



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>



**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 PUBLIC MEETING NOTICE FOR THE COMMITTEE ON PROFESSIONAL CONDUCT
 (CPC), LEGISLATIVE COMMITTEE (LC), AND CBA MEETINGS**

DATE: Thursday, May 19, 2011

COMMITTEE MEETING (LC)

TIME: 9:00 a.m.

COMMITTEE MEETING (CPC)

TIME: 9:30 a.m., or upon adjournment
 of the LC meeting

CBA MEETING

TIME: 1:00 p.m. to 5:00 p.m.

DATE: Friday, May 20, 2011

CBA MEETING

TIME: 9:00 a.m. to 3:30 p.m.

PLACE: Hyatt Regency San Francisco Airport
 1333 Bayshore Highway
 Burlingame, CA 94010
 Telephone: (650) 347-1234
 Fax: (650) 696-2669

Enclosed for your information is a copy of the agendas for the LC, CPC, and CBA meetings on May 19-20, 2011. For further information regarding these meetings, please contact:

Veronica Daniel, Board Relations Analyst
 (916) 561-1716, or vdaniel@cba.ca.gov
 California Board of Accountancy
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815

An electronic copy of this notice can be found at <http://www.dca.ca.gov/cba/calendar.shtml>

The next CBA meeting is scheduled for July 21-22, 2011 in Southern CA.

The meeting is accessible to individuals who are physically disabled. A person who needs a disability-related accommodation or modification in order to participate in the meeting may make a request by contacting Veronica Daniel at (916) 561-1718, or email vdaniel@cba.ca.gov, or send a written request to the CBA Office at 2000 Evergreen Street, Ste. 250, Sacramento, CA 95815. Providing your request is at least five (5) business days before the meeting will help to ensure availability of the requested accommodation.



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>



**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
LEGISLATIVE COMMITTEE (LC)**

**LC MEETING
AGENDA**

**Revised
5/6/11**

**Thursday, May 19, 2011
9:00 a.m.**

Hyatt Regency San Francisco Airport
1333 Bayshore Highway
Burlingame, CA 94010
Telephone: (650) 347-1234
Fax: (650) 696-2669

(CBA members who are not members of the LC may be attending the meeting. However, if a majority of members of the full board are present at the LC meeting, members who are not members of the LC may attend the meeting only as observers.)

Roll Call and Call to Order (**Diana Bell, Chair**).

- I. Adoption of Draft Minutes of the March 24, 2011 LC Meeting (**Diana Bell, Chair**).
- II. Discussion on Status of AB 431 – Retired Status (**Matthew Stanley, CBA Staff**).
- III. Possible Ratification and Adoption of Position on SB 541 – Regulatory Boards: Expert Consultants (**Matthew Stanley, CBA Staff**).
- IV. Reconsideration of Positions on Legislation (**Matthew Stanley**).
 - A. AB 229 – The Controller: Audits.
 - B. SB 306 – Safe Harbor Extension.
 - C. SB 542 – Sunset Review.
 - D. SB 773 – Webcasting.
 - E. SB 921 – Office of Inspector General.
- V. Adoption of Position on SB 706 – Business and Professions (**Matthew Stanley**).

VI. Public Comments for Items Not on the Agenda.

VII. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. The time and order of agenda items are subject to change at the discretion of the LC Chair and may be taken out of order.

In accordance with the Bagley-Keene Open Meetings Act, all meetings of the CBA are open to the public.

Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the LC prior to the LC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the LC. Individuals may appear before the LC to discuss items not on the agenda; however, the LC can take no official action on these items at the time of the same meeting. (Government Code sec. 11125.7(a).)



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>



**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
COMMITTEE ON PROFESSIONAL CONDUCT (CPC)**

**CPC MEETING
AGENDA**

**Thursday, May 19, 2011
9:30 a.m.
or upon conclusion of LC**

Hyatt Regency San Francisco Airport
1333 Bayshore Highway
Burlingame, CA 94010
Telephone: (650) 347-1234
Fax: (650) 696-2669

(CBA members who are not members of the CPC may be attending the meeting. However, if a majority of members of the full board are present at the CPC meeting, members who are not members of the CPC may attend the meeting only as observers.)

Roll Call and Call to Order (**Marshal Oldman, Chair**).

- I. Overview of Previously Received Positions on AB 2473 – Mobility (**Dan Rich, Assistant Executive Officer**).
- II. Further Discussion on International Delivery of the Uniform CPA Examination (**Liza Walker, Licensing Manager**).
- III. Discussion to Amend the Safe Harbor Language Contained in Title 16, California Code of Regulations Section 4 (**Rafael Ixta, Enforcement Chief**).
- IV. Public Comments for Items Not on the Agenda.
- V. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. The time and order of agenda items are subject to change at the discretion of the CPC Chair and may be taken out of order.

In accordance with the Bagley-Keene Open Meetings Act, all meetings of the CBA are open to the public.

Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the CPC prior to the CPC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the CPC. Individuals may appear before the CPC to discuss items not on the agenda; however, the CPC can take no official action on these items at the time of the same meeting. (Government Code sec. 11125.7(a).)



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)
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)**

**CBA MEETING
AGENDA**

**Revised
5/6/11**

**Thursday, May 19, 2011
1:00 p.m. – 5:00 p.m.**

**Friday, May 20, 2011
9:00 a.m. – 3:30 p.m.**

Hyatt Regency San Francisco Airport
1333 Bayshore Highway
Burlingame, CA 94010
Telephone: (650) 347-1234
Fax: (650) 696-2669

Roll Call and Call to Order (**Sally Anderson**).

- I. Report of the President (**Sally Anderson**).
 - A. Update on Peer Review Implementation (**Rafael Ixta, Enforcement Chief**).
 - B. Announcement of New Committee Appointments.
 - C. Presentation: Overview of the CBA's Role in Petitions for Reinstatement. (**Carl Sonne, Deputy Attorney General/Don Chang, DCA Legal Counsel**).
 1. Enforcement Overview.
 2. Reinstatement Process.
 3. CBA Responsibilities.

- D. Discussion Regarding the Joint Meeting of the Accounting Education Committee (AEC) and Ethics Curriculum Committee (ECC) to Review their Proposal for Accounting Study and Ethics Education Requirements.
- II. Report of the Vice President (**Marshal Oldman**).
 - A. Resolution for Retiring Qualifications Committee (QC) Member.
 - B. Recommendation for Appointments to the Enforcement Advisory Committee (EAC).
- III. Report of the Secretary/Treasurer (**Leslie LaManna**).
 - A. Discussion of Governor's Budget.
 - B. FY 2010-2011 Third Quarter Financial Statement.
- IV. Report of the Executive Officer (EO) (**Patti Bowers**).
 - A. Update on Hiring Freeze Exemption Requests.
 - B. Update on Paperless Meetings Initiative.
 - C. DCA Director's Report (**DCA Representative**).
 - 1. New Executive Order(s).
 - 2. Hiring Freeze.
 - 3. Travel Restrictions.
 - 4. Update on BreZE.
 - 5. Update on Consumer Protection Enforcement Initiative (CPEI).
 - 6. EO Study/Evaluation.
 - D. Update on 2010/2012 CBA Communications and Outreach Plan (**Lauren Hersh**).
 - E. Phase II CBA Succession Plan (**Dan Rich, Assistant EO**).
 - F. Further Discussion on Title 16, California Code of Regulations (CCR) Section 30 of CBA Regulations – Safe Harbor (**Matthew Stanley, CBA Staff**).

- G. Consideration of Modification to Executive Officer's Delegation of Authority (**Veronica Daniel, CBA Staff**).
- V. Report of the Enforcement Chief (**Rafael Ixta**).
 - A. Enforcement Case Activity and Status Report.
 - B. Aging Inventory Report.
 - C. Report on Citations and Fines.
 - D. Reportable Events Report.
 - E. Results of the 3rd Quarter Performance Measures Report to DCA.
- VI. Report of the Licensing Chief (**Deanne Pearce**).
 - A. Report on Licensing Division Activity.
- VII. Acceptance of Minutes.
 - A. Draft Minutes of the February 24, 2011 CBA Meeting.
 - B. Draft Minutes of the March 24-25, 2011 CBA Meeting.
 - C. Draft Minutes of the March 24, 2011 Legislative Committee (LC) Meeting.
 - D. Minutes of the February 18, 2011 AEC Meeting.
 - E. Minutes of the February 3, 2011 EAC Meeting.
 - F. Minutes of the January 26, 2011 ECC Meeting.
 - G. Minutes of the April 6, 2011 ECC Meeting.
 - H. Minutes of the January 20, 2011 Peer Review Oversight Committee (PROC) Meeting.
 - I. Minutes of the March 4, 2011 PROC Meeting.
 - J. Minutes of the January 26, 2011 QC Meeting.
- VIII. Other Business.
 - A. American Institute of Certified Public Accountants (AICPA).

No Report.

- B. National Association of State Boards of Accountancy (NASBA).
 - 1. Update on NASBA Committees.
 - a. Accountancy Licensee Database Task Force
(Patti Bowers/Sally Anderson).
 - b. Board Relevance & Effectiveness Committee
(Marshal Oldman).
 - c. Uniform Accountancy Act Committee (UAA)
(Donald Driftmier).
 - 2. Recommendations for NASBA's Board of Directors and Nominating Committee **(Veronica Daniel, CBA Staff)**
 - 3. NASBA 2011 Awards Nominations **(Veronica Daniel, CBA Staff)**.
- C. Discussion of Policy Issues for Regulations Regarding Retired License Status **(Dominic Franzella, Licensing Manager)**.

May 20, 2011
10:00 a.m.
TIME CERTAIN

- IX. Open Session. Petitions for Reinstatement.
 - Johnathon Mark Roux – Petition for Reinstatement of Revoked Certificate.
- X. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, Proposed Decisions, and the Petition for Reinstatement).
- XI. Committee and Task Force Reports.
 - A. Enforcement Program Oversight Committee (EPOC)
(Michelle Brough, Chair).

No Report.
 - B. Committee on Professional Conduct (CPC)
(Marshal Oldman, Chair).
 - 1. Report of the May 19, 2011 CPC Meeting.

2. Overview of Position Letters Received by the CBA on AB 2473 – Mobility.
3. Further Discussion on International Delivery of the Uniform CPA Examination.
4. Discussion to Amend the Safe Harbor Language Contained in Title 16, CCR Section 4.

C. Legislative Committee (LC) (**Diana Bell, Chair**).

1. Report of the May 19, 2011 LC Meeting.
2. Discussion on Status of AB 431 – Retired Status.
3. Possible Ratification and Adoption of Position on SB 541 – Regulatory Boards: Expert Consultants.
4. Reconsideration of Positions on Legislation.
 - a. AB 229 – The Controller: Audits.
 - b. SB 306 – Safe Harbor Extension.
 - c. SB 542 – Sunset Review.
 - d. SB 773 – Webcasting.
 - e. SB 921 – Office of Inspector General.
5. Adoption of Position on SB 706 – Business and Professions.

D. Accounting Education Committee (AEC) (**Ruben Davila, Chair**).

1. Report of the April 15, 2011 AEC Meeting.
2. Report of the May 9, 2011 AEC Meeting.

E. Ethics Curriculum Committee (ECC) (**Don Driftmier, Chair**).

1. Report of the April 6, 2011 ECC Meeting.
2. Report of the May 18, 2011 ECC Meeting.

F. Peer Review Oversight Committee (PROC) (**Nancy Corrigan, Chair**).

Report of the May 6, 2011 PROC Meeting.

G. Enforcement Advisory Committee (EAC) (**Cheryl Gerhardt, Chair**).

Report of the May 5, 2011 EAC Meeting.

H. Qualifications Committee (QC) (**Fausto Hinojosa, Chair**).

1. Report of the April 27, 2011 QC Meeting.

2. QC Recommendation to Amend Title 16, CCR Sections 37 – Reissuance, 12(d) and 12(f) – Experience Obtained Five or More Years Prior to Application.

XII. Closing Business.

A. Public Comments for Items Not on the Agenda.

B. Agenda Items for Future CBA Meetings.

C. Press Release Focus (**Lauren Hersh**).

Recent Press Releases.

Adjournment.

Please note: Action may be taken on any item on the agenda. The time and order of agenda items are subject to change at the discretion of the CBA President and may be taken out of order. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the CBA are open to the public. While the CBA intends to webcast this meeting, it may not be possible to webcast the entire open meeting due to limitations on resources. Government Code section 11125.7 provides the opportunity for the public to address each agenda item during discussion or consideration by the CBA prior to the CBA taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the CBA. Individuals may appear before the CBA to discuss items not on the agenda; however, the CBA can neither discuss nor take official action on these items at the time of the same meeting (Government Code section 11125, 11125.7(a)). The CBA President may, at his or her discretion, apportion available time among those who wish to speak.

Memorandum

CBA Agenda Item I.A.
May 19-20, 2011

To : CBA Members

Date : April 27, 2011

Telephone : (916) 561-1731

Facsimile : (916) 263-3673

E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Update on Peer Review Implementation

In an effort to continue to supply updates on peer review implementation activities, staff have provided this memorandum highlighting key topics where actions have occurred since the March 2011 California Board of Accountancy (CBA) meeting.

Regulations

The rulemaking file modifying Business and Professions Code section 48.3 was approved on April 25, 2011 and becomes effective on May 25, 2011. This section requires Board-recognized Peer Review Program providers to report substandard reports to the CBA within 60 days of their acceptance date.

Peer Review Survey

The CBA has received 297 peer review surveys since the survey went live on the CBA's Web site on December 9, 2010. This is an increase of 253 since the March meeting. The voluntary survey will assist the CBA in collecting information from sole proprietors and small firms to prepare the report that is due to the Legislature and the Governor on January 1, 2013.

Reporting Statistics

As of April 27, 2011, 15,572 peer review reporting forms have been submitted to the CBA, which is an increase of 1,892 since the March meeting. The reporting forms are categorized as follows:

Peer Review Required	1,220
Peer Review Not Required (firms)	2,742
Peer Review Not Applicable (non-firms)	11,610

Correspondence to Licensees Regarding Peer Review Reporting

On April 5, 2011, reminder letters were mailed to 9,223 licensees who are required to report peer review information by July 1, 2011, but have not yet reported.

Update on Peer Review Implementation

Page 2 of 2

Staff have finalized the notification letter that will be mailed to licensees who are required to report peer review information by July 1, 2012, and these letters are expected to be mailed in June. **Attachment 1** is the letter being sent to corporations and partnerships. The letter being sent to individual Certified Public Accountants is shown as **Attachment 2**.

Update to Renewal Forms

The renewal forms for individual licensees, corporations, and partnerships are being revised to include language regarding peer review requirements. The forms will each include a statement notifying the licensee that by signing and submitting the renewal form, they are certifying that if they are subject to peer review requirements, they have had a peer review completed within the three years prior to the license renewal date. An insert with additional information about peer review requirements and reporting requirements will accompany the renewal forms.

Staff anticipates that these changes will be reflected on the renewal forms for licenses expiring on or after July 31, 2011.

Verification Procedures

Staff have developed procedures to test peer review reporting forms. Each of the areas listed below will be tested using the designated methods.

- Licensees who fail a peer review.
 - Collect failed peer review reports submitted by licensees and Board-recognized Peer Review Program Providers as required by law.
 - Query the AICPA's Facilitated State Board Access (FSBA) database on a monthly basis to identify failed peer review reports.
 - Refer failed peer review reports for investigation and appropriate action.
- Licensees who failed to report peer review information.
 - Query the peer review database for all active licensees who have not reported.
 - Contact licensee.
- Licensees who incorrectly reported peer review information.
 - Verify peer review report matches information on licensee's license renewal form.
 - Collect information from the internet.
 - Contact licensee for additional information.
 - Conduct practice investigations.

Staff will continue to inform members regarding the activities and progress of peer review implementation.

Attachments



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>



DATE

ATTACHMENT 1

Name
 Address
 City, State Zip

Dear Licensee:

License #:

PIN:

On January 1, 2010, mandatory peer review became effective for California-licensed firms which perform specified accounting and auditing services.

You are receiving this letter because the firm has a license number ending in 34 through 66 and is required to report peer review information to the California Board of Accountancy (CBA) by **July 1, 2012**. **Reporting peer review status is required even if the firm is not required to undergo peer review.**

Please use the following chart to determine the firm's peer review reporting requirement:

IF THE FIRM:	THEN IT IS:	AND IT MUST:	AND:
Operates under the umbrella of another partnership or corporation.	Not subject to peer review.	Report this information to the CBA by 7/1/12.	
Has not provided accounting and auditing services since 1/1/10.			
Provided accounting and auditing services since 1/1/10.	Subject to peer review.	Have a peer review report accepted by a Board-recognized peer review program subsequent to 7/1/09.	Report the peer review results to the CBA by 7/1/12.
Was licensed after 1/1/10 and has provided accounting and auditing services.		Have a peer review report accepted by a Board-recognized peer review program within 18 months of completion of the services.	Report the peer review results to the CBA within 45 days of acceptance.

The requirement to undergo a peer review applies to all California-licensed firms that perform one or more accounting and auditing service using any of the following professional standards:

- Statements on Auditing Standards (SAS);
- Statements on Standards for Accounting and Review Services (SSARS);
- Statements on Standards on Attestation Engagements (SSAE);
- Government Auditing Standards (Yellow Book);
- Audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB).

Reporting is quick and easy with the *Online Peer Review Reporting Form* available on the CBA Web site at www.cba.ca.gov. By using the PIN number provided, you can log-in and fulfill your reporting requirements in just minutes. You can also download a hard copy of the *Peer Review Reporting Form* from the Web site or request it from the CBA by telephone or by e-mail listed below.

You will only be able to submit the reporting form one time, so it is important that you complete the reporting process in its entirety when you log-in. Reporting should require no more than 10 minutes of your time.

Firms that have received a substandard (fail) peer review rating are required to submit a copy of the peer review report to the CBA, along with any materials documenting prescription of and compliance with remedial or corrective actions, within 45 days after the report is accepted by the Board-recognized peer review program provider. Firms that have received a peer review rating of pass or pass with deficiencies are not required to submit a copy of the peer review report.

Presently, the only peer review program recognized by the CBA to perform peer reviews is the American Institute of Certified Public Accountants (AICPA). If you have any questions regarding the peer review process, please contact the California Society of Certified Public Accountants, the administering entity of the AICPA's peer review program in California, by telephone at (650) 522-3094 or by e-mail at peerreview@calcpa.org.

If you have any questions regarding your peer review reporting requirements, please contact the CBA by telephone at (916) 561-1706 or by e-mail at peereviewinfo@cba.ca.gov.

Sincerely,

Patti Bowers
Executive Officer



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>



DATE

ATTACHMENT 2

Name
 Address
 City, State Zip

Dear Licensee:

License #:

PIN:

On January 1, 2010, mandatory peer review became effective for California-licensed firms, including sole proprietorships, which perform specified accounting and auditing services. A sole proprietorship is a business in which one person, operating in his or her own personal capacity, owns all the assets and owes all the liabilities (Black's Law Dictionary, 8th ed. 2004).

You are receiving this letter because you have a license number ending in 34 through 66 and are required to report peer review information to the California Board of Accountancy (CBA) by **July 1, 2012**. **Reporting peer review status is required even if you are not required to undergo peer review.**

Please use the following chart to determine your peer review reporting requirement:

IF YOU:	THEN YOU ARE:	AND YOU MUST:	AND:
Work for a firm (e.g. sole proprietor, partnership or corporation) as an employee, partner or shareholder.	Not subject to peer review.	Report this information to the CBA by 7/1/12.	
Are a sole proprietor and have not provided accounting and auditing services since 1/1/10.			
Are a sole proprietor licensed prior to 1/1/10 and have provided accounting and auditing services since 1/1/10.	Subject to peer review.	Have a peer review report accepted by a Board-recognized peer review program subsequent to 7/1/09.	Report the peer review results to the CBA by 7/1/12.
Are a sole proprietor licensed after 1/1/10 and have provided accounting and auditing services.		Have a peer review report accepted by a Board-recognized peer review program within 18 months of completion of the services.	Report the peer review results to the CBA within 45 days of acceptance.

The requirement to undergo a peer review applies to all California-licensed firms, including sole proprietorships, that perform one or more accounting and auditing service using any of the following professional standards:

- Statements on Auditing Standards (SAS);
- Statements on Standards for Accounting and Review Services (SSARS);
- Statements on Standards on Attestation Engagements (SSAE);
- Government Auditing Standards (Yellow Book);
- Audits of non-Security Exchange Commission (SEC) issuers performed pursuant to the standards of the Public Company Accounting Oversight Board (PCAOB).

Reporting is quick and easy with the *Online Peer Review Reporting Form* available on the CBA Web site at www.cba.ca.gov. By using the PIN number provided, you can log-in and fulfill your reporting requirements in just minutes. You can also download a hard copy of the *Peer Review Reporting Form* from the CBA Web site or request it from the CBA by telephone or by e-mail listed below.

You will only be able to submit the reporting form one time, so it is important that you complete the reporting process in its entirety when you log-in. Reporting should require no more than 10 minutes of your time.

Firms that receive a substandard (fail) peer review rating are required to submit a copy of the peer review report to the CBA, along with any materials documenting prescription of and compliance with remedial or corrective actions, within 45 days after the report is accepted by the Board-recognized peer review program provider. Firms that have received a peer review rating of pass or pass with deficiencies are not required to submit a copy of the peer review report.

Presently, the only peer review program recognized by the CBA to perform peer reviews is the American Institute of Certified Public Accountants (AICPA). If you have any questions regarding the peer review process, please contact the California Society of Certified Public Accountants, the administering entity of the AICPA's peer review program in California, by telephone at (650) 522-3094 or by e-mail at peerreview@calcpa.org.

If you have any questions regarding your peer review reporting requirements, please contact the CBA by telephone at (916) 561-1706 or by e-mail at peerreviewinfo@cba.ca.gov.

Sincerely,

Patti Bowers
Executive Officer



CBA AND COMMITTEE MEMBER ROSTER Revised April 25, 2011

CBA MEMBERS

Anderson, Sally, CPA, President
Oldman, Marshal, Esq., Vice President
LaManna, Leslie, CPA, Sec./Treasurer
Bell, Diana L.
Berhow, Alicia
Brough, Michelle R., Esq.
Driftmier, Donald A., CPA
Elkins, Herschel T., Esq.
Kaplan, Larry
Kirkbride, Louise
Leung, K.T., CPA
Ramirez, Manuel, CPA
Savoy, Michael M., CPA
Swartz, David L., CPA
Taylor, Lenora, Esq.

Staff:

Daniel, Veronica (916) 561-1716

AEC

Davila, Ruben A., CPA, Chair
Anderson, Sherri, CPA
Chavis, Betty
Dalton, Thomas M., CPA
Driftmier, Donald A., CPA
Moore, Michael L., CPA
Pieroni, Gary
Seyedin, Sara
Yuan, Xiaoli "Charlie"

Staff:

Sheldon, Jenny (916) 561-4339

CBA COMMITTEES

CPC – Committee on Professional Conduct
EPOC – Enforcement Program Oversight Committee
LC – Legislative Committee
ADVISORY COMMITTEES
AEC – Accounting Education Committee
EAC – Enforcement Advisory Committee
ECC – Ethics Curriculum Committee
PROC – Peer Review Oversight Committee
QC – Qualifications Committee

CPC

Oldman, Marshal, Esq., Chair
Anderson, Sally, CPA
Elkins, Herschel T., Esq.
Kirkbride, Louise
LaManna, Leslie, CPA
Savoy, Michael M., CPA
Swartz, David L., CPA

Staff:

Stanley, Matthew (916) 561-1792

EAC

Gerhardt, Cheryl, CPA, Chair
Rider, James, CPA, Vice Chair
Caine, Gary S., CPA
Caras, Mary Rose, CPA
Lee, Robert A., CPA
Petray, James P., CPA
Sadat, Seid M., CPA
Schwarz, Michael J., CPA
Thielen, Arthur J., CPA
Vacant
Vacant
Vacant
Vacant

CBA Member Liaisons:

Kirkbride, Louise (North)
Elkins, Herschel T., Esq. (South)

Staff:

Nightingale, Allison (916) 561-1721
Santaga, Michele (916) 561-1728

EPOC

Brough, Michelle R., Esq., Chair
Bell, Diana L.
Elkins, Herschel T., Esq.
Kaplan, Larry
LaManna, Leslie, CPA
Leung, K.T., CPA
Oldman, Marshal, Esq.

Staff:

Santaga, Michele (916) 561-1728

ECC

Driftmier, Donald A., CPA, Chair
Cornejo, Dave
Freixes, Gonzalo
McBride, Gary, CPA
Mikkelsen, Jon
Mintz, Steven M., CPA
Pieroni, Gary
Shames, Michael
Ueltzen, Michael, CPA
Yetman, Robert, CPA
Vacant

Staff:

Fuller, Cindi (916) 561-4367

PROC

Corrigan, Nancy J., CPA, Chair
Allanson, Katherine, CPA
Bong, Gary, CPA
Lam, T. Ki, CPA
Lee, Robert, CPA
McCoy, Sherry, CPA
Sadat, Seid M., CPA

Staff:

Freeman, April (916) 561-1720

LC

Bell, Diana L., Chair
Berhow, Alicia
Brough, Michelle R., Esq.
Kirkbride, Louise
Ramirez, Manuel, CPA
Savoy, Michael M., CPA
Taylor, Lenora, Esq.

Staff:

Stanley, Matthew (916) 561-1792

QC

Hinojosa, Fausto, CPA, Chair
Eckley, Maurice Jr., CPA, Vice Chair
Aguila, Carlos, CPA
Bong, Gary, CPA
Cates, Brian, CPA
Haas, Michael, CPA
Hales, Bobbie, CPA
Hester, Charles, CPA
Lee, Alan, CPA
Mapes, Kris, CPA
Moore-Hudnall, Cassandra, CPA
O'Krent, Gary H., CPA
Ruehl, Robert, CPA
Shenouda, Ash W., CPA
Smith, Jeremy, CPA
Woyce, James, CPA

CBA Member Liaisons:

Leung, K.T., CPA (North/South)

Staff:

Hoffman, Stephanie (916) 561-1743

Memorandum

CBA Agenda Item I.C.
May 19-20, 2011

To : CBA Members

Date : May 5, 2011

Telephone : (916) 561-1731

Facsimile : (916) 263-3674

E-mail : rixta@cba.ca.gov

From : Rafael Ixta
Chief, Enforcement Division

Subject : **Overview of the CBA's Role in Petitions for Reinstatement**

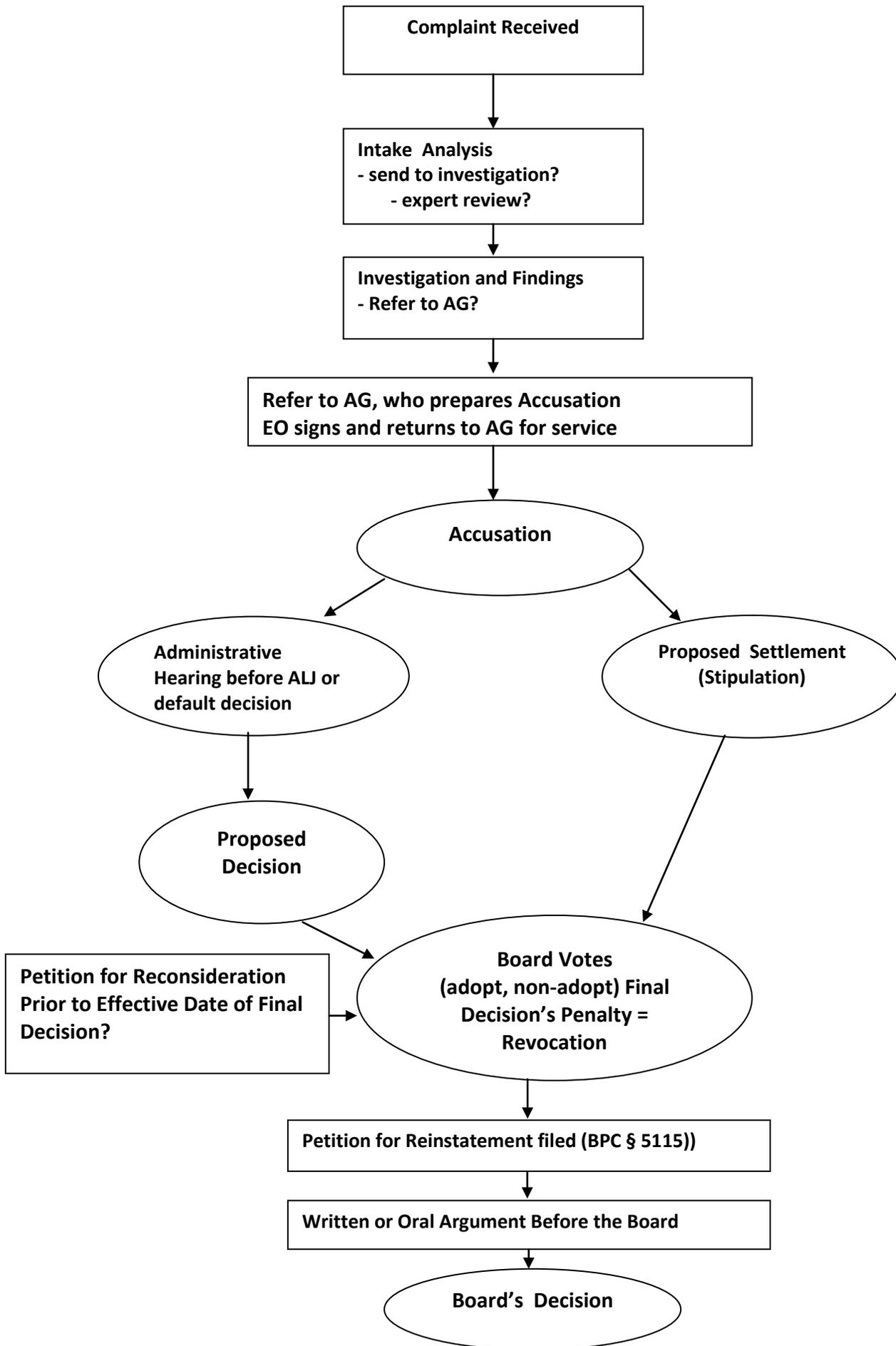
At the CBA Leadership Meeting in January, a request was made to provide training to CBA members on their role in the enforcement processes. It was specifically requested to provide guidance on the role of CBA members regarding Petitions for Reinstatement.

Attached is a process diagram of the disciplinary and petitions for reinstatement process (**Attachment 1**). At the May CBA meeting, Deputy Attorney General Carl Sonne will discuss the enforcement and reinstatement process and DCA Legal Counsel Don Chang will discuss the roles and responsibilities of CBA members in Petitions for Reinstatement.

Carl and Don will be available to answer questions.

Attachment

DISCIPLINARY PROCESS/PETITIONS FOR REINSTATEMENT



Memorandum

CBA Agenda Item I.D.
May 19-20, 2011

To : CBA Members

Date : May 4, 2011

Telephone : (916) 561-1700

Facsimile : (916) 263-3675

From : 
Sally Anderson, CPA, President
California Board of Accountancy

Subject : Discussion Regarding the Joint Meeting of the Accounting Education Committee and Ethics Curriculum Committee to Review their Proposal for Accounting Study and Ethics Education Requirements

I am excited to provide you with information on an ambitious and important meeting being planned by the California Board of Accountancy (CBA). As many of you are undoubtedly aware, the CBA is in the midst of redefining the requirements for obtaining a CPA license in the State of California. Beginning with licenses issued on January 1, 2014, California will have some of the most, if not the most, rigorous educational requirements needed to begin the practice public accountancy, especially when it comes to ethics education.

By way of background, especially for recently appointed members, during the 2009 legislative year, the California Legislature passed Senate Bill (SB) 819. SB 819 affects many Department of Consumer Affairs' boards and bureaus, but as it relates to CBA educational requirements, it had two major impacts. First, as of December 31, 2013, the bill sunsets Pathway 1 (conferral of a baccalaureate degree, 24 semester units in accounting subjects, 24 semester units in business-related subjects, and two years of general experience) thus no longer allowing individuals to apply for CPA licensure under its requirements. This assures that California will maintain its National Association of State Boards of Accountancy's (NASBA) designation as a "substantially equivalent" state. In maintaining the substantially equivalent designation, California CPAs' ability to obtain licensure via reciprocity in other jurisdictions will continue to be greatly simplified.

Second, SB 819 requires that the CBA further define an additional 30 semester units of the educational requirements for Pathway 2 (conferral of a baccalaureate degree, with completion of 150 semester units, and 24 semester units in accounting subjects, 24 semester units in business-related subjects, and one year of general experience).

To assist the CBA in developing and instituting these new educational requirements, the California Legislature established two new temporary committees under our jurisdiction. The Accounting Education Committee (AEC) is tasked with providing recommendations on 20 semester units of accounting study, while the

Discussion Regarding Joint AEC/ECC Meeting

Page 2 of 2

Ethics Curriculum Committee (ECC) is tasked with providing guidelines on 10 semester units of ethics study.

Over the past several months the members of these committees have demonstrated continued dedication to the consumers of the State of California, and devoted considerable time and effort to develop recommendations and guidelines for the new educational requirements. It is anticipated that these two committees will be finalizing their respective proposals this month, and the proposal will be presented to us at our July 2011 meeting.

Given the transformative nature of these anticipated changes, the CBA is planning a joint meeting of both the AEC and ECC to expose the changes. The meeting will allow students, colleges/universities, consumer groups, various professional organizations, and the public at large to receive information on the CBA's plans for implementing the new educational requirements, including plans for future outreach, as well as provide a dedicated forum for these groups to hear the proposal and provide comments.

Though staff is still in the early planning stages of the meeting, I would like to provide you with some initial information. A date of Tuesday, June 7, 2011 has been selected for the meeting, with the meeting to occur in Sacramento. Staff have informed me that several AEC and ECC members have already confirmed their attendance, and both committees will have the requisite number of members present to establish a quorum. Staff intend to invite all of California's colleges and universities, various consumer groups and professional trade associations, NASBA, the American Institute of Certified Public Accountants, and Beta Alpha Psi (the an honorary organization for Financial Information students and professionals), and the meeting will be webcast to allow for maximum participation by stakeholders. Staff will widely market and publicize the meeting using all of the social media forums at its disposal (E-News, Twitter, facebook), while also reaching out to various news organizations such as the *New York Times*, *Wall Street Journal*, and *San Francisco Chronicle*.

I want to emphasize that these upcoming changes to the educational requirements will significantly alter the landscape for receiving a California CPA license, thus impacting various stakeholders and the CBA. By holding this joint meeting to expose the proposed recommendations, I am hopeful all affected groups will take this opportunity to provide valuable input on the direction these two committees are taking.

Staff and I will be available at the meeting to provide further information regarding the joint meeting.

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2010/11
3rd Quarter Financial Report
(for period of 7/1/10 through 3/31/11)

CBA Agenda Item III. B.
May 19-20, 2011

	FY 2010/11 Received/Expended 7/01/10 - 3/31/11 (9 months) [9]	FY 2009/10 Received/Expended 7/01/09 - 3/31/10 (9 months) [9]	% Change FY 2010/11 to FY 2009/10 to (A:B)	FY 2010/11 Annual Governor's Budget 7/01/10 - 6/30/11 (12 months) [10]	FY 2010/11 Receipts/Expenditures Over/Under Budget (D:A)	FY 2010/11 Annual Projections (12 months) [11]
RECEIPTS						
Revenues:						
Renewals [1]	7,090,660	6,904,700	2.7%	8,645,500	-18.0%	8,637,180
Examination Fees	2,109,587	2,086,109	1.1%	3,022,000	-30.2%	2,831,814
Licensing Fees	696,993	757,900	-8.0%	908,900	-23.3%	929,600
Practice Privilege Fees	140,450	144,050	-2.5%	175,800	-20.1%	172,129
Miscellaneous [2]	46,305	51,372	-9.9%	53,720	-13.8%	60,764
Monetary Sanctions [3]	0	0	NA	0	NA	0
Penalties and Fines	7,226	2,340	NA	46,608	-84.5%	19,635
Total Revenues	10,091,221	9,946,471	1.5%	12,852,528	-21.5%	12,651,122
Interest	34,836	47,567		186,000	-81.3%	70,574
TOTAL NET RECEIPTS	10,126,057	9,994,038	1.3%	13,038,528	-22.3%	12,721,696
EXPENDITURES:						
Personal Services:						
Salaries & Wages	2,757,503	2,704,612	2.0%	3,833,408	-28.1%	3,767,963
Benefits	1,168,130	1,043,210	12.0%	1,810,549	-35.5%	1,527,562
Total Personal Services:	3,925,633	3,747,822	4.7%	5,643,957	-30.4%	5,295,525
Operating Expenses:						
Fingerprints	11,568	13,901	-16.8%	185,000	-93.7%	19,831
General Expense	129,465	134,811	-4.0%	167,996	-22.9%	167,996
Printing	82,748	68,017	21.7%	97,008	-14.7%	117,746
Communications	23,951	25,470	-6.0%	59,102	-59.5%	42,744
Postage	68,885	118,256	-41.7%	235,000	-70.7%	135,000
Travel: In State	73,770	72,551	1.7%	131,237	-43.8%	131,237
Travel: Out of State	0	1,443	NA	0	NA	0
Training	8,774	5,457	60.8%	34,012	-74.2%	12,762
Facilities Operations	686,248	563,325	21.8%	617,818	11.1%	692,653
Utilities	0	0	NA	0	NA	0
Consultant & Professional Services Interdept.	0	0	NA	3,708	-100.0%	0
Consultant & Professional Services Ext.	230,585	107,829	113.8%	1,437,363	-84.0%	278,000
Departmental Services	886,390	877,599	1.0%	1,196,186	-25.9%	1,196,186
Consolidated Data Center	30,000	36,198	-17.1%	41,148	-27.1%	45,000
Data Processing	7,753	14,555	-46.7%	80,103	NA	20,225
Central Administrative Services	373,020	299,520	24.5%	498,436	-25.2%	497,360
Exams	67,781	131,506	-48.5%	0	NA	131,400
Enforcement	419,946	376,253	11.6%	1,713,551	-75.5%	640,120 [12]
Minor Equipment	6,419	75,543	-91.5%	46,100	-86.1%	46,100
Major Equipment	0	0	NA	37,000	-100.0%	37,000
State Controller Operations	0	0	NA	20,000	-100.0%	20,000
FI\$Cal [4]	0	0	NA	7,000	-100.0%	7,000
Total Operating Expenses:	3,107,303	2,922,234	6.3%	6,607,768	-53.0%	4,238,360
TOTAL EXPENDITURES	7,032,936	6,670,056	5.4%	12,251,725	-42.6%	9,533,885
Less Reimbursements	100,381	16,856	495.5%	296,000	-66.1%	200,731
Less Cost Recovery	210,603	69,834	201.6%	0	NA	249,704
TOTAL NET EXPENDITURES	6,721,952	6,583,366	2.1%	11,955,725	-43.8%	9,083,450
RECEIPTS IN EXCESS OF EXPENSES	3,404,105	3,410,672		1,082,803		3,638,246
BEGINNING RESERVES JULY 1 [5]	19,753,000	15,693,000		19,753,000		19,753,000
GENERAL FUND LOAN 2010 [6]	-10,000,000	0		-10,000,000		-10,000,000
Total Resources	13,157,105	19,103,672		10,835,803		13,391,246
PROJECTED ENDING RESERVES	13,157,105	19,103,672	-31.1%	10,835,803		13,391,246
GENERAL FUND LOAN 2002 [7]	(6,000,000)	(6,000,000)				
GENERAL FUND LOAN 2003 [7]	(270,000)	(270,000)				
GENERAL FUND LOAN 2008 [7]	(14,000,000)	(14,000,000)				
GENERAL FUND LOAN 2010 [7]	(10,000,000)					
MONTHS IN RESERVE (MIR) [8]	12.9	18.0		10.6		13.1

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2010/11
3rd Quarter Financial Report
(for period of 7/1/10 through 3/31/11)

Footnotes:

- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes misc. services to the public, dishonored check fees, certification fees, duplicate licenses, name changes, over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [3] Enforcement monetary sanctions received as components of stipulated settlements and disciplinary orders approved by the CBA. These orders bring to a conclusion any accusations that had previously been filed by the Executive Officer, and are separate from fines or citations.
- [4] FI\$Cal is the Financial Information System for California, an historic project with four Partner Agencies having authority over the states's financial management. Comprised of the Department of Finance (DOF), the State Controller's Office (SCO), the State Treasurer's Office (STO), and the Department of General Services (DGS), the project represents a multi-year commitment by the State of California to operate within and integrated financial management sytem environment. Leveraging the power of Enterprise Resource Planning (ERP) will assist the project to integrate the data, functions and processes of state fiscal data management into one system. All Agencies contribute a portion of their expenditure authority to this project.
- [5] FY 2010/11 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office on August 11, 2010.
- [6] The CBA budget for FY 2010/11 includes a \$10 million loan to the General Fund.
- [7] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the authority for these loans. The "terms and conditions" of the loans, per the Budget Act are: "The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer." (Estimated at .515% for 2010, 2.78% for 2008, 2.64% for 2002, and 1.64% for 2003 loan). "It is the intent of the Legislature that repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan through a reduction in service or an increase in fees."
- [8] Calculation: expenditure authority for FY 2010/11 (\$12,251,725) divided by twelve months equals monthly expenditure authority (\$1,020,977). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [9] Received/Expended amounts through December 31, 2010 for FY 2010/11 and December 31, 2009 for FY 2009/10 include encumbrances, and are taken from the DCA CalSTARS (FM06) Budget Report.
- [10] This column reflects figures provided in the Governor's Budget.
- [11] This column reflects CBA's annual revenue and expenditure projections for Fiscal Year 2010/11 based on nine months of actual data.
- [12] Annual expenditures projected for the Enforcement line item are based only on what the CBA has spent to date. No other factors are used in determining this projection. This estimate is not indicative of the number or type of enforcement cases the CBA anticipates being involved in or is currently investigating.
- NOTE: CBA Financial Reports are prepared quarterly (October, January, April, and August) and included in CBA meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2010/11
3RD QUARTER FINANCIAL REPORT
(for period of 7/01/10 through 3/31/11)



DISCUSSION AND ANALYSIS OF FINANCIAL REPORT

BUDGET

The Office of Administrative Law (OAL) approved the fee reduction regulation package in April 2011. Renewal and initial license fees will be reduced by 40 percent for a four year period beginning in FY 2011/12. CBA revenues will decrease by approximately \$3.3 million annually during this period.

Both the Assembly and the Senate versions of the 2011 Budget Bill (AB92 and SB68) remain unchanged since the mid-year financial report.

REVENUES/TOTAL RECEIPTS

Through the third quarter of FY 2010/11, the CBA collected approximately \$10 million in total receipts, with renewal fees accounting for the majority of the revenue increase. Exam revenues remained about the same as the previous year. It remains unknown how much impact the restructuring of the CPA exam will have on the number of candidates. Licensing revenue decreased by eight percent compared to the same period last fiscal year.

EXPENDITURES

The CBA's total net expenditures have increased 2.1 percent from the same time last fiscal year.

Printing expenditures increased by 22 percent due to the publishing of an added edition of UPDATE, as well as continuing mail outs by the Enforcement Division regarding peer review notifications.

Facilities operational costs increased by approximately \$120,000 due to the leasing of an additional storage room and an added day shift for security guard services.

External consultant services increased significantly due to two new expert consultant contracts established by the Enforcement Division to address the CBA's increasing backlog of investigation cases.

RESERVES

The CBA ended the third quarter with 12.9 months in reserve. The Accountancy Fund is projected to end FY 2010/11 with just over 13 months in reserve.

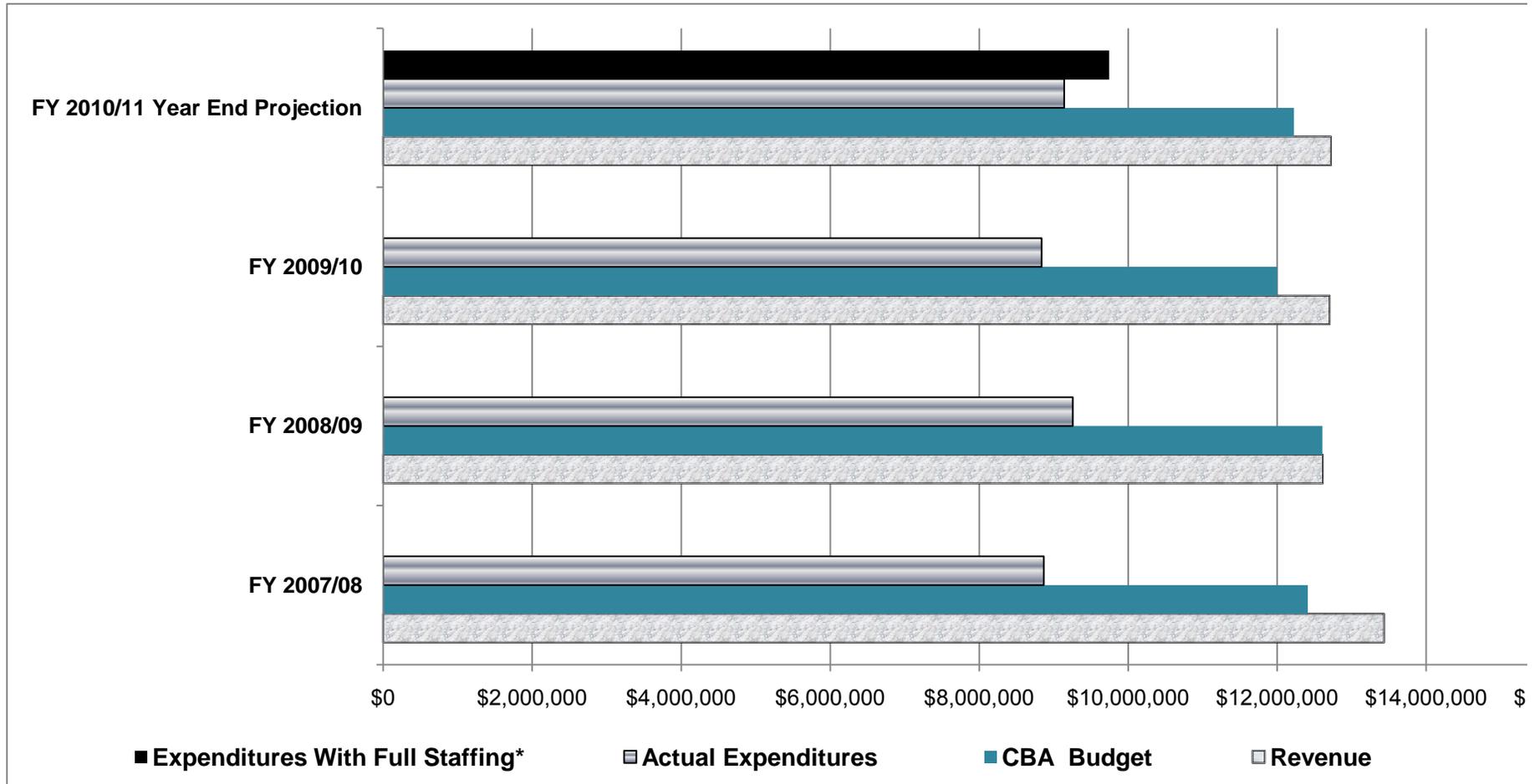
CBA Budget Allocation History

(including reimbursements FM09)

3rd Quarter FY 2010/11	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services	Board
\$ Budgeted	\$11,928,724	175,387	1,017,405	1,240,097	616,516	923,564	5,139,677	2,156,548	518,074	0.0	141,456
\$ Spent*	\$6,806,933	160,049	720,219	1,200,365	400,122	640,195	1,600,487	1,680,511	320,097	0.0	84,889
Authorized Positions	84.0	2.0 ¹	9.0 ²	15.0	5.0	8.0 ²	20.0 ^{2,3}	21.0 ⁴	4.0	0.0	0.0
<p>1. Three Limited Term (LT) positions expired at the end of FY 2009/10. The positions were established to address unanticipated levels of workload during the program's inception. Workload has since stabilized and these positions are no longer needed.</p> <p>2. The Client Services Unit was closed in 2010 and staff were redirected to the Examination, Enforcement, and RCC units.</p> <p>3. The Enforcement Division received two positions from the approval of a FY 2010/11 Enforcement Legislative BCP to establish peer review requirements. (AB 138 Chapter 312, Statutes of 2009).</p> <p>4. The Administration Division received two LT positions from the approval of a FY 2010/11 Legislative BCP. The positions were established to assist in determining educational courses tied to the new 150-hour requirement effective January 2014. (SB 819, Chapter 308, Statutes of 2009).</p>											
FY 2009/10	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services	Board
\$ Budgeted	\$11,739,568	446,994	617,118	1,311,926	568,326	788,597	4,970,948	1,830,145	591,295	501,841	112,378
\$ Spent*	\$8,635,398	301,775	665,369	1,122,477	517,342	805,498	2,601,959	1,564,363	469,070	409,554	177,991
Authorized Positions	83.0	5.0	6.0	15.0	5.0	7.0	17.0	19.0	4.0	5.0	0.0
FY 2008/09	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services	Board
\$ Budgeted	\$12,417,899	494,269	648,337	1,519,371	514,956	909,587	4,985,373	2,068,830	655,651	515,029	106,496
\$ Spent*	\$9,181,841	375,141	693,167	1,296,551	451,308	851,468	2,504,456	1,820,381	644,070	418,855	126,444
Authorized Positions	83.0	5.0	6.0	15.0	4.0	8.0	16.0	19.0	5.0	5.0	0.0
FY 2007/08	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services (Set Up)	Board
\$ Budgeted	\$12,113,217	477,732	579,856	1,480,862	503,169	884,437	4,867,490	2,014,969	641,906	556,460	106,336
\$ Spent*	\$8,402,081	288,083	710,356	1,313,195	458,266	782,238	2,126,920	1,823,105	627,985	138,641	133,292
Authorized Positions	83.0	5.0	6.0	15.0	4.0	8.0	16.0	19.0	5.0	5.0	0.0

* Dollars spent through March 31, 2011.

CBA Total Revenue and Expenditures



* Expenditures assuming full staffing (no vacancies) amount to an additional \$600,000 in projected salaries and benefits.

Memorandum

CBA Agenda Item IV.D
May 19-20, 2011

To : CBA Members

Date : May 5, 2011
Telephone : (916) 561-1789
Facsimile : (916) 263- 3675
E-mail : lhersh@cba.ca.gov

From : Lauren Hersh
Information & Planning Manager

Subject : Update on CBA 2010-2012 Communications and Outreach Plan

As requested by the CBA, staff is providing regular updates regarding the communications and outreach activities which have taken place since the last CBA meeting.

Staff Outreach Committee (OC)

- Consumer Assistance Booklet
 - Staff has revised the Consumer Assistance Booklet, updating content, using a consumer-friendly writing style, and adding a Peer Review section. The draft Consumer Assistance Booklet (**Attachment 1**) is provided for CBA members' information before publication.
- Tip Sheets
 - An Initial Licensing Application tip sheet (**Attachment 2**) was developed for distribution to faculty and students during outreach presentations, and will also be made available on the CBA Website. A tip sheet for Exam applicants is currently being developed.
- Social Media
 - The live Facebook event focused on outreach to students, faculty, Exam applicants and Initial Licensing applicants is scheduled for May 10, 2011. As the event will occur after the meeting materials are sent to CBA members, staff will report on the event during the oral presentation of this agenda item.
 - Staff has designated Exam candidates as the outreach focus for May.
 - YouTube Video - The script for a "How to Report a Peer Review" video has been completed and is now in the review process. The video is expected to be produced in June.
 - Facebook and Twitter feeds continue, with May's outreach focus on Exam applicants. Staff continues to also "tweet" tips for consumers, information regarding E-News alerts, CBA and committee meetings as well as other information of interest.
 - At this writing, the CBA Facebook page has more than 300 fans, and approximately 13,000 monthly views of CBA posts. Interestingly, we are beginning to get a bit more feedback, with an increase of about 23% over last month. Feedback remains positive, with information regarding the temporary fee reduction popular.

Update on CBA 2010-2012 Communications and Outreach Plan

- The CBA has approximately 175 followers on Twitter. We are also being followed by six public lists, including an Exam Candidate list. Similar to how our Facebook posts reach many more individuals than are signed up to “like” us, the public Twitter lists multiply our reach beyond those who are following the CBA on Twitter, as well as recruit new followers.

UPDATE

- The spring edition was published online in early May and is due to be mailed out at the end of the month. This edition contains instructions regarding how readers wishing to continue receiving UPDATE by mail may do so. These readers are directed to the CBA Web site, where they may fill out a form that enables them to “opt-in” to continue receiving a paper copy. All readers are encouraged to sign up for E-News in order to receive notification when the UPDATE is posted to the CBA Web site.
- The fall edition of UPDATE is in the initial planning stages and will use DCA’s award winning design services for the new design and layout.

Outreach Events

- Ambassador Program - Both CBA President Sally Anderson and member Don Driftmier made presentations to audiences through the spring. Additionally, Ms. Anderson will be making a presentation at the California Society of CPAs conference in June.
- Staff Presentations - OC staff made a presentation to Beta Alpha Psi at the University of the Pacific, which was both well-attended and well-received. Deanne Pearce and Dominic Franzella made a presentation to faculty at Consumnes River College, and a presentation is planned for students at that college this fall.

E-News

E-News subscriptions have increased by approximately 1,200 subscriptions since the last report, with the total number of subscriptions up from 10,173 on February 24, 2011 to 11,383 on April 22, 2011. The increase was seen across all interest areas among external subscribers, but the largest increases were notably in subscribers requesting Statutory/Regulatory alerts and CBA Meeting Information & Agenda Materials. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

E-News Statistics

As of	List Name	External	Internal	Total
4/22/2011	California Licensee	3170	41	3211
	Consumer Interest	1574	47	1621
	Examination Applicant	1056	36	1092
	Licensing Applicant	1195	37	1232
	Out-of-State Licensee	780	34	814
	Statutory/Regulatory	2600	48	2648

Update on CBA 2010-2012 Communications and Outreach Plan

	CBA Meeting Information & Agenda Materials	742	24	766
	Total Subscribers	11,117	267	11,384

Staff is available to answer any questions CBA members may have regarding this update.

Consumer Assistance Booklet

(draft)



What is a CPA?

A California-licensed Certified Public Accountant (CPA) is a person who has met the education, examination, and experience requirements of California state law, and has been issued a license to practice public accountancy by the California Board of Accountancy (CBA). The CBA regulates the largest group of CPAs in the United States.

What Services are Provided by CPAs?

CPAs can provide a range of accounting services, including corporate finance and governance; auditing; estate planning; financial accounting, analysis, and planning; forensic accounting and litigation support; management consulting; and tax preparation. Only a CPA can issue a compilation report under the professional standards for CPAs.

Only a CPA or ¹Public Accountant (PA) with the authorization to sign reports on attest engagements can perform attestation services, including audits and reviews. The attest is a written communication issued by an independent accountant as to whether financial statements fairly represent the financial position and operating results of a company.

Who can Provide Tax Services in California?

In California, the only individuals allowed to charge a fee for preparing taxes are CPAs, Enrolled Agents, Attorneys, and California Registered Tax Preparers.

What is Peer Review?

A peer review is a study of a firm's accounting and auditing work by an unaffiliated CPA following professional standards. Peer review is required for all California-licensed firms, including sole proprietorships, which perform accounting and auditing services using specified professional standards. Tax practice is not required to be monitored by peer review.

A peer review provides firms an educational opportunity to learn best-practice techniques and improve services, so they can provide up-to-date methods and practices to consumers. Peer review also better equips firms to deliver high quality accounting and auditing services to consumers and helps in designing quality control systems that ensure the work products meet professional standards.

How to Select a CPA

Most of us will need the advice and services of a CPA at some time in our lives, and establishing a relationship with a CPA you trust can be important to the financial health of your family and/or your business.

¹ The last PA license was issued in 1968 and as these licenses expire, California will no longer have licensees with this designation.

Whether a CPA will be preparing your taxes, helping you create a roadmap for your financial future, keeping your books and preparing financial statements for your business, auditing your financial statements, or any number of services a CPA can offer, selecting the best person or firm for your needs is an important decision. Here are some helpful tips to assist in making this very important hire.

1. Get recommendations from family and friends

Ask for recommendations from those who you trust and may have had similar accounting needs. Here are some considerations:

- Do you have a small business? Are you looking for someone to help keep your books and prepare monthly financials? Are you looking for an annual audit and periodic advice? Are there other areas in which you need an accountant's help?
- Are you looking for an accountant to assist with financial planning, estate issues, tax return or IRS issues?

Recommendations should be where your search begins, not ends. Once you get several recommendations, be thorough in checking out potential candidates. Be aware that in recent years there have been several high profile cases of "affinity fraud," in which an unscrupulous individual takes advantage of people connected by religion, group membership, or other "affinity" in order to easily gain access and trust to sizable groups of people.

2. Verify on License Lookup

Visit www.cba.ca.gov and click on License Lookup. You can search for a license by the name of the CPA or firm, or by license number if you have it. When you search for a license status and locate a licensee, you will see the following information listed:

- Licensee / Firm Name
- Type of License
- License Number
- License Status
- Experience Completed
 - If an "A" appears, the licensee is authorized to sign attest reports on attest engagements.
 - If a "G" appears, the licensee is NOT authorized to sign reports on attest engagements. This license can perform all other accounting services and may also participate in attest engagements.
- Expiration Date
- Issue Date
- Address of Record
- Disciplinary Actions/License Restrictions ("yes" or "no")

- If a "yes" appears in Disciplinary Actions/License Restrictions, please click on "Details" for further information.

License Lookup will allow you to see if the CPA you are considering has a current and active license, and if there have there been any disciplinary actions or license restrictions.

3. Meet the CPA

Now that you have recommendations for CPAs that perform the type of services you may need and have determined they are licensed and in good standing, the next step is to find out if you are a good "match." Because you will be trusting someone with your financial information, being comfortable that they can meet your needs is important to a good long-term relationship. The best way to determine that is through an interview, preferably in person, but at the very least, by telephone. What to ask:

- What type of accounting work do they typically perform? Compare the CPA's experience to your service needs.
- What office hours does the CPA or firm keep? Determine whether the office is open year-round; inquire if the CPA is available to take telephone inquiries. Ask what type of [continuing education](#) the licensee has taken recently.
- Has the CPA been disciplined?
- Is the CPA licensed in another state?
- If the services you require include either reviewed or audited financial statements, ask the CPA if he or she participates in a [peer review](#) or quality review program. If yes, ask the month, year, and result of the most recent review. A more detailed description of the peer review program appears in the Peer Review section of this brochure.
- You may also want to ask if the CPA carries professional liability insurance. This helps protect consumers in the event a claim is made for damages arising from a CPA's failure to perform tax or other services satisfactorily.

If your CPA prepares your tax return and offers you a Refund Anticipation Loan (RAL), the CPA must comply with disclosure requirements specified in the California Accountancy Act and CBA Regulations. A RAL, frequently described as an "instant tax refund," is in reality a short-term loan that will often have very high costs associated with it. CPAs offering RALs are required by Section 56 of the CBA's Regulations to make specified written disclosures to the consumer, including the dollar amount the CPA will receive for facilitating the loan. These disclosures must be made at or before the time of making the referral to the lender or performing other activities to facilitate the loan, regardless of whether you actually accept the loan.

Some final advice on selecting a CPA

Before any work is done by the CPA, it is important to make certain that you

receive an engagement letter detailing the work to be performed for you. The engagement letter should detail who will be performing the work, including whether the work is outsourced, confirm that all private and personal information is secure, and specify the cost of the services.

CPAs are required by law to ensure that none of your confidential information is disclosed without your permission. Therefore, you should ask whether the CPA discloses any of your confidential information to persons or entities in connection with outsourcing any services provided by the CPA on your behalf. While other persons or entities may provide you with financial services, including tax preparation, it is important to be aware that this regulation pertains only to California- licensed CPAs.

The best time to choose a CPA is when you are beginning a business venture, planning for your financial well-being, or have time to meet with a CPA well before “tax season,” not when you have a crisis. That way, you both have the opportunity to gather the necessary documents and make the necessary preparations to launch a successful professional relationship.

What if I have a Complaint?

Consumers can file a complaint with the CBA when they’ve experienced service or work that is of poor or substandard quality, or professional service or conduct that may be dishonest, negligent, or unprofessional. There are several avenues available if you wish to file a complaint.

Online

You may file a complaint via the CBA Web site, www.cba.ca.gov. Click on the “Consumers” tab then select and click the “Complain about a CPA” text link. This action opens the complaint page containing information on filing a complaint, how to file a complaint, and what happens once a complaint is filed

U.S. Mail

You may visit the CBA Web site, www.ca.ca.gov, download and print a complaint form. Simply select the “PDF format” text link.

Request by Phone

If you prefer, you may also call the CBA’s Enforcement Division directly at (916) 561-1729 to have a complaint form mailed to you.

Complete as much information as possible, and submit the form and copies of supporting documents you believe pertain to your complaint to the CBA in person or by mail at:

California Board of Accountancy
ATTN: Enforcement Division
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

The information provided in this form will be used by the CBA to follow up on your complaint. If you do not wish to identify yourself, you may remain anonymous; however, this may limit the CBA's ability to contact you or help you resolve your complaint.

After submitting your complaint, you will receive an acknowledgement that your complaint was received by the CBA within 10 business days. This acknowledgement will contain an initial complaint referral number. Please reference this number in all communications with the CBA's Enforcement Division regarding this complaint.

The mission of the California Board of Accountancy is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. We hope you will find this booklet a helpful tool in providing information you can use to make decisions as you seek to use the services of a California-licensed Certified Public Accountant.



HELPFUL TIPS FROM THE CALIFORNIA BOARD OF ACCOUNTANCY

TOPIC: INITIAL CPA LICENSE APPLICATION

DATE: OCTOBER 2010

The California Board of Accountancy (CBA) receives over 3500 Initial Certified Public Accountant (CPA) License Applications per year. Below are helpful tips to assist you in completing the application package.

- Read the *Licensing Applicant Handbook* (handbook) before starting the application process. It contains very useful information regarding the licensing process. To view or print the handbook go to <http://www.dca.ca.gov/cba/publications/applbook.pdf>.
- Submit your Initial CPA License Application **after** you have received your congratulatory letter regarding passage of the Uniform CPA Examination.
- Before you complete the application, determine what “Applicant Type” you are (A, B, C, D, E, F) found on page 4 of the handbook and whether you are applying under Pathway 1 or Pathway 2, found on page 11 of the handbook. *To obtain information regarding upcoming changes to CPA licensure requirements, please visit the CBA’s Web site at www.cba.ca.gov.*
- The Certificate of Experience should be completed in its entirety by your supervisor then mailed directly to the CBA. An original signature and date in **blue ink** are required on the form.
- Complete the “Professional Ethics for Certified Public Accountants” (PETH) examination through the California CPA Education Foundation with a score of 90% or higher. The PETH examination must be completed within two years of the date you submit your Initial CPA License Application as discussed on page 5 of the handbook.
- To obtain the required fingerprinting, use the CBA’s Livescan form if you live in California or use the CBA’s fingerprint card if you live outside California. The CBA’s forms contain special numbers required for processing, which are outlined on pages 6-7 of the handbook.
- Transcripts or foreign evaluations submitted during the examination process do not need to be resubmitted unless there is new or updated information you want considered.

Remember to complete, sign and date all forms to avoid delays in processing your application. If you have additional questions or concerns not addressed in the handbook, please call or email the Initial Licensing Unit at (916) 561-1701 or licensinginfo@cba.ca.gov.

Subscribe to CBA E-News to receive the latest information on CBA programs and activities at <https://www.cba.ca.gov/forms/eneews/eneews.html>

The mission of the California Board of Accountancy is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

Memorandum

CBA Agenda Item IV.E.
May 19-20, 2011

To : CBA Members

Date : April 25, 2011

Telephone : (916) 561-1344

Facsimile : (916) 263-3678

From : Vincent Johnston
Associate Analyst

Subject : Phase II CBA Succession Plan

In November of 2010 staff brought to the California Board of Accountancy (CBA) Phase I of a three part CBA Workforce and Succession Plan. Phase I outlined a plan to mitigate the potential loss of CBA Senior Staff, and detailed steps to be completed, both internally and externally, to recruit new staff.

Phase II of the Succession Plan (**Attached**) provides a plan to mitigate the loss of CBA supervisory employees. This plan outlines steps for the CBA Executive Officer and associated Senior Staff to take should any supervisory staff vacate their position. It should be noted that the processes described are internal, and it is incumbent upon CBA staff to address and perform the steps as described. They are presented here for information only, and no action is required by CBA members.

The final element of the plan, Phase III, will detail a succession plan for information technology and key analytical staff. Phase III will also include a general workforce plan, and will examine the current CBA workforce to ensure the right people are in the right positions, at the right time. Upon completion of the final phase, all three elements will be combined to become the CBA Workforce and Succession Plan.

I will be available at the meeting to answer any questions as necessary.

Attachment



SUPERVISORY STAFF SUCCESSION PLAN

**The California Board of Accountancy's Commitment
to the Development of its Employees and Future Leaders**

Prepared April 2011

Supervisory Staff Succession Plan

BACKGROUND	1
WHAT IS SUCCESSION PLANNING?	1
THE CBA SUCCESSION PLAN	1
THE ADMINISTRATION DIVISION	2
<i>ACTIONS TO TAKE IMMEDIATELY</i>	2
<i>APPOINTING AN ADMINISTRATIVE SERVICES UNIT SUPERVISOR</i>	2
<i>AFTER THE APPOINTMENT</i>	3
THE ENFORCEMENT DIVISION	3
<i>ACTIONS TO TAKE IMMEDIATELY</i>	3
<i>APPOINTING A NON-TECHNICAL UNIT SUPERVISOR</i>	4
<i>APPOINTING A SUPERVISING INVESTIGATIVE CPA</i>	4
<i>AFTER THE APPOINTMENT</i>	5
THE LICENSING DIVISION	5
<i>ACTIONS TO TAKE IMMEDIATELY</i>	5
<i>APPOINTING A NEW LICENSING SUPERVISOR</i>	6
<i>AFTER THE APPOINTMENT</i>	6
FUTURE LEADERSHIP	6

BACKGROUND

The California Board of Accountancy (CBA) recognizes the need to initiate proactive steps to address specific succession issues that may develop in the future. The issue of succession planning is central to the CBA's ability to continue providing effective service and protection to the stakeholders of this agency, and revolves around having capable management and staff to meet the needs of the public we protect, our licensees, and the Administration of the State of California.

The CBA is responsible for regulating the practice of public accountancy in the State of California, and employs a staff of approximately 85, the majority of which are California Civil Servants. The CBA values all of its employees, and believes that the loss of any staff may impact business functions. To that end, this Supervisory Staff Succession Plan encompasses the three licensing supervisors, two enforcement supervisors, and the administration supervisor.

WHAT IS SUCCESSION PLANNING?

Succession planning is working to ensure the continued effective performance of an organization, division, or work group, by making a provision for the development and replacement of leaders over time. The goal of succession planning is to match the organization's available (present) talent to its needed (future) talent, to ensure that the lessons of organizational experience (institutional memory) will be preserved and combined with reflection on that experience to achieve continuous improvement in work results.

THE CBA SUCCESSION PLAN

This Succession Plan is the second of three parts, focusing on creating a Succession Plan for CBA Supervisory Staff. The third part will detail a succession plan for the information technology unit, and key analytical staff. The final plan will include a general workforce plan, and will examine the current CBA workforce to ensure the right people are in the right positions, at the right time. Upon completion of the final plan, all three will be combined to become the CBA Workforce and Succession Plan.

This Succession Plan is broken down into three sections: the Administration Division, the Enforcement Division, and the Licensing Division. Each of these sections is comprised of segments, which are essentially directions on what is done after notice of an impending vacancy is received.

THE ADMINISTRATION DIVISION

The Administration Division is integral to the daily operation of the CBA, and is managed by the Assistant Executive Officer. The Administration Division additionally has one Staff Services Manager I, who is in charge of the Administrative Services Unit. The Administrative Services Unit is comprised of eleven staff, which is a combination of analytical and technical classifications.

Actions to Take Immediately

Outside of the Assistant Executive Officer there is only one supervisor in the Administration Division. This may create a problem with daily operations should the Administrative Services Unit Supervisor position remain vacant for an extended period of time. In this event, Senior Staff may either leave the position vacant, and perform the duties of the supervisor, or request an Associate Governmental Program Analyst fill the position out-of-class until an appointment can be made.

If Senior Management decides to make an out-of-class appointment, two tasks must be completed. First, if the out-of-class appointment is made for longer than two weeks, the CBA is required to notify the Department of Consumer Affairs (DCA) Human Resource Office, as the employee is entitled to additional compensation. Second, delegations of authority and signature authority should be conferred to the Interim Administrative Services Unit Supervisor until a permanent appointment is made.

Whether or not an out-of-class appointment is made, the Assistant Executive Officer should hold a staff meeting with all Administrative Services Unit staff, and Interim Supervisor, if appropriate, to address any pending administrative issues.

Appointing an Administrative Services Unit Supervisor

The Administrative Services Unit Supervisor is classified as a Staff Services Manager I, and as such, interested candidates must either:

1. Be a current State Civil Service employee employed as a Staff Services Manager I, or appointed to a classification that can transfer to that classification pursuant to SPB Rule 430-433, OR
2. Be reachable on an Employment Certification List pursuant to Government Code Section 19057.1

Once the Administrative Services Unit Supervisor position becomes vacant, the position is advertised on the State Personnel Board Web site. Interested applicants submit a Standard State Application and a Resume. The applications are then screened, and only the most qualified are selected for interview. The interviews are conducted by the Executive Officer and the Assistant Executive Officer. Subsequent to a fingerprint and Criminal Offender Record Information background check, the desired candidate is offered the position.

After the Appointment

Immediately following the appointment, the Administrative Services Unit Supervisor should schedule meetings with the Assistant Executive Officer and Administrative Services Unit staff to address staffing, workload, and any time sensitive issues. The Administrative Services Unit Supervisor should be introduced at the next In The Loop meeting. Finally, all Delegations of Authority and Signature Authority need to be conferred to the new Administrative Services Unit Supervisor.

As the Administrative Services Unit Supervisor has frequent contact with many employees of the Department of Consumer Affairs (DCA), the incumbent should become familiar with the roles and responsibilities of those programs as soon as possible.

The Administrative Services Unit Supervisor serves a one year probationary period, in which the incumbent is rated every four months by the Assistant Executive Officer. Assuming the incumbent passes the probationary period, the Administrative Services Unit Supervisor will be given an evaluation annually in the form of an Individual Development Plan. That plan outlines the areas of possible growth for the employee, and identifies the areas of strength.

THE ENFORCEMENT DIVISION

The Enforcement Division is responsible for overseeing the enforcement of laws and rules governing the practice of public accountancy, and is managed by the Enforcement Chief. There are two Supervisors in the Enforcement Division, a Staff Services Manager I and a Supervising Investigative Certified Public Accountant (CPA). The Staff Services Manager I directs the Non-Technical Unit of the Enforcement Division, and is responsible for nine staff. The Supervising Investigative CPA is in charge of the Investigations Unit (IU), and is responsible for seven Investigative CPAs.

