



DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY
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DEPARTMENT OF CONSUMER AFFAIRS
CALIFORNIA BOARD OF ACCOUNTANCY

FINAL

MINUTES OF THE
JULY 23-24, 2009
BOARD MEETING

The Fairmont Hotel
 4500 MacArthur Blvd.
 Newport Beach, CA 92660
 Telephone: (949) 476-2001
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Roll Call and Call to Order.

President Robert Petersen called the meeting to order at 2:34 p.m. on Thursday, July 23, 2009 at the Fairmont Hotel, and the Board heard Agenda Items I - V. The meeting adjourned at 4:18 p.m. Board President Petersen reconvened the meeting to order at 8:30 a.m. on Friday, July 24, 2009. The Board convened into closed session at 8:50 a.m. to deliberate Agenda Item VIII.A. – I. The meeting reconvened into open session at 10:10 a.m., and the meeting adjourned at 3:41 p.m.

Board Members

July 23, 2009

Robert Petersen, President	2:34 p.m. to 4:18 p.m.
Manuel Ramirez, Vice President	2:34 p.m. to 4:16 p.m.
Lorraine Hariton, Secretary-Treasurer	2:34 p.m. to 4:18 p.m.
Sally Anderson	2:34 p.m. to 4:18 p.m.
Rudy Bermúdez	2:34 p.m. to 4:12 p.m.
Michelle Brough	2:34 p.m. to 4:18 p.m.
Angela Chi	2:34 p.m. to 4:18 p.m.
Donald Driftmier	2:34 p.m. to 4:18 p.m.
Herschel Elkins	2:34 p.m. to 4:18 p.m.
Louise Kirkbride	2:34 p.m. to 4:18 p.m.
Leslie LaManna	2:34 p.m. to 4:18 p.m.
Marshal Oldman	2:34 p.m. to 4:18 p.m.
David Swartz	2:34 p.m. to 4:18 p.m.
Lenora Taylor	2:34 p.m. to 4:18 p.m.

Board Members

July 24, 2009

Robert Petersen, President	8:30 a.m. to 3:41 p.m.
Manuel Ramirez, Vice President	8:30 a.m. to 3:41 p.m.
Lorraine Hariton, Secretary-Treasurer	8:30 a.m. to 3:41 p.m.
Sally Anderson	8:30 a.m. to 3:41 p.m.
Rudy Bermúdez	8:49 a.m. to 3:41 p.m.
Michelle Brough	8:30 a.m. to 3:41 p.m.
Angela Chi	8:30 a.m. to 3:41 p.m.
Donald Driftmier	8:30 a.m. to 3:41 p.m.
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David Swartz	8:30 a.m. to 3:41 p.m.
Lenora Taylor	8:30 a.m. to 3:41 p.m.

Staff and Legal Counsel

Marisa Becerra-Garcia, Executive Analyst
Patti Bowers, Executive Officer
Veronica Daniel, Executive Support Analyst
Gary Duke, Legal Counsel, Department of Consumer Affairs
Dominic Franzella, Renewal Coordinator
Scott Harris, Deputy Attorney General, Department of Justice
Lauren Hersh, Information and Planning Officer
Vincent Johnston, Analyst, Executive Unit
Larry Knapp, Supervising Investigative Certified Public Accountant
Catherine Messana, Certified Law Student, Department of Justice
David Montes, Certified Law Student, Department of Justice
Gregory Newington, Retired Chief, Enforcement Division
Deanne Pearce, Acting Chief, Licensing Division
Dan Rich, Assistant Executive Officer
Michele Santaga, Analyst, Enforcement Division
Matthew Stanley, Legislation/Regulation Analyst
Kathy Tejada, Manager, Enforcement Division

Committee Chairs and Members

Harish Khanna, Chair, Administrative Committee

Other Participants

Ira Berkowitz
Ken Bishop, National Association of State Boards of Accountancy (NASBA)
Kenneth Hansen, KPMG, LLP

Cathy Landau-Painter, KPMG
Dr. Craig Mills, American Institute of Certified Public Accountants (AICPA)
Carl Olson
Joe Petito
Richard Robinson, E&Y, DT, PWC, KPMG, GT
Hal Schultz, California Society of Certified Public Accountants (CalCPA)
David Tolkan, Society of California Accountants (SCA)
Jeannie Tindel, CalCPA

I. Roll Call and Call to Order.

Board President Petersen called the meeting to order on July 23, 2009.

II. Public Comments.

No comments were received.

