Enforcement resources to adequately staff investigations

General Findings: Both consumers and licensees have an interest in seeing complaints processed expeditiously, with a board enjoying adequate enforcement resources to ensure a fair and efficient process. Generally, the appropriate level of enforcement resources in a given jurisdiction is a function of the size of the jurisdiction's licensee population, and the number and nature of complaints typically handled by that jurisdiction. A board with 70,000 licensees will need a much more robust investigative unit with more personnel, but a board with 1,500 licensees may be able to utilize board members with specialized knowledge to handle investigations. Overall, 33 jurisdictions have less than 10,000 licensees ("small" jurisdictions); 13 jurisdictions have 10,000-20,000 licensees ("mid-size"); and nine have more than 20,000 licensees ("large"). In instances where the size of a jurisdiction's licensee population has a direct bearing on what should be considered a "guiding principle of enforcement" (e.g. setting appropriate staff levels and training), separate targets are suggested below for small, mid-size and large jurisdictions.

a. In determining adequate staffing resources a board should routinely evaluate staffing levels to ensure that the appropriate number of staff are assigned to the right positions and at the right time. A board should evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years (possibly as a result of law or rule changes). When evaluating staffing workload, a board should consider identified core tasks to complete investigations, general duration of time to complete the tasks, and the number of staff presently assigned to handle investigation. Based on this evaluation, a board should determine if any overages or shortages in workload exists and seek to align staffing resources accordingly.

b. Factors that may warrant modification (up or down) in staffing:
    i. Ratio of administrative complaints to practice complaints – history of practice claims in a particular jurisdiction would warrant more investigators per licensee. Administrative complaints are typically less complicated and would include violations like failure to renew, failure to obtain CPE ("Administrative Complaints"). Practice complaints are generally more complex and would include violations such as failure to follow standards, failure to follow the code of conduct and actions involving dishonesty or fraud ("Practice Complaints").
    ii. Ratio of complaints involving firms with offices in multiple states

versus smaller firms with local offices. The prevalence of complex cases, such as cases against the auditors in Enron and against big firms that involve representation by outside law firms may require an increase in the ratio of investigators to licensees, to handle the added workload associated with periodic complex cases.

c. Qualification and training of investigators
   i. Large, mid-size and small accountancy boards should all seek to utilize CPAs, law enforcement, board staff, or other individuals with accounting or investigative training (such as the Investigator Training Series identified in Section 2 (c)(iii) below or the training offered by the Council on Licensure, Enforcement and Regulation (CLEAR)) as an investigator whenever possible;
   ii. Encourage investigative staff to attend investigative training seminars such as those hosted by CLEAR;
   iii. Encourage investigative staff to complete the Investigator Training Series on NASBA.org
   iv. Boards should establish and follow a process for determining appropriate utilization of CPA investigators and/or CPA board members or staff and non-CPA investigators, which considers whether the case involves an Administrative Complaint or involves a Practice Complaint.
   v. Boards should utilize subject matter experts for complex investigations involving highly technical areas and standards, such as ERISA, Yellow Book, cases involving complicated tax issues, and fraud.
      1. Work with NASBA to identify a means of obtaining the necessary resources if costs are prohibitive to boards
      2. Use NASBA pool of available expert witnesses, if needed, to address complex issues, such as those items referenced in subsection (v) above
      3. Referral to a board member with expertise that is case specific
         a. In such cases, the Board member should recuse himself/herself from further participation in any formal disciplinary action in the specific matter

d. Boards should be able to access funds in a timely manner to handle a case against a big firm, as a demand arises, either through an appropriation process, the board, the umbrella agency, or the prosecuting agency.

3. Case management

General Findings: The volume of complaints considered by a board will also have a bearing regarding case management for a particular board. For example, a board handling 3,000 complaints a year typically should have a system in place to prioritize those cases based upon the potential for harm, while a board receiving only 1-3 complaints will not need a prioritization system because each complaint can receive immediate attention. If the number of complaints received by board requires prioritization in order to adequately address all complaints and best allocate board resources to achieve maximum protection of the public, then such jurisdiction should identify cases for potential to cause greatest harm, or offenses that are indicators of problems that could lead to such harm and adopt procedures to manage Administrative Complaints by handling them in a manner similar to that outlined below in Section 3(a) and Practice Complaints by handling them in a manner similar to that outlined below in Section 3(b).

a. Administrative Complaints involving matters of licensing deficiencies such as, failure to timely renew or obtain CPE, improper firm names, other administrative matters and certain first-time misdemeanor offenses, generally pose a lesser threat to the public and as such may be processed as follows:
    i. Attorney, Executive Director, and/or qualified staff review informal matters
    ii. Cases can be closed based on voluntary compliance
    iii. Informal conference may be scheduled to assist in reaching a settlement or if there is non-compliance with an agreed resolution
b. Practice Complaints generally involving matters of incompetence, dishonesty, violation of any rule of professional ethics or professional conduct, failing to timely complete an engagement, failure to communicate, criminal convictions, breach of fiduciary duty or fraud or disclosing confidential information pose a greater threat to the public and as such are generally processed as follows:
    i. Summary of investigation is reviewed by Attorney, Executive Director, appointed Board member, or Complaint Committee (depending upon board structure)
    ii. Further investigation may be requested
    iii. Information Conference may be scheduled to aid settlement
    iv. Upon determination of a violation, corrective (remedial) or disciplinary action is taken (either by consent agreement or proceeding to formal hearing) upon approval of the Board
c. Boards should review discipline from other agencies, such as the DOL, SEC, PCAOB, and AICPA, included in the NASBA Quarterly Enforcement Report to determine whether such discipline should give rise to disciplinary action by the Board.
d. Boards should use a method of tracking probationary matters with assigned personnel (staff or investigator) to monitor compliance with probationary terms, such as follow up phone calls or other correspondence with licensee, requiring the licensee to appear in person at interviews/meetings as directed by the Board to report on probation compliance, submitting written quarterly compliance reports, and/or allowing a practice investigation upon request of the Board.

4. Disciplinary Guidelines

General Findings: Boards of accountancy are charged with protecting consumers by regulating the profession and disciplining licensees who fail to comply with the professional standards. Another goal of the disciplinary process is to increase adherence to licensing requirements and professional standards, thereby elevating the quality of services provided by the profession. Boards have the authority to impose discipline to revoke, suspend, condition, or refuse to renew a license or certificate for violation of rules and regulations or statutes of the accountancy law. Boards should strive to impose fair and consistent discipline against licensees who violate the accountancy laws or rules. These guidelines recommend penalties and conditions of probation for specific statutes and rules violated, as well as aggravating and mitigating circumstances that may necessitate deviation from the recommended discipline. The disciplinary guidelines are to be used by Board members, Board staff, and others involved in the disciplinary process. Boards may exercise discretion in recommending penalties, including conditions of probation, as warranted by aggravating and mitigating circumstances.

a. The disciplinary process for boards of accountancy should consider offenses and their appropriate penalties, including the following major categories of offenses. Each determination should be fact specific and penalties may be escalated, reduced or combined depending on the Boards' consideration of the relevant mitigating and aggravating factors.

    i. Grounds for Revocation
        1. Revocation of a license/permit by another agency or Board
        2. Failure to inform the Board of a failed peer review
        3. Fraud or deceit in obtaining a license
        4. Conviction of any crime substantially related to the qualifications, functions, or duties of a CPA (involving dishonesty or fraud)
        5. Dishonesty, fraud, or gross negligence in the practice of public accounting
        6. Commission of a felony
    ii. Grounds for Suspension/Probation
        1. Failure to comply with board order
        2. Failure to meet firm ownership requirements
        3. Failure of a peer review
    iii. Grounds for Monetary Fine/Penalty
        1. Unlicensed conduct
        2. Failure to comply with professional standards or code of conduct
        3. Failure to renew
        4. Failure to timely complete CPE or peer review
    iv. Grounds for Remediation
        1. Failure to comply with professional standards
        2. Issues regarding client records/ownership of work papers
        3. Issues regarding confidential disclosures
        4. Unlicensed conduct due to inadvertence (i.e., mobility, multiple designations, foreign accountants, etc.)
        5. Misleading name, title, or designation

b. Boards may adopt specific factors to consider in assessing penalties, such as:
    i. Permissible sanctions available to the Board, including those sanctions set forth in Section 4(a) above
    ii. Mitigating or aggravating factors (described in detail below)
    iii. Past disciplinary history or "trends" in licensee's behavior involving this Board or other agencies such as SEC, IRS, PCAOB and societies
    iv. Likelihood of repeating the behavior
    v. Potential for future public harm
    vi. Potential for licensee's rehabilitation
    vii. Extent of damages or injury due to licensee's behavior
    viii. Board sanctions with similar misconduct in other cases
    ix. Other enforcement actions or legal actions against licensee involving the conduct which is the subject of the current case (and impact of those actions/sanctions upon licensee)
    x. Whether action was a clear violation or was an area of law/rule subject to interpretation
    xi. Whether the individual or firm has already been sanctioned for the action by another state, PCAOB the SEC, or other enforcement body,

and whether the enforcement body imposed sanctions consistent with sanctions the board would typically impose under the circumstances.

c. Boards may consider the following mitigating factors in assessing penalties:
    i. Passage of time without evidence of other professional misconduct
    ii. Convincing proof of rehabilitation
    iii. Violation was without monetary loss to consumers and/or restitution was made
    iv. If multiple licensees are involved in the violation, the relative degree of culpability of the subject licensee should be considered

d. Boards may consider the following aggravating factors in assessing penalties:
    i. Failure to cooperate with Board in investigation of complaint and/or disciplinary process (providing requested documentation, timely responses, participating in informal conference)
    ii. Violation is willful, knowingly committed and/or premeditated
    iii. Case involved numerous violations of Board's statutes and rules, as well as federal or other state statutes
    iv. History of prior discipline, particularly where prior discipline is for same or similar conduct
    v. Violation results in substantial harm to client, employer and/or public
    vi. Evidence that licensee took advantage of his client for personal gain, especially if advantage was due to ignorance, age or lack of sophistication of the client

5. Internet Disclosure

General Findings: The goal is to allow market forces to elevate the profession by directing consumers away from licensees with troubled records and toward those who have adhered to professional standards. Thus, the disclosures must be of sufficient detail for consumers to be able to make informed judgments about whether discipline poses a risk to them or is indicative of a prior problem relevant to why they are retaining the CPA.

Finally, internet disclosure has two other beneficial consequences. One, it elicits confidence in the board's operations. If a consumer found out that the board had secreted information from the public about a CPA that hurt the consumer, that consumer would not view the board as its champion. Likewise, as enforcement is the major duty of the board, disclosure of enforcement promotes transparency and accountability about the performance of an important state government agency.

Internet disclosures should for these reasons provide easy access by consumers to the disciplinary history, if any, of a CPA offering services to the consumer. States will vary in the documents that may be accessed by the public online, but at a minimum, states should provide sufficient information that a consumer can readily determine if any regulatory "red flags" exist that warrant further investigation by the consumer.

a. Boards should participate in the ALD and CPAverify
    i. Boards should strive to provide final disciplinary action to ALD/CPA Verify for notation in the database
    ii. Boards should strive to provide information necessary for "hashing" licensee records across jurisdictions to the ALD to assist transparency and cross-border discipline

b. Boards should publish final disciplinary action by the Board through a web site, newsletter or other available media, either with specific information regarding the facts that caused the board to impose discipline including, but not limited to, a board considering posting official documents that would be public records if requested by a consumer, or sufficient information to allow the consumer to contact the Board for particular details.

c. Boards should capture "discipline under mobility" violation in CPAverify licensee record indicating the state where discipline was issued, with sufficient information to allow the consumer to contact the disciplining board to investigate the activity that resulted in discipline.

Attachment 3

The following information is provided by the National Association of State Boards of Accountancy (NASBA) to serve as its basis for determining which states' enforcement practices are substantially equivalent to its Enforcement Guidelines.