Actions to Take Immediately

The actions to be taken if one of these positions were to become vacant differ, therefore they will be described separately:

- **Staff Services Manager I, Non-Technical Unit**
Much like the Administrative Services Unit Supervisor, Senior Staff must first decide whether or not to appoint an employee to the vacant position out-of-class. If the position is expected to be vacant for a short period of time, this is probably not necessary, as there is other first line supervision in the Enforcement Division. However, if the position is expected to be vacant for an extended period of time, it may be advisable to appoint an Interim Supervisor.
- **Supervising Investigative CPA, Investigations Unit**
Because of the technical nature of the duties the Supervising Investigative CPA performs, it is advisable to appoint an Investigative CPA as the Interim Supervisor. This will ensure there is no delay in the processing of complaints with the Attorney General's Office, and other time sensitive tasks.

The first task of either the Interim Supervisor, if applicable, should be to hold a meeting with the departing supervisor, Enforcement Program management, and key analytical staff to address any enforcement issues.

If an interim appointment is made, it is important that any delegation of authority or signature authority be conferred to the Interim Supervisors until a permanent appointment is made.

Appointing a Non-Technical Unit Supervisor

The Non-Technical Unit Supervisor is classified as a Staff Services Manager I, and as such, interested candidates must either:

1. Be a current State Civil Service employee employed as a Staff Services Manager I, or appointed to a classification that can transfer to that classification pursuant to SPB Rule 430-433, OR
2. Be reachable on an Employment Certification List pursuant to Government Code Section 19057.1

Once the Non-Technical Unit Supervisor position becomes vacant, the position is advertised on the State Personnel Board Web site. Interested applicants submit a Standard State Application and a Resume. The applications are then screened, and only the most qualified are selected for interview. The interviews are conducted by the Enforcement Chief and the Supervising Investigative CPA. Subsequent to a fingerprint and Criminal Offender Record Information background check, the desired candidate is offered the position.

Appointing a Supervising Investigative CPA

The Investigations Unit Supervisor is classified as a Supervising Investigative Certified Public Accountant, and as such, interested candidates must maintain an active CPA license, and either:

1. Be a current State Civil Service employee possessing a CPA license, requisite experience, and employed in a classification that can transfer to that classification pursuant to SPB Rule 430-433, OR
2. Be reachable on an Employment Certification List pursuant to Government Code Section 19057.1

Once the Investigations Unit Supervisor position becomes vacant, the position is advertised on the State Personnel Board Web site. Interested applicants submit a Standard State Application and a Resume. The applications are then screened, and only the most qualified are selected for interview. The interviews are conducted by the Executive Officer and the Enforcement Chief. Subsequent to a fingerprint and Criminal Offender Record Information background check, the desired candidate is offered the position.

After the Appointment

Immediately following the appointment of either supervisor, the Supervisors should schedule a meeting with the Enforcement Chief and the other Supervisor to address staffing, caseload, and any immediate, time sensitive issues of their Unit. The Enforcement Chief should then introduce the new supervisor to all staff at the next In The Loop meeting. Finally, all Delegations of Authority and Signature Authority need to be conferred to the new supervisor.

As the Supervising Investigative CPA has frequent contact with the Enforcement Advisory Committee, Enforcement Program Oversight Committee, and Peer Review Oversight Committee, the incumbent should become familiar with the roles and responsibilities of those committees as soon as possible. Depending upon when the Supervising Investigative CPA is appointed in relation to the next scheduled meeting, schedule a roundtable meeting or conference call with the committee chairs should be scheduled for introductory purposes.

The Enforcement Chief should also schedule a meeting with the Attorney General's Office and the DCA legal counsel as soon as possible, in order to minimize any delay in processing enforcement cases.

Both Enforcement Supervisors serve a one year probationary period, in which the incumbent is rated every four months by the Enforcement Chief. Assuming the incumbent passes the probationary period, the Supervisor will be given an evaluation annually in the form of an Individual Development Plan. That plan outlines the areas of possible growth for the employee, and identifies the areas of strength.

THE LICENSING DIVISION

Unlike the other two divisions, there are three supervisors in the Licensing Division, which allows for a certain level of cross-training, as all of the supervisors have related duties and experience. The three supervisors are responsible for leading and directing the operations of the Examination, Initial Licensing, Renewal and Continuing Competency, and California Practice Privilege Units. In the Licensing Division there are approximately 50 staff.

Actions to Take Immediately

With the availability of other supervisors within the Licensing Division, it is not necessary to appoint an interim Supervisor, unless multiple supervisory positions are concurrently vacant. If a single position is expected to remain vacant for an extended period of time, the other supervisors, and to an extent Unit coordinators, should be able to continue daily operations until a permanent selection is made.

Appointing a New Licensing Supervisor

All three Licensing Supervisors are classified as Staff Services Manager I, and as such, interested candidates must either:

1. Be a current State Civil Service employee employed as a Staff Services Manager I, or appointed to a classification that can transfer to that classification pursuant to SPB Rule 430-433, OR
2. Be reachable on an Employment Certification List pursuant to Government Code Section 19057.1

Once a supervisor position becomes vacant, it is advertised on the State Personnel Board Web site. Interested applicants submit a Standard State Application and a Resume. The applications are then screened, and only the most qualified are selected for interview. The interviews are conducted by the Licensing Chief, and one other senior manager. Subsequent to a fingerprint and Criminal Offender Record Information background check, the desired candidate is offered the position.

After the Appointment

Immediately following the appointment of a new supervisor, a meeting should be scheduled with the Licensing Chief and the other supervisors to address staffing, caseload, and any immediate, time sensitive issues of their licensing unit. The Licensing Chief should then introduce the new supervisor to all staff at the next In The Loop meeting. Finally, all Delegations of Authority and Signature Authority need to be conferred to the new supervisor.

As the Initial Licensing Unit Supervisor has frequent contact with the Qualifications Committee, the incumbent should become familiar with the roles and responsibilities of that committee as soon as possible. Similarly, the Renewals and Continuing Competency Supervisor should meet with the chairs of the Accounting Education and Ethics Curriculum Committees as needed

Licensing Division supervisors serve a one year probationary period, in which they are rated every four months by the Licensing Chief. Assuming the incumbent passes the probationary period, they are given an evaluation annually in the form of an Individual Development Plan. That plan outlines the areas of possible growth for the employee, and identifies the areas of strength.

FUTURE LEADERSHIP

As important as the CBA Senior Management are, this Succession Plan must also recognize that steps must be taken to prepare the next generation of Supervisory Staff. Realizing that it is often difficult to replace the institutional knowledge amassed over years spent at the CBA, current management has begun work to mitigate the potential loss. Changes include actively cross training current supervisors when possible, promoting from within when appropriate, and ensuring that all supervisors attend the DCA Management Academy.

In order to better prepare current staff for promotional opportunities, and to share experience gained as a supervisor, CBA management is exploring the possibility of creating a CBA Mentoring program. This would allow current management and supervisory staff to impart some of their knowledge and experience to senior analytical staff.

Although not all analytical staff may become supervisors at the CBA, it is important for the state workforce as a whole that they are trained for the future. All analytical staff are encouraged to expand their knowledge, skills and abilities through DCA's SOLID training programs, or through coursework provided by *CPS Human Resource Services*. This Succession Plan is not intended to be strict policy or procedure, it is simply a guide. With this Succession Plan, and the steps that have been taken to secure institutional knowledge, the CBA is in a markedly better position to address the attrition of Supervisory Staff.

Memorandum

CBA Agenda Item IV.F
May 19-20, 2011

To : CBA Members

Date : April 22, 2011
Telephone: (916) 561-1792
Facsimile : (916) 263-3675
E-mail : mstanley@cba.ca.gov


From : Matthew Stanley
Legislation/Regulation Analyst

Subject : Further Discussion on Title 16, California Code of Regulations (CCR) Section 30 of
CBA Regulations – Safe Harbor

At its January 2011 meeting, the California Board of Accountancy (CBA) directed staff to pursue an emergency regulation to remove the inoperative date from California's Safe Harbor provision (CCR Title 16, Section 30) (**Attachment 1**). Section 30, which allowed out-of-state Certified Public Accountants (CPA) five business days in which to file a Practice Privilege Notification Form following the commencement of practicing in California, expired on December 31, 2010. Therefore, a Practice Privilege Notification Form must be filed with the California Board of Accountancy (CBA) prior to practicing public accountancy in the state.

The Department of Consumer Affairs (DCA), after reviewing the proposed emergency regulation, has provided a legal opinion (**Attachment 2**) that indicates that it does not believe the situation would fit the definition of "emergency" as provided in the Government Code. In addition, the legal opinion states that the CBA does not have the authority needed to extend the Safe Harbor period in regulation, and that it can only be done through legislation. DCA has therefore declined to sign-off on the proposal.

With that in mind, Senate Bill 306 has been amended to accomplish the CBA's goal of permanently implementing the Practice Privilege Safe Harbor provision. If it is signed into law, it will become effective on January 1, 2012.

Attachments



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>



Attachment 1

CBA Regulations Section 30

§ 30. Safe Harbor - Period of the Notice.

(a) Notwithstanding Section 29, during the period January 1, 2006, through December 31, 2010, an individual shall not be deemed to be in violation of this Article or Article 5.1 of the Accountancy Act (commencing with Business and Professions Code Section 5096) solely because he or she begins the practice of public accounting in California prior to submitting the Notification Form, provided the Notification Form is submitted within five business days of the date practice begins. An individual who properly submits the Notification Form to the Board within the five-day period provided for in this Section shall be deemed to have a practice privilege from the first day of practice in California unless the individual fails to timely submit the required fee pursuant to Section 31.

(b) Subsection (a) of this section does not apply in those instances in which prior approval by the Board is required pursuant to Section 32.

(c) In addition to any other applicable sanction, the Board may issue a fine of \$250 to \$5,000 for notifying the Board more than five business days after beginning practice in California. In assessing a fine amount, consideration shall be given to the factors listed in Section 95.3.

Note: Authority cited: Sections 5010 and 5096.9, Business and Professions Code. Reference: Sections 125.9, 5096, 5096.3 and 5096.14, Business and Professions Code.



EXECUTIVE OFFICE

1625 North Market Blvd., STE S-308, Sacramento, Ca 95834
P (916) 574-8200 F (916) 574-8613 www.dca.ca.gov

Attachment 2

MEMORANDUM

DATE: April 27, 2011

TO: Patti Bowers, Executive Officer
California Board of Accountancy

FROM: 
Brian Stiger, Director
Executive Office

SUBJECT: 16 California Code of Regulations Section 30 - Safe Harbor
Provision

After review of the above-referenced emergency rule making package, I am returning it to the California Board of Accountancy ("Board") for the following reasons.

Based upon legal concerns raised by the Department's Legal Office, I requested that it provide a written legal opinion addressing two issues (please see attached legal opinion). First, does the Board have the statutory authority to extend the sunset provision contained in Section 5096.14 of the Business and Professions Code? Second, does this rulemaking package meet the requirements of Section 11346.1 of the Government Code as it relates to a finding of an emergency? The legal opinion answered both questions in the negative.

Consequently, I am returning this package to the Board. I understand that the Board is seeking a legislative solution to the "safe harbor" issue which is the proper venue to address the problem.

Should you have any questions, please feel free to contact Kimberly Kirchmeyer or LaVonne Powell at (916) 574-8200.



MEMORANDUM

DATE	April 22, 2011
TO	KIMBERLY KIRCHMEYER Acting Chief Deputy Director via DOREATHEA JOHNSON Deputy Director, Legal Affairs
FROM	GARY W. DUKE Senior Staff Counsel Legal Affairs Division Department of Consumer Affairs
SUBJECT	Accountancy Board's Safe Harbor Provision (16 CCR § 30)

This is in response to your request for an additional review and analysis on whether the Accountancy Board's "safe harbor" provision (Cal. Code Regs., tit. 16, § 30) may be amended through the emergency rulemaking process. Under California Administrative Procedures Act (APA), the proposed regulation does not meet the criteria to be promulgated as an emergency regulation. (Gov. Code § 11346.1(b)(2).) However, more importantly, upon reviewing the underlying statutory authority, it is also questionable whether the Accountancy Board (Board) has authority to further extend the "safe harbor" notice period or permanently reinstate the provision through amendment to section 30 of its regulations.¹

As you are aware, existing law allows an out-of-state Certified Public Accountant (CPA), as specified, to begin practicing public accountancy in California so long as the CPA submits the required notification form to the Board within five business days of beginning such practice. In 2006 the Legislature amended the law to extend the safe harbor period from December 31, 2007 to December 31, 2010.

Business and Professions Code section 5096.14 provides the following:

"The board shall amend Section 30 of Article 4 of Division 1 of Title 16 of the California Code of Regulations to extend the current safe harbor period from December 31, 2007, to December 31, 2010." (Added Stats. 2006 ch 458 7 (AB 1868), effective September 25, 2006.)

¹ Richard Woonacott, Deputy Director, Division of Legislative & Policy Review, provided you with his analysis of this proposed regulation in a memorandum dated March 14, 2011. I concur with his analysis.

The fundamental question is whether the Board has authority to amend this regulation at all since the statutory authority is so specific and limited. The proposed amendment to Section 30 would further extend the safe harbor period indefinitely by deleting the dates that are currently mandated by statute. Because the Legislature was so specific in identifying the safe harbor period, any amendment to Section 30 that changes the safe harbor time period would contradict Business and Professions Code section 5096.14, the underlying authority for this regulation. A regulation can't supersede or go beyond the limits of its statutory authority. (Cal. Code Regs., tit. 1, § 14.) In this instance the Legislature made a policy decision to only extend the safe harbor period only to December 31, 2010. The Board has identified policy reasons for why the safe harbor period should be extended; however, this is a decision for the Legislature to make. Business and Professions Code section 5096.14 would have to be either amended or deleted in order for the Board to extend the safe harbor time period.

Even if the Board had the statutory authority to extend the safe harbor period, the proposed regulation does not meet the requirements for being adopted as an emergency regulation. Government Code section 11346.1 provides stringent requirements in order to adopt an emergency regulation. In relevant part subdivision (b), subsection (2), provides the following:

"A finding of emergency based only upon *expediency, convenience, best interest, general public need, or speculation, shall not be adequate to demonstrate the existence of an emergency.* If the situation identified in the finding of emergency existed and was known by the agency adopting the emergency regulation in sufficient time to have been addressed through nonemergency regulations adopted in accordance with the provisions of Article 5 (commencing with Section 11346), the finding of emergency shall include facts explaining the failure to address the situation through nonemergency regulations. [Emphasis added.]

In its Finding of Emergency, the Board fails to show that serious harm would come to the public peace, health, safety or general welfare, if these emergency regulations are not made law by way of immediate action. (See definition of "emergency" at Gov. Code §11342.545.) Also, Business and Professions Code section 5096.14 has been law since September 25, 2006. The Board had more than four years to consider this statute and its existing regulation. Consequently, even if the Board has sufficient authority to alter or extend the safe harbor time period, the Board had sufficient time prior to December 31, 2010 to address these issues through nonemergency regulations adopted in accordance with the APA. As such, this proposed regulation does not meet essential criteria to be adopted as an emergency regulation.

M e m o r a n d u m

CBA Agenda Item IV.G.
May 19-20, 2011

To : CBA Members

Date : April 21, 2011

Telephone : (916) 561-1716

Facsimile : (916) 263-3674


From : Veronica Daniel
Board Relations Analyst

Subject : Consideration of Modification to Executive Officer's Delegation of Authority

At its September 2010 meeting, the California Board of Accountancy (CBA) adopted a modification of language to the Executive Officer's (EO) Delegation of Authority. Specifically, the language delegates authority to the EO to sign default decisions and stipulated decisions for revocation or surrender of a license on behalf of the CBA. It was later suggested by DCA Legal Counsel, Kristy Shellans that the CBA may want to further clarify this delegation of authority to provide even more specificity. CBA staff have prepared the attached delegation to incorporate language adopted at the September 2010 CBA meeting, and clarifying language as suggested by Ms. Shellans, for CBA consideration.

A representative of the DCA Legal Office will be available at the CBA meeting to answer any questions.

Attachment



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>



Attachment

DELEGATION OF AUTHORITY:

RESPONSIBILITIES, DUTIES & FUNCTIONS OF EXECUTIVE OFFICER

Pursuant to the provisions of Section 7 of the Government Code and Sections 10 and 5103 of the Business and Professions Code, Ms. Patti Bowers, Executive Officer, California Board of Accountancy (CBA), is hereby delegated the authority to act on behalf of the CBA in respect to all administrative and enforcement activities entered into by the CBA. Ms. Bowers, as "Executive Officer," is specifically delegated authority to sign accusations and subpoena requests on behalf of the CBA, and is delegated other broad administrative authorities. This includes the power to receive and investigate complaints and to conduct investigations or hearings, with or without the filing of any complaint, and to obtain information and evidence relating to any matter involving the conduct of licensees.

The power and discretion conferred by law upon the CBA to receive and file accusations; issue notices of hearing, statements to respondent and statements of issues; receive and file notices of defense; determine the time and place of hearings under Section 11508 of the Government Code; issue subpoenas and subpoenas duces tecum; set and calendar cases for hearing, and perform other functions necessary to the efficient dispatch of the business of the CBA in connection with proceedings under the provisions of Section 11500 through 11528 of the Government Code, prior to the hearing of such proceedings; and the certification and delivery or mailing of copies of decisions under Section 11518 of said code are hereby delegated to and conferred upon Ms. Bowers.

The authority to issue any notice or order provided for in Article 5.1 of Chapter 1 of Division 3 of the Business and Professions Code and to act on behalf of the CBA, including, but not limited to, issuing a notice of denial of a practice privilege and an interim suspension order, subject to the right of the individual to timely appeal and request a hearing is hereby delegated to and conferred upon Ms. Bowers.

In addition, Ms. Bowers is specifically delegated authority to agree to and accept any stipulated settlement on behalf of the CBA that provides for an interim suspension order, suspending the license of a Certified Public Accountant/Public Accountant, pending the conclusion of a criminal action and administrative hearing concerning the licensee, or the revocation or surrender of a license.

Delegation of Authority
Responsibilities, Duties & Functions of Executive Officer
Page 2

Further, the power and discretion and duties conferred by law upon the CBA to receive and respond to a petition requesting the adoption, amendment, or repeal of a regulation as provided under Section 11340.7 of the Government Code are hereby delegated to and conferred upon Ms. Bowers.

Nothing herein prohibits Ms. Bowers from delegating her authority to subordinates.

This delegation of authority revokes any prior delegation of authority issued regarding the above matter and shall remain in effect until revoked or superseded by a later delegation of authority.

Executed this ____ day of _____, 2011 in Sacramento, California.

Sarah J. Anderson, CPA
CBA President

**CALIFORNIA BOARD OF ACCOUNTANCY
ENFORCEMENT CASE ACTIVITY AND STATUS REPORT
FY 2010 - 2011**

CBA Agenda Item V.A
May 19-20, 2011

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	
ENFORCEMENT ACTIONS										
AG Cases										
<i>AG Cases Initiated</i>	0	2	1	1	2	1	2	3	3	
<i>AG Cases Opened in Error</i>	0	0	0	0	0	0	0	0	0	
<i>AG Cases Pending</i>	36	36	34	34	35	32	34	36	32	
<i>SOIs Filed</i>	0	0	0	0	0	0	0	0	1	
<i>Accusations Filed</i>	1	0	4	0	2	1	0	1	2	
Disciplinary Orders										
<i>Proposed Decisions / Default Decisions Effective</i>	0	1	0	0	0	1	0	0	4	
<i>Stipulations Effective</i>	0	0	3	1	0	2	0	0	3	
<i>Average Days to Complete Proposed Decisions/Default Decisions/Stipulations ¹</i>	0	148	714	688	0	669	0	0	733 ²	
Petitioners										
<i>Petitions for Reinstatement Initiated</i>	N/A	2	0	0	1	1	0	0	2	
<i>Petitions for Reinstatement Resolved</i>	N/A	2	0	0	0	1	2	0	1	
<i>Petitions for Reinstatement Pending</i>	3	3	3	3	4	4	2	2	3	
Citations										
<i>Final Citations</i>	1	0	0	0	0	1	1	2	11	
<i>Average Days to Complete</i>	435	0	0	0	0	65	203	97	339	
¹ Average Days to Complete Proposed Decisions/Default Decisions/Stipulations is based on the number of days from Receipt of complaint to the effective date of Disciplinary Order.										
² The following information will depict the history of the 7 cases that resulted in a Final Order for March 2011 (733 days average).										
Case No. 1 (235 days) - Accusation filed, Matter to be set for Hearing, Hearing canceled, Stipulated Decision Received and Adopted, Decision Effective.										
Case No. 2 (1205 days) – Accusation filed, Default Decision, Bd Mtg scheduled, Petition to Vacate, Order setting aside default, hearing set/held, Proposed Decision, Bd Mtg Scheduled, Petition for reconsideration filed, Stay Granted, Petition for Reconsideration Denied , Proposed Decision Adopted, Lic Revoked.										
Case No. 3 – (1104 days) Case referred to AG, re-assigned at AG’s office, Accusation received, Accusation Modified, Accusation filed, Notice of Defense, Accusation returned to AG, Accusation Modified, Mod Accusation Filed, Hearing Held, Proposed Decision Adopted, Petition for Reconsideration filed, Stay Granted, Petition Reconsideration Denied, License Revoked.										
Case No. 4 – (713 days) Subpoena served, Investigative report completed, Accusation filed, Default Decision Adopted, Revocation.										
Case No. 5 (692 days) Accusation recd, Modified Accusation filed, Notice of Hearing, Stipulation recd, Board meeting held, Stipulation adopted, Decision effective, Revocation.										
Case No. 6 (622 days) : Accusation recd, modified Accusation filed, Notice of Hearing, Hrng Held, Proposed Decision recd, Proposed Decision adopted, Decision effective, License Denied.										
Case No. 7 (563 days) : Accusation filed, Stipulation recd, Board meeting held, stipulation adopted, Decision effective, voluntary surrender.										

**CALIFORNIA BOARD OF ACCOUNTANCY
ENFORCEMENT CASE AGING REPORT
AS OF MARCH 31, 2011**

CBA Agenda Item V.B
May 19-20, 2011

INVESTIGATIONS AGING	< 6 mos	6-12mos	12-18 mos	18-24 mos	> 24 mos	TOTAL
All Cases	145	73	62	20 ¹	12 ²	312
Average Age of Pending Investigation						255 days

¹Of the 20 cases listed as 18-24 months, four of the cases have closed in April; five of the cases are being recommended for closure; three cases are being recommended for AG referral; and eight cases continue as on-going investigations.

²Of the 12 cases listed as greater than 24 months, one case is the result of an on-going investigation which has required the need for an outside consultant due to the complexity of the matter. The case has been referred to the AG's office and a DAG has been assigned. Investigative hearings are being re-scheduled due to conflicting calendar schedules.

One case closed in April; two cases have been recommended for closure; four cases were originally assigned to an ICPA and then re-assigned two different times due to staffing issues (retirement, departure, etc.) and the cases continue as on-going investigations. Two cases have been referred to the AG's office; and the final two cases have been referred to the EAC for review and discussion.

CASES ASSIGNED TO AG'S OFFICE	< 6 mos	6-12mos	12-18 mos	18-24 mos	> 24 mos	TOTAL	Licensed Total	Unlicensed Total
Pre Accusation	9	5	1		1 ³	16	15	1
Post Accusation	4	6	6			16	15	1
Petition for Reinstatement	3					3	0	3
TOTAL AG CASES	16	11	7	0	1	35	30	5

³The one case listed as greater than 24 months - Pre Accusation is based on a matter that is an on-going investigation and has required the need for an outside consultant. A pre-filing conference was held.

**CALIFORNIA BOARD OF ACCOUNTANCY
CITATION ACTIVITY
FOR THE PERIOD 7/1/10 THRU 4/28/11**

CBA Agenda Item V.C
May 19-20, 2011

VIOLATION ANALYSIS

RULE	AVERAGE FINE AMOUNT	TOTAL FINES ISSUED	TOTAL \$FINES ASSESSED	APPEALS RECEIVED
ACCOUNTANCY RULES AND REGULATIONS				
3				
52				
54.1				
57				
58				
63				
67				
68				
80				
87				
87(a)				
87(b)				
87 (c)				
87(d)				
87(e)				
87(f)				
87.6				
87.7				
89				
89(b)				
89(c)				
89.1				
90				
93				
BUSINESS AND PROFESSIONS CODE SECTION				
5037				
5050				
5055				
5056				
5058				
5060				
5061				
5062				
5063				
5072				
5079				
5100				
5100C				
5100G				
5100H				
5100I				
5100K				
5151				
5152				
5154				
5156				
TOTALS		44	\$21,950	7

RECONCILIATION OF FINES OUTSTANDING 7/1/10 - 4/28/11

Balance at 7/1/10	\$42,182
Fines Assessed 7/1/10 - 4/28/11	\$21,950
Previous Paid Off - Reinstated - Revoked License	\$0
Appeal Adjustments 7/1/10 - 4/28/11	
Withdrawn Violations (0 violations, 0 cases)	\$0
Modified Citations (2)	(\$900)
Remain As Issued Citations (2)	\$0
Uncollectible Violations (0 violations, 0 cases)	\$0
Collections 7/1/10 - 4/28/11	(\$10,855)
Fines Outstanding at 4/28/11	\$52,377

COMPOSITION OF FINES OUTSTANDING

Fine Added to License Renew Fee/B & P 125.9 (28 violations, 17 cases)	\$37,950
AG Referral (Citation Appealed/Non Compliance) (0 violations, 0 case)	\$0
Issued/Pending Receipt of Fine (32 violations, 16 cases)	\$13,300
Installment Payments (3 violation(s), 2 cases)	\$1,127
Appeal Request Pending Review (0 violations, 0 case)	\$0
Stipulation/Decision Pending Compliance (0)	\$0
Total Fines Outstanding at 4/28/11	\$52,377

**CALIFORNIA BOARD OF ACCOUNTANCY
REPORTABLE EVENTS RECEIVED
07/01/10 – 04/22/11**

Felony Conviction – 5063(a)(1)(A)	2
Criminal Conviction – 5063(a)(1)(B)	1
Criminal Conviction – 5063(a)(1)(C)	0
Cancellation, Revocation, Suspension of Right to Practice by Other State or Foreign Country – 5063(a)(2)	4
Cancellation, Revocation, Suspension of Right to Practice before any governmental body or agency – 5063(a)(3)	3
Restatements – 5063(b)(1) <ul style="list-style-type: none"> • Governmental – 90 • Non Profit – 14 • SEC Registrant – 29 	133
Civil Action Settlement – 5063(b)(2)	15
Civil Action Arbitration Award – 5063(b)(2)	0
SEC Investigation – 5063(b)(3)	0
Wells Submission – 5063(b)(4)	2
PCAOB Investigation – 5063(b)(5)	3
Civil Action Judgement – 5063(c)(1)(2)(3)(4)(5)	0
Reporting by Courts – 5063.1	0
Reporting by Insurers – 5063.2	21
TOTAL REPORTABLE EVENTS RECEIVED 07/01/10 TO 04/22/11	184

Memorandum

CBA AGENDA ITEM V.E
May 19-20, 2011

To : CBA Members

Date : April 29, 2011

Telephone : (916) 561- 1731

Facsimile : (916) 263- 3673

E-mail : rixta@cba.ca.gov

From : Rafael Ixta, Chief
Enforcement Division

Subject : Results of the 3rd Quarter Performance Measures Report to DCA

As part of the Department of Consumer Affairs' (DCA) commitment to consumer protection and its ongoing efforts to better serve consumers and licensees, the DCA is improving its enforcement business function. The new enforcement model calls for performance accountability and streamlining or modifying existing business processes in order to reduce cycle time for the completion of investigation and prosecution.

Beginning on July 1, 2010, the DCA began collecting enforcement performance measures from each board and bureau. A set of eight measures was developed along with guidelines for setting targets for these measurements, which the DCA began reporting publicly in October 2010.

The attached table displays a list of the performance measures that have been established for the third quarter (January 1 – March 31), the CBA targets for each of these measures and the results from the CBA's third quarter performance.

Attachment

**CBA PERFORMANCE MEASURES
3rd QUARTER RESULTS
January 1, 2011 – March 31, 2011**

DCA Performance Measure	DCA Target	CBA Target	CBA 3 rd Quarter Results	Comments
PM 1; Number of Complaints Received - Volume	Will vary by program	N/A	231	
PM 2; Average number of days to complete complaint intake – Cycle Time	Set by program	10 days	6 days	
PM 3; Average number of days to complete closed cases not resulting in formal discipline - Cycle Time	Set by program	180 days	108 days	
PM 4; Average number of days to complete investigations resulting in formal discipline – Cycle Time	12-18 months	540 days	733 days	
PM 5; Average cost of intake and investigation for complaints not resulting in formal discipline - Efficiency (Cost)	TBD	N/A	N/A	Targets will not be required until first fiscal year baseline has been established.
PM 6; Consumer satisfaction with the services received during the enforcement process – Customer Satisfaction	Will vary by program	80 % Satisfaction	Not available this quarter due to low number of responses received.	The DCA is implementing changes to increase the survey response rates due to the low volume received.
PM 7; Average number of days from the date a probation monitor is assigned to the date the monitor makes contact - Initial Contact Cycle Time (Probation Monitoring)	Set by program	5 days	4 days	
PM 8; Average number of days from the time a violation is reported to the program to the time the probation monitor responds - Violation Cycle Time (Probation Monitoring)	Set by program	15 days	9 days	

**CALIFORNIA BOARD OF ACCOUNTANCY
LICENSING DIVISION REPORT
FEBRUARY 2011 – APRIL 2011**

Board Agenda Item VI.A.
May 19-20, 2011

EXAMINATION	February	March	April
CPA Examination Applications Received			
First-time Sitter	562	539	567
Repeat Sitter	671	1219	1845
Processing Time Frames			
First-time Sitter	15	16	24
Repeat Sitter	10	9	10
Appeals			
Management-Level Appeals	18	25	30
Board-Level Appeals	0	0	0
INITIAL LICENSING	February	March	April
CPA Licensure Applications Received			
CPA	291	210	342
Partnership	8	9	5
Corporation	31	18	11
Fictitious Name Permit (Registration)	10	14	7
Processing Time Frames			
CPA	19	27	9
Partnership	9	7	9
Corporation	9	7	9
Fictitious Name Permit (Registration)	9	7	9
Applicants Licensed Under			
Pathway 0	2	1	2
Pathway 1A	52	48	25
Pathway 1G	58	68	46
Pathway 2A	70	88	55
Pathway 2G	129	192	96

**CALIFORNIA BOARD OF ACCOUNTANCY
LICENSING DIVISION REPORT
FEBRUARY 2011 – APRIL 2011**

RENEWAL AND CONTINUING COMPETENCY	February	March	April
Licenses Renewed			
CPA	2,950	3,070	2,601
PA	6	1	1
Partnership	58	63	93
Corporation	177	222	164
CE Worksheet Review			
CPA/PA Applications Reviewed	2,461	4,143	3,749
Deficient Applications Identified	530	285	324
Compliance Responses Received <i>(Including Requests for Inactive Status)</i>	411	112	17
Enforcement Referrals	0	0	0
Outstanding Deficiencies <i>(Including Abandonment)</i>	119	173	307
PRACTICE PRIVILEGE	February	March	April
Notifications Received			
Hardcopy	85	64	24
Electronic	260	262	139
Disqualifying Conditions Received			
Approved	1	6	2
Denied	0	0	0
Pending	1	0	0
Practice Privilege Suspension Orders			
Notice of Intent to Suspend	0	30	5
Administrative Suspension Order	0	0	0

**CALIFORNIA BOARD OF ACCOUNTANCY
LICENSING DIVISION REPORT
FEBRUARY 2011 – APRIL 2011**

DIVISION AND UNIT ACTIVITIES

Examination Unit

- § At the March 2011 CBA meeting, members requested that staff gather statistics related to the number of California exam candidates who continue the process and submit an application for licensure. During fiscal year 2009/2010, the CBA received 3,590 applications for CPA licensure. Of that number, 459 applications were received from applicants who were either not California exam candidates or were already licensed as a CPA in another jurisdiction. The remaining 3,131 applications were received from individuals who took the CPA Exam as a California candidate.
- § The CBA received 5,669 scores during the month of March for the January/February testing window. This was the first testing window under CBT-e.
- § Staff has updated the pass letter that was discussed at the March 2011 CBA meeting. Candidates who were successful in passing their last section(s) of the CPA Exam will receive the updated letter without the gold seal. In addition, the steps to licensure were added to the pass letter to assist candidates in completing the process.
- § The Examination Unit continues to have two vacant positions, one full-time Office Technician, and one Retired Annuitant.

Initial Licensing Unit

- § The Initial Licensing Unit continues to have one full-time Office Technician position vacancy.
- § The Initial Licensing Unit, with the assistance of the IT Unit, is making changes to the approval process for new licensees which will coincide with the July 1, 2011 temporary 40 percent reduction in initial license and renewal fees.

Renewal and Continuing Competency Unit

- § The License Renewal/Continuing Competency Unit recently hired Deborah McAdams to fill a full-time Office Technician (OT) position. The unit continues to have three vacancies, one full-time OT, one permanent intermittent OT, and one OT Retired Annuitant.

**CALIFORNIA BOARD OF ACCOUNTANCY
LICENSING DIVISION REPORT
FEBRUARY 2011 – APRIL 2011**

COMMITTEE NEWS

- § The Accounting Education Committee (AEC) is scheduled to meet at the CBA office on May 9, 2011. It is anticipated that final decisions will be reached regarding recommendations for the 20 units of accounting study enabling staff to bring draft regulatory language to the CBA for review at the July CBA meeting.

- § The Ethics Curriculum Committee (ECC) is scheduled to meet in Burlingame on May 18, 2011. The Ethics Curriculum subcommittee, which met on April 14, 2011, will present its refined proposed framework for the ethics study guidelines at this meeting.



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
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

MINUTES OF THE
FEBRUARY 24, 2011
CBA MEETING

CBA Agenda Item VII.A.
May 19-20, 2011

Meeting Location:

DRAFT
4/20/11

Hilton Los Angeles Airport
 5711 West Century Blvd.
 Los Angeles, CA 90045
 Telephone: (310) 410-4000
 Fax: (310) 410-6177

Teleconference Locations:

Law Offices of Lenora Taylor
 109 Jackson St., Ste. 240
 Hayward, CA 94544
 Telephone: (510) 581-1963

LaManna & LaManna CPAs
 16870 West Bernardo Dr., Ste. 400
 San Diego, CA 92127
 Telephone: (858) 716-9202

I. Roll Call and Call to Order.

President Sally Anderson called the meeting to order at 1:00 p.m. on Thursday, February 24, 2011 at the Hilton Los Angeles Airport in Los Angeles. The meeting adjourned at 3:03 p.m.

CBA Members

February 24, 2011

Sally Anderson, CPA, President	1:00 p.m. to 3:03 p.m.
Marshal Oldman, Vice President	1:00 p.m. to 3:03 p.m.
Leslie LaManna, CPA Secretary-Treasurer	1:00 p.m. to 3:03 p.m.
Diana Bell	1:00 p.m. to 3:03 p.m.
Alicia Berhow	Absent
Michelle Brough	Absent
Donald Driftmier, CPA	Absent
Herschel Elkins	1:00 p.m. to 3:03 p.m.
Louise Kirkbride	Absent
K.T. Leung, CPA	1:00 p.m. to 3:03 p.m.
Manuel Ramirez, CPA	1:00 p.m. to 3:03 p.m.
Michael Savoy, CPA	1:00 p.m. to 3:03 p.m.
David Swartz, CPA	1:00 p.m. to 3:03 p.m.
Lenora Taylor	1:00 p.m. to 3:03 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Dan Rich, Assistant Executive Officer
Rich Andres, Information Technology Staff
Veronica Daniel, Board Relations Analyst
Rafael Ixta, Chief, Enforcement Division
Deanne Pearce, Chief, Licensing Division
Matthew Stanley, Legislation/Regulation Analyst
Vincent Johnston, Outreach Analyst
Anita Scuri, Legal Counsel, Department of Consumer Affairs (DCA)

Other Participants

Bruce Allen, California Society of CPAs (CalCPA)
James Counts, CPA
Gil DeLuna, Acting Bureau Chief, Professional Fiduciaries Bureau

II. Background Presentation on the Professional Fiduciaries Bureau (PFB).

Mr. Johnston provided an overview of the memorandum for this item (**see Attachment 1**).

Ms. Anderson introduced Mr. Gil DeLuna, Acting Chief of the PFB

Mr. DeLuna provided an overview of the PFB and a brief history of his role since his assignment as acting Chief to the PFB in June 2010.

Ms. Anderson inquired regarding why the PFB has only 450 licensees. Mr. DeLuna stated that when SB 1550 was enacted in 2006, there were originally projected to be approximately 1200 licensees. Prior to the current licensing requirements, any person that was performing fiduciary work was required to register with the Attorney General's Office. When the licensing requirement became law, there were many fiduciaries that were registered with the Attorney General's Office that did not meet the licensing requirements of the PFB.

Mr. Ramirez inquired whether or not Ms. Scuri had any insight regarding the sunset review process when it is determined that a bureau cannot support itself. Ms. Scuri stated that she doesn't believe that there has been a sunset review of a bureau or board as small as the PFB. Ms. Scuri further stated that the size and financial structure of the PFB may play a factor in the sunset analysis.

Mr. Oldman gave a brief history of his experience in regards to the courts involvement with fiduciaries and the system that is in place.

Mr. Ramirez discussed the legislative history provided by CBA staff. Mr. Ramirez stated the differences in services provided by a fiduciary compared to a CPA, quoting from the June 15, 2009 Senate Business Profession and Economic Development Committee meeting, where the committee specifically stated “there appears to be no relationship of professional standards or responsibilities between the two professions”. Mr. Ramirez recognized CBA staff for their outstanding job in providing such an in depth analysis of legislative history.

CBA members discussed the personnel statistics and duties performed by personnel at the PFB. CBA members inquired regarding the 1.7 employees allotted to the PFB and how they handle the case load with limited staff support. Mr. DeLuna stated there are resources and services offered through DCA for complaints and investigations that are available to the PFB to help with the shortfalls of positions.

Mr. Counts inquired regarding the PFBs plans to increase licensees and whether they expect to look at adding new categories of licensure to increase the licensing population. Mr. DeLuna stated that there may be some laws passed that would require new categories of fiduciaries. Mr. DeLuna further stated that the PFB hopes to educate and inform the public and fiduciaries by utilizing DCA’s outreach program.

III. Discussion of Previously Proposed Consolidation of the CBA and the PFB.

Mr. Johnston provided an overview of the memorandum for this item. **(see Attachment 2).**

There were no comments received for this item.

IV. Overview of PFB Laws and Regulations (California Business and Professions Code Division 3, Chapter 6, Sections 6500-6592 and California Code of Regulations Title 16, Division 41, Sections 4402-4580).

Mr. Stanley provided an overview of the memorandum for this item **(see Attachment 3).**

There were no comments received for this item.

V. Discussion Regarding the Possible Consolidation of the CBA and the PFB.

Mr. Stanley provided an overview of the memorandum for this item **(see Attachment 4).**

Mr. Ramirez inquired regarding current CBA staff and whether there is existing staff with fiduciary expertise. Ms. Bowers replied, there are no CBA staff with fiduciary expertise, and further stated that it would be something

the CBA would have to become knowledgeable in and train staff in order to adequately handle the additional work load.

Mr. Allen inquired regarding the purpose of this meeting. Ms. Bowers stated that the CBA is scheduled for Sunset Review on March 21, 2011 and it is anticipated that the matter may be discussed at that time. Ms. Bowers further stated that it is desirable that she and President Anderson attend the hearing with the CBA's position in order to adequately respond to potential inquiries.

VI. Discussion of Possible Legislative Language Regarding the PFB.

There was no report for this item.

VII. Direction to Witnesses on Statements to be Made at Sunset Review Hearing.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to adopt an "Oppose" position regarding the possible consolidation of the CBA and the PFB, and to instruct staff and the CBA President to convey the CBA's message of opposition to all interested parties, including the Legislature.

Ms. Anderson stated the CBA has been around for 110 years for the purpose of protecting consumers of CPA services through the licensure of CPAs. Ms. Anderson further stated the PFB is incongruent with CBA's focus, the consolidation does not make sense and there is a disproportionate share of responsibility that the CBA would be taking on compared to the fees generated. Ms. Anderson further stated that it is her personal opinion that the PFB should go back to the court system.

Mr. Oldman concurred with Ms. Anderson that oversight and regulation of fiduciaries is not something that melds naturally within the CBA. Mr. Oldman stated that the amount of effort to regulate 450 licensees is disproportionately large and requires a major effort to manage.

Mr. Elkins stated it is ironic that the licensees of the CBA are exempt from PFB licensure, yet it is being proposed that the board and bureau consolidate. Mr. Elkins further stated he does not believe it would be reasonable to consolidate.

Mr. Savoy stated that a merger is incongruent with the CBA's roles and responsibilities. Mr. Savoy further stated that staff is currently overworked and underpaid and he could not see the CBA taking on any more work for no pay in an area in which the CBA has no expertise.

Ms. LaManna stated her concern with taking on the costs associated with the enforcement cases the PFB has not yet addressed.

Ms. Bell stated it is clear that there is not an obvious leverage that can be made regarding cost savings by the PFB. Ms. Bell further stated that consolidation puts CBA's consumer protection efforts in jeopardy.

VIII. Other Business.

National Association of State Boards of Accountancy's Request for Vice Chair Recommendations for 2011-12.

Ms. Daniel provided an overview of the memorandum for this item (**see Attachment 5**).

It was moved by Mr. Ramirez, seconded by Mr. Oldman and carried by those present to direct staff to prepare and send a letter of support for Mr. Carlos Johnson as Vice Chair of NASBA. Ms. Bell abstained.

IX. Public Comments for Items not on the Agenda.

Mr. Allen stated that the CalCPA concurs with the CBA's position regarding the proposed consolidation with the PFB.

X. Agenda Items for Future CBA Meetings.

There were no comments received for this item.

XI. Adjournment.

President Anderson adjourned the meeting at 3:03 p.m.

Sally Anderson, President

Leslie LaManna, Secretary-Treasurer

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



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
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT
5/5/11

MINUTES OF THE
MARCH 24-25, 2011
CBA MEETING

Sheraton Hotel and Marina
 1380 Harbor Island Dr.
 San Diego, CA 92101
 Telephone: (619) 291-2900
 Fax: (619) 692-2337

Roll Call and Call to Order.

President Sally Anderson called the meeting to order at 1:01 p.m. on Thursday, March 24, 2011 at the Sheraton San Diego Hotel and Marina. CBA members heard Agenda Items I. – V., VI.B., VIII.G., and IX.A. – E. The meeting recessed at 4:22 p.m. CBA President Anderson reconvened the meeting at 9:01 a.m. on Friday, March 25, 2011, and the meeting adjourned at 12:30 p.m.

CBA Members

March 24, 2011

Sally Anderson, President	1:01 p.m. to 4:22 p.m.
Marshal Oldman, Vice President	1:01 p.m. to 4:22 p.m.
Leslie LaManna, Secretary-Treasurer	Absent.
Diana Bell	1:01 p.m. to 4:22 p.m.
Alicia Berhow	Absent.
Michelle Brough	1:01 p.m. to 4:22 p.m.
Donald Driftmier	1:01 p.m. to 4:22 p.m.
Herschel Elkins	Absent.
Laurence Kaplan	Absent.
Louise Kirkbride	1:01 p.m. to 4:22 p.m.
K.T. Leung	1:01 p.m. to 4:22 p.m.
Manuel Ramirez	1:01 p.m. to 4:22 p.m.
Michael Savoy	1:01 p.m. to 4:22 p.m.
David Swartz	1:01 p.m. to 4:22 p.m.
Lenora Taylor	1:01 p.m. to 4:22 p.m.

CBA Members

March 25, 2011

Sally Anderson, President	9:01 a.m. to 12:30 p.m.
Marshal Oldman, Vice President	9:01 a.m. to 12:30 p.m.
Leslie LaManna, Secretary-Treasurer	Absent.
Diana Bell	9:01 a.m. to 12:30 p.m.
Alicia Berhow	9:01 a.m. to 12:30 p.m.
Michelle Brough	9:01 a.m. to 12:30 p.m.
Donald Driftmier	9:01 a.m. to 12:30 p.m.
Herschel Elkins	Absent.
Laurence Kaplan	Absent.
Louise Kirkbride	9:01 a.m. to 12:30 p.m.
K.T. Leung	9:01 a.m. to 12:30 p.m.
Manuel Ramirez	9:01 a.m. to 12:30 p.m.
Michael Savoy	9:01 a.m. to 12:30 p.m.
David Swartz	9:01 a.m. to 12:30 p.m.
Lenora Taylor	9:01 a.m. to 12:30 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
Dan Rich, Assistant Executive Officer
Rich Andres, Information Technology Staff
Veronica Daniel, Board Relations Analyst
Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Manager, Licensing Division
Lauren Hersh, Information and Planning Officer
Rafael Ixta, Chief, Enforcement Division
Vincent Johnston, Outreach Analyst
Nick Ng, Manager, Administration Division
Deanne Pearce, Chief, Licensing Division
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation/Regulation Analyst
Liza Walker, Manager, Licensing Division

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)
Ruben Davila, Chair, Accounting Education Committee (AEC)
Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)

Other Participants

Amber Buck, Frank, Rimerman + Co. LLP
Bill Holder, University of Southern California
Ed Howard, CPIL
Pilar Onate-Quintana, KP Public Affairs

LaVonne Powell, Senior Advisor to the Director, DCA
Jonathan Ross, KP Public Affairs
Hal Schultz, California Society of Certified Public Accountants (CalCPA)
Jeannie Tindel, CalCPA

I. Report of the President.

A. Update on Peer Review Implementation.

Mr. Ixta provided an overview of the memorandum for this item (**see Attachment ___**).

Mr. Ramirez expressed concern that less than 10 percent of applicants require peer review and that the percentage is low. Mr. Ramirez inquired regarding how the CBA could ensure that firms who indicate they are not subject to peer review are accurately reporting this information. Mr. Ixta stated it may be that some firms have not yet reported or are delaying reporting. Mr. Ixta further stated that staff is working on procedures to identify the population that have a reporting requirement but did not report, and those who reported, but reported incorrectly. Mr. Ixta further stated that the priority is to send out the reminder letters to licensees with a July 1, 2011 reporting requirement, send notification letters to licensees with a July 1, 2012 reporting requirement, and begin working on drafting the deficiency letter.

Ms. Anderson inquired if there is a way for firms to be granted an extension to complete peer review. Mr. Ixta stated that the CBA cannot grant extensions. Mr. Ixta further stated an extension request would be made to CalCPA and the CBA would be notified if an extension is granted.

Ms. Bowers stated that the next step internally is to determine what options might exist to ensure information received is reported accurately. Ms. Bowers further stated that staff will also consider actions that need to take place to bring inaccurate reports into compliance.

Mr. Ramirez stated that staff should focus on the firms that indicate they are not subject to peer review.

B. Report on Sunset Review Hearing.

Ms. Anderson stated the sunset review hearing took place on March 21, 2011, and that the hearing went well.

Ms. Bowers thanked Mr. Howard and Mr. Allen for their testimony in support of CBA's enforcement staffing issues. Ms. Bowers also thanked staff who assisted in preparing the testimony and background information. Ms. Bowers stated that follow up will be provided to Senator Curren Price regarding information on other states' requirements regarding

restatements.

C. Proposed 2012 CBA Meeting Dates.

It was moved by Mr. Oldman, seconded by Ms. Bell and carried by those present to adopt the 2012 CBA meeting dates. Ms. Taylor abstained.

D. Participation on National Committees.

Ms. Daniel provided an overview of the memorandum for this item (**see Attachment ___**).

Mr. Driftmier urged CBA members who are licensees to consider participating on the AICPA State Board Committee.

E. Resolution for Retiring CBA Member.

Ms. Anderson introduced DCA Legal Counsel Kristy Shellans, and newly appointed CBA members Alicia Berhow and Laurence Kaplan.

It was moved by Mr. Ramirez, seconded by Mr. Driftmier and unanimously carried by those present to adopt the resolution for retiring CBA member Rudy Bermudez.

II. Report of the Vice President.

A. Recommendation for Appointments to the Enforcement Advisory Committee.

There was no report for this item.

III. Report of the Secretary/Treasurer.

A. Discussion of Governor's Budget.

B. FY 2010-2011 Mid-Year Financial Statement.

Mr. Ng provided an overview of this item (**see Attachment ___**).

Ms. Taylor inquired regarding the rationale supporting the current legislative proposal to eliminate the statutory requirement that the Accountancy Fund maintain a nine-month reserve. She further inquired of DCA Legal Counsel whether there is anything that can be done legally or politically to stop the General Fund from borrowing monies from the Accountancy Fund.

Ms. Shellans stated that there is case law that the General Fund can

borrow as long as there is an agreement that the money will be paid back.

Mr. Ramirez asked about the status of the fee reduction package. Ms. Bowers indicated the fee reduction package has been approved by the Department of Finance and has been forwarded to the OAL for final approval. Mr. Stanley provided some information about the upcoming administrative steps related to implementation of the fee reduction.

Mr. Ramirez inquired regarding the steps to make the CBA an independent entity and suggested that if the CBA were structured like the State Bar it would not be faced with the General Fund borrowing monies from its reserves. He indicated that this would also give the CBA the flexibility to hire needed enforcement staff.

Ms. Anderson requested background information on other state boards that are currently operating independently.

Mr. Oldman stated that NASBA's Board Relevance & Effectiveness Committee is actively promoting state board independency.

Ms. Kirkbride suggested reducing fees to a level that would result in the Accountancy Fund being depleted, forcing repayment of General Fund loans.

Mr. Ramirez indicated that his discussions regarding possibly making the CBA an independent entity would be best addressed at some future meeting or conference and that he understood any possible change in this area would take several years. He indicated that any discussions in this area should be deferred until after the legislative Sunset Review process is concluded. Mr. Ramirez reiterated that he believed the CBA should presently concentrate on is finalizing its fee reduction proposal.

C. Proposed Format for Presenting Budget Information to the CBA.

Ms. Anderson requested that Attachment 4 of the financial statement be adjusted to reflect expenditure amounts as if the hiring freeze was not in effect.

Ms. Kirkbride stated that she is in favor of the new format. Ms. Kirkbride suggested including percentages as opposed to the current graph chart.

IV. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Will Convene Into Closed Session to Deliberate on Disciplinary Matters (Stipulations and Proposed Decisions).

CBA members convened into closed session on Thursday, March 24, 2011 at 1:58 p.m., and the meeting reconvened into open session at 2:52 p.m.

V. Report of the Licensing Chief.

A. Report on Licensing Division Activity.

Ms. Pearce provided an overview of this item (**see Attachment __**).

Ms. Kirkbride commended staff for maintaining processing times with reduced staffing. Ms. Kirkbride inquired if the need to fill vacancies in the licensing unit is justified. Ms. Pearce stated that at this point, staff is focused solely on the processing of applications and that the additional staff would allow the unit to focus on projects and other priorities.

B. Residency Requirement for the Uniform CPA Examination and Licensure as a CPA in California.

Ms. Pearce provided an overview of the memorandum for this item (**see Attachment __**).

Ms. Anderson inquired if there is a way to track how many out-of-state exam applicants apply for licensure in California. Ms. Pearce stated that staff could look into the matter to determine if such statistics are attainable.

Ms. Anderson inquired if it is known why nonresidents apply to take the examination through California. Ms. Buck stated that she is aware of situations where university students have plans to move after graduation and become licensed in the State of California.

Ms. Shellans stated that there needs to be a rational basis for excluding an applicant based on residency.

C. International Delivery of the Uniform CPA Examination (iExam).

Ms. Pearce stated that staff has received information from NASBA regarding the Informed Consent for International Candidates. Ms. Pearce stated that staff has found some preliminary issues with the Informed Consent and a copy will be provided to legal counsel for review.

Ms. Walker provided an overview of the memorandum for this item (**see Attachment __**).

Ms. Brough inquired if NASBA is doing anything to verify candidates' information or identity. Ms. Pearce stated that the Informed Consent for International Candidates addresses the requirement of authorizing background checks through various organizations.

Ms. Kirkbride expressed concern regarding NASBA's financial motivation,

and that it would be impossible to manage the integrity of the exam in other countries.

CBA members further discussed the issues surrounding iExam.

Ms. Tindel stated that CalCPA has not considered this issue at the society level. Ms. Tindel encouraged the CBA to take a step back as it will likely be two years before anyone from a foreign country will be applying for a license. Ms. Tindel further stated that CalCPA does not see this matter as urgent.

It was moved by Mr. Swartz, seconded by Mr. Ramirez and carried by those present that the CBA not take a position on iExam until the program and security can be assessed. Ms. Brough abstained.

CBA members discussed the issues with accepting foreign exam grades. Ms. Bowers stated that staff will explore statutory and regulatory provisions and provide information at the May 2011 CBA meeting on the acceptance of grades obtained through iExam.

D. CBA's Passage Letter for the Uniform CPA Examination.

Ms. Walker provided an overview of the memorandum for this item (**see Attachment __**).

Ms. Bell stated that she is in favor of the changes to the passage letter; however, there is still a formal feel to it. Ms. Bell suggested including a checklist of the next steps required for licensure.

It was moved by Mr. Ramirez, seconded by Ms. Brough and unanimously carried by those present to adopt the 2nd letter revision, adding the necessary steps for licensure in California, at staff's discretion.

E. Update and Implementation Plan on Pending Fee Reduction Regulations Title 16, CCR Section 70.

Mr. Franzella provided an overview of the memorandum for this item (**see Attachment __**).

No comments were received for this item.

CBA members heard agenda item VIII.G. – Report of the EAC.

Ms. Gerhardt stated that the EAC met on November 4, 2010. Ms. Gerhardt stated that five closed files were reviewed and the EAC concurred with staff conclusion on all five. She stated that the EAC reviewed three restatements and advised staff to open investigations on

all three.

Ms. Gerhardt stated the EAC held four investigative hearings, one was referred to the Attorney General's Office for discipline, additional continuing education was recommended for two, and an additional investigation was recommended on the remaining hearing.

Ms. Gerhardt stated that the next EAC meeting is scheduled for May 5, 2011 in Oakland, CA.

Mr. Driftmier inquired regarding EAC vacancies. Ms. Gerhardt stated that there are four vacancies on the committee. Ms. Gerhardt stated that the committee is affected by the current hiring freeze. Ms. Gerhardt further stated that it is important to fill the vacancies, considering there will be members whose terms will expire at the end of this year.

CBA members heard agenda item IX.A.-E. – Acceptance of Minutes.

It was moved by Mr. Ramirez, seconded by Ms. Taylor and unanimously carried by those present to accept the agenda items IX.A.-E. as a group.

CBA members heard agenda item VI.B. – Update on CBA 2010-2012 Communications and Outreach Plan.

Ms. Hersh provided an overview of the memorandum for this item (**see Attachment __**).

No comments were received for this item.

VI. Report of the Executive Officer (EO).

A. DCA Director's Report.

1. Hiring Freeze Executive Order.
2. Cell Phone Reduction Executive Order.
3. Vehicle Executive Order.
4. Update on BreEZe.
5. Board Member Training.

Ms. Powell stated that there was an Executive Order issued by Governor Brown on February 15, 2011, which reestablished the hiring freeze for State government. Ms. Powell further stated that boards/bureaus have begun submitting exemption requests and the

DCA will be advocating on behalf of the boards/bureaus.

Ms. Powell stated the importance of board member required training. Ms. Powell further stated that noncompliance will and already has affected some board members' confirmation and reappointment.

Ms. Powell stated the DCA has reached the 50% threshold for cell phone reduction. Ms. Powell further stated that the DCA will be reevaluating the need for remaining cell phones.

Ms. Powell stated that the final proposal for BreEZe is expected sometime in March 2011. Ms. Powell further stated that a contractor will be selected in April 2011, and it is expected that a contract will be in place by August 2011.

Ms. Powell thanked the CBA for being diligent in posting meeting materials to the CBA Web site and for webcasting CBA meetings over the internet.

Ms. Kirkbride inquired regarding BreEZE and if the program is at risk given the current budget situation. Ms. Powell stated that the BreEZe system has already been accounted for in the budget. Ms. Powell further stated that the Legislature is behind the proposal and it was included in the Sunset Review recommendations.

CBA members commented regarding the hiring freeze and stressed urgency regarding the CBA's four vacant Investigative CPA positions. Ms. Bowers stated that the CBA is positioned to fill all four vacant Investigative CPA positions as soon as it receives the authority to do so.

B. Update on CBA 2010-2012 Communications and Outreach Plan.

This item was previously heard following agenda item V.E.

C. Update on CBA 2010-2012 Strategic Plan.

Mr. Johnston provided an overview of the memorandum for this item (**see Attachment ___**).

Ms. Anderson inquired if it was foreseen that any objectives would not be implemented for any reason. Ms. Bowers stated that the remaining items will be prioritized and she is hopeful that all will be accomplished.

Ms. Bowers further stated that a better idea of implementation should be available in six months to a year from now, when staffing issues are potentially resolved.

D. List of CBA's Statutory and Regulatory "Sunset" Provisions.

Mr. Stanley provided an overview of the memorandum for this item (**see Attachment ___**).

Ms. Anderson inquired regarding the sunset dates for the AEC and ECC, and why the ECC sunsets two years after the AEC. Mr. Stanley stated that the expiration dates were determined by the Legislature. Mr. Stanley further stated the AEC was meant to be an advisory body and the ECC was envisioned to be authoring regulations, while maintaining certain reporting requirements as well.

E. Discussion of Options for how to Proceed Following the Expiration of Business and Professions (B&P) Code Section 5050(b) (Temporary and Incidental).

Mr. Stanley provided an overview of the memorandum for this item (**see Attachment ___**).

Mr. Swartz inquired if there have been any issues with policing temporary and incidental practice. Ms. Bowers stated that there have been no issues.

Mr. Savoy inquired if the CBA was contemplating changing or making any exceptions to B&P Code Section 5051, and if so, why. Mr. Stanley stated it is his understanding that the idea is to clarify B&P Code Section 5051.

Mr. Schultz stated that if the CBA does not adopt mobility, then practice privilege is necessary. Mr. Schultz further stated that there is merit with reinstating temporary and incidental; however, the issue is that the definition of practice of public accountancy is a very encompassing definition.

Mr. Oldman stated the issues surrounding the temporary and incidental matter can be resolved by defining the practice of public accountancy.

Mr. Swartz stated the other option is to leave the matter as-is.

Ms. Brough inquired if other states have defined the practice of public accountancy to the specificity that the CBA seeks. Ms. Bowers stated there are various definitions from state to state and this information could either be resurrected or recaptured and provided to the CBA.

Mr. Stanley stated comments provided by Mr. Howard that CPIL opposes the options to restore temporary and incidental. Mr. Stanley further stated the CPIL requests an opportunity to work with the CBA staff, the profession and counsel to craft alternatives prior to the CBA taking action.

Ms. Tindel stated the reason the definition of the practice of public

accountancy is so broad is to enable the CBA the ability to discipline CPAs who commit any acts harmful to consumers when using the CPA designation.

Ms. Onate-Quintana stated she concurs with the comments of Mr. Howard and Ms. Tindel. Ms. Onate-Quintana further stated that she hopes to work very intensively and quickly with CPIL, CalCPA, CBA staff and legal counsel to determine if there is a non-legislative solution and if not, hopefully provide a proposal by the May 2011 CBA meeting.

Mr. Ramirez suggested this matter be assigned to the CPC.

Ms. Anderson requested CBA staff to reach out to all interested parties and legal counsel to ensure the proposal can be implemented.

Ms. Anderson further stated that she is in favor of this matter being addressed before the CPC at the May 2011 CBA meeting.

F. Proposed Plan for Researching Mobility in Other States.

Ms. Bowers provided an overview of the memorandum for this item (**see Attachment __**).

Ms. Anderson stated that the big issues regarding mobility are enforcement and resources. Ms. Anderson requested that staff gather information on issues from interested parties and provide progress reports to the CBA as information is received.

Ms. Kirkbride stated the matter of focus is enforcement and the protection of California consumers. Ms. Kirkbride further stated there is an issue with the fact that there is nothing to take away. Ms. Shellans stated the issue of what to take away is critical.

CBA members discussed the difficulty in comparing enforcement statistics between the states. Mr. Ixta stated each state is unique and there are a lot of issues that should be considered when comparing enforcement statistics. Mr. Ixta further stated that staff will continue to study the matters regarding mobility and provide updates to the CBA.

Mr. Swartz stated the CBA has deliberated on this matter for several years and should be able to take the existing data and make a decision on mobility. Mr. Swartz further stated that the CBA needs to understand what is in the best interest for California consumers and if the practice privilege program works, then the CBA should move on. Ms. Kirkbride concurred with Mr. Swartz and questioned the value of additional research. Ms. Kirkbride stated that it would be more valuable to walk through scenarios on how enforcement matters should be handled with mobility. Ms. Kirkbride further stated that she wants to ensure that California consumers have protection against out-of-state practitioners.

Ms. Onate-Quintana stated that national firms have begun working with CPIL to scope research questions that may shed some light on the issues regarding mobility and offer some benefit of resources to the CBA.

CBA members further discussed this matter and concurred that the CPC should address this topic at its May 2011 meeting. Ms. Bowers stated that for the May 2011 CPC meeting, staff will identify areas of opposition for the original proposed legislation, including the letter from Senator Don Perata and any other issues that can be identified.

VII. Report of the Enforcement Chief.

A. Enforcement Case Activity and Status Report.

Mr. Ixta provided an overview of this item (**see Attachment ___**).

B. Aging Inventory Report.

Mr. Ixta provided an overview of this item (**see Attachment ___**).

C. Report on Citations and Fines.

Mr. Ixta provided an overview of this item (**see Attachment ___**).

D. Reportable Events Report.

Mr. Ixta provided an overview of this item (**see Attachment ___**).

Mr. Ramirez inquired regarding the age of the oldest case. Mr. Ixta stated there is a large matter over 24 months old. Mr. Ramirez stated his concern with case aging and inquired if the previous Chief of Enforcement Greg Newington could provide resources to the CBA to assist with caseload. Ms. Bowers stated that this matter will be explored.

Ms. Kirkbride inquired how staff time is prioritized amongst cases. Mr. Ixta stated the current enforcement priority is older cases; however, there are newer cases received where consumer harm is an issue that also receive a high priority due to sensitivity. Mr. Fisher stated the Enforcement Division is not handling cases based on performance measures, and that cases are handled by priority in the best interest of consumer protection.

Mr. Ramirez inquired if DCA staff could be utilized to supplement enforcement staffing. Ms. Bowers stated the CBA stopped using DCA's Department of Investigation (DOI) due to below acceptable performance. Ms. Bowers further stated that the performance has since been improved and Mr. Ixta is working with the DCA to determine how the CBA might

utilize DOI.

E. Results From 2nd Quarter Performance Measures Report to the DCA.

Mr. Ixta provided an overview of the memorandum for this item (**see Attachment ___**).

No comments were received regarding this item.

VIII. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC).

No Report.

B. Committee on Professional Conduct (CPC).

No Report.

C. Legislative Committee (LC).

1. Report of the March 24, 2011 LC Meeting.

2. Overview and Recommended Amendment to Assembly Bill (AB) 431 – Retired Status.

It was moved by Ms. Bell, seconded by Mr. Ramirez and unanimously carried by those present to approve the LC's recommendation to adopt the proposed amendments to AB 431. Mr. Leung was temporarily absent.

Ms. Bell stated that DCA legal counsel expressed concern with the language regarding the minimum age requirement. Ms. Bell further stated that the LC directed staff to further review the matter of the minimum age requirement and provide an update at the May 2011 CBA meeting.

3. Update on Legislative Language Sponsored by the CBA (Webcasting Exemptions, Accountancy Fund Loans to the General Fund, and Peer Review Sunset Extension).

The CBA took no action on this item.

4. Overview of Bills Affecting the Rulemaking Process (AB 127, AB 338, AB 425, AB 535, Senate Bill (SB) 396, SB 401, SB 553).

The CBA took no action on this item.

5. Adoption of Positions on Legislation.

a. AB 229 – The Controller: Audits.

It was moved by Ms. Bell and seconded by Ms. Kirkbride to approve the LC’s recommendation to adopt a Watch position AB 229. Ms. Anderson, Mr. Oldman, Ms. Berhow, Ms. Brough, Mr. Driftmier, Mr. Ramirez, Mr. Savoy, and Mr. Swartz opposed. The motion failed.

A majority of CBA members concurred that the current language of AB 229 is too broad and lacks clarity.

It was moved by Mr. Driftmier, seconded by Ms. Brough and carried by those present to adopt an Oppose position on AB 229. Ms. Bell, Ms. Kirkbride, and Ms. Taylor opposed. Mr. Leung abstained.

b. AB 410 – Regulations: Adoption: Disability Access.

It was moved by Ms. Bell, seconded by Mr. Driftmier and unanimously carried by those present to approve the LC’s recommendation to adopt a Support if Amended position on AB 410.

c. AB 675 – Continuing Education.

It was moved by Ms. Bell, seconded by Ms. Brough and carried by those present to approve the LC’s recommendation to adopt a Support position on AB 675 and indicate in the letter that not all boards “approve” their CE providers. Mr. Ramirez abstained.

d. AB 958 – Regulatory Boards: Limitation Periods.

It was moved by Mr. Oldman, seconded by Ms. Taylor and unanimously carried by those present to approve the LC’s recommendation to adopt an Oppose position on AB 958.

e. AB 991 – Licenses: California Licensing and Permit Center.

It was moved by Ms. Bell, seconded by Mr. Swartz and unanimously carried by those present to approve the LC’s recommendation to adopt an Oppose position on AB 991.

f. AB 1193 – Accountancy.

It was moved by Ms. Bell, seconded by Mr. Ramirez and

unanimously carried by those present to approve the LC's recommendation to adopt a Watch position on AB 1193.

- g. SB 103 – State Government: Meetings: Teleconferencing.

It was moved by Ms. Bell, seconded by Ms. Taylor and unanimously carried by those present to approve the LC's recommendation to adopt an Oppose position on SB 103.

- h. SB 306 – Accountancy.

It was moved by Ms. Bell, seconded by Mr. Swartz and unanimously carried by those present to approve the LC's recommendation to adopt a Support if Amended position on SB 306.

- i. SB 366 – Regulations: Agency Review.

It was moved by Ms. Bell, seconded by Mr. Swartz and unanimously carried by those present to approve the LC's recommendation to adopt a Support position on SB 366.

- j. SB 542 – Professions and Vocations: Regulatory Boards.

It was moved by Ms. Bell, seconded by Mr. Ramirez and unanimously carried by those present to approve the LC's recommendation to adopt a Watch position on SB 542.

- k. SB 773 – Accountants.

It was moved by Ms. Bell, seconded by Mr. Savoy and unanimously carried by those present to approve the LC's recommendation to Watch SB 773.

- l. SB 921 – Professions and Vocations.

It was moved by Ms. Bell, seconded by Ms. Taylor and unanimously carried by those present to approve the LC's recommendation to adopt a Watch position on SB 921.

- m. Senate Business, Professions, & Economic Development Committee Omnibus Bills.

The CBA took no action on this item.

D. Accounting Education Committee (AEC).

1. Report of the February 18, 2011 AEC Meeting.

Mr. Davila stated the AEC continues to work on its charge and has reached consensus regarding the acceptance of a specified master's degree to meet the 20 units of accounting study.

Mr. Ramirez stated concern with the issue of transferability of accounting courses. Mr. Davila stated that transferability will be a decision for the individual institution. Mr. Davila stated that acceptable courses will still count towards the educational requirements for licensure.

Ms. Anderson thanked Mr. Davila and Mr. Driftmier for their time and effort put into the committees.

2. Consideration of Proposed Legislation to Allow for the Acceptance of a Specified Master's Degree to Meet the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014.

It was moved by Mr. Ramirez, seconded by Ms. Taylor and unanimously carried by those present to accept AEC's recommendation to adopt the proposed language.

E. Ethics Curriculum Committee (ECC).

No Report.

F. Peer Review Oversight Committee (PROC).

1. Report of the March 4, 2011 PROC Meeting.

Ms. Corrigan stated the PROC has gathered useful information from interested parties and is in the process of determining what is needed to meet the committee's goals and objectives. Ms. Corrigan stated that a subcommittee has been appointed to review the information received and bring back a more manageable set of documents for the committee to work with.

Ms. Corrigan stated that an issue has arisen regarding conflict of interest and whether members of the PROC could also be peer reviewers. Ms. Corrigan further stated that this matter is being addressed by legal counsel. Ms. Shellans stated that this matter is in the fact gathering stages and she will confirm with the DCA Legal Office to confirm what opinion can be rendered.

Ms. Corrigan stated the PROC will meet next on May 6, 2011 in Oakland, CA.

2. Proposed Responses to AICPA's Exposure Draft on Performing and

Reporting on Peer Reviews of Compilations Performed under SSARS 19, dated January 21, 2011.

It was moved by Mr. Driftmier, seconded by Ms. Bell, and unanimously carried by those present to accept the PROC's proposed responses to AICPA's exposure draft.

G. Enforcement Advisory Committee (EAC).

Report of the February 4, 2011 EAC Meeting.

This item was previously heard following agenda item V.E.

H. Qualifications Committee (QC).

No Report.

IX. Acceptance of Minutes

A. Draft Minutes of the January 27-28, 2011 CBA Meeting.

B. Draft Minutes of the November 17, 2010 CPC Meeting.

C. Draft Minutes of the November 17, 2010 EPOC Meeting.

D. Draft Minutes of the November 17, 2010 LC Meeting.

E. Draft Minutes of the September 3, 2010 AEC Meeting.

Agenda items IX.A. – E. were previously heard following agenda item V.E.

X. Other Business.

A. American Institute of Certified Public Accountants (AICPA).

No Report.

B. National Association of State Boards of Accountancy (NASBA).

1. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force.

Ms. Bowers stated that the ALD Task Force met in San Diego on March 6, 2011. Ms. Bowers further stated that the ALD system is scheduled to be rolled out to consumers this summer.

b. Board Relevance & Effectiveness Committee.

Mr. Oldman stated that the Board Relevance & Effectiveness Committee is scheduled to meet on May 12, 2011 and he will provide an update at a future CBA meeting.

c. Uniform Accountancy Act Committee (UAA).

Mr. Driftmier stated that the UAA Committee continues to discuss the matter regarding firm names and that he will continue to provide updates to the CBA.

2. Proposed Responses to NASBA Focus Questions.

It was moved by Mr. Driftmier, seconded by Mr. Oldman and unanimously carried by those present to adopt staff's proposed responses to NASBA's focus questions.

XI. Closing Business.

A. Public Comments for Items not on the Agenda.

No public comments were received.

B. Agenda Items for Future CBA Meetings.

No comments were received for this item.

C. Press Release Focus.

Recent Press Releases.

Ms. Hersh stated that she plans to issue a press release with the headline "CBA votes to support consumer protection legislation, rejects measures that would create additional bureaucracy or hinder transparency."

Adjournment.

President Anderson adjourned the meeting at 12:30 p.m. on Friday, March 25, 2011.

Sally Anderson, CPA, President

Leslie LaManna, CPA, Secretary-Treasurer

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



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>



LC Agenda Item I.
 May 19, 2011

CBA Agenda Item VII.C.
 May 19-20, 2011

LEGISLATIVE COMMITTEE
 MINUTES OF THE MEETING

DRAFT

March 24, 2011

Sheraton San Diego Hotel and Marina
 1380 Harbor Island Dr.
 San Diego, CA 92101
 Phone: (619) 291-2900
 Fax: (619) 692-2337

CALL TO ORDER

Diana Bell, Chair, called the meeting of the Legislative Committee (LC) to order at 10:08 a.m. Ms. Bell requested that the role be called.

