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

MINUTES OF THE
July 21-22, 2016
CBA MEETING

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

Roll Call and Call to Order.

California Board of Accountancy (CBA) President Katrina Salazar called the meeting to order at 1:30 p.m. on Thursday, July 21, 2016 at the Hilton Los Angeles Airport. The CBA convened into closed session from 4:40 p.m. until 5:19 p.m. The CBA reconvened into open session on Friday, July 22, 2016 at 9:02 a.m. The meeting convened into closed session at 10:39 a.m. The meeting reconvened into open session at 11:45 a.m. President Salazar adjourned the meeting at 11:47 a.m.

CBA Members

July 21, 2016

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| Katrina L. Salazar, CPA, President | 1:30 p.m. to 5:19 p.m. |
| Alicia Berhow, Vice-President | Absent |
| Michael M. Savoy, CPA, Secretary/Treasurer | 1:30 p.m. to 5:19 p.m. |
| Jose A. Campos, CPA | 3:20 p.m. to 5:19 p.m. |
| Herschel Elkins, Esq. | 1:30 p.m. to 5:19 p.m. |
| George Famalett, CPA | 1:30 p.m. to 5:19 p.m. |
| Karriann Farrell Hinds, Esq. | 1:30 p.m. to 5:19 p.m. |
| Laurence (Larry) Kaplan | 1:30 p.m. to 5:19 p.m. |
| Kay Ko | 1:30 p.m. to 5:19 p.m. |
| Leslie LaManna, CPA | 1:30 p.m. to 5:19 p.m. |
| Xochitl León | 1:30 p.m. to 5:19 p.m. |
| Jian Ou-Yang, CPA | Absent |
| Deidre Robinson | Absent |
| Mark Silverman, Esq. | 1:30 p.m. to 5:19 p.m. |
| Kathleen Wright, CPA | 1:30 p.m. to 5:19 p.m. |

CBA Members

July 22, 2016

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| Katrina L. Salazar, CPA, President | 9:02 a.m. to 11:47 a.m. |
| Alicia Berhow, Vice-President | 9:02 a.m. to 11:47 a.m. |
| Michael M. Savoy, CPA, Secretary/Treasurer | 9:02 a.m. to 11:47 a.m. |
| Jose A. Campos, CPA | 9:02 a.m. to 11:47 a.m. |
| Herschel Elkins, Esq. | 9:02 a.m. to 11:47 a.m. |
| George Famalett, CPA | 9:02 a.m. to 11:47 a.m. |
| Karriann Farrell Hinds, Esq. | 9:07 a.m. to 11:47 a.m. |
| Laurence (Larry) Kaplan | Absent |
| Kay Ko | 9:02 a.m. to 11:47 a.m. |
| Leslie LaManna, CPA | 9:02 a.m. to 11:47 a.m. |
| Xochitl León | Absent |
| Jian Ou-Yang, CPA | Absent |
| Deidre Robinson | Absent |
| Mark Silverman, Esq. | 9:02 a.m. to 11:47 a.m. |
| Kathleen Wright, CPA | 9:02 a.m. to 11:47 a.m. |

Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Emmanuel Estacio, Information Technology Staff
Paul Fisher, Supervising ICPA
Dominic Franzella, Chief, Enforcement Division
Nooshin Movassaghi, Legislative Analyst
Pat Billingsley, Regulation Analyst
Corey Riordan, CBA Staff
Rebecca Reed, Board Relations Analyst
Veronica Daniel, Licensing Manager
Matthew Stanley Information and Planning Officer
Kristy Schieldge, Legal Counsel, DCA
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)

Committee Chairs and Members

Robert Lee, CPA, Chair, Peer Review Oversight Committee
Joseph Rosenbaum, CPA, Chair, Enforcement Advisory Committee

Other Participants

Jason Fox, California Society of Certified Public Accountants
Joseph Petito, The Accountants Coalition
Ruben Davila, CPA, Professor, University of Southern California
Senator John Moorlach, 37th District

I. Regulations.

A. Regulation Hearing Regarding Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements.

Mr. Billingsley read the following statement regarding the regulation hearing into the record.

“Good afternoon. This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider amending CBA Regulations Section 80.1, 80.2, 87, and 87.1 regarding the continuing education requirements for licensees, who as their highest level of service, perform preparation engagements.

On behalf of the CBA and its staff, I'd like to welcome you. My name is Pat Billingsley and I serve as and I serve as the CBA's Regulatory Analyst. I will preside over this hearing on behalf of the CBA and the Department.

