



DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY
 2000 EVERGREEN STREET, SUITE 250
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
 PUBLIC MEETING NOTICE FOR THE COMMITTEE ON PROFESSIONAL CONDUCT
 (CPC), STRATEGIC PLANNING COMMITTEE (SPC),
 AND CBA MEETINGS**

DATE: Thursday, September 20, 2012

COMMITTEE MEETING (CPC)

TIME: 9:30 a.m.

COMMITTEE MEETING (SPC)

TIME: 10:00 a.m., or upon adjournment
 of the CPC meeting

CBA MEETING

TIME: 12:30 p.m. to 5:00 p.m.

DATE: Friday, September 21, 2012

CBA MEETING

TIME: 9:00 a.m. to 1:00 p.m.

PLACE: Wyndham Irvine
 17941 Von Karman Ave.
 Irvine, CA 92614
 Telephone: (949) 863-1999
 Fax: (949) 474-7236

TELECONFERENCE LOCATION:
 Bureau of Automotive Repair
 1361 South Winchester Blvd., Ste. 206
 San Jose, CA 95117
 Telephone: (408) 777-1860

Enclosed for your information is a copy of the agendas for the CPC, SPC, and CBA meetings on September 20-21, 2012. For further information regarding these meetings, please contact:

Kari O'Connor, Board Relations Analyst
 (916) 561-1716, or koconnor@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 November 15-16, 2012 in Northern 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 Kari O'Connor at (916) 561-1718, or email koconnor@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.



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

Thursday, September 20, 2012
9:30 a.m.

Wyndham Irvine
17941 Von Karman Ave.
Irvine, CA 92614
Telephone: (949) 863-1999
Fax: (949) 474-7236

Roll Call and Call to Order (**Michael Savoy, Chair**).

- I. Approve Minutes of the May 25, 2012 CPC Meeting (**Michael Savoy**).
- II. Discussion on Policy Related to the Implementation of New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014 (**Dominic Franzella**).
 - A. Consideration of Option to Allow in Limited Circumstances the Ability for Candidates to Qualify for the Uniform CPA Examination Prior to the Conferral of a Baccalaureate Degree or Higher.
 - B. Consideration of Options to Expand the List of Qualifying Disciplines in Business and Professions Code Section 5094.3 Related to the Ethics Study Requirement.
 - C. Consideration of Options to Extend the Deadline to Apply for Licensure Under the Present Pathways.
- III. Discussion on Initiating a Rulemaking to Adopt Title 16, California Code of Regulations (CCR) Sections 16, 16.1, and 16.2 Regarding Military Inactive Status (**Matthew Stanley**).
- IV. Public Comments.*
- V. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the CPC 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.)

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 CPC may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
STRATEGIC PLANNING COMMITTEE (SPC)
AGENDA**

Thursday, September 20, 2012
10:00 a.m.

Or upon adjournment of the
Committee on Professional Conduct Meeting

Wyndham Irvine
17941 Von Karman Ave.
Irvine, CA 92614
Telephone: (949) 863-1999
Fax: (949) 474-7236

Roll Call and Call to Order (**Manuel Ramirez, Chair**).

- I. Approve Minutes of the March 23, 2012 SPC Meeting (**Manuel Ramirez**).
- II. Review of the Proposed 2013-2015 CBA Strategic Plan (**Deanne Pearce, Assistant Executive Officer**).
- III. Public Comments.*
- IV. Agenda Items for Next Meeting.

Adjournment.

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the SPC are open to the public.

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



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

**CBA MEETING
AGENDA**

**Thursday, September 20, 2012
12:30 p.m. – 5:00 p.m.**

**Friday, September 21, 2012
9:00 a.m. – 1:00 p.m.**

**Wyndham Irvine
17941 Von Karman Ave.
Irvine, CA 92614
Telephone: (949) 863-1999
Fax: (949) 474-7236**

**Teleconference Location:
Bureau of Automotive Repair (Field Office)
1361 Winchester Blvd Ste. 206
San Jose, CA 95117**

Important Notice to the Public

The order of agenda items other than those identified as “time certain” are approximate. Agenda items may be discussed and action taken out of order at the discretion of the CBA President.

- Roll Call and Call to Order (**Marshal Oldman, President**).
- I. Report of the President (**Marshal Oldman**).
 - A. Discussion on the Role of the Qualifications Committee (QC) (**Fausto Hinojosa, QC Chair**).
 - B. Announcement Regarding Annual Officer Elections.
 - C. Announcement of CBA Leadership Award of Excellence.