Present:

Diana Bell, Chair
 Louise Kirkbride
 K. T. Leung
 Michael Savoy
 Lenora Taylor

CBA Members Observing:

Sally Anderson, President
 Donald Driftmier

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
 Dan Rich, Assistant Executive Officer
 Rich Andres, Information Technology
 Veronica Daniel, Executive Analyst
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Manager, Renewal and Continuing Competency (RCC) Unit
 Lauren Hersh, Information and Planning Officer
 Rafael Ixta, Chief, Enforcement Division
 Vincent Johnston, Special Projects Analyst
 Deanne Pearce, Chief, Licensing Division
 Kristy Shellens, DCA Legal Affairs
 Carl Sonne, Deputy Attorney General, Department of Justice
 Matthew Stanley, Legislation/Regulation Analyst
 Liza Walker, Manager, Exam and Practice Privilege Unit

Other Participants

Ed Howard, CPIL

Jonathan Ross, E&Y PWC, D&T, GT, KPMG

Hal Schultz, CalCPA

Jeannie Tindel, CalCPA

- I. Adoption of Draft Minutes of the November 17, 2010, Legislative Committee Meeting (**Diana Bell, Chair**).

It was moved by Mr. Savoy, seconded by Ms. Taylor, and carried unanimously to adopt the minutes of the November 17, 2010 LC Meeting.

- II. Overview and Staff Recommended Amendments to Assembly Bill (AB) 431- Retired Status (**Matthew Stanley**).

Mr. Stanley indicated that AB 431, which will authorize a retired status for licensees, was introduced by Assembly Member Ma.

Mr. Stanley then indicated that staff was proposing three amendments to AB 431. The first would require the holder of a retired status license to place the term "retired" following any lawful use of the Certified Public Accountant designation. The second would create a one-year grace period to allow holders of licenses in a delinquent status to retire their license without paying back-renewal fees, after which, the CBA shall deny a retired status application if a license is in a delinquent status. And finally, he stated that the word "may" should be changed to "shall" to require the CBA to establish the specified minimum qualifications.

Ms. Shellens indicated that she had legal concerns regarding establishing a minimum age for retirement. She indicated that there may be constitutional issues as age is a suspect class unless there is justification for the set age.

The LC discussed its desire to maintain the language regarding the minimum age.

It was moved by Ms. Taylor, seconded by Mr. Savoy, and carried unanimously to recommend that the CBA adopt the amendments to AB 431.

Mr. Stanley stated that the CBA's justification for setting an age requirement could be to minimize the loss of revenue from those who choose to retire.

Ms. Kirkbride suggested that staff continue to monitor the situation as the bill moves forward.

- III. Update on Legislative Language Sponsored by the CBA (Webcasting Exemptions, Accountancy Fund Loans to the General Fund, and Peer Review Sunset Extension) (**Matthew Stanley**).

Mr. Stanley informed the LC of the status of the CBA's other legislative proposals. The restatements proposal will eventually be a part of the CBA sunset review bill as will a two-year extension of the peer review sunset date. The Webcasting exemption appears to not be a part of the sunset process, and staff will work to ensure this language is included in an omnibus bill. The proposal to prevent future Accountancy Fund loans to the General Fund was not received well by Business and Professions Committee staff, and CBA staff was unable to find an author due to California's current budget situation.

IV. Overview of Bills Affecting the Rulemaking Process (AB 127, AB 338, AB 425, AB 535, Senate Bill (SB) 396, SB 401, SB 553) **(Matthew Stanley)**.

Mr. Stanley indicated that several bills that would affect the rulemaking process have been introduced. Some affect implementation timeframes and others deal with legislative involvement in the process. Staff recommended that the CBA take no position on these bills, but will continue following the bills as they go through the process.

V. Adoption of Positions on Legislation **(Matthew Stanley)**.

A. AB 229 – The Controller: audits.

Mr. Stanley stated this bill mainly concerns the State Controller, but there is a section that would require the Controller to refer certain matters of unprofessional conduct to the CBA for investigation. This may cause a small increase in caseload. In addition, if the CBA finds wrongdoing, the Controller can prohibit the licensee from performing local government audits for up to three years in addition to any penalty the CBA may impose. It is unclear if these three years are added on to any CBA discipline or can be solved concurrently.

Mr. Savoy stated his opposition to AB 229 as it gives the Controller too much power over CPAs and usurps CBA authority.

LC members discussed what they believed the bill allows and does not allow the Controller to do and when the Controller could take certain actions.

Ms. Tindal indicated that CalCPA has been working with the author on resolving its problems with the bill.

Ms. Taylor inquired if the three years that the Controller could impose was in addition to CBA discipline or if it would run concurrently.

Ms. Shellans indicated that it appeared to be in addition to CBA discipline.

Mr. Howard indicated staff could engage the author to see that questions are answered and issues addressed.

It was moved by Ms. Kirkbride, seconded by Ms. Taylor, and carried to recommend that the CBA adopt a Watch position on AB 229. Mr. Savoy opposed.

The LC directed staff to engage the author to get questions that were brought up answered. Staff was further directed to bring the answers back to the next meeting.

Ms. Tindal further indicated that the bill allows the Controller to preliminarily suspend a CPA pending CBA decision.

The LC directed staff to engage the author on this topic as well.

B. AB 410 – Regulations: adoption: disability access.

Mr. Stanley stated that this bill would require a narrative description of changes in regulations to be provided to a person with a visual disability. When the description is provided, it requires that the 45-day public comment period for the regulation be restarted.

It was moved by Ms. Taylor, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA adopt a Support if Amended position on AB 410 asking the author to amend the bill to not reset the public comment period.

C. AB 675 – Continuing Education.

Mr. Stanley indicated AB 675 would require that courses promoting labor organizing, statutory or regulatory changes, political candidates or advocacy shall not be acceptable as continuing education. If a CE provider represents such a course as meeting CE requirements, a board is required to withdraw its approval of the provider for 5 years. Mr. Stanley pointed out that the CBA does not grant an approval to CE providers that could be withdrawn.

It was moved by Ms. Kirkbride, seconded by Mr. Leung, and carried to recommend that the CBA adopt a Support position on AB 675 and send a letter indicating that the CBA does not approve CE providers. Ms. Taylor opposed.

D. AB 958- Regulatory boards: limitation periods.

Mr. Stanley indicated this bill would require that all boards and bureaus file an accusation within one year after discovering a violation or within four years after the violation was committed. The time a licensee spends

concealing a violation does not count against this statute of limitations. He stated that the CBA currently averages 391 days from complaint to accusation.

Ms. Taylor wondered if the CBA could get more BCPs through in light of this bill.

It was moved by Ms. Taylor, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA adopt an Oppose position on AB 958.

E. AB 991- Licenses: California Licensing and Permit Center.

Mr. Stanley stated AB 991 would create the California Licensing and Permit Center web site and help center as a central location for consumers to go to have their questions answered about the licensing processes of various state agencies. It would be paid for proportionately by state agencies whose information would be included. This new Web site may lead to consumer confusion.

It was moved by Ms. Taylor, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA adopt an Oppose position on AB 991.

F. AB 1193- Accountancy.

Mr. Stanley indicated this is a spot bill making a technical change in the definition of "Board."

It was moved by Ms. Taylor, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA adopt a Watch position on AB 1193.

G. SB 103- State government: meetings: teleconferencing.

Mr. Stanley indicated that this bill requires a state body to hold its meetings via teleconference at the request of one of its members unless the chair determines that it would cost more than meeting in person.

Ms. Kirkbride stated there was a benefit to being present in person and inquired if a person could avoid being present at meetings. Ms. Shellens indicated that it would be possible as the authority is changing to the individual members to request a teleconference.

Mr. Howard offered two observations that the Bagley-Keene Act allows the public to see who is present, and that it will always be cheaper to do a meeting by teleconference.

It was moved by Ms. Kirkbride, seconded by Mr. Savoy, and carried unanimously to recommend that the CBA adopt an Oppose position on SB 103.

H. SB 306- Accountancy.

Mr. Stanley indicated that this bill would require the CBA to extend the Safe Harbor period for Practice Privilege until December 31, 2013. The CBA is already pursuing emergency regulations to make the Safe Harbor period permanent. If this bill were to pass, the CBA would have to undo what it is currently pursuing. He further indicated that an amendment to make the Safe Harbor period permanent in law may be desirable.

Mr. Ross indicated that the large firms are the sponsors of this bill and that it is a spot bill to address this issue.

It was moved by Ms. Taylor, seconded by Mr. Savoy, and carried unanimously to recommend that the CBA adopt a Support if Amended position on SB 103.

I. SB 366- Regulations: agency review.

Mr. Stanley indicated this bill would require state agencies to identify out-of-date, duplicative and inconsistent regulations and proceed with a rulemaking to remedy the problems. It provides for a slightly different rulemaking process for this purpose and requires a report to the Legislature and Governor on the agency's compliance with this bill. There is a six month deadline for completion. He stated CBA staff had begun the first steps of this process even before this bill was announced as a part of a broader regulatory overhaul that is expected to be brought to the CBA before the end of the year.

The LC expressed concern over the timeframes in the bill.

It was moved by Ms. Taylor, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA adopt a Support position on SB 366.

J. SB 542- Professions and vocations: regulatory boards.

Mr. Stanley stated this bill at present simply extends the sunset date for the CBA, but it is anticipated the bill will eventually be used as a vehicle for all sunset review recommendations.

It was moved by Ms. Taylor, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA adopt a Watch position on SB 542.

K. SB 773- Accountants.

Mr. Stanley indicated that SB 773 would eliminate restatements that are also reported to the SEC or that are due solely to a change in law or accounting standards. This bill is sponsored by CalCPA, and they have indicated that this is a spot bill for future amendments.

It was moved by Ms. Kirkbride, seconded by Ms. Taylor, and carried unanimously to recommend that the CBA adopt a Watch position on SB 773.

L. SB 921- Professions and vocations.

Mr. Stanley indicated this is a spot bill making a technical change regarding unlicensed activity.

It was moved by Ms. Taylor, seconded by Ms. Kirkbride, and carried unanimously to recommend that the CBA adopt a Watch position on SB 921.

M. Senate Business, Professions, & Economic Development Committee Omnibus Bills.

Mr. Stanley indicated that no omnibus legislation had yet been introduced.

VI. Public Comments for Items Not on the Agenda.

No comments were received.

VII. Agenda Items for Next Meeting.

No agenda items were identified.

There being no further business, the meeting was adjourned at 11:18 a.m.



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
CALIFORNIA BOARD OF ACCOUNTANCY

CBA Agenda Item VII.D.
May 19-20, 2011

MINUTES OF THE
February 18, 2011
ACCOUNTING EDUCATION COMMITTEE (AEC) MEETING

California Board of Accountancy
 2000 Evergreen Street, Suite 250
 Sacramento, CA 95815
 Telephone: (916) 263-3680

I. Roll Call and Call to Order.

AEC Chair Ruben Davila, called the meeting of the AEC to order at 12:39 p.m. on Friday, February 18, 2011 at the California Board of Accountancy (CBA) office. Mr. Davila 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.

AEC Members

Ruben Davila, Chair	12:39 p.m. to 3:52 p.m.
Donald Driftmier, CBA Member	12:39 p.m. to 3:52 p.m.
Sherry Anderson	Not Present
Betty Chavis	12:39 p.m. to 3:52 p.m.
Thomas Dalton	12:39 p.m. to 3:52 p.m.
Michael Moore	12:39 p.m. to 3:52 p.m.
Gary Pieroni	12:39 p.m. to 3:52 p.m.
Sara Seyedin	12:55 p.m. to 3:52 p.m.
Xiaoli "Charlie" Yuan	Not Present

Staff and Legal Counsel

Rich Andres, Information Technology Staff
 Dominic Franzella, Manager, Licensing
 Deanne Pearce, Chief, Licensing Division
 Jenny Sheldon, Licensing Coordinator

Other Participants

Jason Fox, CalCPA
 Pilar Oñate-Quintana, KP Public Affairs
 Tiffany Rasmussen, KPMG
 Jeannie Tindel, CalCPA

- II. Approve Minutes of the September 3, 2010 AEC Meeting.

It was moved by Mr. Driftmier, seconded by Ms. Chavis, and unanimously carried by those present to approve the minutes (Attachment #1). Ms. Seyedin was not present at the time of the vote.

- III. Acceptance of Units Earned at College or University Extension Programs for Purposes of Meeting the Educational Requirements for CPA Licensure.

Ms. Pearce provided an oral report for this item. Ms. Pearce stated that staff continue to work on this item with DCA legal counsel and will report back once more information is available. Mr. Davila indicated that the reason for the research is to determine whether courses completed through an extension program and reflected on university transcripts fall under the university's accreditation.

- IV. Consideration of Recommending to the CBA Acceptance of a Specified Master's Degree to meet the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014.

Ms. Sheldon presented the memorandum for this agenda item (**Attachment #2**). At the June 2010 AEC meeting members came to a general consensus to allow a Master of Accounting or Master of Taxation degree to meet the 20 units of accounting study. Ms. Sheldon reported that staff believe it would be prudent for members to consider formally recommending that the CBA sponsor legislation to specifically allow a specified master's degree to meet the 20 units of accounting study in order to eliminate any question as to the CBA's authority to effectuate such a regulation. Ms. Sheldon presented two options for draft statutory language and identified issues for consideration to the AEC with each of the two options. The language for each option is listed on page three of **Attachment #2**.

Members discussed the draft language and expressed that the option providing the CBA with the most flexibility would be the most favorable option.

Ms. Rasmussen commented that there are additional degrees that may be equivalent such as a Master's of Business Administration with an accounting emphasis, Master's of Forensic Accounting, or a Master's of Law degree with an emphasis in taxation.

Staff was directed to research the degrees mentioned by Ms. Rasmussen so members could evaluate if the degrees should be deemed substantially equivalent to the academic requirements of a Master's of Accounting or Master's of Taxation degree.

It was moved by Mr. Driftmier, seconded by Mr. Moore, and unanimously carried by those present to move forward with recommending the CBA sponsor legislation to allow a specified master's degree to meet the 20 units of accounting study.

Ms. Tindel suggested that members may wish to consider stating graduate degree rather than master's degree in order to allow a doctorate or juris doctorate degree in a related subject to qualify.

Staff was directed to include accounting-related graduate degrees in the research to be performed.

- V. Report of the Subcommittee's September 24th and December 21st Meetings and Proposal for the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014.

Mr. Moore and Mr. Davila presented the memorandum for this agenda item (**Attachment #3**).

The AEC went through each recommendation outlined in the memorandum to determine continued agreement. The AEC revisited the discussion regarding the suggested requirement that all courses be completed at the upper division level, specifically in the area of communications courses.

Ms. Seyedin expressed concern that community colleges do not clearly specify upper division courses in the course catalog as she had previously thought, which may exclude community colleges and create barriers to entry and financial hardships to students. Ms. Seyedin recommended the regulatory language specifically state that upper division courses taken at community colleges are acceptable or remove the requirement that courses be completed at the upper division level. Staff clarified that if courses are not identified as upper division on the college transcript staff would be unable to accurately distinguish between upper and lower division courses when reviewing an application.

Staff was directed to perform research to determine how upper division courses are identified at community colleges to include reviewing community college course catalogs, articulation agreements, and contacting the Board of Governors of California Community Colleges.

Members did not vote on the subcommittee's recommendations but came to a general consensus to require all units be completed at the upper division level, require a minimum of six units be completed in accounting subjects and a maximum of 14 units in business-related subjects or other academic work relevant to accounting and business, allow a maximum of four units in internships or independent study, and accept a specified master's degree to meet the 20 units of accounting study.

Members discussed the subcommittee's proposal for defining the term "other academic work relevant to accounting and business." No comments were made regarding the proposed maximum of six units in skills-based courses.

Ms. Chavis recommended that the language portion of the definition be changed to include cultural studies. Mr. Driftmier agreed that cultural awareness is vital to business interactions. Members came to a general consensus that the language section should be amended to include cultural studies keeping the three unit cap. Staff was directed to research college course catalogs to determine how cultural courses are identified.

Mr. Davila moved the discussion to the area of industry-based courses, which are professional programs including engineering, architecture, real estate, etc. In discussing the difference between industry-based and knowledge-based courses members came to a general agreement that nearly all subject areas have industry applicability. Mr. Franzella asked for clarification on the difference between industry based and knowledge based. Mr. Davila stated that knowledge based and industry based are part of the same topic because knowledge based is a subset of industry based in that it has applicability to industry even though the course is not designed to address the industry application of the subject.

Members came to a general consensus that no unit limitation should be placed on industry-based courses due to the direct relationship to the accounting profession. Members also came to a general consensus that knowledge-based courses should be limited to three units due to the indirect nature of relationship to professional practice.

Ms. Tindel questioned if the industry-based course work will have a 14 unit limitation. Mr. Davila confirmed that industry-based courses would fall under the 14 unit limitation assigned to business-related subjects and "other academic work relevant to accounting and business."

VI. Information on Educational Documents to Meet the 20 Units of Accounting Study Required for CPA Licensure Beginning January 1, 2014.

Mr. Franzella presented the memorandum for this agenda item (**Attachment #4**). Mr. Franzella provided members with information on the CBA's transcript review process and identified areas for member consideration including the previously discussed inability to identify upper division coursework on community college transcripts, courses categorized as "other professional courses," and the ability to identify qualifying courses based on the regulatory language as proposed by the subcommittee.

Members discussed the information provided on transcripts. As was discussed under Agenda Item V, staff will perform further research regarding how upper division courses are identified at community colleges.

VII. Future Agenda Items and Meeting Dates.

Future meeting agenda items include all identified areas of research, information on the acceptability of courses completed at extension programs, and draft regulatory language.

Staff will contact members to determine availability for the next AEC meeting.

VIII. Public Comments

The CBA received three written comments on behalf of the AEC.
(Attachment #5).

No further public comments were received.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 3:52 p.m. on Friday, February 18, 2011.

Ruben Davila, Chair

Prepared by Jenny Sheldon, Licensing Coordinator.



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>



CBA AGENDA ITEM VII.E.
 May 19-20, 2011

**ENFORCEMENT ADVISORY COMMITTEE
 MINUTES OF MEETING**

February 3, 2011

THE CROWNE PLAZA HOTEL
 5985 West Century Boulevard
 Los Angeles, CA 90045

DRAFT

I. CALL TO ORDER

Enforcement Advisory Committee Chair Cheryl Gerhardt called the regularly scheduled meeting of the Enforcement Advisory Committee (EAC) of the California Board of Accountancy (CBA) to order at 9:00 a.m. on February 3, 2011.

Administrative Committee

Cheryl Gerhardt, Chair	9:00 a.m. – 5:00 p.m.
James Rider, Vice Chair	9:00 a.m. – 5:00 p.m.
Gary Caine, Committee Member	9:00 a.m. – 5:00 p.m.
Mary Rose Caras, Committee Member	9:00 a.m. – 5:00 p.m.
Robert A. Lee, Committee Member	9:00 a.m. – 5:00 p.m.
James Petray, Committee Member	9:00 a.m. – 5:00 p.m.
Seid Sadatnejad, Committee Member	9:00 a.m. – 5:00 p.m.
Michael Schwarz, Committee Member	9:00 a.m. – 5:00 p.m.
Arthur Thielen, Committee Member	9:00 a.m. – 5:00 p.m.

Staff and Legal Counsel

Paul Fisher, Supervising Investigative CPA
 Rafael Ixta, Enforcement Chief
 Tina MacGregor, Investigative CPA
 Allison Nightingale, Enforcement Secretary
 Michele Santaga, Enforcement Analyst

CBA Members and Others Attending

Herschel Elkins, CBA Member
 Gogi Overhoff, California Society of CPAs

II. FILE REVIEW/APPROVAL OF FILES CLOSED BY STAFF

[Closed session under provisions of Government Code Section 11126(c) conducted after the general meeting.]

III. MINUTES

Following review, it was moved by Mr. Schwarz, seconded by Mr. Rider, and unanimously carried to approve the minutes of the November 4, 2010 Enforcement Advisory Committee meeting.

The minutes will be submitted to the CBA members for review at the next regular CBA meeting.

IV. REPORT OF COMMITTEE CHAIR

A. Draft Minutes of the November 17-18, 2010 CBA Meeting.

The minutes of the November 17-18, 2010 meeting was provided in the agenda packets.

B. Report of the January 27-28, 2011 CBA Meeting.

Ms. Gerhardt reported on the January 27-28, 2011 CBA meeting held in Irvine. One issue brought before the CBA members included an update on the Peer Review Oversight Committee (PROC) and peer review implementation. Ms. Gerhardt noted that EAC Members Lee and Sadatnejad are members of the PROC.

The CBA members also discussed the state hiring freeze and its impact on the Enforcement Division, repayment of CBA loans to the General Fund, and international delivery of the CPA exam. In regard to the hiring freeze, the CBA approved a motion to send Department of Consumer Affairs' Director Brian Stiger a letter detailing resource issues resulting from the freeze for discussion with the Governor's Office. Mr. Ixta noted that the hiring freeze is preventing the CBA from hiring for the open Investigative CPA positions and also hiring retired annuitants to address the case backlog.

VI. REPORT OF ENFORCEMENT CHIEF

A. Aging Inventory Report

The Enforcement Case Aging Report was provided in the agenda packets. As of November 30, 2010, there were 258 complaints pending with eight complaints over 24 months old.

B. Citation and Fine Report

Mr. Ixta reported that two citations with fines totaling \$2,000 were issued during the period July 1, 2010 through November 30, 2010. As of November 30, 2010, three citations were pending for fines totaling \$5,000. Mr. Ixta noted that the decrease in the number of citations issued is due to staffing.

C. Reportable Events

The Reportable Events Report for the period July 1, 2010 through December 31, 2010 was provided in the agenda packets. Mr. Ixta reported that legislation to eliminate the filing of SEC registrant restatements is in process.

D. Enforcement Case Activity and Status Report

The Enforcement Case Activity and Status Report provided an overview on the status of complaints, investigations, and disciplinary cases opened, closed, and pending for the period January 1, 2010 through November 30, 2010. The report shows that there are 258 investigations pending and 35 cases in the disciplinary process.

VII. OTHER BUSINESS

A. Update on Regulations.

Mr. Ixta reported that three regulatory actions are pending. One regards continuing education exemptions and extensions; one regards reduction of licensing fees; and one involves peer review.

B. Update on Legislation.

Mr. Ixta stated that the 2011-2012 legislative session is just beginning and that the CBA members have directed staff to pursue legislation to establish a retired CPA status; eliminate restatements for SEC registrants as reportable events; extend the sunset date for Peer Review to 2017; revise Web casting statutes; and prohibit the General Fund from borrowing from the CBA.

C. Personal Appearances.

[Closed session under provisions of Government Code Section 11126(c) conducted after the general meeting.]

VIII. ADJOURNMENT

Prior to adjournment, Ms. Gerhardt stated that with the implementation of the CBA's policy to allow licensees to request an investigative hearing before the filing of accusations, Enforcement staff may have to call on the EAC members to sit on IH panels more frequently. She thanked those EAC members who have assisted outside of the regularly scheduled meetings.

Ms. Gerhardt expressed appreciation to Mr. Elkins for attending the meeting.

Mr. Ixta introduced Gogi Overhoff who serves on the Los Angeles Board of Directors for the California Society of CPAs.

Having no further business to conduct, the Enforcement Advisory Committee general meeting adjourned at approximately 11:30 a.m. to reconvene in closed session at 1:00 p.m.

Cheryl Gerhardt
Chair, Administrative Committee

Prepared by: Michele Santaga, Enforcement Analyst



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) **CBA Agenda Item VII.F.**
CALIFORNIA BOARD OF ACCOUNTANCY (CBA) **May 19-20, 2011**

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



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>



Draft

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

CBA Agenda Item VII.G.
May 19-20, 2011

MINUTES OF THE
April 6, 2011

ECC Agenda Item I
May 18, 2011

ETHICS CURRICULUM COMMITTEE (ECC) MEETING

California Board of Accountancy
 2000 Evergreen Street, Suite 250
 Sacramento, CA 958151
 Telephone: (916) 263-3680

Roll Call and Call to Order

Donald Driftmier, Chair, called the meeting of the ECC to order at 12:32 p.m. on Wednesday, April 6, 2011 at the California Board of Accountancy. 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	12:32 p.m. to 3:00 p.m.
Gary McBride	12:32 p.m. to 3:00 p.m.
Jon Mikkelsen	12:32 p.m. to 3:00 p.m.
Steven M. Mintz	12:32 p.m. to 3:00 p.m.
Gary Pieroni	12:32 p.m. to 3:00 p.m.
Robert Yetman	12:32 p.m. to 3:00 p.m.
Michael Ueltzen	12:32 p.m. to 3:00 p.m.
Michael Shames	12:32 p.m. to 3:00 p.m.
Dave Cornejo	Not Present
Gonzalo Freixes	Not Present

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Deanne Pearce, Chief, Licensing Division
 Dominic Franzella, Manager, Licensing Division
 Cindi Fuller, Licensing Coordinator
 Kari O'Connor, Licensing Analyst
 Rich Andres, Information Technology Staff

Other Participants

Jeannie Tindel, California Society of Certified Public Accountants (CalCPA)

Jason Fox, CalCPA

Pilar Onate-Quintana, KP Public Affairs

Chrislynn Freed, California Society of CPAs, Accounting Education Committee

Ramona Farrell, Ueltzen & Company, LLP

Suzanne M. Ogilby, California State University, Sacramento (CSUS)

Charles Davis, CSUS

Maria Nondorf, University of California, Berkeley

- I. Approve Minutes of the January 26, 2011 ECC Meeting

It was moved by Mr. Mintz, seconded by Mr. Pieroni, and carried by those present to approve the minutes (Attachment #1). Mr. Shames abstained.

- II. Update on Accounting Education Committee Activities

Ms. Pearce provided an oral report for this item. She reported the AEC is recommending a specified master's degree in taxation or accounting be accepted to meet the 20 units of accounting study. Further discussions will be held at the upcoming AEC meeting to determine if additional master degrees should also be accepted and whether a Master of Law (LL.M) degree should count towards meeting the 20 units of accounting study. For those individuals without a master's degree, the AEC is presently recommending that all units be completed at an upper division level, a minimum of six units be completed in accounting subjects, a maximum of 14 units be completed in business related subjects or other academic work relevant to accounting or business, and a maximum of four units be counted for internships for independent study. The committee is working on defining the definition of "other academic work relevant to accounting or business."

- III. Letters Received from Stakeholders Regarding the Composition of the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014 and the Results of External Ethics Study Survey

Mr. Driftmier presented the memorandum for this item (**Attachment #2**). He reported that numerous letters were received from stakeholders with the letters all being the same general tenor, concern regarding the 10 units of ethics.

- IV. Report of the Subcommittee's February 22, 2011 Meeting and Proposal for the 10 Units of Ethics Study Required for CPA Licensure Beginning January 1, 2014

Mr. Yetman presented the memorandum for this item (**Attachment #3**). When considering this proposal, he stated the subcommittee took into account stakeholders, students, universities, the people of the State of California, the spirit of the law, and the practical application by the CBA. He provided an overview of the original idea of allowing embedded ethics and why the subcommittee selected

to abandon the idea specifically because of the CBA's reliance on certified course transcripts to confirm eligibility. The subcommittee considered how to document the option of an embedded ethics course in a way that would be consistent with institutions across the country. The subcommittee determined this was unfeasible, and therefore, to allow embedded ethics courses could not be an option.

Mr. McBride stated that the subcommittee believed its proposal met the spirit and intent of Senate Bill (SB) 819. The subcommittee proposed that three of the 10 units be in accounting ethics, accounting fraud, or accountants' professional responsibilities. He further stated that colleges would have until 2016 to develop a course(s) for this specific requirement.

Mr. Mintz stated he did not believe accounting fraud fell in the same category as accounting ethics. He stated that SB 819 called for the framework in ethical reasoning and that an accounting fraud course was generally more procedural in nature. He stated that an accounting fraud course would better be placed in the third category of the proposal. Mr. Ueltzen concurred.

Mr. McBride stated that the remaining seven units could be taken from one or both of the uncapped and capped categories. He reiterated that there could be no "double dipping" of courses. Courses taken in the capped category would be limited to three units in one discipline. Mr. Yetman stated the theory behind this limit was that students were more likely to take the introductory course for that discipline which would be more related to the foundations of ethical study. No limit was placed on the uncapped category as these courses were either related directly to ethics or established a business framework.

Mr. Shames suggested that the regulatory language for capped disciplines be modified to specify these courses be introductory courses. If introductory courses could not be identified, he had concerns with including Sociology, Psychology, and Religion in the capped disciplines.

Mr. Mikkelsen suggested placing a limit on the total units allowed for those disciplines listed under the capped category.

Mr. Yetman clarified there could be no double counting of courses but the subcommittee's proposal allows for one unit of an auditing course be applied to ethics to provide flexibility to those applicants earning education at a semester unit college/university.

Mr. McBride clarified the three units of accounting ethics must be an upper division or higher course, while the remaining seven units had no such requirement.

Mr. McBride suggested that the word "solely" be removed from the proposed regulatory language as it pertained to the required three units of accounting

ethics. He believed the word “solely” may be too restrictive. Mr. Mintz suggested using the language of the law that addresses ethical reasoning, professional values, and professional skepticism.

Discussions were held on whether regulatory language should state that the capped courses be taken at a lower division level. Mr. Franzella explained that most transcripts include a numeric numbering system which identifies upper and lower division courses on four-year institutions; however, this is not clearly identified on two-year institutions. Ms. Bowers clarified that presently the CBA does not identify courses by lower or upper division.

Mr. Ueltzen believed a business ethics course should be included in the accounting ethics requirement. He stated a business ethics course provides a general framework in how business is conducted in an ethical manner. Mr. Yetman stated that the subcommittee took into account the legislative intent of the law when designing this requirement.

Mr. Mintz stated that while some ethical reasoning would be included in a business ethics course often times less a third of the course would be consistent with what the law wants.

Mr. Mintz suggested that the wording framework of ethical reason, professional skepticism, and other behavior not be included in the regulatory language for the uncapped discipline language. He suggested this language be used for the accounting ethics regulatory language.

Mr. Mikkelsen suggested the language should be amended to read: Courses in the following subjects that provide applicants with a fundamental basis and framework of ethical reasoning and other foundations that are in the best interest of the investing and consuming public, and the profession.

Mr. Driftmier requested the subcommittee meet with CBA staff before the next ECC meeting to finalize the proposal and address the concerns shared by members.

Mr. Pieroni suggested that, in order to be consistent, the last sentence of the draft language which states “may not be claimed in conjunction with the 20 semester units of accounting study” be added to the other sections. Members also agreed that “subject” be changed to “discipline.”

V. Future Agenda Items

Staff was requested to explore with stakeholders a hybrid accounting and business ethics course. Mr. Driftmier asked to have Matthew Stanley contact stakeholders to determine if they believe business ethics is within the intent of the legislation.

VI. Public Comments

Mr. Davis stated that in conjunction with Ms. Ogilby and Ms. Farrell they were involved in a research study pertaining to the ethics study requirement and their findings were in tandem with the subcommittee's proposal. Ms. Ogilby stated California State University, Sacramento has an ethics and society business course but does not have an accounting ethics course. She believed a business ethics course should be included for the three units of accounting ethics. She had concerns about barriers that could exist for many students in the CSU system due to a specific accounting course.

Ms. Nondorf stated there was a sense of urgency in informing students of the defined requirements which is also impacting students who are already in the process of obtaining their degrees.

Ms. Freed stated she believed an accounting fraud and a business ethics course should be included with the required three units of accounting ethics. She requested the committee reconsider some of the disciplines as she had concerns how some of the disciplines related to the spirit of the law.

ADJOURNMENT.

There being no further business to be conducted, the meeting was adjourned at 3:00 p.m. on Wednesday, April 6, 2011.

Donald A. Driftmier, Chair

Prepared by Cindi Fuller, Licensing Coordinator



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>



**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**MINUTES OF THE
January 20, 2011
PROC MEETING**

Hilton San Jose
300 Almaden Boulevard
San Jose, CA 95110
Telephone: (408) 287-2100

PROC Members:

Nancy Corrigan, Chair
Katherine Allanson
Gary Bong
T. Ki Lam
Sherry McCoy
Robert Lee
Seid M. Sadat

Staff and Legal Counsel:

Rafael Ixta, Chief, Enforcement Division
Paul Fisher, Supervising Investigative Certified Public Accountant
Kathy Tejada, Manager, Enforcement Division
April Freeman, Peer Review Analyst

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 10:00 a.m.

II. Approval of November 9, 2010 Minutes.

Ms. Corrigan asked members if they had any change or corrections to the November 9, 2010 PROC meeting minutes. No changes were necessary.

It was motioned by Robert Lee, seconded by T. Ki Lam, and unanimously carried by those present to adopt the minutes of the November 9, 2010, PROC meeting.

III. Reports.

Kathy Tejada informed members that the permanent peer review regulations were approved and went into effect on December 20, 2010. She added that the regulations concerning the PROC were approved and became effective on January 20, 2011.

Ms. Tejada reported that as of January 18, 2011, 13,255 licensees had reported peer review information. The breakdown is as follows: 925 firms required to undergo peer review, 2,255 firms not required to undergo peer review, and 10,075 licensees not operating as a firm.

IV. Role of the PROC.

Rafael Ixta stated that in response to members' request, staff researched and confirmed that the PROC does have the authority to perform all of the tasks adopted by the California Board of Accountancy (CBA) in January 2008. He further advised members that if at any time they wish to increase or decrease their functions, they would need to communicate that to the CBA for consideration.

Ms. Corrigan suggested adhering to the CBA's direction for a period of time before proposing any changes.

Mr. Ixta also advised members that staff will be working with members to develop a procedures manual for the Committee.

V. Discussion of Implementation Activities.

Ms. Corrigan explained that after gathering materials used by the Mississippi State Board of Public Accountancy, the Texas State Board of Public Accountancy, and the American Institute of Certified Public Accountants (AICPA), it was decided that staff would modify Texas' checklists so the PROC could evaluate them in conjunction with AICPA checklists to determine if they will meet California's goals and objectives.

Mr. Bong questioned how the PROC will help facilitate a good peer review program that is beneficial to consumers, in addition to being a positive, valuable experience for firms. Mr. Ixta added that although there may be overlap with AICPA's oversight functions, the CBA has a responsibility to make sure that a mandatory program is efficient and effective.

Members discussed developing oversight materials that are generic in the event additional organizations are approved as administering entities.

Mr. Bong requested that CalCPA provide the PROC with a summary of their procedures. In response, Ms. McCrone gave an overview of CalCPA's process, including AICPA's oversight of CalCPA and CalCPA's review of peer reviewers. She also advised members that the Report Acceptance Body (RAB) procedure manual is free online as well as the results AICPA's oversight visit of CalCPA in 2008. The results of AICPA's 2010 oversight visit will be available online after they are accepted by AICPA. The CalCPA also uses an administrative manual and a computer manual. Ms. McCrone agreed to provide additional information requested by the PROC in addition to scheduling time for members to visit the CalCPA offices.

Ms. McCrone advised members that CalCPA will appoint new members to the Peer Review Committee at their meeting on June 2, 2010. Those members will go through a teleconference training before they attend their first RAB meeting, which the PROC members are welcome to participate. Ms. McCrone reminded members that RAB materials must be destroyed within ninety (90) days after the RAB meeting.

After discussing the purpose of the checklists, it was decided that this issue would be tabled until after members had an opportunity to observe a RAB meeting. This would allow for a better understanding of what type of information members would need to provide effective oversight of the peer review process.

It was motioned by Robert Lee, seconded by Gary Bong, and unanimously carried by those present to have the PROC prepare a letter to CalCPA requesting a summary of their entity, population and process as it relates to the Peer Review Program in order to better understand and evaluate its program.

It was motioned by Robert Lee to have as many PROC members as allowed by law to observe a RAB meeting without materials. Motion failed due to lack of a second.

VI. Discussion of Meeting Dates and Assignments.

Ms. Corrigan reviewed the 2011 Year-at-a-Glance PROC Calendar. She requested that all members calendar February 23rd for the RAB teleconference, and June 2nd and 3rd for CalCPA Peer Review Committee meetings scheduled in Southern California. Attendance at these meetings will be determined once CBA staff receives guidance from Legal Counsel concerning issues of confidentiality and whether the PROC can destroy work papers after the meeting.

Ms. Corrigan also pointed out that AICPA's Peer Review Board was holding an open session meeting on Friday, January 21st and asked if any members, in addition to herself and Rafael Ixta, would be interested in joining the teleconference. Katherine Allanson expressed interest.

April Freeman informed members that the National Association of State Boards of Accountancy's (NASBA) Peer Review Summit is tentatively scheduled for May 16, 2011 in Nashville. Additional information will be provided to members as it becomes available.

VII. Comments on AICPA Peer Review Exposure Draft, June 1, 2010.

Robert Lee stated that he and T. Ki Lam reviewed AICPA's Peer Review Exposure Draft and prepared comments recommending that the CBA support the current exposure draft without any changes.

CBA staff prepared a draft letter for the CBA to submit to AICPA.

It was motioned by Gary Bong, seconded by Katherine Allanson, and unanimously carried by those present to adopt the sub-committee's comments and the draft letter.

VIII. Discussion of Proposed Confidentiality Statement.

Mr. Ixta explained that the authority found in section 54.2 of CBA's regulations applies to all CBA committee members and addresses confidentiality of information gathered as a committee member. The regulation does allow for certain specific disclosures, such as disciplinary or legal proceedings.

Further, Mr. Ixta stated that Business and Professions Code section 5076.1 exempts information obtained by the PROC from public disclosure except in certain specific situations, such as disciplinary or legal proceedings.

The confidentiality letter that has been submitted to AICPA for approval includes references to both of these statutes. Linda McCrone confirmed that AICPA's legal office is still reviewing the letter.

IX. Discussion of Disciplinary Guidelines.

Paul Fisher advised members that the Disciplinary Guidelines have been updated to include peer review. The updated guidelines have been adopted by the CBA but still need to be put into regulation, which should occur in mid 2012. The current edition is available on the CBA Web site.

Mr. Fisher gave an overview of the various penalties for violation of peer review requirements.

X. Review of Letters of Licensees.

Ms. Freeman requested feedback on three letters that were drafted for the purpose of reminding licensees of the peer review requirements. The first letter will be mailed in February and will remind licensees of the requirement to report peer review results by July 1, 2011. The second letter will act as a final warning, informing licensees of the consequences of non-compliance. The third letter will be mailed after July 1, 2011, and notify licensees that they are in violation of the requirements.

Members discussed the letters and recommended that the letters be clearer, use stronger language concerning the importance of compliance, and emphasize that immediate action is needed to meet the July 1, 2011, deadline.

Mr. Sadat questioned whether licensees could receive an extension to complete their peer review and subsequent reporting. Mr. Ixta stated that the CBA does not have the authority to grant extensions; only CalCPA can grant extensions and only for engagement reviews. Ms. McCrone described the process in granting extensions and suggested that the CBA better communicate the requirements to the next group of licensees required to report.

Mr. Bong questioned the consequences to licensees who do not comply with peer review requirements. Mr. Ixta responded that the CBA can take enforcement action against their license. He added that procedures will be developed to determine if licensees are not reporting correctly.

Mr. Ixta added that the CBA is currently developing language to add to renewal forms and initial licensing documents, in addition to notifying licensees of the peer review requirements via Facebook and Twitter.

XI. Future Agenda Items and Meeting Dates

Future agenda items include:

- Audit process
- Report on RAB meeting
- Report on AICPA PRB meeting
- Statistics

The PROC approved the following meeting dates for 2011:

- Friday, March 4, 2011 – Southern California
- Friday, May 6, 2011 – Northern California
- Friday, July 8, 2011 – Southern California
- Tuesday, August 30, 2011 – Northern California
- Thursday, October 27, 2011 – Southern California

It was agreed that these dates could be changed if necessary.

XII. Public Comment.

No comments were received.

XIII. Adjournment.

There being no further business, the meeting was adjourned at 2:43 p.m.

Nancy Corrigan, Chair

April Freeman, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1720.



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>



**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
PEER REVIEW OVERSIGHT COMMITTEE (PROC)**

**MINUTES OF THE
March 4, 2011
PROC MEETING**

Doubletree Hotel Ontario
222 North Vineyard Avenue
Ontario, CA 91764
Telephone: (909) 937-0900

PROC Members:

Nancy Corrigan, Chair
Katherine Allanson
Gary Bong
T. Ki Lam - Absent
Sherry McCoy
Robert Lee
Seid M. Sadat

Staff and Legal Counsel:

Patti Bowers, Executive Officer
Rafael Ixta, Chief, Enforcement Division
Kristy Shellans, Senior Legal Counsel, Department of Consumer Affairs
Kathy Tejada, Manager, Enforcement Division
April Freeman, Peer Review Analyst

Other Participants:

Sally Anderson, President, California Board of Accountancy
Linda McCrone, California Society of Certified Public Accountants (CalCPA)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 10:00 a.m.

II. Report of the Committee Chair.

A. Approval of January 20, 2011 Minutes.

Ms. Corrigan asked members if they had any changes or corrections to the January 20, 2011 PROC meeting minutes. No changes were necessary.

It was motioned by Robert Lee, seconded by Katherine Allanson, and unanimously carried by those present to adopt the minutes of the January 20, 2011 PROC meeting.

B. Report on the January 27-28, 2011 CBA Meeting

Nancy Corrigan summarized her report to the California Board of Accountancy (CBA) at its January 27-28, 2011 meeting.

Patti Bowers added that the CBA had a special meeting on February 27, 2011 to discuss the proposed merger of the CBA and the Professional Fiduciaries Bureau (PFB). She stated that both the CBA and PFB are scheduled for sunset hearings in March 2011 and that legislation may be introduced that would merge the two organizations. The CBA has unanimously opposed the merger based on the potential for consumer confusion and the negative consequences of co-mingling funds.

III. Reports and Status of Peer Review Initial Implementation.

Kathy Tejada informed members that the rulemaking package modifying Section 48.3 of the CBA Regulations is currently pending approval by the Department of Consumer Affairs.

Ms. Tejada advised members that the CBA has approved two versions of legislative language to extend the sunset date for the peer review program. The first version extends the legislative report date to 2016 and sunset date on the entire peer review program to 2017. The second version removes the sunset date from the entire program and instead focuses it only on the areas of concern to the Legislature regarding other comprehensive basis of accounting (OCBOA).

Ms. Bowers added that CBA has been in negotiations with Senator Darrel Steinberg's office and has come to a tentative agreement to extend the legislative reporting date to 2015 and the sunset date on the entire program to 2016. Additional information regarding the contents of the legislative report should also be available in the Sunset Review Bill.

Ms. Corrigan requested that the PROC be kept apprised of the status.

Ms. Tejada reported that as of February 16, 2011, 13,552 licensees had reported peer review information. The breakdown is as follows: 949 firms required to undergo peer review, 2,301 firms not required to undergo peer review, and 10,302 licensees not operating as a firm.

Rafael Ixta reminded members of the voluntary peer review survey that firms are being asked to complete after submitting their peer review reporting form online. The information gathered by the survey will assist the PROC and CBA in preparing the report to the Legislature. To date, 44 peer review surveys have been submitted.

IV. Discussion Regarding PROC Goals and Objectives for 2011.

Sherry McCoy discussed the process she used to begin preparing the PROC goals and objectives. Given the tremendous amount of materials to locate and review, Ms. McCoy focused on identifying the parties involved and the broad objectives. She attempted to

draw a correlation between the checklists and the PROC's objectives. After reviewing all of the AICPA materials, she began to integrate all the information into one document which will eventually become the PROC's procedure manual. She reviewed the document with members and requested feedback.

Ms. Bowers provided feedback related to the roles and responsibilities and suggested the first entry not be "advocate for the profession." She explained that as a regulatory body, the CBA advocates for consumers. She suggested that the item be moved toward the end of the list.

Gary Bong suggested that the PROC first identify what information will be contained in the report to the CBA and let that guide the objectives. Mr. Ixta responded that the report to the CBA would likely contain the PROC's accomplishments and peer review issues that need to be addressed. Ms. McCoy suggested the development of a framework for the CBA report.

It was motioned by Sherry McCoy, seconded by Robert Lee, and unanimously carried by those present to form a subcommittee, consisting of Seid Sadat and Gary Bong, to refine the roles and responsibilities portion of the procedural manual for review by the PROC at the May 6, 2011 meeting.

V. Discussion Regarding Peer Review Oversight Activities.

A. Discussion Regarding the January 21, 2011 American Institute of Certified Public Accountants' Peer Review Board Meeting.

Ms. Corrigan reported on the January 21, 2011 AICPA Peer Review Board meeting. She stated the meeting focused on the standards and felt that any questions she may have had would have been welcomed. She asked members and staff who participated in the teleconference to give their thoughts.

Katherine Allanson stated that she had no preconceived notions of the meeting and was unaware that people from all over the country would be participating. She also noticed that the meeting was very much focused on the rules.

Mr. Ixta was surprised at the level of detail and thought the discussion at the meeting was very specific and thorough.

Linda McCrone advised members that the AICPA Peer Review Board is made up of representatives from the Big 4 accounting firms in addition to small firm representatives, CEOs of state societies, instructors, and representatives from the National Association of State Boards of Accountancy (NASBA).

B. Discussion Regarding the February 23, 2011 California Society of Certified Public Accountants' Report Acceptance Body Meeting (RAB).

Ms. Corrigan reported on the February 23, 2011 CalCPA RAB meeting. She thought the meeting was very professional and had a real sense of fairness. She asked members who participated in the teleconference to give their thoughts.

Ms. McCoy was surprised at the number of reports that the RAB reviewed. She stated it was run very efficiently. She stated that she did not need the materials to understand the process.

Ms. Allanson stated the meeting was approached from an exception basis. She stated the RAB never named the firms being reviewed and the members talked about keeping the reviews consistent. She stated that if the PROC wanted to make sure that they agreed with the RAB's decisions, they would need the materials.

Linda McCrone clarified that the RABs are made up of four Peer Review Committee members. She added that all peer review reports have gone through a technical review prior to the RAB and that most reports that go to RAB are a result of differences of opinion between the peer reviewer and the firm being reviewed.

C. Discussion Regarding the California Society of Certified Public Accountants' Peer Review Program Procedures.

Ms. Corrigan reminded members that Mr. Lee drafted a letter on behalf of the PROC to CalCPA requesting information regarding their processes and procedures. CalCPA's response was provided for discussion.

Mr. Bong and Mr. Sadat felt the response from CalCPA lacked specificity in certain areas and requested a general flowchart and/or timeline of the entire peer review process from start to finish. Ms. McCrone explained that much of the information about their processes is contained in the various AICPA manuals.

Members discussed each item listed in the request letter to determine if they were adequately addressed in CalCPA's response. During the discussion, Mr. Ixta suggested that members familiarize themselves with Section 48 of the CBA Regulations which outlines the minimum requirements of a peer review program provider. He added that the minimum requirements can be modified through the regulatory process if the PROC determines they should be increased.

Ms. Corrigan asked if members were ready to begin work again on the oversight checklists. Members preferred to gain a better understanding of the procedure manuals available through AICPA before continuing work on the checklists.

It was motioned by Seid Sadat, seconded by Gary Bong, and unanimously carried by those present to form a subcommittee, consisting of Sherry McCoy and Katherine Allanson, to review and summarize the AICPA's peer review manuals and the Texas Board of Accountancy's oversight checklists.

VI. Discussion Regarding PROC Meeting Dates and Assignments.

Ms. Corrigan asked if any members wanted to attend the March 15, 2011 or April 20, 2011 RAB teleconferences, or the June 2-3, 2011 CalCPA Peer Review Committee meeting in Southern California. Members agreed that more work should be done prior to attending additional meetings.

Ms. Corrigan asked if any members or staff wanted to participate in the May 3, 2011 AICPA Peer Review Board teleconference. Those interested included Ms. Corrigan, Mr. Ixta, and Mr. Sadat.

Linda McCrone recommended that members attend the two-day "How to Conduct a Review Under the AICPA Practice-Monitoring Program" course scheduled for July 18-19, 2011 at the Los Angeles Airport or the one-day "AICPA's Advanced Workshop: Practical Guidance for Peer Reviewers" course scheduled for May 24, 2011 in San Mateo. Those interested in the July course included Ms. Allanson, Ms. McCoy, Mr. Lee, and Mr. Sadat. Kristy Shellans cautioned members that more than four members in one setting may violate the open meetings act. Staff will seek legal counsel on this issue.

April Freeman informed members that NASBA's Peer Review Summit has been postponed, with no tentative date or location. Staff will continue to communicate with NASBA and provide additional information to members as it becomes available.

VII. Discussion Regarding PROC Conflict of Interest Issues.

Mr. Ixta advised members that there is a question as to whether individuals that serve as peer reviewers can be members of the PROC. This situation may present a conflict of interest if committee members have a financial stake in decisions they make while providing oversight of the peer review program. He acknowledged that this topic was not addressed when the PROC was formed and the CBA was appointing members. Mr. Ixta emphasized the importance of having experienced peer reviewers on the PROC.

Mr. Ixta went on to discuss the DCA Conflict of Interest regulations and advised members that they are required to complete a Form 700 (Statements of Economic Interests). This form must be submitted upon appointment, annually thereafter, and when leaving office.

Ms. Shellans stated that the state has very substantial conflict of interest rules, regulations and statutes governing when officials have to disqualify themselves because of a conflict of interest. She advised that Ethical Decision Making Training is available for the PROC, as well as Conflict of Interest Training through the DCA's Web site. Also available is a document on conflict of interest that covers everything you need to know about conflict of interest.

Ms. Shellans explained that the law presumes a conflict if an individual has any financial interest in the outcome of the decision they are making. The Attorney General has said that a public official has an economic interest in any source of income that is either received by or promised to the official; and, a conflict of interest results whenever either the amount or the source of the official's income is affected by a decision. For example, a decision that foreseeably will materially affect an official's income would necessitate disqualification even if the amount of income received by the official was not affected. So, if the decision would affect the official's income in either a positive or negative way, they are financially interested in the outcome and, therefore, required to disqualify themselves.

Ms. Shellans expressed concern with the fact that the PROC is charged with reviewing the AICPA's Peer Review Program, administered by CalCPA, which is the organization approved by CBA to authorize people to conduct peer reviews. If the PROC is charged with deciding whether to continue to approve or disapprove the AICPA, there may be a conflict if the members could lose or gain money based upon the recommendation given to

the CBA. Ms. Bowers clarified that AICPA does not pay the peer reviewer; the peer reviewer is paid by the firm under review. Ms. Shellans explained that it is by virtue of the relationship that they receive income; if they were not authorized by AICPA, they would not have the opportunity.

Sally Anderson, President, CBA, expressed concern. She stated that the CBA specifically searched for individuals with peer review experience to put the program together. She pointed out that as a licensed CPA, she makes decisions that affect her financially.

Ms. Shellans explained that the decisions the CBA makes impacts the entire profession equally; everyone shares in the benefit of the decision. However, not all CalCPA members are peer reviewers, which gives the appearance of influence.

In response to Ms. Anderson's question, Ms. Shellans confirmed that peer reviewers who sit on the CBA could not vote on peer review matters for the same reasons. Ms. Anderson clarified that the PROC is not making the final decisions; they are essentially a study-group. The conflict arises from the fact that the PROC actually does the work and makes recommendations to the CBA.

Ms. Bowers reminded everyone that a decision will not be made during this meeting. Staff will document the issue with the facts and submit it to the DCA Legal Office in writing and seek a written legal opinion. If it is determined that there is a conflict, staff would look for ways to mitigate those issues, including disclosure on the Form 700.

For purposes of determining how quickly this issue will need to be resolved, Ms. Bowers confirmed that no members are currently serving as peer reviewers, or will be serving within the next 90 days.

Ms. Shellans will take into consideration all questions raised during the meeting when preparing her analysis.

VIII. Discussion and Formation of Subcommittee to Review the AICPA's Exposure Draft on Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews.

Members discussed the Exposure Draft and agreed that it should be accepted in its entirety without forming a subcommittee.

It was motioned by Katherine Allanson, seconded by Seid Sadat, and unanimously carried by those present to accept the AICPA Exposure Draft and have staff work with the PROC Chair to draft a letter for consideration by the CBA.

IX. Discussion Regarding Reminder Letters to Licensees Who Have Not Reported Their Peer Review Information.

Ms. Freeman advised members that the reminder letters to licensees who are required to report peer review information by July 1, 2011 have been approved. Staff made revisions based on the PROC's recommendations that the letters be clearer and use stronger language. The letters are scheduled to be mailed toward the end of March.

X. Future Agenda Items and Meeting Dates.

Future agenda items include:

- Conflict of Interest
- PROC Roles and Responsibilities
- Summary of AICPA Manuals and Texas State Board of Accountancy Checklists

XI. Public Comment.

No comments were received.

XII. Adjournment.

There being no further business, the meeting was adjourned at 3:07 p.m.

Nancy Corrigan, Chair

April Freeman, Peer Review Analyst, prepared the PROC meeting minutes. If you have any questions, please call (916) 561-1720.



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>



CBA Agenda Item VII.J.
May 19-20, 2011

Department of Consumer Affairs
California Board of Accountancy

Minutes of Meeting
January 26, 2011
CPA Qualifications Committee

Crown Plaza Irvine
17941 Von Karman Avenue
Irvine, CA 92614

The regularly scheduled meeting of the Certified Public Accountant Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 a.m. on January 26, 2011, by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair
Maurice Eckley, Jr., Vice-Chair
Carlos Aguila
Gary Bong
Brian Cates
Michael Haas
Charles Hester
Alan Lee
Kristina Mapes
Cassandra Moore Hudnall
Gary O'Krent
Robert Ruehl
Ash Shenouda
Jeremy Smith
James Woyce

Staff Present

Patti Bowers, Executive Officer
Stephanie Hoffman, Licensing Coordinator
Kris McCutchen, Licensing Manager
Deanne Pearce, Licensing Division Chief
Vicky Thornton, Licensing Coordinator

QC Members Absent

Bobbie Hales

Other Participants

Jeannie Tindel, CalCPA

I. CHAIRPERSON'S REPORT

A. Approval of the July 29, 2010 QC Meeting Minutes.

It was moved by Mr. Lee, seconded by Mr. Aguila and unanimously carried to adopt the minutes of the July 29, 2010 QC Meeting.

B. Report of the September 22-23, 2010 and November 17-18, 2010 CBA Meetings.

Mr. Hinojosa and Mr. Eckley provided a recap of the September 22-23, 2010 and November 17-18, 2010, CBA meetings. Items of interest were reported on, including:

CBA Member Elections and Committee Appointments.

September 22-23:

1. Mr. Joseph Buniva was appointed to the Enforcement Advisory Committee (EAC).
2. Mr. Robert A. Lee was appointed to the Peer Review Oversight Committee (PROC).

November 17-18:

1. Ms. Sally Anderson was elected President of the CBA.
2. Mr. Marshal Oldman was elected Vice-President of the CBA.
3. Ms. Leslie LaManna was elected as Secretary/Treasurer of the CBA.
4. Ms. Cheryl Gerhardt was appointed as Chair of the EAC.
5. Mr. James Rider was appointed as Vice-Chair of the EAC.
6. Mr. Fausto Hinojosa was reappointed as Chair of the QC.
7. Mr. Maurice Eckley was reappointed as Vice-Chair of the QC.

Peer review implementation was discussed and it was suggested that staff validate the self-certification of attest services, possibly by using the CBA's Outreach Committee to provide notification to consumers that they can request to see their accounting provider's peer review report.

There will be some changes made regarding the CBA's assigned legal counsel from DCA and the assigned Deputy Attorney General.

The CBA adopted a motion to post accusations on the CBA Web site with a watermark disclaimer. Ms. Bowers explained the CBA's prior process regarding public access to the accusation documents.

Ms. Bowers indicated that the California Research Bureau (CRB) Study report has not yet been issued and there is no definitive date of when the report will be available.

Ms. Pearce addressed the issue of the International Delivery of the Uniform CPA Examine (iExam). The CBA will discuss and determine whether the CBA should participate in iExam.

The CBA adopted the Committee on Professional Conduct (CPC) recommendation that the CBA proceed with rulemaking to incorporate the recommendations made by the QC to further define supervision in CBA Regulations Section 12 and 12.5. The CBA took no action in regard to further defining general accounting experience in Section 12.

The CBA adopted the CPC's recommendations regarding the continued consideration of retired status for CPA/PA license.

The CBA's Enforcement Division is researching options to properly validate the self certification of attest services. There are plans to reach out to those who have not responded and provide notification that failure to respond may be cause for discipline.

Regarding the issue of legal representation for board members it was advised that if a determination was made by the Attorney General's (AG) Office in consultation with the CBA that the CBA member clearly acted outside of his/her duties, he/she would not be represented by the AG's Office and should retain private legal counsel.

First Quarter Financial Report – FY 2010-2011. It was reported that the hiring freeze remains in effect and it does not appear that any exceptions are being made at this time. The CBA cannot hire any new outside contractors at this time. CBA currently has 22 vacancies.

The renewal fee reduction rulemaking package is still under review with the Department of Finance.

The CBA's Outreach Committee is working on outreach to educators and colleges and universities.

The CBA's Legislative Committee (LC) has several proposals for consideration, which include:

Retirement Status. The CBA carried to adopt the LC's recommendation that the CBA sponsor legislation to pursue a retirement licensure status.

Peer Review Sunset Extension. The CBA carried to adopt the LC's recommendation that the CBA sponsor legislation which would extend the January 1, 2014 sunset date for the Peer Review Program.

Webcast Exemption. The CBA carried to adopt the LC's recommendation that the CBA sponsor legislation to exempt specific CBA meetings from the webcast requirement.

Loans to the General Fund. The CBA carried to adopt the LC's recommendation that the CBA sponsor legislation that would prohibit the transfer of accountancy fund monies to the general fund.

NASBA Committees – Accountancy License Database (ALD) Task Force. Ms. Bowers reported that there are over 46 states either participating or committed to participate in ALD, and over a half a million records of licensees in the ALD system. Ms. Bowers stated that NASBA plans to launch ALD to the public in the first quarter of 2011.

II. INITIAL LICENSING UNIT REPORT

A. Update on Staffing.

Ms. McCutchen provided a report on the Initial Licensing Unit, which included the Licensing Division Activity Report and a report of current staffing. Items of interest were:

- Introduced new licensing staff Vicky Thornton.
- The Initial Licensing Unit currently has one vacancy due to the retirement of Office Technician, June Lake.
- The Licensing Division has a total of 9 vacancies. The CBA is attempting to obtain at least five exceptions to the current hiring freeze.

B. Processing Timeframes.

- The Initial Licensing Unit is processing license applications within 21 days.

III. OTHER BUSINESS

A. Proposed Meeting Dates for 2011

The QC discussed future meeting dates for 2011, with the following revisions:

- April 20, 2011 meeting changed to April 27, 2011
- July 27, 2011 meeting changed to August 3, 2011
- October 19, 2011, meeting date remains the same.

It was moved by Mr. O’Krent, seconded by Mr. Hester and unanimously carried to recommend the above proposed 2011 meeting dates, with revision, to the CBA.

B. Discussion Related to Amending CBA Regulation Section 37 – Reissuance.

The QC discussed whether the current continuing education (CE) subject areas and the specific number of hours required for reissuance of a cancelled CPA license are appropriate for today’s accounting environment.

During the discussion the QC identified significant changes to Section 37, in particular making the CE requirements similar to conversion from inactive to active CPA license. Therefore, the QC determined that this issue will be scheduled for further discussion at the April 27, 2011 QC meeting.

The QC requested staff to draft language that mirrors existing requirements of Section 87.1 as it relates to the 80 hours of CE, in an effort to be consistent.

IV. PUBLIC COMMENT

None.

V. AGENDA ITEMS FOR FUTURE CPA QUALIFICATIONS COMMITTEE MEETINGS

- Approval of January 26, 2011 QC minutes.
- Revision of Section 37 of the Accountancy Regulations.
- Section 69/appearance peer training.

VI. INTERVIEWS OF INDIVIDUAL APPLICANTS [Closed session in Accordance with Government Code Section 11126(c)(2)]

C08-050 – Applicant appeared and presented workpapers for his public accounting experience. He has 97.5 months of experience with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-001 – Applicant and his employer appeared for a Section 69 review. Applicant is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. However, the Certificate of Attest Experience was not affirmatively completed in its entirety and it was determined that the applicant will need to obtain additional hours reflecting experience in the preparation of and reporting on full disclosure financial statements, and experience in and satisfactory understanding of the requirements of planning an audit consistent with current practice standards and pronouncements of the profession.

Recommendation: Defer. In order to satisfy the experience requirements for the authorization to sign attest reports, the applicant must present adequate hours or additional engagements that support meeting the attest experience required. Any new experience must be performed under the supervision of a licensee holding a valid active license to practice public accountancy who is authorized to sign attest reports. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted. A determination will then be made as to whether he needs to reappear with work papers for the QC's review.

While applicant is currently licensed with general accounting experience, he is not permitted to sign reports on attest engagements of any kind.

C11-009 – Applicant and his employer appeared and presented workpapers for his non-public accounting experience. He has 33.5 months of experience with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-010 – Applicant and her employer appeared and presented workpapers for her non-public accounting experience. She has 106 months of experience with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-011 – Applicant’s employer appeared for a Section 69 Review. Applicant has 21.75 months of experience with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

The following Section 69 review took place on September 16, 2010, and is made a part of these minutes.

C10-033 – Applicant and his employer appeared for a Section 69 review. Applicant has 14.25 months of experience. He has an additional 1.5 months of experience with another employer with a 12-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

The following personal appearances and Section 69 reviews took place on October 20, 2010, and are made a part of these minutes.

C10-034 – Applicant and his employer appeared for a Section 69 review. Applicant is currently licensed with general accounting experience.

The employer’s understanding of the Certificate of Attest Experience was inadequate. The documentation did not support the firm’s certification that the work demonstrates satisfactory knowledge of current standards and pronouncements.

The workpapers presented did not show adequate evidence of supervisory review and sign-offs. More analytical procedures are needed in the review engagements presented.

Recommendation: Defer. In order to satisfy the experience requirements for the authorization to sign attest reports, the applicant must obtain at a minimum, 500 audit hours. Any new experience must be performed under the supervision of a licensee holding a valid active license to practice public accountancy who is authorized to sign attest reports. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted. A determination will then be made as to whether he needs to reappear with work papers for the QC’s review.

While applicant is currently licensed with general accounting experience, he is not permitted to sign reports on attest engagements of any kind.

C10-035 – Applicant and his employer appeared for a Section 69 review. Applicant has 54.25 months of experience with a 24-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C10-036 – Applicant and his employer appeared for a Section 69 review. He has 55.75 months of experience with a 12-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C10-037 – Applicant appeared and presented workpapers for her non-public accounting experience. She has 134 months of experience with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C10-038 – Applicant appeared and presented workpapers for his foreign (Canada) public accounting experience (17.5 months). He has an additional 10.75 months of experience with another employer with a 12-month experience requirement.

The workpapers did not indicate that the applicant performed the work or that the supervisor reviewed and signed-off on the work.

Recommendation: Defer. In order to satisfy the experience requirements for the authorization to sign attest reports, the applicant must obtain at a minimum, 500 audit hours. Any new experience must be performed under the supervision of a licensee holding a valid active license to practice public accountancy who is authorized to sign attest reports. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted. A determination will then be made as to whether he needs to reappear with work papers for the QC's review.

C10-039 – Applicant appeared and presented workpapers for his non-public accounting experience. Applicant is currently licensed with general accounting experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C10-040 – Applicant and his employer appeared for a Section 69 review. Applicant has 33.25 months of experience with a 12-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

The following personal appearance and Section 69 reviews took place on November 18, 2010, and are made a part of these minutes.

C10-042 – Applicant appeared and presented workpapers for her non-public accounting experience. Applicant is currently licensed with general accounting experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C10-043 – Applicant and his employer appeared for a Section 69 review. Applicant has 11.5 months of experience. He has an additional 18.5 months of experience with another employer with a 12-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was adequate. The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C10-044 – Applicant and her employer appeared for a Section 69 review. Applicant is currently licensed with general accounting experience.

The employer's understanding of the Certificate of Attest Experience was not adequate. The work papers presented did not show evidence of actual

application of procedures and opinions formed. There were no sign-offs, references, or notations. There were only standard checklists; no risk assessment and no evidence of participation in the preparation of full disclosure financial statements by candidate. Only one engagement with 68 hours was presented. The Certificate of Attest Experience asserted 740 audit hours and 725 review hours.

Recommendation: Defer. In order to satisfy the experience requirements for the authorization to sign attest reports, the applicant must present adequate hours or additional engagements that support meeting the attest experience required. Any new experience must be performed under the supervision of a licensee holding a valid active license to practice public accountancy who is authorized to sign attest reports. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted. A determination will then be made as to whether she needs to reappear with work papers for the QC's review.

While applicant is currently licensed with general accounting experience, she is not permitted to sign reports on attest engagements of any kind.

Firm has been placed on reappearance status.

The following personal appearances and Section 69 reviews took place on January 19, 2011, and are made a part of these minutes.

C11-003 – Applicant's employer appeared for a Section 69 review. Applicant is currently licensed with general accounting experience.

The Certificate of Attest Experience was not affirmatively completed in its entirety. The employer's understanding was adequate. While the work reviewed was complete and no deficiencies were noted, only 173 hours of qualifying experience was granted. Applicant performed no audit planning and very limited audit procedures.

Recommendation: Defer. In order to satisfy the experience requirements for the authorization to sign attest reports, the applicant must obtain at a minimum, 327 audit hours. Any new experience must be performed under the supervision of a licensee holding a valid active license to practice public accountancy who is authorized to sign attest reports. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted. A determination will then be made as to whether she needs to reappear with work papers for the QC's review.

While applicant is currently licensed with general accounting experience, she is not permitted to sign reports on attest engagements of any kind.

C11-004 – Applicant and his employer appeared and presented workpapers for his non-public accounting experience. He has 61 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-005 – Applicant's employer appeared for a Section 69 review. Applicant has 27.25 months of experience. She has an additional 4.25 months of experience with another employer, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-006 – Applicant and his employer appeared and presented workpapers for his non-public accounting experience. He has 26.25 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C11-007 – Applicant's employer appeared for a Section 69 review. Applicant has 44 months of experience, with a 24-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was inadequate. The documentation did not support the firm's certification that the work demonstrates satisfactory knowledge of current standards and pronouncements.

There was little or no documentation in regard to the applicant's ability/experience in planning, in the ability to prepare written explanations or comments on the work performed, or the ability to prepare full disclosure financial statements.

Recommendation: Defer. In order to satisfy the experience requirements for the authorization to sign attest reports, the applicant must obtain at a minimum, 500 audit hours. Any new experience must be performed under the supervision of a licensee holding a valid active license to practice public accountancy who is authorized to sign attest reports. An affirmatively completed Certificate of Attest Experience in either individual or composite form must be submitted. A

determination will then be made as to whether she needs to reappear with work papers for the QC's review.

Firm has been placed on reappearance status.

C11-008 – Applicant and her employer appeared and presented workpapers for her non-public accounting experience. She has 24.75 months of experience, with a 24-month experience requirement.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

ADJOURNMENT

There being no further business to be conducted, the meeting was adjourned at 3:45 P.M. on January 26, 2011. The next meeting of the CPA Qualifications Committee will be held on April 27, 2011.

Fausto Hinojosa, Chair

Prepared by Stephanie Hoffman and Vicky Thornton, Licensing Coordinators

Memorandum

CBA Agenda Item VIII.B.2.
May 19-20, 2011

To : CBA Members

Date : April 11, 2011

Telephone : (916) 561-1716

Facsimile : (916) 263-3674

E-mail : vdaniel@cba.ca.gov


From : Veronica Daniel
Board Relations Analyst

Subject : Recommendations for NASBA's Board of Directors and Nominating Committee

The NASBA Nominating Committee is requesting recommendations from all state boards for next year's Nominating Committee Members, Directors-at-Large and Regional Directors. A copy of the announcement from NASBA is provided as **Attachment 1**.

According to the NASBA bylaws, in order to be eligible to serve on the Nominating Committee, you must have (i) served at least two years on a state board of accountancy, (ii) attended at least one NASBA Regional Meeting and one NASBA Annual Meeting and (iii) served on a NASBA committee.

The deadline for submitting nominations to NASBA is Friday, May 27, 2011.

If the CBA members would like to submit recommendations, staff may be directed to prepare a memo indicating such and delegate the final language approval to the CBA President prior to the recommendation being forwarded to NASBA.

If you have any specific questions about the nomination process, you may contact Anita Holt at NASBA at (615) 880-4202 or via email at aholt@nsaba.org.

Attachments

Call for NASBA Board of Directors and Nominating Committee

To State Board Chairs/Presidents; Executive Directors; Delegates and Associates:

On behalf of the NASBA Nominating Committee, we are asking boards to submit their recommendations for next year's Nominating Committee Members, Directors-at-Large and Regional Directors. If you are interested in one of these positions, please contact your state board's Chair or Executive Director, as all recommendations must come from the board.

NOMINATING COMMITTEE RECOMMENDATIONS:

At the 2011 Regional Meetings, designated voting representatives of states in the Mountain, Southwest, Great Lakes and Northeast Regions will select an elected member and an alternate member (in the event the elected member cannot serve) to serve on the Nominating Committee from 2011 to 2013. The terms of the Nominating Committee members shall be staggered so that half of the Regions hold elections each year.

As provided in the NASBA Bylaws, Nominating Committee members may serve two complete terms in succession plus any unexpired term. The term begins immediately following the Business Session of the Annual Meeting.

Additionally, please note that every state board and its regions are responsible for electing their Nominating Committee representative. If a Region cannot successfully elect a nominee, the Region will not have representation on the NASBA Nominating Committee. Therefore, we urge you to give this matter high priority.

BOARD OF DIRECTORS RECOMMENDATIONS:

The Board of Directors is composed of a Chair, Vice Chair, Past Chair, nine Directors-at-Large and a Regional Director from each of the eight Regions. Directors-at-Large are elected for a three-year term and may serve a maximum of two terms, plus any unexpired terms. Thus, three of the nine Directors-at-Large will be elected at the 2011 Annual Meeting.

Regional Directors are elected for one-year terms and may serve a maximum of three terms. All Regional Directors must be Delegates (current board members) of their state board of accountancy at the time of or within six months prior to their election or appointment. Thus, all of the Regional Directors will be elected at the 2011 Annual Meeting.

The deadline for receiving these nominations is Friday, May 27, 2011. Please send your letter of recommendation(s) AND the individual's biographical information to Billy M. Atkinson, Nominating Committee Chair, via mail to NASBA, 150 Fourth Avenue North, Suite 700, Nashville, TN 37219 via fax to 615-880-4291 or via e-mail to: aholt@nasba.org.

Sincerely yours,

Billy M. Atkinson, CPA
Chair, NASBA Nominating Committee



This message brought to you by National Association of State Boards of
Accountancy (NASBA)

150 Fourth Avenue North, Suite 700, Nashville, TN, 37219

www.nasba.org

Memorandum

CBA Agenda Item VIII.B.3.
May 19-20, 2011

To : CBA Members

Date : April 11, 2011

Telephone : (916) 561-1716

Facsimile : (916) 263-3674

E-mail : vdaniel@cba.ca.gov


From : Veronica Daniel
Board Relations Analyst

Subject : NASBA 2011 Awards Nominations

The NASBA Awards Committee is accepting nominations from all state boards for the William Van Rensselaer Public Service Award, the Distinguished Service Award and the Lorraine P. Sachs Standard of Excellence Award. A copy of the memorandum from NASBA and the 2011 Awards Criteria are provided as **Attachment 1**.

The deadline for submitting nominations to NASBA is Thursday, June 30, 2011.

