



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>



DEPARTMENT OF CONSUMER AFFAIRS (DCA) **ECC Agenda Item I**
CALIFORNIA BOARD OF ACCOUNTANCY (CBA) **April 6, 2011**

Draft

MINUTES OF THE
January 26, 2011
ETHICS CURRICULUM COMMITTEE (ECC) MEETING

Crowne Plaza Irvine
 17941 Von Karman Avenue
 Irvine, CA 92614
 Telephone: (949) 863-1999

I. Roll Call and Call to Order

Donald Driftmier, Chair, called the meeting of the ECC to order at 1:01p.m. on Wednesday, January 26, 2011 at the Crown Plaza Irvine. Mr. Driftmier indicated that to ensure compliance with the Bagley-Keene Open Meeting Act, Section 11122.5(c)(6), if a majority of members of the full CBA are present at a committee meeting, members who are not members of that committee may attend the meeting only as observers. CBA members who are not committee members may not sit at the table with the committee, and they may not participate in the meeting by making statements or by asking questions of any committee members.

ECC Members

Donald Driftmier, Chair	1:01 p.m. to 4:26 p.m.
Dave Cornejo	1:01 p.m. to 4:26 p.m.
Gonzalo Freixes	1:01 p.m. to 4:26 p.m.
Gary McBride	1:01 p.m. to 4:26 p.m.
Jon Mikkelsen	1:01 p.m. to 4:26 p.m.
Steven M. Mintz	1:01 p.m. to 4:26 p.m.
Gary Pieroni	1:01 p.m. to 4:26 p.m.
Robert Yetman	1:01 p.m. to 4:26 p.m.
Michael Ueltzen	Not Present
Michael Shames	Not Present

CBA Members

Sally Anderson, President

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Chief, Licensing Division
 Dominic Franzella, Manager, Licensing Division
 Cindi Fuller, Licensing Coordinator

Rich Andres, Information Technology Staff
Matthew Stanley, Legislation/Regulation Analyst

Other Participants

Hal Schultz, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, CalCPA
Pilar Onate-Quintana, KP Public Affairs
Joe Petito, The Accountants Coalition, PWC
Ellen Glazerman, Ernst & Young
Chrislynn Freed, California Society of CPAs, Accounting Education Committee
Randolph P. Beatty, Dean, Leventhal School of Accounting, University of Southern California
Christopher G. Jones, California State University, Northridge
Sharon Lightner, San Diego State University
Bill Holder, Ernst & Young, Professor at USC
Susan Parker, Leavey School of Business, Santa Clara University

II. Approve Minutes of the September 21, 2010 ECC Meeting

It was moved by Mr. Pieroni, seconded by Mr. Gonzalo, and unanimously carried by those present to approve the minutes (**Attachment #1**).

III. Applicants for California CPA Licensure with Education Completed Out of State

Mr. Franzella presented the memorandum (**Attachment #2**) for this item.

Mr. Franzella reported on the six-week study used to evaluate applicants for CPA licensure that completed education outside California. He also reported that the Accounting Education Committee (AEC) had expressed interest in this area and that the study validated the need to disseminate the recommendations of both the committees nationally. Staff suggested the CBA could circulate the recommendations through the interested parties list, which includes California colleges and universities, as well as sending a mailing to various colleges and universities throughout the United States in addition to using the National Association of State Boards of Accountancy (NASBA), the American Institute of Certified Public Accountants (AICPA) and other resources that may be available.

IV. Ethics Requirements for CPA Licensure of Other State Board of Accountancy

Ms. Fuller presented the memorandum (**Attachment #3**) for this item.

Ms. Fuller reported on the information provided by the Texas State Board of Public Accountancy regarding the development and implementation of their ethics requirement, as well as, additional information on the educational requirements of other state boards of accountancy.

V. Research Materials Provided by ECC Members and Information on Ethics Study

Ms. Fuller presented the memorandum (**Attachment #4**) for this item.

Ms. Fuller reported that at the last meeting, to assist members in establishing the framework on ethics study, the Chair had requested members research their college/university to see where ethics was embedded in courses. Members presented their findings to the committee and provided clarification to questions posed regarding their research. Mr. Driftmier presented the research information submitted by Mr. Ueltzen and Mr. Shames.