GUIDING PRINCIPLES OF ENFORCEMENT

OBJECTIVES FOR SUBSTANTIAL EQUIVALENCY EVALUATION

The CBA, MSG, and NASBA recognize that the enforcement process of each jurisdiction will vary based on many factors that are specific to the particular board, such as number of licensees, number of complaints/cases, authority vested in the board, delegation of certain phases of enforcement to other agencies, and interaction with an umbrella agency. As such, it is a disservice to this project to attempt to conform the review of an enforcement process to an objective checklist which does not allow one to consider the uniqueness of a specific enforcement process and its ability to meet the needs of the particular board. The term "substantial equivalency" implies that the review is not a checklist of specific data points, but rather an analysis that allows various methods of satisfying the over-reaching objectives of the project. Therefore, the review to determine whether a board's enforcement process is substantially equivalent to the Guiding Principles of Enforcement must be a subjective analysis of each jurisdiction's statutes, rules, and practices to inquire whether those elements create an enforcement process that reflects the comprehensive objectives of the Guiding Principles as described below.

The development of the Guiding Principles of Enforcement was a key element in assisting the California Board in meeting its legislative mandate pursuant to 5096.21, as well as a significant advance in cross-border accountancy regulation. The Guiding Principles identify the characteristics of an active and effective enforcement process, thereby enabling all state Boards to have confidence that other jurisdictions have a proactive culture of enforcement which successfully regulates the profession and protects the public consumer. In the environment of CPA mobility, Boards who are allowing CPAs licensed in other jurisdictions to provide services to their consumers through mobility have a vested interest in ensuring that the enforcement practices of other jurisdictions meet or exceed the objectives of the Guiding Principles. Consumer protection and disclosure of disciplinary data were important aspects of the development of the Guiding Principles, and Boards have used these Guiding Principles to review and in certain cases enhance their enforcement practices and policies."

1. Time Frames for Prosecuting a Complaint from Intake to Final Disposition

The structure and authority of boards of accountancy vary greatly across the country. Some boards are empowered to close or dismiss a matter without board vote while others would be required to hold the complaint open until a vote at the next board meeting. Some boards do not perform their own investigation of a complaint, but rather are required to send the complaint to an investigative unit within an umbrella agency, in which case it is beyond the authority of the board to regulate the speed of investigation, available investigative personnel, assignment of files, etc. The Guiding Principles set forth

benchmarks the help facilitate the speedy handling of complaints. Regardless of the timing of individual steps throughout the process (perhaps a board takes longer than the benchmark of 10 days to assign an investigator but completes investigations in less than the benchmark of 180 days), the ultimate objective of this principle is that (1) matters will be resolved in 540 days or less from the initiation of the complaint. Parties recognize that matters which are pending before other agencies or involved in civil litigation, or complex matters involving large firms or multiple parties may still fall outside this goal of 540 days due to the circumstances of the particular case.

2. Enforcement Resources to Adequately Staff Investigations

Boards typically either have one or more investigators dedicated to the board, utilize an investigator from an investigative pool provided by an umbrella agency, or utilize board staff or personnel to investigate complaints. Any of these methods may provide adequate resources to investigate complaints in a timely and knowledgeable manner. (1) As a measurement, if a board is able to meet the 540 day disposition benchmark in Principle #1, then the board is adequately staffed with sufficient personnel to timely conduct the investigations. Otherwise, the investigation process would bottleneck the disposition of cases. (2) Regarding qualification and training of investigators, those boards utilizing a designated investigator or personnel from an investigative pool would have sufficient investigative training to satisfy their particular board. Likewise, this principle can be satisfied by the performance of investigations by board members who can additionally provide particular subject matter expertise. (3) Boards should have access (through use of board members, contract hire, or other means) to subject matter experts to advise or testify as needed. (4) Boards should be able to access funds in order to prosecute a case against a big firm.

3. Case Management

The primary goal of this Principle is to determine that the board has (1) a case management process in place which allows staff to handle those complaints that can be dealt with administratively, if the Board is authorized to do so, and creates a process for efficient management of practice complaints through investigation, settlement, disciplinary hearings, etc. Again, the time management goal of 540 days in Principle #1 is an indicator that a board's case management system is meeting this criteria. (2) In addition, the case management process should also allow the board to prioritize those cases with the greatest potential for harm, if prioritization is required due to larger caseloads. (3) Boards should also consider discipline from other agencies as a basis for possible discipline by the board. (4) If probation is utilized, then the terms of the probation agreement should be monitored.

4. Disciplinary Guidelines

The disciplinary process of each board should consider offenses and appropriate penalties. (1) Boards may have written disciplinary guidelines and/or may utilize historical knowledge of the disciplinary history of the board to ensure consistency in disciplinary decisions. (2) Penalties may be escalated, reduced, or combined with other penalties or remedial measures depending on the board's

consideration of relevant mitigating or aggravating factors. Penalties can include revocation, suspension/probation, monetary fine/penalty, and remediation.

5. Internet Disclosures

The goal of internet disclosures is to provide sufficient information to allow the public to make an informed decision regarding the employment of a specific CPA. Consumers should be able to ascertain whether or not a CPA has an active license and whether the CPA has been disciplined by a particular board of accountancy. Because public records laws vary among jurisdictions, states should be least provide sufficient information that a consumer can readily determine if any regulatory "flags" exist that warrant further investigation by the consumer. This Principle can be satisfied by (1) disciplinary data being reflected on the board's web site or (2) by the board providing disciplinary flags to be displayed in CPAverify.

NASBA Listing of Substantially Equivalent States

JURISDICTION	SE	SE w/o DISC FLAG
Alabama		X
Alaska		
Arizona		X
Arkansas	X	
California	X	
Colorado	X	
Connecticut	X	
CNMI		X
Delaware		
D.C.		
Florida	X	
Georgia		
Guam	X	
Hawaii		X
Idaho	X	
Illinois	X	
Indiana		
Iowa	X	
Kansas	X	
Kentucky	X	
Louisiana	X	
Maine		
Maryland		X
Mass.	X	
Michigan		X
Minnesota	X	
Mississippi		X
Missouri	X	
Montana	X	
Nebraska	X	
Nevada	X	
New Hampshire		X
New Jersey	X	
New Mexico		X
New York		X
North Carolina	X	
North Dakota	X	
Ohio	X	
Oklahoma	X	
Oregon	X	
Pennsylvania	X	
Puerto Rico		
Rhode Island	X	

South Carolina		X
South Dakota		X
Tennessee		X
Texas	X	
Utah		
Vermont		
Virgin Islands		
Virginia		X
Washington	X	
West Virginia		
Wisconsin		
Wyoming	X	
	29	**14**

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Attachment 5

State Information Sheet

This information sheet provides a list of questions that correspond to the NASBA Guiding Principles of Enforcement and additional items requested by the CBA. The columns to the right of the questions allow NASBA to opine as to how the responding state's enforcement practices compare to the NASBA Enforcement Guidelines on each point.

State: _____

1. Time Frames for Prosecuting a Complaint from Intake to Final Disposition				
Question	Answer	Meets	Needs Additional Work	Does Not Meet
What is the board's target time frame to either close a complaint for lack of legal merit or jurisdictional nexus or to initiate an investigation? (1.a.i.)				
What is the board's target time frame to assign the case to an investigator from initiation of an investigation? (1.b.i.)				
What is the board's target time frame to complete the investigation from initiation of an investigation? (1.c.i.)				
What is the board's target time frame to formal discipline from initiation of a complaint? (1.d.i.)				
What is the board's target time frame to initiate action (re-opening of complaint) or initiate a new complaint following a probation violation? (1.e.i.)				

2. Enforcement Resources to Adequately Staff Investigations				
Question	Answer	Meets	Needs Additional Work	Does Not Meet
Does the board routinely evaluate enforcement staffing levels to ensure that the appropriate number of staff are assigned to the right positions at the right time? (2.a.)				
Does the board evaluate their respective program needs, taking into consideration workload projections and any new anticipated workload over the coming years? (2.a.)				
When evaluating staffing workload, does the board consider identified core tasks to complete investigations, general duration of time to complete the tasks, and number of staff presently assigned to handle the investigation? (2.a.)				
Does the board determine if any overages or shortages in workload exist and seek to align staffing resources accordingly? (2.a.)				
Does the board consider the following two factors, which may warrant modification (up or down) in staffing:				
Ratio of administrative complaints to practice complaints (history of practice claims in a particular jurisdiction would warrant more investigators per licensee)? (2.b.i.)				
Ratio of complaints involving firms with offices in multiple states versus smaller firms with local offices? (2.b.ii.)				
Does the board seek to utilize CPA's, law enforcement, board staff, or other individuals with accounting or investigative training as an investigator whenever possible? (2.c.i.)				
Does the board encourage investigative staff to attend investigative training seminars? (2.c.ii.)				
Does the board encourage investigative staff to complete the Investigator Training Series on NASBA.org? (2.c.iii)				

Does the board establish and follow a process for determining appropriate utilization of CPA investigators and/or CPA board members or staff and non-CPA investigators, which considers whether the case is an Administrative Complaint or involves Practice Compliant? (2.c.iv.)				
Does the board utilize subject matter experts for complex investigations involving highly technical areas and standards, such as ERISA, Yellow Book, cases involving complicated tax issues, and fraud? (2.c.v.)				
Can the board access funds in a timely manner to handle a case against a big firm, as a demand arises, either through an appropriation process, the board, the umbrella agency, or the prosecuting agency? (2.d.)				

3. Case Management				
Question	Answer	Meets	Needs Additional Work	Does Not Meet
Does the number of complaints received by the board require a prioritization system in order to adequately address all complaints and best allocate board resources to achieve maximum protection of the public? (3)				
Who reviews Administrative Complaints involving matters of licensing deficiencies such as failure to timely renew or obtain CPE, improper firm names, and other administrative matters and certain first-time misdemeanor offenses that pose a lesser threat to the public? (3.a.i.)				
Does the board allow for Administrative Complaints to be closed based on voluntary compliance? (3.a.ii.)				
Does the board allow for an informal conference to be scheduled to assist in reaching a settlement for Administrative Complaints or non-compliance to an agreed resolution? (3.a.iii.)				
Who reviews the summary of investigations for Practice Complaints involving matters of incompetence, dishonesty, violation of any rule of professional ethics or professional conduct, failing to timely complete an engagement, failure to communicate, criminal convictions, breach of fiduciary duty, fraud, or disclosing confidential information that pose a greater threat to the public? (3.b.i.)				
If warranted, does the board request further investigation for Practice Complaints? (3.b.ii.)				
Does the board allow for an Information Conference to be scheduled to aid in the settlement of a Practice Compliant? (3.b.iii.)				
Upon determination of a practice violation, is the appropriate corrective or disciplinary action taken by the board? (3.b.iv.)				

Does the board review discipline from other agencies, such as DOL, SEC, PCAOB, and AICPA, included in the NASBA Quarterly Enforcement Report to determine whether such discipline should give rise to disciplinary action by the board? (3.c.)				
Does the board have a method in-place to track probationary matters with assigned personnel to monitor compliance with probationary terms, such as follow-up phone calls or other correspondence with licensee, requiring the licensee to appear in person at interviews/meetings as directed by the board to report on probation compliance, submitting written quarterly compliance reports, and/or allowing a practice investigation upon request of the board? (3.d.)				

4. Disciplinary Guidelines				
Question	Answer	Meets	Needs Additional Work	Does Not Meet
Can disciplinary penalties be escalated, reduced or combined depending on the boards' consideration of the relevant mitigating and aggravating factors? (4.a.)				
Are the following categories of offenses grounds for revocation:				
Revocation of a license/permit by another agency or board? (4.a.i.1.)				
Failure to inform the board of a failed peer review? (4.a.i.2.)				
Fraud or deceit in obtaining a license? (4.a.i.3.)				
Conviction of any crime substantially related to the qualifications, functions, or duties of a CPA (involving dishonesty or fraud)? (4.a.i.4.)				
Dishonesty, fraud, or gross negligence in the practice of public accounting? (4.a.i.5.)				
Commission of a felony? (4.a.i.6.)				
Are the following categories of offenses grounds for suspension/probation:				
Failure to comply with board order? (4.a.ii.1)				
Failure to meet firm ownership requirements? (4.a.ii.2)				
Failure of a peer review? (4.a.ii.3.)				
Are the following categories of offenses grounds for monetary fine/penalty:				
Unlicensed conduct? (4.a.iii.1.)				
Failure to comply with professional standards or code of conduct? (4.a.iii.2.)				
Failure to renew? (4.a.iii.3.)				
Failure to timely complete CPE or peer review? (4.a.iii.4.)				
Are the following categories of offenses grounds for remediation:				
Failure to comply with professional standards? (4.a.iv.1.)				
Issues regarding client records/ ownership of work papers? (4.a.iv.2.)				
Issues regarding confidential disclosures? (4.a.iv.3.)				