If the CBA would like to submit a nomination, staff may be directed to prepare a memo indicating such and the final language delegated for approval to the CBA President prior to the nomination being forwarded to NASBA.

If you have any specific questions about the nomination process, you may contact the committee liaison and NASBA Communications Manager, Cassandra Gray, at (615) 564-2172 or via email at cgray@nsaba.org.

Attachment

April 11, 2011

Dear NASBA Members,

On behalf of the 2010-2011 Awards Committee, I am writing to request your participation in submitting nominations for NASBA's 2011 Awards – the William Van Rensselaer Public Service Award, the Distinguished Service Award and the Lorraine P. Sachs Standard of Excellence Award. These awards will be presented during the 104th Annual Meeting, October 23-26, 2011, at the Gaylord Opryland Resort in Nashville, TN, to three deserving individuals who have made a notable impact on the accounting profession.

Specifically, the *William H. Van Rensselaer Award* was established in 1988, in memory of NASBA's first full-time executive director, William H. Van Rensselaer, and recognizes an individual who has contributed to the development of a new program, improvement of a current program for the boards of accountancy, or who has influenced passage of rules or statutes to strengthen accountancy regulations.

The *NASBA Distinguished Service Award* was established in 1999, to honor a volunteer for unwavering commitment and dedication to enhancing the mission of NASBA. Created in 2008, the *Lorraine P. Sachs Standard of Excellence Award* recognizes a current state board executive or administrator that has shown outstanding service to improving the effectiveness of accounting regulation-on local and national fronts.

The official call for nominations will run from April 11-June 30, 2011. During this time, all NASBA members and supporters are strongly encouraged to nominate any outstanding persons who you believe possess a genuine passion towards enhancing the effectiveness of state boards and the accounting profession. The 2011 [awards criteria](#) and [nomination forms](#) are attached for your review by clicking the buttons below.

Should you have questions or need additional information, please contact our committee liaison and NASBA Communications Manager, Cassandra Gray, at 615-564-2172 or cgray@nasba.org.

Best Regards,

Thomas J. Sadler, CPA
Chair, NASBA Awards Committee

This message brought to you by National Association of State Boards of
Accountancy (NASBA)
150 Fourth Avenue North, Suite 700, Nashville, TN, 37219
www.nasba.org



National Association of State Boards of Accountancy

2011 Awards Criteria

WILLIAM H. VAN RENSSELAER PUBLIC SERVICE AWARD

Since 1988, candidates for this award are individuals who have earned recognition through their contributions in the development of a new program or improvement of a current program for boards of accountancy, or who influenced passage of rules or statutes to improve accountancy regulations and laws.

Criteria

Outstanding achievements in state regulation of the accounting profession, demonstrated excellence as a leader of a state board or NASBA, significant accomplishments that have enabled NASBA or state boards to meet their objectives, contributions that have enhanced the effectiveness of state boards, and contributions that have enhanced the image of state boards.

Restrictions

The following individuals are not eligible to receive the William H. Van Rensselaer Public Service Award:

- Individuals who have served on the NASBA Board of Directors in the last five years.
- Current members of the NASBA Awards Committee.
- Paid consultants or employees of NASBA.

DISTINGUISHED SERVICE AWARD

Since 1999, candidates for this award are individuals who have demonstrated unwavering commitment and dedication to enhancing the mission of NASBA.

Criteria

Demonstrated excellence as a participant in NASBA activities, facilitated significant accomplishments that have enabled NASBA to meet its stated goal, contributed to the enhanced effectiveness of state boards, and promoted achievements in state regulation of the accounting profession.

Restrictions

The following individuals are not eligible to receive the NASBA Distinguished Service Award:

- Former NASBA Chairs or Presidents.
- Former Van Rensselaer Award winners.
- Current members of the NASBA Awards Committee.
- Paid consultants or employees of NASBA, NASBA-related agencies/organizations or state boards of accountancy.

LORRAINE P. SACHS STANDARD OF EXCELLENCE AWARD

Since 2008, candidates for this award are current executive directors (or similar title such as chief administrative officer) at the time of nomination that have shown exemplary, dedicated and outstanding service and commitment to improving the effectiveness of accounting regulation both locally and nationally.

Criteria

Demonstrated competence, diligence and outstanding service to his/her board of accountancy, earned the respect of accountancy regulators and the professional accountancy community, demonstrated excellence as a participant in NASBA activities, facilitated significant accomplishments that have enabled other boards of accountancy and NASBA to meet their goals, engaged in continuous development and progress to keep pace with the public's expectations of regulatory boards.

Nominations for all NASBA Awards are due on Thursday, June 30, 2011.

Memorandum

CBA Agenda Item VIII.C.
May 19-20, 2011

To : CBA Members

Date : April 29, 2011

Telephone : (916) 561-4310

Facsimile : (916) 263-3672

E-mail : dfranzella@cba.ca.gov

From : Dominic Franzella, Manager
License Renewal & Continuing Competency Unit

Subject : Discussion of Policy Issues for Regulations Regarding Retired License Status

The California Board of Accountancy (CBA) began discussions on a retired status for CPA and PA licenses at its July 2010 meeting. At the September 2010 meeting the CBA directed staff to begin preparing legislative language to allow the CBA to establish a retired status, which staff subsequently brought to the CBA at the November 2010 meeting. At that meeting the CBA elected to sponsor legislation for a retired status for the present 2011 legislative year.

As staff reported at the March 2011 meeting, the CBA was successful in finding an author, Assembly Member Fiona Ma, CPA, to carry the proposed retired license status legislation. Assembly Bill (AB) 431 is the legislation containing the proposed retired status license language, and under **CBA Agenda Item XI.C.2**, staff have provided an update regarding AB 431.

The language contained in AB 431 allows the CBA, at its discretion, to create a retired status for CPA and PA licenses. Should the CBA seek to implement a retired status license, the only fixed requirements set forth in the pending legislation are that the CBA:

- Require a licensee apply to have his/her license placed in a retired status.
- Deny any application for a retired status license if the applicant's license is canceled, suspended, revoked, or otherwise punitively restricted by the CBA or subject to disciplinary action.
- Establish minimum qualifications for individuals to obtain a retired status license and for restoration from a retired status to an active status.

Based on the language in AB 431, much of the policy and administrative aspects of a retired status will be left up to the CBA to develop through the rulemaking process. Although no timetable for implementing a retired status is established in AB 431, staff anticipate that the rulemaking process will begin early next year, provided AB 431 passes the Legislature and is signed into law by the Governor.

Policy Issues for Regulations Regarding a Retired License Status

Page 2 of 2

In anticipation of the upcoming rulemaking activities, the CBA is scheduled at this meeting to begin discussions on the policy and administrative aspects of a retired status license that will make up the regulations. The benefits of finalizing most of the policy decisions at this stage are twofold: (1) it will equip staff with the necessary information to bring back a fully developed set of proposed regulations for CBA review later this year, and (2) should the author need to amend AB 431 to further define some of the policy aspects of a retired status license, the CBA will have made decisions that the author can consider when amending the bill.

At its September 2010 meeting, the CBA made some preliminary decisions regarding policies for a retired status license. These decisions laid the foundation for language proposed in AB 431. Specifically, the CBA initially decided on the following:

- A license may not be placed in a retired status if there are pending enforcement actions.
- A licensee with a retired status shall use the term “Retired” when using the CPA designation.
- A licensee must have 20 years in the profession to apply for retired status.
- In addition to the 20 years in the profession, the licensee must be either disabled or a minimum of 55 years old.
- The application fee for a retired status will be \$100 and the fee for restoration of the license to an active status will be \$200.
- In order to restore a retired status license to an active status, a licensee shall meet the same requirements as converting a license from an inactive to active status.

The first two bullets are policy decisions that have already been included in the pending legislation. The CBA will establish the remaining policies via the rulemaking process, and for staff to prepare regulatory language for policy decisions, it will need further clarification. Additionally, one decision the CBA still needs to make is whether to require licensees to renew a retired status license. To assist the CBA with its deliberations, staff have provided the attached issue paper.

Attachment

**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>



CBA Agenda Item VIII.C.
May 19-20, 2011

Policy Issues for Regulations Regarding A Retired License Status

To provide the CBA a general framework on how a retired status may look, staff have divided the policies related to a retired status license into four sections: (1) qualifications, (2) application, (3) maintenance, and (4) restoration. For each section, staff have taken previous CBA policy decisions and placed them in a corresponding section. For those policies requiring further clarification, staff have provided questions to assist in deliberations, and in some instances provide a staff recommendation.

I. Qualifications for Having a License Placed in Retired Status

Provided licensees have a license in good standing (*i.e.* the license has not been canceled, suspended, revoked, or otherwise punitively restricted by the CBA or subject to disciplinary action), they must meet two requirements to have their license placed in a retired status. First, they must have a minimum of 20 years in the profession, and second, either be permanently disabled or reach a minimum age of 55 years old.

To finalize the minimum qualifications for obtaining a retired status license, staff have the following questions regarding qualifications:

1. Should licensees be required to maintain a minimum number of years with an active status, including a minimum number of years as a California CPA?

The CBA could require that during the course of the minimum 20 years of licensure, licensees maintained an active status license for a minimum of five years. Within the DCA, staff found that the Board for Professional Engineers and Land Surveyors requires that licensees have a minimum of 20 years in the profession, with a minimum of five years in the profession in California.

Staff may have difficulty assessing this requirement for licensees that maintained an out-of-state license some time during their career. Many states now require the CBA to use the National Association of State Boards of Accountancy's Accountancy Licensing Database to verify licensees' information. Often times the license information available simply shows the date of issuance and the present disposition of the license (current or expired); what it does not provide are the periods in which the license was active. Staff, however, will easily be

Policy Issues for Regulations Regarding a Retired License Status

Page 2 of 7

able to identify whether licensees maintain an active status license in California for a specified period of time by reviewing CBA records.

Staff Recommendation:

Staff recommend that licensees maintain a California CPA license for a minimum five years in an active status.

2. What documentation must licensees provide to meet the requirement for a permanent disability?

Idaho, Oklahoma, Tennessee, and Wyoming allow licensees to place a CPA license in a retired status if they can document a permanent disability. In reviewing the various acts and rules for these states, staff found that these states waive any age requirement for licensees able to document a disability, but was not able to determine the requirements states put in place for licensees to prove a disability.

Staff Recommendation:

Staff recommend that licensees with a permanent disability selecting to obtain a retired status license provide documentation signed by a medical practitioner clearly documenting permanent disability.

One outstanding area the CBA will need to address is whether to maintain a minimum age requirement to obtain a retired status license. Department of Consumer Affairs (DCA) legal counsel has informed the CBA that establishing a minimum age to receive a retired status license could be considered discriminatory against a suspect class. According to legal counsel, the CBA would need a compelling reason to have such a requirement.

During its research, staff found that establishing a minimum age requirement is not common within DCA – only one DCA board maintains a requirement that an individual reach a specified age. The Dental Board requires that licensees reach the age of retirement under the Social Security Act. Staff, however, did find establishment of a minimum age is a common requirement nationally relative to other state boards of accountancy. Alabama, Colorado, Mississippi, South Dakota, Tennessee, and Wyoming require a minimum age of 55; Idaho, Nebraska, Nevada, and Texas require a minimum age of 60; and Oklahoma and Arkansas require a minimum age of 65. A few other states also require that licensees reach a retirement age but do not, in law, specify the age.

Policy Issues for Regulations Regarding a Retired License Status

Page 3 of 7

Staff is working with legal counsel to provide additional information regarding the establishment of a minimum age requirement.

II. Applying to Have a License Placed in a Retired Status

Licensees will need to submit an application to the CBA to request a retired status license. Based on its prior decision, the CBA will require licensees to pay an application fee of \$100, which covers the cost of staff time required to review the application, research a licensee's electronic record and paper license file, verify that the CBA has not taken disciplinary action or filed an accusation filed against a licensee, and update the Consumer Affairs System.

The pending legislation allows the CBA to charge licensees requesting a retired status license an application fee up to \$250. When the CBA originally considered a retired status license application fee, it was predicated on 50 percent of the license renewal fee, which at the time was \$200. Since the September 2010 meeting, the Office of Administrative Law has approved the CBA's license fee reduction rulemaking file, so the license renewal fee will be \$120 for next four years.

Staff have the following question related to an application fee for having a license placed in a retired status:

1. Should the application fee be set at \$100 or at 50 percent of the license renewal fee?

Staff Recommendation:

Staff recommend that the CBA establish the application fee for a retired status license at a fixed amount of \$100.

III. Maintaining a License in a Retired Status

At the September 2010 meeting, the CBA initially expressed the desire not to require licensees to renew a retired status license. Some members, however, expressed concern that with licensees not renewing, the CBA would potentially lose contact with the licensees. It was noted that this could lead to licensees continuing to show on the CBA Web site as having a license in a retired status when, in fact, some licensees may be deceased.

Policy Issues for Regulations Regarding a Retired License Status

Page 4 of 7

Presently, the CBA only becomes aware of deceased licensees when informed by someone, generally by family members or business associates. Often times the reason family members and business associates contact the CBA is when they receive the deceased licensee's renewal application.

Nationally, many state boards of accountancy require that licensees renew a retired status license. Within the DCA, both the Dental Board and Board of Podiatric Medicine require licensees to renew a license in a retired status. Of the two, however, only the Dental Board charges a fee.

The CBA may wish to consider the following in determining whether to require the renewal of a license in a retired status:

- Part of the rationale for establishing a retired status license is so licensees can maintain the CPA license and continue to use the designation without having to pay the CBA, especially after so many years in the profession.
- Even if the CBA required renewal of the license, it could be established as a "No Fee" license.
- Those licensees that fail to renew the license will have their license placed in a delinquent status.
- After five years of non-renewal, the license will be canceled.

If the CBA elects to require licensees to renew a retired status license, it will need to provide direction on the following questions:

1. If requiring licensees to renew, would it be biennially like most other license types?

CPA, PA, corporation, and partnership licenses are to be renewed biennially. The only registration type that has a different renewal requirement is a Fictitious Name Permit (FNP). Licensees that operate as sole proprietorships using only their CPA or PA license, using a name other than the official name on the license, must register the name with the CBA. The CBA, subsequently, issues them a Fictitious Name Permit (FNP) which they must renew every five years.

If the CBA elects to require renewal, in establishing how often this should occur, the CBA may wish to consider that many licensees desiring a retired status have indicated that they feel they should not have to renew. Finally, staff is working to

Policy Issues for Regulations Regarding a Retired License Status

Page 5 of 7

determine if this policy would need to occur via statute or regulation. If this would require a statutory change, staff will work with the author to include it in AB 431.

2. Should a renewal fee be charged?

As noted previously, licensees seeking to place their license in a retired status indicated one of the benefits for them would involve not having to continue to pay after so many years in the profession. With this in mind, the CBA could establish the license type as a “No Fee” license type. This would not be the first of its kind for the CBA, since licensees with a registered FNP are not charged a fee when renewing the registration.

IV. Restoring a License from a Retired Status to an Active Status

Should licensees with a retired status license want to restore the license to an active status, the CBA previously decided licensees must pay a \$200 restoration fee and complete the same continuing education (CE) requirements as licensees converting a license from an inactive to active status. Presently, for licensees to convert a license from an inactive to active status, they must complete the following:

- 80 hours of continuing education (CE) in the 24-month period prior to applying for status conversion
- 20 hours, with 12 hours in technical subject matter, in the one-year period immediately preceding application for status conversion
- 50 percent of the hours in technical subject matter (auditing, accounting, taxation, financial planning, etc.)
- Four hours of ethics education
- A two-hour Regulatory Review course (if more than six years has elapsed since they last completed the course)
- 24 hours in Governmental Auditing or Accounting and Auditing CE, and eight hours of Fraud CE if they performed governmental audits or accounting and auditing work during the 24-month period prior to status conversion

In finalizing the policies regarding restoration, one of the reasons the CBA terminated the prior retired program was because some licensees used the retired status to avoid paying the license renewal fee which is required for an inactive status.

Policy Issues for Regulations Regarding a Retired License Status

Page 6 of 7

Staff have the following questions related to the policies the CBA may wish to establish for restoring a retired status license to an active status license:

1. Should the restoration fee for a retired status license be set at a level higher than the previously considered \$200?

The proposed legislation allows the CBA to require that licensees pay a restoration fee not to exceed \$1,000. The CBA may wish to consider raising the restoration fee to possibly deter licensees from using the retired status option rather than the inactive status.

Staff Recommendation:

Staff recommend that the CBA establish the restoration fee at \$700. Staff believe that a restoration fee set at this level will require licensees to fully consider the ramifications prior to requesting a retired status license

2. Should the CE requirements for restoration of a retired status license to active status license in some way match the services licensees can perform when they reenter the practice of public accountancy?

Presumably, licensees that have elected to obtain a retired status license have done so because they no longer wish to practice public accountancy. This may mean that they will have been out of the profession for several years when the need or desire arises to restore their license to an active status.

As members know, the CBA issues CPA licenses either with, or without, the authority to sign reports on attest engagements. When the license is restored, the licensee will be issued an active status license with the ability to perform the same services tied to the original license. This would mean that licensees with the authority to sign reports on attest engagements will be allowed to have this same authority without any requirement to complete CE to bring the licensees current on generally accepted accounting standards and principles.

Staff Recommendation

Staff recommend that the CBA require individuals electing to convert their retired status license to an active status license complete CE in subject matter that aligns itself with the services the CPA can perform upon returning to public practice. This means licensees that have a CPA license with the authority to sign reports on attest engagements would complete a minimum number of CE hours

Policy Issues for Regulations Regarding a Retired License Status
Page 7 of 7

in attest subject matter. This option is presently being recommended by the CBA's Qualifications Committee for applicants applying for reissuance and applicants with experience older than five years. (**See Agenda Item XI.H.2.**)

Based on the policy directions provided by the CBA at this meeting, staff will begin work on developing implementing regulations. Staff anticipate bringing back the regulations for retired status at the November 2011 meeting. By the November 2011 meeting, the CBA will know whether AB 431 was signed into law.

Memorandum

CBA AGENDA ITEM IX.
MAY 19-20, 2011

To : CBA Members

Date : May 2, 2011

Telephone : (916) 561-1731

Facsimile : (916) 263-3673

E-mail : msantaga@cba.ca.gov


From : Rafael Ixta
Chief, Enforcement Division

Subject : **ROUX, JOHNATHON MARK – Case No. SI-2011-14**
Petition for Reinstatement of Revoked Certificate
Certificate No. 43139
Fair Oaks, California

The above-referenced Petition for Reinstatement of Revoked Certificate has been scheduled for hearing on May 20, 2011 at the May 19-20, 2011 California Board of Accountancy (CBA) meeting.

~~Deputy Attorney General Carl Sonne will represent the Attorney General's Office.~~

In addition, the Office of Administrative Hearings will assign an Administrative Law Judge to preside at the hearing, as well as a court reporter to capture a record of the discussion.

The following documents are attached for your reference.

1. Petition for Reinstatement of Revoked Certificate.
2. Default Decision and Order No. AC-2007-22, effective June 17, 2007.
3. Accusation No. AC-2007-22, dated January 9, 2007.
4. Certification of License History.

REPRESENTATION

Mr. Roux will attend the hearing **without** legal counsel.

CAUSE FOR DISCIPLINE

Mr. Roux's license expired on January 31, 2006. Following expiration of his license, Mr. Roux continued to practice without a valid license until he submitted his license renewal application and fee on August 26, 2006.

Mr. Roux submitted false information on the continuing education reporting worksheet that accompanied his renewal application. He claimed that he completed 70 hours of continuing education in December 2005 and January 2006 when he actually completed the hours in August 2006, after his license expiration date.

JMR-PET001

In addition, Mr. Roux claimed three hours of teaching credit in January 2006 but could not provide documents to support the hours claimed, and he could support only eight of the 24 hours claimed for accounting and auditing courses and six of the eight hours claimed for a non-technical course.

Mr. Roux also did business under a name that was not registered with the CBA.

VIOLATIONS

California Business and Professions Code, Division 3, Chapter 1, Sections 5050, 5060, 5100(b), 5100(g) and 498.

California Code of Regulations, Title 16, Division 1, Sections 87, 88, and 89.

ADDITIONAL INFORMATION FOR CBA CONSIDERATION

- **Reimbursement of Investigation and Prosecution Costs**

The CBA requested reimbursement of investigation and prosecution costs in Accusation No. AC-2007-22; however, costs were not ordered in Default Decision No. AC-2007-22. The investigation and prosecution costs incurred by the CBA in Case No. AC-2007-22 totaled \$3,926.70.

Mr. Roux has stated in his petition that reimbursement of costs would be a financial hardship, and he submitted a personal financial statement.

The personal financial information is protected from public disclosure pursuant to California Government Code Section 6254(n) and is being provided only to the CBA members. Additionally, California Business and Professions Code Section 5107 allows for the conditional reinstatement of a license for a maximum of one year of a licentiate who demonstrates financial hardship and enters into a formal agreement to reimburse the CBA within that one-year period for the unpaid cost.

- **Continuing Professional Education**

Mr. Roux submitted evidence of completion of 61 hours of continuing professional education completed during the period December 2009 through January 2010 in the following areas.

- 8 hours in ethics.
- 8 hours in tax.
- 33 hours in accounting and auditing.
- 12 hours in technical subjects

- **Letters of Recommendation**

Mr. Roux submitted four letters of recommendation with his petition.



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>



TO WHOM IT MAY CONCERN:

The undersigned shares in the custody and control of the files and records of this agency and hereby certifies that the attached document is a true and correct copy of the original or the original copy of the Petition for Reinstatement of Revoked Certificate, dated March 2, 2011 from JOHNATHON MARK ROUX contained in the files of this office, and said documents were received in the normal course of business.

Paul Fisher

Paul Fisher
Supervising Investigative CPA
Enforcement Division
California Board of Accountancy
Department of Consumer Affairs
State of California

April 22, 2011

JMR-PET003



RECEIVED

11 MAR -2 PM 1:37

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>



CALIFORNIA BOARD OF ACCOUNTANCY

PETITION FORM

(See Instructions)

Please type or print legibly

NAME <i>John Mark Roux</i>	PETITION FOR <input checked="" type="checkbox"/> Reinstatement of Revoked Certificate <input type="checkbox"/> Reinstatement of Surrendered Certificate
Email	
Residence Address	
Telephone No. <i>Main Oaks CA 95628</i>	
Business Address	
Telephone No. <i>Main Oaks CA 95628</i>	

ACADEMIC DEGREES:	<i>MS - Tax</i>	<i>BS - Business</i>
Name of School:	<i>Golden Gate University</i>	<i>CSU - FRESNO</i>
Date Degree Granted:	<i>5/85</i>	<i>5/80</i>

California CPA License No. <i>43139 E</i>	Date Issued: <i>1985</i>
--	-----------------------------

Other State/Country License Information: *N/A*

State/Country	License No.	Date Issued:	Current Status

EFFECTIVE DATE OF REVOCATION/SUSPENSION:	<i>6-17-2007</i>
REASON FOR DISCIPLINE:	<i>See attached -</i>
	<i>1) license expired on 11/31/06, practiced without license until 8/26/06</i>
	<i>2) false documentation with respect to continuing education</i>
	<i>3) unable to substantiate claim for A+A hours</i>

Practice Prior to Order of Revocation/Suspension/Surrender (List only immediate ten-year period)

Dates	Type of Practice	Location
'85 thru Date of Revocation	Tax Service / Accounting	Sacramento, CA

List your occupation and activities since the date of the Order:

Dates	Occupation	Duties/Activities	Location
Deakins USA	Sales	Sales	Orangevale, CA
Self-Employed	Consulting	Computer Systems	Sacramento, CA

1. Since the effective date of the Order, have you been involved in any of the following situations?

- a) Charged with or convicted of a violation of Federal or State law (minor traffic violations are excepted)?
 YES NO
- b) Has another governmental or regulatory body or agency disciplined or sanctioned you since the date of the Order?
 YES NO
- c) Are you now on probation or parole to the courts for any criminal violation(s) in this or any other state?
 YES NO

IF YOU ANSWER YES TO ANY OF THE ABOVE, PLEASE ATTACH A STATEMENT OF EXPLANATION GIVING FULL DETAILS.

2. Based on the Order of Revocation/Surrender, prior to or upon reinstatement of a revoked/surrendered certificate, the petitioner will generally be required to reimburse the California Board of Accountancy (CBA) for all reasonable costs of investigation and prosecution of the violations for which action was taken against the petitioner's license. Have you reimbursed the CBA for these costs?
 YES NO

If NO, please explain why on Page 5. If you believe that payment of these costs would cause an unreasonable financial hardship that could not be remedied through a payment plan, please explain and provide documentation to support your claim of financial hardship.

See Attached

JMR-PET005

3. As part of the petition process, the CBA evaluates the petitioner's compliance with any ordered or voluntary restitution to harmed clients/consumers. Have you made restitution to any parties financially harmed by the violations for which action was taken against your license?

YES NO *N/A*

If YES, please provide proof of payment. If NO, please explain on Page 5.

4. Continuing Professional Education

Have you completed any post-graduate or refresher courses, seminars, workshops, etc., since the date of the Order?

YES NO

If YES, please complete the enclosed Continuing Education Reporting Worksheet and enclose copies of course completion certificates.

5. Have you published any literature since the date of the Order?

YES NO

If YES, please provide publication name, date article published and title of article.

Publication Name	Date Published	Article Title

6. Do you believe you are ready to take an examination if one should be imposed upon you?

YES NO

7. Explain why you believe your petition should be granted.

Revocation was due to continuing education which has subsequently been completed.

8. If the CBA grants your Petition, where will you practice and what type of services will you perform? If you will not be performing public accounting services, what type of occupation will you be involved in?

*Accounting and Tax Services - non audit
Sacramento, CA and surrounding areas.*

9. Do you plan to attend the hearing before the CBA Board in the matter of this Petition?

YES NO *if necessary*

10. Do you plan to have legal counsel represent you at the hearing before the CBA Board in the matter of this Petition?

YES NO

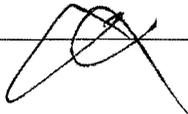
Legal Counsel Name _____

Firm Name _____

Address _____

Telephone No. _____

I herewith submit this Petition, as required by the California State Board of Accountancy, and declare under penalty of perjury that I have read the foregoing petition in its entirety and know its contents, and that all statements are true in every respect, and I understand that misstatements or omissions of material fact may be cause for denial of the petition.



(Signature)

3/2/11
(Date)

Please return completed form to:
California Board of Accountancy
Enforcement Division
2000 Evergreen Street, Suite 250
Sacramento, CA 95815
Attn: Michele Santaga, Enforcement Analyst

JMR-PET007

EXPLANATION

John M. Roux
Cause for Financial Hardship
Petition for Reinstatement, Question #2

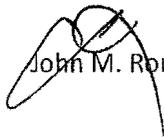
At the current time, any financial restitution would create a financial hardship on me and my family.

Since my license was revoked I have been unable to practice as a Certified Public Accountant thereby causing my practice to lose numerous clients and making it impossible to market any CPA services. My personal income has been significantly reduced during this period.

I lost my personal residence to foreclosure as I was unable to meet the monthly mortgage payment; my credit has suffered making it impossible to finance any loans. I have borrowed from friends and family members to support my family. Thus any demand for restitution would create an undue hardship on my family and my ability to practice as a Certified Public Accountant.

I realize and acknowledge the mistakes made and look forward to reinstatement so that I can serve my future clientele in the profession that I was educated in.

Sincerely,


John M. Roux

Professionals Publishing Group
A division of CPE Solutions LLC

Certificate of Completion

This certificate is presented to

John Roux

for successful completion of

CE2004 Professional Conduct and Ethics: Without Sex, Lies, and Videotape; Approval #019s-01-9911 Final Exam

Completion Date: 12/16/2009
10:31:02 PM

***CPE Credits:** 8

Field Of Study:
Ethics

Delivery Method:
Interactive Self-Study

CPE Sponsor #'s

Illinois #18-001985 Ohio #S0019
New York #002021 Texas #007931
PA #PX-001926-L
QAS: 055 (CPE Solutions)



Derek Finger

*Awarded Credits Have been calculated based on a 100 minute hour for NJ & MT CPA's

1911 N. Hwy 301 Suite 140 Tampa, fl 33619 WWW.CPECREDIT.COM 1-800-545-7601

*Class completed
on 12/16/09 - JMR*

JMR-PET010

Professionals Publishing Group
A division of CPE Solutions LLC

Certificate of Completion

This certificate is presented to

John Roux

for successful completion of

CF2005 The Detection, Prevention, and Reporting of Fraud in Financial Statements Final Exam

Completion Date: 12/17/2009
6:52:04 AM

***CPE Credits:** 8

Field Of Study:
Fraud

Delivery Method:
Interactive Self-Study

CPE Sponsor #'s

Illinois #18-001985 Ohio #S0019
New York #002021 Texas #007931
PA #PX-001926-L
QAS: 055 (CPE Solutions)



Derek Finger

*Awarded Credits Have been calculated based on a 100 minute hour for NJ & MT CPA's

1911 N. Hwy 301 Suite 140 Tampa, fl 33619 WWW.CPECREDIT.COM 1-800-545-7601

*Class taken
12/16/09 - 8 hr
12/17/09 1 hr - exam*

JMR-PET011

Professionals Publishing Group
A division of CPE Solutions LLC

Certificate of Completion

This certificate is presented to

John Roux

for successful completion of

A0301 Accountant's Guide To Compilation and Review Module 1

Completion Date: 12/17/2009
3:18:58 PM

***CPE Credits:** 8

Field Of Study:
Accounting

Delivery Method:
Interactive Self-Study

CPE Sponsor #'s

Illinois #18-001985 Ohio #S0019
New York #002021 Texas #007931
PA #PX-001926-L
QAS: 055 (CPE Solutions)



Derek Finger

*Awarded Credits Have been calculated based on a 100 minute hour for NJ & MT CPA's

1911 N. Hwy 301 Suite 140 Tampa, fl 33619 WWW.CPECREDIT.COM 1-800-545-7601

*Chas tolin
12/17/09 - 8 hrs*

JMR-PET012

Professionals Publishing Group
A division of CPE Solutions LLC

Certificate of Completion

This certificate is presented to

John Roux

for successful completion of

B4700 Sarbanes Oxley Exam

Completion Date: 12/23/2009
4:28:27 PM

***CPE Credits:** 11

Field Of Study:
Accounting

Delivery Method:
Interactive Self-Study

CPE Sponsor #'s

Illinois #18-001985 Ohio #S0019
New York #002021 Texas #007931
PA #PX-001926-L
QAS: 055 (CPE Solutions)



Derek Finger

*Awarded Credits Have been calculated based on a 100 minute hour for NJ & MT CPA's

1911 N. Hwy 301 Suite 140 Tampa, fl 33619 WWW.CPECREDIT.COM 1-800-545-7601

*Class takes
12/22/09 - 6 hrs study
12/22/09 - 5 hrs exam & review*

JMR-PET013

Professionals Publishing Group
A division of CPE Solutions LLC

Certificate of Completion

This certificate is presented to

John Roux

for successful completion of

B7250 Real Estate Accounting & Mathematics Exam

Completion Date: 12/28/2009
12:15:54 PM

***CPE Credits:** 6

Field Of Study:
Accounting

Delivery Method:
Interactive Self-Study

CPE Sponsor #'s

Illinois #18-001985 Ohio #S0019
New York #002021 Texas #007931
PA #PX-001926-L
QAS: 055 (CPE Solutions)



Derek Finger

*Awarded Credits Have been calculated based on a 100 minute hour for NJ & MT CPA's

1911 N. Hwy 301 Suite 140 Tampa, fl 33619 WWW.CPECREDIT.COM 1-800-545-7601

*Class studied
12/27/09 - 4 hrs - Study
12/28/09 - 2 hrs - Review & Exam*

JMR-PET014

Professionals Publishing Group
A division of CPE Solutions LLC

Certificate of Completion

This certificate is presented to

John Roux

for successful completion of

T6080 1040 Taxation Module 1

Completion Date: 1/23/2010
5:02:59 PM

***CPE Credits:** 8

Field Of Study:
Taxation

Delivery Method:
Interactive Self-Study

CPE Sponsor #'s

Illinois #18-001985 Ohio #S0019
New York #002021 Texas #007931
PA #PX-001926-L
QAS: 055 (CPE Solutions)



Derek Finger

*Awarded Credits Have been calculated based on a 100 minute hour for NJ & MT CPA's

1911 N. Hwy 301 Suite 140 Tampa, fl 33619 WWW.CPECREDIT.COM 1-800-545-7601

*Class started
1.21.10
1.23.10
6 hrs - study
3 hrs - study & exam*

JMR-PET015

CPE Solutions LLC

1911 N. US 301, Suite 140 Tampa, FL 33619

Certificate of Completion

This certificate is presented to

John Roux

for successful completion of

B1920 Analyzing Cost Data for Management (Cost Accounting Techniques) Exam

Completion Date:
1/23/2010 1:51:51 PM

Field Of Study:
Management Advisory Services

***CPE Credits:**
12

State Sponsor #'s

Illinois #18-001985 Ohio #S0019
New York #002021 Texas #007931
PA #PX-001926-L



Derek Finger
CEO CPE Solutions LLC



In accordance with the standards of the Quality Assurance Service (QAS), CPE credits have been granted based on a 50-minute hour.

QAS ID Number: 055

Instructional Delivery Method: Interactive Self-Study

WWW.CPECREDIT.COM 1-800-545-7601

Class studied
1.15.10 - 8 hrs - study
1.16.10 - 2 hrs - study
1/23/10 - 2 hrs - review & exam

JMR-PET016



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>



TO WHOM IT MAY CONCERN:

The undersigned shares in the custody and control of the files and records of this agency and hereby certifies that the attached documents are a true and correct copy of the originals or the original copies of the following pertaining to JOHNATHON MARK ROUX contained in the files of this office, and said documents were received in the normal course of business.

- Letter regarding John Roux, dated March 22, 2011, from Anjela DeRosa, CPA, Moss Adams LLP, personal family information redacted.
- Letter regarding John Roux, dated March 28, 2011, from Russell Fackrell, CPA.
- Letter regarding John M. Roux, dated March 27, 2011, from Francesca B. Wardlaw, Teacher, Rocklin Unified School District.
- Letter regarding John M. Roux, dated March 29, 2011, from Randy Orrick, President, Radial Tire Service.

Rafael Ixta
Chief, Enforcement Division
California Board of Accountancy
Department of Consumer Affairs
State of California

May 3, 2011

JMR-PET017

March 22, 2011

California Board of Accountancy – Board Office and Certifications,

I met John Roux in early 2000. John was working on a number of accounting engagements for my family from 2000 to 2007. From the onset, I found him to be trustworthy, reliable and punctual, among other positive traits. We engaged John to provide accounting services for our family business, to prepare personal tax returns, and to help with the submission of certain forms and documentation to IRS and Franchise Tax Board. John demonstrated a great deal of experience and adherence to the accounting profession – he always seemed to know the answer to quite complicated accounting matters.

Further, I am knowledgeable about John's character as expressed by his sense of duty and compassion as evidenced by the unwavering support he provides to his children, particularly since he is a single parent. John's influence on his children is remarkable – his oldest son [REDACTED] is a proud member of our military serving in [REDACTED]; his daughter [REDACTED] is attending UC [REDACTED]; and his youngest son [REDACTED] is honor student at [REDACTED] High School. This is also demonstrated by the care and aid John provides to his aged parents who live in [REDACTED]

Additionally, John helped me during my professional growth. When I first met him, I was still attending Sacramento State University working towards my Bachelor's of Science in Accountancy. I turned to him many times for advice, such as how to become a CPA, how to excel in our profession, how to progress in my career, how professional path in tax and in assurance is different, and how public practice is differing from private industry. John also provided his input during my years at Golden Gate University while I was completing my Master's in Accountancy (he holds Master's in Taxation as well). His commentaries during the years I have known him were instrumental. I hold a CPA license (initially issued to Anjela V. Dyatlov, I just recently submitted a name change request to Anjela V. DeRosa; the name change request is still pending finalization). I am a Business Assurance Manager with Moss Adams, LLP (joined the firm since early 2003). I am a President Elect of Cal CPA Sacramento Chapter (my term will be from May 2011 through April 2012). And of course, I am proud to be an accountant!

I believe that John has the talent and traits to serve as public accountant. He has a strong sense of purpose, is articulate, has great communication skills and has great critical thinking skills. In his "spare" time, John rides a bike, runs marathons, does construction work, landscapes, fixes cars, and reads.

In summary, it is my sincere hope that you will take the opportunity to reconsider John for licensure. I am aware of the unfortunate circumstances which lead to his license revocation and believe that he can be trusted with the license again. I also think that he will be a wise investment on the part of the California Board of Accountancy via a benefit to the larger community

Please do not hesitate to contact me with any questions.

Respectfully submitted (*signature is electronic as noted below*),

Anjela DeRosa, CPA | MOSS ADAMS LLP
Business Assurance Manager

JMR-PET018

Russell Fackrell, CPA

March 28, 2011

California State Board of Accountancy
2000 Evergreen Street, Ste 250
Sacramento, CA 95815

Re: Letter of recommendation for John Roux

Dear Sir/ Madams:

I am writing this letter of recommendation for John Roux in support of his status as a CPA in the State of California. I have known John since 1986 where we worked together for six years for a local CPA firm in Sacramento. The firm, Pfanner and Tate, was a large local CPA firm with approximately 80 staff. John obtained his Masters in Tax degree and worked as a tax manager for the firm. He managed a large percentage of the firms tax clients before he went out on his own.

I have known John as a highly intelligent, client oriented, and ethical professional. Over the years John has provided a great deal of professional advice and value to his clients and is widely respected. John is a credit to our profession and I urge the Board to reinstate his license.

Sincerely,



Russell Fackrell, CPA

JMR-PET019

March 27, 2011

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

RE: John M. Roux

To Whom It May Concern:

This letter is my personal recommendation for John M. Roux. I have personally known John Roux for the past 10 years. I have found him to be sincere, honest and knowledgeable. During the past 10 years, he has been involved in many aspects of the community, serving as Fair Oaks Youth Soccer and baseball coach, volunteering at his sons' school, as well as providing his business expertise to assist me.

As an experienced business man, he has assisted me with financial aspects of my divorce and has guided me with future financial planning for my retirement. During this time, I have seen an increase in my 403B plan and look forward to being financially sound for retirement within the next 10 years.

I understand the circumstances that lead to Mr. Roux's revocation of his CPA license and feel confident that if he is reinstated he will be an asset to the accounting profession. I strongly urge you to reinstate his license and allow him to resume his practice as a Certified Public Accountant.

If you should desire to contact me regarding this matter or have any other questions, please feel free to contact me at

Sincerely,



Francesca B. Wardlaw
Teacher, Rocklin Unified School District

JMR-PET020

RADIAL TIRE SERVICE

2500 COTTAGE WAY, SACRAMENTO, CA 95828 • (916) 481-7007

March 29, 2011

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

RE: John M. Roux

To Whom It May Concern:

Mr. Roux has requested that I write a personal letter of recommendation, which I do with great pleasure. I engaged Mr. Roux in 1998 when my Company business was being audited by the Internal Revenue Service. The CPA that I had worked for our company for a number of years had agitated the IRS auditor and had made numerous errors on the corporate return. Mr. Roux had come highly recommended from a couple of our customers and after interviewing him, I realized that his tax expertise and professional manner would be beneficial in resolving these issues.

Mr. Roux prepared all of the schedules and providing the supporting documents requested by the IRS auditor. Working with the auditor, but looking out for our best interests, Mr. Roux was able to finalize the audit. Mr Roux kept us constantly updated on the status of the audit and was always attentive to our needs.

Since that time we have engaged Mr. Roux to consult with us on a number of business matters. Due to his expertise, our business has continued to grow even during these tough economic times. At a time when a number of automotive businesses and dealerships have gone out of business, ours has continued to grow. This has allowed us to continue to employ a competent staff and a number of mechanics.

When Mr. Roux's license was revoked, he informed us immediately of the circumstances that lead to the revocation of his CPA license. He informed us the he could no longer function as our CPA and was willing to recommend a couple of other qualified accountants. Since we do not require any financial reporting, we urged Mr. Roux to stay on as a consultant.

I have found Mr. Roux to be very knowledgably, ethical and client oriented. Mr. Roux values the profession of Public Accounting and would be an asset to the profession if his license is reinstated. I highly recommend that you to reinstate his license.

If you should desire to contact me regarding this matter or have any other questions, please contact me at the number or address above.

Best regards,



Randy Orrick
President, Radial Tire Service

JMR-PET021



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>



TO WHOM IT MAY CONCERN:

The undersigned shares in the custody and control of the files and records of this agency and hereby certifies that the attached documents are a true and correct copy of the originals or the original copies of the following pertaining to JOHNATHON MARK ROUX contained in the files of this office, and said documents were received in the normal course of business.

- Default Decision and Order No. AC-2007-22, effective June 17, 2007.
- Accusation No. AC-2007-22, dated January 9, 2007.

Paul Fisher
Supervising Investigative CPA
Enforcement Division
California Board of Accountancy
Department of Consumer Affairs
State of California

April 22, 2011

JMR-PET022

1 EDMUND G. BROWN JR., Attorney General
of the State of California
2 ARTHUR D. TAGGART
Supervising Deputy Attorney General
3 KENT D. HARRIS, State Bar No. 144804
Deputy Attorney General
4 California Department of Justice
1300 I Street, Suite 125
5 P.O. Box 944255
Sacramento, CA 94244-2550
6 Telephone: (916) 324-7859
Facsimile: (916) 327-8643
7
Attorneys for Complainant
8

9
10 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA
11

12 In the Matter of the Accusation Against:

13 JOHNATHON MARK ROUX
4934 Pathway Court
14 Fair Oaks, CA 95628

15 Certified Public Accountant Certificate No.
43139

16
17 Respondent.

Case No. AC-2007-22

**DEFAULT DECISION
AND ORDER**

[Gov. Code, §11520]

18 FINDINGS OF FACT

19 1. On or about January 9, 2007, Complainant Carol Sigmann, in her official
20 capacity as the Executive Officer of the California Board of Accountancy, Department of
21 Consumer Affairs, filed Accusation No. AC-2007-22 against Johnathon Mark Roux
22 (Respondent) before the California Board of Accountancy.

23 2. On or about June 7, 1985, the California Board of Accountancy (Board)
24 issued Accountant Certificate No. 43139 to Respondent. The Accountant Certificate was in full
25 force and effect at all times relevant to the charges brought herein and will expire on January 31,
26 2008, unless renewed.

27 ///

28 ///

JMR-PET023

1 3. On or about January 16, 2007, Carol L Sekara, an employee of the
2 Department of Justice, served by Certified and First Class Mail a copy of the Accusation No.
3 AC-2007-22, Statement to Respondent, Notice of Defense, Request for Discovery, and
4 Government Code sections 11507.5, 11507.6, and 11507.7 to Respondent's address of record
5 with the Board, which was and is 4934 Pathway Court, Fair Oaks, CA 95628. A copy of the
6 Accusation, the related documents, and Declaration of Service are attached as exhibit A, and are
7 incorporated herein by reference. Further, on March 8, 2007, Mary Anne Snyder an employee of
8 the Department of Justice, served by Certified and First Class Mail another copy of the
9 Accusation No. AC-2007-22, Statement to Respondent, Notice of Defense, Request for
10 Discovery, and Government Code sections 11507.5, 11507.6, and 11507.7 to an additional
11 address for Respondent, 6115 Main Avenue, #15, Orangevale, CA 95662. A copy of the
12 Declaration of Service for said additional service is also attached as part of exhibit A, and is
13 incorporated herein by reference.

14 4. Service of the Accusation was effective as a matter of law under the
15 provisions of Government Code section 11505, subdivision (c).

16 5. On or about January 23, 2007, the signed Domestic Return Receipt from
17 the January 16, 2007 service was received by the Department of Justice. Nothing has been
18 returned from the second mailing of service. A copy of the returned Domestic Return Receipt is
19 attached hereto as exhibit B, and are incorporated herein by reference.

20 6. Government Code section 11506 states, in pertinent part:

21 "(c) The respondent shall be entitled to a hearing on the merits if the respondent
22 files a notice of defense, and the notice shall be deemed a specific denial of all parts of the
23 accusation not expressly admitted. Failure to file a notice of defense shall constitute a waiver of
24 respondent's right to a hearing, but the agency in its discretion may nevertheless grant a hearing."

25 7. Respondent failed to file a Notice of Defense within 15 days after service
26 upon him of the Accusation, and therefore waived his right to a hearing on the merits of
27 Accusation No. AC-2007-22.

28 ///

JMR-PET024

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER

IT IS SO ORDERED that Accountant Certificate No. 43139, heretofore issued to Respondent Johnathon Mark Roux, is revoked.

Pursuant to Government Code section 11520, subdivision (c), Respondent may serve a written motion requesting that the Decision be vacated and stating the grounds relied on within seven (7) days after service of the Decision on Respondent. The agency in its discretion may vacate the Decision and grant a hearing on a showing of good cause, as defined in the statute.

This Decision shall become effective on June 17, 2007.

It is so ORDERED May 18, 2007



FOR THE CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS

Attachments:

- Exhibit A: Accusation No.AC-2007-22, Related Documents, and Declaration of Service
- Exhibit B: Domestic Return Receipt
- Exhibit C: Certificate of Costs - Declaration of Carol Sigmann

DOJ docket number:03541110-SA2006103405
Roux Default.wpd

JMR-PET026

JMR-PET027

Exhibit A

Accusation No. AC-2007-22,
Related Documents and Declaration of Service

1 BILL LOCKYER, Attorney General
of the State of California
2 ARTHUR D. TAGGART
Supervising Deputy Attorney General
3 KENT D. HARRIS, State Bar No. 144804
Deputy Attorney General
4 California Department of Justice
1300 I Street, Suite 125
5 P.O. Box 944255
Sacramento, CA 94244-2550
6 Telephone: (916) 324-7859
Facsimile: (916) 327-8643
7 Attorneys for Complainant

8
9 **BEFORE THE**
CALIFORNIA BOARD OF ACCOUNTANCY
10 **DEPARTMENT OF CONSUMER AFFAIRS**
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

Case No. AC-2007-22

13 **JOHNATHON MARK ROUX**
4934 Pathway Court
14 Fair Oaks, CA 95628

A C C U S A T I O N

15 Certified Public Accountant Certificate No.
43139

16 Respondent.
17

18 Complainant alleges:

19 **PARTIES**

20 1. Carol Sigmann (Complainant) brings this Accusation solely in her official
21 capacity as the Executive Officer of the California Board of Accountancy, Department of
22 Consumer Affairs.

23 2. On or about June 7, 1985, the California Board of Accountancy issued
24 Certified Public Accountant Certificate Number 43139 to Johnathon Mark Roux (Respondent).
25 The Certified Public Accountant Certificate will expire on January 31, 2008, unless renewed.

26 **JURISDICTION**

27 3. This Accusation is brought before the California Board of Accountancy
28 (Board), Department of Consumer Affairs, under the authority of the following laws. All section

1 references are to the Business and Professions Code unless otherwise indicated.

2 4. Section 5050 states:

3 "No person shall engage in the practice of public accountancy in this State unless
4 such person is the holder of a valid permit to practice public accountancy issued by the board;
5 provided, however, that nothing in this chapter shall prohibit a certified public accountant or a
6 public accountant of another state, or any accountant of a foreign country lawfully practicing
7 therein, from temporarily practicing in this State on professional business incident to his regular
8 practice in another state or country."

9 5. Section 5060 states:

10 "(a) No person or firm may practice public accountancy under any name which is
11 false or misleading.

12 "(b) No person or firm may practice public accountancy under any name other
13 than the name under which the person or firm holds a valid permit to practice issued by the
14 board.

15 "(c) Notwithstanding subdivision (b), a sole proprietor may practice under a name
16 other than the name set forth on his or her permit to practice, provided the name is registered by
17 the board, is in good standing, and complies with the requirements of subdivision (a).

18 "(d) The board may adopt regulations to implement, interpret, and make specific
19 the provisions of this section including, but not limited to, regulations designating particular
20 forms of names as being false or misleading."

21 6. Section 5100 states in pertinent part:

22 "After notice and hearing the board may revoke, suspend or refuse to renew any
23 permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5
24 (commencing with Section 5080), or may censure the holder of that permit or certificate for
25 unprofessional conduct which includes, but is not limited to, one or any combination of the
26 following causes:

27 "(b) A violation of Section 478, 498, or 499 dealing with false statements or
28 omissions in the application for a license, or in obtaining a certificate as a certified public

1 accountant or in obtaining registration under this chapter or in obtaining a permit to practice
2 public accountancy under this chapter.”...

3 “(g) Willful violation of this chapter or any rule or regulation promulgated by the
4 board under the authority granted under this chapter.”

5 7. Section 118, subdivision (b), of the Code provides that the suspension,
6 expiration, surrender, or cancellation of a license shall not deprive the Board of jurisdiction to
7 proceed with a disciplinary action during the period within which the license may be renewed,
8 restored, reissued or reinstated.

9 8. Section 5107 of the Code provides, “(a) The executive officer of the board
10 may request the administrative law judge, as part of the proposed decision in a disciplinary
11 proceeding, to direct any holder of a permit or certificate found to have committed a violation or
12 violations of this chapter to pay the board all reasonable costs of investigation and prosecution of
13 the case, including, but not limited to, attorneys’ fees. The board shall not recover costs incurred
14 at the administrative hearing.”

15 9. Title 16 California Code of Regulations Section 87 states in pertinent part:
16 “As a condition of active status license renewal, a licensee shall complete at least 80 hours of
17 qualified continuing education as described in section 88 in the two- year period immediately
18 preceding license expiration and meet the reporting requirements set forth in subsection (a) of
19 section 89.”

20 10. Title 16 California Code of Regulations Section 88(d) states in pertinent
21 part that the credit as instructor will be allowed for any program or meeting providing that the
22 session is one that would meet the continuing education requirements set forth in section 88(a),
23 section 88.1, and section 88.2.”

24 11. Title 16 California Code of Regulations Section 89 provides in pertinent
25 part: “(a) Upon renewal, a licensee who is required, pursuant to section 87, to obtain continuing
26 education must provide a written statement, signed under penalty of perjury, certifying that the
27 requisite number of continuing education hours has been obtained.”...

28 ///

1 c. That he had completed 24 hours of "FASB, SSARS, & SAS" when he
2 had actually completed only 8 hours;

3 d. That he had completed 8 hours of continuing education for a course
4 entitled "How to Organize & Run a Small Business" when he had only completed 6 hours.

5 PRAYER

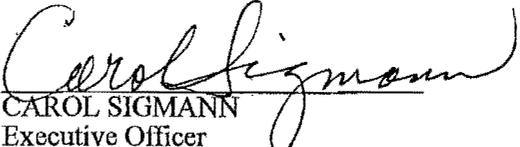
6 WHEREFORE, Complainant requests that a hearing be held on the matters herein
7 alleged, and that following the hearing, the California Board of Accountancy issue a decision:

8 1. Revoking or suspending Accountant Certificate Number 43139, issued to
9 Johnathon Mark Roux;

10 2. Ordering Johnathon Mark Roux to pay the California Board of
11 Accountancy the reasonable costs of the investigation and enforcement of this case, pursuant to
12 Business and Professions Code section 5107;

13 3. Taking such other and further action as deemed necessary and proper.
14

15
16 DATED: January 9, 2007
17

18 
19 CAROL SIGMANN
20 Executive Officer
21 California Board of Accountancy
22 Department of Consumer Affairs
23 State of California
24 Complainant

23 03541110-SA2006103405
24 Roux accusation.wpd
25 kdh:12/22/06
26

27
28

JMR-PET032



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>



March 23, 2011

STATE OF CALIFORNIA)
) ss.
DEPARTMENT OF CONSUMER AFFAIRS)

CERTIFICATION OF LICENSE HISTORY

I, Paul Fisher, hereby certify that I am the Supervising Investigative CPA of the Enforcement Division of the California Board of Accountancy, Department of Consumer Affairs, State of California, and in that capacity, share in maintaining control and custody of files and records dealing with and pertaining to the duties and responsibilities of said Board. On March 23, 2011, I made or caused to be made a diligent search of the aforesaid files and records concerning the certification and license history of JOHNATHON MARK ROUX. I determined that the official records prepared by various persons employed by the California Board of Accountancy, acting within the scope of their duties, show the following license history of JOHNATHON MARK ROUX.

1. Certificate number 43139 (Certified Public Accountant) was issued to JOHNATHON MARK ROUX on June 7, 1985, by the state of California.
2. The certificate is subject to renewal every two years pursuant to California Business and Professions Code Section 5070.5. The applicable renewal period for this certificate begins February 1 of even-numbered years.
3. The California Board of Accountancy's licensing records were transferred to the Department of Consumer Affairs' centralized computer system in March 1989. As a result, the underlying documentation related to license history prior to that date is unavailable. The computerized records reflect that in March 1989 the certificate was in a renewed status with continuing education ("active") and remained in that status through January 31, 1990.
4. The certificate was renewed for the period February 1, 1990 through January 31, 1992, with continuing education ("active")
5. The certificate was renewed for the period February 1, 1992 through January 31, 1994, with continuing education ("active").
6. The certificate was renewed for the period February 1, 1994 through January 31, 1996, with continuing education ("active").

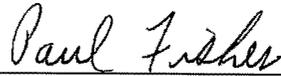
7. The certificate was expired and was not valid during the period February 1, 1996 through March 12, 1996, for the following reasons:
 - a) the renewal fee required by California Business and Professions Code Section 5070.5 was not paid; and
 - b) declaration of compliance with continuing education requirements was not submitted.
8. Effective March 13, 1996, the certificate was renewed through January 31, 1998, upon receipt of the renewal fee and declaration of compliance with continuing education requirements ("active").
9. The certificate was expired and was not valid during the period February 1, 1998 through January 7, 2003, for the reasons set forth in Item 7 above.
10. Effective January 8, 2003, the certificate was renewed through January 31, 2004, upon receipt of the renewal fee; however, declaration of compliance with continuing education requirements was not submitted ("inactive").
11. The certificate was expired and was not valid during the period February 1, 2004 through August 22, 2005, for the reasons set forth in Item 7 above.
12. Effective August 23, 2005, the certificate was renewed through January 31, 2006, upon receipt of the renewal fee and declaration of compliance with continuing education requirements ("active").
13. The certificate was expired and was not valid during the period February 1, 2006 through approximately August 25, 2006, for the reasons set forth in Item 7 above.
14. Effective August 26, 2006, the certificate was renewed through January 31, 2008, upon receipt of the renewal fee and declaration of compliance with continuing education requirements ("active").
15. Charges of unprofessional conduct were filed against JOHNATHON MARK ROUX by the California Board of Accountancy in Accusation No. AC-2007-22, dated January 9, 2007. The California Board of Accountancy's Decision in the matter of Accusation No. AC-2007-22 revoked Certified Public Accountant No. 43139 issued to JOHNATHON MARK ROUX, effective June 17, 2007.
16. The last address of record for JOHNATHON MARK ROUX, Certificate number CPA 43139, as appearing in the records of the California Board of Accountancy, in conformance with California Code of Regulations, Title 16, Chapter 1, Section 3, is:

JOHNATHON MARK ROUX
4934 Pathway Court
Fair Oaks, CA 95628

JMR-PET034

17. The California Board of Accountancy has not adopted a regulation authorizing intervention.

This certification is made pursuant to Evidence Code Section 1280 and the authority conferred upon me by the California Board of Accountancy.



PAUL FISHER
Supervising Investigative CPA
Enforcement Program
California Board of Accountancy
Department of Consumer Affairs
State of California

March 23, 2011

JMR-PET035

Memorandum

CPC Agenda Item I
May 19, 2011

CBA Agenda Item XI.B.2
May 19-20, 2011

To : CBA Members
CPC Members

Date : April 18, 2011

Telephone : (916) 561-4344

Facsimile : (916) 263-3678

E-mail : vjohnston@cba.ca.gov

From : Vincent Johnston
Associate Analyst

Subject : Overview of Previously Received Positions on AB 2473 of 2008- Mobility

At the March 2011 California Board of Accountancy (CBA) meeting, members requested that staff present to the Committee on Professional Conduct (CPC) a list of all opposition and support letters received for Assembly Bill (AB) 2473 (**Attachment 1**) of 2008. Attached are those letters.

The CBA received eleven letters of opposition: from Senator Don Perata (**Attachment 2**), the Department of Consumer Affairs (**Attachment 4, 4a¹**), former California Treasurer Bill Lockyer (**Attachment 5**), the Center for Public Interest Law (CPIL) (**Attachment 6**), the California Nurses Association (**Attachment 7**), the California Tax Reform Association (**Attachment 8**), Communications Workers of America Local 9400 (**Attachment 9**), the Consumers Union (**Attachment 10**), Consumer Watchdog (**Attachment 11**), the Controller of the California Democratic Party Eric Bradley (**Attachment 12**), and former Senator Liz Figueroa via Public Citizen (**Attachment 13**).

The CBA received seventeen support letters, one from the chairman of the Utah State Board of Accountancy (**Attachment 14**), one from the Hispanic 100 (**Attachment 15**), one from the Latino Business Professionals (**Attachment 16**) 10 from state CPA societies (**Attachments 17-26**), two from the Washington State Board of Accountancy (**Attachments 27-28**), one from the National Association of Black Accountants (NABA) (**Attachment 29**), one from the National Association of State Boards of Accountancy (NASBA) (**Attachment 30**).

Attachment 3 is a response letter from the CBA to Senator Don Perata, addressing some of the Senator's concerns regarding mobility.

Of the 29 attached letters, four of the opposed letters are of particular importance to the CPC. Principally, the letter from Senator Perata requests the authors of AB 2473, Assembly Members Niello and Ma, and the CBA provide four analyses to the Legislature before legislative deliberations. The analyses requested include:

¹ Because of poor print quality and significant importance, the letter has been transcribed as **Attachment 3a**

- 1) A comprehensive report, preferably prepared by the California Research Bureau (CRB), or other comprehensive independent research body, detailing accountancy disciplinary statutes and systems of other states, other states internet posting requirements, and the impact of completing the practice privilege notification form on out of state accountants
- 2) A Legal Analysis by the Attorney General's Office reviewing the efficacy and cost of potential enforcement of California laws and other states' laws against residents of other states. The report should include the ability of the CBA to impair the license of an out of state CPA, the ability to prevent an out of state licensee to practice in California, the ability of a California consumer to sue in state court for damages by an out of state CPA, and the ability of the CBA to designate another state board as an agent for service of process on the out of state CPA.
- 3) A detailed description of how the CBA and California consumers will be made aware that an out of state individual who has been banned under the CBA proposal may be practicing in California unlawfully.
- 4) A legal analysis of the CBA authority and the means by which it could reconsider relying on another state's standards if another state changed its statutes regarding CPA discipline, qualification, and disclosure in a manner that the CBA believes to insufficiently protect California families and businesses.

Significant opposition also emanated from the California Department of Consumer Affairs (DCA), which was concerned that by removing the notification requirement for out of state licensees, the CBA would have no way of knowing who and how many out of state licensees are practicing in California. Former California Treasurer Bill Lockyer agreed, stating: "such reliance on the adequacy of other states' regulatory and consumer protection mechanisms is especially troubling given the fact the Board has not even studied or assessed other states' procedures."

Finally, the CPIL questioned the need and efficacy of a cross-border program. In an April 3, 2008 letter, CPIL states that AB 2473's proposal to ease "cross border practice" addresses a problem that doesn't exist in a way that imperils the fiscal lives of California families and small businesses, and repeatedly states that not a single human being or accounting firm from anywhere has ever come forward to admit that they are in fact not providing services in California because of the existence of the practice privilege form.

Many of the letters of opposition refer to Senator Perata's letter, and echo the request for additional analyses by outside entities. The sentiment of all the opposing letters is the same; there is serious concern in relying upon other states' enforcement processes to protect California Consumers.

On April 1, 2008 the CBA sent a letter to Senator Perata outlining the reason and need for mobility, and the consumer protection aspects of AB 2473. The letter states that under AB 2473, the CBA could enforce its discipline, including fines, cost recovery, and restricting out of state CBAs from practicing in California in addition to referring the CPA to their own state's regulatory authority.

The support letters for AB 2473 originated primarily from other states' professional societies, and boards of accountancy. The majority of the support letters expound upon the issue of mobility, and emphasize the need of CPAs to address the capital market regionally, nationally, and internationally. The letters also support California's move toward substantial equivalency, and the Utah State Board of Accountancy Chairman states: "I encourage California to join a significant national movement to enable fluid practice of public accounting across geographical boundaries, while at the same time, maintaining a common level of quality and integrity in the protection of citizen interest."

Many of the support letters echo the sentiment that a piecemeal system of state laws make it difficult for CPAs to stay abreast of the current laws and regulations of each state. They argue NASBA's concept of mobility will ease interstate practice and ensure that CPAs do not inadvertently break a state's law regarding practice.

The CBA also received a letter of support from NASBA, which stated:

"Recent discussions and actions by the U.S. Department of Treasury's Advisory Committee on the Audit Profession (ACAP), the Security Exchange Commission and the Public Accounting Oversight Board have strongly supported the efforts of state boards to pass legislation leading to such "mobility."

Staff will be at the meeting to address any questions you may have.

Attachments

AMENDED IN ASSEMBLY APRIL 1, 2008

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL**No. 2473****Introduced by Assembly Members Niello and Ma**

February 21, 2008

An act to amend Sections 5035.3, 5050, 5050.2, 5088, 5096, 5096.2, 5096.3, 5096.4, 5096.6, 5096.7, 5096.10, 5096.12, 5109, 5116.6, and 5134 of, to amend and repeal Section 5092 of, to repeal Sections 5054, ~~5096.1~~, 5096.5, 5096.11, 5096.14, and 5096.15 of, and to repeal and add ~~Section~~ *Sections 5096.1 and 5096.13* of, the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2473, as amended, Niello. Accountancy: licensure.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law prohibits a person from engaging in the practice of public accountancy in this state unless he or she holds either a valid permit issued by the board or a practice privilege, which the board may, until January 1, 2011, issue to an accountant licensed in another state who meets specified requirements, and a violation of this provision is a crime. Existing law exempts from the prohibition the temporary practice of accountancy in California incident to practice in another state or foreign country in which a person is licensed or authorized to practice accountancy, as specified, and the filing of specified tax returns by an accountant licensed in another state.

This bill would repeal on January 1, 2012, the provisions governing education, examination, and experience requirements for licensure as a certified public accountant. The bill would delete the exception from

the practice prohibition for practice incidental to lawful practice in another state and for the filing of the tax returns by a licensee of another state, and would revise the exception from the practice prohibition for practice incidental to lawful practice in a foreign country by imposing additional requirements in order for that exception to apply.

This bill would delete the practice privilege provisions for out of state accountants, including related fees, and would instead authorize an individual who has a valid and current license, certificate, or permit to practice public accountancy from another state and who meets specified requirements to engage in the cross-border practice of accountancy in this state without obtaining a certificate or license, subject to specified conditions and limitations. The bill would authorize an accounting firm or sole proprietor that performs nonattest services for entities headquartered in this state to engage in the practice of public accountancy in this state without a firm registration, and would authorize an accounting firm or sole proprietor that performs attest services for entities headquartered in this state to engage in the practice of accountancy through an alternative firm registration, subject to certain conditions. The bill would ~~authorize~~ *provide for automatic suspension or revocation of the cross-border practice authorization in certain circumstances, and would require the board to revoke or suspend the above authorizations to practice, cross-border practice authorization if the board or its executive officer makes certain findings and authorize the board to take disciplinary action, as specified.*

Because this bill would delete or revise certain exceptions to the accountancy licensing provisions, the violation of which are a crime, it would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 5035.3 of the Business and Professions
- 2 Code is amended to read:

1 5035.3. For purposes of Sections 5050.2, 5096.12, and 5096.13,
2 “firm” includes any entity that is authorized or permitted to practice
3 public accountancy as a firm under the laws of another state or
4 country.

5 SEC. 2. Section 5050 of the Business and Professions Code is
6 amended to read:

7 5050. Except as provided in Section 5050.2, no person shall
8 engage in the practice of public accountancy in this state unless
9 the person is the holder of a valid permit to practice public
10 accountancy issued by the board or practicing in this state under
11 cross-border practice pursuant to Article 5.1 (commencing with
12 Section 5096).

13 SEC. 3. Section 5050.2 of the Business and Professions Code
14 is amended to read:

15 5050.2. (a) Nothing in this chapter shall prohibit a person or
16 firm that holds a valid and current license, registration, certificate,
17 permit, or other authority to practice public accountancy from a
18 foreign country, and lawfully practicing therein, from temporarily
19 engaging in the practice of public accountancy in this state incident
20 to an engagement in that country, provided that the individual or
21 firm:

22 (1) Is regulated by the foreign country and is performing the
23 temporary practice in this state under accounting or auditing
24 standards of that country.

25 (2) Does not represent or hold himself, herself, or itself out as
26 being the holder of a valid California permit to practice public
27 accountancy.

28 (3) Is authorized to practice in another country and does not
29 have an office in this state.

30 (4) Shall be deemed to consent to the personal, subject matter,
31 and disciplinary jurisdiction of the board with respect to any
32 practice under this section.

33 (5) Shall cooperate with any board investigation or inquiry and
34 shall timely respond to a board investigation, inquiry, request,
35 notice, demand, or subpoena for information or documents and
36 timely provide to the board the identified information and
37 documents.

38 (6) Shall not perform any services in this state that the individual
39 or firm is not legally authorized to perform in the country of
40 principal place of business.

1 (b) The board may issue a fine pursuant to Article 6.5
 2 (commencing with Section 5116), or revoke, suspend, or otherwise
 3 restrict the right to practice in this state or otherwise discipline a
 4 person with a license, registration, certificate, permit, or other
 5 authority to practice public accountancy from a foreign country
 6 for any act that would be a violation of this code~~or~~, grounds for
 7 discipline against a licensee, or grounds for denial of a license
 8 under this code. The provisions of the Administrative Procedure
 9 Act, including, but not limited to, the commencement of a
 10 disciplinary proceeding by the filing of an accusation by the board
 11 shall apply to this section. Any person whose authorization to
 12 practice has been revoked under this section may apply for
 13 reinstatement of the authorization to practice not less than one year
 14 after the effective date of the board’s decision revoking the
 15 authorization to practice unless a longer time, not to exceed three
 16 years, is specified in the board’s decision revoking the authorization
 17 to practice.

18 (c) The board may administratively suspend the authorization
 19 of any person to practice under this section for any act that would
 20 be grounds for administrative suspension under Section 5096.4
 21 utilizing the procedures set forth in that section.

22 SEC. 4. Section 5054 of the Business and Professions Code is
 23 repealed.

24 SEC. 5. Section 5088 of the Business and Professions Code is
 25 amended to read:

26 5088. Any individual who is the holder of a current and valid
 27 license, certificate, or permit as a certified public accountant issued
 28 under the laws of any state and who applies to the board for a
 29 license as a certified public accountant under the provisions of
 30 Section 5087 may, until the time the application for a license is
 31 granted or denied, practice public accountancy in this state only
 32 under the cross-border practice provisions of Article 5.1
 33 (commencing with Section 5096), except that, for purposes of this
 34 section, the individual is not disqualified from cross-border practice
 35 during the period the application is pending by virtue of
 36 maintaining an office or principal place of business, or both, in
 37 this state.

38 SEC. 6. Section 5092 of the Business and Professions Code is
 39 amended to read:

1 5092. (a) To qualify for the certified public accountant license,
2 an applicant who is applying under this section shall meet the
3 education, examination, and experience requirements specified in
4 subdivisions (b), (c), and (d), or otherwise prescribed pursuant to
5 this article. The board may adopt regulations as necessary to
6 implement this section.

7 (b) An applicant for the certified public accountant license shall
8 present satisfactory evidence that the applicant has completed a
9 baccalaureate or higher degree conferred by a college or university,
10 meeting, at a minimum, the standards described in Section 5094,
11 the total educational program to include a minimum of 24 semester
12 units in accounting subjects and 24 semester units in business
13 related subjects. This evidence shall be provided prior to admission
14 to the examination for the certified public accountant license,
15 except that an applicant who applied, qualified, and sat for at least
16 two subjects of the examination for the certified public accountant
17 license before May 15, 2002, may provide this evidence at the
18 time of application for licensure.

19 (c) An applicant for the certified public accountant license shall
20 pass an examination prescribed by the board pursuant to this article.

21 (d) The applicant shall show, to the satisfaction of the board,
22 that the applicant has had two years of qualifying experience. This
23 experience may include providing any type of service or advice
24 involving the use of accounting, attest, compilation, management
25 advisory, financial advisory, tax, or consulting skills. To be
26 qualifying under this section, experience shall have been performed
27 in accordance with applicable professional standards. Experience
28 in public accounting shall be completed under the supervision or
29 in the employ of a person licensed or otherwise having comparable
30 authority under the laws of any state or country to engage in the
31 practice of public accountancy. Experience in private or
32 governmental accounting or auditing shall be completed under the
33 supervision of an individual licensed by a state to engage in the
34 practice of public accountancy.

35 (e) This section shall remain in effect only until January 1, 2012,
36 and as of that date is repealed, unless a later enacted statute, that
37 is enacted before January 1, 2012, deletes or extends that date.

38 SEC. 7. Section 5096 of the Business and Professions Code is
39 amended to read:

1 5096. (a) An individual whose principal place of business is
2 not in this state and who has a valid and current license, certificate,
3 or permit to practice public accountancy from another state may,
4 subject to the conditions and limitations in this article, engage in
5 the practice of public accountancy in this state under cross-border
6 practice without obtaining a certificate or license under this chapter
7 if the individual satisfies one of the following:

8 (1) The individual has continually practiced public accountancy
9 as a certified public accountant under a valid license, certificate,
10 or permit issued by any state for at least four of the last 10 years.

11 (2) The individual has a license, certificate, or permit from a
12 state that has been determined by the board to have education,
13 examination, and experience qualifications for licensure
14 substantially equivalent to this state's qualifications under Section
15 5093.

16 (3) The individual possesses education, examination, and
17 experience qualifications for licensure that are substantially
18 equivalent to this state's qualifications under Section 5093.

19 (b) The board may designate states as substantially equivalent
20 under paragraph (2) of subdivision (a) and may accept individual
21 qualification evaluations or appraisals conducted by designated
22 entities, as satisfying the requirements of paragraph (3) of
23 subdivision (a).

24 (c) An individual who practices under cross-border practice in
25 this state:

26 (1) Is subject to the personal and subject matter jurisdiction and
27 disciplinary authority of the board and the courts of this state.

28 (2) Shall comply with the provisions of this chapter, board
29 regulations, and other laws, regulations, and professional standards
30 applicable to the practice of public accountancy by the licensees
31 of this state and to any other laws and regulations applicable to
32 individuals practicing under cross-border practice in this state,
33 except the individual is deemed, solely for the purpose of this
34 article, to have met the continuing education requirements ~~and~~
35 ~~ethics examination requirements~~ of this state when the individual
36 has met the continuing education requirements of the state in which
37 the individual holds the valid license, certificate, or permit as
38 provided in subdivision (a).

39 (3) Shall not provide public accountancy services in this state
40 from any office located in this state, except as an employee of a

1 firm registered in this state. This paragraph does not apply to public
2 accountancy services provided to a client at the client's place of
3 business or residence.

4 (4) Is deemed to have appointed the regulatory agency of each
5 state in which he or she holds a certificate, license, or permit as
6 the individual's agent on whom notices, subpoenas or other process
7 may be served in any action or proceeding by the board against
8 the individual.

9 (5) Shall cooperate with any board investigation or inquiry and
10 shall timely respond to a board investigation, inquiry, request,
11 notice, demand or subpoena for information or documents and
12 timely provide to the board the identified information and
13 documents.