Discussions focused on the availability of stand-alone and embedded ethics courses offered by the accounting and business departments, as well as, in other departments. Members also discussed the availability of courses to accounting majors in other departments, and requiring an accounting ethics course as part of the 10 units.

Mr. Driftmier informed the committee that within the past few days he had received several letters regarding the composition of the 10 units of ethics study. The Chair requested the minutes reflect the letters received from University of Southern California, California State University, Northridge, University of California, Riverside, University of California, Santa Barbara, Azusa Pacific University, California State University, Fresno, University of San Diego, San Jose State University, Undergraduate Programs at Anderson (University of California, Los Angeles), California State University, Monterey Bay, and CalCPA Accounting Education Committee. He requested these letters be added to the next agenda to further address and review their concerns and suggestions.

Mr. Jones stated CSU, Northridge had a Master's of Taxation program. These graduates receive ethics instruction in professional responsibility in tax which is embedded in the graduate course work. He further stated that most ethics courses are in the Philosophy and Religious Study departments which may not be available to accounting students.

VI. Ethics Study Required by Business and Professions Code Section 5093

Mr. Franzella presented the memorandum (**Attachment #5**) for this item.

Mr. Franzella provided an overview of additional background information submitted by CalCPA and CPIL on Senate Bill 819, the impact of recommending less than 10 units of ethics study, and the next steps in recommending ethics guidelines to the CBA.

Members discussed the flexibility in allowing courses outside the accounting department but still requiring a dedicated course in accounting ethics.

Mr. Stanley clarified the timeframe and process for legislation. He stated legislation would not be needed unless the committee recommended less than 10

units. He informed the committee that double dipping (counting a course towards two requirements) was not in the law but was heavily implied. Mr. Driftmier requested Mr. Stanley provide at the next meeting a timeline should any legislative language be required.

Mr. Yetman suggested the committee first attempt to find 10 units of ethics study before considering reducing the total amount of units. He suggested the 10 units be comprised of three units of a stand-alone accounting ethics course and the remaining seven units could be comprised of business law, corporate law, and corporate governance courses and credit for ethics could be given for each accounting course. He suggested that ethics courses such as a solid philosophy course in ethics should be considered. These 10 units could be identified by the course title without relying on the course description.

Mr. Beatty supported the notion of three units of a stand-alone course. He stated undergraduate general education courses included ethics; therefore, students receiving a degree from an accredited institution should automatically be credited or “spotted” units towards the ethics study requirement. He had concerns regarding the implementation timing of this requirement and how it would impact current freshman and graduate students. He also echoed concerns regarding budget constraints imposed on institutions.

Ms. Lightner was in favor of the concept of “spotting” credit for general education courses. She encouraged members to consider budget issues faced by institutions. She informed members that students are asked to leave after completing 120 units and this could impose an added burden to students.

Ms. Parker relayed the urgency for the committee to craft the requirements as these 10 units would most likely affect juniors now. She stated a broad description of ethics would allow more courses.

Ms. Freed expressed her thanks for the committee’s work and urged the committee to consider the economically challenged student.

Ms. Anderson, CBA President, thanked the committee for all their work. Ms. Anderson asked those members associated with colleges and universities how difficult it would be for their institutions to identify ethics on a course-by-course basis as it pertained to transcripts.

Mr. Jones wanted to clarify that when speaking of embedded courses there are typically 15 contact hours for each unit.

After further discussion, a subcommittee, consisting of Mr. McBride and Mr. Yetman, was established to draft framework for the ethics study guidelines. The subcommittee was to meet with staff and present their proposal at the next meeting.

VII. Future Meeting Dates

It was moved by Mr. Cornejo, seconded by Mr. Pieroni, and unanimously carried by those present to approve the meeting dates set forth in the presented memorandum. (**Attachment #6**)

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 4:26 p.m. on Wednesday, January 26, 2011.

Donald A. Driftmier, Chair

Prepared by Cindi Fuller, Licensing Coordinator