III. Educational Presentation – License Renewal Process and Requirements.

Ms. Pearce conducted a presentation of the license renewal process and its requirements (**See Attachment 1**). She stated Board staff's goal is to audit 25 percent of licensees, and staff is working on implementing a database that will help streamline the process. She further stated the Board is scheduled for phase-in to DCA's BreEZe system in 2011. Ms. Bowers envisioned using the Board's internal information technology staff to bring certain functions online, but will work collaboratively with DCA on implementing the department-wide system.

IV. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Ms. Pearce reported the examination fee for the Uniform Certified Public Accountant (CPA) Examination increased, and the Qualifications Handbook was revised and posted to the Board's Web site to notify applicants.

Ms. Pearce reported the Initial Licensing Unit has a zero backlog, and the current processing timeframe is no more than 30 days.

Ms. Pearce reported the Examination Unit has a current processing timeframe of less than 30 days, and is closely monitored by Board staff.

Ms. Pearce reported the Renewal and Continuing Competency Unit sent its first two batches of pre-selection continuing education audit letters, and anticipated providing the Board with preliminary statistics at the September 2009 Board meeting.

Ms. Pearce reported the Practice Privilege Unit issued two administrative suspension orders in May 2009.

B. Report on Automated Continuing Education Tracking – Part One.

Ms. Pearce provided a report on automated tracking of licensees' continuing education (**See Attachment 2**). Mr. Elkins inquired into whether the Board allows licensees to submit personalized worksheets as opposed to the worksheets issued by the Board, and if there was a regulation already in place mandating submission of a specific worksheet. Ms. Pearce stated the Board currently accepts personalized worksheets. Ms. Anderson inquired into whether any other states have an automated continuing education tracking system, and Ms. Pearce stated she was uncertain but will contact other states.

C. Report on the Customer Satisfaction Survey.

Ms. Pearce provided a report on the customer satisfaction survey (**See Attachment 3**). Mr. Elkins stated the number of those that indicated "Not Applicable" was misleading. Mr. Petersen stated that Board staff should review the issue.

V. Report of the Enforcement Chief.

A. Report on Status of Enforcement Matters.

1. Activity and Status Reports.

Mr. Knapp reported the three open cases from 2005/2006 are a result of a major case that was settled and internally opened cases for monitoring possible criminal action against individuals that worked for the firm for possible criminal action. He further reported that for 2007/2008, of the 27 open cases, ten were related to cases that were opened internally to also monitor possible criminal action related to the major case. Mr. Elkins suggested adding information to the report to reflect why these cases are open. Mr. Newington added that most cases take between six and 18 months to resolve, however, criminal matters can take a longer period of time as a result of pending criminal proceedings. Ms. Kirkbride suggested Board staff not include these cases into the report, since the cases were opened internally and result in inaccurate reporting. Mr. Bermúdez stated that if the information is removed from the status report, Board staff should create a separate document reflecting these cases. Mr. Petersen added that these types of cases skew the reporting statistics and suggested changing the report format. Ms. Kirkbride suggested contacting other states to compare data. Mr. Ramirez requested Board staff track pending open complaints and the length of time it takes to reach conclusion to be presented at the September 2009 Board meeting.

2. Major Case Summary.

Mr. Newington stated as of June 30, 2009, there are three open matters. He reported that of the three cases, one is currently undergoing criminal investigation, another continues with its Board investigation, and the third has a “draft” accusation pending with the final accusation anticipated to be filed within six months.

3. Report on Citations and Fines.

Mr. Knapp reported total receivable balance was \$31,550.

4. Reportable Conditions Data.

Mr. Knapp reported there were 278 reportable events, with 242 related to restated financial statements. He further reported that of the 242 restated financial statements, 165 related to governmental agencies, seven to non-profit and 70 to Securities and Exchange Commission registrants.

VI. Roll Call and Call to Order.

Board President Petersen called the meeting to order on July 24, 2009.

VII. Public Comments.

Mr. Olson provided a handout which included information regarding the losses incurred by the California Public Employees Retirement System and the California State Teachers’ Retirement System, the posting of accusations on the Board’s Web site, and the June 8, 2009 Assembly Banking and Finance Committee Hearing (**See Attachment 4**).

Mr. Petersen clarified the Board does not hide any accusations on the Web site; those accusations are already made available to the public and the Board plans to enhance the Web site to make it more user-friendly. He further reiterated the Board does not hide documents and its top priority is consumer protection.

VIII. Petitions, Stipulations, and Proposed Decisions [Closed Session Government Code Section 11126(c)(3)] Petition Hearings are Public Before the Board with a Subsequent Closed Session.