14 (6) Shall not perform any services in this state under
15 cross-border practice that he or she is not legally authorized to
16 perform in his or her state of principal place of business.

17 (d) (1) No individual may practice under cross-border practice
18 without prior approval of the board if the individual has any
19 disqualifying condition under paragraph (2) of this subdivision.

20 (2) Disqualifying conditions include:

21 (A) Conviction of any crime other than a minor traffic violation.

22 (B) Revocation, suspension, denial, surrender or other discipline
23 or sanctions involving any license, permit, registration, certificate
24 or other authority to practice any profession in this or any other
25 state or foreign country or to practice before any state, federal, or
26 local court or agency, or the Public Company Accounting Oversight
27 Board.

28 (C) Pendency of any investigation, inquiry or proceeding by or
29 before any state, federal or local court or agency, including, but
30 not limited to, the Public Company Accounting Oversight Board,
31 involving the professional conduct of the individual.

32 (D) Any judgment or arbitration award against the individual
33 involving the professional conduct of the individual in the amount
34 of thirty thousand dollars (\$30,000) or greater within the last 10
35 years.

36 (E) Any other conditions as specified by the board in regulation.

37 (3) The board may adopt regulations exempting specified minor
38 occurrences of the conditions listed in subparagraph (B) of
39 paragraph (2) from being disqualifying conditions under this
40 subdivision.

1 (4) *In no event may the board approve an applicant for*
 2 *cross-border practice if he or she, within the 12 months preceding*
 3 *the filing of his or her application, has been the subject of a final*
 4 *order of conviction of any felonies specified in subdivision (b) of*
 5 *Section 5096.1 or designated by board regulations pursuant to*
 6 *subdivision (e) of Section 5096.1.*

7 (e) An individual who acquires any disqualifying condition
 8 described in paragraph (2) of subdivision (d) while practicing under
 9 cross-border practice in this state shall immediately notify the
 10 board in writing of the nature and details of the disqualifying
 11 condition.

12 SEC. 8. Section 5096.1 of the Business and Professions Code
 13 is repealed.

14 SEC. 9. *Section 5096.1 is added to the Business and Professions*
 15 *Code, to read:*

16 5096.1. (a) *The right of an individual to engage in*
 17 *cross-border practice without prior approval of the board is a*
 18 *privilege that, among other things, is conditioned on both of the*
 19 *following:*

20 (1) *The existence of legal authorization to perform professional*
 21 *services as a certified public accountant from the state in which*
 22 *his or her principal place of business is located.*

23 (2) *The absence of any disqualifying conditions listed in*
 24 *subdivision (d) of Section 5096 or specified in regulations adopted*
 25 *by the board.*

26 (b) *In order to protect the paramount interests of the public and*
 27 *the consumers of the State of California, the Legislature finds that*
 28 *if an individual fails to meet certain conditions, he or she shall be*
 29 *considered conclusively disqualified from engaging in cross-border*
 30 *practice. In addition, an immediate forfeiture of the individual's*
 31 *privilege to engage in cross-border practice shall occur as a matter*
 32 *of law when any of the following conditions exist, and no hearing*
 33 *shall be held nor shall the board have any discretion regarding*
 34 *whether or not to terminate the individual's cross-border practice:*

35 (1) *The individual's legal authorization to perform professional*
 36 *services as a certified public accountant is revoked, canceled,*
 37 *suspended, or otherwise terminated by the state in which his or*
 38 *her principal place of business is located. A certified copy of the*
 39 *order, decision, or judgment revoking, canceling, suspending, or*
 40 *otherwise terminating the legal authorization of the individual to*

1 *perform professional services as a certified public accountant by*
2 *the tribunal, court, or agency in the state of his or her principal*
3 *place of business shall be conclusive proof of the fact that the*
4 *individual no longer has authorization to provide professional*
5 *services in that state.*

6 *(2) The individual is convicted of any of the following felonies:*

7 *(A) Murder.*

8 *(B) Robbery.*

9 *(C) Grand theft.*

10 *(D) Embezzlement.*

11 *After receiving a certified copy of the record of conviction, the*
12 *board shall suspend the individual's cross-border practice*
13 *privileges. After the judgment of conviction has become final,*
14 *either because the time for appeal has elapsed or the judgment of*
15 *conviction has been affirmed or has otherwise become final, the*
16 *individual's cross-border practice shall be summarily revoked. If*
17 *the conviction is reversed, the individual's cross-border practice*
18 *privileges shall be immediately reinstated.*

19 *(c) For purposes of paragraph (2) of subdivision (b), a crime*
20 *is a felony if it is specifically declared to be so by statute or is*
21 *charged as a felony, irrespective of whether, in a particular case,*
22 *the crime may be considered a misdemeanor as a result of*
23 *postconviction proceedings.*

24 *(d) For purposes of this section, a certified copy of the criminal*
25 *conviction shall be conclusive proof of the fact of the conviction.*

26 *(e) The board may, by regulation, designate additional felonies*
27 *that result in summary revocation of cross-border practice*
28 *pursuant to this section.*

29 *(f) An individual whose cross-border practice privileges have*
30 *been suspended or terminated under this section may petition the*
31 *board to be reinstated not less than one year from the date of*
32 *suspension or termination.*

33 *(g) An individual whose cross-border practice privileges have*
34 *been suspended or terminated under this section may, at any time,*
35 *petition the board to reinstate his or her privilege to engage in*
36 *cross-border practice if the legal authorization to provide services*
37 *as a certified public accountant is restored by the state where his*
38 *or her principal place of business is located.*

1 ~~SEC. 9.~~

2 *SEC. 10.* Section 5096.2 of the Business and Professions Code
3 is amended to read:

4 5096.2. (a) An individual licensed out of state may be denied
5 cross-border practice in this state for failure to qualify under or
6 comply with the provisions of this article or implementing
7 regulations, or for any act that if committed by an applicant for
8 licensure would be grounds for denial of a license under Section
9 480 or if committed by a licensee would be grounds for discipline
10 under Section 5100, or for any act committed outside of this state
11 that would be a violation if committed within this state.

12 (b) The board may deny cross-border practice in this state using
13 either of the following procedures:

14 (1) Notifying the individual in writing of all of the following:

15 (A) That the cross-border practice is denied.

16 (B) The reasons for denial.

17 (C) The earliest date on which the individual is eligible for
18 cross-border practice in this state.

19 (D) The individual has a right to appeal the notice and request
20 a hearing under the provisions of the Administrative Procedure
21 Act if a written notice of appeal and request for hearing is made
22 within 15 days.

23 (E) Should the individual not submit a notice of appeal and
24 request for hearing within 15 days, the board’s action set forth in
25 the notice shall become final.

26 (2) Filing a statement of issues under the Administrative
27 Procedure Act.

28 (c) An individual licensed out of state who had been denied
29 cross-border practice in this state may petition for board approval
30 to practice under cross-border practice not less than one year after
31 the effective date of the notice or decision denying practice in this
32 state, unless a longer time period, not to exceed three years, is
33 specified in the notice or decision denying practice in this state.

34 ~~SEC. 10.~~

35 *SEC. 11.* Section 5096.3 of the Business and Professions Code
36 is amended to read:

37 5096.3. (a) The cross-border practice of an individual licensed
38 out of state, practicing or who practiced in this state under
39 cross-border practice, may be subject to revocation, suspension,
40 fines, or other disciplinary sanctions for any conduct that would

1 be grounds for discipline against a licensee of the board or for any
2 conduct in violation of this article or regulations implementing
3 this article.

4 (b) The board may recover its costs pursuant to Section 5107
5 as part of any disciplinary proceeding against an individual who
6 is licensed in another state and who is practicing or has practiced
7 under cross-border practice in this state.

8 (c) An individual licensed out of state whose cross-border
9 practice has been revoked may petition for board approval to
10 practice in this state not less than one year after the effective date
11 of the board's decision revoking the individual's cross-border
12 practice unless a longer time period, not to exceed three years, is
13 specified in the board's decision revoking practice in this state.

14 (d) The provisions of the Administrative Procedure Act,
15 including, but not limited to, the commencement of a disciplinary
16 proceeding by the filing of an accusation by the board shall apply
17 under this article.

18 (e) If the board takes disciplinary action against an individual
19 licensed in another state who is practicing or practiced in this state
20 under cross-border practice, the board shall notify each state in
21 which the individual holds a license, certificate, or permit of that
22 action.

23 ~~SEC. 11.~~

24 *SEC. 12.* Section 5096.4 of the Business and Professions Code
25 is amended to read:

26 5096.4. (a) The right of an individual to engage in cross-border
27 practice may be administratively suspended at any time by an order
28 issued by the board or its executive officer, without prior notice
29 or hearing, ~~for the purpose of conducting a disciplinary~~
30 ~~investigation, proceeding, or inquiry concerning the representations~~
31 ~~made in the notice, the individual's competence or qualifications~~
32 ~~to practice under cross-border practice, failure to timely respond~~
33 ~~to a board inquiry or request for information or documents, or~~
34 ~~under other conditions and circumstances provided for by board~~
35 ~~regulation.~~ *if the board or its executive officer finds both of the*
36 *following:*

37 (1) *The individual meets one of the following requirements:*

38 (A) *Acquired a disqualifying condition described in paragraph*

39 (2) *of subdivision (d) of Section 5096.*

1 (B) Committed any act that, if committed by an applicant, would
2 be grounds for denial of a license or, if committed by a licensee,
3 would be grounds for discipline under Section 5100.

4 (C) Committed any act outside of this state that would be a
5 violation if committed within this state.

6 (2) Serious injury will result to the public before the matter
7 could be heard on notice.

8 (b) The administrative suspension order is immediately effective
9 when mailed to the individual's address of record or agent for
10 notice and service as provided for in this article.

11 (c) The administrative suspension order shall contain the
12 following:

13 (1) The reason for the suspension.

14 (2) A statement that the individual has the right, within 30 days,
15 to appeal the administrative suspension order and request a hearing,
16 and that failure to do so will result in the order becoming
17 permanent.

18 (3) A statement that any appeal hearing will be conducted under
19 the provisions of the Administrative Procedure Act applicable to
20 individuals ~~who are denied licensure~~ whose license is subject to
21 revocation, suspension, limitation, or imposition of conditions,
22 including the filing of a statement of issues ~~an accusation~~ by the
23 board setting forth the reasons for the administrative suspension
24 of cross-border practice and specifying the statutes and rules ~~with~~
25 ~~which the individual must show compliance by producing proof~~
26 ~~at the hearing and in addition any particular matters that have come~~
27 ~~to the attention of the board and that would authorize the~~
28 ~~administrative suspension, or the denial of cross-border practice.~~

29 ~~(d) The burden is on the individual whose cross-border practice~~
30 ~~is suspended to establish both qualification and fitness to practice~~
31 ~~under cross-border practice. on which the action is based.~~

32 (d) Hearings shall be conducted within 90 days of the board's
33 reception of the individual's appeal of the administrative
34 suspension order. A final decision shall be issued no later than 45
35 days after submission of the matter. If the decision sustains the
36 board's suspension order, it shall become permanent. Otherwise,
37 it shall be immediately vacated.

38 (e) The administrative suspension shall continue in effect until
39 terminated by an order of the board or the executive officer;
40 however, any suspension order that has been appealed shall be

1 *vacated by operation of law, unless a final decision upholding the*
2 *order is issued within 135 days of the appeal.*

3 ~~(f) Administrative suspension is not discipline and shall not~~
4 ~~preclude any individual from applying for a license to practice~~
5 ~~public accountancy in this state.~~

6 ~~(g) Proceedings to appeal an administrative suspension order~~
7 ~~may be combined or coordinated with proceedings for denial of~~
8 ~~an individual's authority to engage in cross-border practice or~~
9 ~~discipline of an individual who has engaged in cross-border~~
10 ~~practice.~~

11 ~~SEC. 12.~~

12 *SEC. 13.* Section 5096.5 of the Business and Professions Code
13 is repealed.

14 ~~SEC. 13.~~

15 *SEC. 14.* Section 5096.6 of the Business and Professions Code
16 is amended to read:

17 5096.6. In addition to the authority otherwise provided for by
18 this code, the board may delegate to the executive officer the
19 authority to issue any notice or order provided for in this article
20 and to act on behalf of the board, including, but not limited to,
21 issuing a notice of denial of cross-border practice and an interim
22 suspension order, subject to the right of the individual licensed in
23 another state to timely appeal and request a hearing as provided
24 for in this article.

25 ~~SEC. 14.~~

26 *SEC. 15.* Section 5096.7 of the Business and Professions Code
27 is amended to read:

28 5096.7. Except as otherwise provided in this article, the
29 following definitions apply:

30 (a) The terms "license," "licensee," "permit," or "certificate" as
31 used in this chapter or Division 1.5 (commencing with Section
32 475) shall include persons, as defined in Section 5035, performing
33 cross-border practice or practicing under an alternative firm
34 registration under this article, unless otherwise inconsistent with
35 the provisions of the article.

36 (b) The term "employee" as used in this article shall include,
37 but is not limited to, partners, shareholders, and other owners.

38 ~~SEC. 15.~~

39 *SEC. 16.* Section 5096.10 of the Business and Professions Code
40 is amended to read:

1 5096.10. The provisions of this article shall only be operative
2 if there is an appropriation from the Accountancy Fund in the
3 annual Budget Act to fund the activities in the article and sufficient
4 hiring authority is granted pursuant to a budget change proposal
5 to the board to provide staffing to implement this article.

6 ~~SEC. 16.~~

7 *SEC. 17.* Section 5096.11 of the Business and Professions Code
8 is repealed.

9 ~~SEC. 17.~~

10 *SEC. 18.* Section 5096.12 of the Business and Professions Code
11 is amended to read:

12 5096.12. (a) An accounting firm, as defined in Section 5035.3,
13 or sole proprietor, that performs attest services for entities
14 headquartered in this state, may engage in the practice of public
15 accountancy in this state through an alternative firm registration
16 provided that the firm or sole proprietor:

17 (1) Is authorized to practice in another state and does not have
18 an office in this state.

19 (2) Has one partner, shareholder, or owner who qualifies for
20 cross-border practice in this state, and provides to the board his or
21 her name, state of principal place of business, license number, and
22 firm identifying information.

23 (3) Is deemed to consent to the personal, subject matter, and
24 disciplinary jurisdiction of the board with respect to any practice
25 under this section.

26 (4) Shall comply with the provisions of this chapter, board
27 regulations, and other laws, regulations, and professional standards
28 applicable to the practice of public accountancy by the licensees
29 of this state and to any other laws and regulations applicable to
30 cross-border practice.

31 (5) Is deemed to have appointed the regulatory agency of each
32 state in which the firm or sole proprietor holds a certificate, license,
33 or permit as the agent on whom notices, subpoenas, or other
34 process may be served in any action or proceeding by the board
35 against the firm or sole proprietor.

36 (6) Shall cooperate with any board investigation or inquiry and
37 shall timely respond to a board investigation, inquiry, request,
38 notice, demand, or subpoena for information or documents and
39 timely provide to the board the identified information and
40 documents.

1 (7) Shall not perform any services in this state under alternative
2 firm registration that the firm or sole proprietor is not legally
3 authorized to perform in its or his or her state of principal place
4 of business.

5 (b) “Attest services” include any audit or other engagement to
6 be performed in accordance with the Statements on Auditing
7 Standards, any examination of prospective financial information
8 to be performed in accordance with the Statements on Standards
9 for Attestation Engagements, and any engagement to be performed
10 in accordance with the standards of the Public Company
11 Accounting Oversight Board. “Attest services,” for purposes of
12 this article, do not include any review of a financial statement to
13 be performed in accordance with the Statements on Standards for
14 Accounting and Review Services.

15 (c) The board may revoke or suspend an alternative firm
16 registration, issue a fine pursuant to Article 6.5 (commencing with
17 Section 5116), or otherwise restrict or discipline the firm or sole
18 proprietor for any act that would be grounds for discipline against
19 a licensee or grounds for denial of a license.

20 ~~SEC. 18:~~

21 *SEC. 19.* Section 5096.13 of the Business and Professions Code
22 is repealed.

23 ~~SEC. 19:~~

24 *SEC. 20.* Section 5096.13 is added to the Business and
25 Professions Code, to read:

26 5096.13. (a) An accounting firm, as defined in Section 5035.3,
27 or sole proprietor that performs nonattest services for entities
28 headquartered in this state may engage in the practice of public
29 accountancy in this state without any form of firm registration
30 provided that the firm or sole proprietor:

31 (1) Is authorized to practice in another state and does not have
32 an office in this state.

33 (2) Is deemed to consent to the personal, subject matter, and
34 disciplinary jurisdiction of the board with respect to any practice
35 under this section.

36 (3) Shall comply with the provisions of this chapter, board
37 regulations, and other laws, regulations, and professional standards
38 applicable to the practice of public accountancy by the licensees
39 of this state and to any other laws and regulations applicable to
40 individuals practicing under cross-border practice.

1 (4) Is deemed to have appointed the regulatory agency of each
2 state in which the firm or sole proprietor holds a certificate, license,
3 or permit as the agent on whom notices, subpoenas, or other
4 process may be served in any action or proceeding by the board
5 against the firm or sole proprietor.

6 (5) Shall cooperate with any board investigation or inquiry and
7 shall timely respond to a board investigation, inquiry, request,
8 notice, demand, or subpoena for information or documents and
9 timely provide to the board the identified information and
10 documents.

11 (6) Shall not perform any services in this state under
12 cross-border practice that the firm or sole proprietor is not legally
13 authorized to perform in their state of principal place of business.

14 (b) The board may revoke or suspend authorization to practice
15 under this section, issue a fine pursuant to Article 6.5 (commencing
16 with Section 5116), or otherwise restrict or discipline the firm or
17 sole proprietor for any act that would be grounds for discipline
18 against a licensee or grounds for denial of a license.

19 ~~SEC. 20.~~

20 *SEC. 21.* Section 5096.14 of the Business and Professions Code
21 is repealed.

22 ~~SEC. 21.~~

23 *SEC. 22.* Section 5096.15 of the Business and Professions Code
24 is repealed.

25 ~~SEC. 22.~~

26 *SEC. 23.* Section 5109 of the Business and Professions Code
27 is amended to read:

28 5109. The expiration, cancellation, forfeiture, or suspension
29 of a license or other authority to practice public accountancy by
30 operation of law or by order or decision of the board or a court of
31 law, or the voluntary surrender of a license by a licensee shall not
32 deprive the board of jurisdiction to commence or proceed with any
33 investigation of or action or disciplinary proceeding against the
34 licensee, or to render a decision suspending or revoking the license.

35 ~~SEC. 23.~~

36 *SEC. 24.* Section 5116.6 of the Business and Professions Code
37 is amended to read:

38 5116.6. Anywhere the term “licensee” is used in the article it
39 shall include certified public accountants, public accountants,
40 partnerships, corporations, individuals licensed out of state

1 practicing in this state under cross-border practice, holders of
2 alternative firm registrations, other persons licensed, registered,
3 or otherwise authorized to practice public accountancy under this
4 chapter, and persons who are in violation of any provision of
5 Article 5.1 (commencing with Section 5096).

6 ~~SEC. 24.~~

7 *SEC. 25.* Section 5134 of the Business and Professions Code
8 is amended to read:

9 5134. The amount of fees prescribed by this chapter is as
10 follows:

11 (a) The fee to be charged to each applicant for the certified
12 public accountant examination shall be fixed by the board at an
13 amount not to exceed six hundred dollars (\$600). The board may
14 charge a reexamination fee not to exceed seventy-five dollars (\$75)
15 for each part that is subject to reexamination.

16 (b) The fee to be charged to out-of-state candidates for the
17 certified public accountant examination shall be fixed by the board
18 at an amount not to exceed six hundred dollars (\$600) per
19 candidate.

20 (c) The application fee to be charged to each applicant for
21 issuance of a certified public accountant certificate shall be fixed
22 by the board at an amount not to exceed two hundred fifty dollars
23 (\$250).

24 (d) The application fee to be charged to each applicant for
25 issuance of a certified public accountant certificate by waiver of
26 examination shall be fixed by the board at an amount not to exceed
27 two hundred fifty dollars (\$250).

28 (e) The fee to be charged to each applicant for registration as a
29 partnership or professional corporation shall be fixed by the board
30 at an amount not to exceed two hundred fifty dollars (\$250).

31 (f) The board shall fix the biennial renewal fee so that, together
32 with the estimated amount from revenue other than that generated
33 by subdivisions (a) to (e), inclusive, the reserve balance in the
34 board's contingent fund shall be equal to approximately nine
35 months of annual authorized expenditures. Any increase in the
36 renewal fee shall be made by regulation upon a determination by
37 the board that additional moneys are required to fund authorized
38 expenditures and maintain the board's contingent fund reserve
39 balance equal to nine months of estimated annual authorized
40 expenditures in the fiscal year in which the expenditures will occur.

1 The biennial fee for the renewal of each of the permits to engage
2 in the practice of public accountancy specified in Section 5070
3 shall not exceed two hundred fifty dollars (\$250).

4 (g) The delinquency fee shall be 50 percent of the accrued
5 renewal fee.

6 (h) The initial permit fee is an amount equal to the renewal fee
7 in effect on the last regular renewal date before the date on which
8 the permit is issued, except that, if the permit is issued one year
9 or less before it will expire, then the initial permit fee is an amount
10 equal to 50 percent of the renewal fee in effect on the last regular
11 renewal date before the date on which the permit is issued. The
12 board may, by regulation, provide for the waiver or refund of the
13 initial permit fee where the permit is issued less than 45 days before
14 the date on which it will expire.

15 (i) The fee to be charged for the certification of documents
16 evidencing passage of the certified public accountant examination,
17 the certification of documents evidencing the grades received on
18 the certified public accountant examination, or the certification of
19 documents evidencing licensure shall be twenty-five dollars (\$25).

20 (j) The board shall fix the fees in accordance with the limits of
21 this section and, on and after July 1, 1990, any increase in a fee
22 fixed by the board shall be pursuant to regulation duly adopted by
23 the board in accordance with the limits of this section.

24 (k) It is the intent of the Legislature that, to ease entry into the
25 public accounting profession in California, any administrative cost
26 to the board related to the certified public accountant examination
27 or issuance of the certified public accountant certificate that
28 exceeds the maximum fees authorized by this section shall be
29 covered by the fees charged for the biennial renewal of the permit
30 to practice.

31 *SEC. 26. The Legislature hereby finds and declares that it is*
32 *the intent of the California Board of Accountancy to provide those*
33 *consumers who elect to use the services of certified public*
34 *accountants and firms licensed in the other 54 jurisdictions with*
35 *access to licensing information for each of those jurisdictions*
36 *through the board's Web site.*

37 ~~SEC. 25.~~

38 *SEC. 27.* No reimbursement is required by this act pursuant to
39 Section 6 of Article XIII B of the California Constitution because
40 the only costs that may be incurred by a local agency or school

1 district will be incurred because this act creates a new crime or
2 infraction, eliminates a crime or infraction, or changes the penalty
3 for a crime or infraction, within the meaning of Section 17556 of
4 the Government Code, or changes the definition of a crime within
5 the meaning of Section 6 of Article XIII B of the California
6 Constitution.

O

SACRAMENTO OFFICE
STATE CAPITOL, ROOM 205
SACRAMENTO, CA 95814
TEL (916) 651-4009
FAX (916) 327-1997

DISTRICT OFFICE
1515 CLAY STREET, SUITE 2202
OAKLAND, CA 94612
TEL (510) 286-1333
FAX (510) 286-3885

California State Senate

COMMITTEES:
RULES
CHAIRMAN

SENATOR DON PERATA
PRESIDENT PRO TEMPORE



January 10, 2008

Donald A. Driftmier, CPA, President
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, California 95815-3832

Via: US Mail & Facsimile (916) 263-3675

RE: Out-of-State Residents and the Practice of Accountancy in California

Dear Mr. Driftmier:

It is my understanding that the Board will be sponsoring legislation to eliminate the requirement that out-of-state residents/accountants notify the Board of their intent to practice accountancy in California, thereby, foreclosing the Board's ability to affirm the competence, honesty, and qualifications of out-of-state CPAs before they provide services to Californians. In 2005, the Board supported AB 1868 (Bermudez) which was sponsored by the California Society of Certified Public Accountants. The intent of your current proposal seems somewhat similar to AB 1868.

AB 1868 caused much confusing and conflicting debate and discussion about the proper oversight needed for out-of-state accountancy including tax services. As you know, this issue has been very controversial. To avoid such continued controversy and to facilitate a debate based on facts, it is critical, that as the Board sponsors such legislation, the Board also provides the data necessary by which to consider that legislation.

Your proposal contemplates reliance on regulators and disclosure policies of other states to guarantee the honesty, competence, and integrity of those claiming to be CPAs prior to them providing vital accounting services in California. Therefore, the author of this legislation and the Board, as sponsor, should provide the following:

1. A comprehensive report, preferably prepared by the California Research Bureau (or other independent research body), to include all of the following:
 - An analysis of accountancy disciplinary statutes and systems of the other states including, but not limited to, their statutory standards for discipline, their record of enforcement over the previous five years, and their resources, all in and of themselves and as compared to those of California.
 - A report of the Internet disclosure policies and statutes of other states as they relate to disclosure of the qualifications, competence, and integrity of out-of-state licensees. This review should include, but not be limited to, an assessment of how the other states' Internet disclosures compare to California's and the ease with which a consumer can find such information on the Internet.
 - A report of what is required by each state's laws and regulatory bodies before the state permits a resident of that state to practice including an assessment of testing, education, and other qualifications compared to California's.
 - Data on out sourcing of California tax return preparation. This should include outsourcing by in state and out-of-state CPAs and the countries to which California tax return preparation is outsourced.
 - An analysis of whether current notification requirements (filling out the practice privilege form and paying a fee of no more than \$100 annually) frustrate or impede the willingness of qualified out-of-state CPAs from practicing in California. This analysis should include data on CPAs who have been dissuaded from practicing in California and the reasons they have been dissuaded.

2. A legal analysis by the Attorney General reviewing efficacy and cost of potential enforcement of California laws and other states' laws against residents of other states. (It is important that this analysis be done by the Attorney General since it is the Attorney General that litigates on the Board's behalf.) This analysis should include the following:
 - The ability and cost of the Board to impair the license of an out-of-state CPA from practicing in their home state based on a violation of California law or harm to California consumers.
 - The ability and cost of the Board to prevent by state court order, an out-of-state citizen or CPA to practice in California.
 - The ability and cost of a California consumer to sue in state court to obtain damages for harm caused to them by an out-of-state citizen or CPA.
 - The ability and cost of the Board to designate another state's board as an agent for service of process on the out-of-state CPA.

- An overall cost estimate of an enforcement program against out-of-state citizens or CPAs, including the costs of service of process, fees paid to the Attorney General, interviewing witnesses, obtaining documents, and enforcing orders, as compared to the cost of revoking or denying an out-of-state individual's right to practice in California under existing law by denying them a practice privilege.
 - An analysis of timeliness; namely, an analysis of the respective time frames by which the Board will be able to definitively block an out-of-state individual's ability to practice in California under the proposal as compared to the time frame under current law by denying them a practice privilege.
3. A detailed description of how the Board and California consumers will be made aware that an out-of-state individual who has been banned under the Board's proposal may be practicing in California unlawfully. This is important given that California families and businesses will no longer be able to rely on a California website to distinguish between those out-of-state individuals who are and are not allowed to practice here.
 4. A legal analysis of the Board's authority and the means by which it could reconsider relying on another state's standards if another state changed its statutes regarding CPA discipline, qualification, and disclosure in a manner that the Board believes to insufficiently protect California families and businesses.

It is my hope that this information addresses and resolves the following potential concerns:

1. The proposed legislation may impede efforts of the Board and California's consumers to ensure that out-of-state accountants are duly licensed, have no criminal record, or have no record of prior discipline so that harm to California families and businesses may be avoided in the first place.
2. It is unclear how the Board would be able to verify that an out-of state individual performing tax services for California families and small businesses is actually a licensed CPA without the current notification requirement. Further, under this proposal, Californians would no longer be able to check a California website to ensure that the out-of-state CPA is in good standing in their home state.
3. It is essential for California's licensing standards and laws to be vigorously enforced to protect California families and businesses.

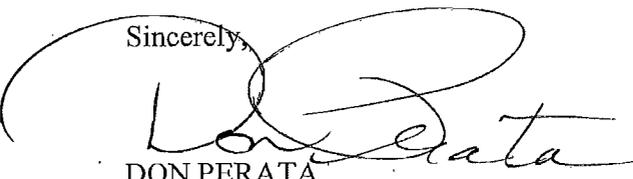
Donald A. Driftmier, CPA, President
January 10, 2008
Page 4

4. The overarching backdrop of recent actions against Enron, WorldCom, and Tyco, the criminal prosecution of Arthur Andersen, the recent \$1 million fine against Deloitte & Touche, and the significant fines levied recently against KPMG, as measured against whether there is any evidence that any individual has been dissuaded from practicing in California because of the existence of the practice privilege form.

I am sending this letter now to provide the Board sufficient opportunity to provide these materials well in advance of legislative deliberations. Please provide this information to my office and to the Senate Business, Professions, and Economic Development Committee prior to any legislative hearings on this issue.

Thank you, in advance, for your cooperation on this important matter. Please feel free to contact any of our offices with any questions that you may have about this request.

Sincerely,



DON PERATA
Senate President pro Tempore

DP:mm



CALIFORNIA BOARD OF ACCOUNTANCY

2000 EVERGREEN STREET, SUITE 250
SACRAMENTO, CA 95815-3832
TELEPHONE: (916) 263-3680
FAX: (916) 263-3675
WEB ADDRESS: <http://www.dca.ca.gov/cba>



Attachment 3

April 1, 2008

The Honorable Don Perata
Senate President Pro Tempore
State Capitol, Room 205
Sacramento, CA 95814

Dear Senator Perata:

Thank you for your January 10, 2008, letter expressing concern about the California Board of Accountancy's (Board) legislative proposal to enact mobility provisions intended to enhance the level of service that the accounting profession can provide to California consumers. I would be happy to meet with you personally to discuss these issues anytime that you are available.

The proposal referred to in your letter is now in legislation as AB 2473 (Niello/Ma), and the Board is the sponsor. This bill preserves consumer choice of CPA financial advisors while providing tough new protections for California residents. It also recognizes national sentiment as identified at the Department of the Treasury's open meeting of March 13, 2008. At that meeting, the *Subcommittee on Firm Structure and Finances* issued its *Preliminary Recommendations*, one of which states "Institute the following incentive mechanism to encourage the states to substantially adopt the mobility provisions of the Uniform Accountancy Act, Fifth Edition (UAA): Congress should pass a federal provision requiring the adoption of the mobility provisions of the UAA for those states failing to adopt these provisions of the UAA by December 31, 2010."

Senator Perata, I believe it is of paramount importance to recognize that prior to January 1, 2006, California allowed out-of-state CPAs to practice in California on a temporary and incidental basis for approximately 45 years, without providing any notice to the Board before entering the state. And, there were very few complaints of consumer harm that occurred during the period that "temporary and incidental" existed. Further, there was no definition of incidental or temporary in the law, and it was left to the interpretation of each individual out-of-state CPA or firm to determine if the level of service being provided to California residents was in fact temporary and incidental. There was, however, during this 45-year period, the expectation that an out-of-state CPA individual or firm performing an audit in California would be licensed by the Board prior to undertaking an audit engagement, though there is no data available confirming that this was actually the case.

The law was changed in 2006 in order to ease mobility, so that those out-of-state CPAs performing an audit in California could practice under practice privilege in lieu of a full license if they met California standards. Unfortunately, there were unintended consequences of that law change, which negatively impacted both mobility for accounting professionals and consumer choice for the public.

Senator, I believe the mere fact that California relied on the licensing and discipline imposed by other state regulators for over 45 years should be sufficient to conclude that what the Board is proposing is both reasonable and provides protection for California consumers. Each and every state has a board of accountancy that oversees the population of licensees it is responsible for regulating, and all of these boards face the same issues as the California Board. Disciplinary policies vary by state, but all states are all focused on protecting consumers from harm and enforcing the national standards under which the profession works. Further, all but a handful of jurisdictions have a web site that allows consumers to check the licensing status of CPAs, and most display on-line disciplinary information as well.

Some opponents to the “cross-border practice” concept have suggested that a movement in this direction will result in California being inundated with unqualified CPAs. However, this seems to us to be a spurious argument, given that California’s licensing requirements are actually slightly lower than the national standard. Additionally, to ensure that out-of-state CPAs are qualified, AB 2473 does not deviate from current law, which presently allows out-of-state CPAs to enter California only if they: 1) are from substantially equivalent states; 2) individually meet substantially equivalent criteria; or 3) have been in public practice for four out of the last ten years. If another state reduces its licensing requirements, licensees from that state would not be eligible to provide services to California clients unless they meet one of the other two authorization criteria.

Actually, it is our belief that the vast majority of out-of-state CPAs serving California clients are providing services to their home state business owners, and incidentally to individuals who happen to have a business interest in California. They have no interest in practicing in California other than ensuring that their clients are filing the appropriate tax returns and other compliance functions. Further, it is our belief that consumers who choose to use an out-of-state CPA for income tax preparation know where the CPA they have chosen is located, and it is highly unlikely that a consumer would engage someone as their financial advisor who is unknown to them. CPAs are not the least expensive financial advisor in the market and consumers and businesses that choose a CPA are doing so for very specific reasons – they trust them and their expertise.

AB 2473 would provide additional protections to these consumers because it provides the Board with additional authority to sanction these out-of-state CPAs.

Further, though consumers choosing out-of-state CPAs will receive greater protection under AB 2473 than they have under current law, in the end it is the consumer's choice regarding what CPA they choose to use.

Also related to tax issues, any out-of-state CPA entering California would still be required to abide by California rules on outsourcing of tax returns. These rules state that any outsourcing to an entity outside the United States must be disclosed in advance to the clients in writing, and the client's permission also must be obtained in writing. This proposal does not change that requirement. Additionally, current law exempts personal income and estate tax return preparation from any requirement that the out-of-state CPA notice the Board or obtain a practice privilege, and AB 2473 continues that concept. However, CPA firms providing audit services to companies headquartered in California will still be required to register with the Board.

Under AB 2473, the Board could enforce its discipline, including fines, cost recovery, and restricting out-of-state CPAs from practicing in California in addition to referring the CPA to his or her own state's regulatory authority. However, based on the fact that California historically allowed "temporary and incidental" practice without any notable adverse consequences for consumers or the Attorney General's Office, it is not anticipated that AB 2473 will result in additional enforcement costs. That said, the same enforcement issues, including disciplinary time frames, that apply to practice privilege registration requirements in current law would exist under "cross-border practice."

Finally, I would like to take the opportunity to address some of the specific concerns raised in your letter.

1. Any out-of-state CPAs having disqualifying conditions such as a criminal record, a record of prior discipline, pending investigation or any other disqualifying conditions identified by the Board will be required to notify and be approved by the Board prior to providing any services to California clients. This is current law and does not change.
2. Out-of-state CPAs providing tax return preparation services for California families and individuals filing personal returns are not required to register with the Board. Those businesses choosing to hire an out-of-state CPA would be well advised to check the web sites of the states where the CPA is licensed to ensure that they are in good standing in that jurisdiction, and to this end the Board is adding a link to its web page to access other state board's web sites through the National Association of State Boards of Accountancy.
3. The Board absolutely agrees that it is essential for California's licensing standards and laws to be vigorously enforced to protect the consumers of California.

The Honorable Don Perata

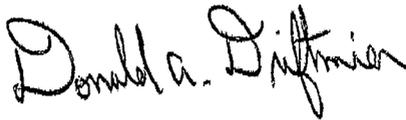
April 1, 2008

Page 4 of 4

Thank you for the opportunity to present the perspective of the California Board of Accountancy related to the need to facilitate consumer choice and enhance consumer protection, while at the same time aiding the mobility of the accounting profession in an ever growing global marketplace.

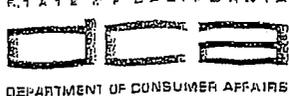
As I indicated earlier, I would be happy to discuss AB 2473 with you in person at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Donald A. Driftmier". The signature is written in a cursive, slightly slanted style.

Donald A. Driftmier, CPA
Board President

c: Members, California Board of Accountancy
Carol Sigmann, Executive Officer



February 6, 2008

Donald A. Driftmier
President, California Board of Accountancy
2000 Evergreen Street, Suite 250,
Sacramento, CA 95815-3832

RE: Proposed Practice Privilege Policy - OPPOSE

Dear Board President Driftmier:

As you know, the Department of Consumer Affairs and its regulatory agencies are principally charged by statute with promoting consumer protection. As the Department Director, I take this obligation very seriously.

The Department of Consumer Affairs (Department) must respectfully oppose the California Board of Accountancy's (CBA) proposed revisions to the Business and Professions Code proposed at the November 2007 meeting of the CBA's Committee on Professional Conduct, in regards to the Board's practice privilege policy, also known as cross border practice:

The Department is seriously concerned about moving to a "no notification" practice privilege policy in California. By removing the notification requirement for out-of-state licensees the CBA will have no way of knowing who and how many out-of-state licensees are practicing in California. The Department fears that this policy could encourage unqualified individuals to practice as CPAs in California and lead to a decline in consumer protection.

Should you have any questions regarding our position, please contact me at (916) 574-8200.

Sincerely,

Carrie Lopez
Director, Department of Consumer Affairs

cc: Antonette Sorrick, Deputy Director Board Relations
Carol Sigman, Executive Officer, Board of Accountancy
Angela Chi, Accountancy Board Member
David Swartz, Accountancy Board Member
Donald Driftmier, Accountancy Board Member
Lenora Taylor, Accountancy Board Member
Leslie LaManna, Accountancy Board Member
Lorraine Hariton, Accountancy Board Member

Manuel Ramirez, Accountancy Board Member
Marshal Oldman, Accountancy Board Member
Richard Charney, Accountancy Board Member
Robert Petersen, Accountancy Board Member
Rúdy Bermudez, Accountancy Board Member
Sarah Anderson, Accountancy Board Member
Stuart Waidman, Accountancy Board Member
William MacAloney, Accountancy Board Member

February 6, 2008

Donald Driftmier
President, California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

RE: Proposed Practice Privilege Policy – OPPOSE

Dear Board President Driftmier:

As you know, the Department of Consumer Affairs and its regulatory agencies are principally charged by statute with promoting consumer protection. As the Department Director, I take this obligation very seriously.

The Department of Consumer Affairs (Department) must respectfully oppose the California Board of Accountancy's (CBA) proposed revisions to the Business and Professions Code proposed at the November 2007 Meeting of the CBA's Committee on Professional Conduct, in regards to the Board's practice privilege policy, also known as cross border practice.

The Department is seriously concerned about moving to a "no notification" practice privilege policy in California. By removing the notification requirement for out-of-state licensees, the CBA will have no way of knowing who and how many out-of-state licensees are practicing in California. The Department fears that this policy could encourage unqualified individuals to practice as CPAs in California and lead to a decline in consumer protection.

Should you have any questions regarding our position, please contact me at (916)574-8200.

Sincerely,

Carrie Lopez
Director, Department of Consumer Affairs

Cc: Antonette Sorrick, Deputy Director Board Relations
Carol Sigman, Executive Officer, Board of Accountancy
Angela Chi, Accountancy Board Member
David Swartz, Accountancy Board Member
Donald Driftmier, Accountancy Board Member
Lenora Taylor, Accountancy Board Member
Leslie LaManna, Accountancy Board Member
Lorraine Hariton, Accountancy Board Member
Manual Ramirez, Accountancy Board Member
Marshal Oldman, Accountancy Board Member
Richard Charney, Accountancy Board Member
Robert Petersen, Accountancy Board Member
Rudy Bermudez, Accountancy Board Member
Sarah Anderson, Accountancy Board Member
Stuart Waldman, Accountancy Board Member
William MacAloney, Accountancy Board Member



BILL LOCKYER
TREASURER
STATE OF CALIFORNIA

April 3, 2008

Honorable Mike Eng, Chair
Assembly Business and Professions Committee
State Capitol
Sacramento, CA 95814

Re: AB 2473 (Niello / Ma) – Oppose

Dear Assemblymember Eng:

I respectfully oppose AB 2473 (Niello and Ma) because of the potential danger it poses to consumers of accounting services, the barrier it erects to entry into the profession, and the lack of evidence supporting the proposed rollback of regulatory oversight.

Consumer protection issues always have been extremely important to me during my public service career, including my years as a state legislator and California's Attorney General. The recent turmoil in capital markets has demonstrated, once again, the need to maintain the highest standards in the accounting profession. As State Treasurer, I have witnessed first-hand this market meltdown.

AB 2473 will allow out-of-state CPAs to practice accounting in California with no state CPA license, no practice privilege and no notice to the California Board of Accountancy (Board). The measure forces California to rely on the disclosure, licensing, enforcement resources, policies and practices of other states to ensure that out-of-state CPAs are competent and have not been convicted of a crime. California regulators would have no ability to protect consumers from harm caused by out-of-state accountants before that harm is inflicted.

April 3, 2008
Honorable Eng
Page Two

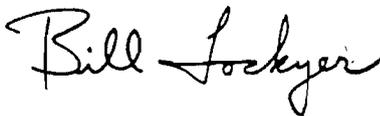
Such reliance on the adequacy of other states' regulatory and consumer protection mechanisms is especially troubling given the fact the Board has not even studied or assessed other states' procedures. Senate President pro Tempore Don Perata, in a January 10, 2008 letter to the Board, asked the Board to conduct such an evaluation and provide the information to lawmakers to aid their deliberations on AB 2473. I agree the Board owes a duty to the public to conduct that due diligence – before the Legislature considers passing this measure.

AB 2473 also would create in California an unjustified barrier to gaining eligibility for a CPA license. Bachelor's degree holders no longer could become eligible for licensure by completing two post-graduate years of accounting experience. Under AB 2473, their only pathway to eligibility would be to complete 30 additional hours of college coursework in any subject.

The elevation of non-accounting college study over practical experience as a licensure requirement raises serious consumer protection concerns. Further, studies by scholars and the Board itself have shown that a requirement for additional coursework does not increase professional competence or strengthen consumer protection, and disproportionately harms the ability of minorities to enter the profession.

Our seniors and working families deserve our best efforts to protect their hard-earned money and their retirement security. AB 2473, unfortunately, fails this test. For this reason I must regretfully oppose the measure.

Sincerely,

A handwritten signature in black ink that reads "Bill Lockyer". The signature is written in a cursive, flowing style.

BILL LOCKYER
State Treasurer

cc: The Honorable Fiona Ma
The Honorable Roger Niello



April 3, 2008

The Honorable Mike Eng
Chair, Assembly Committee on Business & Professions
1020 N Street
Room 124
Sacramento, CA 95814

BY FAX: 319-3306

Re: Opposition to AB 2473 (Niello and Ma)

Dear Assemblymember Eng:

For the reasons detailed below, the Center for Public Interest Law ("CPIL") must respectfully oppose AB 2473 (Niello and Ma).

CPIL is a nonprofit, nonpartisan academic and advocacy organization based at the University of San Diego School of Law. For twenty-seven years, CPIL has studied occupational licensing and monitored California agencies that regulate businesses, trades, and professions, including the California Board of Accountancy ("Board").

CPIL's expertise has long been relied upon by the Legislature, the executive branch, and the courts where the regulation of licensed professions is concerned. For example, after numerous reports of problems at the Medical Board were published in 2002, the Department of Consumer Affairs named CPIL Administrative Director Julie D'Angelo Fellmeth as its Enforcement Monitor, charged over a two-year period with an in-depth investigation and review of all of the Board's practices, policies, and operations. Two major pieces of reform legislation were enacted mirroring the Monitor's many recommendations.

CPIL's Administrative Director has participated actively on several Board task forces including its task force which was created in 2002 to formulate recommendations for reform of accounting regulation in response to the multi-billion-dollar Enron/Andersen/WorldCom accounting scandals. The work of that task force resulted in

Center for Public Interest Law ■ Children's Advocacy Institute ■ Energy Policy Initiatives Center
5998 Alcalá Park, San Diego, CA 92110-2492 ■ Phone: (619) 260-4806 ■ Fax: (619) 260-4753
717 K Street, Suite 509, Sacramento, CA 95814-3408 ■ Phone: (916) 444-3875 ■ Fax: (916) 444-6611
www.cpil.org ■ www.cachildlaw.org ■ www.sandiego.edu/epic
Reply to: San Diego Sacramento

the enactment of three bills reforming California's regulation of the accountancy profession the same year.¹

Administrative Director Professor Fellmeth has stated that the Board policy recommendations reflected in AB 2473 are the most irresponsible she has seen in 21 years of reviewing licensing boards. As will be seen, it is not just the policies themselves but the way the Board pursued them that undergirds this observation. A detailed explanation as to what those policies are, what the Board stubbornly refused to do before approving them, and how they measure up against the need to protect California consumers and small businesses from a profession so recently revealed as deeply troubled, is offered below. Thank you in advance for considering our views.

Summary Of Opposition

Enron, Tyco, WorldCom, and the many other accounting fraud scandals were all at bottom failures of the accounting profession to abide by its essential role as independent auditors of the financial statements of publicly-traded companies.

The result of these accounting misdeeds has been broadly devastating for millions of investors and families. Millions of working families lost their pensions and their life savings. This devastated not just the immediate families, but children who lost inheritances as well.

Having devastated the pensions of millions of working families, it now appears that the accounting profession has played a significant role in ruining the equity in their homes as well while pushing the nation into a credit-crunch driven recession. Consider this from the *New York Times* on March 27th, 2008:

A sweeping five-month investigation into the collapse of one of the nation's largest subprime lenders points a finger at a possible new culprit in the mortgage mess: the accountants. New Century Financial, whose failure just a year ago came at the start of the credit crisis, engaged in 'significant improper and imprudent practices' that were condoned and enabled by auditors at the accounting firm KPMG, according to an independent report commissioned by the Justice Department.

Against this tragic legacy of persistent, widespread and illegal conduct by the most prestigious accounting firms, there are three reasons why AB 2473 is poor public policy:

- It revives a previously defeated proposal (*three times* rejected)² that disproportionately hurts people of color while erecting a barrier to entry into the

¹ The bills were AB 270 (Correa and Figueroa); AB 2873 (Frommer); and AB 2970 (Wayne).

² In 1991, SB 869 (Boatwright) failed due to opposition from the Wilson Administration. In 1997, the Joint Legislative Sunset Review Committee then rejected a Board proposal, requiring the study discussed *infra* in SB 1077 (Greene). In 2001, the Legislature refused to mandate the 150 hour rule as the sole pathway to licensure when it forced amendments to AB 585 (Nation).

profession that studies have found to be without merit. The Legislature in 2001 requested that the Board not bring this proposal back to the Legislature without first studying its impact. The study has never been done. The Board is pursuing legislation nevertheless.

- The proposals in AB 2473, in the words of the California Board of Accountancy's own staff, **“would permit unrestricted practice [in California] by practitioners who have been convicted of a crime until the state of principal place of business takes appropriate discipline.”**
- And, while the proposal seeks to rely on the disclosure, enforcement policies, and enforcement vigor of the other 49 states in determining the fitness of out-of-state CPAs to practice here *before they potentially harm Californians*, the Board has not actually looked at the disclosure policies or enforcement record of even a single state, let alone 49. Not a single one. This breathtaking lack of due diligence prompted an extraordinary letter from Senate President pro Tempore Don Perata asking the Board to conduct such research before proposing legislation. Not only has the Board refused to do so, it has as of this date apparently not even responded to his letter nor slated it for consideration at a board meeting. (The letter is attached.)

We impose the extraordinary burden of licensure on some professions because we deem them so potentially and irreparably injurious to consumers that we need to assure ourselves – through mandatory education, experience, examination and continuing education – of the competence and integrity of licensees *before* they have a chance to hurt a consumer.

Harm *prevention* is the core reason for licensure.

As will be seen, AB 2473 upturns and frustrates this principle without even the barest effort to verify the assumptions that underlie it. Even if we may disagree about the underlying policy, certainly we can agree that the Board should, before it recommends relying on other states' and nations' disclosure and enforcement policies, look at them, just as a CPA would insist on looking at the books of a company before certifying its financial condition.

1. AB 2473 Hurts People Of Color And Needlessly Restrains Entry Into The Profession.

Section 6 of AB 2473 proposes to sunset by 2012 one way to qualify for a CPA license.

There are two “pathways” in California by which a student who has completed required coursework and passed the licensing exam can become eligible for a CPA license. The “pathway” being sunsetted by Section 6 of your bill allows a potential licensee to qualify for the license with a bachelor's degree (usually 120 units) plus two years of general accounting experience.

The second pathway (which will be the only one under your bill) requires only one year of general accounting experience. Instead of additional work experience, potential licensees are required to take an additional 30 units of education in any subject matter they select. (See B&P section 5093) This is called the “150-hour rule.”

That is not a misprint. Education in *any* subject matter is elevated over actual on-the-job experience by the 150-hour rule.

The Legislature in 2001 rejected a proposal making the 150-hour rule the only way to become a CPA, for two reasons:

First, requiring extra education in any subject matter of the student’s choosing has apparently not had any beneficial impact upon consumer protection or the excellence of the profession.

The Board itself commissioned a study of the 150-hour proposal in the late 1990s. Dr. Oriel Strickland researched and wrote “*A Series of Studies Related to the Education and Experience Requirements for Licensure in California*” (1999).

According to the 2001 Joint Legislative Sunset Review report on the Board, “[n]o relationship was found between the number of semester units candidates completed and their performance on any section of the Uniform CPA Examination, therefore, there was no strong evidence for this requirement to improve passage on the Examination.”³

According to the same Sunset Review Report, Dr. Strickland also observed that students most frequently took about 120 units of overall education and that only 37% sitting for the 1998 CPA examination had on their own completed 150 hours.

Moreover, and again according to the same sunset review report:

In 1999, Colorado’s sunset review staff recommended elimination of the 150-semester-hour requirement that was to take effect in the year 2002. The Colorado Legislature eliminated the requirement in its 2000 Legislative Session. The following conclusions were made by the sunset review staff:

‘The 150 credit-hour educational requirement is an overly restrictive entry barrier into the accounting profession with no demonstrable public protection function. Adoption of the 150 credit-hour requirement is likely to raise consumer costs, entrench market power in those accountants who attain the CPA designation, and restrict competition. On the other hand, keeping the educational requirement at the Bachelor’s level is in line with

³ The Sunset Review Report can be found at http://www.senate.ca.gov/ftp/SEN/COMMITTEE/JOINT/SUNSET_REVIEW/_home/2001_ACCT_SUNSET_REVIEW_REPORT.DOC

current entry level educational trends in both the private and public sectors, and will promote the optimum utilization of personnel. A full 72% of Colorado CPA survey respondents agree by indicating that the current entry-level educational requirement is "about right."

Colorado educators also provided information to the sunset review staff, and indicated that the costs for students would be significant, approximately \$25,000 to complete 30 additional hours, and they feared that fewer candidates would elect to enter the profession. They pointed out that Tennessee's experience was instructive. The state had implemented the 150-hour requirement in 1993. In 1991 (two years prior to implementation) 1,347 first time candidates took the CPA Exam, in 1995 (two years after implementation) only 386 first time takers took the exam. They believed that Colorado would likely see a decline in the availability of CPAs, and that the effect might be particularly severe in remote areas of Colorado where candidates do not have access to 150-hour programs. It would seem that the same may hold true for California.

They additionally pointed out that, because of the restricted supply of CPAs and the additional costs incurred by new entrants, consumers will experience an increase in fees paid to CPAs, and that even more serious, is what appears to be a nation-wide shortage of CPAs.

More recent scholarship reinforces these conclusions. Dresnack and Strieter conducted an "extensive survey" of CPAs in "Alabama, Kansas, Louisiana, Mississippi, Montana, South Carolina, Tennessee, Texas, and Utah." Their findings (published in the *CPA Journal* in 2005) are:

- "The data suggest that respondents found little or no benefit from the 150-hour requirement."
- "71.3% of respondents indicate that the requirement has decreased the number of qualified job applicants[.]"
- "Combined, these data suggest that roughly three-quarters of CPAs do not see the 150-hour requirement as an improvement."

Second, and more urgently, both Dresnack and Strieter and the Florida Institute of CPAs found that imposition of the 150-hour rule had a disproportionately harsh impact on people of color. In a 1999 article, the Florida Institute made the following observations:

- "[O]ne side effect of this additional requirement was the financial burden placed on students seeking to become CPAs. In particular, minority students were hit the hardest."

- “*Florida CPA Today* talked to several minority accounting majors who had considered switching at one time or another. All pointed to the extra financial burden of the fifth year as a major reason.”
- The Florida article cites the experience of Texas and Ohio and states that “In each state the 150-hour requirement created discernable and measurable consequences for minority students.”

After the possible impact on people of color came to light in 2001, the Legislature refused to force all potential licensees to take 150 hours of education and told the Board not to try and repeal the other pathway without studying the consequences first. (Section 1 of SB 133 (Figuroa)⁴). *The study has never been done.*

Thus, the Board – surely cognizant of the possible impact on people of color, informed by its own study concluding that the sought after benefits of more education were not realized, and instructed in Section 1 of SB 133 (Figuroa) to study the two pathways and their impacts on students before introducing legislation – has endorsed a reintroduction of the proposal nevertheless, without first doing the study requested by the Legislature.

Regrettably, the “Myths and Facts” handout being circulated by one of the authors mischaracterizes CPIL’s opposition. Instead of confronting the articles cited above or their conclusions that the rule hurts people of color while offering no benefit, the handout simply ignores these authorities and tries to paint the conclusions of the CPAs who studied the issue as the opinion of CPIL.

2. AB 2473’s Proposals To Ease So-Called “Cross Border Practice” Address A Problem That Doesn’t Exist In A Way That Imperils The Fiscal Lives Of California Families And Small Businesses.

Aside from proposing, without study, that the Legislature enact a discredited and previously rejected licensing requirement that elevates education in any subject at all over real-world experience, AB 2473 also seeks to permit any person from literally any foreign country (Nigeria, for example) or state who claims to be a CPA to practice here

⁴ SECTION 1. It is the intent of the Legislature that the new education and experience requirements for the certified public accountant license established by this legislation not be revised or amended prior to the next review of the California Board of Accountancy required by Division 1.2 (commencing with Section 473) of the Business and Professions Code. Further, it is the intent of the Legislature that this review shall be limited to issues related to implementation of the new licensure requirements. In preparation for that review, the California Board of Accountancy shall collect statistical information including information on the number of applicants applying under Sections 5092 and 5093 of the Business and Professions Code, the number of applicants passing the examination under Sections 5092 and 5093 of the Business and Professions Code, the number of applicants applying and qualifying for licensure under Sections 5092 and 5093 of the Business and Professions Code, and the number of applicants and licensees applying and qualifying for an authorization to sign reports on attest engagements under Section 5095 of the Business and Professions Code.

without limit on the services they can provide and without the Board first having a chance to check to see if they are, in fact, a CPA, let alone a felon.

This is the part of the bill designed to ease what the Board calls “cross-border” practice.

We will discuss this proposal in detail below, but as a foreshadowing, here is what the Board’s *own staff* warned about it:

Under this [cross-border] option, the Board would be unable to perform any ‘front end’ checks to make sure a practitioner engaged in cross-border practice is duly licensed and has not been disciplined or convicted of a crime ...

This option would permit unrestricted practice by practitioners who have been convicted of a crime until the state of principal place of business takes appropriate discipline.

(*Cross-Border Practice Issues*, provided to the CBA for its November 15-16 2007 meeting, at pp. 3-4).

A. A Proposal In Search Of A Problem.

Under current law, if a CPA from another state, wants to practice here, he or she can fill out a four-page form (mostly consisting of check boxes), pay at most \$100, and they are allowed to practice here without limitation for a full year. You can see the form for yourself at <http://www.dca.ca.gov/cba/forms/ppnotify.pdf>. (The actual form appears at pages 9 – 13).

This little form has huge significance for consumers, though. As the quotes from the Board staff above reflects, the form allows the Board an opportunity to check and make sure that someone is who and what they say they are *before* the person from out-of-state or another nation can lawfully provide services that could forever ruin the lives of California families and small businesses.

And, crucially, the practice privilege form allows a Californian – again, *before* they risk their life savings – to go to a California Web site and see if someone is in fact lawfully allowed to practice here by meeting the qualifications California imposes for minimum competence, training, and ethics.

It is this small form that is the supposed barrier to out-of-state CPAs providing services to Californians, justifying the so-called cross-border provisions of AB 2473. This requires emphasis: this simple form, less complex than a 1040EZ tax form, is supposedly so daunting to a CPA – a CPA! – that CPAs are *en masse* unwilling to seek opportunities in this, the world’s sixth-largest economy.

Not surprisingly – and this too requires emphasis – not a single human being or accounting firm from anywhere has ever come forward to admit that they are in fact not providing services here because of the existence of the practice privilege form.

Not one.

The “problem” the cross-border portions of AB 2473 seek to address is, with enormous respect to the authors, but bluntly put, both preposterous and fictitious. No CPA that we would want to practice here would be daunted by the brief practice privilege form. And, apparently, none have been.

The existence of any “problem” with cross-border ambitions is further undermined when one more closely scrutinizes the flexible options available to out-of-state CPAs under current law. Last session the Legislature addressed the problems with registering CPA firms in California. New Business and Professions Code section 5096.12 *entirely exempts* out-of-state CPA firms from the California firm registration requirement when they practice public accountancy in California through a CPA employee who secures a practice privilege for \$100.

So, any firm anywhere can practice here as a firm so long as just one of its employees fills out the form and pays the \$100. This modest requirement nevertheless allows the Board to hold the firm accountable by revoking the privilege if the firm misbehaves.

As well, current California law offers ample flexibility for someone from another state who needs to be here but briefly. An out-of-state CPA whose practice requires them to practice temporarily in California is legally permitted to do so without filing any form at all – so long as their practice is actually “temporary” and “incidental to” their main practice in their home state or country.

There is more. California law also provides “[n]otwithstanding any other provision of this chapter, an individual or firm holding a valid and current license, certificate, or permit to practice public accountancy from another state may prepare tax returns for natural persons who are California residents or estate tax returns for the estates of natural persons who were clients at the time of death without obtaining a permit to practice public accountancy issued by the board under this chapter or a practice privilege pursuant to Article 5.1 (commencing with Section 5096) provided that the individual or firm does not physically enter California to practice public accountancy pursuant to Section 5051, does not solicit California clients, and does not assert or imply that the individual or firm is licensed or registered to practice public accountancy in California.” (Business & Professions Code section 5054)

This provision was adopted to accommodate longstanding CPA-client relationships when the CPA moves out of state. Note how the prohibition on soliciting California business is essential.

In sum, California law already provides many flexible options for out-of-state CPAs to practice here even assuming (incredibly) that the four-page form is daunting to a CPA:

- An out-of-state firm has one of its employees file the four page form, the entire firm can practice in California through that one employee.
- If an out-of-state CPA needs to be here temporarily incident to a service provided in their home state, nothing at all is required.
- No notice is required if the out-of-state CPA is preparing tax returns for individuals and does not solicit business here.
- And, of course, there is the four page form itself, which is hardly onerous.

CPIL opposed none of these flexible options.

The “Myths and Facts” circulated by at least one of the authors argues that there were “thousands” of complaints about the four-page form that undermine it today. In this way the drafter of the handout hopes to rebut the inconvenient fact that no firm or CPA one has yet admitted that filling out the four page form is simply too much for them to want to practice in the world’s sixth largest economy.

There were problems with the “practice privilege” program – not the form itself -- when it was rolled out but *they were all addressed by the additions to law just discussed.*

Thus, the record demonstrates that the vast majority of the complaints were lodged by out-of-state CPAs whose clients may have moved to California but wanted to continue to use the services of their long-time CPA. Section 5054 authored by Senator Figueroa *three years ago* (quoted in full above) met that objection.

The next most frequent objection was lodged by CPAs from *other nations* who could not under the old law qualify for a practice privilege because they were not admitted to practice in another state of the United States. This was an error cured by the enactment of the “temporary and incidental” option discussed above in AB 1868 (Bermudez) *two years ago* in 2006.

Finally, there were complaints about the necessity and inconvenience of everyone in a whole out-of-state firm having to file forms. This objection was met by enactment of the provision discussed above allowing a firm to practice here through one CPA employee who files the four-page form. This reform was also enacted by AB 1868 (Bermudez) (2006).

The stubborn fact endures: nobody who claims to be a CPA has ever stepped forward to argue that the four page form is in and of itself a daunting barrier to their wanting to earn money from Californians.

B. A Solution To A Non-Problem That Creates Numerous New Problems For California Small Businesses And Families.

AB 2473 deletes those provisions of current law that require foreign or out-of-state residents claiming to be CPAs to fill out and submit the practice privilege form to the Board before they provide services to California families and businesses.

True, the bill also strives to impose certain conditions on who from another country or another state can practice here, but, crucially, there will be no way for the Board to check *first* to make sure those requirements are met *before* someone from out-of-state provides services that could devastate the financial lives of families or small businesses.

Again, this is why the Board of Accountancy's own staff warns that:

Under this [cross-border] option, the Board would be unable to perform any 'front end' checks to make sure a practitioner engaged in cross-border practice is duly licensed and has not been disciplined or convicted of a crime ...

This is also why the Board's Chief of Enforcement has voiced concerns about the proposal and why the Department of Consumer Affairs opposes it outright:

By removing the notification requirement for out-of-state licensees the [Board] will have no way of knowing who and how many out-of-state licensees are practicing in California. The Department fears that this policy could encourage unqualified individuals to practice in California and lead to a decline in consumer protection.

(February 6, 2008 letter from Director Carrie Lopez to Board President Donald Driftmier, saying that the DCA must "respectfully oppose the [Board's] proposed revisions to the Business and Professions Code ... known as cross-border practice." This letter is attached).

Proponents will argue that the same situation exists under current law. Under current law, they will argue, an out-of-state person claiming to be a CPA in good standing could elect to break the law and provide services here without filling out the form that gives the Board a chance to check-up on them first. But here is the critical difference: Under current law, a Californian can go to the Board's California Web site and differentiate between those who have filled out and submitted the form and those who haven't.

Those whose names do not appear there are not lawfully allowed to practice here. Those that are listed there may lawfully do so.

Under AB 2473, in contrast, California consumers will not be able to consult their own state regulator to distinguish between those who are here legally and those who are not because everyone will appear to be here legally. Felons, fakes, those with revoked

licenses, and those with disciplinary proceedings pending will be invisible to the Board and hence the consumers the Board is supposed to protect.

Proponents counter by arguing that Californians can travel the Internet or make phone calls to other boards and look up the records of the out-of-state CPAs in their home states. But incredibly, and as an example of why Professor Fellmeth has dubbed this the most irresponsible proposal in her near quarter century of board-watching experience, *the Board has not as of the date of this letter looked at the Web site of even a single state or made even a single phone call to another board to see if in fact other states' boards disclose such information. Not a single state has been studied, let alone 49 other states, let alone foreign nations.*

The *Orange County Register*, in a January 2008 piece stingingly critical of the Board's astonishing lack of due diligence, did its own analysis and found that only 19 states have Web sites comparable to California's. Is this accurate? We don't know. What is incontestable, though, is that before the Board moves to erase the visible differences between felons and CPAs in good standing based on what is publicly available in other states, it should have first checked to see if its assumption is true.

In January of 2008 Senator Perata asked the Board to do exactly such a study *before* seeking legislative approval of the proposals embraced in AB 2473. As of the date of this letter, the Board has simply and inexplicably refused to do so.

It gets worse. Even assuming that all 49 other states, the territories, and foreign nations in fact had Web sites that mirror California's, a Web site cannot disclose discipline that its regulator didn't impose. As important as what is disclosed is whether in fact all the other states and all the nations of the earth are equally vigilant and strict in disciplining licensees as California so that California can in fact trust other regulators to protect Californians in a way we would deem minimally acceptable.

Has the Board studied even a single other jurisdiction to determine whether its enforcement record, policies, or resources match California's? No. Not one. As with disclosure, the Board not only assumes that what it wants to believe about other states' enforcement records is true, it has dismissed the Senate Leader's request for such a reasonable verification.⁵

⁵ In at least one high profile matter CPIL has been tracking California appears to have been far more protective of its consumers than another state. Messrs. Mullen and Trauger were CPA colleagues working together for Ernst & Young. Trauger was licensed by California. Mullen was licensed by the State of Washington. The SEC announced in September of 2003 that it had instituted administrative proceedings against both men alleging that they together altered working papers for one of the firm's clients. After Mr. Mullen pled guilty in his criminal case, the SEC suspended him from practice before the Commission. Go to the State of Washington's Web site license search (<http://www.cpaboard.wa.gov/LicenseeSearchApp/default.aspx>), type in "Michael Mullen," and what comes up is no record of discipline at all. Even though he is a felon and was barred from practice before the SEC, the Web site reveals that Washington apparently took no action to restrain his license. In contrast, go to the California Web site license look up ([http://www2.dca.ca.gov/pls/wllpub/wllqryna\\$1cev2.startup?p_qte_code=PA&p_qte_pgm_code=0300](http://www2.dca.ca.gov/pls/wllpub/wllqryna$1cev2.startup?p_qte_code=PA&p_qte_pgm_code=0300)), type in "Trauger," and you find that the California Board revoked his license, disclosing that, like Mr.

Recall, *these are CPAs* who, we hope, would never dream of signing an audit certifying the financial wherewithal of a company without themselves looking at the underlying books and records. Yet, bizarrely, a different standard of diligence appears to control when certifying ideas to legislators.

All of this to address a problem that has apparently not afflicted a single firm or human being. All of this to dispense with CPAs – CPAs! – having to fill out a four-page form consisting mostly of check boxes.

Proponents may counter by arguing that the Board’s remedies for consumer harm have always been after-the-fact ones. They have been heard to argue that the Board always waits until something goes wrong and then seeks to impose discipline afterward.

This could not be more wrong. **This fundamentally misapprehends why accountancy – like medicine and lawyering – is a licensed profession.** We require licenses, restrain trade, and tolerate the higher prices as a result because certain professions are so inherently and irrevocably injurious that no after-the-fact remedy can make the injured consumer whole. If an incompetent physician kills you, revoking his license won’t bring you back to life. If a corrupt CPA overvalues a publicly traded company, suspending her license won’t get your retirement back.

Licensed professions are those few professions where we seek to ensure the competence and ethics of professionals *before* they provide the services that can end lives and dissipate fortunes. Or, as the Board’s own Web site observes, **“Public accounting is now generally recognized in business to be of such importance that a standard should be set by public authority and no one allowed to practice without proper credentials.”** (http://dca.ca.gov/cba/board_info/history.shtml – emphasis added).

Moreover, such an argument also misapprehends what administrative disciplinary proceedings do and do not do. Administrative disciplinary proceedings before administrative law judges do not make an injured consumer whole. They do not require the licensee to pay damages. Administrative disciplinary proceedings place restrictions on licenses to protect future consumers prospectively. Only a civil lawsuit seeking damages before a formal judge can make a consumer financially whole. Yet under the Board’s proposal a California consumer duped by an out-of-state licensee who wanted to be made whole would have to sue that out-of-state resident either in federal court or in the home state of the CPA who injured them.

And civil lawsuits take years.

Mullen, Mr. Trauger had pled guilty to a felony and, like Mr. Mullen, was barred from practice before the SEC. Does this prove that Washington State or other states are routinely more lax in enforcement than California? It is just one instance. But does it demonstrate that a minimally responsible Board needs to review the enforcement records of other states before proposing to rely on them to protect Californians? Yes.

Proponents may also argue that, under the bill, only CPAs from “substantially equivalent” states can qualify for cross-border practice. First, that is not so. (*See, e.g.*, proposed Business and Professions Code section 5096 (a)(1) which says that anyone from whatever state who claims to have practiced for four of the last ten years qualifies.) Second, the bill “*deems*” (that is the word in the bill) the continuing education and ethics requirements of any other state to be satisfactory. Proposed Business and Professions Code section 5096 (c)(2). Third, for all the reasons above, a consumer won’t be able to tell which CPAs are from substantially equivalent states and which aren’t before they place their trust and fortunes at risk, so the issue is irrelevant.

Finally, observe how the inability to differentiate up-front between CPAs in good standing and those that are not uniquely imperils middle-class families and small businesses. Large sophisticated concerns or individuals of wealth will not be Googling “accountant” on the Internet. Large businesses or people of means will have the deep pockets, insurance, and access to high-priced out-of-state counsel to seek redress and protect themselves against losses if they do occur. Small businesses and middle-class families whose fortunes evaporate because of shoddy or corrupt CPA services will likely have none of these options; none of the insurance, resources, sophistication, or means of redress. They more than anyone else need to prevent the harm from occurring in the first place because prevention as a practical matter is the only way to protect them at all.

C. Strange Laws Breed Strange Consequences.

The bill was recently amended in a way that only underscores its demerit.

First, consider a serious problem posed by the elimination of prior notice. If, for example, the Securities and Exchange Commission or the IRS bars an out-of-state CPA from practicing before them because of, say, a felony conviction, how will the SEC or the IRS know to tell the California Board? California won’t know who is practicing here so neither will these agencies. The same holds true for a state that revokes or suspends the license of an out-of-state CPA.

The Board’s solution to this dilemma is tantamount to a revolution in law enforcement: we will require *the felon* or *the disciplined licensee* to “rat” on himself to the California Board when he is convicted of a crime (and the like) so the Board can then move to restrict his practice in California as well.

Thus, the bill at proposed section 5096(e) provides:

“(e) An individual who acquires any disqualifying condition described in paragraph (2) of subdivision (d) while practicing under cross-border practice in this state shall immediately notify the board in writing of the nature and details of the disqualifying condition.”

Second, consider the absurdities of tethering the ability to practice here without a California license to the standard of “principal place of business.” Proposed section 5096 (a) provides that the “cross-border” privilege attaches to someone who has a “principal place of business” outside of California. So here is one possibility. A California permanent resident can easily have their principal place of business outside of California. This is especially true at the northern and eastern borders of our large state.

Thus, a California resident could end up for his whole career practicing in California without a valid California license.

Third, evaluate the argument of proponents that the Board lacks sufficient staff to meaningfully review and check up on the four page form. Is the Board’s solution to this problem to add more Board staff?

No, here is the solution provided by the Board: take the existing staff too inadequate to look at forms and give them the job of policing an unknown number of persons claiming to be CPAs newly hampered by an inability to obtain “heads up” notices from sister agencies where the Board will have to investigate and seek discipline against those who may live thousands of miles away all the while depending upon the honesty of provably dishonest people to make the whole scheme – such as it is – work.

In a 2006 letter to the Governor, former Senator Figueroa made this point bluntly and forcefully (emphasis supplied):

“I cannot state this firmly enough. The CBA has the smallest and least well-staffed enforcement division of any comparably-sized board in this state. This is an ongoing and enormous problem that is only made worse as each new accounting scandal moves into the headlines. The accounting profession is – of all professions – at the very heart of California’s economy. If markets – and consumers – cannot have faith that a company’s books are being reviewed by truly independent professionals whose loyalty is to accuracy, and not to the companies they are reviewing, the entire basis of our economy is undermined. And we have seen how such industry self-dealing can, in fact, lead directly to the collapse of enormous companies whose fall affects millions of people. Faith in CPAs is absolutely essential to making sure that companies we rely on will not collapse the way Enron, WorldCom, and others have. But the CBA’s enforcement division is not even remotely capable of effectively monitoring the large number of licensed entities under the CBA’s jurisdiction. Compared with the Medical Board, the Contractors State License Board, the State Bar, and others who regulate a large number of licensees, the CBA’s enforcement is barely noticeable.”