Unlicensed conduct due to inadvertence (i.e., mobility, multiple designations, foreign accounts, ect.)? (4.a.iv.4.)				
Misleading name, title or designation? (4.a.iv.5.)				
Does the board consider any of the following factors in assessing penalties:				
Permissible sanctions available to the board, including those sanctions set forth in Section 4(a) above? (4.b.i.)				
Mitigating or aggravating factors? (4.b.ii.)				
Past disciplinary history or trends in licensee's behavior involving this board or other agencies such as SEC, IRS, PCAOB and societies? (4.b.iii.)				
Likelihood of repeating the behavior? (4.b.iv.)				
Potential for future public harm? (4.b.v.)				
Potential for licensee's rehabilitation? (4.b.vi.)				
Extent of damages or injury due to licensee's behavior? (4.b.vii.)				
Board sanctions with similar misconduct in other cases? (4.b.viii.)				
Other enforcement actions or legal actions against licensee involving the conduct which is the subject of the current case, and the impact of those actions/sanctions upon the licensee? (4.b.ix.)				
Whether action was a clear violation or was an area of law /rule subject to interpretation? (4.b.x.)				
Whether the individual or firm has already been sanctioned for the actions by another state, PCAOB, SEC, or other enforcement body, and whether the enforcement body imposed sanctions consistent with sanctions the board would typically impose under the circumstances? (4.b.xi.)				
Does the board consider the following mitigating factors in assessing penalties:				
Passage of time without evidence of other professional misconduct? (4.c.i.)				
Convincing proof of rehabilitation? (4.c.ii.)				

Violation was without monetary loss to consumers and/or restitution was made? (4.c.iii.)				
If multiple licensees are involved in the violation, the relative degree of culpability of the subject licensee should be considered? (4.c.iv.)				
Does the board consider the following aggravating factors in assessing penalties:				
Failure to cooperate with Board in investigation of complaint and/or disciplinary process (providing requested documentation, timely responses, participating in informal conference)? (4.d.i.)				
Violation is willful, knowingly committed and/or premeditated? (4.d.ii.)				
Case involved numerous violations of Board's statutes and rules, as well as federal or other state statutes? (4.d.iii.)				
History of prior discipline, particularly where prior discipline is for same or similar conduct? (4.d.iv.)				
Violation results in substantial harm to client, employer and/or public? (4.d.v.)				
Evidence that licensee took advantage of his client for personal gain, especially if advantage was due to ignorance, age or lack of sophistication of the client? (4.d.vi.)				

5. Internet Disclosure				
Question	**Answer**	**Meets**	**Needs Additional Work**	**Does Not Meet**
Does the board participate in ALD and CPAVerify? (5.a.)				
Does the board strive to provide final disciplinary action to ALD/CPAVerify for notation on the database? (5.a.i.)				
Does the board strive to provide ALD with the information necessary for "hashing" licensee records across jurisdictions to assist transparency and cross-border discipline? (5.a.ii.)				
Does the board publish final disciplinary action by the Board through a web site, newsletter or other available media, either with specific information regarding the facts that caused the board to impose discipline including, but not limited to, a board considering posting official documents that would be public records if requested by a consumer, or sufficient information to allow the consumer to contact the Board for particular details? (5.b.)				
Does the board capture "discipline under mobility" violation in CPAverify licensee record indicating the state where discipline was issued, with sufficient information to allow the consumer to contact the disciplining board to investigate the activity that resulted in discipline? (5.c.)				

CBA Requested Items The following items are requested to be included in the research. While these items are not a part of determining each states' substantial equivalence to the NASBA Enforcement Guidelines, the answers will prove beneficial should a state be found to be not substantial equivalent and need to go through the state-by-state determination process outlined in Business and Professions Code section 5096.21(a).	
Question	**Answer**
How many active licensees does the board have?	
What is the average number of disciplinary actions taken by the board over the past five years?	
Does the board have a mandatory peer review program?	
Does the board post disciplinary actions on its website?	
How long do disciplinary actions remain on the board's website?	
Does the board ever expunge disciplinary actions from a licensee's records? If so, after how long?	
How easy is it for a consumer to make a complaint against a licensee to the board?	
Can consumers file a complaint online? If so, are there clear instructions on how to do so?	
If the consumer cannot file a complaint online, how are consumers informed of the complaint process?	

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Attachment 6

Table of Factors to Assist with State Selection For Audit

Jurisdictions Recommended by NASBA to be Substantially Equivalent	Internet History of Discipline	Licensee Population	Practice Privilege[1]	
Arkansas	Yes	Small	27	0
Colorado	Yes	Large	446	21
Connecticut	Yes	Medium	171	3
Guam	Yes	Very Small	0	0
Idaho	Yes	Small	58	4
Illinois	Yes	Very Large	579	21
Iowa	Yes	Small	91	1
Kansas	Yes	Small	22	2
Kentucky	Yes	Small	49	1
Louisiana	Yes	Medium	37	4
Massachusetts	Yes	Medium	355	18
Montana	Yes	Small	19	3
Minnesota	No	Medium	255	10
Nebraska	Yes	Small	27	2
Nevada	Yes	Small	123	15
New Jersey	Yes	Large	191	12
North Carolina	Yes	Medium	163	10
North Dakota	Yes	Small	13	0
Ohio	Yes	Large	245	13
Oklahoma	Yes	Medium	48	3
Oregon	Yes	Medium	457	12
Pennsylvania	Yes	Very Large	270	6
Rhode Island	Yes	Very Small	22	2
South Carolina	No	Small	21	0
Texas	Yes	Very Large	632	29
Washington	Yes	Medium	695	22
Wyoming	Yes	Very Small	3	0

[1] The first column represents the number of individuals approved for a practice privilege by the CBA from each state during the time of the prior notice and fee practice privilege program (January 2006 – June 2013). The second column represents the number of Out-of-State Firm Registrations (OFR) that have been approved from each state since the no notice, no fee practice privilege program went into effect July 1, 2013 through February 17, 2016.

Table of Factors to Consider for Staff Assignment

Remaining Jurisdictions to be Determined	Internet History of Discipline	Licensee Population	Practice Privilege	
Alabama	No	Small	37	8
Alaska	No	Small	8	0
Arizona	No	Medium	293	20
CNMI	No	Very Small	0	0
Delaware	Yes	Small	1	0
DC	No	Small	101	0
Florida	Yes	Very Large	244	23
Georgia	Yes	Large	174	18
Hawaii	Yes	Small	80	3
Indiana	No	Medium	161	10
Maine	Yes	Small	6	0
Maryland	No	Medium	156	13
Michigan	No	Medium	167	9
Mississippi	No	Small	10	4
Missouri	Yes	Medium	173	10
New Hampshire	No	Small	3	1
New Mexico	No	Small	46	2
New York	No	Very Large	583	33
Puerto Rico	No	Small	0	0
South Dakota	No	Very Small	11	1
Tennessee	No	Medium	57	9
USVI	No	Very Small	0	0
Utah	No	Small	160	14
Vermont	No	Small	2	0
Virginia	No	Large	242	10
West Virginia	Yes	Small	6	1
Wisconsin	No	Medium	106	5

Key

Population	Licensees
Very Large	>35,000
Large	20,000-35,000
Medium	10,000-20,000
Small	2,000-10,000
Very Small	<2,000

TO: Mobility Stakeholder Group/CBA

FROM: National Association of State Boards of Accountancy (NASBA)

RE: Audit of NASBA's Determination of Substantial Equivalency Pursuant to 5096.21

NASBA was selected by the MSG and CBA to perform the evaluation of the enforcement practices of the 55 boards of accountancy and determine whether the enforcement practices of each board are substantially equivalent to the Guiding Principles of Enforcement. The MSG and CBA agreed that the analysis would require a subjective review of each board's enforcement practices with consideration of the Objectives for Substantial Equivalency Evaluation as presented by NASBA. At this time 29 jurisdictions have been determined by NASBA to be substantially equivalent to the Guiding Principles of Enforcement. These 29 jurisdictions also have a disciplinary flag available either on CPAverify or on the board's on-line licensee lookup tool. An additional 14 jurisdictions have been determined to be substantially equivalent to the Guiding Principles of Enforcement except that these jurisdictions do not have a disciplinary flag available either in CPAverify or on the boards' licensee lookup tool.

The MSG and CBA have suggested that an audit process that will allow the MSG and CBA to effectively review NASBA's evaluation process while respecting the confidentiality of information shared by other state boards with NASBA during this project may be appropriate. At the January 2016 meeting, the CBA staff submitted a memo titled "Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c) Presented by: Matthew Stanley, Information Officer". As part of that memo, one of the recommended approaches for an audit was to request that the MSG/CBA select a sample of states currently determined by NASBA to be substantially equivalent and allow CBA staff to audit the evaluation of those jurisdictions. This audit process would involve CBA staff reviewing the individual state summaries provided by NASBA. If the summary of any particular state is found to be lacking information, then the staff would be able to work with NASBA staff in reviewing the underlying documentation. All information including summaries are to remain in the possession of NASBA and confidential.

The memo presented by staff also suggested that one approach to this audit process would be to select the sampling of jurisdictions based on the size of the licensee population or other criteria. In Attachment 5 of that memo, CBA staff provided a breakdown of the jurisdictions determined to be substantially equivalent at that time, including additional information regarding the licensee population and the number of practice privileges previously applied for by CPAs from those states prior to the implementation of the "no notice/no fee" practice privileges. It seems reasonable to conclude that those jurisdictions whose CPA population most frequently availed itself of practice privileges in CA through the previous paper application would be the same jurisdictions with the highest number of CPAs exercising practice privileges in CA through the new process. NASBA recommends an audit of a representative number of states that takes into account both the licensee population and past practice privilege activity of CPAs from those states.

According to the data provided by CBA staff in Attachment 5, NASBA would recommend an audit of the following jurisdictions:

JURISDICTION	PRACTICE PRIVILEGE (Jan 2006 – July 2013)	LICENSEE POPULATION
ARIZONA	293	MEDIUM
COLORADO	446	LARGE
ILLINOIS	579	VERY LARGE
MASSACHUSETTS	355	MEDIUM
NEW YORK	583	VERY LARGE
OREGON	457	MEDIUM
PENNSYLVANIA	270	VERY LARGE
TEXAS	632	VERY LARGE
WASHINGTON	695	MEDIUM

The selected jurisdictions had the highest number of CPAs submitting practice privilege applications to the CBA during the prior practice privilege paper application process. The selection of these nine states would allow the audit to include medium, large, and very large licensee populations, would include those jurisdictions with CPAs most likely to take advantage of practice privileges in CA (based on past activities), would include jurisdictions physically located various distances from CA rather than limiting the audit to the contiguous jurisdictions, and would represent a 21% audit rate of the substantially equivalent population (including those jurisdictions with and without disciplinary flags either in ALD or the jurisdiction's licensee look-up tools) determined to date.

NASBA welcomes the opportunity to support its conclusions in order to encourage the MSG/CBA's reliance on the results of this project.

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MSG Item V. March 17, 2016

CBA Item X.D.5. March 17-18, 2016

Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify

Presented by: Matthew Stanley, Information and Planning Officer

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Consumer Protection Objective

The purpose of this agenda item is to allow the Mobility Stakeholder Group (MSG) the opportunity to discuss the National Association of State Boards of Accountancy's (NASBA) recent activities and CPAverify as they pertain to consumer protection.

Action(s) Needed

No specific action is required on this agenda item.

Background

At its November 2014 meeting, the MSG requested that NASBA activities and CPAverify be added as a standing agenda item to allow for ongoing discussion.

The Accountancy Licensing Database (ALD) is a national database of certified public accountant license information. Only the CBA and other state boards of accountancy have direct access to ALD. CPAverify is the public website that conveys information contained in the ALD database. If information is not available in ALD, it is not available on CPAverify. The CBA maintains a link to CPAverify on its website for the use of consumers and other stakeholders.