A. Ira Berkowitz – Petition for Reduction of Penalty.

The Petition for Reduction of Penalty in the matter of Ira Berkowitz was adopted.

B. Gary Huband – Stipulated Surrender.

The Stipulated Surrender in the matter of Gary Huband was adopted.

C. Thomas J. Saiz – Stipulated Settlement.

The Stipulated Settlement in the matter of Thomas J. Saiz was adopted.

D. Calderon, Jaham, & Osborn, An Accountancy Corporation – Stipulated Surrender.

The Stipulated Surrender in the matter of Calderon, Jaham, & Osborn, An Accountancy Corporation was adopted.

E. Robert Steiner – Default Decision.

The Default Decision in the matter of Robert Steiner was adopted.

F. Trudy Reed – Default Decision.

The Default Decision in the matter of Trudy Reed was adopted.

G. L. George Hukriede Accountancy Corporation – Default Decision.

The Default Decision in the matter of L. George Hukriede Accountancy Corporation was adopted.

H. Brenda M. Vance, aka Poppe – Stipulated Settlement.

The Stipulated Settlement in the matter of Brenda M. Vance, aka Poppe was adopted.

I. Gregory Robert Miller – Stipulated Settlement.

The Stipulated Settlement in the matter of Gregory Robert Miller was adopted.

IX. Report of the President.

A. Report on the June 8, 2009 Assembly Banking and Finance Committee Hearing.

Mr. Petersen reported that he provided testimony at the second of two hearings and there was not much criticism of the accounting profession. He offered a recording of the hearing to any one who wishes to listen.

B. Update on the California Research Bureau (CRB) Accountancy Study.

Mr. Petersen stated that Senate Bill (SB) 691, as originally proposed, would modify the educational requirements for CPA licensure in California. As a result of this bill, Senator Negrete-McLeod requested the CRB undertake a project to study the pathways to licensure. He stated that at the first meeting the CRB provided survey information based on their contact with 30 states regarding their licensure requirements. After reviewing the survey questions during the first meeting, the CRB requested assistance in clarifying the survey questions. Mr. Petersen reported that he and Ms. Bowers assisted with revisions to the survey questions. The CRB was to use the revised surveys to again contact those states to seek clarification on the responses. He further reported the CRB's report is due to Senator Negrete-McLeod on November 1, 2009.

C. Proposed Resolution for Retired Chief of the Enforcement Program, Greg Newington.

Mr. Petersen proposed a resolution to commend and thank Mr. Newington for his years of service to the Board and the state of California.

It was moved by Mr. Driftmier, seconded by Mr. Ramirez and unanimously carried by those present to accept the proposed resolution for retired Chief of the Enforcement Program, Greg Newington.

D. Report on Testimony Before Legislative Committees.

Mr. Petersen reported he testified before the Legislature in support of Assembly Bill (AB) 1005, which would require the Board to post accusations on its Web site, as well as the final adopted minutes of each Board meeting.

He further reported he testified before the Assembly Business and Professions (B&P) Committee, the Senate Business, Professions and Economic Development, and the Senate Appropriations Committees in support of AB 138.

Ms. Bowers reported that Board staff mailed letters to other states in early-July 2009 requesting their position on whether they would recognize existing California licensees as substantially equivalent, and if California retains two pathways, whether they would recognize those licensees licensed under Pathway 2 as substantially equivalent. She stated the responses were due by July 31, 2009, and as of the date of

the Board meeting she received six responses. Of those six responses, four stated they would continue to recognize licensees licensed under Pathway 2 as substantially equivalent, and the remaining two stated they could not provide comment until after their state board met to discuss and consider the issue. Ms. Tindel requested Board staff share copies of the received responses, and Ms. Bowers agreed to the request.

Mr. Petersen stated he received an invitation to speak at the Philippine Institute of Certified Public Accountants' Global Convention in September 2009 on the international financial accounting standards. Mr. Petersen stated he had a prior commitment and asked for volunteers to speak at this convention. He stated that since the Board has yet to take a position on the international financial accounting standards, a different topic may need to be discussed.

Mr. Petersen directed the Board members' attention to an article written by Mr. Costello that was featured in the latest NASBA newsletter, and offered copies of NASBA's letter to the AICPA regarding accounting pronouncements to anyone who is interested.

X. Report of the Vice President.

- A. Recommendation for the Appointments of Mr. Seid Sadat, Mr. Michael Schwarz and Mr. Gary Caine to the Administrative Committee (AC).