D. California’s Problems With Out-Of-State CPAs.

Mr. Bruce Allen of CalCPA succinctly makes the best case for why the Board must – if it is to make any claim to placing the interests of consumers above the mere theoretical

convenience of CPAs – obtain advance notice of an out-of-state individual’s intent to practice in this State as a supposed CPA, when in 2005 he wrote:

The new practice privilege will provide [the CBA] with increased opportunity to protect California consumers by letting [the CBA] know who is practicing in California ...

The CBA has repeatedly refused to exempt tax practice from the notification requirement as tax practitioners can cause tremendous consumer harm. In fact, the CBA has had difficulty with CPAs licensed to practice in bordering states that have substantial tax practices in California.

– Mr. Bruce Allen, October 1, 2005, *California CPA*

Now, CalCPA – having worked for two years to create the four page form itself, supporting it with statements like the one above -- is before the Legislature saying the exact opposite in support of AB 2473.

E. What Is Really Going On Here: The Eviscerating Of State-Consumer Protection, Including Post-Enron California Reforms.

No federal authority regulates CPAs with anything close to the level of scrutiny as states. States set educational requirements, discipline CPAs for routine matters, and determine whether someone will lose their ability to ply their trade entirely by revoking their license.

The Internal Revenue Service can and will bar CPAs from practicing before it. The same is true with the Securities and Exchange Commission. But neither of these federal authorities can do what the several states can: completely terminate the ability of a CPA to call him or herself a CPA. Federal laws do not govern who may or may not be called a CPA. That is entirely the job of the states in our federal system.

So why is a state-regulated profession where the most famous, flagship firms have been hit by multi-million-dollar fines, criminal sanction, and lawsuits post-Enron, WorldCom, Tyco (and the like) using its considerable influence over boards and legislatures throughout the rest of the nation to push for proposals such as those in AB 2473?

One possible answer is hinted at by AB 2473’s proposed repeal of Business and Professions Code section 5096.5 (*see* Section 12 of the bill). This statute enacted in 2005 was one of the California Legislature’s reforms to protect its citizen from Enron-like accounting abuses.

This statute reiterates that California’s important qualifications for those CPAs who sign attest reports continue to apply to out-of-state CPAs signing attest reports under a practice privilege.

Attest reports are really important. In the words of the United States Supreme Court, “by certifying the public reports that collectively depict a corporation’s financial status, the independent auditor assumes a public responsibility transcending any employment relationship with the client. The independent public accountant performing this special function owes ultimate allegiance to the corporation’s creditors and stockholders, as well as to the investing public. ***This ‘public watchdog’ function demands that the accountant maintain total independence from the client at all times and requires complete fidelity to the public trust.***”⁶

Contrary to everything that should have been learned from the Enron/ Andersen/ and WorldCom audit fraud debacles, this part of AB 2473 would permit out-of-state CPAs to perform attest work (for example, supervise audits and sign audit reports) in California ***without*** a California license, ***without*** a practice privilege, and ***without*** meeting the requirements that all California CPAs must meet in order to perform that same attest work.

But observe: current California law requires ***all California-licensed*** CPAs who wish to perform attest work to (i) demonstrate to the Board 500 hours of exposure to the attest process (Business and Professions Code section 5095), and (ii) devote 24 hours of the required 80 hours of continuing education every renewal period to courses in the area of accounting and auditing related to reporting on financial statements (Business and Professions Code section 5027(c)).

So AB 2473 would allow ***out-of-state*** CPAs to sign attest reports in California without having met either requirement even though ***California*** CPAs would still have to comply. It proposes to repeal Business and Professions Code section 5096.5 (which currently requires out-of-state practice privilege holders who wish to sign attest reports in California to comply with California’s 500-hour attest experience requirement), and (in amended section 5096(c)(2)) it exempts out-of-state CPAs who have met the continuing education requirements of their home state --- ***whatever they may be*** --- from the special continuing education requirements applicable to California CPAs who sign attest reports.

To reiterate: These provisions would allow out-of-state CPAs to compete with California CPAs for California attest work when those out-of-state CPAs have not met the attest requirements that California CPAs must meet – raising fundamental issues of fairness, equal protection, competence, and competitive disadvantage to the profession regulated by this Board in this state.

But putting aside the unfairness to Californians, the Board argues that this important protection must be repealed not because it is a bad idea, not because unique qualifications for these CPAs isn’t important to protect California consumers, but because unique California consumer protections frustrate the cross-border practice ideal of CPAs being

⁶*United States v. Arthur Young & Co.*, 465 U.S. 805, 817–18 (1984) (emphasis added).

able to practice anywhere at any time. (See comment at p. 5 of the Board's November 17th mock up for proposed legislation).

So, one ingenious way to block states from enacting consumer protections in the first place – or, as here, getting them to repeal such protections -- is to persuade boards and legislatures of the need to have cross-border ease of practice (never mind the lack of evidence that California's form impedes anyone from doing anything). And under a system where uniquely *protective* laws get flagged as a problem, ***the state with the most lax and bare consumer protections becomes the nationwide standard.*** Just as section 5096.5 becomes an obstacle to cross-border practice, and supposedly should be repealed for that reason, so too do the consumer protections in the other states, and so on until a profession unregulated federally succeeds in achieving reduced regulation nationally, state by state. Likewise, model laws written and pushed for by professional societies, become the *de facto* substitute for the policy judgments of several states.

3. Conclusion.

For all these many reasons, we join State Treasurer Bill Lockyer, Consumers Union, Public Citizen, and many others in respectfully opposing AB 2473.

Respectfully submitted,



Ed Howard
Senior Counsel, CPIL

cc: Hon. Assemblymembers Roger Niello and Fiona Ma
Hon. Members of the Assembly Business and Professions Committee
Jennifer Galehouse
Michael Miiller

April 3, 2008

The Honorable Mike Eng
Chair, Assembly Committee on Business & Professions
1020 N Street
Room 124
Sacramento, CA 95814

BY FAX: 319-3306

Re: AB 2473 (Niello and Ma) -- Oppose

Dear Assemblymember Eng:

The California Nurses Association (CNA) must respectfully oppose AB 2473(Niello and Ma).

The CNA, and its national arm, the National Nurses Organizing Committee, is one of the nation's premiere nurses' organizations and health care unions. One of the fastest growing health care organizations in the U.S., CNA/NNOC presently has 80,000 members in 50 states.

CNA cares passionately about working families and bargains on their behalf for pension and retirement benefits. Likewise, we are passionate about social justice.

AB 2473 will eliminate the pathway to licensure that permits Californians to substitute work experience for an additional year of education in any subject matter at all.

Accountants studying this very proposal have pointed out the potentially racially discriminatory impact of requiring more education. Those same accountants' research places into doubt whether the increased education serves any purpose.

Moreover, recent corporate scandals -- Enron, Tyco and the like -- were accounting scandals. Millions of working families lost their pensions and retirement nest eggs as a result of widespread malfeasance in the accounting profession.

And the accounting scandals regrettably keep coming. On March 27th the *New York Times* reported that KMPG may have been at the root cause of the subprime mortgage meltdown; the meltdown that has cost so many working families their homes.

These scandals cry out for more vigorous state regulation of this profession, not less.

Surely, given this recent, grim history, this is not the time for the California Legislature to entrust the protection of Californians to other states and nations when the Board

sponsoring such an idea has not even reviewed the enforcement record, resources, and disclosure policies of one state, let alone 49.

At the very least the Board should have heeded Senator Perata's January 10 letter and first done an independent study of the states it is going to be relying upon before advancing legislation that relies on them for basic consumer protection.

Our working families deserve at least that level of common sense homework.

In the meantime, and for these reasons, CNA opposes AB 2473 (Niello and Ma).

Sincerely,

Donna Gerber, Director
Government Relations

cc: Assemblymembers Niello and Ma
Assembly B and P Committee Members
Ross Warren, Consultant

April 1, 2008

The Honorable Roger Niello
State Capitol, Room 6027
Sacramento, CA 95814

RE: AB 2473: OPPOSE

Dear Assemblymember Niello:

The California Tax Reform Association OPPOSES your bill, AB 2473, relating to accountancy.

California has made great advances in closing the "tax gap", including aggressive pursuit of promoters of abusive tax shelters. One of the most effective tools the Franchise Tax Board has used against the marketing of abusive tax shelters has been to hold the promoters of such tax shelter activity accountable for these activities, under statutory authority of the legislature. In fact, many taxpayers who used such shelters did so as a result of aggressive marketing by accountancy firms and tax accountants. These taxpayers, who had been led astray and frequently had to sue their accountants, then complied during the state's Voluntary Compliance Initiative (VCI) which brought in over \$1 billion to the state from abusive shelters and limited the future use of such shelters.

We are very concerned that the waiving of California's accountancy rules with regard to qualifications to practice in California will make it far more difficult for the FTB to enforce the standards with regard to tax practice to which accountants are now held. While presumably the state's reach on tax sheltering would apply to out-of-state accountants as well, we believe that the weakening of these standards would unduly interfere with the very successful efforts of the FTB to hold tax shelter promoters liable for their actions. For that reason, we must oppose this bill.

Please do not hesitate to contact us if you have any questions or comments about our position.

Sincerely,

Lenny Goldberg,
Legislative Advocate

cc: Assembly Revenue & Taxation Committee



Communications Workers of America Local 9400

AFL-CIO, CLC

7844 Rosecrans Avenue, Paramount CA 90723-2296 562.259.9400 562.633.0536 Fax CWA9400@pacbell.net

Michcal J. Harigan
President

April 4, 2008

The Honorable Mike Eng
Chair, Assembly Committee on Business and Professions
1020 N Street, Rm. 124
Sacramento, CA 95814

RE: AB 2473 (Nielic and MA)-- Oppose

Dear Chairman Eng:

As the Vice President of the Communications Workers of America Local 9400, I have serious questions about the efficacy of AB 2473 as proposed.

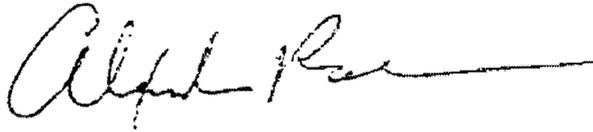
- AB 2473 would allow certified public accountants that are licensed in another state to perform accounting services for Californians without a California CPA license or any other registration or notice to the California Board of Accountancy.
- Out-of-state CPAs would not need any California permission to practice in the state.

California law already provides for a streamlined method for out of state accountants to practice in California after notifying the Board of Accountancy in a 'online form' which discloses important information such as past disciplinary history, information about the license(s) held in other states, and a small fee. AB 2473 would appeal this 'practice privilege,' system and instead throw the gates open in California to unregulated accountancy practice by any person who is licensed in another state without any prior notice to the California Board of Accountancy. Likewise, California families and businesses may no longer be able to check a California website to ensure that an out-of-state CPA is in good standing.

We are managing our resources at a time of incredible uncertainty about our financial institutions ability to police itself in the public interest. Underscoring this concern, was the recent investigative story by Vikas Bajaj of the NY Times on March 27th, highlighting the unethical behavior of accountants at a major accounting firm in our state causing irreparable harm to lenders involved in the now the worst mortgage crises our country has faced in fifty years. (* Inquiry Assails Accounting Firm in Lender's Fall, NY Times, March 27, 2008)

I must oppose this bill because it is my view that we must take measures to protect consumers from unlawful actors gaming the system.

Respectfully,

A handwritten signature in black ink, appearing to read "Alfred R. [unclear]". The signature is written in a cursive style with a long horizontal stroke at the end.

CC.
Members, of the Assembly Committee on Business and Professions

March 31, 2008

The Honorable Roger Niello
State Capitol, Room 6027
Sacramento, CA 95814

FAX: (916) 319-2105

Re: AB 2473 (Niello and Ma) — OPPOSE

Dear Assemblymember Niello:

Consumers Union, the nonprofit publisher of *Consumer Reports*, respectfully opposes AB 2473. This bill would allow certified public accountants who are licensed in another state to perform accounting services for Californians without a California CPA license or any other registration or notice to the California Board of Accountancy. The regulatory body primarily responsible for the quality of accountancy services in California would have no way to know who is practicing accounting for California residents.

California law already provides for a streamlined method for out of state accountants to practice in California after notifying the Board of Accountancy in a form which discloses important information such as past disciplinary history, information about the license(s) held in other states, and a small fee. AB 2473 would repeal this "practice privilege," system and instead throw the doors open in California to unregulated accountancy practice by any person who is licensed in another state without any prior or contemporaneous notice to the California Board of Accountancy.

Under this bill, only California-based CPAs would continue to need the permission of the licensing body to practice in California. Out-of-state CPAs would not need any California permission. Under this bill, the Board of Accountancy would have no practical ability to keep even known "bad apples" from providing California CPA services until after an there had first been an incident in California sufficient to warrant discipline.

One of the key ways that licensing boards protect the public is by denying entry to persons with a bad record. By eliminating the "practice privilege", AB 2473 would deprive the California Board of Accountancy of that important consumer protection tool.

The author of this letter is no stranger to the existing California practice privilege. Serving as an individual public member of the California Board of Accountancy, she assisted in the crafting of that system.

This bill goes much further than did AB 1868 (Bermudez), a 2006 bill (that Consumers Union also opposed) that would have allowed out-of-state CPAs to perform "tax services" for Californians without a license or a practice privilege. AB 2473 does away with the notice requirement entirely, allows out-of-state CPAs to provide any accounting

services to Californians, and also eliminates the nominal fee for the privilege of practicing here. Consumers Union is concerned that this measure would open California's borders to out-of-state CPAs even for those whose conduct in another state suggests that they should not be permitted to practice in California. While certain conditions would still be disqualifiers, the step in which the regulatory body is informed of those disqualifiers would be eliminated. Those who are disqualified apparently would be on the honor system. The California Board of Accountancy will not know that they are practicing accountancy for Californians until a Californian is harmed and complains.

For these reasons, Consumers Union opposes AB 2473.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gail Hillebrand". The signature is written in a cursive style with a prominent horizontal line across the top.

Gail Hillebrand

cc: The Honorable Fiona Ma



Formerly The Foundation for Taxpayer & Consumer Rights

1750 Ocean Park Boulevard, #200, Santa Monica, CA 90405-4938 • Tel: 310-392-0522 • Fax: 310-392-8874 • www.consumerwatchdog.org

April 1, 2008

Honorable Assemblyman Niello
State Capitol, Room 6027
Sacramento, CA 95814

Re: AB 2473 -- Oppose

Dear Assemblyman Niello:

Consumer Watchdog (formerly The Foundation for Taxpayer and Consumer Rights), a nonpartisan, nonprofit organization dedicated to protecting consumers, opposes AB 2473. Your proposal would undercut important financial protections that California law provides for taxpayers, investors and businesses that rely on accountants to provide accurate advice and information.

This bill, which has no greater purpose than loosening oversight of CPAs practicing in California, would allow accountants to practice in California without any requirement to be licensed in the state, without any checks for past criminality and without any disclosure of their credentials to consumers. Instead, your bill proposes to leave consumer protection in the hands of other states, many of which demand far less of the accounting profession than California. The bill, in an apparent quest to undo the minimal protections established in the wake of the Enron disaster, repeals a post-Enron reform (B&P §5096.5) that protects consumers and businesses from unqualified accountants.

Over the past decade we have seen too many examples of how corruption in the accounting profession has devastated the lives of millions of Americans. The disasters at Enron, Tyco, WorldCom and the like, were cases of greed and criminality that were facilitated by the accounting profession's failure to adhere to its essential role as unbiased arbiters of fiscal transparency and accountability.

The result of those catastrophic failures of accounting industry accountability: millions of working families lost their pensions and their life savings. Family safety nets were destroyed because accounting firms did not adhere to ethics standards or abide by the law.

In another massive fraud, KPMG was fined more than \$450 million in 2005 for its role in promoting abusive tax shelters, which cost governments millions in lost revenue.

There is now growing evidence that the profession has played a part in the current mortgage crisis and the nation's plunge into a credit-crunch driven recession. Consider this from the *New York Times* on March 27th:

“A sweeping five-month investigation into the collapse of one of the nation’s largest subprime lenders points a finger at a possible new culprit in the mortgage mess: the accountants. New Century Financial, whose failure just a year ago came at the start of the credit crisis, engaged in ‘significant improper and imprudent practices’ that were condoned and enabled by auditors at the accounting firm KPMG, according to an independent report commissioned by the Justice Department.”

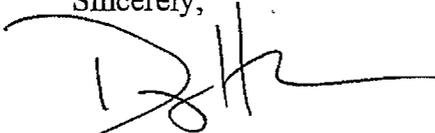
Against this backdrop, AB 2473’s effort to delegate the regulation of this troubled profession to other states without the barest study or analysis as to whether those states have enforcement records and resources worthy of our trust is an unjustified dereliction of the state’s duty to protect Californians as best we can.

If anything, the devastating impact on working families of these accounting failures warrants California tightening its scrutiny of this profession, which used to be dominated by the Big Eight, but which after the “death penalty” given to Arthur Andersen for its misdeeds, is now just the Big Four, perhaps soon to be only three.

This proposal, it is worth noting, is an attempt to remove an already minimal set of consumer protections. Essentially, in what the accounting industry supporters of the bill likely refer to as the removal of onerous regulations, the legislation would do away with a simple four page form consisting mostly of checkboxes. The idea that some in the accounting industry would not even want a simple disclosure and licensing process to protect consumers from convicted felons and fraudulent practitioners is the best argument for increasing the patrols of this industry not eliminating them.

For these reasons Consumer Watchdog urges a no vote on AB 2473. If you have any questions, please do not hesitate to call us at (310) 392-0522.

Sincerely,



Douglas Heller



Carmen Balber

From the Desk of Eric Bradley

Attachment 12

April 3, 2008

The Honorable Roger Niello
State Capitol, Room 6027
Sacramento, CA 95814

Dear Assemblymember Niello,

As the Controller of the California Democratic Party and a small business owner, I have serious questions about the efficacy of AB 2473 as proposed.

- AB 2473 would allow certified public accountants that are licensed in another state to perform accounting services for Californians without a California CPA license or any other registration or notice to the California Board of Accountancy.
- Out-of-state CPAs would not need any California permission to practice in the state.

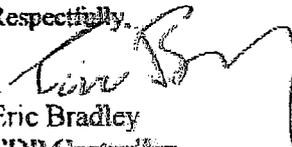
California law already provides for a streamlined method for out of state accountants to practice in California after notifying the Board of Accountancy in a 'online form' which discloses important information such as past disciplinary history, information about the license(s) held in other states, and a small fee. AB 2473 would appeal this 'practice privilege,' system and instead throw the gates open in California to unregulated accountancy practice by any person who is licensed in another state without any prior notice to the California Board of Accountancy. Likewise, California families and businesses may no longer be able to check a California website to ensure that an out-of-state CPA is in good standing.

We are managing our resources at a time of incredible uncertainty about our financial institutions ability to police itself in the public interest. Underscoring this concern, was the recent investigative story by Vikas Bajaj of the NY Times on March 27th, highlighting the unethical behavior of accountants at a major accounting firm in our state causing irreparable harm to lenders involved in the now the worst mortgage crises our country has faced in fifty years. (* Inquiry Assails Accounting Firm in Lender's Fall, NY Times, March 27, 2008)

California working families have been hit hard with an economic recession, unemployment and a mortgage crisis that sees no end in how many victims will fall through the cracks and lose their homes on top of amounting unnecessary debt.

I must oppose this bill because it is my view that we must take measures to protect all consumers from unlawful actors gaming the system.

Respectfully,



Eric Bradley
CDP Controller

(C)

Members, of the Assembly Committee on Business and Professions

4105 E. Colorado Street · Long Beach, California 90814



Auto Safety Group • Congress Watch • Energy Program • Global Trade Watch • Health Research Group • Litigation Group
Joan Claybrook, President

April 3, 2008

The Honorable Mike Eng
Chair, Assembly Committee on Business & Professions
1020 N Street
Room 124
Sacramento, CA 95814

BY FAX: 319-3306

Re: AB 2473 (Niello and Ma) -- **Oppose**

Dear Assemblymember Eng:

I am a Board Member of Public Citizen and former Chair of the Senate Business and Professions Committee.

Public Citizen is a national, nonprofit consumer advocacy organization founded in 1971 to represent consumer interests in legislative matters, the executive branch and the courts.

On behalf of Public Citizen I must respectfully write in opposition to AB 2473.

The accountancy profession is one of awesome significance to the lives of Californians. Over the past decade we have seen instance after instance of how illegal corruption in this profession has devastated the lives of millions of Americans including millions of Californians.

Enron, Tyco, WorldCom, and the like, these disasters were all at their core failures of the accounting profession to adhere to its essential role as unbiased arbiters of fiscal transparency and accountability.

The result: millions of working families lost their pensions and their life's savings; the fruits of lifetimes worth of earnest hard work were destroyed. Inheritances were lost with the consequences flowing through subsequent generations all because of the utter failure of accounting firms to adhere to their ethics and abide by the law.

Sadly, having devastated the pensions of working families, it now appears that the profession has had a significant role in ruining the equity in their homes while also helping to plunge the nation into a credit-crunch driven recession. Consider this from the *New York Times* on March 27th:

“A sweeping five-month investigation into the collapse of one of the nation’s largest subprime lenders points a finger at a possible new culprit in the mortgage mess: the accountants. New Century Financial, whose failure just a year ago came at the start of the credit crisis, engaged in ‘significant improper and imprudent practices’ that were condoned and enabled by auditors at the accounting firm KPMG, according to an independent report commissioned by the Justice Department.”

Against this backdrop, AB 2473's effort to delegate the regulation of this troubled profession to other states without the barest study or analysis as to whether those states have enforcement records and resources worthy of our trust is, respectfully, severely misguided; an unjustified dereliction of our duty to protect Californians as best we can.

Indeed, apart from Enron and New Century, KPMG just two years ago was socked with massive fines in the hundreds of millions of dollars for its role in promoting abusive tax shelters which cost governments millions in lost revenue.

If anything, the devastating impact on working families of these ongoing accounting failures warrants California tightening its scrutiny of this profession, which used to be dominated by the Big Eight, but which after the "death penalty" given to venerable Arthur Andersen for its misdeeds, is now just the Big Four, perhaps soon to be just the Big Three.

And the idea that a simple four page form consisting mostly of checkboxes constitutes a barrier to legitimate out-of-state CPAs deciding to practice here is, respectfully, without merit, as is the Board's proposal to have convicted felons and those whose licenses have been revoked in other states voluntarily step forward and report those events to the California Board so it can move against them.

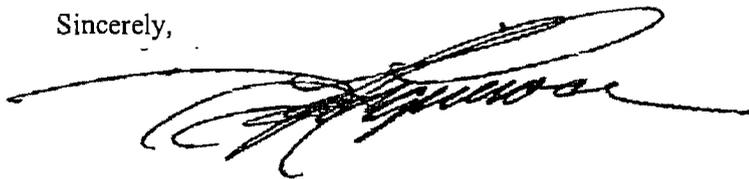
I am as a Latina also personally troubled by the studies done by CPAs revealing the potentially racially discriminatory impact of requiring more education in lieu of work experience (education in any subject mind you). This was why I helped broker the compromise in current law to permit poor students and students of color to work and gain the experience they need and why I inserted language into my SB 133 requesting that the Board study these issues before again recommending legislation that could hurt people of color for no good reason.

Inexplicably the Board has refused to do its homework and is back before the Legislature nevertheless.

For these reasons Public Citizen strongly urges a no vote on measure. Given the stakes -- Enron, WorldCom, Tyco, and now the mortgage crisis -- Senator Perata was right to request an independent study of the Board's proposal so legislators can look at objective analyses, and not rely on he-said, she-said lobbying.

Now is not the time without independent analysis to de-regulate this profession or delegate the protection of California's working families to other states whose enforcement prowess the California Board of Accountancy has strangely never examined.

Sincerely,

A handwritten signature in black ink, appearing to read "Liz Figueroa", with a large, sweeping flourish extending to the left.

Liz Figueroa

cc: Assemblymembers Niello and Ma
Senators Perata and Ridley-Thomas

HANSEN, BARNETT & MAXWELL, P.C.

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS
AND
BUSINESS CONSULTANTS

5 Triad Center, Suite 750
Salt Lake City, UT 84180-1128
Phone: (801) 532-2200
Fax: (801) 532-7944
www.hbmcpas.com

Registered with the Public Company
Accounting Oversight Board



The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 2473 (Niello, Ma) Support

Dear Assembly Member Niello:

I am currently the chairman of the Utah State Board of Accountancy and a licensed CPA in several states including California. Because of the timing of this legislation, we will not be able to meet as a board and officially as a board state the Board's position until our next meeting on April 2, 2008. In the meantime I am pleased to state that I am in support of AB 2473 (Niello, Ma). The issue of CPA mobility is critical to serving not only California constituents, but also in addressing the capital market needs regionally, nationally and internationally.

Utah has just passed the CPA mobility provision which will become effective May 5, 2008. In order for California CPAs to exercise the mobility privilege in Utah, California will need to be deemed a "substantially equivalent" state by the National Association of State Boards of Accountancy. Your legislation would help by eliminating the barriers that currently keep California CPAs from being considered equivalent to those of other states, such as Utah. It would also remove barriers that out-of-state CPAs representing their own clients' business interests face in California.

The CPA profession has spent a significant amount of resources in equalizing standards of education, examination and experience and shares a common set of technical and ethical standards across the country. In today's complex, global environment, it's essential that regulation of the CPA profession is seamless without being overly burdensome.

I encourage California to join a significant national movement to enable fluid practice of public accounting across geographical boundaries, while at the same time, maintaining a common level of quality and integrity in the protection of citizen interests. I believe that this approach will assist business and continue consumer protection.

Thank you for introducing AB 2473.

Sincerely,

HANSEN, BARNETT & MAXWELL, P.C.

Robert K. Bowen, CPA



April 4, 2008

The Honorable Mike Eng
California State Assembly
State Capitol
P.O. Box 94249-0049
Sacramento, CA 95814

RE: Support of AB 2473 (Niello and Ma) Accountancy

Dear Assembly Member Eng,

The Hispanic 100 is proud to support AB 2473 (Niello and Ma), which removes barriers which are unnecessary and prevent interstate commerce for the CPA profession and its clients. AB 2473 will provide consumers with freedom to choose a qualified CPA while still being afforded full consumer protections by the California Board of Accountancy. This bill will simplify and modernize the rules governing when CPAs from out-of-state are permitted to provide services in California and will enable CPAs to work more efficiently and cost-effectively in today's highly-mobile workplace.

The increasing technology of today world allows businesses to function across state lines with ease therefore there is a essential need for states to implement a standardized mobility system at will permit licensed CPAs to provide services across state lines devoid of unnecessary burdens. A standardized process will give CPAs the flexibility to better serve these clients.

The current system with varying rules among states results in a piecemeal system that is ineffective and increasingly difficult to navigate. Ensuring compliance and enforcement of the current system is near impossible.

Adoption of AB 2473 will be a positive advancement for both consumers and CPAs. It is a necessary step to ensure Californian consumers and businesses can remain competitive in the vigorous economy of the world today. California should join the other states in establishment of modern and uniform accountancy mobility standards. The Hispanic 100 urges you to support AB 2473.

Sincerely,

Stephanie Subia, Executive Director

Mailed to all Bd Members 4/4-08 per Carol S. Smann



FOR INFORMATION ONLY
FROM THE EXECUTIVE UNIT

RECEIVED

08 APR -4 AM 11:14

LATINO BUSINESS PROFESSIONALS

Attachment 16

STATE BOARD OF
ACCOUNTANCY
SAN FRANCISCO

BOARD MEMBERS

Beatriz E. Quezada
President
U.C. Berkeley

March 28, 2008

Adriana Esquivel
Vice President
Chevron

The Honorable Roger Niello
California State Assembly
State Capitol
Sacramento, CA 95814

Gundalupe Carlos
Treasurer
MedAmerica Billing Services

RE: Support for AB 2473 by Latino Business Professionals

Laura Morales
Secretary
Peet's Coffee & Tea

Dear Assembly Member Niello:

Liliana Cevallos
Director of Student Outreach
Chevron

The California Board of Accountancy is sponsoring AB 2473 (Niello, Ma) that will remove unnecessary barriers to interstate commerce for the CPA profession and its business clients. The bill would allow out-of-state CPAs to provide services to California taxpayers without notifying the California Board of Accountancy in advance and paying a fee unless they are performing an audit of an entity headquartered in California.

David Azevedo
Immediate Past President
PowerSpeaking, Inc.

California's current practice privilege registration system which became effective in 2006 is not working. It was designed to ease mobility, but it did just the opposite. It provides no additional consumer protection and in fact may cause consumer confusion because the CBA is listing the names of out-of-state CPAs on its web site as if the CBA has somehow approved or investigated these individuals. Additionally, California's aggressive approach to interpreting who had to register caused other states to retaliate and adopt even more aggressive regulations aimed at barring any CPAs, and in some instances specifically California CPAs, from providing any service that required the signature of a CPA firm or a visit to that state. Clearly this is not in the best interests of interstate commerce.

Hugo Delgado
Director-At-Large
Iriguez, Perez, Delgado
Co., LLP

Because of the confusion and anxiety created by California's recent enactment, the profession, working with national and state regulators, researched other options that would serve our clients better and provide seamless protection for consumers. The new approach contained in AB 2473 is actually a very old approach--one that has been in use in states like Ohio since 1964. AB 2473 would allow the California Board of Accountancy to take action including stiff fines, cost recovery and disciplinary referral to states where they are licensed.

AB 2473 would also increase the educational standards for CPAs entering the profession to the level already adopted by virtually every other state so that all existing California CPAs would be able to represent their California clients' business interests in those other states.

We urge you to support AB 2473 when it comes before you for a vote. If you have questions or need additional information, please contact me.

Sincerely,

Beatriz E. Quezada
President, Latino Business Professionals of San Francisco
On behalf of the LBP San Francisco and Silicon Valley Chapters

cc: California Society of CPAs
Assembly Business & Professions Committee



Arizona Society of Certified
Public Accountants

4801 E. Washington St., Suite 225-B
Phoenix, AZ 85034-2021

Attachment 17

(602) 252 - 4144

AZ toll free (888) 237 - 0700

Fax (602) 252 - 1511

www.ascpa.com

The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 2473 (Niello, Ma)
Support

Dear Assembly Member Niello:

The Arizona Society of CPAs supports Assembly Bill 2473 (Niello, Ma). The Arizona Society of CPAs represents 5,500 CPAs in Arizona. Many of these CPAs have clients who live or do business in California. This legislation is vital to both the CPA profession and their business clients.

CPAs have clients with business interests in virtually every state and many countries. They want to use CPAs as their trusted financial advisors to manage issues related to these interests. AB 2473 would help those clients by eliminating the barriers that currently keep California CPAs from being considered equivalent to those of other states. AB 2473 would also remove barriers faced by out-of-state CPAs representing their own clients' business interests in California.

The CPA profession operates under national professional standards. We need to make sure that regulation of the CPA profession is seamless without being overly burdensome.

Arizona hopes to have similar legislation passed soon. Arizona SB 1227 is moving through the Arizona legislation without opposition.

Thank you for introducing AB 2473. Please let us know how we can help you pass this important legislation.

Sincerely,

Cindie Hubiak, CPA
President & CEO

c: Members, California State Assembly & Senate
CalCPA
California Board of Accountancy

ASCPA...Leading Trusted Professionals



April 1, 2008

Attachment 18

The Honorable Roger Niello, CPA
California State Assembly
State Capitol Building
Sacramento, CA 95814

In re: Assembly Bill 2473

Dear Assembly Member Niello:

As the President of the Illinois CPA Society, I am delighted to join my colleagues with the California CPA Society and other state societies in supporting Assembly Bill 2473 amending the California Business and Professional Code which you have introduced in the California State Assembly.

This substantially equivalency legislation is a logical response to our world flattened by international boundaries and technology. Today, the CPA profession is flatter and AB 2473 would help businesses and clients who have interest in every state and many countries by removing barriers that currently keep California from being equivalent to those of other states. This legislation would also remove barriers that out-of-state CPAs representing their clients' business interest face in California.

Mobility maintains the high professionalism and regulatory standards expected of CPAs and provides substantial safeguards to consumers by requiring substantial equivalency and submission by out-of-state CPAs to the jurisdiction and discipline of the California Board of Accountancy.

The professional association that represents state accountancy regulators recommended adoption of the interstate mobility system and fifteen states, including Illinois, have enacted mobility legislation consistent with the substantial equivalency provisions of the Uniform Accountancy Act. Two states have approved legislation and are awaiting their governor's signature and sixteen other states have ongoing activity to pass legislation. There is a momentous movement afoot to adopt and implement mobility in response to our flat world and contemporary business practices and your legislation brings California in line with the other states who have adopted substantial equivalency requirements in granting the practice privilege for cross-border practice of accountancy.

The Honorable Roger Niello, CPA—2
Assembly Bill 2473

I would be happy to provide you and your legislative colleagues with information of Illinois' experience in the passage and implementation of mobility that may be of assistance as a part of your legislative deliberative process.

Very truly yours,

A handwritten signature in cursive script that reads "Elaine Weiss".

Elaine Weiss
President and Chief Executive Officer



New Mexico Society of Certified Public Accountants
& Foundation for Education and Research

1650 University NE • Suite 450
Albuquerque, New Mexico 87102
505/246-1699 • 800/926-2522 (statewide)
Fax: 505/246-1686
www.nmscpa.org

March 25, 2008

The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 2473 (Niello, Ma) Support

Dear Assembly Member Niello:

The New Mexico society of CPAs is pleased to inform you that it supports AB 2473 (Niello, Ma). This legislation is vital to both the CPA profession and our business clients.

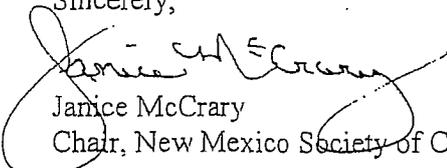
Business does not respect state or even international boundaries and California is a vibrant participant in these economies. CPAs have clients with business interests in virtually every state and many countries. They want to use us as their trusted financial advisors to manage issues related to these interests. Your legislation would help those clients by eliminating the barriers that currently keep California CPAs from being considered equivalent to those of other states. It would also remove barriers that out-of-state CPAs representing their own clients' business interests face in California.

The CPA profession operates under national professional standards and we need to make sure that regulation of the CPA profession is seamless without being overly burdensome.

New Mexico passed legislation similar to AB 2473 earlier this year with the full support of the Society and the New Mexico Public Accountancy Board. There is a commitment by CPA regulators in the majority of states to enacting similar provisions in their state laws. We believe that this approach will assist business and continue consumer protection.

Thank you for introducing AB 2473. Please let us know what we can do to assist you in seeing that this important legislation is passed.

Sincerely,



Janice McCrary
Chair, New Mexico Society of CPAs

cc: Members, California State Assembly & Senate
California CPA Society
California Board of Accountancy



The CPA. Never Underestimate The Value.



March 21, 2008

The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

Re: Support of AB 2473 (Niello, Ma)

Dear Assembly Member Niello:

On behalf of The Ohio Society of Certified Public Accountants, I am writing to express support for AB 2473. This legislation is of critical importance to both the CPA profession and the business clients it serves in California and throughout the nation.

Recognizing that businesses commonly operate across state lines and may need professional expertise offered by CPAs located in other states, Ohio's accountancy regulatory body adopted rules in the 1960's like those included in your legislation. Under Ohio's accountancy laws and rules, out-of-state CPAs may provide any professional accounting, consulting, tax or auditing services to Ohio clients without government notification or related fees. In exchange, those practitioners recognize that they are subject to disciplinary action under Ohio accountancy laws should a problem occur. Ohio regulators have been very pleased with the longstanding mobility practices in place in Ohio, feel the public is well protected, and have reported that the isolated disciplinary actions needed against out-of-state license holders were easily and appropriately dealt with. Further, Ohio businesses have been well served by the ability to immediately consult with any CPA professional across our nation when a need arises – of particular importance in challenging economic times when a problem or opportunity calls for quick resolution. I have enclosed an article recently published in our magazine which further Ohio's experience with interstate practice.

If adopted, your legislation would provide Californians with the same benefits by eliminating the barriers that currently keep them from securing immediate, expert advice from CPAs who might happen to be located in another state but abide by the same professional standards as California CPAs. It would also remove barriers that out-of-state CPAs representing their own clients' business or personal interests face in California.

There is a commitment by CPA regulators in the majority of states to enact similar provisions in their own state laws. This "east coast to west coast"

535 Metro Place South
PO Box 1810
Dublin OH 43017-7810

614.764.2727
800.686.2727
X: 614.764.5880

Member Service Center:
614.791.1212
Toll Free: 888.959.1212

www.ohioscpa.com

approach is critical to ensuring the needs of business are met and to continuing consumer protection.

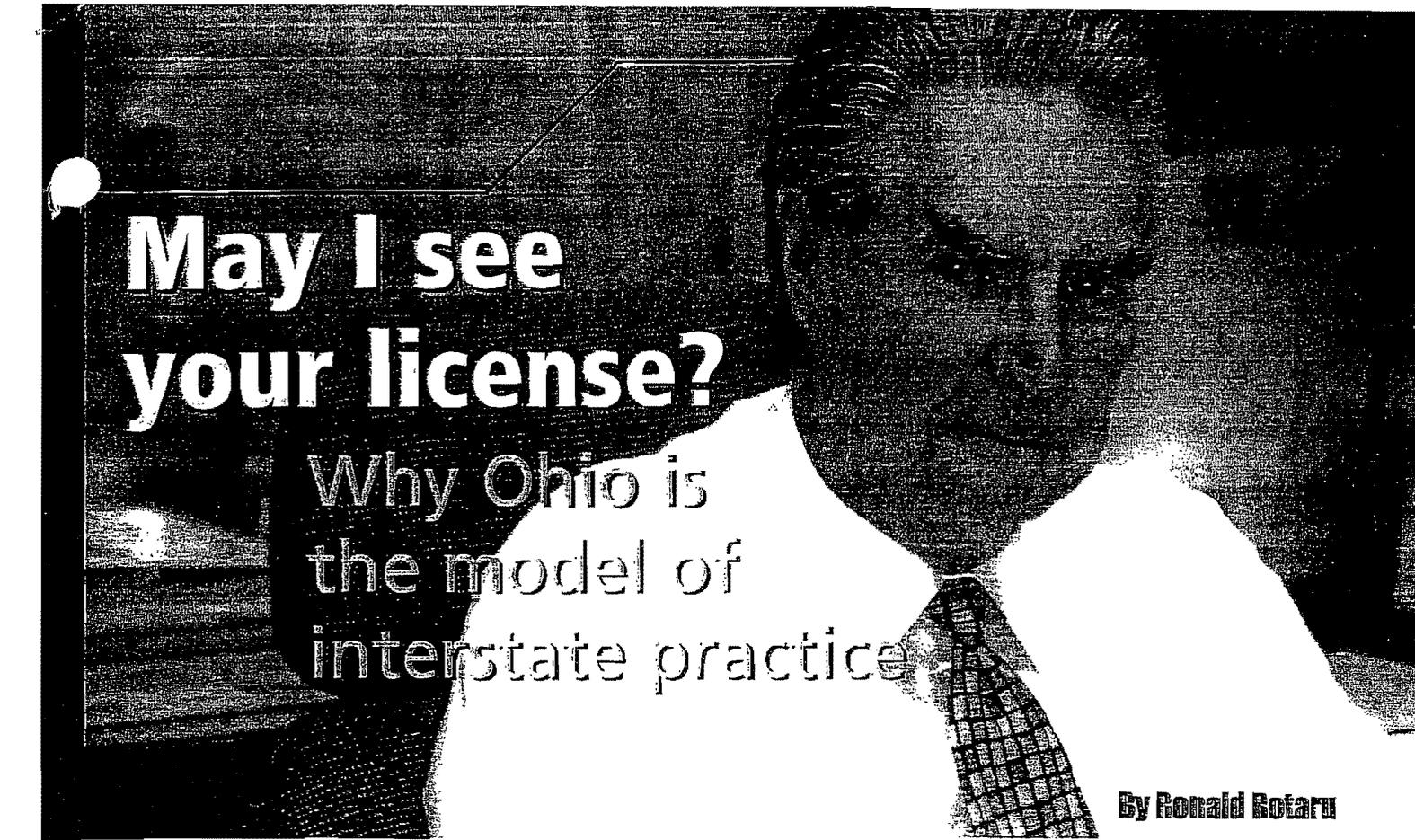
Thank you for your leadership in introducing AB 2473. We look forward to seeing California adopt this important legislation into law, and would be pleased to answer any questions you might have.

Sincerely,



J. Clarke Price, CAE
President & CEO

cc: California Society of CPAs
California Board of Accountancy



May I see your license?

Why Ohio is the model of interstate practice

By Ronald Rotaru

Imagine taking a family road trip to sunny Florida. Instead of hopping in the car and driving off, you sit down to a stack of forms. Before you can drive into Florida, or any of the states in between, you have to register with each state's Department of Motor Vehicles and pay a different registration fee.

Sound crazy? It sure does to me. In reality, states recognize each other's motor vehicle licensing of residents. The alternative would be a headache of paper work, and likely a lot fewer road trips.

A similar phenomenon, however, is plaguing CPA practices that cross state borders. Increasingly, CPAs are being required to meet a wide range of requirements when they practice in different states, sometimes even if they don't physically visit those states.

The Ohio model

The Accountancy Board of Ohio (ABO) views a CPA license as similar to a driver's license. Just as an out-of-state driver can drive in Ohio, an out-of-state CPA or accounting firm may perform public accounting work in Ohio on an incidental or temporary basis without notification if that CPA holds a current license to practice public accounting in his or her home state.

The Ohio model has been in place since 1961. The accountancy law enacted Oct. 23, 1959 contained no provision for temporary or incidental practice. At the Feb. 5, 1960 meeting, the ABO noted that an Ohio license would be required of all out-of-state CPA partners who practiced in Ohio. Realizing the problem, legislation was introduced to correct the issue. The current section 4701.15 of the Ohio Revised Code became effective Jan. 10, 1961. Though somewhat duplicative, a no-notification provision was added to the Ohio accountancy law in 1998, along with numerous other UAA provisions, to make identification of Ohio's longstanding practice clearer to out-of-state CPAs.

The concept of "substantial equivalency" with respect to the "Three Es" of education, examination and experience was invented in Ohio and has been part of the accountancy law since the creation of the Board in 1908. The 1998 statutory changes granted broader practice privileges to licensees from other substantially equivalent states.

Why other states are different

Section 23 of the Uniform Accountancy Act was written in the mid-1990s and ratified over time by 33 states to facilitate interstate mobility of CPAs. However, not all states have the same interpretation of Section 23. In some circumstances, this lack of uniformity has led to requirements that actually inhibit practice by out-of-state CPAs, counter to the intent of Section 23.

There are four main reasons for this.

1. A state may have CPAs with strong protectionist views and define "substantial equivalency" as being almost exactly equivalent to its accountancy law rather than good enough for a temporary practice authorization.



OREGON SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

10206 SW Laurel Street Beaverton, Oregon 97005-3209 • PO Box 4555 Beaverton, Oregon 97076-4555
503-641-7200 / 1-800-255-1470 • Fax 503-626-2942
oscpa@orcpc.org • www.orcpc.org

Be it Resolved:

The Board of Directors of the Oregon Society of Certified Public Accountants (OSCPA) wishes to express its support for AB 2473, a bill before the California Legislature that provides for improved mobility for non-resident CPAs providing services to California residents.

Businesses, even small businesses, increasingly operate across state or even international boundaries. Members of the OSCPAs have clients with business interests in virtually every state and many countries. Those clients sometimes need to use our members as trusted financial advisors to manage issues relating to those interests.

The AB 2473 legislation would remove barriers that out-of-state CPAs representing their own clients' business interests face in California. The Oregon Society of CPAs is also working to eliminate similar barriers to out-of-state practice in Oregon. We need to make sure that regulation of the CPA profession is seamless on a state-by-state basis without being overly burdensome.

By unanimous action of the Board of Directors of the Oregon Society of CPAs on March 21, 2008.



March 20, 2008

The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 2473 (Niello, Ma) Support

Dear Assembly Member Niello:

On behalf of the Texas Society of CPAs and our nearly 28,000 members, we want to express our enthusiastic support of AB 2473 (Niello, Ma). This legislation is vital to both the CPA profession and to the many business clients that CPAs serve.

In today's world of technology and mobility, business transcends state and even international boundaries. Our members have clients with business interests in virtually every state and in many countries. Those clients want to use their CPAs as their trusted financial advisors to manage issues related to their business interests. Your legislation will help those clients, and therefore the public, by eliminating the barriers that currently keep California CPAs from being considered equivalent to those of other states. It will also remove barriers that out-of-state CPAs, like our members in Texas, encounter in representing their clients in California and the California business interests of their clients.

The CPA profession operates under national professional standards and is in the process of moving toward recognition of international standards. We need to make sure that regulation of the CPA profession in all the states is seamless without being overly burdensome and reflects the world in which CPAs now practice.

There is a commitment by CPA legislators and regulators in the majority of states to enact similar provisions in their state laws. The Texas legislature passed similar legislation in 2007 that enables out of state CPAs, including those from California, to serve their clients in Texas using the license from their state of origin. We believe that this approach assists business and actually improves consumer protection by making it clear that these out of state CPAs are subject to the authority and oversight of our state regulatory board when they provide services in Texas. California, because of its size and visibility, is a natural leader in this movement and its enactment of AB 2473 will give important momentum to the effort being made in other states to pass similar laws.

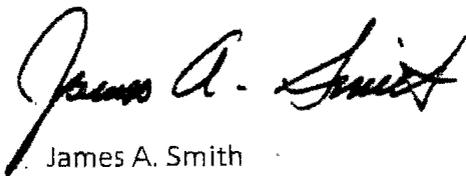
The Honorable Roger Niello, CPA

March 20, 2008

Page 2

Again, thank you for introducing AB 2473 and your support for moving CPA regulation into the 21st century . Please let us know what we can do to assist you in seeing that this important legislation is passed.

Sincerely,



James A. Smith
Chairman



John M. Sharbaugh
CEO/Executive Director

cc: Members, California State Assembly & Senate
CalCPA
California Board of Accountancy



March 20, 2008

The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 2473 (Niello, Ma) Support

Dear Assembly Member Niello:

On behalf of the **Utah Association of CPAs**, we are pleased to support AB 2473 (Niello, Ma). The issue of CPA mobility is critical to serving not only California constituents, but also in addressing the capital market needs regionally, nationally and internationally.

Utah has just passed the CPA mobility provision which will become effective May 5, 2008. In order for California CPAs to exercise the mobility privilege in Utah, California will need to be deemed a "substantially equivalent" state by the National Association of State Boards of Accountancy. Your legislation would help by eliminating the barriers that currently keep California CPAs from being considered equivalent to those of other states, such as Utah. It would also remove barriers that out-of-state CPAs representing their own clients' business interests face in California.

The CPA profession has spent a significant amount of resource in equalizing standards of education, examination and experience and shares a common set of technical and ethical standards across the country. In today's complex, global environment, it's essential that regulation of the CPA profession is seamless without being overly burdensome.

We encourage California to join a significant national movement to enable fluid practice of public accounting across geographical boundaries, while at the same time, maintaining a common level of quality and integrity in the protection of citizen interests.

Sincerely,

Ronald K. Frandsen, President
Utah Association of CPAs



The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 2473 (Niello, Ma) Support

Dear Assembly Member Niello,

On behalf of the 8,300 members of the Virginia Society of CPAs (VSCPA), we are writing to convey our support of AB 2473 (Niello, Ma). This legislation is vital to both the CPA profession and our business clients. California is a vibrant participant in the international economy, and we have many CPAs in Virginia who have clients and business interactions in California on a daily basis.

Because the new speed of commerce does not revere state or even international boundaries, our members are able to have clients with business interests in virtually every state and many countries. The public uses CPAs as trusted advisors to manage issues related to financial interests.

Your legislation would help the public at large by eliminating the barriers that currently keep California CPAs from being considered equivalent to those in other states. It would also remove barriers that face out-of-state CPAs representing their own clients' business interests in California.

The CPA profession operates under national professional standards and uses a rigorous nationally standard entrance exam. California can rely on the quality and consistency of CPAs across state lines, as well as the quality of regulators overseeing the profession nationwide.

In 1999, Virginia was a pioneer in practice mobility by passing sections of the Uniform Accountancy Act that enabled the CPA profession to thrive and best serve Virginia's citizens. Virginia is currently rated the No. 1 state to do business by Forbes.com, and we believe this is due, in part, to a robust and mobile CPA community. CPA regulators in the majority of states are now showing commitment to enact similar provisions to Virginia's in their state laws. We believe this approach will assist business and continue consumer protection.

Thank you for introducing AB 2473. I have included a copy of the VSCPA's statement on mobility for your use in advocating for this important legislation. If there is anything additional we can do to assist you, please feel free to contact us. If you have any questions or concerns, please contact me or VSCPA Government Affairs Director Erin Collins at (800) 733-8272. Thank you again for your consideration.

VSCPA Statement on Practice Mobility

The Virginia Society of Certified Public Accountants (VSCPA) values the dynamics of today's CPA profession and the regulatory environment that is essential for the profession's success. The VSCPA believes that only through the robust intent of regulatory agencies to protect the public, a highly ethical and committed profession, and the acceptance of today's fast-paced commerce, can the CPA profession truly fulfill its commitment to global economies.

Obstacles to the mobility of a CPA license across state lines neither serve the public interest nor allow the profession to efficiently serve that public. Virginia, along with a few other states, has chosen a model that vigorously protects the public and allows for ease of practice in and out of the state. The VSCPA offers its assistance to help other jurisdictions move toward this successful model of practice mobility.

Other states should model their systems that regulate the CPA profession after that used by the Virginia Board of Accountancy (BOA), which has been tremendously successful and allows for ease of practice without notification and still protects the public. There is no notification requirement for firms or individuals, so long as that person or firm is licensed in a substantially equivalent state or otherwise meets the Virginia BOA's substantial equivalency requirements. The VSCPA and its members greatly value the Virginia BOA's dedication to protect the public while allowing CPAs to easily practice in an increasingly fast-paced business environment.

Public protection has arisen as the major justification for requiring notification and/or fee to practice in a state. Virginia has found the opposite to be true. As a complaint-based state, with clear authority to sanction any CPA professional activity within the Commonwealth, Virginia has a vigorous enforcement program that provides the highest level of protection to the public. Requiring notification offers no additional information or authority that is not gained by automatic consent jurisdiction.

The VSCPA supports revisions to the Uniform Accountancy Act (UAA) that do not require notification to state boards of accountancy by CPAs with valid licenses. These changes are necessary to adapt the CPA profession to today's business climate, and the proposed revisions do not hinder a state board's ability to protect the public.

CPAs must be able to work within the new global economy, facilitated by instant communication. The CPA profession and regulatory bodies must work together to make that level of service a reality. No notification is the biggest step in that process. Please join Virginia in emphasizing the efficiency of automatic jurisdiction consent, and the ability to vigorously protect the public while increasing professional mobility.

Thank you for the opportunity to convey our thoughts on the mobility crisis. Should you have any questions or need additional information, you may contact me or Erin Collins, VSCPA government affairs director, at (800) 733-8272 or ecollins@vscoa.com.

Sincerely,

Monique T. Valentine, CPA
Chair of the VSCPA Board of Directors



WASHINGTON
SOCIETY
OF
CERTIFIED
PUBLIC
ACCOUNTANTS

The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

March 25, 2008

Re: AB 2473 (Niello,
Ma) Support

Dear Assembly Member Niello:

On behalf of the Washington Society of CPAs, I am writing to lend our support to AB 2473 (Niello, Ma). This legislation is vital to both the CPA profession and their business clients.

Today's business environment extends well beyond individual state boundaries. California CPAs have clients with business interests in virtually every state and many countries. Clients want to use the CPA of their choice as trusted financial advisors to manage issues related to these interests. AB 2473 would help those clients by eliminating the barriers that currently keep California CPAs from being considered equivalent to those of other states. It would also remove barriers currently encountered by out-of-state CPAs representing their California clients' business interests. AB 2473 provides your State Board of Accountancy with clear regulatory oversight while responding to the needs of a mobile business community.

CPAs are licensed based on substantially equivalent professional standards of education, national exam and experience. In addition, all licensed CPAs follow the same national accounting and auditing standards. Despite this fact, CPAs in California - and every other state - must spend countless hours to register with regulators in numerous jurisdictions in order to serve their various client needs. AB 2473 helps to ensure that regulation of the CPA profession is seamless without being overly burdensome.

CPA regulators in the majority of states are committed to enacting similar provisions in their state laws. On March 14, Washington State Governor Christine Gregoire signed SB 6604, enacting these provisions. We believe that this approach will enable businesses to engage the right CPA with the right skills without costly delays, whether that CPA resides in Sacramento or Seattle.

www.wscpa.org

Tel (425) 644-4800

Fax (425) 562-8853

2 140th Ave NE

Bellevue, WA

98005-3480

Thank you for introducing AB 2473. Please let me know if we can provide further support to you in moving this important legislation.

Sincerely,



Richard E. Jones, CPA
Executive Director

cc: Members, California State Assembly & Senate

CalCPA,
California Board of Accountancy



**Wisconsin Institute of
Certified Public Accountants**

March 24, 2008

The Honorable Roger Niello, CPA
California State Assembly
State Capitol
Sacramento, CA 95814

Re: AB 2473 (Niello, Ma) Support

Dear Assembly Member Niello:

On behalf of the Wisconsin Institute of Certified Public Accountants, we are pleased to inform you of the enthusiastic support of Wisconsin CPAs for AB 2473 (Niello, Ma). Wisconsin enacted similar legislation a few years ago because Wisconsin CPAs and legislators understand the importance of allowing CPAs to serve their clients' needs without restrictions resulting solely from businesses having multiple geographic locations.

Our members have clients with business interests in virtually every state and many countries. Your legislation would help those clients by eliminating the barriers that currently keep California CPAs from being considered equivalent to CPAs of other states. It would also remove barriers that out-of-state CPAs representing their own clients' business interests face in California. This legislation is vital to both the CPA profession and our business clients.

The CPA profession operates under national professional standards. It is important to businesses in all states that regulation of the CPA profession is seamless without being overly burdensome.

There is a strong commitment by CPA regulators in the majority of states to enacting similar provisions in their state laws. This is evidenced by the many states that recently have enacted similar laws, and those that have similar laws pending consideration. We believe that this approach will assist business and continue consumer protection.

Thank you for introducing AB 2473. Please let us know what we can do to assist you in seeing that this important legislation is passed.

Sincerely,

Dennis F. Tomorsky, CPA, JD
CEO

cc: Members, California State Assembly & Senate
CalCPA,
California Board of Accountancy

Sincerely,

Monique T. Valentine, Chair of the Board

cc: Leadership, California State Assembly & Senate
CalCPA,
California Board of Accountancy

Encl.



RECEIVED

08 APR -7 PM 3:07

STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

CALIFORNIA BOARD
OF ACCOUNTANCY

PO Box 9131 • Olympia, Washington 98507-9131
(360) 753-2585 • FAX (360) 664-9190 • www.cpaboard.wa.gov

April 1, 2008

The Honorable Roger Niello
Vice-Chair, Budget Committee
California State Assembly
Sacramento, CA 95814

Honorable Roger Niello:

This letter is to register my support for AB 2473 amending certain sections of the Business and Professions Code relating to accountancy in the State of California.

As Executive Director of the Washington State Board of Accountancy, I am responsible for implementing Washington State's Public Accountancy Act (the Act). As an appointee of the Governor of this state, my responsibilities include drafting proposed statutory changes and rule revisions, directing investigations of alleged violations of the Act and cooperating with other State Boards of Accountancy in investigations and enforcement matters of mutual interest.

On March 14, 2008, Governor Christine Gregoire signed SSB 6604 into law amending our current Act.

The Governor emphasized the benefits to the consumer without diminishing the enforcement authority of the Washington State Board of Accountancy in her public comments during the signing of the bill.

This legislation unanimously passed both chambers of the Washington State legislature as a result of no opposition being voiced in committee hearings. The amendments to our Act are substantively consistent with the amendments included in AB 2473.

I strongly believe that similar statutory provisions in other states permitting or requiring mutual cooperation among state boards will enhance efficient and effective assurances of public protection.

Upon the effective date of June 11, 2008 our statute will require:

“A licensee of this state offering or rendering services using their CPA title in another state shall be subject to disciplinary action in this state for an act committed in another



state for which the (licensee) would be subject to discipline for an act committed in the other state.” and

...“the board shall cooperate with and investigate any complaint made by the board of accountancy of another state or jurisdiction”.

Previously our statute read that the board may cooperate with another state board upon timely notification of the act.

As Executive Director, I am currently, and will continue to be, responsible for serving notice on other state boards of prima facie or alleged violations by a licensee of another state practicing in our state, for directing the related investigations conducted in this state, seeking resolutions, and recommending discipline to the Washington State Board of Accountancy. I intend to fully investigate any alleged violations committed in another state by a Washington licensee or to have been allegedly committed by a licensee of another state practicing in our state.

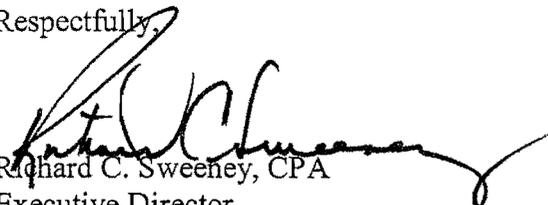
I can assure you of our cooperation with the California Board and its enforcement unit in such investigations (with an objective of mutually conserving investigative resources) and our desire to communicate to the California Board or its designee the status of any investigations of mutual interest and remedies being considered by us.

In this context, I urge your support in moving AB 2473 forward with a favorable recommendation.

Please contact me if you need additional information.

I have included as an attachment the content of my testimony during the legislative process here in Washington State.

Respectfully,



Richard C. Sweeney, CPA
Executive Director
Direct - (360) 586-0163
ricks@cpaboard.wa.gov

cc: California Assembly Members (to be distributed by CalCPA)
California Board of Accountancy
Ms. Carol Sigman, Executive Director
Ms. Jeannie Tindel, CalCPA

Enclosed: Content of Executive Director Testimony

**Content of Testimony Of
Washington State Board Executive Director**

Executive Summary:

As Executive Director of the Board of Accountancy in Washington State, I am charged with implementing the Public Accountancy Act. From my perspective, both as a currently licensed CPA in both Idaho and Washington and now as a regulator, I believe this proposed legislation adequately addresses the following two major issues related to the practice and oversight (regulation) of certified public accountants (CPAs) while helping consumers to obtain desired professional services in a timely manner:

- **Consumer Choice, and**
- **Consumer Protection**

In my judgment, this proposed legislation promotes both of these objectives. I believe that **more timely and less costly deployment of interstate CPA expertise is in the public's interest** provided that such mobility does not diminish the current ability of the Washington Board of Accountancy to monitor and sanction out-of-state licensees.

Given the consumer protection factors identified below, I have concluded that the proposed legislation, in fact, would **promote interstate compliance and facilitate timely and cost-effective enforcement** in those rare cases where out-of-state CPAs do not honor the public trust. I also am convinced that this legislation, if adopted, would allow me to more effectively utilize agency staff resources to pro-actively monitor licensee compliance and performance.

Richard C. Sweeney, CPA
Executive Director
Washington State Board of Accountancy
711 S Capitol Way, Ste. 400
Olympia, WA 98507
Direct - (360) 586-0163

Content of Testimony Of Washington State Board Executive Director

Consumer Choice:

Consumers of professional services have a right to choose the CPA/CPA firm with the specific expertise to timely meet their unique professional needs at a reasonable cost. That specific expertise might not be available in the local area due to the complexity of multi-state tax laws, multi-state regulatory requirements for businesses and non-commercial enterprises, and the unique nature of the enterprise's activities. Accordingly, these individuals and enterprises either choose to, or by necessity must, obtain those services from out-of-state licensees. Many states, such as Washington State, have a temporary practice privilege provision. Those statutes generally require the CPA and/or CPA firm to make application through an administrative process and pay a fee to obtain the ability to serve consumer requests for services. The process is cumbersome and subject to administrative delays. As a result, the consumer suffers a marginal cost increase and the satisfaction of their needs is frustratingly delayed.

The "No Notice, No Fee" provisions of this proposal **address these issues.**

I emphasize that the proposal does include a Washington state licensure requirement for CPA firms providing audit level services for clients with a home office in this state, *i.e. the "No Notice, No Fee" provisions of the proposal do not apply in those circumstances.*

Consumer Protection:

The **Automatic Jurisdiction** provisions of the proposed legislation

Ohio and Virginia are two of the states that have had the "No Notice, No Fee" practice privilege provisions for a number of years (Ohio – 45 years, Virginia-7 years). During this time, Ohio has only disciplined two out-of-state firms for deficient work and Virginia has had only one such case during those periods. Since assuming my position in July of 2005, the Washington Board has only had 12 applications for practice privileges and we have not had an observed or reported violation against those individuals.

However, recently we did have a complaint against an out-of-state unlicensed firm for alleged deficient work in our state. The investigation disclosed that the firm's work was performed competently and professionally. Accordingly, the firm was disciplined only for practicing without a license, *i.e. no public harm, use of title without a license.*

This anecdotal evidence strongly suggests that the administrative notice and fee provisions for practice privilege have no significant impact on the expected competency, professionalism, and ethical behavior of licensees regardless of the state of licensure.

If adopted, the proposed legislation would provide **automatic consent** by out-of state licensees to the **jurisdiction of the Washington State Board of Accountancy** if the individuals or firms

avail themselves of the "No Notice, No Fee" provisions of the proposed amendments. This would be implemented by the following corollary provisions of the proposal:

Require the Washington Board to cooperate with an out-of-state licensing Board when investigating alleged complaints or observed acts, and

- *Permit the Board to file charges with the out-of-state licensing Board vs. the current provision to file charges through the Washington State Office of the Secretary of State.*

These provisions are practically implemented by several **corollary developments** of the following tools and practices:

- The National Association of State Boards of Accountancy has developed a National Licensee Database where license status and other information relative to licensee information can be centrally accessed by state boards to monitor the qualifications and compliance of licensees in any state. (Currently Boards must search each separate state's web site to retrieve the necessary licensee's violation and contact information.)
- Executive Directors and/or Directors of Investigation do, in fact, regularly cooperate and inform other states by telephone and/or other more formal means when evaluating qualification and/or disciplinary matters involving multiple states.
- The Executive Director has entered into data sharing and cooperative investigation agreements with the Office of the State Auditor, Office of the Insurance Commissioner, Department of Revenue, Department of Financial Institutions, and the Gambling Commission to ensure compliance by resident and non-resident licensees with those regulatory requirements of mutual interest. Similar agreements are being negotiated with the Office of the Secretary of State and the Employment Security Department.



STATE OF WASHINGTON
BOARD OF ACCOUNTANCY

PO Box 9131 • Olympia, Washington 98507-9131
(360) 753-2585 • FAX (360) 664-9190 • www.cpaboard.wa.gov

March 27, 2008

Mr. Donald A. Driftmier, CPA
President
California State Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Dear Mr. Driftmier,

As Executive Director of the Washington State Board of Accountancy, I have received information that a certain recommended case resolution accepted by the nine-member Washington State Board of Accountancy has been a subject of discussion in the hearings on CPA mobility being held in California.

This letter is to inform you that our Governor signed Substitute Senate Bill 6604 into law on Friday, March 14, 2008. That legislation incorporates the Sec. 23 amendments to the Uniform Accountancy Act published by NASBA. Our legislation unanimously passed both the House and the Senate after committee hearings in each chamber during which absolutely no testimony was presented in opposition to the amendments.

Our statute will now read:

“A licensee of this state offering or rendering services using their CPA title in another state shall be subject to disciplinary action in this state for an act committed in another state for which the (licensee) would be subject to discipline for an act committed in the other state.” and ...“the board shall cooperate with and investigate any complaint made by the board of accountancy of another state or jurisdiction.”

Previously our statute read that the board may cooperate upon timely notification of the act.

As the person responsible for directing investigations, seeking resolutions, and recommending discipline to the Washington State Board of Accountancy, I assure you that my intent is to cooperate not only in the investigations but to communicate the status of such investigations and the possible remedies being considered to mutually interested states. I further intend to fully investigate any complaint or prima facie violation committed in another state by a Washington licensee or in this state by a licensee of another state.



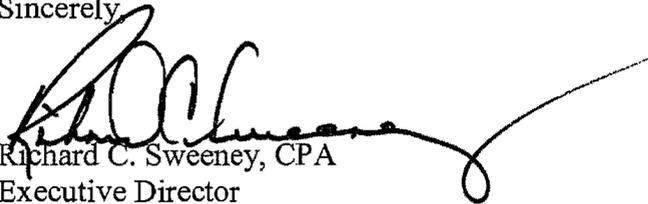
Donald A. Driftmier, CPA

March 27, 2008

Page 2

Against this background and discussion, relative to the case that was the subject of discussion, I would welcome the opportunity to discuss with whomever you direct the rationale for the action I recommended and the Washington board members accepted with the objective of dispelling any inference that your board cannot rely on the Washington State Board of Accountancy to protect the interest of California consumers from inappropriate behavior or performance of licensees subject to our separate disciplinary authority.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard C. Sweeney", with a long, sweeping flourish extending to the right.

Richard C. Sweeney, CPA

Executive Director

Washington State Board of Accountancy

(360) 586-0163 (Direct)

ricks@cpaboard.wa.gov

cc: Carol Sigman, Executive Director



"Lifting As We Climb"

NATIONAL ASSOCIATION OF BLACK ACCOUNTANTS, INC.
DIVISION OF FIRMS

April 1, 2008

The Honorable Roger Niello
California State Assembly
State Capitol
Sacramento, Ca 95814

Dear Assembly Member Niello:

I am writing on behalf of the National Association of Black Accountants, Inc. – Division of Firms ("DOF") to ask for your support of AB 2473 legislation which implements practice privilege mobility for CPAs. The DOF is a consortium of approximately seventy five CPA firms throughout the country who are members of the National Association of Black Accountants. The DOF was established in 1986 as a part of the national organizational structure of NABA to address the needs of the minority accounting and consulting firms located throughout the United States. The mission of the DOF is to address the professional needs of its member firms and to foster the economic development of these firms in the business community at both the local and national level.

Many of our member firms have offices in multiple states, including twenty firms in the great State of California, and this legislative initiative (AB 2473) addresses issues that are not unique to the large national accounting firms. Our member firms operate in the same environment and provide similar services as our national counterparts. It is likely, for example, that a member firm headquartered in New York will provide client services in Texas, Illinois, Washington D.C., and California. As such, member firms often are faced with issues of cross border licensing of their professional staffs. As you may be aware, similar legislation has already been enacted in 13 states and in another 16 states some aspects of this legislative initiative has begun.

As our service capabilities continue to evolve through innovations in technologies, a national uniform system that addresses the issue of CPAs providing services across state borders is very important to the stability and economic well being of our member firms, and to the profession as a whole.

Thanking you in advance!

Sincerely,
Anthony G. King, CPA
Anthony G. King, CPA
Chair

Cc: Gwendolyn Skillern, CPA National President – NABA
Gregory Johnson, CPA Executive Director/COO - NABA



National Association of State Boards of Accountancy

150 Fourth Avenue North + Suite 700 + Nashville, TN 37219-2417 + Tel 615/880-4201 + Fax 615/880/4291 + dcostello@asba.org

David A. Costello, CPA
President & CEO

March 20, 2008

The Honorable Mike Eng, Chair
Assembly Committee on Business and Professions
California State Assembly
State Capitol, Room 6025
Sacramento, California 95814

Re: Support for AB 2473 (Niello/Ma)

Dear Chairman Mike Eng:

The National Association of State Boards of Accountancy (NASBA), a membership organization of 55 boards of accountancy representing all 50 states and five United States jurisdictions, strongly supports California's movement towards CPA mobility as reflected in the provisions contained in AB 2473, and endorses this legislation's enactment. The mobility provisions in AB 2473 are pro-consumer in that they allow individuals needing accounting services to use CPAs and firms they know and trust, while providing these same consumers regulatory protection from the appropriate entity, their home state board of accountancy.

In recognition of the national and international influences on the accounting profession, over the past few years NASBA has worked closely with boards of accountancy and the accounting profession represented by the American Institute of CPAs (AICPA) and the state societies of CPAs to support broader and prompt access to CPAs by consumers within the individual states. To this end, model language was drafted for mobility of CPAs, based largely on the success of four states (Ohio, Wisconsin, Virginia, and Missouri) that have been working effectively and successfully under mobility provisions. This concept of mobility has been endorsed throughout the nation and, currently, a total of sixteen (16) states have passed mobility legislation, fourteen (14) additional states have bills introduced in their 2008 Legislative sessions, and eleven (11) more boards of accountancy have collaborated with their state societies of CPAs and have voted to support and move forward with mobility legislation.

It is imperative that the accountancy profession, and the individual states themselves, come up with an effective, efficient and simple means through which a CPA can continue to serve a client who moves to a state in which the CPA is not licensed. Recent discussions and actions by the U.S. Department of Treasury's

Advisory Committee on the Audit Profession (ACAP), the Security Exchange Commission, and the Public Company Accounting Oversight Board have strongly supported the efforts of state boards to pass legislation leading to such "mobility." In fact, recent public meetings held by ACAP have included testimony and discussions of the need for CPA mobility and the need for federal intervention if individual states do not enact sufficient legislation. However, NASBA believes the most appropriate authority to achieve CPA mobility is through state legislation, as state-based legislation and enforcement are the most effective and efficient solutions.

In order to assist boards of accountancy with information regarding individuals licensed in other states that may be performing accountancy services within their state, NASBA has developed the Accounting Licensee Database (ALD), which is a national database of licensed CPAs and firms. For participating states, the ALD is significant in identifying licensee information particularly as it relates to disciplinary issues. Currently there are 15 states participating in ALD with seven more committed and many others interested. ALD will reach its fullest potential when the general public can access it with all 55 states and jurisdictions participating.

Respectfully,



David A. Costello, President & CEO

c: Members, Assembly Committee on Business and Professions
Assembly Member Niello
Assembly Member Ma
Ross Warren, Chief Consultant
California Board of Accountancy
CALCPA

Memorandum

CPC Agenda Item II
May 19, 2011

CBA Agenda Item XI.B.3.
May 19-20, 2011

To : CPC Members
CBA Members

Date : May 5, 2011

Telephone : (916) 561-1754

Facsimile : (916) 263-3676

E-mail : lwalker@cba.ca.gov

From : Liza Walker, Manager
Examination Unit

Subject : Further Discussion on International Delivery of the Uniform CPA Examination

Beginning in August 2011, candidates who qualify through a participating state board of accountancy will be allowed to schedule their Uniform CPA Examination (CPA Exam) at select international locations, which is being referred to as iExam. Initially, the CPA Exam will be offered at selected Prometric testing centers in Bahrain, Kuwait, Japan, Lebanon, and the United Arab Emirates.

The California Board of Accountancy (CBA) has considered iExam over the past eighteen months, most recently at the March 2011 CBA meeting. Over this time, the National Association of State Boards of Accountancy (NASBA) and American Institute of Certified Public Accountants (AICPA) have provided various materials for members' consideration.

At the March meeting, members requested that staff obtain further information regarding security, grading related to iExam, acceptance of scores obtained internationally, and NASBA's Candidate Informed Consent. Provided below is information to assist members in their deliberations to determine whether the CBA wishes to participate in iExam.

Security of the CPA Exam Administered Internationally

CBA members have voiced concerns regarding the security of the iExam. As previously reported, per Ken Bishop of NASBA the pilot foreign countries selected for administration of the iExam rated high in the international standards used to measure the safety and testing environments. He added that reviewing scoring trends and pass rates, in addition to continual monitoring of blogs, will take place to detect any indications of cheating.