Comments

Additional Information regarding NASBA's Activities and CPAverify

At this time, there are 51 jurisdictions participating in ALD and CPAverify. At the January 2016 meeting, NASBA announced that Michigan was added to the list of participating jurisdictions. NASBA continues its efforts to bring the remaining four onto the system. These four jurisdictions are Delaware, Hawaii, Utah, and Wisconsin. It is anticipated Wisconsin will begin participating in the ALD by the end of the year.

At its July 22-23, 2015 meeting, the CBA selected NASBA to assist in comparing whether a state's enforcement practices are substantially equivalent to NASBA's Guiding Principles of Enforcement (Enforcement Guidelines). As identified in **Agenda Item X.D.4**., NASBA continues to review states for substantial equivalency to their

NASBA Enforcement Guidelines, and NASBA is working with each state to determine if disciplinary history information is, or can be made, available on the Internet.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
None.

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MSG Item VII. March 17, 2016

CBA Item X.D.6. March 17-18, 2016

Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting

Presented by: Matthew Stanley, Information and Planning Officer

Consumer Protection Objective
The purpose of this agenda item is to establish the items that will be included on the next agenda for the Mobility Stakeholder Group (MSG) in order to provide transparency and allow for input from stakeholders including consumers.

Action(s) Needed
The MSG will be asked to identify topics it wishes to discuss at its next meeting.

Background
As the MSG is intended to be representative of "stakeholders of the accounting profession in this state, including consumers," it may wish to set its future agenda during its meetings in order that all public input may be considered when deciding how best to proceed.

Comments
The following topics are being proposed for consideration when determining the agenda for the next MSG meeting:

- Further Discussion Regarding the Progress Made in Comparing Other States to the National Association of State Boards of Accountancy's Guiding Principles of Enforcement.

The MSG may wish to accept, alter, or add to these suggestions based on the direction in which it wishes to proceed.

Fiscal/Economic Impact Considerations
There are no fiscal/economic impact considerations.

Recommendation
Staff do not have a recommendation on this agenda item.

Attachment
None.

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CBA Item XI.A.
March 17-18, 2016

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
January 21-22, 2016
CBA MEETING

DRAFT

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Telephone: (949) 863-1999

Roll Call and Call to Order.

California Board of Accountancy (CBA) President Katrina Salazar called the meeting to order at 1:31 p.m. on Thursday, January 21, 2016 at the Wyndham Irvine-Orange County Airport. The CBA convened into closed session from 3:29 p.m. until 5:03 p.m. The CBA reconvened into open session on Friday, January 22, 2016 at 9:01 a.m. President Salazar adjourned the meeting at 11:27 a.m.

CBA Members	January 21, 2016
Katrina Salazar, CPA, President	1:31 p.m. to 5:03 p.m.
Alicia Berhow, Vice-President	1:31 p.m. to 5:03 p.m.
Michael Savoy, CPA, Secretary/Treasurer	1:31 p.m. to 5:03 p.m.
Jose Campos, CPA	1:31 p.m. to 5:03 p.m.
Herschel Elkins, Esq.	1:31 p.m. to 5:03 p.m.
George Famalett, CPA	1:31 p.m. to 5:03 p.m.
Laurence (Larry) Kaplan	1:31 p.m. to 5:03 p.m.
Kay Ko	1:31 p.m. to 5:03 p.m.
Leslie LaManna, CPA	1:31 p.m. to 5:03 p.m.
Xochitl León	1:31 p.m. to 5:03 p.m.
Jian Ou-Yang, CPA	1:31 p.m. to 5:03 p.m.
Deidre Robinson	Absent
Mark Silverman, Esq.	1:31 p.m. to 5:03 p.m.
Kathleen Wright, CPA	1:31 p.m. to 5:03 p.m.

CBA Members	January 22, 2016
Katrina Salazar, CPA, President	9:01 a.m. to 11:27 a.m.
Alicia Berhow, Vice-President	9:01 a.m. to 11:27 a.m.
Michael Savoy, CPA, Secretary/Treasurer	9:01 a.m. to 11:27 a.m.
Jose Campos, CPA	9:01 a.m. to 11:27 a.m.
Herschel Elkins, Esq.	9:01 a.m. to 11:27 a.m.
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Jian Ou-Yang, CPA	9:01 a.m. to 11:27 a.m.
Deidre Robinson	Absent
Mark Silverman, Esq.	9:01 a.m. to 11:27 a.m.
Kathleen Wright, CPA	9:01 a.m. to 11:27 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Angela Crawford, Business Relations Analyst
Dominic Franzella, Chief, Enforcement Division
Nooshin Movassaghi, Legislative Analyst
Dorothy Osgood, Enforcement Supervising ICPA
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Matthew Stanley Information and Planning Officer
Kristy Schieldge, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)

Committee Chairs and Members

Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee
Robert Ruehl, CPA, Chair, Qualifications Committee

Other Participants

Jim Brackens, CPA, CGMA, Vice-President of Ethics and Practice Quality, American Institute of Certified Public Accountants (AICPA)
Maria Caldwell, Esq., Chief Legal Officer and Director of Compliance Services, National Association of State Boards of Accountancy (NASBA)
John Moorlach, Senator, 37th California Senate District
Lance Christensen, Senior Policy Director, Senator John Moorlach's Office
Jason Fox, California Society of Certified Public Accountants

Stacey Grooms, Regulatory Affairs Manager, NASBA
Shelly Jones, Manager, DCA
Pilar Oñate-Quintana, The Oñate Group
Jon Ross, KP Public Affairs

I. Presentation Regarding Assessing the Quality of Employee Benefit Plan Audits.

A. Ian Dingwall, CPA, Chief Accountant, United States Department of Labor.

There was no report on this agenda item.

B. Jim Brackens, CPA CGMA, Vice-President of Ethics and Practice Quality, American Institute of Certified Public Accountants.

C. Maria Caldwell, Esq., Chief Legal Officer and Director of Compliance Services, National Association of State Boards of Accountancy.

Mr. Brackens reviewed AICPA's 6-point plan to improve audits, including pre-licensure, standards and ethics, certified public accountant (CPA) learning and support, peer review, practice monitoring, and enforcement. Mr. Brackens provided an in depth review of the changes that will improve CPA learning and support, which will increase competency, and changes to improve peer review quality.

Ms. Caldwell provided an overview of NASBA's collaborative efforts with the AICPA, Department of Labor, CPA Firms, and Accountancy Boards to improve the quality of audits of employee benefit plans.

II. Closed Session.

A. Pursuant to Government Code Section 11126(c)(3), the California Board of Accountancy Convened Into Closed Session to Deliberate on Disciplinary Matters (Stipulated Settlements, Default Decisions, and Proposed Decisions).

B. Pursuant to Government Code Section 11126(e), the California Board of Accountancy Convened Into Closed Session to Receive Advice From Legal Counsel on Litigation (David Greenberg v. California Board of Accountancy, Los Angeles County Superior Court, Case No. BS155045; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809799-CU-WM-CJC.; David B. Greenberg v. California Board of Accountancy, Orange County Superior Court, Case No. 30-2015-00809802-CU-WM-CJC.; and David Greenberg v. Erin Sunseri, et al., U.S. District Court, Southern District of Florida, Case No. 15-CV-80624.).

III. Presentation from Senator John Moorlach, 37th California Senate District Regarding His Role, the Certified Public Accounting Profession, and Legislation.

Senator Moorlach provided the CBA with a presentation regarding his career in public accounting, as Orange County Treasurer-Tax Collector, and as the Senator of the 37th California Senate District.

IV. Petition Hearings.

There was no report on this agenda item.

V. Report of the President.

A. Introduction of New California Board of Accountancy Member George Famalett.

President Salazar welcomed Mr. Famalett to the CBA.

B. Report of the Leadership Roundtable Meeting Regarding the Leadership Responsibilities and the California Board of Accountancy Activities for 2016.

President Salazar provided an overview of the leadership roundtable meeting. She stated that the new leadership met with the CBA executive team to review the 2016 planned meeting topics, CBA program activities, and held a discussion of incorporating consumer protection related activities into CBA meetings. President Salazar stated that the CBA activities will include, providing increased educational presentation at the CBA meetings, increasing language assistance information on the CBA website, exploring the feasibility of conducting CBA meetings at college campuses, recommending that CBA members attend one investigative hearing, and increasing communications and outreach activities.

C. Report of the January 21, 2016 Chair/Vice-Chair Training and Strategic Planning Committee Meeting.

President Salazar provided an overview of the agenda item. She stated that she relayed her expectation of the chairs and vice-chairs and Ms. Schieldge provided an overview of how to conduct a meeting in accordance with the Bagley-Keene Open Meeting Act. President Salazar thanked Vice-President Berhow and Secretary/Treasurer Savoy for attending and Ms. Schieldge for assisting in facilitating the meeting.

D. Resolution for Retired California Board of Accountancy Members Sarah Anderson and Louise Kirkbride.

It was moved by Mr. Elkins and seconded by Mr. Campos to approve the resolution for retired CBA member Sarah Anderson.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

It was moved by Ms. Berhow and seconded by Mr. Savoy to approve the resolution for retired CBA member Louise Kirkbride.

Yes: Ms. Berhow, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: Mr. Campos.

Abstain: Ms. León and Mr. Ou-Yang.

Absent: None.

The motion passed.

E. Resolution for Bruce C. Allen, California Society of CPAs, Government Relations Director.

It was moved by Mr. Campos and seconded by Ms. Wright to approve the resolution for Bruce C. Allen, California Society of CPAs (CalCPA), Government Relations Director.

Yes: Ms. Berhow, Mr. Campos, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Mr. Elkins.

Absent: None.

The motion passed.

F. Resolution for Retired Enforcement Advisory Committee Member Mervyn McCulloch.

It was moved by Mr. Elkins and seconded by Mr. Campos to approve the resolution for retired Enforcement Advisory Committee Member Mervyn McCulloch.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Mr. Ou-Yang.

The motion passed.

G. Exposure Draft Regarding Proposed Revisions to the American Institute of Certified Public Accountants/National Association of State Boards of Accountancy (NASBA) Uniform Accountancy Act and NASBA Uniform Accountancy Act Rules (Retired Status).

Ms. Sanchez provided an overview the exposure draft's proposed revisions, which would increase uniformity for state boards of accountancy establishing a retired status license and protect consumers by instituting a requirement for retired status licensees to maintain competency. Ms. Sanchez compared the requirements established by the exposure draft to the CBA's regulations on retired status. She stated that the exposure draft identifies that the licensee must be age 55 in order to apply, whereas the CBA has no age requirement. The exposure draft allows for a licensee, who is competent, to perform volunteer tax services, participate in government-sponsored business mentoring programs, and serve on the board of a non-profit organization. CBA Regulations do not require retired licensees to maintain a report or affirm professional competency and it does not identify services a retiree can perform. Lastly, Ms. Sanchez noted that CBA Regulations also detail additional requirements that are not addressed in the exposure draft, including renewal and restoration requirements.

Ms. Wright stated that she did not agree with the proposed requirements in the exposure draft and that she believed that the requirements for retired status as outlined in the CBA Regulations are more appropriate.

Ms. Schieldge expressed her concern of including an age requirement, as it is unlawful to do so under the California Fair Employment and Housing Act.

Ms. Salazar suggested sending a separate communication stating the CBA's concern regarding the age requirement.

It was moved by Mr. Campos and seconded by Ms. LaManna to approve the comment letter to the exposure draft with a modification to state there are differences in the proposed changes to the CBA Regulations and add an appendix with a comparison of the exposure draft requirements to CBA Regulations.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

H. Discussion Regarding the Study of California's Attest Experience Requirement.

This agenda item was deferred to the March CBA meeting.

I. Discussion Regarding the Impact of the Proposed Changes to the American Institute of Certified Public Accountants Exposure Draft on Standards for Performing and Reporting on Peer Reviews, Improving Transparency and Effectiveness of Peer Review, November 10, 2015.

Mr. Franzella provided an overview of the agenda item. Mr. Franzella provided information regarding the CBA's peer review program, which protects consumers by ensuring the effectiveness of peer review. He stated that staff reviewed the proposed changes and determined that the changes do not have a direct impact on CBA Regulations.

It was moved by Mr. Campos and seconded by Mr. Elkins to approve the proposed comment letter regarding the exposure draft.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

J. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

Ms. Schieldge stated that the United States Judiciary Antitrust Subcommittee will be meeting on February 2, 2016 to discuss the issue in occupational licensing at the federal level.