It was moved by Ms. Taylor, seconded by Ms. Anderson and unanimously carried by those present to approve the appointments of Mr. Seid Sadat, Mr. Michael Schwarz and Mr. Gary Caine to the AC.

- B. Proposed Resolution for Retiring AC Member Dawn Brenner.

It was moved by Mr. Ramirez, seconded by Mr. Oldman and unanimously carried by those present to approve the proposed resolution for retiring AC member Dawn Brenner.

XI. Report of the Secretary/Treasurer.

- A. Update on the Governor's Budget.

There was no report on this agenda item.

- B. Discussion of Governor's Executive Orders S-09-09 and S-13-09.

Mr. Rich provided an update on the Governor's Executive Orders S-09-09 and S-13-09 (**See Attachment 5**).

Mr. Bermúdez inquired into the impact furloughs will have on future Board

meetings, and Ms. Bowers stated those meetings which land on furlough dates will need to be re-scheduled.

Ms. Hariton inquired into the feasibility of reinstating the contract with the consultant who was hired to study the Enforcement Program once the budget is signed. Ms. Bowers stated that once the budget is signed Board staff will submit a spending plan with a 15 percent reduction in costs to DCA, and once the plan is approved the Board may proceed with the contract.

Mr. Oldman suggested establishing a nonprofit foundation for the Board to place certain educational functions within its scope, with the hope these functions may be taken out of the Board's current budget. Mr. Petersen stated that he and Mr. Oldman should meet and confer with Mr. Duke on this issue.

Ms. Bowers stated Board staff will identify alternative dates for those meetings which need to be re-scheduled due to furloughs, and will send a communication to Board members.

Mr. Bermúdez inquired into possible dates to hold special Board meetings and stated his belief that holding meetings at the Board office was too difficult for the general public to attend due to building security. Ms. Bowers stated that special Board meetings would primarily be held at the Board office and offer options for Board members and the public to participate via teleconference. She further stated Board staff will identify a southern California location to hold special Board meetings to facilitate participation. Ms. Bowers informed the Board the conference room was enlarged and would accommodate a larger number of people, and she stated that Board staff may be on hand and available to assist the general public in attending a Board meeting at the Board office by allowing them to bypass the sign-in process.

Mr. Petersen introduced Ms. Cathy Landau-Painter, Director of Government Relations for KPMG.

XII. Presentation – International Delivery of the Uniform Certified Public Accountant Examination.

Mr. Ken Bishop and Dr. Craig Mills conducted a presentation on the international delivery of the Uniform CPA Examination (**See Attachment 6**).

Ms. Kirkbride suggested forming a task force or group to study the impact this may pose on the Enforcement Program and Board staff. Mr. Petersen suggested assigning this issue to the Committee on Professional Conduct (CPC) for further study.

XIII. Report of the Executive Officer.

A. Report of Existing Projects (Written Report Only).

Ms. Bowers provided a handout detailing the projects currently assigned to Board staff (**See Attachment 7**).

B. Update on Enforcement Program and Staffing.

Ms. Bowers extended her appreciation to Mr. Newington for his assistance in her transition to Executive Officer. She stated she is actively seeking pay parity for the Investigative CPAs. Ms. Bowers reported there was a low turnout for the civil service exam which was recently released, with only ten approved applications for the Investigative CPA position and nine approved applications for the Supervising Investigative CPA position. She further reported the Enforcement Program was divided into two units, technical and non-technical. Ms. Bowers reported the current processing timeframes of enforcement matters is appropriately efficient, and she is currently working to revisit the internal tracking reports for all programs within the Board to ensure managers are adequately equipped to address and resolve any issues that may arise.

Ms. Bowers further reported that she is working on a transition plan to facilitate Mr. Newington's retirement, including cross-training, utilizing outside resources, as well as internal staff to ensure the workload is completed timely.

C. Discussion of the 2009 Board Conference.

Ms. Bowers stated it was her opinion the list of topics Board members requested to address at this conference may be appropriately added to a Board agenda or existing committee meeting.

Mr. Petersen stated his belief that an advantage of holding a Board conference is that it enables the members to delve into topics more thoroughly.

Ms. Hariton cautioned the Board to be mindful of the current budget situation and felt the topics may be best addressed at a regular Board meeting. Mr. Swartz agreed.

Ms. Kirkbride stated her belief that it may be more efficient to consider issues before the full Board instead of at the committee level, and suggested adding more time to the first day of meetings to add agenda items for consideration.