Mr. Bishop explained that the CPA Exam is an aggressive modified adaptive exam. This means that a candidate who is trying to harvest questions and who is not actually prepared to take the CPA Exam will never see the high value questions due to being unsuccessful at the lower level questions. In addition, security measures such as shorter testing windows, doubling the number of available test questions, and segregating questions used on domestic versus international exams will be utilized.

Qualified candidates requesting to take the CPA Exam in one of the approved international locations must:

- Agree and sign the Candidate Informed Consent.
- Provide additional demographic information.
- Pay additional fees.
- Meet additional citizenship and/or residency requirements.

As an additional security measure, only U.S. citizens and permanent residents living abroad, and citizens and long-term residents of the countries in which the CPA Exam will be administered may sit for the exam. According to NASBA, citizenship and residency requirements, and the integrity of certain kinds of proof of identification, provide a needed layer of security.

Below are current NASBA guidelines regarding who may sit for the CPA Exam internationally:

Japan

Eligible candidates U.S. citizens, citizens of Japan, and long-term residents

Identification required Passport for citizens, passport plus valid Japanese identification providing proof of residence for non-citizens

Bahrain, Kuwait, Lebanon, and the United Arab Emirates

Eligible candidates U.S. citizens, citizens and long-term residents of these four testing countries, citizens and long-term residents of Egypt, Oman, Qatar, and Saudi Arabia

Identification required Passport for citizens, passport plus valid identification providing proof of residency for non-citizens

In addition to residency requirements and having acceptable identification, candidates taking the CPA Exam internationally will still be required to provide their Notice to Schedule, complete a biometric check-in (fingerprint), and the testing areas will still be subject to digital recording. These security requirements are also required of domestic candidates.

Location of Scoring and Acceptance of CPA Exam Scores Obtained Internationally

At the March meeting members asked staff to find out where the scoring will take place for an exam taken internationally. According to NASBA, the results file will be transmitted electronically and scored by the AICPA Exam Team in New Jersey, similar to the process for candidates who take the CPA Exam domestically.

As mentioned at the March 2011 CBA meeting, NASBA anticipated that several boards intended to participate in the iExam Program. On May 3, 2011, NASBA released the list of the participating jurisdictions (**Attachment 1**). To date, 38 of the 54 jurisdictions are participating in the iExam Program.

At the March CBA meeting, members also asked staff to research whether the CBA had the authority to deny scores obtained through the iExam Program from an out-of-state licensure candidate or candidate transferring exam scores.

Section 6 of the CBA Regulations currently states that, “every candidate for the CPA license is required to pass... the Uniform CPA Examination prepared by the AICPA.” Regardless of where the AICPA is planning on administering the CPA Exam, Section 6 would currently require us to accept those exam grades.

However, Business and Professions (B&P) Code Section 5082 states that a candidate for a license must “have successfully passed an examination... in the form and manner that the board deems appropriate.” The word “manner” would probably give the CBA sufficient authority to put into regulation that the exam must be taken in one of the 54 jurisdictions. Additionally, B&P Code Section 5000.1 states that protection of the public shall be the highest priority of the CBA. If the CBA deems that the CPA Exam administered internationally to be a threat to the security of the public, it would further support changing the manner in which the CBA accepts passage of the examination, including denial of foreign exam grades.

Therefore, Section 6, which as previously noted states “every candidate for the CPA license is required to pass... the Uniform CPA Examination prepared by the AICPA” could be amended to state that “every candidate for the CPA license is required to pass... the Uniform CPA Examination prepared by the AICPA *and the exam must be taken and passed at a testing center domestically.*” The CBA would use the previously mentioned statutes as authority for the amendment, and would include justification for the basis to deny accepting scores completed abroad.

NASBA’s Informed Consent

Based upon a preliminary review by Legal Counsel, there appears to be several items in NASBA’s Informed Consent that are in conflict with California law. Staff has been in communication with NASBA alerting them of this. However, before directing resources to research how to resolve the issues identified by Legal Counsel, staff is waiting for direction from CBA members as to whether California is going to participate in the iExam Program.

I will be available at the meeting to answer any questions you may have.



NASBA

PROMETRIC



Participating Jurisdictions in the International CPA Examination

Administration Program

The jurisdictions through which you can apply to take the Uniform CPA Examination in an international location are:

- | | |
|------------------------|------------------|
| ✓ Alabama | ✓ Montana |
| ✓ Alaska | ✓ Nebraska |
| ✓ Colorado | ✓ Nevada |
| ✓ Connecticut | ✓ New Hampshire |
| ✓ Delaware | ✓ New Jersey |
| ✓ District of Columbia | ✓ New Mexico |
| ✓ Florida | ✓ New York |
| ✓ Georgia | ✓ North Dakota |
| ✓ Guam | ✓ Ohio |
| ✓ Hawaii | ✓ Pennsylvania |
| ✓ Illinois | ✓ Puerto Rico |
| ✓ Indiana | ✓ Rhode Island |
| ✓ Iowa | ✓ South Carolina |
| ✓ Kansas | ✓ Tennessee |
| ✓ Louisiana | ✓ Texas |
| ✓ Massachusetts | ✓ Utah |
| ✓ Michigan | ✓ Vermont |
| ✓ Minnesota | ✓ Washington |
| ✓ Missouri | ✓ Wisconsin |

Note: Certain jurisdictions have specific rules and requirements to sit for the Uniform CPA Examination, as well as qualifying for CPA licensure after passing the examination. Before applying in any jurisdiction to take the CPA Examination in an international location, be sure to read the jurisdiction's Information for Applicants on the NASBA website.

Memorandum

CPC Agenda Item III. CBA Agenda Item XI.B.4.
May 19-20, 2011 May 19-20, 2011

To : CBA Members
CPC Members

Date : May 5, 2011

Telephone : (916) 561-1731

Facsimile : (916) 263-3674

E-mail : rixta@cba.ca.gov

From : Rafael Ixta
Chief, Enforcement Division

Subject : **Discussion to Amend the Safe Harbor Language Contained in Title 16, CCR 4**

At the CBA Leadership Meeting in January 2011, Ms. LaManna raised the issue that CPAs who prepare compilations are subject to peer review while nonlicensees who prepare similar financial statements pursuant to California Code of Regulations (CCR), Title 16, Division 1, Section 4, are not subject to peer review. This led to a discussion that consumers may not be aware of differences between the two groups providing compilations and that additional disclosures is appropriate.

Ms. LaManna expressed the desire to pursue changing CCR Section 4 to add language that nonlicensees may not be independent and are not licensed by the CBA. Staff have researched this issue and prepared the attached discussion paper. Three options have been presented for consideration. Options 1 and 2 can be considered separately or can be combined. Also, I want to point out the paragraph titled, "Other Considerations" on the last page. Members may direct staff to conduct stakeholder outreach prior to submitting the issue to the CBA.

I will be available at the meeting to respond to questions members may have regarding the discussion paper.

Attachment



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>



CPC Agenda Item III. **CBA Agenda Item XI.B.4.**
May 19-20, 2011 **May 19-20, 2011**

Discussion to Amend the Safe Harbor Language Contained in Title 16, CCR Section 4

BACKGROUND

California Code of Regulations, Section 4 (Attachment 1), provides safe harbor language which a nonlicensee (person not licensed by the California Board of Accountancy) may use when issuing financial statements where no audit or review methods were applied and the financial statements were prepared using information provided by management (the client). The issuer does not express an opinion or any other form of assurance on the financial statement. The safe harbor language is presented with the financial statements in the form of a report letter to advise the recipient of the nature of the statements. Section 4 went into effect on June 12, 2002.

The objective of these types of “compiled” financial statements is to assist management (the client) in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. The financial statements basically utilize management’s records to prepare a set of formal financial statements and are generally used by management to illustrate the performance and financial position of the business as of a certain year-end date. However, the financial statements may also be used by third parties such as banks or potential investors in the business.

Prior to enactment of Section 4, California Board of Accountancy (CBA) Enforcement staff often provided sample report language to nonlicensees who prepared financial statements. Those nonlicensees who did not include a report letter were considered to be practicing public accountancy without a license.

It was the California Society of Enrolled Agents (CSEA) and the National Society of Accountants (NSA), organizations that represent nonlicensees, who initiated CBA approved safe harbor language. The intent was to provide a guarantee to nonlicensees that financial statements accompanied by this safe harbor language would not be deemed by the CBA to be the unlicensed practice of public accountancy. Because the CBA does not have authority over nonlicensees, use of safe harbor language is optional.

California Licensees and Compiled Financial Statements

California licensees also prepare “compiled” financial statements. They are required to conduct compilations following the standards set forth in the AICPA Statements on Standards for Accounting and Review Services (SSARS). The standards require that licensees disclose in the compilation report if they are not independent, with the option to include the reasons for the independence impairment.

Compilations prepared in accordance with SSARS are subject to the mandatory peer review requirements enacted on January 1, 2010. (Compilations prepared for "Management Use Only" where no report is issued in accordance with SSARS are exempt from peer review.)

OPTIONS FOR CONSIDERATION

Peer reviews are designed to improve the quality of accounting and auditing services provided by California licensees as well as provide consumer protection. However, consumers who receive financial services from nonlicensees may not be aware that nonlicensees are not subject to the level of standards and controls as licensed CPAs.

In the interest of consumer protection, the issue for consideration is: Whether to Amend the Safe Harbor Language Contained in Title 16, CCR Section 4 to more clearly disclose independence impairment and that the preparer of the financial statements is not licensed to practice public accountancy.

Option 1

Seek regulatory authority to amend the financial report language in Section 4, as follows, to include a statement disclosing independence impairment when applicable. (Changes to the current regulation are underlined.)

4. Safe Harbor Language.

A person who is not licensed by the California Board of Accountancy, and who prepares a financial report in a form substantially the same as that set forth in subsection (a) or (b) below, shall not be deemed to be engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code.

(a) "I [we] have prepared the accompanying financial statements of [name of entity] as of [time period] for the [period] then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management [owners].

I [we] have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them."

I [we] am [are] not independent with respect to [name of entity]. (Include as appropriate.)

(b) "We [I] have prepared the accompanying statement of assets, liabilities and equity for [name of company] as of [month-day-year], together with the related statements of revenue, expense, [and cash flow] for the year [or month] then ended on the income tax basis of accounting.

The preparation of financial statements on the income tax basis of accounting is limited to presenting information that is the representation of management [the owners]. We [I] have not audited nor reviewed the accompanying statements. Accordingly, we [I] do not express an opinion or any other form of assurance on them.

Management has [The owners have] elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenues, expenses [and cash flow]. Accordingly, these financial statements are not designed for those who are not informed about such matters."

We [I] are [am] not independent with respect to [name of entity]. (Include as appropriate.)

Option 2

Seek regulatory authority to amend the financial report language in Section 4, as follows, to include a statement that it is not a requirement that the preparer be licensed to prepare the financial statements, as follows. (Changes to the current regulation are underlined.)

4. Safe Harbor Language.

A person who is not licensed by the California Board of Accountancy, and who prepares a financial report in a form substantially the same as that set forth in subsection (a) or (b) below, shall not be deemed to be engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code.

(a) "I [we] have prepared the accompanying financial statements of [name of entity] as of [time period] for the [period] then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management [owners].

I [we] have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them."

I [we] am [are] not licensed by the California Board of Accountancy.

(b) "We [I] have prepared the accompanying statement of assets, liabilities and equity for [name of company] as of [month-day-year], together with the related statements of revenue, expense, [and cash flow] for the year [or month] then ended on the income tax basis of accounting.

The preparation of financial statements on the income tax basis of accounting is limited to presenting information that is the representation of management [the owners]. We [I] have not audited nor reviewed the accompanying statements. Accordingly, we [I] do not express an opinion or any other form of assurance on them.

Management has [The owners have] elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenues, expenses [and cash flow]. Accordingly, these financial statements are not designed for those who are not informed about such matters."

We [I] are [am] not licensed by the California Board of Accountancy.

Option 3

Maintain the status quo and make no changes to the safe-harbor language in Section 4.

OTHER CONSIDERATIONS

In considering the options presented, it should be noted that the CSEA and NSA requested that safe harbor language be placed in regulation, and they collaborated with the CBA to draft the current safe harbor language.

Prior to referring this issue to the CBA for action, the CPC may want to direct staff to reach-out to these and other stakeholders for input on the Options adopted by the CPC. Seeking their input prior to taking action is beneficial since the CBA does not have authority to regulate nonlicensees; therefore, including additional disclosure language would not be mandatory. Stakeholder input received can be brought back to the CPC at the July meeting.

Safe Harbor Language

CALIFORNIA CODE OF REGULATIONS
TITLE 16. Professional and Vocational Regulations
DIVISION 1. Board of Accountancy Regulations

ARTICLE 1 - General

§ 4. Safe Harbor Language.

A person who is not licensed by the California Board of Accountancy, and who prepares a financial report in a form substantially the same as that set forth in subsection (a) or (b) below, shall not be deemed to be engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code.

(a) "I [we] have prepared the accompanying financial statements of [name of entity] as of [time period] for the [period] then ended. This presentation is limited to preparing in the form of financial statements information that is the representation of management [owners]. I [we] have not audited or reviewed the accompanying financial statements and accordingly do not express an opinion or any other form of assurance on them."

(b) "We [I] have prepared the accompanying statement of assets, liabilities and equity for [name of company] as of [month-day-year], together with the related statements of revenue, expense, [and cash flow] for the year [or month] then ended on the income tax basis of accounting.

The preparation of financial statements on the income tax basis of accounting is limited to presenting information that is the representation of management [the owners]. We [I] have not audited nor reviewed the accompanying statements. Accordingly, we [I] do not express an opinion or any other form of assurance on them.

Management has [The owners have] elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenues, expenses [and cash flow]. Accordingly, these financial statements are not designed for those who are not informed about such matters."

NOTE: Authority cited: Sections 5010, Business and Professions Code.
Reference: Sections 5051 and 5052, Business and Professions Code.

State of California
Department of Consumer Affairs

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815-3832

Memorandum

LC Agenda Item II.
May 19, 2011

CBA Agenda Item XI.C.2
May 19-20, 2011

To : CBA Members
Legislative Committee Members

Date : April 20, 2011

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley, Legislation/Regulation Analyst

Subject : Discussion on Status of AB 431- Retired Status

At its March 2011 meeting, the California Board of Accountancy (CBA) voted to amend Assembly Bill 431 (**Attachment 1**).

AB 431 was heard in the Assembly Business and Professions Committee on April 12. CBA President Sally Anderson testified on behalf of the CBA, and the bill passed on a unanimous 9-0 vote.

The bill will next be heard in the Assembly Appropriations Committee on May 4, 2011. It could be placed on that committee's Suspense File as there may be a cost in excess of \$150,000 associated with the bill.

Staff did notice one inconsistency between the original language, approved by the CBA and provided to Legislative Counsel, and what is currently in the bill. The bill would currently exempt those in a retired status from all renewal requirements. The original language stated that the CBA would have the discretion of making that exemption. Staff have contacted the author's office to request that this amendment be made at the most convenient time.

I will be at the meeting to provide current information and to answer any questions you may have.

Attachment

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL**No. 431****Introduced by Assembly Member Ma**

February 14, 2011

An act to amend Sections 5109 and 5134 of, and to add ~~Section~~ *Sections 5058.3 and 5070.1* to, the Business and Professions Code, relating to accountancy, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 431, as amended, Ma. Retired public accountants.

Existing law provides for the issuance of permits to practice public accountancy to certified public accountants and public accountants and for the regulation of these accountants by the California Board of Accountancy.

Existing law authorizes a permit holder to have his or her license placed in an inactive status subject to certain limitations. Existing law imposes initial fees and renewal fees for these permits and for the inactive status and directs the deposit of these fees into the Accountancy Fund, from which funds other than penalty revenue are continuously appropriated.

This bill would authorize the board to establish, by regulation, a system for the placement of a license on a retired status, upon application, for those accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed. The bill would require the board to deny an application for a retired status license if the applicant's permit is canceled, suspended, revoked, ~~or~~ otherwise restricted, *or, commencing on a specified date, delinquent*. The bill would prohibit the holder of a retired status license

from engaging in any activity for which a permit is required. *The bill would require the holder of a retired license to adhere to certain restrictions on the use of accountancy and other references.* The bill would ~~authorize~~ *require* the board to establish minimum qualifications for the restoration of a retired status license to active status, including, but not limited to, continuing education and the payment of a fee. The bill would provide for that application fee for a retired status license and for the restoration of a retired status license to active status to be fixed by the board in an amount not to exceed \$250 and \$1,000, respectively. By increasing that part of the revenue in the Accountancy Fund that is continuously appropriated, the bill would make an appropriation.

Existing law prohibits the expiration, cancellation, forfeiture, or suspension of a license from depriving the board of jurisdiction to commence or proceed with any investigation of or action or disciplinary proceeding against a licensee, or to render a decision suspending or revoking the license.

This bill would additionally specify that the current status of a retired status license shall not deprive the board of the above-described jurisdiction.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. Section 5058.3 is added to the Business and*
- 2 *Professions Code, to read:*
- 3 5058.3. *The holder of a retired license issued by the board*
- 4 *pursuant to Section 5070.1, when lawfully using the title “certified*
- 5 *public accountant,” the CPA designation, or any other reference*
- 6 *that would suggest that the person is licensed by the board on*
- 7 *materials such as correspondence, Internet Web sites, business*
- 8 *cards, nameplates, or name plaques, shall place the term “retired”*
- 9 *immediately after that title, designation, or reference.*
- 10 ~~SECTION 1.~~
- 11 *SEC. 2. Section 5070.1 is added to the Business and*
- 12 *Professions Code, to read:*
- 13 5070.1. (a) The board may establish, by regulation, a system
- 14 for the placement of a license on a retired status, upon application,
- 15 for certified public accountants and public accountants who are

1 not actively engaged in the practice of public accountancy or any
2 activity which requires them to be licensed by the board.

3 (b) No licensee with a license on a retired status shall engage
4 in any activity for which a permit is required.

5 (c) The board shall deny an applicant's application for a retired
6 status license if the permit is canceled or if the permit is suspended,
7 revoked, or otherwise punitively restricted by the board or subject
8 to disciplinary action under this chapter.

9 (d) *Beginning one year from the effective date of the regulations*
10 *adopted pursuant to subdivision (a), if an applicant's permit is*
11 *delinquent, the board shall deny an applicant's application for a*
12 *retired status license.*

13 ~~(d)~~

14 (e) The board ~~may~~ shall establish minimum qualifications for
15 a retired status license which may include, but are not limited to,
16 a minimum age requirement and minimum years as a licensee.

17 ~~(e)~~

18 (f) A retired status license shall not be subject to any renewal
19 requirements.

20 ~~(f)~~

21 (g) The board ~~may~~ shall establish minimum qualifications for
22 the restoration of a license in a retired status to an active status.
23 These minimum qualifications shall include, but are not limited
24 to, continuing education and payment of a fee as provided in
25 subdivision (h) of Section 5134.

26 ~~SEC. 2.~~

27 *SEC. 3.* Section 5109 of the Business and Professions Code
28 is amended to read:

29 5109. The expiration, cancellation, forfeiture, or suspension
30 of a license, practice privilege, or other authority to practice public
31 accountancy by operation of law or by order or decision of the
32 board or a court of law, the placement of a license on a retired
33 status, or the voluntary surrender of a license by a licensee shall
34 not deprive the board of jurisdiction to commence or proceed with
35 any investigation of or action or disciplinary proceeding against
36 the licensee, or to render a decision suspending or revoking the
37 license.

38 ~~SEC. 3.~~

39 *SEC. 4.* Section 5134 of the Business and Professions Code
40 is amended to read:

1 5134. The amount of fees prescribed by this chapter is as
2 follows:

3 (a) The fee to be charged to each applicant for the certified
4 public accountant examination shall be fixed by the board at an
5 amount not to exceed six hundred dollars (\$600). The board may
6 charge a reexamination fee not to exceed seventy-five dollars (\$75)
7 for each part that is subject to reexamination.

8 (b) The fee to be charged to out-of-state candidates for the
9 certified public accountant examination shall be fixed by the board
10 at an amount not to exceed six hundred dollars (\$600) per
11 candidate.

12 (c) The application fee to be charged to each applicant for
13 issuance of a certified public accountant certificate shall be fixed
14 by the board at an amount not to exceed two hundred fifty dollars
15 (\$250).

16 (d) The application fee to be charged to each applicant for
17 issuance of a certified public accountant certificate by waiver of
18 examination shall be fixed by the board at an amount not to exceed
19 two hundred fifty dollars (\$250).

20 (e) The fee to be charged to each applicant for registration as a
21 partnership or professional corporation shall be fixed by the board
22 at an amount not to exceed two hundred fifty dollars (\$250).

23 (f) The board shall fix the biennial renewal fee so that, together
24 with the estimated amount from revenue other than that generated
25 by subdivisions (a) to (e), inclusive, the reserve balance in the
26 board's contingent fund shall be equal to approximately nine
27 months of annual authorized expenditures. Any increase in the
28 renewal fee shall be made by regulation upon a determination by
29 the board that additional moneys are required to fund authorized
30 expenditures and maintain the board's contingent fund reserve
31 balance equal to nine months of estimated annual authorized
32 expenditures in the fiscal year in which the expenditures will occur.
33 The biennial fee for the renewal of each of the permits to engage
34 in the practice of public accountancy specified in Section 5070
35 shall not exceed two hundred fifty dollars (\$250).

36 (g) The application fee to be charged to each applicant for a
37 retired status license, as described in Section 5070.1, shall be fixed
38 by the board at an amount not to exceed two hundred fifty dollars
39 (\$250).

1 (h) The application fee to be charged to each applicant for
2 restoration of a license in a retired status to an active status pursuant
3 to subdivision (f) of Section 5070.1 shall be fixed by the board at
4 an amount not to exceed one thousand dollars (\$1,000).

5 (i) The delinquency fee shall be 50 percent of the accrued
6 renewal fee.

7 (j) The initial permit fee is an amount equal to the renewal fee
8 in effect on the last regular renewal date before the date on which
9 the permit is issued, except that, if the permit is issued one year
10 or less before it will expire, then the initial permit fee is an amount
11 equal to 50 percent of the renewal fee in effect on the last regular
12 renewal date before the date on which the permit is issued. The
13 board may, by regulation, provide for the waiver or refund of the
14 initial permit fee where the permit is issued less than 45 days before
15 the date on which it will expire.

16 (k) (1) The annual fee to be charged an individual for a practice
17 privilege pursuant to Section 5096 with an authorization to sign
18 attest reports shall be fixed by the board at an amount not to exceed
19 one hundred twenty-five dollars (\$125).

20 (2) The annual fee to be charged an individual for a practice
21 privilege pursuant to Section 5096 without an authorization to sign
22 attest reports shall be fixed by the board at an amount not to exceed
23 80 percent of the fee authorized under paragraph (1).

24 (l) The fee to be charged for the certification of documents
25 evidencing passage of the certified public accountant examination,
26 the certification of documents evidencing the grades received on
27 the certified public accountant examination, or the certification of
28 documents evidencing licensure shall be twenty-five dollars (\$25).

29 (m) The board shall fix the fees in accordance with the limits
30 of this section and any increase in a fee fixed by the board shall
31 be pursuant to regulation duly adopted by the board in accordance
32 with the limits of this section.

33 (n) It is the intent of the Legislature that, to ease entry into the
34 public accounting profession in California, any administrative cost
35 to the board related to the certified public accountant examination
36 or issuance of the certified public accountant certificate that
37 exceeds the maximum fees authorized by this section shall be

- 1 covered by the fees charged for the biennial renewal of the permit
- 2 to practice.

O

Memorandum

LC Agenda Item III.
May 19, 2011

CBA Agenda Item XI.C.3
May 19-20, 2011

To : CBA Members
Legislative Committee Members

Date : March 1, 2011

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley, Legislation/Regulation Analyst

Subject : Possible Ratification and Adoption of Position on SB 541- Regulatory boards: expert consultants

Bill Number: SB 541 (**Attachment 1**)
Authors: Price
Current Status: Senate Business & Professions Committee

Provisions:

SB 541 would allow boards to enter into agreements with expert consultants to provide various services. The California Board of Accountancy (CBA) would utilize these expert consultants to provide expert opinions on enforcement-related matters.

SB 541 provides that the agreement between the boards and these expert consultants is exempt from the normal contracting procedures. In addition, the bill requires each board to establish policies and procedures for the selection and use of these experts. SB 541 is an urgency bill which means that it will take effect upon being signed by the Governor.

Comments:

This bill will allow the CBA to contract with some of its retired ICPAs to assist the Enforcement Division with its case load. The Senate Business and Professions Committee asked every board to supply a letter of support prior to this bill's May 4 hearing. As there was not a CBA meeting before that date, staff submitted, with the CBA President's approval, a letter of staff support (**Attachment 2**) for SB 541 indicating that the matter would be brought before the CBA at its May meeting.

Recommendation:

Staff recommend a Support position on SB 541.

Attachments

AMENDED IN SENATE APRIL 13, 2011

SENATE BILL

No. 541

Introduced by Senator Price

February 17, 2011

An act to ~~amend Sections 7000.5 and 7011 of~~ *add Section 40 to the Business and Professions Code, relating to ~~contractors~~ profession and vocations, and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

SB 541, as amended, Price. Contractors' State License ~~Board~~. *Regulatory boards: expert consultants.*

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law, the Chiropractic Act, enacted by initiative, provides for the licensure and regulation of chiropractors by the State Board of Chiropractic Examiners. Existing law, the Osteopathic Act, requires the Osteopathic Medical Board of California to regulate osteopathic physicians and surgeons. Existing law generally requires applicants for a license to pass an examination and authorizes boards to take disciplinary action against licensees for violations of law. Existing law establishes standards relating to personal service contracts in state employment.

This bill would authorize these boards to enter into an agreement with an expert consultant, subject to the standards regarding personal service contracts described above, to provide enforcement and examination assistance. The bill would require each board to establish policies and procedures for the selection and use of these consultants.

This bill would declare that it is to take effect immediately as an urgency statute.

Existing law establishes within the Department of Consumer Affairs, until January 1, 2012, the Contractors' State License Board and a registrar of contractors, for purposes of the licensure and regulation of contractors. Under existing law, boards scheduled for repeal are required to be evaluated by the Joint Sunset Review Committee.

This bill would extend the operation of those provisions until January 1, 2016, and would specify that the board would be subject to review by the appropriate policy committees of the Legislature.

Vote: majority ²/₃. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 40 is added to the Business and
2 Professions Code, to read:

3 40. (a) Subject to the standards described in Section 19130
4 of the Government Code, any board, as defined in Section 22, the
5 State Board of Chiropractic Examiners, or the Osteopathic Medical
6 Board of California may enter into an agreement with an expert
7 consultant to do any of the following:

8 (1) Provide an expert opinion on enforcement-related matters,
9 including providing testimony at an administrative hearing.

10 (2) Assist the board as a subject matter expert in examination
11 development, examination validation, or occupational analyses.

12 (3) Evaluate the mental or physical health of a licensee or an
13 applicant for a license as may be necessary to protect the public
14 health and safety.

15 (b) An executed contract between a board and an expert
16 consultant shall be exempt from the provisions of Part 2
17 (commencing with Section 10100) of Division 2 of the Public
18 Contract Code.

19 (c) Each board shall establish policies and procedures for the
20 selection and use of expert consultants.

21 SEC. 2. This act is an urgency statute necessary for the
22 immediate preservation of the public peace, health, or safety within
23 the meaning of Article IV of the Constitution and shall go into
24 immediate effect. The facts constituting the necessity are:

25 To ensure that licensees engaging in certain professions and
26 vocations are adequately regulated at the earliest possible time

1 *in order to protect and safeguard consumers and the public in this*
2 *state, it is necessary that this act take effect immediately.*

3 ~~SECTION 1. Section 7000.5 of the Business and Professions~~
4 ~~Code is amended to read:~~

5 ~~7000.5. (a) There is in the Department of Consumer Affairs~~
6 ~~a Contractors' State License Board, which consists of 15 members.~~

7 ~~(b) Notwithstanding any other provision of law, the repeal of~~
8 ~~this section renders the board subject to review by the appropriate~~
9 ~~policy committees of the Legislature.~~

10 ~~(c) This section shall remain in effect only until January 1, 2016,~~
11 ~~and as of that date is repealed, unless a later enacted statute, that~~
12 ~~is enacted before January 1, 2016, deletes or extends that date.~~

13 ~~SEC. 2. Section 7011 of the Business and Professions Code is~~
14 ~~amended to read:~~

15 ~~7011. (a) The board, by and with the approval of the director,~~
16 ~~shall appoint a registrar of contractors and fix his or her~~
17 ~~compensation.~~

18 ~~(b) The registrar shall be the executive officer and secretary of~~
19 ~~the board and shall carry out all of the administrative duties as~~
20 ~~provided in this chapter and as delegated to him or her by the~~
21 ~~board.~~

22 ~~(c) For the purpose of administration of this chapter, there may~~
23 ~~be appointed a deputy registrar, a chief reviewing and hearing~~
24 ~~officer, and, subject to Section 159.5, other assistants and~~
25 ~~subordinates as may be necessary.~~

26 ~~(d) Appointments shall be made in accordance with the~~
27 ~~provisions of civil service laws.~~

28 ~~(e) This section shall remain in effect only until January 1, 2016,~~
29 ~~and as of that date is repealed, unless a later enacted statute, that~~
30 ~~is enacted before January 1, 2016, deletes or extends that date.~~



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>



Attachment 2

April 14, 2011

The Senate Business & Professions Committee
Senator Curren Price, Chair
State Capitol
Sacramento, CA 95814

Bill: SB 541
Position: SUPPORT

Dear Senator Price:

The staff of the California Board of Accountancy (CBA) are fully in support of your Senate Bill 541. Based on prior discussions regarding the topic addressed in SB 541, staff expect the CBA to adopt a position of support at its May 2011 meeting; however, it has not yet done so at this time.

SB 541 would allow the CBA to enter into agreements with expert consultants to provide much needed enforcement assistance.

The CBA staff is grateful to you for your work on this matter.

Sincerely,

Patti Bowers
Executive Officer

c: Members, California Board of Accountancy

Memorandum

LC Agenda Item IV.A.
May 19, 2011

CBA Agenda Item XI.C.4.a.
May 19-20, 2011

To : CBA Members
Legislative Committee Members

Date : April 28, 2011

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley, Legislation/Regulation Analyst

Subject : Assembly Bill 229- The Controller: audits

Bill Number:	AB 229	CBA Position: OPPOSE
Author:	Lara	
Topic:	Controller: audits	
Current Version:	4/14/2011 (Attachment 1)	
Current Status:	Assembly Local Government Committee	

What It Did:

AB 229 deals mostly with the functions of the controller. However, there were three elements to which the California Board of Accountancy (CBA) objected.

- It required the Controller to create a directory of Certified Public Accountants (CPAs) who are qualified to conduct audits of local agencies.
- It allowed the Controller to suspend a CPA from performing any local agency audit before the CBA has held any kind of administrative hearing.
- It allowed the Controller to impose an additional three year suspension on a CPA who has already been disciplined by the CBA.

Amendments:

The author's office and the sponsor of the bill (the Controller's office) have been very willing to work with the CBA to resolve these issues. The latest version of the bill has corrected and clarified the language in a way that resolves some of the issues put forth by the CBA.

The amendments clarify that the directory of CPAs is the same as a similar list of CPAs maintained by the Controller who may perform school audits. This list is not exclusive; the Controller puts anyone who requests it on the list, provided they are in good standing with the CBA. In fact, the original language of AB 229 was modeled on this section of law (Education Code Sections 14500-14508).

Additionally, the amendments withdrew all references to "suspension" of a CPA and now indicates that the CPA is simply removed from the list for a period of time based on the CBA's discipline of the licensee. This is consistent with a CPA needing to be in good standing to be on the list.

Assembly Bill 229- Controller: audits
Page 2 of 2

The amendments did not address the issue of removal from the list prior to the CBA imposing discipline. The Controller may still remove a CPA from the list when a case is referred to the CBA. However, in talks with the Controller's office, it was indicated that this is a key consumer protection component of the bill. They also clarified that it is not the firm that is removed from the list, but only the individual who signed the audit. The Controller's office also indicated that the California Society of CPA's was agreeable to this.

Recommendation:

In light of the amendments and the willingness of the sponsor to work with staff to resolve the CBA's concerns, staff are recommending a position of either Neutral if Amended or Support if Amended on AB 229. The proposed amendment would be the removal of the sentence that starts on line 40 of page 6 of the bill and ends on line 2 of page 7.

Attachment

AMENDED IN ASSEMBLY APRIL 14, 2011

AMENDED IN ASSEMBLY APRIL 13, 2011

AMENDED IN ASSEMBLY MARCH 30, 2011

AMENDED IN ASSEMBLY MARCH 14, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 229

Introduced by Assembly Member Lara

February 2, 2011

An act to amend Section 12410.5 of, to add Sections 12410.6, 12410.7, and 12410.9 to, and to add and repeal Section 12410.8 of, the Government Code, relating to audits.

LEGISLATIVE COUNSEL'S DIGEST

AB 229, as amended, Lara. Controller: audits.

Existing law requires the Controller to superintend the fiscal concerns of the state. Existing law requires the Controller to receive every audit report prepared by any local agency to comply with the federal Single Audit Act of 1984.

This bill would require the audit reports prepared in this regard to be submitted to the Controller within 9 months of the end of the period audited or in accordance with applicable federal law. This bill would authorize the Controller to appoint a qualified certified public accountant to complete an audit report if it is not submitted by the local agency within the required timeframe, with associated costs to be borne by the local agency, as specified. This bill would require the audit to comply with the Government Auditing Standards issued by the Comptroller General of the United States. This bill would require the audits to be

made by a certified public accountant that is licensed by the California Board of Accountancy and selected by a local agency from a directory of accountants to be published by the Controller by December 31 of each year. The Controller would be required to use specified criteria to determine those certified public accountants that are to be included in the directory.

This bill would require the Controller to develop a plan to review and report the financial and compliance audits of local agencies, and to review and monitor the audit reports performed by independent auditors, according to specified criteria. This bill would require the Controller, in consultation with specified entities, to propose and adopt the content of an audit guide. This bill would also require the Controller to report to the Legislature by January 31 of each year the results of the Controller’s oversight activity. The requirement that the Controller report to the Legislature would be repealed on December 31, 2015.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds that financial audits provide
 2 an independent assessment of, and reasonable assurance about,
 3 whether local agencies’ reported financial condition, results, and
 4 use of resources are presented fairly in accordance with recognized
 5 standards. Accordingly, it is the intent of the Legislature to promote
 6 accountability over local government funding by establishing a
 7 process for reviewing and reporting on financial and compliance
 8 audits conducted of local agencies. It is further the intent of the
 9 Legislature that the Controller shall have oversight responsibilities
 10 for implementing and ensuring compliance with this act.

11 SEC. 2. Section 12410.5 of the Government Code is amended
 12 to read:

13 12410.5. (a) The Controller shall receive every annual financial
 14 audit report prepared for any local agency, as defined in Section
 15 53890, including those reports prepared in compliance with the
 16 federal Single Audit Act of 1984 (P.L. 98-502; 31 U.S.C. Sec.
 17 7501 et seq.) and required under any law to be submitted to any
 18 state agency, and shall, after ascertaining its compliance with that
 19 federal act, transmit the report to the designated state agency.

1 (b) An audit for any local agency submitted to the Controller
2 pursuant to this section shall comply with the Government Auditing
3 Standards issued by the Comptroller General of the United States.

4 (c) An audit for any local agency submitted to the Controller
5 pursuant to this section shall be made by a certified public
6 accountant, licensed by the California Board of Accountancy, and
7 selected by the local agency, as applicable, from a directory of
8 certified public accountants maintained by the Controller which
9 shall be published by the Controller not later than December 31
10 of each year.

11 (1) In determining which certified public accountants shall be
12 included in the directory, the Controller shall use the following
13 criteria:

14 (A) The certified public accountants or public accountants shall
15 be in good standing as certified by the California Board of
16 Accountancy.

17 (B) The certified public accountants or public accountants, as
18 a result of a quality control review conducted by the Controller
19 pursuant to Section 12410.9, shall not have been found to have
20 conducted an audit in a manner constituting noncompliance with
21 subdivision (b) of this section and subdivision (a) of Section
22 12410.7, and the Controller referred the matter to the California
23 Board of Accountancy for consideration of disciplinary action
24 pursuant to subdivision (d) of Section 12410.9. In that instance, if
25 the certified public accountant or public accountant had been
26 included in the directory, the certified public ~~accountant's~~
27 *accountant* or public accountant shall be removed from the
28 directory until such time as the board makes a determination on
29 the matter. If the board suspends, or revokes, the certified public
30 accountant or public accountant's license, or prohibits the licensee
31 from performing audits of local agencies, the certified public
32 accountant or public accountant shall be excluded from the
33 directory until such time as he or she is in good standing with the
34 board.

35 (2) Commencing with the 2011–12 fiscal year, it shall be
36 unlawful for a public accounting firm to provide audit services to
37 a local agency if the lead audit partner, or coordinating audit
38 partner, having primary responsibility for the audit, or the audit
39 partner responsible for reviewing the audit, has performed audit
40 services for that local agency in each of the six previous fiscal

1 years. The Controller may waive this requirement if he or she finds
2 that no otherwise eligible auditor is available to perform the audit.

3 (d) The governing board of each local agency shall include all
4 of the following in its contracts for audits:

5 (1) A provision to withhold 10 percent of the audit fee until the
6 Controller certifies that the audit report conforms to the reporting
7 provisions of subdivision (a) of Section 12410.7.

8 (2) A provision to withhold 50 percent of the audit fee for any
9 subsequent year of a multiyear contract if the prior year's audit
10 report was not certified as conforming to the reporting provisions
11 of subdivision (a) of Section 12410.7. This provision shall include
12 a statement that a multiyear contract shall be null and void if a
13 public accounting firm or independent auditor is declared ineligible
14 pursuant to subdivision (d) of Section 12410.9. The amount
15 withheld shall not be payable unless payment is ordered by the
16 board or the audit report for that subsequent year is certified by
17 the Controller as conforming to the reporting provisions of
18 subdivision (a) of Section 12410.7.

19 (3) A provision that will provide the Controller access to audit
20 working papers.

21 SEC. 3. Section 12410.6 is added to the Government Code, to
22 read:

23 12410.6. (a) The Controller shall develop a plan to review and
24 report on financial and compliance audits of local agencies. The
25 Controller, in consultation with the Department of Finance, and
26 representatives of the League of California Cities, the California
27 State Association of County Auditors, and the California Society
28 of Certified Public Accountants, shall propose the content of, and
29 adopt, an audit guide.

30 (b) The audit reports shall be submitted to the Controller within
31 nine months after the end of the period audited, or in accordance
32 with applicable federal law.

33 (c) If the audit reports required by Section 12410.5 have not
34 been submitted by a local agency to the Controller on or before
35 the due date established by this section, the Controller may appoint
36 a qualified certified public accountant to complete the report and
37 to obtain the information required. Any cost incurred by the
38 Controller pursuant to this subdivision, including contracts with,
39 or the employment of, the certified public accountants in

1 completing the audit shall be borne by the local agency and shall
2 be a charge against any unencumbered funds of the local agency.

3 SEC. 4. Section 12410.7 is added to the Government Code, to
4 read:

5 12410.7. (a) The Controller on an annual basis shall review
6 and monitor the audit reports performed by independent auditors.
7 The Controller shall determine whether the audit reports conform
8 with the reporting provisions of government auditing standards
9 and the audit guide and shall notify each local agency, and the
10 auditor of each local agency regarding each determination.

11 (b) The independent auditor shall correct his or her audit report
12 within 30 days of notification of any deficiency. The Controller
13 may suspend the independent auditor from performing any local
14 agency audits if the auditor does not correct his or her audit report
15 within 30 days of the Controller's notification.

16 (c) (1) Within 30 days from the date of receipt of written
17 notification that the Controller refuses to certify an audit report as
18 conforming to the reporting provisions described in subdivision
19 (a), an independent auditor or audit firm having a portion of an
20 audit fee withheld pursuant to paragraph (1) or (2) of subdivision
21 (d) of Section 12410.5 may file an appeal in writing with the
22 California Board of Accountancy.

23 (2) The board shall complete an investigation of the appeal
24 within 90 days of the filing of the appeal and, on the basis of the
25 investigation, do one of the following:

26 (A) (i) Order the Controller to provide notification that the audit
27 report conforms to the reporting provisions described in subdivision
28 (a).

29 (ii) If the board orders the Controller to provide notification that
30 the audit report conforms to the reporting provisions described in
31 subdivision (a), the Controller shall notify the contracting local
32 agency, which shall then release the portion of the audit fee being
33 withheld in accordance with paragraph (1) or (2) of subdivision
34 (d) of Section 12410.5.

35 (B) Schedule the appeal for a hearing, in which case the final
36 action on the appeal shall be completed by the board within one
37 year from the date of the filing of the appeal.

38 SEC. 5. Section 12410.8 is added to the Government Code, to
39 read:

1 12410.8. (a) The Controller shall report to the Legislature by
2 January 31 of each year the results of the Controller's oversight
3 activity, including the results of the Controller's quality control
4 reviews.

5 (b) A report submitted pursuant to subdivision (a) shall be
6 submitted in compliance with Section 9795.

7 (c) Pursuant to Section 10231.5, this section is repealed on
8 December 31, 2015.

9 SEC. 6. Section 12410.9 is added to the Government Code, to
10 read:

11 12410.9. (a) The Controller may perform quality control
12 reviews of audit working papers to determine whether audits are
13 performed in conformity with government audit standards and the
14 local agency audit guide. The Controller shall communicate the
15 results of his or her reviews to the Department of Finance, the
16 independent auditor, and the local agency for which the audit was
17 performed, and shall review his or her findings with the
18 independent auditor.

19 (b) Prior to the performance of any quality control reviews, the
20 Controller shall develop and publish guidelines and standards for
21 those reviews. Pursuant to the development of those guidelines
22 and standards for those reviews, the Controller shall provide an
23 opportunity for public comment. The Controller shall update the
24 guidelines and standards for any changes in audit standards.

25 (c) The Controller is responsible for selecting audits for review
26 based on criteria, including, but not limited to, disciplinary actions
27 by the California Board of Accountancy, results of the Controller's
28 review and monitoring of the audit reports, the extent of findings
29 in the audit reports issued by the independent auditor, the number
30 of audits of local agencies performed annually by the independent
31 auditor, the independent auditor's experience in performing audits
32 of local agencies, the complexity of state and federal programs
33 administered by the local agencies, and requests or leads from
34 other sources.

35 (d) If the Controller finds that the audit was conducted in a
36 manner that constitutes unprofessional conduct as defined pursuant
37 to Section 5100 of the Business and Professions Code, or that there
38 were multiple and repeated failures to disclose noncompliant acts,
39 the Controller shall refer the case to the California Board of
40 Accountancy. In that instance, the independent auditor shall be

1 prohibited from performing an audit *of a local agency* until such
2 time as the board resolves the matter. If the California Board of
3 Accountancy finds that the independent auditor conducted an audit
4 in an unprofessional manner, the Controller may prohibit the
5 independent auditor from performing any audit of a local agency
6 for the period during which the independent auditor is not in good
7 standing with the board, in addition to any other penalties that the
8 California Board of Accountancy may impose.

O

Memorandum

LC Agenda Item IV.B.
May 19, 2011

CBA Agenda Item XI.C.4.b.
May 19-20, 2011

To : CBA Members
Legislative Committee Members

Date : April 28, 2011

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From :  Matthew Stanley, Legislation/Regulation Analyst

Subject : Senate Bill 306 – Safe Harbor Extension

Bill Number:	SB 306	CBA Position: SUPPORT
Author:	de Leon	
Topic:	Safe Harbor Extension	
Current Version:	4/25/2011 (Attachment 1)	
Current Status:	Senate Business & Professions Committee	

What It Did:

SB 306 originally required the California Board of Accountancy (CBA) to extend the inoperative date for the Practice Privilege Safe Harbor period to December 31, 2013. The CBA was in support of the concept but wished to make the Safe Harbor provisions permanent and codify them. It therefore took a Support if Amended position.

Amendments:

The author accepted the CBA's proposed amendments. Consequently, the CBA position has changed to Support.

Recommendation:

This bill now reflects the CBA's goal of codifying and making these provisions permanent. Staff recommends maintaining the CBA's current support position on the bill.

Attachment

AMENDED IN SENATE APRIL 25, 2011

SENATE BILL**No. 306****Introduced by Senator De León**

February 14, 2011

An act to ~~amend~~ *repeal and add* Section 5096.14 of the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

SB 306, as amended, De León. Accountancy.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law prohibits a person from engaging in the practice of public accountancy in this state unless he or she holds either a valid permit issued by the board or a practice privilege, as specified. A violation of this provision is a crime. Existing law requires the board to amend a specified regulation to extend from December 31, 2007, to December 31, 2010, a safe harbor pertaining to practicing accountancy without a practice privilege for up to 5 days prior to submitting a notification form to the board, as specified.

This bill would ~~require the board to amend the specified regulation to extend that safe harbor period from December 31, 2010, to December 31, 2013~~ *repeal the provision applicable to that regulation and instead set forth a 5-day safe harbor for a person practicing accountancy under a practice privilege, subject to specified requirements. The bill would authorize the board to fine an individual who notifies the board of his or her practice more than 5 days after beginning practice within the state.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 5096.14 of the Business and Professions
2 Code is repealed.

3 5096.14. ~~The board shall amend Section 30 of Article 4 of~~
4 ~~Division 1 of Title 16 of the California Code of Regulations to~~
5 extend the current “safe harbor” period from December 31, 2007,
6 to December 31, 2010.

7 SEC. 2. Section 5096.14 is added to the Business and
8 Professions Code, to read:

9 5096.14. (a) An individual shall not be deemed to be in
10 violation of this article solely because he or she begins the practice
11 of public accounting in California prior to notifying the board as
12 indicated in subdivision (c) of Section 5096, provided the notice
13 is given within five business days of the date practice begins. An
14 individual who properly notifies the board within the five-day
15 period provided for in this section shall be deemed to have a
16 practice privilege from the first day of practice in California unless
17 the individual fails to timely submit the required fee pursuant to
18 subdivision (c) of Section 5096.

19 (b) Subdivision (a) does not apply in those instances in which
20 prior approval by the board is required pursuant to subdivision
21 (g) of Section 5096.

22 (c) In addition to any other applicable sanction, the board may
23 issue a fine pursuant to Section 5096.3 for notifying the board
24 more than five business days after beginning practice in California.

25 SECTION 1. Section 5096.14 of the Business and Professions
26 Code is amended to read:

27 5096.14. ~~The board shall amend Section 30 of Article 4 of~~
28 ~~Division 1 of Title 16 of the California Code of Regulations to~~
29 extend the current “safe harbor” period from December 31, 2010,
30 to December 31, 2013.

O

Memorandum

LC Agenda Item IV.C.
May 19, 2011

CBA Agenda Item XI.C.4.c.
May 19-20, 2011

To : CBA Members
Legislative Committee Members

Date : April 28, 2011

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley, Legislation/Regulation Analyst

Subject : Senate Bill 542 – Sunset Review

Bill Number:	SB 542	CBA Position: WATCH
Author:	Price	
Topic:	Sunset Review	
Current Version:	4/14/2011 (Attachment 1)	
Current Status:	Senate Business & Professions Committee	

What It Did:

SB 542 simply extended the California Board of Accountancy's (CBA) sunset date. The CBA took a watch position due to the fact that other elements were to be added to the bill.

Amendments:

So far, the only element added to the bill has been the two-year sunset extension on the Peer Review program. Committee staff have indicated a desire to meet with CBA staff to discuss which other elements may be added, including restatements, webcasting, and establishing a Accountancy Fund Reserve "floor" to ensure consumer protection.

Recommendation:

Staff recommend either adopting a support position on SB 542 or maintaining the CBA's current watch position on the bill.

Attachment

AMENDED IN SENATE APRIL 14, 2011

SENATE BILL**No. 542**

Introduced by Senator Price

February 17, 2011

~~An act to amend Sections 5000, 5015.6, and 6510 of the Business~~
An act to amend Sections 5000, 5015.6, 5076, 5076.1, 6510, and 6530 of, and to add Section 6582.2 to, the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

SB 542, as amended, Price. Professions and vocations: regulatory boards.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the ~~department~~ *Department of Consumer Affairs*, including; the California Board of Accountancy and the Professional Fiduciaries Bureau. Existing law authorizes the board to appoint an executive officer and authorizes the Governor to appoint the chief of the bureau. Under existing law, these provisions are repealed on January 1, 2012. Under existing law, boards scheduled for repeal are required to be evaluated by the Joint Sunset Review Committee.

This bill would extend the operation of these provisions until January 1, 2016, and would specify that these boards would be subject to review by the appropriate policy committees of the Legislature.

With respect to accounting firms, existing law, until January 1, 2014, requires a firm, in order to renew its registration, to have a specified peer review report accepted by a board-recognized peer review group. Existing law, until January 1, 2014, requires the board to appoint a peer review oversight committee of certified public accountants to

provide recommendations to the board relating to the effectiveness of mandatory peer review. Existing law also requires the board, by January 1, 2013, to provide the Legislature and the Governor with a report regarding specified peer review requirements.

This bill would extend the operation of the peer review report requirement and the peer review oversight committee to January 1, 2016, and would require the report to the Legislature and the Governor to be submitted by January 1, 2015.

With respect to professional fiduciaries, existing law prohibits a person from holding himself or herself out as a professional fiduciary without a license issued by the bureau. Existing law exempts from the license requirement a person enrolled as an agent to practice before the Internal Revenue Service, as specified. Under existing law, a license may be suspended, revoked, denied, or other disciplinary action may be imposed for various reasons.

This bill would revise the exemption requirement by additionally requiring that the enrolled agent provide only fiduciary services that are ancillary to the primary services of an enrolled agent and that those services be provided at the request of a client with which the enrolled agent has an existing professional relationship. The bill would authorize the bureau, instead of issuing an accusation or statement of issues against a licensee or applicant, to enter into a specified settlement with a licensee or applicant.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 5000 of the Business and Professions
- 2 Code is amended to read:
- 3 5000. There is in the Department of Consumer Affairs the
- 4 California Board of Accountancy, which consists of 15 members,
- 5 seven of whom shall be licensees, and eight of whom shall be
- 6 public members who shall not be licentiates of the board or
- 7 registered by the board. The board has the powers and duties
- 8 conferred by this chapter.
- 9 The Governor shall appoint four of the public members, and the
- 10 seven licensee members as provided in this section. The Senate
- 11 Rules Committee and the Speaker of the Assembly shall each
- 12 appoint two public members. In appointing the seven licensee

1 members, the Governor shall appoint members representing a cross
2 section of the accounting profession with at least two members
3 representing a small public accounting firm. For the purposes of
4 this chapter, a small public accounting firm shall be defined as a
5 professional firm that employs a total of no more than four
6 licensees as partners, owners, or full-time employees in the practice
7 of public accountancy within the State of California.

8 This section shall remain in effect only until January 1, 2016,
9 and as of that date is repealed, unless a later enacted statute, that
10 is enacted before January 1, 2016, deletes or extends that date.
11 Notwithstanding any other provision of law, the repeal of this
12 section renders the board subject to review by the appropriate
13 policy committees of the Legislature. However, the review of the
14 board shall be limited to reports or studies specified in this chapter
15 and those issues identified by the appropriate policy committees
16 of the Legislature and the board regarding the implementation of
17 new licensing requirements.

18 SEC. 2. Section 5015.6 of the Business and Professions Code
19 is amended to read:

20 5015.6. The board may appoint a person exempt from civil
21 service who shall be designated as an executive officer and who
22 shall exercise the powers and perform the duties delegated by the
23 board and vested in him or her by this chapter.

24 This section shall remain in effect only until January 1, 2016,
25 and as of that date is repealed, unless a later enacted statute, that
26 is enacted before January 1, 2016, deletes or extends that date.

27 SEC. 3. Section 5076 of the Business and Professions Code is
28 amended to read:

29 5076. (a) In order to renew its registration, a firm, as defined
30 in Section 5035.1, shall have a peer review report of its accounting
31 and auditing practice accepted by a board-recognized peer review
32 program no less frequently than every three years.

33 (b) For purposes of this article, the following definitions apply:

34 (1) "Peer review" means a study, appraisal, or review conducted
35 in accordance with professional standards of the professional work
36 of a firm, and may include an evaluation of other factors in
37 accordance with the requirements specified by the board in
38 regulations. The peer review report shall be issued by an individual
39 who has a valid and current license, certificate, or permit to practice

1 public accountancy from this state or another state and is
2 unaffiliated with the firm being reviewed.

3 (2) “Accounting and auditing practice” includes any services
4 that are performed using professional standards defined by the
5 board in regulations.

6 (c) The board shall adopt regulations as necessary to implement,
7 interpret, and make specific the peer review requirements in this
8 section, including, but not limited to, regulations specifying the
9 requirements for board recognition of a peer review program,
10 standards for administering a peer review, extensions of time for
11 fulfilling the peer review requirement, exclusions from the peer
12 review program, and document submission.

13 (d) The board shall adopt emergency regulations in accordance
14 with the Administrative Procedure Act (Chapter 3.5 (commencing
15 with Section 11340) of Part 1 of Division 3 of Title 2 of the
16 Government Code) to establish policies, guidelines, and procedures
17 as outlined in subdivision (c). The adoption of the regulations shall
18 be considered by the Office of Administrative Law to be necessary
19 for the immediate preservation of the public peace, health and
20 safety, or general welfare. The emergency regulations shall be
21 submitted to the Office of Administrative Law for filing with the
22 Secretary of State and publication in the California Code of
23 Regulations, and shall be replaced in accordance with the
24 Administrative Procedure Act.

25 (e) Nothing in this section shall prohibit the board from initiating
26 an investigation and imposing discipline against a firm or licensee,
27 either as the result of a complaint that alleges violations of statutes,
28 rules, or regulations, or from information contained in a peer review
29 report received by the board.

30 (f) A firm issued a substandard peer review report, as defined
31 by the board in regulation, shall submit a copy of that report to the
32 board. The board shall establish in regulation the time period that
33 a firm must submit the report to the board. This period shall not
34 exceed 60 days from the time the report is accepted by a
35 board-recognized peer review program provider to the date the
36 report is submitted to the board.

37 (g) (1) A board-recognized peer review program provider shall
38 file a copy with the board of all substandard peer review reports
39 issued to California-licensed firms. The board shall establish in
40 regulation the time period that a board-recognized peer review

1 program provider shall file the report with the board. This period
2 shall not exceed 60 days from the time the report is accepted by a
3 board-recognized peer review program provider to the date the
4 report is filed with the board. These reports may be filed with the
5 board electronically.

6 (2) Nothing in this subdivision shall require a board-recognized
7 peer review program provider, when administering peer reviews
8 in another state, to violate the laws of that state.

9 (h) The board shall, by January 1, 2010, define a substandard
10 peer review report in regulation.

11 (i) Any requirements imposed by a board-recognized peer review
12 program on a firm in conjunction with the completion of a peer
13 review shall be separate from, and in addition to, any action by
14 the board pursuant to this section.

15 (j) Any report of a substandard peer review submitted to the
16 board in conjunction with this section shall be collected for
17 investigatory purposes.

18 (k) Nothing in this section affects the discovery or admissibility
19 of evidence in a civil or criminal action.

20 (l) Nothing in this section requires any firm to become a member
21 of any professional organization.

22 (m) A peer reviewer shall not disclose information concerning
23 licensees or their clients obtained during a peer review, unless
24 specifically authorized pursuant to this section, Section 5076.1, or
25 regulations prescribed by the board.

26 (n) (1) By January 1, ~~2013~~ 2015, the board shall provide the
27 Legislature and Governor with a report regarding the peer review
28 requirements of this section that includes, without limitation:

29 ~~(1)~~

30 (A) The extent to which mandatory peer review of small firms
31 or sole practitioners that prepare nondisclosure compiled financial
32 statements on an other comprehensive basis of accounting enhances
33 consumer protection.

34 ~~(2)~~

35 (B) The impact of peer review required by this section on small
36 firms and sole practitioners that prepare nondisclosure compiled
37 financial statements on an other comprehensive basis of accounting.

38 ~~(3)~~

39 (C) The impact of peer review required by this section on small
40 businesses, nonprofit corporations, and other entities that utilize

1 small firms or sole practitioners for the purposes of nondisclosure
2 compiled financial statements prepared on an other comprehensive
3 basis of accounting.

4 (2) *A report to the Legislature pursuant to this section shall be*
5 *submitted in compliance with Section 9795 of the Government*
6 *Code.*

7 (o) This section shall remain in effect only until January 1, ~~2014~~
8 2016, and as of that date is repealed, unless a later enacted statute,
9 that is enacted before January 1, ~~2014~~ 2016, deletes or extends
10 that date.

11 *SEC. 4. Section 5076.1 of the Business and Professions Code*
12 *is amended to read:*

13 5076.1. (a) The board shall appoint a peer review oversight
14 committee of certified public accountants of this state who maintain
15 a license in good standing and who are authorized to practice public
16 accountancy to provide recommendations to the board on any
17 matter upon which it is authorized to act to ensure the effectiveness
18 of mandatory peer review.

19 (b) The committee may request any information from a
20 board-recognized peer review program provider deemed necessary
21 to ensure the provider is administering peer reviews in accordance
22 with the standards adopted by the board in regulations. Failure of
23 a board-recognized peer review program provider to respond to
24 the committee shall result in referral by the committee of the
25 provider to the board for further action. Any information obtained
26 by the board, its representatives, or the peer review oversight
27 committee in conjunction with its review of peer review program
28 providers shall not be a public record, and shall be exempt from
29 public disclosure, provided, however, this information may be
30 disclosed under any of the following circumstances:

- 31 (1) In connection with disciplinary proceedings of the board.
- 32 (2) In connection with legal proceedings in which the board is
33 a party.
- 34 (3) In response to an official inquiry by a federal or state
35 governmental regulatory agency.
- 36 (4) In compliance with a subpoena or summons enforceable by
37 court order.
- 38 (5) As otherwise specifically required by law.

1 (c) The members of the committee shall be appointed to
2 two-year terms and may serve a maximum of four consecutive
3 terms.

4 (d) The board may adopt, as necessary, regulations further
5 defining the minimum qualifications for appointment as a
6 committee member and additional administrative elements designed
7 to ensure the effectiveness of mandatory peer review.

8 (e) This section shall remain in effect only until January 1, ~~2014~~
9 2016, and as of that date is repealed, unless a later enacted statute,
10 that is enacted before January 1, ~~2014~~ 2016, deletes or extends
11 that date.

12 ~~SEC. 3.~~

13 *SEC. 5.* Section 6510 of the Business and Professions Code is
14 amended to read:

15 6510. (a) There is within the jurisdiction of the department
16 the Professional Fiduciaries Bureau. The bureau is under the
17 supervision and control of the director. The duty of enforcing and
18 administering this chapter is vested in the chief of the bureau, who
19 is responsible to the director. Every power granted or duty imposed
20 upon the director under this chapter may be exercised or performed
21 in the name of the director by a deputy director or by the chief,
22 subject to conditions and limitations as the director may prescribe.

23 (b) The Governor shall appoint, subject to confirmation by the
24 Senate, the chief of the bureau, at a salary to be fixed and
25 determined by the director with the approval of the Director of
26 Finance. The chief shall serve under the direction and supervision
27 of the director and at the pleasure of the Governor.

28 (c) This section shall remain in effect only until January 1, 2016,
29 and as of that date is repealed, unless a later enacted statute, that
30 is enacted before January 1, 2016, deletes or extends that date.
31 Notwithstanding any other provision of law, the repeal of this
32 section renders the board subject to review by the appropriate
33 policy committees of the Legislature.

34 Notwithstanding any other provision of law, upon the repeal of
35 this section, the responsibilities and jurisdiction of the bureau shall
36 be transferred to the Professional Fiduciaries Advisory Committee,
37 as provided by Section 6511.

38 *SEC. 6.* Section 6530 of the Business and Professions Code is
39 amended to read:

1 6530. (a) On and after January 1, 2009, no person shall act or
2 hold himself or herself out to the public as a professional fiduciary
3 unless that person is licensed as a professional fiduciary in
4 accordance with the provisions of this chapter.

5 (b) This section does not apply to a person licensed as an
6 attorney under the State Bar Act (Chapter 4 (commencing with
7 Section 6000)).

8 (c) This section does not apply to a person licensed as, and
9 acting within the scope of practice of, a certified public accountant
10 pursuant to Chapter 1 (commencing with Section 5000) of Division
11 3.

12 (d) This section does not apply to a person enrolled as an agent
13 to practice before the Internal Revenue Service ~~who is acting within~~
14 ~~the scope of practice~~ pursuant to Part 10 of Title 31 of the Code
15 of Federal Regulations, *who is providing fiduciary services that*
16 *are ancillary to the primary services of an enrolled agent, and*
17 *those services are provided at the request of a client with which*
18 *the enrolled agent has an existing professional relationship.*
19 *However, an enrolled agent who is soliciting clients for fiduciary*
20 *services or holding himself or herself out as a professional*
21 *fiduciary is required to obtain a license in accordance with this*
22 *chapter.*

23 SEC. 7. Section 6582.2 is added to the Business and Professions
24 Code, to read:

25 6582.2. (a) *Notwithstanding Section 6582 and Section*
26 *11415.60 of the Government Code, the bureau may enter into a*
27 *settlement with a licensee or applicant instead of the issuance of*
28 *an accusation or statement of issues against that licensee or*
29 *applicant.*

30 (b) *The settlement shall identify the factual basis for the action*
31 *being taken and the statutes or regulations violated.*

32 (c) *A person who enters a settlement pursuant to this section is*
33 *not precluded from filing a petition, in the timeframe permitted by*
34 *Section 11522 of the Government Code, to modify the terms of the*
35 *settlement or a petition for early termination of probation, if*
36 *probation is part of the settlement.*

37 (d) *Any settlement with a licensee executed pursuant to this*
38 *section shall be considered discipline and a public record and*
39 *shall be posted on the bureau's Internet Web site. Any settlement*
40 *with an applicant executed pursuant to this section shall be*

- 1 *considered a public record and shall be posted on the bureau's*
- 2 *Internet Web site.*

O

Memorandum

LC Agenda Item IV.D.
May 19, 2011

CBA Agenda Item XI.C.4.d.
May 19-20, 2011

To : CBA Members
Legislative Committee Members

Date : April 28, 2011

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley, Legislation/Regulation Analyst

Subject : Senate Bill 773 – Webcasting

Bill Number:	SB 773	CBA Position: WATCH
Author:	Negrete-McLeod	
Topic:	Webcasting	
Current Version:	4/14/2011 (Attachment 1)	
Current Status:	Senate Appropriations Committee	

What It Did:

SB 773 originally would have exempted certain restatements and related disclosures from the restatement reporting requirement. The exempted restatements would be any that are reported to the Securities and Exchange Commission or that are due solely to a change in law, rules and regulations, or standards. The California Board of Accountancy (CBA) took a WATCH position on this bill because its sponsor, CalCPA, informed the CBA that it was a spot bill.

Amendments:

SB 773 was amended to correct a technical error in SB 819's education requirements. However, that version did not make a substantive enough change to allow it to move forward. So it was amended again, with staff's knowledge, to remove the audio webcasting option from the CBA's webcasting requirement. This is another temporary form of the bill to just allow it to move forward. It is still, in essence, a spot bill as this will not be its final form.

Recommendation:

Staff recommend maintaining the CBA's current watch position on the bill.

Attachment

AMENDED IN SENATE APRIL 14, 2011

AMENDED IN SENATE MARCH 24, 2011

SENATE BILL

No. 773

Introduced by Senator Negrete McLeod

February 18, 2011

An act to amend ~~Section~~ *Sections 5017.5 and 5094* of the Business and Professions Code, relating to accountants.

LEGISLATIVE COUNSEL'S DIGEST

SB 773, as amended, Negrete McLeod. Accountants.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law ~~also~~ *requires the board to provide a live audio or video broadcast on its Internet Web site of each of its board meetings that are open and public.*

This bill would instead require the board to provide live video broadcasts of those meetings.

Existing law creates the Advisory Committee on Accounting Ethics Curriculum and ~~empowers~~ *authorizes* that committee to determine that a course or a portion of a course of accounting education satisfies the ethics study requirement of 20 units.

This bill would make a conforming change *to that provision.*

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ *yes*.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. Section 5017.5 of the Business and Professions*
- 2 *Code is amended to read:*

1 5017.5. (a) The board shall provide a live ~~audio or~~ video
2 broadcast, on its Internet Web site, of each of its board meetings
3 that are open and public.

4 (b) (1) If technical failure prevents the board from providing a
5 live broadcast as specified in subdivision (a), that failure shall not
6 constitute a violation of this section if the board exercised
7 reasonable diligence in providing a live broadcast.

8 (2) Failure to provide a live broadcast of its board meetings due
9 to technical failure shall not prohibit the board from meeting and
10 taking actions.

11 (c) The recording of the live ~~audio or~~ video broadcast shall
12 remain on the Internet Web site for at least three years. Providing
13 a link on the Internet Web site to the recording of the live ~~audio~~
14 ~~or~~ video broadcast shall satisfy this requirement.

15 ~~SECTION 1.~~

16 *SEC. 2.* Section 5094 of the Business and Professions Code is
17 amended to read:

18 5094. (a) In order for education to be qualifying, it shall meet
19 the standards described in subdivision (b) or (c) of this section.

20 (b) At a minimum, education must be from a degree-granting
21 university, college, or other institution of learning accredited by
22 a regional or national accrediting agency included in a list of these
23 agencies published by the United States Secretary of Education
24 under the requirements of the Higher Education Act of 1965 as
25 amended (20 U.S.C. Sec. 1001, et seq.) and, after January 1, 2014,
26 shall also, at minimum, include 10 units of ethics study consistent
27 with the regulations promulgated pursuant to subdivision (b) of
28 Section 5094.6 and 20 units of accounting study consistent with
29 the regulations promulgated under subdivision (c) of Section
30 5094.6. The Advisory Committee on Accounting Ethics Curriculum
31 established under Section 5094.5 may determine that a course or
32 a portion of a course satisfies the ethics study requirement. Nothing
33 herein shall be deemed inconsistent with prevailing academic
34 practice regarding the completion of units.

35 (c) Education from a college, university, or other institution of
36 learning located outside the United States may be qualifying
37 provided it is deemed by the board to be equivalent to education
38 obtained under subdivision (b). The board may require an applicant
39 to submit documentation of his or her education to a credential
40 evaluation service approved by the board for evaluation and to

1 cause the results of this evaluation to be reported to the board in
2 order to assess educational equivalency.

3 (d) The board shall adopt regulations specifying the criteria and
4 procedures for approval of credential evaluation services. These
5 regulations shall, at a minimum, require that the credential
6 evaluation service (1) furnish evaluations directly to the board, (2)
7 furnish evaluations written in English, (3) be a member of the
8 American Association of Collegiate Registrars and Admission
9 Officers, the National Association of Foreign Student Affairs, or
10 the National Association of Credential Evaluation Services, (4) be
11 used by accredited colleges and universities, (5) be reevaluated by
12 the board every five years, (6) maintain a complete set of reference
13 materials as specified by the board, (7) base evaluations only upon
14 authentic, original transcripts and degrees and have a written
15 procedure for identifying fraudulent transcripts, (8) include in the
16 evaluation report, for each degree held by the applicant, the
17 equivalent degree offered in the United States, the date the degree
18 was granted, the institution granting the degree, an English
19 translation of the course titles, and the semester unit equivalence
20 for each of the courses, (9) have an appeal procedure for applicants,
21 and (10) furnish the board with information concerning the
22 credential evaluation service that includes biographical information
23 on evaluators and translators, three letters of references from public
24 or private agencies, statistical information on the number of
25 applications processed annually for the past five years, and any
26 additional information the board may require in order to ascertain
27 that the credential evaluation service meets the standards set forth
28 in this subdivision and in any regulations adopted by the board.

O

Memorandum

LC Agenda Item IV.E.
May 19, 2011

CBA Agenda Item XI.C.4.e.
May 19-20, 2011

To : CBA Members
Legislative Committee Members

Date : April 28, 2011

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : 
Matthew Stanley, Legislation/Regulation Analyst

Subject : Senate Bill 921 – Office of Inspector General

Bill Number:	SB 921	CBA Position:	Watch
Author:	Lieu		
Topic:	Office of Inspector General		
Current Version:	4/25/2011 (Attachment 1)		
Current Status:	Senate Labor & Industrial Relations Committee		

What It Did:

SB 921 was originally a spot bill regarding unlicensed activity.

Amendments:

This bill has been amended twice since its introduction. The first amendment gutted it and changed the topic to employee leave, and the most recent amendment gutted it again so that its current topic involves the Office of the Inspector General.

Recommendation:

This bill no longer impacts the California Board of Accountancy (CBA), and staff recommend that the CBA discontinue following SB 921.

Attachment

AMENDED IN SENATE APRIL 25, 2011

AMENDED IN SENATE MARCH 24, 2011

SENATE BILL

No. 921

Introduced by Senator Lieu

February 18, 2011

~~An act to add Section 230.1.5 to the Labor Code, relating to employment.~~ *An act to add Article 2.5 (commencing with Section 150) to Chapter 2 of Part 1 of Division 2 of the Military and Veterans Code, relating to the Military Department.*

LEGISLATIVE COUNSEL'S DIGEST

SB 921, as amended, Lieu. ~~Employment: employee leave.~~ *Military Department: Office of the Inspector General.*

Existing law establishes in state government the Military Department, which includes the office of the Adjutant General, the State Military Reserve, the California Cadet Corp, and the Naval Militia. Existing law establishes various duties for these officers and entities.

This bill would establish the Office of the Inspector General within the Military Department. This bill would require the Governor to appoint the inspector general, subject to Senate confirmation, and would specify that the inspector general is independent of the chain of command of the Military Department and serves at the discretion of the Governor. This bill would require the inspector general to investigate complaints and allegations of wrongdoing by military personnel, as specified, and would require the inspector general to establish a toll-free public telephone number to receive these complaints and allegations. This bill would also require that disciplinary action be brought against a state officer or employee who intentionally retaliates against a person who made a complaint or allegation of

wrongdoing to the inspector general, as provided, and would specify that these officers and employees may be liable for civil damages for these same actions.

~~Existing law provides that an employer who employs 25 or more employees may not discharge or retaliate against an employee who takes time off for specified activities or treatment as the result of domestic violence or sexual assault.~~

~~This will would require the Department of Industrial Relations to create and an employer to display for employees to read specified information regarding the rights of workers to seek counseling or treatment for domestic abuse or sexual assault and redress against an employer who violates these rights.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Article 2.5 (commencing with Section 150) is
2 added to Chapter 2 of Part 1 of Division 2 of the Military and
3 Veterans Code, to read:

4
5 Article 2.5. Office of the Inspector General for the Military
6 Department
7

8 150. For purposes of this article, the following terms have the
9 following meanings:

- 10 (a) "Department" means the Military Department.
- 11 (b) "Office" means the Office of the Inspector General within
- 12 the Military Department.
- 13 (c) "Inspector general" means the Inspector General for the
- 14 Military Department.

15 150.10. (a) There is hereby created in the Military Department
16 the Office of the Inspector General.

17 (b) The department shall, from the amount annually
18 appropriated to it for purposes of this office, fund the position of
19 inspector general and provide the office space and support
20 personnel requested by the inspector general.

21 (c) The inspector general shall have access to all employees
22 and documents of the department.