K. Discussion on the California Little Hoover Commission Hearing Regarding Occupational Licensing.

Mr. Stanley provided an overview of the agenda item. Mr. Stanley stated that the Little Hoover Commission (Commission) is an independent oversight agency that studies various topics that are brought to its attention by citizens, the Legislature, and other sources. He stated that that the CBA received a letter from the Commission regarding public hearings related to its current study on occupational licensing. He noted that the focus of the study will be on the impact of occupational licensing on the upward mobility and opportunities for entrepreneurship and innovation for Californians, the connection between licensing and the underground economy, and will examine the balance between protecting consumers and the ability for Californians to enter their chosen occupation. Mr. Stanley stated that DCA Director Awet Kidane was invited to speak at the March hearing and though the CBA was not invited to speak, a representative may choose to attend.

L. Announcement of New Committee and Liaison Appointments.

There were no comments on this item.

M. Department of Consumer Affair Director's Report on Departmental Activities.

Ms. Jones provided the DCA Director's report on departmental activities. Ms. Jones stated that the second release of BreEZe was launched on January 19, 2016, which included adding seven boards and one bureau to the system. She noted that once the second release was stabilized, DCA would be preforming a cost benefit analysis before transitioning

boards in phase three. Ms. Jones mentioned that DCA employees will be able to file their annual statement of economic interests electronically through NetFile, a web-based system. Ms. Jones stated that the Office of Human Resources began using a new system for recruitment and hiring process. Ms. Jones reminded members to complete the mandatory training. Lastly, she stated the DCA held six focus groups to discuss training for enforcement staff and it is expected that the new training curriculum will begin in July 2016.

VI. Report of the Vice-President.

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

There was no report on this agenda item.

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

There was no report on this agenda item.

C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee.

There was no report on this agenda item.

VII. Report of the Governor's Budget.

A. Discussion of Governor's Budget.

Mr. Savoy provided an overview of the agenda item. Mr. Savoy stated that the Fiscal Year (FY) 2016-17 proposed budget is $14,833,000, which is an increase over the current FY budget. Mr. Savoy stated the that primary changes in the proposed budget included, adjustments to retirement benefits and workers compensation benefits, pro-rata distributed costs, two additional administrative clerical staffing positions, and a decrease in expenditure authority resulting from the expiration of five limited-term Enforcement Division positions, including two investigative CPAs (ICPA), two analytical positions, and one clerical position. Mr. Savoy noted that future CBA budget reports will be revamped and will include the use of diagrams to better convey the CBA's financial status.

Mr. Elkins inquired if the CBA had a proposal to make the limited-term ICPA positions permanent.

Ms. Bowers stated that the CBA does not currently have a proposal.

VIII. Report of the Executive Officer.

A. Update on the Relocation of the California Board Accountancy's Office.

Ms. Bowers stated that the office relocation is tentatively scheduled for April and staff is currently meeting with the contractors and building management every two weeks.

B. Update on Staffing.

Ms. Bowers stated that in FY 2014-15 the CBA received approval through the budget process for 17 positions in the Enforcement Division, with 11 positions classified as limited term, which will expire after two or three years unless made permanent through a subsequent budget process. Ms. Bowers stated that the positions set to expire include two ICPAs, which expire on June 30, 2016 and nine enforcement positions in the Criminal Offender Record Information Unit, which expire in June of 2016 and June 2017. She stated that the earliest date the CBA could receive a staffing augmentation through the budget process would be July 2017. She stated that due to the time frame, it was necessary to look internally to address the operational needs of enforcement. Ms. Bowers stated that 10 positions were identified to redirect to assist with the workload of enforcement.

Mr. Campos inquired if the CBA would be able to use outside resources to assist with the enforcement workload, given the limited resources in regards to the ICPA positions.

Ms. Bowers stated that the CBA is limited to contracting out to only work that is outside of the scope of knowledge or expertise of staff, as union contracts do not allow for contracting out work that staff is able to complete. She noted that the ICPA staff has a broad knowledge, however, the workload is more than current staff can handle.

C. Review and Approval of Proposed Changes to the California Board of Accountancy's Member Guidelines and Procedures Manual.

Ms. Pearce provided an overview of the agenda item. She highlighted the substantive revisions in the Guidelines and Procedures Manual (G&P Manual) and reviewed the proposed changes that were suggested by legal counsel.

It was moved by Mr. Campos and seconded by Ms. LaManna to approve the changes to the G&P Manual and include a revision to Section D.2. to change the sentence to "All members are to attend

CBA meetings and consider volunteering to participate as CBA Liaison to at least one non-CBA member Committee…"

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

D. Update on the California Board of Accountancy's Communications and Outreach.

Mr. Stanley provided an update on the CBA's Communications and Outreach. Mr. Stanley stated that the agenda item has a new look to highlight the importance of outreach and draw attention to individual components to the CBA's outreach efforts. He noted that the CBA website is currently going through a redesign, which will be more user friendly. Mr. Stanley stated that President Salazar and staff attended various outreach events and the outreach efforts will continue to increase. Lastly, Mr. Stanley stated that LinkedIn has increased more rapidly than other social media outlets and staff have noticed an increasing engagement, due this change staff will be giving it more attention.

IX. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the December 10, 2015 Enforcement Advisory Committee Meeting.

Mr. Rosenbaum reported that the Enforcement Advisory Committee (EAC) reviewed 34 closed cases and conducted two investigative hearings. He thanked Mr. Jeffrey De Lyser for his contributions as past Chair and welcomed Ms. Nancy Corrigan as Vice-Chair to the EAC.

B. Qualifications Committee.

1. Report of the January 20, 2016 Qualifications Committee Meeting.

Ms. Sanchez reported that the Qualifications Committee (QC) held an orientation for CBA Liaison, Alicia Berhow, and two new QC members. Ms. Sanchez thanked Ms. Berhow for her attendance. She reported that the QC conducted seven Section 69 reviews, of which six were approved.

C. Peer Review Oversight Committee (Robert Lee, Chair).

1. Report of the December 9, 2015 Peer Review Oversight Committee Meeting (Robert Lee).

   Mr. Lee reported that members of the Peer Review Oversight Committee (PROC) welcomed their newest member, Ms. Renee Graves. He reported that members reviewed reports on various oversight activities, including the PROC's annual administrative site visits of CalCPA. He noted that the PROC also reviewed the 2015 PROC Annual Report, which will be presented to the CBA at its March CBA meeting,

X. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of the Enforcement Activity Report. He stated that the CBA received 1,052 complaints for FY 2015/16, of which 78 percent of the complaints were internal referrals. Mr. Franzella also noted that approximately 76 percent of the complaints are assigned for investigations. Mr. Franzella noted that there are currently 103 probationers and staff held 28 probation orientations through the first five months of FY 2015/16.

Mr. Elkins inquired if there is any significant reason why the median age of open cases has increased dramatically.

Mr. Franzella stated that staff will review the increase in the median age of cases.

XI. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Sanchez provided an overview of the agenda item. She noted that the report was revised to include new graph charts, which assist with the interpretation of the statistics. Ms. Sanchez noted that email communications increased in FY 2015/16. She stated that the licensing unit is continuing to meet the 30-day time frames. Ms. Sanchez stated

that the CBA accepted their first applicant for licensure using academia as experience.

XII. Committee Reports.

A. Committee on Professional Conduct.

1. Report of the January 21, 2016 Committee on Professional Conduct Meeting.

2. Review of the Exemption/Extension Options From the Continuing Education Requirements.

Ms. LaManna reported that staff provided information to the Committee on Professional Conduct (CPC) regarding the exemption/extension options from the continuing education (CE) requirements. She stated that CBA members have received inquiries from stakeholders regarding options available to licensees.

Ms. LaManna stated that the CBA offers exceptions for licensees that may be experiencing a hardship in completing the CE requirements, such as inactive license status, military waiver, and military inactive status. She stated that exemptions must fall under the following categories, health, military service, and other good cause.
Ms. LaManna stated that licensees are allowed an extension of time, up to six months, to complete the Government Auditing or Accounting and Auditing and Fraud CE requirement. However, licensees must have become subject to the requirement in the last six months of their two-year renewal period and must have completed the required 80 hours of CE. She noted that licensees, granted extension have full practice rights during the extension period. Ms. LaManna stated that licensees may also choose to renew their license in inactive status, at which time licensees may not practice public accountancy. She noted that licensees may convert to active status upon completion of their CE.

Ms. LaManna stated that staff reviewed the exemption/extension requirements of other DCA boards and bureaus, as well other state boards of accountancy, and found that each had a program which addressed exemptions, extensions, or both, related to CE requirements. Lastly, Ms. LaManna stated that licensees discharged from active duty, must comply with all CE and peer review reporting requirements prior to returning to active status.

Mr. Elkins stated that the CPC asked staff to review and clarify Nevada's exemption for licensees with foreign residency.

3. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements.

   Ms. LaManna reported that the CPC discussed the proposed regulatory language changes to accommodate the Statement on Standards for Accounting and Review Services provisions regarding requirements for licensees who only provide preparation engagements. She stated that the proposed language includes the CE requirements of eight hours for accounting and auditing and four hours of fraud.

   The CPC recommended that the CBA direct staff to take all necessary steps to initiate the formal rulemaking process to adopt the proposed amendments to these sections as discussed and provided in the agenda attachment, authorize the Executive Office to make any non-substantive changes to the rulemaking package, and set the proposed regulations for a hearing.

   Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

   No: None.

   Abstain: None.

   Absent: None.

   The motion passed.

B. Legislative Committee.

1. Report of the January 21, 2016 Legislative Committee Meeting.

2. Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role.

   Mr. Kaplan reported that staff provided an overview of the legislative process, considerations for taking positions on legislation, and an overview of the regulatory process.

3. Update on Previously Approved Legislative Proposals Regarding Ethics Study Requirement and Expedited Rulemaking Authority for Practice Privilege Program.

Mr. Kaplan reported that staff provided an update on the two previously approved legislative proposals for inclusion in the 2016 annual omnibus bill. He stated that the first proposal included added flexibility to the CBA's ethics study requirement by moving away from a course title requirement to a subject area requirement and the second proposal would provide statutory authority for the CBA to undertake an emergency rulemaking should it be necessary to remove a state from the no notice, no fee, practice privilege program.
Mr. Kaplan reported that both proposals were submitted to the Senate Business Professions, and Economic Development Committee in January in the annual omnibus bill.

C. Mobility Stakeholder Group.

1. Report of the January 21, 2016 Mobility Stakeholder Group Meeting.

2. Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives.

   There were no comments on this item.

3. Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21.

   There were no comments on this item.

4. Review and Possible Approval of the 2015 Mobility Stakeholder Group Annual Report.

   Mr. Campos reported that the Mobility Stakeholder Group (MSG) reviewed the 2015 MSG Annual Report and delegated the authority to the Chair to approve the final version of the report.

5. Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c).

   Mr. Campos reported that the MSG reviewed NASBA's initial analysis of states' substantial equivalency. He stated that the initial analysis identified 27 states as substantially equivalent and which posted disciplinary history on the internet and an additional 10 states as substantially equivalent but did not post disciplinary history on the internet. Mr. Campos noted that substantial equivalency has not been identified for the remaining 18 states. Mr. Campos reported after review of NASBA's analysis, the MSG deferred any action until a future meeting.

6. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAverify.

   Mr. Campos reported that there are five states, Delaware, Hawaii, Michigan, Utah, and Wisconsin that are not yet participating in the Accountancy Licensing Database and CPAverify.

7. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

   Mr. Campos reported that staff proposed adding a topic that would focus on the progress made regarding the comparison of other states' enforcement programs to the NASBA Enforcement Guidelines.

XIII. Acceptance of Minutes.

A. Draft Minutes of the November 19-20, 2015 California Board of Accountancy Meeting.

B. Minutes of the November 19, 2015 Committee on Professional Conduct Meeting.

C. Minutes of the July 23, 2015 Legislative Committee Meeting.

D. Minutes of the September 17, 2015 Mobility Stakeholder Group Meeting.

E. Minutes of the October 22, 2015 Enforcement Advisory Committee Meeting.

F. Minutes of the October 21, 2015 Qualifications Committee Meeting.

G. Minutes of the August 21, 2015 Peer Review Oversight Meeting.

It was moved by Mr. Silverman and seconded by Ms. Berhow to approve agenda item XIII.F. with the revision on page 2205 section 15-042 to strike private industry experience and replace it with public accounting experience

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

It was moved by Mr. Silverman and seconded by Ms. Berhow to approved agenda items XIII.A-XIII.E and XIII.G.