The California Board of Accountancy is contemplating this action pursuant to the authority vested by Sections 5010, and 5027 of the Business and Professions Code, authorizing the CBA to amend, adopt, or repeal regulations for the administration and enforcement of Chapter 1 of Division 3 of the Business and Professions code. For the record, the date today is July 21, 2016 and the time is approximately 1:35 p.m. Our hearing is being held at the Hilton Los Angeles Airport, 5711 West Century Boulevard, Los Angeles, CA 90045.

The notice for the hearing on these proposed regulations was published by the Office of Administrative Law. Interested parties on our mailing list have been notified of today's hearing. The language of the proposed regulations has been mailed to those who requested it and has been available on the CBA's web site and upon request by other members of the public. Copies of the proposed regulations are available here today.

If the CBA has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The CBA shall be provided and shall consider all written comments received up to 5:00 p.m., June 27, 2016.

Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify in the order determined by recognition from the hearing officer.

If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your

name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded.

Remember, it's not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion.

If you have a question about a proposed regulation, please re-phrase your question as a comment. For example, instead of asking what a particular subdivision means, you should state that the language is unclear and why. This will give the CBA an opportunity to address your comments directly when the CBA makes its final determination of its response to your comments.

Please keep in mind that this is a public forum to receive comments on the proposed regulations from interested parties. It is not intended to be a forum for debate or defense of the regulations. After all witnesses have testified, the testimony phase of the hearing will be closed.”

No public comments were received.

Mr. Billingsley closed the regulation hearing at 1:40 p.m.

- B. Discussion and Possible Action to Amend Title 16, California Code of Regulations Sections 80.1, 80.2, 87, and 87.1 – Continuing Education for Providing Preparation Engagements.

President Salazar stated that no public comments were received.

It was moved by Ms. LaManna and seconded by Mr. Elkins to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

Yes: Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Berhow, Mr. Campos, Mr. Ou-Yang, and Ms. Robinson.

II. Report of the President.

- A. Report on the National Association of State Boards of Accountancy June 7-9, 2016 Eastern Regional Meeting and June 22-24, 2016 Western Regional Meeting.

President Salazar reported that she attended the National Association of State Boards of Accountancy (NASBA) Eastern Regional Meeting and Western Regional Meeting. President Salazar conducted a presentation, along with Stacey Grooms, NASBA Regulatory Affairs Manager, regarding California's mobility project titled "The California Initiative."

- B. Update on the California Board of Accountancy's 2016-2018 Strategic Plan.

Mr. Billingsley reported that in September 2015, the CBA approved its 2016-2018 Strategic Plan, which included new objectives for the next three years. Mr. Billingsley stated that each of the objectives have been assigned to staff, and, at this point, each objective has had a project outline developed. He also stated that one of the objectives, Objective 6.3 – Seek authorization to purchase mobile devices for members to view CBA meeting materials has been achieved.

- C. Discussion and Possible Action on Evaluating Criminal Convictions Involving Drugs and Alcohol and the Authority to Take Administrative Actions Pursuant to Business and Professions Code Sections 480, 490, and 5100.

Ms. Bowers provided an overview of this agenda item. Ms. Bowers stated this item provides members with an opportunity to decide if the CBA wishes to make any changes regarding the authority to take administrative action for criminal convictions arising from drug and alcohol related convictions.

Mr. Silverman asked if counsel had any feedback for the CBA regarding other Department of Consumer Affairs (DCA) boards and how they treat alcohol and drug related matters.

Ms. Schiedge stated that it is DCA's opinion that the current state of the law is that drug and alcohol convictions are related to the practice of the licensing professions that DCA regulates, which is based on current California Supreme court precedence. Ms. Schiedge stated, the question for the CBA is whether the CBA would like to change that standard for CPAs.

Mr. Elkins stated that the courts do not always recognize drinking as a sickness and the CBA can form its own opinion within the present law by deciding to bring a matter to action and deciding to give that licensee probation or the CBA assisting that licensee in obtaining help. Mr. Elkins stated that he believes the question for the CBA is, what the CBA does in these instances. Mr. Elkins stated that not all convictions affect the CPA's ability to practice.

Ms. Schieldge stated that to clarify her prior remarks, the first question when dealing with a criminal conviction is, is it related to their profession. If the CBA decides that it is related, the second question is has the licensee demonstrated sufficient rehabilitation or is the licensee not a risk to the public. Ms. Schieldge stated that even if the licensee has a related conviction, if the CBA feels that the licensee is rehabilitated, then the CBA is free to not file charges against the licensee or reduce the penalty. Ms. Schieldge stated that DCA does feel drug and alcohol related convictions are related to the licensing profession, but it is up to the CBA if they would like to charge a licensee. Also, she stated that if the CBA would like to change the definition of what it thinks is related with respect to drug and alcohol convictions, the CBA might need to make a legislative change, if the CBA is wanting to set a standard where the CBA is excluding licensees from even being considered for charges in certain situations.