Mr. Elkins suggested using the teleconference option as a substitution. Mr. Petersen did not think this option was appropriate for thoroughly dissecting an issue, and that additional or longer Board meetings may be inevitable.

Mr. Bermúdez advocated for proceeding with the conference to enhance free-flow discussion in a non-adversarial environment.

D. Further Clarification on Cross-Border Practice and Mobility.

Ms. Pearce requested further clarification on what information the Board members wish to review to assist them in the consideration of cross-border practice and mobility (**See Attachment 8**).

Mr. Bermúdez requested scheduling a study session in the Legislative Committee to dissect the issue of mobility as soon as possible. Mr. Petersen stated he would like to focus on formulating other options and did not wish to place focus on Section 23 of the Uniform Accountancy Act (UAA).

Ms. Kirkbride suggested assessing the impact of inbound mobility and under what circumstances the Board grants inbound mobility.

Ms. Anderson inquired as to NASBA's position on the issue.

Ms. Taylor suggested re-visiting the objections and criticisms of the original bill related to mobility, and Mr. Petersen suggested pulling together historical significance and the latest changes.

Ms. Kirkbride suggested focusing on the enforcement issue and options the Board has in addressing those licensees which the Board has no jurisdiction over.

Mr. Petersen emphasized the importance of accumulating information, and once the information is gathered presentations conducted by NASBA may prove beneficial.

Ms. Hariton stressed the necessity of the Accountancy Licensee Database.

E. Consideration of the Draft 2009 Sunset Review Report.

Mr. Johnston presented the draft 2009 Sunset Review Report (**See Attachment 9**).

Mr. Ramirez requested Board members provide comments to

Mr. Johnston by August 5, 2009. Mr. Petersen appointed Mr. Driftmier and Ms. Anderson to work with Mr. Johnston on the final report.

F. Consideration of the Draft CBA 2010-2012 Strategic Plan.

Mr. Rich presented the draft CBA 2010-2012 Strategic Plan for Board consideration (**See Attachment 10**).

Mr. Elkins stated he did not believe the new Mission and Vision statements truly reflected the Board's mission of ethics and was meaningless without the term "public welfare".

Ms. Kirkbride stressed the importance of respecting the process Board members and staff used in drafting the new Mission and Vision statements.

It was moved by Mr. Driftmier, seconded by Mr. Bermúdez and unanimously carried by those present to approve the draft CBA 2010-2012 Strategic Plan in its entirety.

G. Consideration of New Board Logo.

Ms. Hersh presented a draft Board logo for consideration (**See Attachment 11**).

It was moved by Mr. Ramirez, seconded by Ms. Taylor and unanimously carried by those present to approve the draft Board logo, with CBA in blue.

H. Reconsideration of Denial of Mr. Carl Olson's Request for Regulation Making on Madoff-type Schemes.

Mr. Olson submitted a request for reconsideration of the denial of his Request for Regulation Making on Madoff-type Schemes (**See Attachment 12**).

It was moved by Mr. Ramirez, seconded by Ms. LaManna and unanimously carried by those present to deny reconsideration of the denial of Mr. Carl Olson's Request for Regulation Making on Madoff-type Schemes.

XIV. Committee and Task Force Reports.

A. Report of the Committee on Professional Conduct.

1. Report of the July 23, 2009 CPC Meeting.

Ms. Anderson reported the CPC met and discussed the following agenda items.

2. Consideration of Revised Peer Review Regulations.

Ms. Anderson reported that Board staff provided changes to the language based on comments provided by primarily the AICPA and CalCPA (**See Attachment 13**).

3. Update on the Peer Review Timeline.

Ms. Anderson reported that Board staff provided an updated peer review timeline (**See Attachment 14**).

B. Report of the Legislative Committee (LC).

1. Report of the July 23, 2009 LC Meeting.

Ms. Kirkbride reported the LC met and discussed the following agenda items.

2. Update on Assembly Bill (AB) 138 – Peer Review.

Ms. Kirkbride reported AB 138 passed the Assembly Appropriations Committee, the Assembly Floor, the Senate Business Professions and Economic Development Committee, and is on the Senate Appropriations Suspense File. She further reported AB 138 was scheduled for a vote on August 24, 2009. Ms. Kirkbride reported the SCA opposes AB 138, and proposed an amendment requiring firms to submit a second substandard peer review report and not the first to the Board. She further reported that upon request by Assemblymember Hayashi's office, the Board sent an email to the SCA detailing the reason behind requiring firms to submit all substandard peer review reports. Ms. Kirkbride reported the LC took no action on the proposed amendments in order to proceed with the bill as written.