Yes: Ms. Berhow, Mr. Campos, Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Mr. Ou-Yang, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: None.

The motion passed.

XIV. Other Business.

A. American Institute of Certified Public Accountants.

1. Report on Public Meetings of the American Institute of Certified Public Accountants Attended by a California Board of Accountancy Representative.

   There was no report on this agenda item.

B. National Association of State Boards of Accountancy.

1. Report on Public Meetings of the National Association of State Boards of Accountancy Attended by a California Board of Accountancy Representative.

   There was no report on this agenda item.

XV. Closing Business.

A. Public Comments.

There were no comments on this item.

B. Agenda Items for Future California Board of Accountancy Meetings.

Ms. Bowers provided a list of future agenda and outreach items, including the impact of the new educational requirements on workload, progress by NASBA and further research for auditing NASBA's analysis, highlighting

the difference between financial statements versus compilations, clarification of CE, and assistance for low income earners.

C. Press Release Focus.

Mr. Stanley suggested a press release regarding the guest speakers.

President Salazar adjourned the meeting at 11:27 a.m. on Friday, January 22, 2016.

_____Katrina L. Salazar, CPA, President

_____Michael M. Savoy, 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.

CALIFORNIA BOARD OF ACCOUNTANCY

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
2000 EVERGREEN STREET, SUITE 250
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CBA Item XI.B.
March 17-18, 2016

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

MINUTES OF THE
January 21, 2016
COMMITTEE ON PROFESSIONAL CONDUCT (CPC) MEETING

DRAFT

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Leslie LaManna, CPA, Chair, called the meeting of the CPC to order at 10:31 a.m. on Thursday, January 21, 2016 at the Wyndham Irvine-Orange County Airport. Ms. LaManna requested that the roll be called.

CPC Members

Leslie LaManna, CPA, Chair	Present
Jose A. Campos, CPA	Present
Herschel Elkins, Esq.	Present
Kay Ko	Present
Jian Ou-Yang, CPA	Present
Deidre Robinson	Absent
Mark Silverman, Esq.	Present

CBA Members Observing
Katrina Salazar, CPA, President
Alicia Berhow
Jose Campos, CPA
George Famalett, CPA
Larry Kaplan
Xochitl León
Jian Ou-Yang, CPA

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer

Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Angie Crawford, Business Relations Analyst
Dominic Franzella, Chief, Enforcement Division
Dorothy Osgood, Supervising Investigative CPA
Nooshin Movassaghi, Legislative Analyst
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Information and Planning Officer

Other Participants
Maria Caldwell, National Association of State Boards of Accountancy (NASBA)
Jason Fox, California Society of Certified Public Accountants
Stacey Grooms, NASBA
Shelly Jones, DCA Representative
Pilar Oñate-Quintana, The Onate Group
Jon Ross, KP Public Affairs

I. Approve Minutes of the November 19, 2015, CPC Meeting.

It was moved by Mr. Campos and seconded by Mr. Silverman to adopt the minutes of the November 19, 2015, CPC meeting.

Yes: Ms. LaManna, Mr. Campos, Mr. Elkins, Ms. Ko, Mr. Ou-Yang, and Mr. Silverman.

No: None.

Abstain: None.

The motion passed.

II. Review of the Exemption/Extension Options from the Continuing Education Requirements.

Ms. Sanchez reported on the CBA's exemption and extension options for the continuing education (CE) requirements and how these options fall under the CBA's mission of consumer protection, by ensuring licensees have the opportunity to practice public accountancy as they maintain their currency of knowledge. In accordance with the Business and Professions Code and the CBA Regulations, licensees have multiple options to remain in compliance with CBA's CE requirements. In addition to the exemption/extension options the CBA offers the

following exceptions: inactive license status, military waiver, and military inactive status.

Ms. Sanchez continued that exemption requests must fall under the following categories: health, military service, or other good cause and require substantiation from the licensee. In addition, licensees who become subject to the Government Auditing or Accounting and Auditing (A&A), and fraud CE requirements during the last six months of their two-year renewal period can request an extension of up to six months to complete the governmental auditing, A&A and fraud CE subject matter requirements. All requests are reviewed and processed on a case-by-case basis. During the time in which an extension is granted, licensees have full practice rights in California.

Licensees who choose to renew their license in an inactive status, may not practice public accountancy. Licensees may convert to active status upon completion of their CE requirements. Licensees on active military duty have the option to place their license in a military waiver or a military inactive status and may convert to active status upon completion of their CE requirements.

Ms. Sanchez indicated that staff reviewed the exemption/extension requirements of other DCA boards and bureaus as well as other state boards of accountancy and found that each had a program addressing exemptions, extensions or both related to CE requirements. Staff's research indicates that the CBA's requirements appear consistent with DCA and other state boards of accountancy.

This was an informational item and no action was taken by the CPC.

III. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements.

Ms. Sanchez provided the CPC with a presentation regarding the proposed regulatory changes regarding CE requirements for licensees who provide preparation engagements as their highest level of service. The CE requirements of eight hours for accounting and auditing and four hours of fraud prevention were proposed as discussed at the November 2015 CBA meeting. Ms. Sanchez concluded this proposal would ensure licensees maintain their professional competency and further the CBA's mission of consumer protection.

It was moved by Mr. Campos and seconded by Mr. Elkins to recommend that the CBA direct staff to take all steps necessary to initiate the rulemaking process to adopt proposed amendments to these sections as discussed and authorize the Executive Officer to make any non-substantive changes to the rulemaking package, and set the proposed regulations for a hearing.

Yes: Ms. LaManna, Mr. Campos, Mr. Elkins, Ms. Ko, Mr. Ou-Yang, and Mr. Silverman.

No: None.

Abstain: None.

The motion passed.

IV. Public Comment

No public comments were received.

V. Agenda Items for Next Meeting.

Ms. LaManna suggested future discussions on the specifics of what is a financial statement preparation and a compilation.

There being no further business to be conducted, the meeting was adjourned at 10:44 a.m.

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CBA Item XI.C.
March 17-18, 2016

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

MINUTES OF THE
January 21, 2016
LEGISLATIVE COMMITTEE (LC) MEETING

DRAFT

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Larry Kaplan, Interim Chair, called the meeting of the LC to order at 10:46 a.m. on Thursday, January 21, 2016 at the Wyndham Irvine-Orange County Airport. Mr. Kaplan requested that the roll be called.

LC Members

Deidre Robinson, Chair	Absent
Herschel Elkins	Present
George Famalett	Present
Larry Kaplan	Present
Leslie LaManna	Present
Xochitl León	Present
Mark Silverman	Present

CBA Members Observing
Katrina Salazar, CPA, President
Alicia Berhow,
Jose Campos, CPA
Jian Ou-Yang, CPA
Mark Silverman, Esq.

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Angie Crawford, Business Relations Analyst

Dominic Franzella, Chief, Enforcement Division
Nooshin Movassaghi, Legislative Analyst
Dorothy Osgood, Supervising Investigative CPA
Corey Riordan, Board Relations Analyst
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Information and Planning Officer

Other Participants
Maria Caldwell, National Association of State Boards of Accountancy (NASBA)
Jason Fox, CalCPA
Stacy Grooms, NASBA
Shelly Jones, DCA Representative
Pilar Oñate-Quintana, The Onate Group
Jon Ross, KP Public Affairs

I. Approve Minutes of the July 23, 2015 Legislative Committee Meeting.

It was moved by Ms. LaManna and seconded by Mr. Silverman to adopt the minutes of the July 23, 2015, LC meeting.

Yes: Mr. Elkins, Mr. Kaplan, Ms. Leon, and Mr. Silverman.

No: None.

Abstain: Mr. Famalett and Ms. LaManna.

The motion passed.

II. Overview of the California Legislative and Regulatory Process and the Legislative Committee's Role.

Ms. Movassaghi presented this agenda item, which provided information to assist the Legislative Committee role in understanding their role in the legislative process. She stated that one of the LC's main roles is to assist the CBA in its activities by reviewing, recommending, and advancing legislation relating to consumer protection and the practice of public accountancy.

The presentation included the following: an overview of the legislative process, considerations for taking positions on legislation, and an overview on the regulatory process.

This was an informational item and no action was taken by the LC.

III. Update on Previously Approved Legislative Proposals Regarding Ethics Study Requirement and Expedited Rulemaking Authority for Practice Privilege Program.

Ms. Movassaghi provided an update on previously approved legislative proposals for inclusion in the 2016 Annual Omnibus bill. These proposals include changes to the CBA's ethics study requirements for CPA licensure and establishing statutory authority to expedite rulemaking related to the no notice, no fee, practice privilege program. She stated that these proposals protect consumers by providing additional flexibility to the CBA to ensure CPA applicants fulfill the ethics courses and provide the CBA with emergency rulemaking authority to remove states from the no notice, no fee practice privilege program. Ms. Movassaghi reported that staff anticipates to receive an update from the Senate Business, Professions and Economic Development Committee regarding these proposals in mid-February.

This was an information item and no action was taken by the LC.

IV. Public Comment

No public comments were received.

V. Agenda Items for Next Meeting.

None.

It was moved by Mr. Silverman and seconded by Ms. Leon to adjourn the meeting.

Yes: Mr. Elkins, Mr. Famalett, Mr. Kaplan, Ms. LaManna, Ms. Leon, and Mr. Silverman.

No: None.

Abstain: None.

The motion passed.

There being no further business to be conducted, the meeting was adjourned at 10:55 a.m.

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EPOC Item I March 17, 2016

CBA Item XI.D March 17-18, 2016

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

DRAFT

MINUTES OF THE November 19, 2015 ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC) MEETING

Hilton Pasadena
168 South Los Robles
Pasadena, CA 91101
Telephone: (626) 577-1000

Roll Call and Call to Order.

Kay Ko, CPA, Chair, called the meeting of the EPOC to order at 9:00 a.m. on Thursday, November 19, 2015. The meeting adjourned at 9:22 a.m.

Members

Kay Ko, CPA, Chair	9:00 a.m. – 9:22 a.m.
Alicia Berhow, CPA	9:00 a.m. – 9:22 a.m.
Herschel Elkins, Esq.	9:00 a.m. – 9:22 a.m.
Louise Kirkbride	Absent
Leslie LaManna, CPA	9:00 a.m. – 9:22 a.m.
Xochitl Leon	Absent
Jian Ou-Yang, CPA	9:00 a.m. – 9:22 a.m.

CBA Members Observing
Jose Campos, CPA, President
Katrina Salazar, CPA, Vice-President
Mark Silverman, Esq.

CBA Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Paul Fisher, Enforcement Supervising ICPA
Dominic Franzella, Chief, Enforcement Division
Nooshin Movassaghi, Legislative Analyst
Corey Riordan, Board Relations Analyst

Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, Legal Counsel, DCA
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Information and Planning Officer

Committee Chairs and Members
Joseph Rosenbaum, Vice-Chair, Enforcement Advisory Committee
Robert Ruehl, Chair, Qualifications Committee

Other Participants
Jason Fox, California Society of CPAs (CalCPA)
Pilar Oñate-Quintana, The Onate Group
Joseph Petito, The Accountants Coalition

I. Approval of the Minutes from the May 28, 2015 Enforcement Program Oversight Committee Meeting.

Ms. Ko requested members to review and provide feedback or edits to the May 28, 2015 EPOC Meeting Minutes.

It was moved by Ms. Berhow and seconded by Ms. LaManna to approve the meeting minutes.

Yes: Ms. Ko, Ms. Berhow, Mr. Elkins, Ms. LaManna, Mr. Ou-Yang.

The motion passed unanimously.

II. Discussion and Possible Action to Seek Legislation to Add Authority to Examine Licensees for Mental and Physical Illness Affecting Competency.

Mr. Stanley reported that the CBA initially considered this topic at its November, 2014 meeting, with assignment to the EPOC. Mr. Stanley noted that the EPOC evaluated this topic at its May, 2015 meeting, with the CBA ultimately directing staff to prepare a legislative proposal based on Business and Professions Code (BPC) sections 820-828. He also noted that the CBA also asked staff to contact other boards to gauge their interest in developing a general statute regarding this topic that would cover all licensing bodies.