Mr. Elkins stated that he would like sensitivity from the staff and that the CBA is not insisting on a particular type of punishment because there may be an example where the licensee may want to have counseling and this does not require a change in the statutes or regulations.

Ms. Wright stated that there is a proposition on the ballot for the November election to legalize the use of marijuana and asked what impact that would have on the CBA's current regulations.

Ms. Schieldge stated for marijuana it would not make an impact because the use of marijuana is still considered a federal crime. Ms. Schieldge also stated if the licensee does not get a conviction because the state prosecutors are not prosecuting then it will never come to the CBA's attention. If state or federal agents decide to prosecute under federal law, then it would be up to the CBA's prosecution staff, if they would like to file charges.

Ms. Hinds asked if it is premature to take action on this item at this time and asked if the CBA should refer this matter to the Committee on Professional Conduct or under an enforcement committee or if the CBA should create a subcommittee to look further into this matter.

President Salazar stated that it is up to the CBA to determine if the CBA is ready to move forward on this issue. Moving forward could include creating a task force, or assigning this to a committee.

Ms. Hinds stated that she would like future CBA members to have access of the presentation that was given to the CBA in September of 2014 titled *What Crimes are "Substantially Related" to the Profession*. Ms. Hinds stated that the materials that were provided in that presentation would be very helpful for a new member to achieve an understanding of what the substantially related standards are if a particular matter is referred to a committee or taskforce.

President Salazar suggested that the CBA work with staff to find a way to disseminate training materials for the CBA so the context is available for this discussion.

Mr. Kaplan stated that he likes the idea of referring this matter to a committee for further analysis.

President Salazar stated that she will assign this matter to the appropriate committee for further evaluation.

D. Discussion on Changes to the California Board of Accountancy's 2017 Meeting Dates.

Ms. Reed proposed to the CBA to change the July 2017 CBA meeting from a one-day meeting to a two-day meeting due to the volume of agenda items and the number of committee meetings.

It was moved Ms. Salazar and seconded by Mr. Silverman to change the July 2017 meeting from a one-day meeting to a two-day meeting.

Yes: Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: Ms. LaManna.

Absent: Ms. Berhow, Mr. Campos, Mr. Ou-Yang, and Ms. Robinson.

E. Developments Since the February 2015 United States Supreme Court Decision: North Carolina State Board of Dental Examiners v. Federal Trade Commission.

There was no report on this agenda item.

F. Discussion on the California Little Hoover Commission Hearings Regarding Occupational Licensing.

Mr. Stanley stated that Ms. Bowers attended a roundtable meeting on June 23, 2016 which discussed the feasibility of implementing the recommendations under consideration regarding occupational licensing. Mr. Stanley stated that it is possible that additional recommendations could be in the Commission's final report that was not discussed at the roundtable meeting. Mr. Stanley stated that the Commission will prepare a final report with its findings and recommendations, which may include suggested legislation and currently there is no timeline for release of that report. The Commission is an independent

State oversight agency that was created in 1962, which investigates State government operations and through reports, recommendations and legislative proposals promotes efficiency, economy and improved service.

G. Department of Consumer Affairs Director's Report on Departmental Activities.

There was no report on this agenda item.

III. Report of the Vice-President.

There was no report on this agenda item.

IV. Report of the Secretary/Treasurer.

A. Discussion of the Governor's Budget.

Mr. Savoy provided an overview of this agenda item. He stated that although the written report submitted reflects the Fiscal Year (FY) 2016-17 budget as \$14,833,000, the CBA was informed that the actual amount is \$14,762,000, and the reduction in the budget was due to the denial of a budget change proposal submitted by the Office of the Attorney General to obtain additional staffing resources. Mr. Savoy noted that the CBA received a repayment of loans made to the General Fund in the amount of \$10,270,000, which included interest. He also stated that the remaining \$21 million is scheduled to be repaid at the end of June 2017. Mr. Savoy stated that the year-end financial statement will be presented at the September 2016 CBA meeting and at that time, the CBA will have an opportunity to review the fund condition statement and see the impact that the loan repayments are having on the CBA's Reserve.

Mr. Elkins inquired if there has been an impact in the time that it takes to handle an enforcement case due to the rejection of the staff augmentation.

Ms. Bowers stated that the staffing augmentation that was referenced in Mr. Savoy's budget report was a staffing augmentation sought by the Office Attorney General. Ms. Bowers stated that staff could reach out to the Attorney General's office to find out what time impact it might create on cases.

V. Report of the Executive Officer.

A. Update on the Relocation of the California Board Accountancy's Office.

Ms. Bowers stated that the outstanding issues with the State Fire Marshal have been resolved and the plans are being resubmitted for review.