- II. Report of the Vice President (**Leslie LaManna**).
 - A. Recommendations for Appointments/Reappointments to the Enforcement Advisory Committee (EAC).
 - B. Recommendations for Appointments/Reappointments to the Qualifications Committee (QC).
 - C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee (PROC).
- III. Report of the Secretary/Treasurer (**Michael Savoy**).
 - A. Discussion of Governor's Budget.
 - B. Fiscal Year 2011-2012 Year End Financial Report.
 - C. Report of the Budget Taskforce – Licensing Fee Analyses and Discussion of Reserve.
- IV. Report of the Executive Officer (EO) (**Patti Bowers**).
 - A. Update on Staffing.
 - B. Update on CBA 2010-2012 Communications and Outreach Plan (Written Report Only).
 - C. CBA 2011-2012 Annual Report (**Deanne Pearce, Assistant EO**).
 - D. Report on Customer Satisfaction with CBA Services (**Deanne Pearce, Assistant EO**).
 - E. Update on Bills on Which the CBA Has Taken a Position (AB 1345, AB 1409, AB 1588, AB 1904, AB 2570, SB 103, SB 1099, SB 1327, SB 1405 and SB 1576) and Report on Newly Amended Bills Identified During the Final Week of Session (AB 1489, SB 71, and SB 1025) (**Matthew Stanley, CBA Staff**).
- V. Report of the Licensing Chief (**Dominic Franzella**).
 - A. Report on Licensing Division Activity.
 - B. Licensing Educational Changes Taskforce – Project Plan for Implementation of the New Educational Requirements for CPA Licensure Set to Take Effect January 1, 2014.
- VI. Report of the Enforcement Chief (**Rafael Ixta**).

A. Enforcement Division Report.

TIME CERTAIN
2:00 p.m.

VII. Open Session.

A. Kwang-Ho Lee – Petition for Reinstatement of Revoked CPA Certificate.

B. Gladstein CPA – Petition for Termination of Probation.

C. Stuart Gladstein – Petition for Reduction of Penalty and Termination of Probation.

Public Comments.

VIII. 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, Petitions for Termination of Probation, Petitions for Reduction of Penalty and Petitions for Reinstatement).

TIME CERTAIN
9:00 a.m.

IX. Regulations (**Matthew Stanley**).

A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2 and 89 – Continuing Education

B. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2 and 89 – Continuing Education.

X. Committee and Task Force Reports.

A. Committee on Professional Conduct (CPC) (**Michael Savoy, Chair**).

1. Report of the September 20, 2012 CPC Meeting.

2. Discussion on Policy Related to the Implementation of the New Educational Requirement for CPA Licensure Set to take Effect January 1, 2014.

a. Consideration of Options to Allow in Limited Circumstances the Ability for Candidates to Qualify for the Uniform CPA Examination Prior to the Conferral of a Baccalaureate Degree or Higher.

- b. Consideration of Options to Expand the List of Qualifying Disciplines in Business and Professions Code Section 5094.3 Related to the Ethics Study Requirement.
 - c. Consideration of Options to Extend the Deadline to Apply for Licensure Under the Present Pathways.
3. Discussion on Initiating a Rulemaking to Adopt Title 16, California Code of Regulations (CCR) Sections 16, 16.1, and 16.2 Regarding Military Inactive Status.

B. Strategic Planning Committee (SPC) **(Manuel Ramirez, Chair)**.

1. Report of the September 20, 2012 SPC Meeting.
2. Review and Possible Adoption of the 2013-2015 CBA Strategic Plan.

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

1. No Report.
2. Approval of 2013 EAC Meeting Dates.

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

1. Report of the August 1, 2012 QC Meeting.

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

1. Report of the August 24, 2012 PROC Meeting.
2. Approval of 2013 PROC Meeting Dates.

XI. Acceptance of Minutes.

- A. Draft Minutes of the July 26, 2012 CBA Meeting.
- B. Draft Minutes of the July 25, 2012 CBA Strategic Planning Workshop.
- C. Minutes of the May 25, 2012 CPC Meeting.
- D. Minutes of the March 23, 2012 SPC Meeting.
- E. Minutes of the April 25, 2012 QC Meeting.

F. Minutes of the May 3, 2012 EAC Meeting.

G. Minutes of the June 16, 2012 PROC Meeting.

XII. Other Business.

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

No Report.

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

1. Introduction of NASBA representative Dan Dustin (**Marshal Oldman**).

2. NASBA Focus Questions (**Kari O'Connor, CBA Staff**).

3. Update on NASBA Committees.

a. Accountancy Licensee Database Task Force (**Patti Bowers/Sally Anderson**).

b. Board Relevance & Effectiveness Committee (**Marshal Oldman**).

c. Education Committee (**Donald Driftmier**).

d. Uniform Accountancy Act Committee (UAA) (**Sally Anderson**).

XIII. Closing Business.

A. Public Comments.*

B. Agenda Items for Future CBA Meetings.

C. Press Release Focus (**Deanne Pearce, Assistant EO**).

Recent Press Releases.