Mr. Stanley noted that staff contacted all of the non-healing arts boards and bureaus to determine if there would be any interest in such a topic. He indicated that only one program indicated a positive response. Mr. Stanley informed the EPOC that because of this response, the proposed language was drafted to apply only to the CBA.

Mr. Stanley also noted that staff contacted the Senate Business and Professions Committee about the proposed language, and was informed that, because of the proposal's complex nature and it was a new program, the proposal would not be considered for the 2016 Omnibus Bill. Mr. Stanley also noted that Committee staff

indicated there would be significant opposition and that the CBA would need solid evidence to justify such a law.

Mr. Stanley noted that the language is nearly identical to that used by the healing arts boards.

Mr. Elkins raised a concern about possible constitutional issues, including a conflict with the recent North Carolina decision, and asked if there was a demonstrable need for this provision. Ms. Schieldge stated this proposal wouldn't necessarily conflict with the North Carolina decision and wouldn't create a constitutional issue as the goal is to prevent consumer harm before it occurs based on convincing evidence and after consultation with an expert to determine if grounds existed for such an evaluation. If no problem affecting competency was identified in this process, then no violation would be raised and the information would remain confidential.

Mr. Elkins raised concerns that this included physical disabilities and wondered what disabilities would qualify for such exams. Ms. Schieldge reiterated that an expert would have to determine if such disabilities would affect the competency of a licensee.

Ms. Ko expressed concern about the likelihood of such a proposal making it into statute in light of Mr. Stanley's report. Mr. Stanley reiterated the need for a solid body of evidence to support this proposal.

Ms. Berhow also asked if the proposal contained a provision that would allow for closed session hearings of such cases. Mr. Stanley stated the proposal would allow for such confidential deliberations.

Ms. Ko called for a motion on this issue. No motions were made.

III. Public Comments.

No public comments.

IV. Agenda Items for Next Meeting

No agenda items were proposed.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at 9:22 a.m.

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CBA XI.E.
March 17-18, 2016

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

DRAFT

MINUTES OF THE
January 21, 2016
MOBILITY STAKEHOLDER GROUP (MSG) MEETING

Wyndham Irvine-Orange County Airport
17941 Von Karman Avenue
Irvine, CA 92614
Telephone: (949) 863-1999

Executive Law Offices
3175-E Sedona Court
Ontario, CA 91764
(909) 291-2435 ext. 202

CALL TO ORDER

Jose Campos, CPA, Chair, called the meeting of the MSG to order at 10:58 a.m. on Thursday, January 21, 2016 at the Wyndham Irvine-Orange County Airport. Mr. Campos requested that the roll be called.

MSG Members

Jose A. Campos, CPA, Chair	Present
Joe Petito, Vice Chair	Absent
Donald Driftmier, CPA	Present
Dominic Franzella	Present
Ed Howard, Esq.	Absent
Michael Savoy, CPA	Present
Stuart Waldman	Absent

CBA Members Observing
Katrina Salazar, CPA, President
Alicia Berhow,
Herschel Elkins, Esq.
George Famalett, CPA
Laurence (Larry) Kaplan
Kay Ko

Leslie LaManna, CPA
Xochitl León
Jian Ou-Yang, CPA
Mark Silverman, Esq.
Kathleen Wright, Esq., CPA

Staff and Legal Counsel
Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Angela Crawford, Business Relations Analyst
Corey Faiello-Riordan, Board Relations Analyst
Nooshin Movassaghi, Legislative Analyst
Dorothy Osgood, Enforcement Supervising ICPA
Gina Sanchez, Chief, Licensing Division
Kristy Schieldge, DCA
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Information and Planning Officer

Other Participants
Maria Caldwell, National Association of State Boards of Accountancy (NASBA)
Jason Fox, California Society of Certified Public Accountants
Stacey Grooms, NASBA
Shelly Jones, DCA Representative
Pilar Oñate-Quintana, The Onate Group
Jon Ross, KP Public Affairs

I. Approve Minutes of the September 17, 2015 MSG Meeting.

It was moved by Mr. Savoy; seconded by Mr. Franzella and carried unanimously to approve the minutes of the September 17, 2015 MSG Meeting.

Yes: Mr. Campos, Mr. Driftmier, Mr. Franzella, and Mr. Savoy

No: None

Abstain: None

The motion passed.

II. The Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives.

Mr. Campos indicated this item is a written report only.

III. Timeline for Activities Regarding Determination to be Made Pursuant to Business and Professions Code Section 5096.21.

Mr. Campos indicated this item was a written report only.

IV. Review and Possible Approval of the 2015 Mobility Stakeholder Group Annual Report.

Mr. Stanley provided the MSG an overview of the MSG Annual Report. This report describes the actions and activities the MSG undertook in 2015 to ensure consumer protection.

Mr. Stanley stated the report includes the following topics:

- Message from the Chair
- Background of Mobility
- MSG Responsibilities
- MSG Members
- Legislative and Regulatory Changes to Mobility
- Program Overview
- Statistics for the Mobility Program
- Meetings and Activities
- Future Considerations

Furthermore, the statistics in the report were through November 30, 2015 and will be updated after the end of each calendar year.

It was moved by Mr. Savoy and seconded by Mr. Driftmier to recommend that the MSG delegate authority to the chair to deal with non-substantial changes with respect to statistics and non grammatical changes and to adopt the final version of the report.

Yes: Mr. Campos, Mr. Driftmier, Mr. Franzella, and Mr. Savoy.

No: None.

Abstain: None.

The motion passed.

V. Overview of the Findings of the National Association of State Boards of Accountancy Related to Business and Professions Code Section 5096.21(c).

Mr. Stanley indicated that the CBA chose NASBA to research the enforcement practices of each state to assure they are in line with the NASBA Enforcement Guidelines. NASBA outlined what it would be looking at in its Objectives for

Substantial Equivalency Evaluation and had provided the CBA with a list of 27 states that it had identified as substantially equivalent with California being one of the 27. Another 10 were identified, but lacked the required disciplinary history being made available online. The remaining 18 had yet to be identified as substantially equivalent. Because there are 28 states yet to be identified as substantially equivalent or not yet posting disciplinary history on their websites, staff recommended to not take any actions on those at this time. For the 26 states identified by NASBA as substantially equivalent, staff identified three options for how to proceed. For each state, the CBA may approve it as substantially equivalent, request an audit of NASBA's information, or defer action.

Mr. Stanley stated that in regards to conducting audits, NASBA will provide staff with the ability to audit the results of the substantial equivalency identifications by meeting with NASBA to collectively review states as identified by the CBA. This review will include a summary prepared by NASBA of the specific enforcement practices in the selected jurisdictions, and, when deemed necessary by staff, a confidential review of the underlying documents used to make a particular identification at a meeting between NASBA and staff.

Mr. Campos stated that this was a status report on the data collected.

The MSG discussed how the CBA would best provide active state oversight through it's review process of the NASBA findings.

The MSG deferred action on this item.

VI. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.

Mr. Stanley stated that there are still five states – Delaware, Hawaii, Michigan, Utah and Wisconsin – that are not yet participating in the Accountancy Licensee Database (ALD) and CPAverify.

Ms. Caldwell added that Michigan is participating as of January 21, 2016.

No action was taken on this item.

VII. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

Mr. Stanley indicated that staff was proposing only one topic for the next MSG meeting. That topic would focus on progress made regarding the comparison of other states enforcement programs to the NASBA Enforcement Guidelines and what an audit process or further oversight might look like.

No action was taken on this item.

There being no further business, the meeting adjourned at 11:18 a.m.

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CBA Item XI.F.
March 17-18, 2016

DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
December 9, 2015
PEER REVIEW OVERSIGHT COMMITTEE (PROC) MEETING

Hilton San Diego Airport/Harbor Island
1960 Harbor Island Drive
San Diego, CA 92101
Telephone: (916) 263-3680

I. Roll Call and Call to Order.

Robert Lee, CPA, Chair, called the meeting of the PROC to order at 11:00 a.m. on Wednesday, December 9, 2015. The meeting adjourned at 1:00 p.m.

Mr. Lee introduced Ms. Renee Graves, the new committee member. Ms. Graves gave a brief introduction about herself.

Members

Robert Lee, CPA, Chair	11:00 a.m. – 1:00 p.m.
Sherry McCoy, CPA, Vice-Chair	11:00 a.m. – 1:00 p.m.
Katherine Allanson, CPA	11:00 a.m. – 1:00 p.m.
Nancy Corrigan, CPA	11:00 a.m. – 1:00 p.m.
Jeffrey De Lyser, CPA	11:00 a.m. – 1:00 p.m.
Kevin Harper, CPA	11:00 a.m. – 1:00 p.m.
Renee Graves, CPA	11:00 a.m. – 1:00 p.m.

CBA Staff
Dominic Franzella, Chief, Enforcement Division
Malcolm Mitchell, Enforcement Manager
Siek Run, Enforcement Analyst

Other Participants
Linda McCrone, CPA, California Society of Certified Public Accountants (CalCPA)

II. Report of the Committee Chair.

A. Approval of the August 21, 2015 PROC Meeting Minutes.

Mr. Lee requested members to review and provide feedback or edits to the August 21, 2015 PROC Meeting Minutes.

It was moved by Ms. Corrigan and seconded by Ms. Allanson to approve the meeting minutes with the suggested changes.

Yes: Mr. Lee, Ms. McCoy, Ms. Allanson, Ms. Corrigan, Mr. De Lyser, and Mr. Harper.

Abstain: Ms. Graves.

The motion passed.

B. Report on the September 17-18, 2015 and November 19, 2015 CBA Meetings.

Mr. Lee provided the PROC with information on the CBA September 17-18 and November 19, 2015 meetings and highlighted actions taken on a wide variety of issues facing the CBA. Mr. Lee reported that at these meetings the CBA discussed the impact the new Statements on Standards for Accounting and Review Services (or SSARS 21) will have on peer review and continuing education, the options for tracking sole proprietorships, and elected new CBA leadership.

C. Report on the October 25-28, 2015 National Association of State Boards of Accountancy's (NASBA) 108th Annual Meeting.

Mr. Lee attended this meeting. The topics covered were similar to those at the NASBA Western Regional Meeting, that took place in June 2015. He further noted that the meeting emphasized big changes coming to the Uniform CPA Examination in 2017.

D. Discussion of Emerging Issues and/or National Standards that may have an Impact on Peer Review in California.

There was no report on this agenda item.

III. Report on PROC Oversight Activities Conducted since August 21, 2015.

A. Report on the August 12, 2015 California Society of Certified Public Accountants' (CalCPA) Administrative Site Visit.

Mr. Harper and Mr. De Lyser reported on the Administrative Site Visit they conducted at the CalCPA's Office in San Mateo, California. They found that the

system continues to meet the PROC's expectations, and there were no negative findings or outstanding items.

Mr. Harper and Mr. De Lyser noted that the PROC Summary of Administrative Site Visit (Checklist) requires that providers have educational trainings available for peer reviewers and reviewed firms. They noted that the CalCPA will no longer be providing peer reviewer education trainings as the educational requirements have changed, and that effective May 1, 2016 these trainings will be offered by the AICPA Peer Review Board (PRB).

B. Report on the September 18, 2015 American Institute of Certified Public Accountants' (AICPA) Peer Review Board (PRB) Meeting.

Ms. McCoy participated in this conference call and presented her report. She noted that the call was short and informative. She explained that the call focused on new tools put in place and rolled out to practitioners. Ms. McCoy encouraged the PROC to review the meeting packet as it highlights trending statistics.

C. Report on the September 29, 2015 CalCPA Report Acceptance Body (RAB) Meeting.

Mr. De Lyser participated in this conference call and presented his report. He was impressed with the preparation by the RAB participants and their knowledge of all 55 reports discussed at the meeting. He felt they should be commended for the amount of work they perform outside of the meetings.

D. Report on the November 10, 2015 AICPA Peer Review Board (PRB) Open Session Meeting.

Mr. Harper participated in this conference call and presented his report. He highlighted that the meeting was 20 minutes, with over 100 attendees, and they reviewed the AICPA Exposure Draft (Exposure). He noted that minor comments were made regarding the Exposure, which ultimately resulted in the approval of its release.