Ms. Wright inquired if the new building location will be able to accommodate the CBA meetings and if there will be hotel accommodations close to the new location.

Ms. Bowers stated that the new location would be able to accommodate the CBA meetings. Ms. Bowers stated that staff have identified several hotels in the immediate area of the new building location that should be able to accommodate the CBA's needs.

B. Update on Staffing.

Ms. Bowers stated that the CBA's Information and Planning Officer, Mr. Stanley, will be leaving the CBA in the near future because he is relocating to another state.

C. Update on the California Board of Accountancy's Communication and Outreach.

Mr. Stanley stated that since launching the CBA's new website in May, the website is performing very well. Staff will continue to add new information to assist stakeholders and staff have plans to develop a new web page titled Consumer Education. Mr. Stanley stated that staff have recently added a link to the American Institute of Certified Public Accountants (AICPA) "Start Here, Go Places" website which provides valuable resources to high school students and teachers.

Mr. Stanley stated that there are two major outreach events scheduled. One event is with Golden Gate University in which President Salazar will be one of the speakers during the Braden Leadership Speaker Series. The second event is being co-sponsored with the California CPA Education Foundation (CalCPA). The event is titled "So, You Want To Be a CPA?" will be held at the University of California (UC) Davis. Mr. Stanley noted that this will be third time the CBA has participated in this event with CalCPA.

Mr. Savoy stated that it was brought to his attention by some students that the California state colleges only offer the ethics course that is required in the 150 unit requirement in a graduate school and/or have to go to a community college in their undergraduate school program in order to meet the ethics requirement. Mr. Savoy requested that staff reach out to these schools to inquire why these schools are not including this ethics course as part of their undergraduate program.

Ms. Bowers stated that this can be incorporated into the CBA's outreach efforts to identify and work with these schools.

Ms. Wright suggested that the staff reach out to these facilities to get their input. Ms. Wright stated that it was her understanding that with one of the two universities that she is associated with, the 120 units required for an accounting degree is largely filled with required courses. So when the 150 unit requirement was established, the response of the university was to encourage the students

to continue to go on to obtain a masters degree, which would only be a few additional credits above the 150 units requirement.

Ms. Hinds stated that recently the Board of Supervisors of Los Angeles County, in partnership with Citibank, has passed a resolution establishing the Center for Financial Empowerment and would like the CBA to expand its outreach efforts to this program.

Mr. Ruben Davila, from the University of Southern California (USC) and former CBA member, stated that he participated on a committee that developed the 150 unit requirement. Mr. Davila stated that outreach to universities and colleges are critical to educate the counselors at these facilities on how to assist students to meet the requirements.

Ms. Wright inquired if the flexibility on the ethics requirement will be further restricted in 2017 and if the ethics course will need to have the word ethics or regulatory practice in the title of the course.

Mr. Stanley stated that starting in 2017 as part of the 10 semester unit ethics requirement a student must take a three unit course devoted to accounting ethics or accountants professional responsibilities.

VI. Report on the Enforcement Advisory Committee, Qualifications Committee, and Peer Review Oversight Committee.

A. Enforcement Advisory Committee.

1. Report of the July 7, 2016, Enforcement Advisory Committee Meeting.

Mr. Rosenbaum reported that members reviewed 33 closed cases and agreed with the closure action in all cases. Members also reviewed three open cases and provided guidance to staff. Mr. Rosenbaum reported that the Enforcement Advisory Committee (EAC) held six investigative hearings.

B. Qualifications Committee.

There was no report on this agenda item.

C. Peer Review Oversight Committee.

There was no report on this agenda item.

VII. Report of the Enforcement Chief.

A. Enforcement Activity Report.

Mr. Franzella provided an overview of the Enforcement Activity Report. He stated that as of May 31, 2016 the CBA received just over 2,500 complaints. Also, the CBA has received six complaints from the Department of Labor (DOL) in the first 11 months of this fiscal year. Mr. Franzella stated that there are currently 79 cases over 24 months; however, staff have completed or are nearing completion on 26 of the cases. Mr. Franzella stated that so far this fiscal year there have been 98 referrals to the Attorney General's Office and the CBA has filed 80 accusations. Mr. Franzella stated that the CBA took action on 72 matters which is more than the prior fiscal year.

Mr. Franzella stated that the Enforcement Division is working on two projects that will be coming before the CBA later this year. The first project is regarding enforcement reporting and will be improving the way enforcement-related information is being provided to the CBA. The second project is creating an enforcement handbook that includes information on the enforcement and petition process.

Ms. León inquired if the closures of the CBA due to the air conditioner failures had any impact on enforcement timeframes.

Mr. Franzella stated that the initial response letters following receipt of complaint may have been delayed. Further, because of the complexity of investigations and the length of time it can take, the impact on these matters is still being determined.