3. Update on Bills on Which the Board has Taken a Position.

- AB 117 – Inactive Designation.
- AB 276 – Professional Fiduciaries: Licensing Exemptions.
- AB 309 – Public Contracts: Small Businesses.
- AB 472 – Disaster Preparedness.
- AB 797 – Accountants Discipline: Internet Posting.
- AB 1005 – Internet Broadcasting.
- AB 1094 – Abandoned Records.
- AB 1494 – Public Meetings.
- SB 389 – Fingerprinting.
- SB 638 – Sunset Review.

- SB 691 – Substantial Equivalency.
- SB 719 – Expenditure Information on the Internet.
- SB 820 & SB 821 – Omnibus Bill.

Ms. Kirkbride reported the LC took no action on the following bills: AB 117, AB 472, AB 797, AB 1005, AB 1094, AB 1494, SB 389, SB 638 and SB 691.

The LC recommended the Board discontinue tracking AB 276, AB 309 and SB 719.

The LC also recommended the Board discontinue tracking of SB 820, as SB 820 was gutted and its contents placed into SB 821. The LC further recommended the Board take a support position on SB 821, and direct staff to request the friendly amendment outlined on page 6 of staff's memorandum (**See Attachment 15**).

It was moved by Mr. Driftmier, seconded by Mr. Swartz and unanimously carried by those present to accept the LC's recommendations, including the friendly amendment outlined on page 6 of staff's memorandum regarding SB 821.

C. Report of the Enforcement Program Oversight Committee (EPOC).

1. Report of the July 23, 2009 EPOC Meeting.

Ms. Taylor reported the EPOC met and discussed the following agenda items.

2. Consideration of Proposed Revisions to the Disciplinary Guidelines.

A. Proposed Optional Condition of Probation – Prohibition from Accepting New Clients.

Ms. Taylor reported the EPOC was unable to reach a consensus and felt this issue would best be handled before the full Board. She reported some believed the language was too broad, the EPOC brainstormed suggested language to address the issue, and others pointed out the Board already has the flexibility to impose discipline.

It was moved by Mr. Ramirez, seconded by Ms. Brough, and carried by those present to defer this issue to the full Board allocating sufficient time for Board discussion. Ms. Anderson opposed.

Mr. Robinson pointed out the Enforcement Program already has

flexibility and institutes creativity when imposing discipline and supports the existing guidelines.

B. Proposed Revisions Regarding Ethics and Regulatory Review.

The EPOC recommended the Board approve the revisions to the optional condition of probation Item 20, ethics continuing education as shown in Attachment 2, and add the optional condition regarding regulatory review courses as shown in Attachment 3, with the deletion of the last paragraph in Attachment 3.

It was moved by Mr. Ramirez, seconded by Mr. Bermúdez and unanimously carried by those present to accept EPOC's recommended revisions.

3. Presentation of Guide for Filing an Accusation Against a CPA.

It was moved by Mr. Ramirez, seconded by Mr. Bermúdez and unanimously carried by those present to approve the revised decision tree as shown in Attachment 2 (See Attachment 16).

D. Report of the Board Member Guidelines and Procedure (G&P) Manual Committee.

1. Report of the June 24, 2009 G&P Manual Committee Meeting.

Mr. Oldman reported the G&P Manual Committee met and discussed the following agenda items.

2. Consideration of Proposed Policy Relating to Election of Officers.

Mr. Oldman reported the G&P Manual Committee drafted a new procedure related to the election of Board officers, which would have interested candidates provide a one-page written summary of intent and qualifications for office, and allow for presentations by candidates at the November Board meeting (**See Attachment 17).**

It was moved by Mr. Oldman, seconded by Mr. Swartz and unanimously carried by those present to adopt the process for the election of officers as outlined in Attachment 1.

3. Consideration of Proposed Modifications to the Board Member G&P Manual.

Mr. Oldman reported the G&P Manual Committee changed the name of the Administrative Committee to the Enforcement Advisory Committee to clarify the committee has no administrative functions within the Board. He further reported the committee seeks to revise B&P Code section 5024, which requires that all committee members

be CPAs, in SB 821. He reported the committee deleted references to the Report Quality Monitoring Committee, since the committee is no longer in existence (**See Attachment 18**).

Ms. Anderson suggested creating a form for Board members to specify which committees they wish to serve on.

It was moved by Mr. Ramirez, seconded by Mr. Bermúdez and unanimously carried by those present to accept the modifications and include language allowing the Board President to make an interim appointment in the case of a mid-term vacancy of the Secretary-Treasurer position.