1 150.11. (a) *The inspector general shall meet the same*
2 *qualifications established in this code for the Adjutant General.*
3 (b) *The inspector general is independent of the chain of*
4 *command of the Military Department.*
5 (c) (1) *The Governor shall appoint the inspector general,*
6 *subject to confirmation by the Senate.*
7 (2) *Upon confirmation by the Senate, the inspector general shall*
8 *serve at the discretion of the Governor.*
9 (3) *The inspector general shall serve on state active duty at the*
10 *grade of O-6.*
11 150.12. (a) *The inspector general may receive communications*
12 *from any person, including, but not limited to, any member of the*
13 *California National Guard, the State Military Reserve, and the*
14 *Naval Militia.*
15 (b) *The inspector general shall establish a toll-free public*
16 *telephone number to receive the complaints and allegations*
17 *described in subdivision (a) of Section 150.13. The inspector*
18 *general shall post this telephone number in clear view at every*
19 *California National Guard armory, flight facility, airfield, or*
20 *installation.*
21 150.13. (a) *At the discretion of the inspector general or, upon*
22 *a written request by the Governor, a member of the California*
23 *Legislature, the Adjutant General, or any member of the public,*
24 *the inspector general shall investigate any of the following:*
25 (1) *Complaints that the Adjutant General or the Assistant*
26 *Adjutant General has engaged in discrimination or retaliation for*
27 *whistleblowing.*
28 (2) *Allegations of misconduct by the Adjutant General or the*
29 *Assistant Adjutant General.*
30 (3) *Allegations of misconduct by any member of the California*
31 *National Guard.*
32 (b) *If the inspector general conducts an investigation at the*
33 *request of a member of the California Legislature, the inspector*
34 *general shall submit to that member a report of his or her findings*
35 *of that investigation.*
36 (c) (1) *A request described in subdivision (a) is not a public*
37 *record and is not subject to disclosure under the California Public*
38 *Records Act set forth in Chapter 3.5 (commencing with Section*
39 *6250) of Division 7 of Title 1 of the Government Code.*

1 (2) Notwithstanding paragraph (1), the inspector general may,
2 at his or her discretion, disclose to the Governor, a member of the
3 California Legislature, or to a law enforcement agency the identity
4 of a person making a written request or an allegation or complaint
5 described in subdivision (a). The inspector general shall not
6 disclose to any other person or entity the identity of a person
7 making a written request or an allegation or complaint described
8 in subdivision (a), unless the person making the request, allegation,
9 or complaint has consented to the disclosure in writing.

10 (d) When deemed appropriate by the inspector general, the
11 inspector general shall refer to the federal Inspector General of
12 the Department of Defense any complaints and allegations
13 pertaining to violations of federal military laws or regulations.

14 150.14. (a) Any state officer or employee who intentionally
15 engages in acts of reprisal, retaliation, threats, coercion, or similar
16 acts against an employee of any state department, board, or
17 authority for having disclosed what the employee, in good faith,
18 believed to be a complaint or allegation described in subdivision
19 (a) of Section 150.13 shall be disciplined by adverse action as
20 provided in subdivision (a) of Section 19574 of the Government
21 Code. If no adverse action is instituted by the appointing power,
22 the State Personnel Board shall take adverse action against the
23 officer or employee in the same manner as provided in Section
24 19583.5 of the Government Code.

25 (b) In addition to all other causes of action, penalties, or other
26 remedies provided by law, any state officer or employee who
27 intentionally engages in acts of reprisal, retaliation, threats,
28 coercion, or similar acts against an employee for having disclosed
29 what the employee, in good faith, believed to be a complaint or
30 allegation described in subdivision (a) of Section 150.13 shall be
31 liable in an action for damages brought against him or her by the
32 injured party. Punitive damages may be awarded by the court if
33 the acts of the offending party are proven to be malicious. If
34 liability has been established, the injured party also shall be
35 entitled to reasonable attorney's fees as provided by law.

36 (c) For purposes of this section "state officer" includes, but is
37 not limited to, a member of the Military Department on state active
38 duty and any officer who holds a state commission or appointment
39 by the Governor.

1 SECTION 1. ~~Section 230.1.5 is added to the Labor Code, to~~
2 ~~read:~~

3 230.1.5. ~~(a) The department shall create a poster that shall~~
4 ~~include the following information:~~

5 ~~(1) Definitions of domestic violence and sexual assault.~~

6 ~~(2) Information regarding domestic violence and sexual assault~~
7 ~~victim support resources.~~

8 ~~(3) Information regarding the right of an employee under~~
9 ~~subdivision (c) of Section 230 to take time off from work to obtain~~
10 ~~or attempt to obtain relief related to domestic violence or sexual~~
11 ~~assault, including a temporary restraining order, restraining order,~~
12 ~~or other injunctive relief, to help ensure the health, safety, or~~
13 ~~welfare of the victim or his or her child.~~

14 ~~(4) Information regarding the right of an employee employed~~
15 ~~by an employer with 25 or more employees under Section 230.1~~
16 ~~to take time off from work to do any of the following:~~

17 ~~(A) To seek medical attention for injuries caused by domestic~~
18 ~~violence or sexual assault.~~

19 ~~(B) To obtain services from a domestic violence shelter,~~
20 ~~program, or rape crisis center as a result of domestic violence or~~
21 ~~sexual assault.~~

22 ~~(C) To obtain psychological counseling related to an experience~~
23 ~~of domestic violence or sexual assault.~~

24 ~~(D) To participate in safety planning and take other actions to~~
25 ~~increase safety from future domestic violence or sexual assault,~~
26 ~~including temporarily or permanently relocating.~~

27 ~~(5) Instructions on contacting the department and its Division~~
28 ~~of Labor Standards Enforcement regarding violations of~~
29 ~~subdivision (c) of Section 230 and Section 230.1.~~

30 ~~(6) Information regarding legal remedies and complaint~~
31 ~~processes available through the division for violations of~~
32 ~~subdivision (c) of Section 230 and Section 230.1.~~

33 ~~(7) Information regarding the right of an employee to file a~~
34 ~~complaint pursuant to Section 98.7 if that employee has been~~
35 ~~discriminated or retaliated against, including through discharge,~~
36 ~~threat of discharge, demotion, or suspension, because the employee~~
37 ~~has asserted his or her rights under subdivision (c) of Section 230~~
38 ~~or Section 230.1.~~

1 ~~(b) The department shall make the poster available to employers~~
2 ~~in print and online in English, Chinese, Korean, Spanish, Tagalog,~~
3 ~~and Vietnamese.~~

4 ~~(c) An employer shall display a copy of the poster in each of~~
5 ~~the available languages in a prominent and accessible location,~~
6 ~~which may include restrooms, at its workplaces and jobsites. An~~
7 ~~employer shall also provide an employee at the time of hire with~~
8 ~~the name, address, and telephone number of the employer in~~
9 ~~writing.~~

10 ~~(d) If an employer violates this section, the division shall issue~~
11 ~~an order requiring the employer to comply with this section.~~

12 ~~(e) For purposes of this section, the following terms have the~~
13 ~~following meanings:~~

14 ~~(1) “Domestic violence” means any of the types of abuse set~~
15 ~~forth in Section 6211 of the Family Code.~~

16 ~~(2) “Sexual assault” means any of the crimes set forth in Section~~
17 ~~261, 261.5, 262, 265, 266, 266a, 266b, 266c, 266g, 266j, 267, 269,~~
18 ~~273.4, 285, 286, 288, 288a, 288.5, 289, or 311.4 of the Penal Code.~~

Memorandum

LC Agenda Item V.
May 19, 2011

CBA Agenda Item XI.C.5.
May 19-20, 2011

To : CBA Members
Legislative Committee Members

Date : May 5, 2011

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov


From : Matthew Stanley, Legislation/Regulation Analyst

Subject : Adoption of Position on SB 706- Business and Professions

Bill Number: SB 706 (**Attachment 1**)
Authors: Price
Current Status: Senate Appropriations Committee

Provisions:

SB 706 is mostly concerned with changes in real estate licensing law. However, the most recent amendments on April 25, 2011, added an amendment that requires several boards and bureaus to post accusations on their Web sites, including the California Board of Accountancy (CBA)

Comments:

The CBA has been posting accusations since the Fall of 2010.

Recommendation:

As the vast majority of this bill is unrelated to the CBA, and the CBA is already in compliance with the relevant portion, staff recommend a Neutral position on SB 706. With a Neutral position, no letter is sent by staff unless directed otherwise.

Attachment

AMENDED IN SENATE APRIL 25, 2011
AMENDED IN SENATE MARCH 24, 2011

SENATE BILL

No. 706

Introduced by Senator Price

February 18, 2011

An act to add Sections 10050.1, 10100.4, 10106, 11310.1, 11315.7, and 11315.9 to the Business and Professions Code, relating to real estate. An act to amend Sections 27, 10004, 10050, 10080, 11301, 11302, 11310, 11313 of, to add Sections 10002, 10002.5, 10050.1, 10054, 10055, 10056, 10057, 10058, 10060, 10100.4, 10106, 10186, 10186.1, 10186.2, 10186.3, 10186.4, 10186.5, 10186.7, 11310.1, 11315.7, 11315.9, 11319.1, 11319.2, 11319.3, 11319.4, 11319.5, 11319.6, and 11319.7 to, and to add and repeal Section 10186.8 of, the Business and Professions Code, relating to business and professions.

LEGISLATIVE COUNSEL'S DIGEST

SB 706, as amended, Price. ~~Real estate.~~ *Business and Professions.*

Existing

(1) Existing law provides for the licensure, endorsement, and regulation of real estate brokers and, real estate salespersons, and mortgage loan originators by the Real Estate Commissioner of the Department of Real Estate in the Business, Transportation and Housing Agency. The Office of Real Estate Appraisers within the Business, Transportation and Housing Agency is under the supervision and control of the Secretary of Business, Transportation and Housing. Existing law provides for the licensure, certification, and regulation of persons who engage in specified real estate appraisal activity by the Director of the Office of Real Estate Appraisers, who is responsible to the Secretary

of Business, Transportation and Housing. A violation of these provisions is a crime.

This bill would establish the Office of Real Estate Appraisers (office) within the Department of Real Estate (department) and would also provide that the office is under the supervision and control of the Real Estate Commissioner (commissioner). The bill would make it the commissioner's responsibility to enforce those provisions governing real estate appraiser activity. The bill would require the Director of the Office of Real Estate Appraisers (director) to administer the licensing and certification provisions for real estate appraiser activity and would make the director responsible to the commissioner. The bill would state that protection of the public shall be the highest priority for the department and the office in exercising their licensing, regulatory, and disciplinary functions.

The bill would authorize the department and the office to enter into a settlement with a licensee or applicant instead of the issuance of an accusation or statement of issues against the licensee or applicant, would require the settlement to identify the factual basis for the action being taken and the statutes or regulations that have been violated, and would provide that settlement against a licensee or applicant would be a public record, as specified. The bill would authorize an administrative law judge to order a licensee in a disciplinary proceeding to pay, upon request of the department or the office, the reasonable costs of investigating and prosecuting the disciplinary case against the licensee. ~~The bill would require costs recovered in these disciplinary proceedings to be deposited in either the Real Estate Fund or the Real Estate Appraisers Regulation Fund, as specified, and would make the funds available upon appropriation by the Legislature.~~

When the commissioner or director disciplines a licensee or registrant by placing him or her on probation, the bill would authorize the commissioner and the director to require the licensee or registrant to pay the costs associated with the probation monitoring.

The bill would provide that a license or certificate shall be suspended if the licensee or registrant is incarcerated after the conviction of a felony and would require the department or the office to notify the licensee or registrant of the suspension and of his or her right to a specified hearing. The bill would specify that no hearing is required, however, if the conviction was for a violation of federal law or state law for the use of dangerous drugs or controlled substances or specified sex offenses.

The bill would require a licensee and registrant to report to the department or the office when there is an indictment or information charging a felony against the licensee or registrant or when he or she has been convicted of a felony or misdemeanor. The bill would make a violation of this reporting requirement a cause for discipline and a crime, thereby imposing a state-mandated local program.

The bill would require a licensee and registrant to identify himself or herself as a licensee or registrant of the department or the office to law enforcement and the court upon an arrest or being charged with a crime. The bill would require the department and the office to inform its licensees and registrants of this requirement.

The bill would require the district attorney, city attorney, and other prosecuting agencies to notify the department, the office, and the court clerk if felony charges have been filed against a licensee or registrant of the department or the office. The bill would require, within 10 days after a court judgment, the clerk of the court to report to the department or the office when a licensee or registrant has committed a crime or is liable for his or her professional negligence resulting in a specified judgment. The bill would require the clerk of the court to transmit to the department and the office specified felony preliminary transcript hearings concerning a defendant licensee or registrant. By imposing additional duties on these local agencies, the bill would impose a state-mandated local program.

The bill would require costs recovered pursuant to these disciplinary proceedings to be deposited in either the Real Estate Fund or the Real Estate Appraisers Regulation Fund, as specified, and would make the funds available upon appropriation by the Legislature.

The bill would require the commissioner to appoint a Real Estate Advisory Commission comprised of 11 members to meet at least 4 times annually, subject to specified procedures. Under the bill, the commission would consult with and advise the commissioner on the department's policies and procedures.

The bill would require the Secretary of Business, Transportation and Housing, by January 31, 2012, to appoint a Department of Real Estate Enforcement Program Monitor whose duties would include monitoring and evaluating the department's disciplinary system and reporting his or her findings, as specified, to the department and the Legislature no later than August 1, 2012. This bill would make the provisions that pertain to the enforcement program monitor inoperative on January 31, 2014.

(2) Existing law provides for the regulation of various profession and vocation licensees by boards within the Department of Consumer Affairs. The department is under the control of the Director of Consumer Affairs. Existing law, the Chiropractic Act, enacted by initiative, provides for the licensure and regulation of chiropractors by the State Board of Chiropractic Examiners. Existing law requires certain boards within the department to disclose on the Internet information on their respective licensees.

This bill would delete certain healing arts boards within the department from that requirement. The bill would require the California Board of Accountancy, the California Architects Board, the State Athletic Commission, the State Board of Barbering and Cosmetology, the State Board of Guide Dogs for the Blind, the State Board of Chiropractic Examiners, the Department of Real Estate, and the Office of Real Estate Appraisers to disclose on the Internet information on their respective licensees, as specified.

The bill would make other conforming and technical changes.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: ~~no~~-yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 27 of the Business and Professions Code
- 2 is amended to read:
- 3 27. (a) Each entity specified in ~~subdivision (b)~~ subdivisions
- 4 (c), (d), (e), and (f) shall provide on the Internet information
- 5 regarding the status of every license issued by that entity in
- 6 accordance with the California Public Records Act (Chapter 3.5
- 7 (commencing with Section 6250) of Division 7 of Title 1 of the
- 8 Government Code) and the Information Practices Act of 1977

1 (Chapter 1 (commencing with Section 1798) of Title 1.8 of Part
2 4 of Division 3 of the Civil Code). The public information to be
3 provided on the Internet shall include information on suspensions
4 and revocations of licenses issued by the entity and other related
5 enforcement action, *including accusations filed pursuant to the*
6 *Administrative Procedure Act (Chapter 3.5 (commencing with*
7 *Section 11340) of Part 1 of Division 3 of Title 2 of the Government*
8 *Code)* taken by the entity relative to persons, businesses, or
9 facilities subject to licensure or regulation by the entity. ~~In~~
10 ~~providing information on the Internet, each entity shall comply~~
11 ~~with the Department of Consumer Affairs Guidelines for Access~~
12 ~~to Public Records.~~ The information may not include personal
13 information, including home telephone number, date of birth, or
14 social security number. Each entity shall disclose a licensee's
15 address of record. However, each entity shall allow a licensee to
16 provide a post office box number or other alternate address, instead
17 of his or her home address, as the address of record. This section
18 shall not preclude an entity from also requiring a licensee, who
19 has provided a post office box number or other alternative mailing
20 address as his or her address of record, to provide a physical
21 business address or residence address only for the entity's internal
22 administrative use and not for disclosure as the licensee's address
23 of record or disclosure on the Internet.

24 (b) *In providing information on the Internet, each entity specified*
25 *in subdivisions (c) and (d) shall comply with the Department of*
26 *Consumer Affairs Guidelines for Access to Public Records.*

27 ~~(b)~~

28 (c) Each of the following entities within the Department of
29 Consumer Affairs shall comply with the requirements of this
30 section:

31 ~~(1) The Acupuncture Board shall disclose information on its~~
32 ~~licensees:~~

33 ~~(2) The Board of Behavioral Sciences shall disclose information~~
34 ~~on its licensees, including marriage and family therapists, licensed~~
35 ~~clinical social workers, and licensed educational psychologists:~~

36 ~~(3) The Dental Board of California shall disclose information~~
37 ~~on its licensees:~~

38 ~~(4) The State Board of Optometry shall disclose information~~
39 ~~regarding certificates of registration to practice optometry;~~

1 statements of licensure, optometric corporation registrations, branch
2 office licenses, and fictitious name permits of its licensees:

3 ~~(5)~~

4 ~~(1) The Board for Professional Engineers and Land Surveyors~~
5 ~~*Engineers, Land Surveyors, and Geologists* shall disclose~~
6 ~~information on its registrants and licensees.~~

7 ~~(6)~~

8 (2) The Structural Pest Control Board shall disclose information
9 on its licensees, including applicators, field representatives, and
10 operators in the areas of fumigation, general pest and wood
11 destroying pests and organisms, and wood roof cleaning and
12 treatment.

13 ~~(7)~~

14 (3) The Bureau of Automotive Repair shall disclose information
15 on its licensees, including auto repair dealers, smog stations, lamp
16 and brake stations, smog check technicians, and smog inspection
17 certification stations.

18 ~~(8)~~

19 (4) The Bureau of Electronic and Appliance Repair, *Home*
20 *Furnishings, and Thermal Insulation* shall disclose information
21 on its licensees *and registrants*, including major appliance repair
22 dealers, combination dealers (electronic and appliance), electronic
23 repair dealers, service contract sellers, and service contract
24 administrators.

25 ~~(9)~~

26 (5) The Cemetery and Funeral Bureau shall disclose information
27 on its licensees, including cemetery brokers, cemetery salespersons,
28 cemetery managers, crematory managers, cemetery authorities,
29 crematories, cremated remains disposers, embalmers, funeral
30 establishments, and funeral directors.

31 ~~(10)~~

32 (6) The Professional Fiduciaries Bureau shall disclose
33 information on its licensees.

34 ~~(11)~~

35 (7) The Contractors' State License Board shall disclose
36 information on its licensees *and registrants* in accordance with
37 Chapter 9 (commencing with Section 7000) of Division 3. In
38 addition to information related to licenses as specified in
39 subdivision (a), the board shall also disclose information provided

1 to the board by the Labor Commissioner pursuant to Section 98.9
2 of the Labor Code.

3 ~~(12) The Board of Psychology shall disclose information on its~~
4 ~~licensees, including psychologists, psychological assistants, and~~
5 ~~registered psychologists.~~

6 ~~(13)~~

7 (8) The Bureau for Private Postsecondary Education shall
8 disclose information on private postsecondary institutions under
9 its jurisdiction, including disclosure of notices to comply issued
10 pursuant to Section 94935 of the Education Code.

11 (9) *The California Board of Accountancy shall disclose*
12 *information on its licensees and registrants.*

13 (10) *The California Architects Board shall disclose information*
14 *on its licensees, including architects and landscape architects.*

15 (11) *The State Athletic Commission shall disclose information*
16 *on its licensees and registrants.*

17 (12) *The State Board of Barbering and Cosmetology shall*
18 *disclose information on its licensees.*

19 (13) *The State Board of Guide Dogs for the Blind shall disclose*
20 *information on its licensees and registrants.*

21 (d) *The State Board of Chiropractic Examiners shall disclose*
22 *information on its licensees.*

23 (e) *The Department of Real Estate shall disclose information*
24 *on its licensees.*

25 (f) *The Office of Real Estate Appraisers shall disclose*
26 *information on its licensees and registrants.*

27 (e)

28 (g) “Internet” for the purposes of this section has the meaning
29 set forth in paragraph (6) of subdivision (e) of Section 17538.

30 SEC. 2. *Section 10002 is added to the Business and Professions*
31 *Code, to read:*

32 10002. “Commission” *refers to the Real Estate Advisory*
33 *Commission.*

34 SEC. 3. *Section 10002.5 is added to the Business and*
35 *Professions Code, to read:*

36 10002.5. “Member” *refers to a member of the Real Estate*
37 *Advisory Commission.*

38 SEC. 4. *Section 10004 of the Business and Professions Code*
39 *is amended to read:*

1 10004. “Department” means the Department of Real Estate in
2 the Business ~~and~~, Transportation *and Housing* Agency.

3 *SEC. 5. Section 10050 of the Business and Professions Code*
4 *is amended to read:*

5 10050. There is in the Business and Transportation Agency a
6 Department of Real Estate, the chief officer of which department
7 is named the Real Estate Commissioner.

8 It shall be the principal responsibility of the commissioner to
9 enforce all laws in this part (commencing with Section 10000)
10 ~~and~~, Chapter 1 (commencing with Section 11000) of Part 2, *and*
11 *Part 3 (commencing with Section 11300)* of this division in a
12 manner which achieves the maximum protection for the purchasers
13 of real property and those persons dealing with real estate licensees.

14 ~~SECTION 1.~~

15 *SEC. 6. Section 10050.1 is added to the Business and*
16 *Professions Code, to read:*

17 10050.1. Protection of the public shall be the highest priority
18 for the Department of Real Estate in exercising its licensing,
19 regulatory, and disciplinary functions. Whenever the protection
20 of the public is inconsistent with other interests sought to be
21 promoted, the protection of the public shall be paramount.

22 *SEC. 7. Section 10054 is added to the Business and Professions*
23 *Code, to read:*

24 10054. (a) *The commissioner shall appoint a Real Estate*
25 *Advisory Commission to consult with and advise the commissioner*
26 *on the department’s policies and procedures in protecting the*
27 *public and in administering the provisions of this part, Chapter 1*
28 *(commencing with Section 11000) of Part 2, and Part 3*
29 *(commencing with Section 11300). The commission shall be*
30 *comprised of 11 members, five of whom shall be real estate brokers*
31 *licensed under this part and six of whom shall be public members.*
32 *The commissioner shall preside at commission meetings.*

33 (b) *Two of the licensed members shall hold a mortgage loan*
34 *originator license endorsement from the department. One public*
35 *member shall be a consumer advocate and one public member*
36 *shall be a local law enforcement representative.*

37 (c) *The members shall receive a per diem salary as provided in*
38 *Section 11564.5 of the Government Code, and in addition thereto*
39 *each shall be allowed his or her actual and necessary expenses in*
40 *the discharge of his or her duties.*

1 *SEC. 8. Section 10055 is added to the Business and Professions*
2 *Code, to read:*

3 *10055. (a) At the meetings described in Section 10057, the*
4 *commissioner shall meet, consult with, and advise the commission*
5 *on the functions and policies of the department and on how the*
6 *department may best serve the people of the state by, among other*
7 *things, recognizing the legitimate needs of the industry regulated*
8 *by the department and the department's licensees while*
9 *maintaining protection of the public as the department's highest*
10 *priority.*

11 *(b) At the meetings described in Section 10057, the commission*
12 *shall solicit the views and suggestions of the public and of the*
13 *licensees of the department.*

14 *SEC. 9. Section 10056 is added to the Business and Professions*
15 *Code, to read:*

16 *10056. The commission may make policy recommendations*
17 *and suggestions to the commissioner as it deems beneficial and*
18 *appropriate.*

19 *SEC. 10. Section 10057 is added to the Business and*
20 *Professions Code, to read:*

21 *10057. The commissioner shall call meetings of the commission*
22 *at least four times each year and written notice of the time and*
23 *place of each meeting shall be given to the members and such*
24 *other persons as shall have requested notice and shall be posted*
25 *prominently on the department's Internet Web site at least 10 days*
26 *before such meeting.*

27 *SEC. 11. Section 10058 is added to the Business and*
28 *Professions Code, to read:*

29 *10058. The meetings of the commission are subject to*
30 *Bagley-Keene Open Meeting Act (Article 9 (commencing with*
31 *Section 11120) of Chapter 1 of Part 1 of Division 3 of Title 2 of*
32 *the Government Code).*

33 *SEC. 12. Section 10060 is added to the Business and*
34 *Professions Code, to read:*

35 *10060. All records of the commission shall be open to*
36 *inspection by the public during regular office hours, except as*
37 *otherwise provided by law.*

38 *SEC. 13. Section 10080 of the Business and Professions Code*
39 *is amended to read:*

1 10080. The commissioner may adopt, amend, or repeal rules
2 and regulations that are reasonably necessary for the enforcement
3 of the provisions of this part and of Chapter 1 (commencing with
4 Section 11000) of Part 2 of this division. The rules and regulations
5 shall be adopted, amended, or repealed in accordance with the
6 provisions of the Administrative Procedure Act. *In addition to*
7 *other notices required by law, the commissioner shall notify the*
8 *Real Estate Advisory Commission of the intention to adopt rules*
9 *and regulations at least 30 days prior to such adoption.*

10 ~~SEC. 2.~~

11 *SEC. 14.* Section 10100.4 is added to the Business and
12 Professions Code, to read:

13 10100.4. (a) Notwithstanding Section 11415.60 of the
14 Government Code, the department may enter into a settlement
15 with a licensee or applicant instead of the issuance of an accusation
16 or statement of issues against that licensee or applicant.

17 (b) The settlement shall identify the factual basis for the action
18 being taken and the statutes or regulations violated.

19 (c) A person who enters a settlement pursuant to this section is
20 not precluded from filing a petition, in the timeframe permitted
21 by law, to modify the terms of the settlement or a petition for early
22 termination of probation, if probation is part of the settlement.

23 (d) Any settlement with a licensee executed pursuant to this
24 section shall be considered discipline and a public record and shall
25 be posted on the department's Internet Web site. Any settlement
26 against an applicant executed pursuant to this section shall be
27 considered a public record and shall be posted on the department's
28 Internet Web site.

29 ~~SEC. 3.~~

30 *SEC. 15.* Section 10106 is added to the Business and
31 Professions Code, to read:

32 10106. (a) Except as otherwise provided by law, in any order
33 issued in resolution of a disciplinary proceeding before the
34 department, the commissioner may request the administrative law
35 judge to direct a licensee found to have committed a violation of
36 this part to pay a sum not to exceed the reasonable costs of the
37 investigation and enforcement of the case.

38 (b) In the case of a disciplined licensee that is a corporation or
39 a partnership, the order may be made against the licensed corporate
40 entity or licensed partnership.

1 (c) A certified copy of the actual costs, or a good faith estimate
2 of costs where actual costs are not available, signed by the
3 commissioner or the commissioner’s designated representative,
4 shall be prima facie evidence of reasonable costs of investigation
5 and prosecution of the case. The costs shall include the amount of
6 investigative and enforcement costs up to the date of the hearing,
7 including, but not limited to, charges imposed by the Attorney
8 General.

9 (d) The administrative law judge shall make a proposed finding
10 of the amount of reasonable costs of investigation and prosecution
11 of the case when requested pursuant to subdivision (a). The finding
12 of the administrative law judge with regard to costs shall not be
13 reviewable by the commissioner to increase the cost award. The
14 commissioner may reduce or eliminate the cost award, or remand
15 to the administrative law judge where the proposed decision fails
16 to make a finding on costs requested pursuant to subdivision (a).

17 (e) Where an order for recovery of costs is made and timely
18 payment is not made as directed in the commissioner’s decision,
19 the commissioner may enforce the order for repayment in any
20 appropriate court. This right of enforcement shall be in addition
21 to any other rights the commissioner may have as to any licensee
22 to pay costs.

23 (f) In any action for recovery of costs, proof of the
24 commissioner’s decision shall be conclusive proof of the validity
25 of the order of payment and the terms for payment.

26 (g) (1) Except as provided in paragraph (2), the department
27 shall not renew or reinstate the license of any licensee who has
28 failed to pay all of the costs ordered under this section.

29 (2) The department may, in its discretion, conditionally renew
30 or reinstate for a maximum of one year the license of any licensee
31 who demonstrates financial hardship and who enters into a formal
32 agreement with the department to reimburse the department within
33 that one-year period for the unpaid costs.

34 (h) All costs recovered under this section shall be considered a
35 reimbursement for costs incurred and shall be deposited in the
36 Real Estate Fund to be available, notwithstanding Section 10451,
37 upon appropriation by the Legislature.

38 (i) Nothing in this section shall preclude the department from
39 including the recovery of the costs of investigation and enforcement
40 of a case in any stipulated settlement.

1 SEC. 16. Section 10186 is added to the Business and
2 Professions Code, to read:

3 10186. (a) When the commissioner disciplines a licensee by
4 placing him or her on probation, the commissioner may, in addition
5 to any other terms and conditions placed upon the licensee, require
6 the licensee to pay the monetary costs associated with monitoring
7 the licensee's probation.

8 (b) The commissioner shall not renew a license or an
9 endorsement if the licensee fails to pay all of the costs he or she
10 is ordered to pay pursuant to this section once the licensee has
11 served his or her term of probation.

12 (c) The commissioner shall not reinstate a license or license
13 endorsement if the petitioner has failed to pay any costs he or she
14 was ordered to pay pursuant to this section.

15 (d) All costs recovered under this section shall be considered
16 a reimbursement for costs incurred and shall be deposited in the
17 Real Estate Fund to be available, notwithstanding Section 10451,
18 upon appropriation by the Legislature.

19 SEC. 17. Section 10186.1 is added to the Business and
20 Professions Code, to read:

21 10186.1. (a) A license or an endorsement of the department
22 shall be suspended automatically during any time that the licensee
23 is incarcerated after conviction of a felony, regardless of whether
24 the conviction has been appealed. The department shall,
25 immediately upon receipt of the certified copy of the record of
26 conviction, determine whether the license or endorsement has been
27 automatically suspended by virtue of the licensee's incarceration,
28 and if so, the duration of that suspension. The department shall
29 notify the licensee of the suspension and of his or her right to elect
30 to have the issue of penalty heard as provided in subdivision (d).

31 (b) If after a hearing before an administrative law judge from
32 the Office of Administrative Hearings it is determined that the
33 felony for which the licensee was convicted was substantially
34 related to the qualifications, functions, or duties of a licensee, the
35 commissioner upon receipt of the certified copy of the record of
36 conviction, shall suspend the license or endorsement until the time
37 for appeal has elapsed, if no appeal has been taken, or until the
38 judgment of conviction has been affirmed on appeal or has
39 otherwise become final, and until further order of the department.

1 (c) *Notwithstanding subdivision (b), a conviction of a charge*
2 *of violating any federal statute or regulation or any statute or*
3 *regulation of this state regulating dangerous drugs or controlled*
4 *substances, or a conviction of Section 187, 261, 262, or 288 of the*
5 *Penal Code, shall be conclusively presumed to be substantially*
6 *related to the qualifications, functions, or duties of a licensee and*
7 *no hearing shall be held on this issue. However, upon its own*
8 *motion or for good cause shown, the commissioner may decline*
9 *to impose or may set aside the suspension when it appears to be*
10 *in the interest of justice to do so, with due regard to maintaining*
11 *the integrity of, and confidence in, the practice regulated by the*
12 *department.*

13 (d) (1) *Discipline may be ordered against a licensee in*
14 *accordance with the laws and regulations of the department when*
15 *the time for appeal has elapsed, the judgment of conviction has*
16 *been affirmed on appeal, or an order granting probation is made*
17 *suspending the imposition of sentence, irrespective of a subsequent*
18 *order under Section 1203.4 of the Penal Code allowing the person*
19 *to withdraw his or her plea of guilty and to enter a plea of not*
20 *guilty, setting aside the verdict of guilty, or dismissing the*
21 *accusation, complaint, information, or indictment.*

22 (2) *The issue of penalty shall be heard by an administrative law*
23 *judge from the Office of Administrative Hearings. The hearing*
24 *shall not be held until the judgment of conviction has become final*
25 *or, irrespective of a subsequent order under Section 1203.4 of the*
26 *Penal Code, an order granting probation has been made*
27 *suspending the imposition of sentence, except that a licensee may,*
28 *at his or her option, elect to have the issue of penalty decided*
29 *before those time periods have elapsed. Where the licensee so*
30 *elects, the issue of penalty shall be heard in the manner described*
31 *in subdivision (b) at the hearing to determine whether the*
32 *conviction was substantially related to the qualifications, functions,*
33 *or duties of a licensee. If the conviction of a licensee who has made*
34 *this election is overturned on appeal, any discipline ordered*
35 *pursuant to this section shall automatically cease. Nothing in this*
36 *subdivision shall prohibit the department from pursuing*
37 *disciplinary action based on any cause other than the overturned*
38 *conviction.*

1 (e) *The record of the proceedings resulting in a conviction,*
2 *including a transcript of the testimony in those proceedings, may*
3 *be received in evidence.*

4 (f) *Any other provision of law setting forth a procedure for the*
5 *suspension or revocation of a license or endorsement issued by*
6 *the department shall not apply to proceedings conducted pursuant*
7 *to this section.*

8 *SEC. 18. Section 10186.2 is added to the Business and*
9 *Professions Code, to read:*

10 *10186.2. (a) (1) A licensee shall report any of the following*
11 *to the department:*

12 (A) *The bringing of an indictment or information charging a*
13 *felony against the licensee.*

14 (B) *The arrest of the licensee.*

15 (C) *The conviction of the licensee, including any verdict of*
16 *guilty, or plea of guilty or no contest, of any felony or*
17 *misdemeanor.*

18 (D) *Any disciplinary action taken by another licensing entity*
19 *or authority of this state or of another state or an agency of the*
20 *federal government.*

21 (2) *The report required by this subdivision shall be made in*
22 *writing within 30 days of the date of the bringing of the indictment*
23 *or the charging of a felony, the arrest, the conviction, or the*
24 *disciplinary action.*

25 (b) *Failure to make a report required by this section shall be a*
26 *public offense punishable by a fine not to exceed five thousand*
27 *dollars (\$5,000) and shall constitute a cause for discipline.*

28 *SEC. 19. Section 10186.3 is added to the Business and*
29 *Professions Code, to read:*

30 *10186.3. A licensee shall identify himself or herself as a*
31 *licensee of the department to law enforcement and the court upon*
32 *being arrested or charged with a misdemeanor or felony. The*
33 *department shall inform its licensees of this requirement.*

34 *SEC. 20. Section 10186.4 is added to the Business and*
35 *Professions Code, to read:*

36 *10186.4. Within 10 days after a judgment by a court of this*
37 *state that a person who holds a license, endorsement, or other*
38 *similar authority from the department has committed a crime, or*
39 *is liable in a judgment for an amount in excess of thirty thousand*
40 *dollars (\$30,000) caused by his or her negligence, error or*

1 omission in practice, or his or her rendering unauthorized
2 professional services, the clerk of the court that rendered the
3 judgment shall report that fact to the department.

4 SEC. 21. Section 10186.5 is added to the Business and
5 Professions Code, to read:

6 10186.5. (a) The district attorney, city attorney, or other
7 prosecuting agency shall notify the department and the clerk of
8 the court, in which the charges have been filed, of any filings
9 against a licensee of the department charging a felony immediately
10 upon obtaining information that the defendant is a licensee of the
11 department. The notice shall identify the licensee and describe the
12 crimes charged and the facts alleged. The prosecuting agency
13 shall also notify the clerk of the court in which the action is pending
14 that the defendant is a licensee, and the clerk shall record
15 prominently in the file that the defendant holds a license from the
16 department.

17 (b) The clerk of the court in which a licensee is convicted of a
18 crime shall, within 48 hours after the conviction, transmit a
19 certified copy of the record of conviction to the department.

20 SEC. 22. Section 10186.7 is added to the Business and
21 Professions Code, to read:

22 10186.7. (a) The clerk of the court shall transmit any felony
23 preliminary hearing transcript concerning a defendant licensee
24 to the department where the total length of the transcript is under
25 800 pages and shall notify the department of any proceeding where
26 the transcript exceeds that length.

27 (b) In any case where a probation report on a licensee is
28 prepared for a court pursuant to Section 1203 of the Penal Code,
29 a copy of that report shall be transmitted by the probation officer
30 to the department.

31 SEC. 23. Section 10186.8 is added to the Business and
32 Professions Code, to read:

33 10186.8. (a) (1) The Secretary of the Business, Transportation
34 and Housing Agency shall appoint a Department of Real Estate
35 Enforcement Program Monitor no later than January 31, 2012.
36 The secretary may retain a person for this position by a personal
37 services contract, the Legislature finding, pursuant to Section
38 19130 of the Government Code, that this is a new state function.

39 (2) The secretary shall supervise the enforcement program
40 monitor and may terminate or dismiss him or her from this position.

1 (b) *The secretary shall advertise the availability of this position.*
2 *The requirements for this position include experience in conducting*
3 *investigations and familiarity with state laws, rules, and procedures*
4 *pertaining to the department and familiarity with relevant*
5 *administrative procedures.*

6 (c) (1) *The enforcement program monitor shall monitor and*
7 *evaluate the department's discipline system and procedures,*
8 *making as his or her highest priority the reform and reengineering*
9 *of the department's enforcement program and operations, and the*
10 *improvement of the overall efficiency of the department's*
11 *disciplinary system.*

12 (2) *This monitoring duty shall be on a continuing basis for a*
13 *period of no more than two years from the date of the enforcement*
14 *program monitor's appointment and shall include, but not be*
15 *limited to, improving the quality and consistency of complaint*
16 *processing and investigation and reducing the timeframes for each,*
17 *reducing any complaint backlog, assuring consistency in the*
18 *application of sanctions or discipline imposed on licensees. The*
19 *monitoring duties shall include the following areas:*

20 (A) *The accurate and consistent implementation of the laws and*
21 *rules affecting discipline.*

22 (B) *Staff concerns regarding disciplinary matters or procedures.*

23 (C) *Appropriate utilization of licensed professionals to*
24 *investigate complaints.*

25 (D) *The department's cooperation with other governmental*
26 *entities charged with enforcing related laws and regulations*
27 *regarding real estate licensees.*

28 (3) *The enforcement program monitor shall exercise no authority*
29 *over the department's discipline operations or staff; however, the*
30 *department and its staff shall cooperate with him or her, and the*
31 *department shall provide data, information, and case files as*
32 *requested by the enforcement program monitor to perform all of*
33 *his or her duties.*

34 (4) *The secretary shall assist the enforcement program monitor*
35 *in the performance of his or her duties, and the enforcement*
36 *program monitor shall have the same investigative authority as*
37 *the secretary.*

38 (d) *The enforcement program monitor shall submit an initial*
39 *written report of his or her findings and conclusions to the*
40 *department and the Legislature no later than August 1, 2012, and*

1 every six months thereafter, and be available to make oral reports
2 to each, if requested to do so. The enforcement program monitor
3 may also provide additional information to either the secretary or
4 the Legislature at his or her discretion or at the request of either
5 the secretary or the Legislature. The enforcement monitor shall
6 make his or her reports available to the public or the media. The
7 enforcement program monitor shall make every effort to provide
8 the department with an opportunity to reply to any facts, findings,
9 issues, or conclusions in his or her reports with which the
10 department may disagree.

11 (e) The department shall reimburse the secretary for all of the
12 costs associated with the employment of an enforcement program
13 monitor.

14 (f) This section shall remain in effect only until January 31,
15 2014, and as of that date is repealed, unless a later enacted statute,
16 that is enacted before January 31, 2014, deletes or extends that
17 date.

18 SEC. 24. Section 11301 of the Business and Professions Code
19 is amended to read:

20 11301. There is hereby created within the ~~Business,~~
21 ~~Transportation and Housing Agency~~ Department of Real Estate
22 an Office of Real Estate Appraisers to administer and enforce this
23 part.

24 SEC. 25. Section 11302 of the Business and Professions Code
25 is amended to read:

26 11302. For the purpose of applying this part, the following
27 terms, unless otherwise expressly indicated, shall mean and have
28 the following definitions:

29 (a) “Agency” means the Business, Transportation and Housing
30 Agency.

31 (b) “Appraisal” means a written statement independently and
32 impartially prepared by a qualified appraiser setting forth an
33 opinion in a federally related transaction as to the market value of
34 an adequately described property as of a specific date, supported
35 by the presentation and analysis of relevant market information.

36 The term “appraisal” does not include an opinion given by a real
37 estate licensee or engineer or land surveyor in the ordinary course
38 of his or her business in connection with a function for which a
39 license is required under Chapter 7 (commencing with Section
40 6700) or Chapter 15 (commencing with Section 8700) of Division

1 3, or Chapter 3 (commencing with Section 10130) or Chapter 7
2 (commencing with Section 10500) and the opinion shall not be
3 referred to as an appraisal. This part does not apply to a probate
4 referee acting pursuant to Sections 400 to 408, inclusive, of the
5 Probate Code unless the appraised transaction is federally related.

6 (c) “Appraisal Foundation” means the Appraisal Foundation
7 that was incorporated as an Illinois not-for-profit corporation on
8 November 30, 1987.

9 (d) (1) “Appraisal management company” means any person
10 or entity that satisfies all of the following conditions:

11 (A) Maintains an approved list or lists, containing 11 or more
12 independent contractor appraisers licensed or certified pursuant
13 to this part, or employs 11 or more appraisers licensed or certified
14 pursuant to this part.

15 (B) Receives requests for appraisals from one or more clients.

16 (C) For a fee paid by one or more of its clients, delegates
17 appraisal assignments for completion by its independent contractor
18 or employee appraisers.

19 (2) “Appraisal management company” does not include any of
20 the following, when that person or entity directly contracts with
21 an independent appraiser:

22 (A) Any bank, credit union, trust company, savings and loan
23 association, or industrial loan company doing business under the
24 authority of, or in accordance with, a license, certificate, or charter
25 issued by the United States or any state, district, territory, or
26 commonwealth of the United States that is authorized to transact
27 business in this state.

28 (B) Any finance lender or finance broker licensed pursuant to
29 Division 9 (commencing with Section 22000) of the Financial
30 Code, when acting under the authority of that license.

31 (C) Any residential mortgage lender or residential mortgage
32 servicer licensed pursuant to Division 20 (commencing with
33 Section 50000) of the Financial Code, when acting under the
34 authority of that license.

35 (D) Any real estate broker licensed pursuant to Part 1
36 (commencing with Section 10000) of Division 4 of the Business
37 and Professions Code, when acting under the authority of that
38 license.

39 (3) “Appraisal management company” does not include any
40 person licensed to practice law in this state who is working with

1 or on behalf of a client of that person in connection with one or
2 more appraisals for that client.

3 (e) “Appraisal Subcommittee” means the Appraisal
4 Subcommittee of the Federal Financial Institutions Examination
5 Council.

6 (f) “Controlling person” means one or more of the following:

7 (1) An officer or director of an appraisal management company,
8 or an individual who holds a 10 percent or greater ownership
9 interest in an appraisal management company.

10 (2) An individual employed, appointed, or authorized by an
11 appraisal management company that has the authority to enter into
12 a contractual relationship with clients for the performance of
13 appraisal services and that has the authority to enter into
14 agreements with independent appraisers for the completion of
15 appraisals.

16 (3) An individual who possesses the power to direct or cause
17 the direction of the management or policies of an appraisal
18 management company.

19 (g) “Director” means the Director of the Office of Real Estate
20 Appraisers.

21 (h) “Federal financial institutions regulatory agency” means the
22 Federal Reserve Board, Federal Deposit Insurance Corporation,
23 Office of the Comptroller of the Currency, Office of Thrift
24 Supervision, Federal Home Loan Bank System, National Credit
25 Union Administration, and any other agency determined by the
26 director to have jurisdiction over transactions subject to this part.

27 (i) “Federally related real estate appraisal activity” means the
28 act or process of making or performing an appraisal on real estate
29 or real property in a federally related transaction and preparing an
30 appraisal as a result of that activity.

31 (j) “Federally related transaction” means any real estate-related
32 financial transaction which a federal financial institutions
33 regulatory agency engages in, contracts for or regulates and which
34 requires the services of a state licensed real estate appraiser
35 regulated by this part. This term also includes any transaction
36 identified as such by a federal financial institutions regulatory
37 agency.

38 (k) “License” means any license, certificate, permit, registration,
39 or other means issued by the office authorizing the person to whom
40 it is issued to act pursuant to this part within this state.

1 (l) “Licensure” means the procedures and requirements a person
 2 shall comply with in order to qualify for issuance of a license and
 3 includes the issuance of the license.

4 (m) “Office” means the Office of Real Estate Appraisers.

5 (n) “Registration” means the procedures and requirements with
 6 which a person or entity shall comply in order to qualify to conduct
 7 business as an appraisal management company.

8 ~~(o) “Secretary” means the Secretary of Business, Transportation
 9 and Housing.~~

10 ~~(p)~~

11 (o) “State licensed real estate appraiser” is a person who is
 12 issued and holds a current valid license under this part.

13 ~~(q)~~

14 (p) “Uniform Standards of Professional Appraisal Practice” are
 15 the standards of professional appraisal practice established by the
 16 Appraisal Foundation.

17 ~~(r)~~

18 (q) “Course provider” means a person or entity that provides
 19 educational courses related to professional appraisal practice.

20 (r) “Commissioner” means the Real Estate Commissioner.

21 (s) “Department” means the Department of Real Estate in the
 22 Business, Transportation and Housing Agency.

23 SEC. 26. Section 11310 of the Business and Professions Code
 24 is amended to read:

25 11310. The Governor shall appoint, subject to confirmation
 26 by the Senate, the Director of the Office of Real Estate Appraisers
 27 who shall, ~~in consultation with the Governor and secretary,~~
 28 administer the licensing and certification program for real estate
 29 appraisers. In making the appointment, consideration shall be given
 30 to the qualifications of an individual that demonstrate knowledge
 31 of the real estate appraisal profession.

32 (a) The director shall serve at the pleasure of the Governor. *The*
 33 *director shall administer the licensing and certification program*
 34 *in consultation with the Governor and the commissioner.* The
 35 salary for the director shall be fixed and determined by the ~~secretary~~
 36 *commissioner* with approval of the Department of Personnel
 37 Administration.

38 (b) The director shall not be actively engaged in the appraisal
 39 business or any other affected industry for the term of appointment,

1 and thereafter the director shall be subject to Section 87406 of the
2 Government Code.

3 (c) *Institutional safeguards shall be established and maintained*
4 *between the department and the office and its employees to protect*
5 *the independence of the appraiser regulatory function from*
6 *realty-related activities consistent with Title XI of the Financial*
7 *Institutions Reform, Recovery, and Enforcement Act of 1989, as*
8 *amended, by the Real Estate Appraisal Reform Amendments (12*
9 *U.S.C. Secs. 3331-3351). Decisions relating to appraisal license*
10 *issuance, revocation, and disciplinary actions shall be made by*
11 *the director and shall not be made or influenced by the department*
12 *or the commissioner.*

13 (e)

14 (d) The director, in consultation with the ~~secretary~~ *commissioner*
15 and in accordance with the State Civil Service Act, may appoint
16 and fix the compensation of legal, clerical, technical, investigation,
17 and auditing personnel as may be necessary to carry out this part.
18 All personnel shall perform their respective duties under the
19 supervision and direction of the director.

20 (d)

21 (e) The director may appoint not more than four deputy directors
22 as he or she deems appropriate. The deputy directors shall perform
23 their respective duties under the supervision and direction of the
24 director.

25 (e)

26 (f) Every power granted to or duty imposed upon the director
27 under this part may be exercised or performed in the name of the
28 director by the deputy directors, subject to conditions and
29 limitations as the director may prescribe.

30 ~~SEC. 4.~~

31 *SEC. 27.* Section 11310.1 is added to the Business and
32 Professions Code, to read:

33 11310.1. Protection of the public shall be the highest priority
34 for the Office of Real Estate Appraisers in exercising its licensing,
35 regulatory, and disciplinary functions. Whenever the protection
36 of the public is inconsistent with other interests sought to be
37 promoted, the protection of the public shall be paramount.

38 *SEC. 28.* *Section 11313 of the Business and Professions Code*
39 *is amended to read:*

1 11313. The office is under the supervision and control of the
2 ~~secretary commissioner~~. The duty of ~~enforcing and~~ administering
3 this part is vested in the director and he or she is responsible to the
4 ~~secretary commissioner~~ therefor. The director shall adopt and
5 enforce rules and regulations as are determined reasonably
6 necessary to carry out the purposes of this part. Those rules and
7 regulations shall be adopted pursuant to Chapter 3.5 (commencing
8 with Section 11340) of Part 1 of Division 3 of Title 2 of the
9 Government Code.

10 ~~SEC. 5.~~

11 *SEC. 29.* Section 11315.7 is added to the Business and
12 Professions Code, to read:

13 11315.7. (a) Notwithstanding Section 11415.60 of the
14 Government Code, the office may enter into a settlement with a
15 licensee or applicant instead of the issuance of an accusation or
16 statement of issues against that licensee or applicant.

17 (b) The settlement shall identify the factual basis for the action
18 being taken and the statutes or regulations violated.

19 (c) A person who enters a settlement pursuant to this section is
20 not precluded from filing a petition, in the timeframe permitted
21 by law, to modify the terms of the settlement or a petition for early
22 termination of probation, if probation is part of the settlement.

23 (d) Any settlement with a licensee executed pursuant to this
24 section shall be considered discipline and a public record and shall
25 be posted on the office's Internet Web site. Any settlement with
26 an applicant executed pursuant to this section shall be considered
27 a public record and shall be posted on the office's Internet Web
28 site.

29 ~~SEC. 6.~~

30 *SEC. 30.* Section 11315.9 is added to the Business and
31 Professions Code, to read:

32 11315.9. (a) Except as otherwise provided by law, in any order
33 issued in resolution of a disciplinary proceeding before the office,
34 the director may request the administrative law judge to direct a
35 licensee found to have committed a violation of this part to pay a
36 sum not to exceed the reasonable costs of the investigation and
37 enforcement of the case.

38 (b) In the case of a disciplined licensee that is a corporation or
39 a partnership, the order may be made against the licensed corporate
40 entity or licensed partnership.

1 (c) A certified copy of the actual costs, or a good faith estimate
2 of costs where actual costs are not available, signed by the director
3 or the director's designated representative shall be prima facie
4 evidence of reasonable costs of investigation and prosecution of
5 the case. The costs shall include the amount of investigative and
6 enforcement costs up to the date of the hearing, including, but not
7 limited to, charges imposed by the Attorney General.

8 (d) The administrative law judge shall make a proposed finding
9 of the amount of reasonable costs of investigation and prosecution
10 of the case when requested pursuant to subdivision (a). The finding
11 of the administrative law judge with regard to costs shall not be
12 reviewable by the director to increase the cost award. The director
13 may reduce or eliminate the cost award, or remand to the
14 administrative law judge where the proposed decision fails to make
15 a finding on costs requested pursuant to subdivision (a).

16 (e) Where an order for recovery of costs is made and timely
17 payment is not made as directed in the director's decision, the
18 office may enforce the order for repayment in any appropriate
19 court. This right of enforcement shall be in addition to any other
20 rights the office may have as to any licensee to pay costs.

21 (f) In any action for recovery of costs, proof of the director's
22 decision shall be conclusive proof of the validity of the order of
23 payment and the terms for payment.

24 (g) (1) Except as provided in paragraph (2), the office shall not
25 renew or reinstate the license of any licensee who has failed to pay
26 all of the costs ordered under this section.

27 (2) The office may, in its discretion, conditionally renew or
28 reinstate for a maximum of one year the license of any licensee
29 who demonstrates financial hardship and who enters into a formal
30 agreement with the office to reimburse the office within that
31 one-year period for the unpaid costs.

32 (h) All costs recovered under this section shall be considered a
33 reimbursement for costs incurred and shall be deposited in the
34 Real Estate Appraisers Regulation Fund to be available upon
35 appropriation by the Legislature.

36 (i) Nothing in this section shall preclude the office from
37 including the recovery of the costs of investigation and enforcement
38 of a case in any stipulated settlement.

39 *SEC. 31. Section 11319.1 is added to the Business and*
40 *Professions Code, to read:*

1 11319.1. (a) When the director disciplines a licensee or
2 registrant by placing him or her on probation, the director may,
3 in addition to any other terms and conditions placed upon the
4 licensee or registrant, require the licensee or registrant to pay the
5 monetary costs associated with monitoring the licensee's or
6 registrant's probation.

7 (b) The director shall not renew a license of a licensee or a
8 certificate of a registrant who fails to pay all of the costs he or she
9 is ordered to pay pursuant to this section once the licensee or
10 registrant has served his or her term of probation.

11 (c) The director shall not reinstate a license or certificate if the
12 petitioner has failed to pay any costs he or she was ordered to pay
13 pursuant to this section.

14 (d) All costs recovered under this section shall be considered
15 a reimbursement for costs incurred and shall be deposited in the
16 Real Estate Appraisers Regulation Fund to be available upon
17 appropriation by the Legislature.

18 SEC. 32. Section 11319.2 is added to the Business and
19 Professions Code, to read:

20 11319.2. (a) A license of a licensee or a certificate of a
21 registrant shall be suspended automatically during any time that
22 the licensee or registrant is incarcerated after conviction of a
23 felony, regardless of whether the conviction has been appealed.
24 The office shall, immediately upon receipt of the certified copy of
25 the record of conviction, determine whether the license of the
26 licensee or certificate of the registrant has been automatically
27 suspended by virtue of the licensee's or registrant's incarceration,
28 and if so, the duration of that suspension. The office shall notify
29 the licensee or registrant in writing of the license or certificate
30 suspension and of his or her right to elect to have the issue of
31 penalty heard as provided in subdivision (d).

32 (b) If after a hearing before an administrative law judge from
33 the Office of Administrative Hearings it is determined that the
34 felony for which the licensee or registrant was convicted was
35 substantially related to the qualifications, functions, or duties of
36 a licensee or registrant, the director upon receipt of the certified
37 copy of the record of conviction, shall suspend the license or
38 certificate until the time for appeal has elapsed, if no appeal has
39 been taken, or until the judgment of conviction has been affirmed

1 on appeal or has otherwise become final, and until further order
2 of the director.

3 (c) Notwithstanding subdivision (b), a conviction of a charge
4 of violating any federal statute or regulation or any statute or
5 regulation of this state regulating dangerous drugs or controlled
6 substances, or a conviction of Section 187, 261, 262, or 288 of the
7 Penal Code, shall be conclusively presumed to be substantially
8 related to the qualifications, functions, or duties of a licensee or
9 registrant and no hearing shall be held on this issue. However,
10 upon its own motion or for good cause shown, the director may
11 decline to impose or may set aside the suspension when it appears
12 to be in the interest of justice to do so, with due regard to
13 maintaining the integrity of, and confidence in, the practice
14 regulated by the office.

15 (d) (1) Discipline may be ordered against a licensee or
16 registrant in accordance with the laws and regulations of the office
17 when the time for appeal has elapsed, the judgment of conviction
18 has been affirmed on appeal, or an order granting probation is
19 made suspending the imposition of sentence, irrespective of a
20 subsequent order under Section 1203.4 of the Penal Code allowing
21 the person to withdraw his or her plea of guilty and to enter a plea
22 of not guilty, setting aside the verdict of guilty, or dismissing the
23 accusation, complaint, information, or indictment.

24 (2) The issue of penalty shall be heard by an administrative law
25 judge from the Office of Administrative Hearings. The hearing
26 shall not be had until the judgment of conviction has become final
27 or, irrespective of a subsequent order under Section 1203.4 of the
28 Penal Code, an order granting probation has been made
29 suspending the imposition of sentence, except that a licensee or
30 registrant may, at his or her option, elect to have the issue of
31 penalty decided before those time periods have elapsed. Where
32 the licensee or registrant so elects, the issue of penalty shall be
33 heard in the manner described in subdivision (b) at the hearing
34 to determine whether the conviction was substantially related to
35 the qualifications, functions, or duties of a licensee or registrant.
36 If the conviction of a licensee or registrant who has made this
37 election is overturned on appeal, any discipline ordered pursuant
38 to this section shall automatically cease. Nothing in this subdivision
39 shall prohibit the office from pursuing disciplinary action based
40 on any cause other than the overturned conviction.

1 (e) *The record of the proceedings resulting in a conviction,*
2 *including a transcript of the testimony in those proceedings, may*
3 *be received in evidence.*

4 (f) *Any other provision of law setting forth a procedure for the*
5 *suspension or revocation of a license or certificate issued by the*
6 *office shall not apply to proceedings conducted pursuant to this*
7 *section.*

8 *SEC. 33. Section 11319.3 is added to the Business and*
9 *Professions Code, to read:*

10 *11319.3. (a) (1) A licensee or registrant shall report any of*
11 *the following to the office:*

12 (A) *The bringing of an indictment or information charging a*
13 *felony against the licensee or registrant.*

14 (B) *The arrest of the licensee or registrant.*

15 (C) *The conviction of the licensee or registrant, including any*
16 *verdict of guilty, or plea of guilty or no contest, of any felony or*
17 *misdemeanor.*

18 (D) *Any disciplinary action taken by another licensing entity*
19 *or authority of this state or of another state or an agency of the*
20 *federal government.*

21 (2) *The report required by this subdivision shall be made in*
22 *writing within 30 days of the date of the bringing of the indictment*
23 *or the charging of a felony, the arrest, the conviction, or the*
24 *disciplinary action.*

25 (b) *Failure to make a report required by this section shall be a*
26 *public offense punishable by a fine not to exceed five thousand*
27 *dollars (\$5,000) and shall constitute a cause for discipline.*

28 *SEC. 34. Section 11319.4 is added to the Business and*
29 *Professions Code, to read:*

30 *11319.4. A licensee or registrant shall identify himself or*
31 *herself as a licensee or registrant of the office to law enforcement*
32 *and the court upon being arrested or charged with a misdemeanor*
33 *or felony. The office shall inform its licensees and registrants of*
34 *this requirement.*

35 *SEC. 35. Section 11319.5 is added to the Business and*
36 *Professions Code, to read:*

37 *11319.5. Within 10 days after a judgment by a court of this*
38 *state that a person who holds a license, certificate, or other similar*
39 *authority from the office has committed a crime, or is liable in a*
40 *judgment for an amount in excess of thirty thousand dollars*

1 (\$30,000) caused by his or her negligence, error or omission in
2 practice, or his or her rendering unauthorized professional
3 services, the clerk of the court that rendered the judgment shall
4 report that fact to the office.

5 SEC. 36. Section 11319.6 is added to the Business and
6 Professions Code, to read:

7 11319.6. (a) The district attorney, city attorney, or other
8 prosecuting agency shall notify the office and the clerk of the court,
9 in which the charges have been filed, of any filings against a
10 licensee or registrant of the office charging a felony immediately
11 upon obtaining information that the defendant is a licensee or
12 registrant of the office. The notice shall identify the licensee or
13 registrant and describe the crimes charged and the facts alleged.
14 The prosecuting agency shall also notify the clerk of the court in
15 which the action is pending that the defendant is a licensee or
16 registrant, and the clerk shall record prominently in the file that
17 the defendant holds a license or certificate from the office.

18 (b) The clerk of the court in which a licensee or registrant is
19 convicted of a crime shall, within 48 hours after the conviction,
20 transmit a certified copy of the record of conviction to the office.

21 SEC. 37. Section 11319.7 is added to the Business and
22 Professions Code, to read:

23 11319.7. (a) The clerk of the court shall transmit any felony
24 preliminary hearing transcript concerning a defendant licensee
25 or registrant to the office where the total length of the transcript
26 is under 800 pages and shall notify the department of any
27 proceeding where the transcript exceeds that length.

28 (b) In any case where a probation report on a licensee or
29 registrant is prepared for a court pursuant to Section 1203 of the
30 Penal Code, a copy of that report shall be transmitted by the
31 probation officer to the office.

32 SEC. 38. No reimbursement is required by this act pursuant
33 to Section 6 of Article XIII B of the California Constitution for
34 certain costs that may be incurred by a local agency or school
35 district because, in that regard, this act creates a new crime or
36 infraction, eliminates a crime or infraction, or changes the penalty
37 for a crime or infraction, within the meaning of Section 17556 of
38 the Government Code, or changes the definition of a crime within
39 the meaning of Section 6 of Article XIII B of the California
40 Constitution.

1 *However, if the Commission on State Mandates determines that*
2 *this act contains other costs mandated by the state, reimbursement*
3 *to local agencies and school districts for those costs shall be made*
4 *pursuant to Part 7 (commencing with Section 17500) of Division*
5 *4 of Title 2 of the Government Code.*

O

Memorandum

To : CBA Members

Date : May 2, 2011

Telephone : (916) 561-1700

Facsimile : (916) 263-3675

From : Fausto Hinojosa, Chair
Qualifications Committee

Subject: QC Recommendation to Amend CBA Regulation Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application

At the April 27, 2011, Qualifications Committee (QC) meeting, members discussed whether California Board of Accountancy (CBA) Regulation Sections 37, related to reissuance¹, and 12(d) and 12.5(f), related to applicants applying with experience obtained five or more years prior to application, should be amended. Specifically members explored making the continuing education (CE) hours similar to those that are required for licensees converting their license from inactive to active status.

Presently, CBA Regulation Sections 37, 12(d) and 12.5(f) require an applicant to meet the following CE requirements:

For the authority to sign reports on attest engagements, applicants must complete 48 hours of CE in:

- Financial accounting standards
- Auditing standards
- Compilation and review
- Other comprehensive basis of accounting

For a certificate that will not authorize signing attest reports, applicants must complete 48 hours of CE in:

- General accounting
- Other comprehensive basis of accounting

For reissuance applicants, the CE must be completed within three years preceding the date of application.

When reviewing CE requirements for licensees converting their license from inactive to active status, members discovered that the requirements were more rigorous than those for individuals who may have been out of practice for five or more years.

¹ A licensee who fails to renew their license for five years following the expiration date is subject to license cancellation and must go through the reissuance process to regain licensure as a CPA in California.

QC members came to a consensus that changes are needed and is recommending for CBA consideration the following changes for reissuance applicants and for initial licensure applicants applying with experience obtained five or more years prior to application:

- Eighty hours of CE be completed in either the two years prior to application for reissuance, or as prescribed by the CBA
- 20 of the 80 hours be completed in the one year immediately preceding application for reissuance, of which 12 hours must be completed in technical subject matter²
- CE must meet the same requirements as the CE necessary for CPA license renewal, including required hours in technical subject matter
- To obtain the authority to sign reports on attest engagements, 56 of the 80 hours must be in the following subject areas:
 - 16 hours in Financial Accounting Standards
 - 16 hours in Auditing Standards
 - 8 hours in Compilation and Review
 - 8 hours in Other Comprehensive Basis of Accounting
 - 8 hours in the detection and/or reporting of fraud in financial statements

If the CBA accepts the QC's recommendation, additional information and specific language can be brought to the July CBA Meeting for members' deliberation.

I will be available at the meeting to answer any questions members may have.

² Technical Subjects include: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in Section 87(b), regulatory review as defined in Section 87.8, computer and information technology (except for word processing), and specialized industry or government practices that focus primarily upon the maintenance and/or enhancement of the public accounting skills and knowledge needed to competently practice public accounting.

Memorandum

CBA Agenda Item XII.C
May 19-20, 2011

To : CBA Members

Date: May 5, 2011

Telephone : (916) 561- 1789

Facsimile : (916) 263- 3675

E-mail : lhersh@cba.ca.gov

From : Lauren Hersh
Information & Planning Manager

Subject : Press Release Focus

Staff will provide suggestions for an appropriate focus for the press release to be issued following each CBA meeting. This is a dynamic analysis based on the activities of each CBA meeting.

Press Releases

Seven press releases were issued since the report to the CBA in March 2011, including two enforcement actions, press advisories in advance of the March and May 2011 CBA meetings, and three releases related to CBA action and news. The latter three releases (**Attachment 1**) were distributed via Twitter and Facebook in addition to E-News and the traditional distribution method to the press.

Staff is available to answer any questions CBA members may have regarding this update.



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>



Attachment 1

NEWS RELEASE

FOR IMMEDIATE RELEASE
4-5-11

Contact: Lauren Hersh (916) 561-1789

CALIFORNIA BOARD OF ACCOUNTANCY VOTES TO SUPPORT CONSUMER PROTECTION LEGISLATION

SACRAMENTO- The California Board of Accountancy is supporting several new bills that would enhance consumer protection. At its meeting March 25, 2011 in San Diego, the CBA voted to support the following bills:

- Assembly Bill 431, which would authorize the CBA to establish a retired status for its licensees, while prohibiting the holder of a “retired” license from practicing public accountancy. This bill would also authorize the CBA to establish minimum qualifications for restoration to an active status, and deny retired status to any licensee whose license is canceled, suspended, revoked or otherwise restricted.
- AB 675, which would provide that courses that promote labor organizing, statutory or regulatory changes, political candidates or advocacy shall not be acceptable as continuing education (CE). The CBA supports CE as a means of ensuring the competency of licensees and believes that this bill will protect consumers by ensuring the relevance of CE to the license.
- Senate Bill 366, which would require state agencies to identify out-of-date, duplicative and inconsistent regulations and proceed with a rulemaking to remedy the problems. The CBA believes that updating its regulations will make them simpler and more usable to its stakeholders.

Also at the March meeting, the CBA voted to support several bills if amended. They include:

- Assembly Bill 410, which would require that upon request, a narrative description of changes to regulations be provided to a person with a visual disability. The CBA supported similar legislation in 2010, and is working with the bill’s authors to make certain a provision in AB 410 that could inadvertently work against consumer protection will be adjusted.

- Senate Bill 306, which would require the CBA to extend the Safe Harbor period for Practice Privilege until December 31, 2013. The Safe Harbor period is the interval of time in which an out-of-state CPA, practicing temporarily in California, has to file for a Practice Privilege. The CBA is already pursuing regulations to make the Safe Harbor period permanent, and is working with the bill's author on an amendment that would make the Safe Harbor period permanent in the law, eliminating the need for the regulation altogether.

For immediate news updates via email, subscribe to CBA's E-News at <https://www.cba.ca.gov/forms/eneews>.

Please check us out on Twitter @ <http://twitter.com/CBAnews> and Facebook @ <http://www.facebook.com/pages/California-Board-of-Accountancy/139337249423654>

Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

More information about the California Board of Accountancy is available at www.cba.ca.gov

###



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>



NEWS RELEASE

FOR IMMEDIATE RELEASE
3-22-11

Contact: Lauren Hersh (916) 561-1789

CALIFORNIA BOARD OF ACCOUNTANCY SPONSORS LEGISLATION ESTABLISHING "RETIREMENT STATUS" FOR CALIFORNIA ACCOUNTANTS

AB 431 would enable CPAs to choose "retired status"

SACRAMENTO- The California Board of Accountancy is sponsoring legislation to establish a retired status for California-licensed Certified Public Accountants. Currently, CPAs wishing to retire either must continue paying their biannual renewal fees or allow their license to become delinquent and eventually cancel.

AB 431, which has been introduced by Assemblywoman Fiona Ma, seeks to remedy the problem.

"The CBA believes that CPAs who want to retire should not have to choose between paying to maintain their license or seeing the word 'delinquent' or 'cancelled' next to their name on the Board's Web site," said Patti Bowers, CBA Executive Officer. "We are pleased that Assemblywoman Ma has chosen to author this legislation."

"AB 431 is a common sense bill," said Assemblywoman Fiona Ma. "It would enable CPAs to retire with a designation that better reflects their actual status and reflects better on their years of professional service to their communities."

Under AB 431, the CBA will also be required to deny retired status to anyone whose license has been canceled, suspended, revoked, or is otherwise subject to disciplinary action by the CBA.

"The CBA's highest priority is the protection of the public," said CBA Executive Officer Patti Bowers. "By preventing those who have been disciplined from electing to retire their license, the CBA ensures that the public will know that "retired" licensees left the profession with their license clear of any disciplinary actions," she continued. "The CBA believes this new license category provides more specific information to the public."

AB 431 is expected to be heard by the Assembly Business, Professions and Consumer Protection Committee later this spring.

Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

More information about the California Board of Accountancy is available at www.cba.ca.gov

For immediate news updates via email, subscribe to CBA's E-News at <https://www.cba.ca.gov/forms/enews>

###



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>



NEWS RELEASE

FOR IMMEDIATE RELEASE
4-21-11

Contact: Lauren Hersh
(916) 561-1789

CALIFORNIA BOARD OF ACCOUNTANCY ANNOUNCES FEE REDUCTION

Tough economy, healthy reserve fund cited

(Sacramento, CA) – The California Board of Accountancy (CBA) is pleased to announce a temporary 40 percent reduction in initial license and renewal fees, for a four-year period effective July 1, 2011 and ending June 30, 2015, under new rules adopted by the CBA. CPAs and accounting firms approved for licensure after June 30, 2011 will pay a reduced initial licensing fee of either \$120 or \$60, depending on when the license is issued. CPAs and accounting firms with licenses expiring after June 30, 2011 will pay a reduced biennial renewal fee of \$120. These new fee amounts will be reflected on renewal applications for licenses expiring after June 30, 2011, and will be mailed to the licensees at the end of May 2011.

CBA President Sally Anderson said the CBA elected to reduce the licensing fees last year to help offset the cost of the recently enacted peer review requirement and to help bring the Accountancy Fund Reserve in line with statutorily mandated levels.

“Given the efficiencies with which the CBA has been operating, our healthy reserve fund enables us to reduce fees,” said Anderson. “With the present economic environment, this is certainly a good time to do so.”

The fee roll back is the first fee change since 2000, when fees were increased to their current level.

Created by statute in 1901, the CBA's mandate ensures protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 81,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

More information about the California Board of Accountancy is available at www.cba.ca.gov

###



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>



PRESS ADVISORY

FOR IMMEDIATE RELEASE
3-21-11

Contact: Lauren Hersh (916) 561-1789

CALIFORNIA BOARD OF ACCOUNTANCY TO HEAR ITEMS OF INTEREST TO CONSUMERS AND CPAs

SACRAMENTO- The California Board of Accountancy will address a full and varied agenda when it meets Thursday, March 24, 2011 and Friday, March 25, 2011 in San Diego. Topics to be presented include a report on the progress of Peer Review implementation, a report on the CBA's Sunset Review hearing before the state legislature, and an update on proposed fee reductions for licensees. This is a public meeting and members of the public and press are invited to attend.

When: Thursday, March 24, 2011
1:00 p.m. – 4:30 p.m.
Friday, March 25, 2011
9:00 a.m. – 3:30 p.m.

Where: Sheraton Hotel and Marina
1380 Harbor Island Dr.
San Diego, CA 92101

The meeting will also be webcast, available at <http://www.cba.ca.gov/webcast/> and access is also available via Twitter @ <http://twitter.com/CBAnews> and Facebook @ <http://www.facebook.com/pages/California-Board-of-Accountancy>. For immediate news updates via email, subscribe to CBA's E-News at <https://www.cba.ca.gov/forms/enews>

Created by statute in 1901, the CBA's mandate requires that protection of the public shall be its highest priority in exercising licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.

More information about the California Board of Accountancy is available at www.cba.ca.gov

###

**California Board of Accountancy
Enforcement Action News Release**

Sent to business@ocregister.com on March 15, 2011

Carl R. Cassidy, Irvine, CA (CPA 54698) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_c.shtml#536

Sent to aprado@thetribune.com, on March 15, 2011

Hilario Pena, Nipomo, CA (CPA 68342) has been disciplined by the California Board of Accountancy. Please utilize the attached link to the California Board of Accountancy's Web page to access details of this enforcement action. Please contact Patti Bowers, Executive Officer, by telephone at (916) 561-1718 or by e-mail at pbowers@cba.ca.gov should you have any questions regarding this enforcement action.

http://www.dca.ca.gov/cba/discipline/decisions/index_p.shtml#480