Ms. Bowers stated that the closures also affected other areas of the CBA including the cashier's office and the Licensing Division.

VIII. Report of the Licensing Chief.

A. Licensing Activity Report.

Ms. Daniel provided an overview of the agenda item. Ms. Daniel stated staff processed over 1,000 first-time examination applications in April, in preparation for the increase of applications expected from May and June graduates and staff continues to improve their processing timeframes to 31 days to complete applications. Ms. Daniel stated that the CBA has surpassed the total number of licenses issued without attest authority by 450 more than the previous year and staff continues to meet the 30 day timeframes for completed licensure applications.

IX. Committee Reports.

A. Committee on Professional Conduct.

1. Report of the July 21, 2016 Committee on Professional Conduct Meeting.
2. Discussion and Possible Action to Initiate a Rulemaking to Amend Title 16, California Code of Regulations Section 45 – Reporting to the CBA.

Ms. LaManna reported that the committee discussed two options regarding Title 16, California Code of Regulations (CCR) section 45 on how sole proprietors report to the CBA. Ms. LaManna stated that the first option was to have sole proprietors obtain a separate license similar to what corporations obtain or the second option was to track sole proprietors internally. It was decided to track internally and staff has proposed a revision to CCR section 45, including changes to the Peer Review Reporting Form to enable this process to occur. The committee recommended that the CBA approve the changes to CCR section 45.

The CPC recommended that the CBA approve the proposed changes to CBA Regulations section 45 and direct staff to take all steps necessary to initiate the rulemaking process, authorizing the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

Yes: Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Berhow, Mr. Campos, Mr. Ou-Yang, and Ms. Robinson.

3. Discussion and Possible Action Regarding the California Board of Accountancy's Policy Objectives Resulting from the United States Department of Labor's Review of Audits Performed for Employee Benefit Plans Covered Under the Employee Retirement Security Act of 1974 including Enforcement Activity Reporting, Peer Review Program Assessment, Specified Continuing Education Options, and Communication and Outreach Options.

Ms. LaManna reported this agenda item is divided into four parts. The first part covered improvements within the Enforcement Division which Mr. Franzella covered in his Enforcement Activity Report and staff will continue to monitor the referrals received from the DOL regarding employee benefit plans.

The second item covered the Peer Review Program assessment. Ms. LaManna stated that the AICPA is working to improve the peer review

program and that peer reviewers now have to attend several training courses and staff will continue to monitor the AICPA improvements to the peer review program.

Ms. LaManna stated the third item covered was specified continuing education (CE) options. Ms. LaManna stated that staff researched a variety of CE providers and found that several of the providers offered courses pertaining to employee benefit plans. Ms. LaManna also reported that staff researched 12 state boards of accountancy, to determine if any that state mandates specialized CE pertaining to employee benefit plan audits and none of the states had such requirements. Ms. LaManna stated that the CPC is not recommending a change in the CE requirements at this time, but will continue to monitor to see if a change in the CE requirements is needed in the future.

Ms. LaManna reported that the fourth item discussed was the CBA's communication and outreach options. Ms. LaManna stated that the next Update issue will include an article regarding DOL audits, which will also be posted on the website.

Mr. Savoy inquired on how the CPC came to the conclusion that the CBA will monitor CPAs that perform employee benefit plan audits to see if there will be a need to change the CE requirements.

Ms. LaManna stated that at this point, because it is such a small population of CPAs that conduct employee benefit plan audits, staff is going to monitor this situation to see if there will need to be a change in the CE requirements regarding employee benefit plan audits in the future. Ms. LaManna stated that if the CBA continues to receive referrals from the DOL, the CBA may need to change the CE requirements.

Mr. Savoy inquired if there are enough providers offering CE for CPAs that perform employee benefit plans.

Ms. LaManna stated that as noted in attachment three of the materials, there are plenty of CE providers that offer CE in the area of employee benefit plan audits.

Mr. Savoy stated that due to the length of time the regulation process takes, he doesn't want to wait too long, in case there needs to be a change to the CE requirements.

President Salazar stated the biggest change with this matter is that the CBA is now receiving current disciplinary information from the DOL and that previously the CBA's ability to discipline CPAs was hindered because our state board was not being informed.

Mr. Savoy stated that he objected to doing nothing at this point and that the CBA is receiving more referrals from the DOL.

Ms. LaManna stated that staff is working on changes with the peer review program and working to increase outreach efforts to inform CPA's of the problems with the quality of CPAs employee benefits plan audits.

President Salazar requested that staff evaluate this matter within the next six months and report back to the CBA.