E. Report of the Administrative Committee.

There was no report on this agenda item.

F. Report of the CPA Qualifications Committee.

1. Report of the July 8, 2009 QC Meeting.

Ms. Pearce reported there was a July 8, 2009 QC Meeting and June 18, 2009 Section 69 meeting, where 12 appearances were held, in which two personal appearances were not approved and three Section 69 appearances were not approved.

She also reported Board staff updated the QC on the furlough situation and is monitoring the processing time frames for the Initial Licensing Unit. Ms. Pearce reported that staff also provided an update on the status of the email alert system, which is set to launch on August 1, 2009. She further reported the January 6, 2010 QC meeting was rescheduled for January 27, 2010, and the QC adopted the proposed 2010 meeting dates.

Mr. Driftmier requested Rule 69 be presented as an educational topic at a future Board meeting.

2. Proposed 2010 and January 2011 QC Meeting Dates.

It was moved by Mr. Ramirez, seconded by Ms. Chi and carried by those present to approve the report of the July 8, 2009 QC Meeting and proposed 2010 and January 2011 QC meeting dates. Ms. Taylor and Mr. Elkins were temporarily absent.

XV. Regulations.

A. Regulation Hearing to Adopt Section 50.1 Related to Attest Client Notification.

Mr. Duke conducted a regulation hearing to adopt Section 50.1 related to attest client notification. The transcript of the proceeding is as follows:

“Good afternoon and welcome to the California Board of Accountancy’s Department of Consumer Affairs’ hearing to consider adoption of a proposed regulation to Title 16 of the California Code of Regulations. My name is Gary Duke, Senior Staff Counsel, and I will preside over this regulation hearing. For the record, today is July 24, 2009, and the time is approximately 1:38 p.m. This hearing is being conducted at the Fairmont Hotel in Newport Beach, California. Pursuant to the authority vested in Sections 5010 and 5018 of the Business and Professions Code, and to implement and interpret, or to make specific Sections 138 and 5018 of said code, the California Board of Accountancy is considering changes to the provision of Title 16 of the California Code of Regulations as follows: to adopt Section 50.1 of Title 16 of the California Code of Regulations. This proposal would adopt Section 50.1 to clarify that an attest fine or prospective attest fine must be noticed of the ownership composition of the Accountancy Program, if none of the licensee owners are authorized to sign reports on attest engagements. The Board has provided notice of this proposed regulation in accordance with the California Administrative Procedures Act. This notice was mailed out to the Board’s Interested Parties list, as well as published in the Notice Register and posted on the Board’s Web site. The purpose of this regulation hearing is only to receive oral and/or written comment, and I would like to open the hearing for public comment. Is there anyone here who would like to comment on this particular regulation? Seeing no one interested in commenting at this time, I would like to adjourn the regulatory hearing and turn the gavel back to Board President Petersen as he may wish to entertain a motion to adopt the regulation.”

It was moved by Mr. Bermúdez, seconded by Mr. Elkins and unanimously carried by those present to adopt Section 50.1 related to attest client notification.

Board staff was directed to complete the rulemaking file and file with the Office of Administrative Law.

B. Regulation Hearing to Adopt Section 2.6 Related to Attest Definitions.

Mr. Duke conducted a regulation hearing to adopt Section 2.6 related to attest definitions. The transcript of the proceeding is as follows:

“Good afternoon. Welcome to the California Board of Accountancy’s Department of Consumer Affairs’ hearing to consider adoption of a proposed regulation to Title 16 of the California Code of Regulations. My name is Gary Duke, Senior Staff Counsel, and I will preside over this regulation hearing. For the record, today is July 24, 2009, and the time is

approximately 1:33 p.m. This hearing is being conducted at the Fairmont Hotel in Newport Beach, California. Pursuant to the authority vested by Sections 5010, 5015 and 5096.9 of the Business and Professions Code and to implement, interpret, or make specific sections 5095 and 5096.5 of said code, the California Board of Accountancy is considering changes to the provision of Title 16 of the California Code of Regulations as follows: to adopt Section 2.6, Title 16 of the California Code of Regulations. I would like to direct Board members and members of the audience who have a package to look at the last half of your book where it says "For Your Information". This contains a copy of the Notice of Regulatory Hearing, as well as the text of the regulation that is being covered. Consideration of Section 2.6 relates to a regulation to clarify and define attest services and attest reports as an audit and review of financial statements, or an examination of prospective financial information, but would exclude the issuance of compiled financial statements. The Board has provided notice of this proposed regulation in accordance with the California Administrative Procedures Act. This notice was mailed out to the Board's Interested Parties list, as well as published in the Notice Register and posted on the Board's Web site. The purpose of this regulation hearing is only to receive oral and/or written comment, and I would like to open the hearing for public comment. Is there anyone here who would like to comment on this particular regulation? This was noticed at a set time for hearing at 1:30 p.m. It proceeded at approximately 1:33 p.m., and seeing as there is no comment on this particular regulation, this regulation hearing is closed."