E. Report on the November 19-20, 2015 CalCPA Peer Review Committee (PRC)/RAB Meeting.

Ms. Corrigan and Ms. Allanson attended the CalCPA PRC meeting in-person and presented their reports. They expressed gratitude and highlighted the diligent and transparent work performed by the CalCPA Peer Review Program.

Ms. Allanson and Ms. Corrigan highlighted changes on the horizon related to peer review. The PROC briefly discussed the potential decrease in the numbers of administering entities as they become more regional, changes to guidance and questionnaires, and more practice aids to help firms write their quality control documents as they become more narrative.

The PROC discussed various actions taken by AICPA to improve peer review quality, including an increased focus on ERISA and A–133 audits, and more stringent educational requirements for peer reviewers as it relates to employee benefit plans.

Mr. Franzella encouraged members of the PROC to attend or watch online, the CBA's January 2016 meeting, as Ian Dingwall, CPA, Chief Accountant, Department of Labor, will be part of the panel presentation regarding and assessing the Quality of Employee Benefit Plan Audits.

F. Report on the PROC Oversight of the AICPA Oversight of Out-of-State Administering Entities (AEs) (Florida, Texas, Washington, and Arizona).

Mr. De Lyser reviewed and reported on the oversight activity of the AICPA for Washington. He explained that Washington received a clean report from AICPA with no recommendations or findings. Mr. De Lyser explained that he followed the review procedure AICPA performed on Washington State and concluded with a clean oversight report as well. A report was not given on Arizona as it was not considered an out-of-state AE.

Ms. Allanson reviewed and reported on the oversight activities performed by AICPA over Texas and Florida. She noted that both states received a clean report with no comments or feedback.

Mr. Harper inquired if bad reports existed. The PROC discussed how to approach future oversight of out-of-state AEs, its effectiveness, and opportunities for improvements. The conclusion was to maintain the existing protocol in regards to selecting out-of-state AEs.

G. Assignment of Future PROC Oversight Activities.

Mr. Lee noted that the new format for PROC assignments and activities are more user-friendly and Mr. Franzella noted that staff will combine agenda items III.G and IV in future PROC agendas.

Mr. Lee reviewed the PROC Assignment Sheet as members volunteered for future PROC activities for the following dates and time:

RAB

- January 26, 2016 – Mr. Harper at 2:00 p.m. call
- January 27, 2016 – Ms. Allanson at 9:00 a.m. call
- February 24, 2016 – Ms. Corrigan at 2:00 p.m. call
- February 25, 2016 – Ms. Graves at 9:00 a.m. call
- March 22, 2016 – Mr. Harper at 2:00 p.m. call

The PROC discussed the possibility of having Ms. Graves attend a RAB meeting in-person and asked staff to coordinate with both Ms. Graves and Ms. McCrone.

Ms. McCrone encouraged PROC members to attend the August AICPA Peer Review Conference, scheduled to take place from August 8-10, 2016, followed by the AICPA PRB Meeting on August 11, 2016. The PROC advised staff to communicate with Ms. McCrone to work out details on how to attend the conference.

Mr. Lee requested CBA staff to work with Ms. McCrone to research how PROC members can participate in future training presented by AICPA via webcast.

IV. Report on Status of PROC Assignments, Roles and Responsibilities Activity Tracking.

There were no changes, updates or comments for this agenda item.

V. Report of the Enforcement Chief.

A. Discussion on the Draft 2015 PROC Annual Report.

Mr. Franzella reported on this item. He requested feedback and edits from the PROC.

Mr. Lee recommended reviewing the report page by page. The PROC provided edits for the inclusion in the report.

Mr. Franzella informed the PROC that staff would make the requested edits and bring revisions in strike through and underline text at its next meeting.

B. Discussion on the California Society of Certified Public Accountants' (CalCPA) Peer Review Program Annual Report on Oversight for Calendar Year 2013.

Mr. Franzella introduced this report and requested members to review and provide staff feedback. The PROC received clarity from Ms. McCrone regarding the 2014 CalCPA Peer Review Program Annual Report, which was approved at the CalCPA November 2015 meeting. The PROC made the decision to include the 2014 report in the PROC January 2016 meeting.

C. Discussion on the November 19-21, 2014 AICPA Peer Review Committee Chair's Report on the Administrative Oversight Visit to CalCPA.

The PROC noted that the preparation of the report alternates biennially between the AICPA PRB and the CalCPA PRC. There was no feedback or further discussion regarding this agenda item.

D. Discussion Regarding the Impact of the Proposed Changes to the AICPA Exposure Draft on the Standards for Performing and Reporting on Peer Reviews, *Improving Transparency and Effectiveness of Peer Review*, November 10, 2015.

Mr. Franzella introduced this report to the PROC as an opportunity to discuss and provide comments for the Chair to report at the CBA January 2016 meeting. He further noted that staff is evaluating the draft from a regulation perspective to determine the impact of the changes.

The PROC discussed the Exposure Draft and agreed that the draft provided clarity on the following changes to come:

- Places increased responsibility on firms being peer reviewed
- Offers information, including reforming future complementary and clarifying changes to come
- Shifts peer review to a more remedial environment

The PROC supports the clarifying changes presented in the AICPA Exposure Draft.

VI. Closing Business.

A. Public Comments for Items Not on the Agenda.

No public comments were received for this agenda item.

B. Agenda Items for Future PROC Meetings.

Mr. Lee redirected members' attention to previously proposed agenda items and asked members to indicate if any of the items should be included in the upcoming meeting agenda. Mr. Lee proposed to have standing agenda items to discuss website monitoring for peer review updates and review of PROC oversight activity checklists.

VII. Adjournment.

There being no further business, Mr. Lee adjourned the meeting at 1:00 p.m. on Wednesday, December 9, 2015.

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Robert Lee, CPA Chair

Siek Run, Enforcement Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-4343.

CALIFORNIA BOARD OF ACCOUNTANCY

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CBA Item XII.B.2.
March 17-18, 2016

Proposed Responses to the National Association of State Boards of Accountancy's Focus Questions Regarding Issues Relevant to the Regulation of the Accounting Profession

Presented by: Corey Riordan, Board Relations Analyst

Consumer Protection Objectives

The purpose of this agenda item is to present the California Board of Accountancy's (CBA) responses to the National Association of State Boards of Accountancy (NASBA) Regional Director's Focus Questions. NASBA assists the CBA with achieving its mission to protect consumers, by creating a forum for state boards of accountancy to discuss relevant issues, ideas, and opinions, which creates consistency and uniformity amongst state boards of accountancy.

Action(s) Needed

The CBA will be requested to either approve or direct staff to make changes to the proposed responses.

Background

Staff has been informed that the Focus Questions are used to help NASBA regional directors stay apprised of each state's policies and procedures and to see where improvements or adjustments might be made. The eight regional directors review the states' answers and then present their findings to NASBA.

Comments

The draft responses to the NASBA Focus Questions (**Attachment 1**) were prepared by CBA staff from the Enforcement, Licensing, and Administration Divisions. These responses are due on April 11, 2016.

Fiscal/Economic Impact Considerations

There are no fiscal/economic impact considerations.

Recommendation

Staff recommend that the CBA either approve or direct staff to make changes to the proposed responses.

Attachment
NASBA Focus Questions

Attachment

FOCUS QUESTIONS

JANUARY 2016 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

1. Jurisdiction State: California

2. Name of the person submitting form on behalf of the Board of Accountancy: Patti Bowers

3. Email address of person submitting form on behalf of the Board of Accountancy: patti.bowers@cba.ca.gov

4. How quickly can your Board begin the enforcement process in response to a firm's failed peer review?

   The California Accountancy Act requires a firm receiving a substandard (for California purposes this mean fail) peer review report to file a copy of the report to the CBA. CBA Regulations requires that when a firm files a copy of the report, it does so within 45 days of the report's acceptance by a Board-recognized peer review program provider. A firm must include with its submission any materials documenting the prescription of any remedial or corrective actions and any materials, if available, documenting completion of any prescribed remedial or corrective actions. Additionally, a Board-recognized peer review program provider (in California the only such provider is the American Institute of CPAs Peer Review Program) must file a copy of any substandard peer review reports issued to a California-licensed firm.

   Upon receipt of a failed peer review, the CBA initiates an investigation. During the course of our investigation, an Investigative Certified Public Accountant reviews the failed peer review report to determine if there are significant departures from professional standards to warrant enforcement action by the CBA. Enforcement action may include additional continuing education courses, citation and fine, or referring the matter to the Office of the Attorney General for the filing of an Accusation. The CBA also confirms that the firm has completed any corrective action that was ordered by the administering entity and that the administering entity has accepted the corrective action.

   The CBA, therefore, treats a firm receiving a failed peer review similar to complaint of negligence. If the CBA seeks to take disciplinary action against a firm receiving a substandard peer review report, it must collect evidence that demonstrates, to a degree of clear and convincing proof, that the work performed by a firm was grossly negligent or constituted repeated acts of negligence.

FOCUS QUESTIONS

JANUARY 2016 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

5. How long will it be until the firm is referred to the Board's enforcement committee?

   The CBA has internal resources for the purposes of reviewing complaints and performing investigations. Upon receipt of a failed peer review report, the CBA initiates a complaint and assigns it for investigation.

6. Is your Board proposing any changes to speed up the process?
   ☐Yes
   ☐No
   ☒Other (please specify): Not applicable

7. Does your Board believe the experience requirement for audit practice in your state should be revisited?
   ☐Yes
   ☐No
   Please explain:

   The CBA is currently in discussion regarding the 500 attest experience requirement for CPA licensure. California licensees, stakeholders and other state boards of accountancy participated in a recent survey regarding this requirement. The results of the survey will be brought before the CBA at its March 2016 meeting to continue the discussion on whether to maintain, modify, or eliminate this requirement.

8. Does your Board believe the AICPA's new CGMA (Chartered Global Management Accountant) credential will impact the CPA candidate pipeline?
   ☐Yes
   ☐No
   ☒Other (please specify):

   The CBA has not discussed this issue although it may do so at a future date.

9. Does your Board foresee the CGMA credential impacting the Board's operations to protect the public in other ways?
   ☐Yes
   ☐No
   ☒Other (please specify):

   The CBA has not discussed this issue although it may do so at a future date.

FOCUS QUESTIONS

JANUARY 2016 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

10. What is happening in your jurisdiction that is important for other Boards and NASBA should know about?

- As of January 1, 2016 the CBA has a single educational pathway of 150 semester units for CPA licensure.

- The CBA has conducted a study of its attest experience requirement for CPA licensure to determine whether it is necessary and sufficient to protect consumers. The CBA will be evaluating and deliberating the results during 2016.

- The CBA's Mobility Stakeholder Group (MSG) is continuing its work in advising the CBA on mobility-related issues, including the CBA's review of other states' enforcement programs to determine if they are substantially equivalent to NASBA's Guiding Principles of Enforcement.

- The CBA is pursuing regulations related to the new level of service created in SSARS 21, preparation engagements. Those who perform preparation engagements as their highest level of service will be exempt from the mandatory peer review requirement, but will be required to complete 8 hours of accounting and auditing continuing education (CE) and four hours of fraud detection CE.

- Effective January 1, 2016, pursuant to CBA Regulations section 12.1, experience in academia now qualifies toward the general accounting experience requirement for CPA licensure if certain requirements are met.

- The United States Department of Labor's (DOL) Employee Benefits Security Administration published a report titled "Assessing the Quality of Employee Benefit Plan Audits." In a recent letter from the DOL Office of the Chief Accountant, the DOL highlighted the findings of the report and provided the CBA with statistics specific to California. The CBA will be conducting further study of this matter including examining options such as changes to the CBA's laws, regulations, continuing education requirements, enhanced enforcement strategies, increased outreach, or any other changes that will improve the quality of employee benefit plan audits in California to protect the consumers relying on those benefit plans.

FOCUS QUESTIONS

JANUARY 2016 NASBA REGIONAL DIRECTORS' FOCUS QUESTIONS

11. Can NASBA be of any assistance to your Board at this time?

12. NASBA Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.
    - ☐Input only from Board Chair
    - ☐Input only from Executive Director
    - ☐Input only from Board Chair and Executive Director
    - ☐Input from all Board Members and Executive Director
    - ☐Input from some Board Members and Executive Director
    - ☐Input from all Board Members
    - ☐Input from some Board Members
    - ☐Other (please specify):