Ms. Wright stated that she supports the CPC's recommendation. Ms. Wright stated that enrolled agents or registered tax preparers in California have CE requirements that specifically mandate a certain number of hours in the field of taxation. Also, she stated that a CPA is the only entity that is authorized to practice before the Internal Revenue Service (IRS) that does not require any specialized CE in the area of taxation and maybe the CBA should consider adding this type of specialized CE.

Mr. Davila stated that many of the educational requirements are a result of issues with entities like Enron and World Savings. Mr. Davila stated that as a CPA and an attorney, he does agree that doing a tax return is much more complex than potentially doing an audit, but there is government oversight where you report directly to a government entity that reviews every document and that does not exist with an audit.

President Salazar stated that for the peer review program assessment, she would like to open up for discussion the role of the Peer Review Oversight Committee in assisting the CPC with recruiting for peer reviewers to make sure there are enough peer reviewers in place.

Mr. Lee, PROC Chair, stated that the PROC is willing to assist where needed.

Ms. LaManna inquired if President Salazar is referring the CE regarding employee benefit plan audits back to the CPC or if a motion will need to be made.

It was moved by Mr. Savoy and seconded by Mr. Elkins for the Committee on Professional Conduct to reassess the possible need for a change in the regulations to the continuing education requirements within six months regarding employee benefit plan audits.

Yes: Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Berhow, Mr. Campos, Mr. Ou-Yang, and Ms. Robinson.

4. Discussion Regarding a Continuing Education Exemption for Licensees Who Serve as Elected Officials.

Senator John Moorlach, representing the 37th District of California, presented the CBA with a possible regulatory proposal to exempt elected officials from the CE requirements necessary for active license renewal.

Mr. Stanley stated that there is an 80 hour CE requirement every two years for a CPA to remain in an active status. Mr. Stanley stated that current law would allow the CBA to make the requested exemption in CBA Regulations, section 90 provided the licensee would not engage in the practice of public accountancy. Mr. Stanley stated that it would take an act of the legislature to allow an exemption from the CE requirement while retaining an active license with the ability to practice. Mr. Stanley stated that while the State Bar of California exempts California elected officials from CE requirements while allowing them to practice law, the State Bar does not extend this option to federal elected officials.

Mr. Stanley stated that if the CBA decides it would like to further discuss this topic, staff would request direction in a couple of areas. The first area being the reach of the program and what the CBA defines as an elected official. The next area the CBA may want to consider is notification and identification for those elected officials and to require proof of elected status. Also, the CBA may wish to discuss a system that allows licensees using this exemption to regain their practice rights similar to the current requirements for converting a license from inactive status to active status.

Ms. Schieldge stated that there are a few legal impediments to implementing this proposal by regulation. The first impediment is Business and Professions Code section 5028 which indicates that the CBA may make exceptions from CE requirements for licensees for reasons of health, military service or other good causes and the CBA's ability to making an exception to the CE requirements is limited only to those categories. Ms. Schieldge stated that she does not believe that the CBA can go outside of those categories and create a new category that would exempt elected officials from the CE requirement. Ms. Schieldge also stated that she would recommend against trying to exempt a certain class or group of people from a requirement by regulation in light of the North Carolina anti-trust case.

Mr. Elkins stated that he has some concerns because there is no limitation in congress on the amount of time that somebody can serve and the

concern of that elected official not having any type of continuing education over an extended period of time.

Ms. Hinds stated that she would like the CBA to work with the Senator to enact a piece of legislation on this issue because then there would be room for a robust public policy conversation on the proposal and there would be no issues with an appearance of impropriety under these circumstances.

Senator Moorlach stated that he is only asking to exempt US Representatives and legislators and not city council members or other elected officials. He also stated that while serving as an elected official, he is dealing with tax laws and he is on the Judiciary Committee dealing with government and finance, and he is dealing with public employment and retirement legislation. Senator Moorlach stated that if you were to add up all of the hours of speeches and all of the sessions and hearings that are conducted, it would be much greater than 80 hours.

President Salazar stated that the CBA will wait to receive additional information through the legislative process and will work accordingly to determine what committees would be best to assist in this matter and then will move forward accordingly.

B. Enforcement Program Oversight Committee.

1. Report of the July 21, 2016 Enforcement Program Oversight Committee Meeting.
2. Revision Schedule for the Disciplinary Guidelines and Model Orders.

Ms. Wright reported that staff provided an update for the revision schedule of the CBA Disciplinary Guidelines and Model Orders and that the CBA will consider the final changes to the guidelines at the September CBA meeting and will take the steps necessary to initiate the rulemaking process.

Ms. Wright stated that the CBA will hold a public hearing regarding the guidelines at the January 2017 CBA meeting and will take the final steps needed to approve the regulatory language.