13 Board members were in favor of adopting Section 2.6 related to attest definitions. Ms. Kirkbride abstained. Section 2.6 related to attest definitions was adopted.

Board staff was directed to complete the rulemaking file and file with the Office of Administrative Law.

C. Regulation Status Report (Written Report Only).

A handout was provided detailing the status of regulations (**See Attachment 19**).

XVI. Appeals – Personal/Written.

A. Personal Appeals.

There were no personal appeals.

XVII. Adoption of Minutes.

A. Draft Minutes of the May 15, 2009 Board Meeting.

Mr. Petersen stated his belief that Mr. Robinson's comments were not accurately reflected in the May 15, 2009 Board meeting minutes. Mr. Ramirez stated his belief the comments were captured accurately. Board staff was directed to review the audio to address Mr. Robinson's concerns and revise the minutes, if necessary.

- B. Minutes of the January 29, 2009 AC Meeting.
- C. Minutes of the April 22, 2009 QC Meeting.
- D. Minutes of the May 14, 2009 CPC Meeting.
- E. Minutes of the May 14, 2009 LC Meeting.
- F. Minutes of the May 14, 2009 EPOC Meeting.

It was moved by Mr. Bermúdez, seconded by Mr. Elkins and carried by those present to approve the draft minutes of the May 15, 2009 Board meeting, with the exception of any revisions made regarding Mr. Robinson's comments, the minutes of the January 29, 2009 AC meeting, the minutes of the April 22, 2009 QC meeting, the minutes of the May 14, 2009 CPC meeting, the minutes of the May 14, 2009 LC meeting, and the minutes of the May 14, 2009 EPOC meeting. Ms. Chi was temporarily absent.

XVIII. Other Business.

- A. American Institute of Certified Public Accountants (AICPA).
 - 1. Update on AICPA State Board Committee.

Mr. Driftmier provided a handout related to computerization of the Uniform CPA examination (**See Attachment 20**).

- B. National Association of State Boards of Accountancy.
 - 1. Update on NASBA Committees.

- a. Uniform Accountancy Act Committee.

Mr. Driftmier stated he is scheduled to participate in a meeting via telephone conference call next week.

- b. Compliance Assurance Committee.

Mr. Petersen stated he is keeping the committee informed as to the

status of AB 138.

c. Global Strategies Committee.

Mr. Bermúdez reported that on September 9, 2009 NASBA will hold its Forum for International Regulators, in which discussions will be held related to international practice.

d. Ethics Committee.

Mr. Ramirez reported the June meeting was deferred, and he also received a white paper which will be discussed at the August meeting. He further reported he will provide a report at the September 2009 Board meeting and will circulate the white paper amongst Board members.

e. Legislative Support Committee.

There was no report on this agenda item.

f. Education Committee.

There was no report on this agenda item.

g. Accountancy Licensee Database (ALD) Task Force.

Ms. Bowers reported that a meeting is scheduled for August 9, 2009; however, Ms. Bowers will be on vacation. She reported she has a scheduled conference call on July 27, 2009, and will follow up with NASBA after the August 9, 2009 meeting. Ms. Bowers reported she is currently awaiting a response from NASBA regarding Ms. Anderson's participation on the ALD Task Force.

XIX. Closing Business.

A. Board Member Comments.

Mr. Driftmier complimented Mr. Newington, Mr. Knapp, as well as Board staff.

B. Comments from CalCPA Representative.

No comments were received.

C. Comments from SCA Representative.

No comments were received.

D. Public comments.

No comments were received.

E. Agenda items for Future Board Meetings.

No agenda items were received.

Adjournment.

President Petersen adjourned the meeting at 3:41 p.m. on Friday, July 24, 2009.

Robert A. Petersen, President

Lenora Taylor, Secretary-Treasurer

Marisa Becerra-Garcia, Analyst, and Patti Bowers, Executive Officer, California Board of Accountancy, prepared the Board minutes. If you have any questions, please call (916) 561-1718.