3. Educational Presentation and Discussion Regarding Tolling Provision in the Disciplinary Guidelines.

Ms. Wright reported that staff conducted a presentation regarding the tolling provision that relates to the statute of limitations in the Disciplinary Guidelines. Ms. Wright stated that the committee discussed concerns regarding the fact that the time associated with the probation is not applied to a licensee residing outside of the state of California, yet the licensee must comply with the reporting requirement to the CBA. Ms. Wright stated that it was concluded that staff should apply discretion when negotiating

settlements and the use of the tolling provision when a licensee resides outside of the state.

4. Discussion and Possible Action Regarding Proposed Changes to the Disciplinary Guidelines and Model Orders (Title 16, California Code of Regulations Section 98) and Title 16, California Code of Regulations Section 99.1 Rehabilitation Criteria for Denials, Suspensions, Revocations, Restorations, Reduction of Penalty.

Ms. Wright reported that staff proposed changes to the Disciplinary Guidelines and Model Orders. Ms. Wright stated that one change staff highlighted was the added language to the new rehabilitation criteria section to indicate that the CBA will evaluate the sufficiency of evidence submitted for this section on a case-by-case basis. Also, staff highlighted changes to model orders six through eight to insure that prior to a reinstatement of a revoked license, that an individual comply with all statutory and regulatory requirements. Ms. Wright stated that staff recommended that the first paragraph on attachment two in the rehabilitation section be removed and that the change is consistent with those found in the guidelines. Ms. Wright stated that members requested additional language be added in the rehabilitation section related to advanced degrees. Members clarified that these would be degrees that have been obtained or are in the process of being obtained after the act that led to the discipline.

Mr. Campos inquired if the January timetable is fixed or if there is room for flexibility for further deliberations due to the fact that there has been some questions raised about some of the minimum penalties that are associated with governmental agencies.

President Salazar stated that there is flexibility in the timeline on accepting the proposed changes for the Disciplinary Guidelines and Model Orders.

The EPOC recommended that the CBA adopt the changes as they appear herein the Disciplinary Guidelines and Model Orders with the additional modification relating to educational programs of study and adopt the Disciplinary Guidelines and Model Orders, and the California Code of Regulations section 99.1.

Yes: Mr. Campos, Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Berhow, Mr. Ou-Yang, and Ms. Robinson.

C. Legislative Committee.

1. Report of the July 21, 2016 Legislative Committee Meeting.
2. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Discontinue Following (Assembly Bill (AB) 1566, AB 1707, AB 1939, Senate Bill (SB) 1251, SB 1195, and SB 1445).

Mr. Kaplan reported that the committee recommended that the CBA discontinue following AB 1566, AB 1707, AB 1939, SB 1251, SB 1195, and SB 1445 due to the fact that these bills have missed the legislative deadline and will not be continuing this year.

The LC recommended that the CBA discontinue following AB 1566, AB 1707, AB 1939, SB 1251, SB 1195, and SB 1445.

Yes: Mr. Campos, Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Berhow, Mr. Ou-Yang, and Ms. Robinson.

3. Update on Legislation the California Board of Accountancy is Monitoring (AB 1868, AB 1887, AB 1949, AB 2421, AB 2423, AB 2701, AB 2843, SB 1130, SB 1444, and SB 1448).

Mr. Kaplan reported that the committee will continue to monitor these bills.

4. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Maintain the California Board of Accountancy's Position (AB 507, AB 2560, AB 2859, Assembly Concurrent Resolution (ACR) 131, SB 1348, SB 1155, and SB 1479).

Mr. Kaplan reported that staff recommended maintaining the CBA's position on AB 507, AB 2560, AB 2859, ACR 131, SB 1348, SB 1155, and SB 1479. Mr. Kaplan stated that there has been no amendments on these bills since the meeting in May. Mr. Kaplan stated that staff also recommended maintaining its current position on SB 1348.

5. Update, Discussion, and Possible Action on Legislation on Which the California Board of Accountancy Has Taken a Position: Recommendation to Change the California Board of Accountancy's Position to Support (AB 2859).

The LC recommended that the CBA change its position to support AB 2859.

Yes: Mr. Campos, Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Berhow, Mr. Ou-Yang, and Ms. Robinson.

6. Legislative Items for Future Meeting. The California Board of Accountancy may discuss other items of legislation in sufficient detail to determine whether such items should be on a future California Board of Accountancy meeting agenda and/or whether to hold a special meeting of the California Board of Accountancy to discuss such items pursuant to Government Code section 11125.4.

D. Mobility Stakeholder Group.

1. Report of the July 19, 2016 Mobility Stakeholder Group Meeting.
2. Mobility Stakeholder Group Decision Matrix and Stakeholder Objectives.

This agenda item was a written report only and no comments were received.

3. Timeline for Activities Regarding Determinations to be Made Pursuant to Business and Professions Code Section 5096.21.

This agenda item was a written report only and no comments were received.

4. Discussion Regarding the Assessment of the National Association of State Boards of Accountancy's Process for Evaluating and Information Gathering Regarding Accountancy Board Operations for Colorado, Illinois, New York, Oregon and Texas.

Mr. Campos reported that staff presented the assessment of NASBA's findings of these states and enforcement practices to the MSG.

Mr. Campos stated that based on the assessment and verification of the state's websites with disciplinary information, staff was satisfied with NASBA's identification of these five states as substantially equivalent.

5. 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).

Mr. Campos stated that staff reported that NASBA identifies thirty six jurisdictions as substantially equivalent to the guiding principles of enforcement, including four states that were added since the last meeting. Staff also reported the September meeting will be the end of phase one and mark the beginning of phase two.

Ms. Wright inquired if the evaluation included educational requirements. For example, if a person received a CPA license in another state and the educational requirements in that state are different than in California and wants to obtain a license in California, would the CBA grant such a license.

Mr. Campos stated that was a part of the entire legislation and evaluation process and the specifics here was to evaluate enforcement.

Mr. Stanley stated that one of the regulations adopted for the mobility law, CBA Regulations section 5.5, which is the substantial equivalency section identified all of the states that have licensing requirements substantially equivalent to California.

Ms. Wright inquired if the course requirements for ethics are substantially equivalent to California's requirements.

Mr. Stanley stated that when the CBA evaluated the substantial equivalency of other jurisdictions, the CBA was looking for the 150 hour requirement.

The MSG recommended that the CBA determine the 36 states already identified by NASBA as substantially equivalent and to continue to monitor the remaining states.

Yes: Mr. Campos, Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Berhow, Mr. Ou-Yang, and Ms. Robinson.

6. Discussion Regarding the National Association of State Boards of Accountancy's Activities and CPAVerify.

Mr. Campos reported that there are 51 jurisdictions out of 55 that are participating in the Accountancy License Database (ALD) and CPAVerify and NABSA is continuing to work with the remaining four states.

7. Discussion Regarding Proposed Agenda Items for the Next Mobility Stakeholder Group Meeting.

Mr. Campos reported that the topics for the next meeting would include the final findings of NASBA's Guiding Principles of Enforcement, to discuss the information needed to assist the CBA in making determinations on states not found substantially equivalent to the NASBA's Guiding Principles of Enforcement, and for staff to research the experience of California licensees practicing in other states under mobility or any restrictions for practicing under mobility in other states.

X. Acceptance of Minutes.

- A. Minutes of the May 19-20, 2016 California Board of Accountancy Meeting.
- B. Minutes of the May 19, 2016 Committee on Professional Conduct Meeting.
- C. Minutes of the May 19, 2016 Legislative Committee Meeting.
- D. Minutes of the May 19, 2015 Enforcement Program Oversight Committee Meeting.
- E. Minutes of the May 19, 2016 Mobility Stakeholder Group Meeting.
- F. Minutes of the December 10, 2015, Enforcement Advisory Committee Meeting.
- G. Minutes of the January 29, 2016, Peer Review Oversight Committee Meeting.

It was moved by Mr. Campos and seconded by Mr. Savoy to approve agenda items X.A. – X.G.

Yes: Mr. Campo, Mr. Elkins, Mr. Famalett, Ms. Hinds, Mr. Kaplan, Ms. Ko, Ms. LaManna, Ms. León, Ms. Salazar, Mr. Savoy, Mr. Silverman, and Ms. Wright.

No: None.

Abstain: None.

Absent: Ms. Berhow, Mr. Ou-Yang, and Ms. Robinson.

XI. 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.

XII. Closing Business.

A. Public Comments.

B. Agenda Items for Future California Board of Accountancy Meetings.

Mr. Campos stated that there was at least one item being discussed about SEC PCAOB governmental agency actions and whether the CBA should evaluate a modification to the Disciplinary Guidelines primarily as it relates to the minimum penalties.

XIII. 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 Met In 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.).

XIV. Petition Hearings.

A. Masood Ahmed Chotani – Petition for Reinstatement of Revoked Certificate.

The CBA heard Mr. Chotani's petition for reinstatement of revoked certificate.

B. Erik Lloyd Tigard – Petition for Termination of Probation.

The CBA heard Mr. Tigard's petition for termination of probation.

President Salazar adjourned the meeting at 11:47 a.m. on Friday,
July 22, 2016.

_____Katrina L. Salazar, CPA, President

_____Michael M. Savoy, CPA, Secretary/
Treasurer

Rebecca Reed, Board Relations Analyst, and Patti Bowers, Executive Officer,
CBA, prepared the CBA meeting minutes. If you have any questions, please
call (916) 561-1718.