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 CBA President and items 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.

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CBA Item I.A.
September 20-21, 2012

Discussion on the Role of the Qualifications Committee (QC)

Presented by: Fausto Hinojosa, QC Chair

Date: August 31, 2012

Purpose of the Item

The purpose of this agenda item is to provide an overview on the role of the Qualifications Committee (QC).

Action(s) Needed

No specific action is required on this agenda item.

Background

Business and Professions Code Section 5023 authorizes the California Board of Accountancy (CBA) to appoint up to 16 licensees to serve on the QC. Members are appointed by the CBA to serve for up to four two-year terms. Presently, 16 members serve on the QC, including the chair and vice-chair.

The QC's role is to act as an advisory committee and to assist the CBA in its licensure activities by:

- Conducting work paper reviews of experience of applicants appearing before the committee.
- Interviewing employers that appear before the committee under provision of Section 69, of the CBA Regulations.

QC Meetings

The QC conducts its business at regularly scheduled one-day meetings held four times per year, alternating between Northern and Southern California. QC meeting agendas typically consist of a general business segment followed by personal appearances. Additional appearances often occur at alternate locations when scheduling conflicts occur that do not allow an applicant or employer to appear at a regularly scheduled meeting.

Personal Appearances/Section 69

The primary focus of the QC is to evaluate whether an applicant's experience meets the requirements set forth in Sections 12 and 12.5 of the CBA Regulations. When

Discussion on the Role of the Qualifications Committee

Page 2 of 2

conducting personal appearances, the QC reviews the applicant's work papers and interviews the applicant to evaluate if his/her experience satisfies the requirements for CPA licensure. Additionally, employers certifying applicants' experience are on occasion called for a review before the QC to evaluate if the employer has a full understanding of the Certificate of Attest Experience.

From time to time, the QC may also be employed to mediate a dispute between an applicant and his/her supervisor regarding work experience. These disputes often times occur when an applicant in his/her opinion, has satisfied the attest experience requirement, but the employer does not. Additional disputes have also focused on general experience and whether a licensee has in fact supervised an applicant.

Annual Internal Audit

The QC conducts an annual internal audit on a select percentage of all approved applications for licensure. The audit is normally completed at the July QC meeting. When conducting the audit, the QC reviews each file for accuracy and determines whether it concurs with staffs' assessment for approval. Staff is available to assist QC members with questions that arise as they review the files.

Member Qualifications

In order to be appointed as a member of the QC, applicants must be actively licensed to practice public accounting for a minimum of two years prior to appointment, and must maintain an active license during tenure on the committee. There must be no pending enforcement actions against the licensee. Candidates are also reviewed for any results of QC work paper and continuing education reviews.

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

None.



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CBA Item I.B.
September 20-21, 2012

Announcement Regarding Annual Officer Elections

Presented by: Marshal Oldman, President

Date: August 17, 2012

Purpose of the Item

The purpose of this agenda item is to inform members regarding the election process for President, Vice President, and Secretary/Treasurer.

Action(s) Needed

Action is only needed by those members who wish to be considered for a Leadership position.

Background

The process for the election of officers and a detailed listing of applicable duties is outlined in the CBA Guidelines and Procedures Manual, pages 3-4 (**Attachment**).

Comments

Each year in November, the CBA elects a President, Vice President, and Secretary/Treasurer. Any person who wishes to be considered for a leadership position is encouraged to submit a one page Statement of Qualifications to the Board Relations Analyst, Kari O'Connor. If interested, please submit your Statement of Qualifications to the CBA office by October 15, 2012. The Statements of Qualifications will be included in the November CBA meeting materials, as part of an agenda item.

At the November CBA meeting, an opportunity will be provided for additional candidates for the officer positions to express their interest. All candidates may be given up to five minutes of floor time to describe why they are qualified for the position.

Please note that the President, Vice-President and Secretary/Treasurer each serve one year terms, and may not serve more than two consecutive terms.

Fiscal/Economic Impact Considerations

This item does not have a fiscal/economic impact.

Recommendation

Staff is making no recommendation in this agenda item.

Announcement Regarding Annual Officer Elections
Page 2 of 2

Attachment

Excerpt from CBA Guidelines and Procedures Manual

- Legislative Committee
- Committee on Professional Conduct
- Enforcement Program Oversight Committee
- Other Committees and Task Forces

3. Mentoring.

CBA officers and more experienced members are encouraged to act as mentors to new CBA members, making themselves available to answer procedural and historical questions as they arise.

E. TENURE (Ref. Business & Professions Code § 5002).

Each member is appointed for a term of four years and holds office until they are reappointed, a successor is appointed, or until one year has elapsed since the expiration of the term for which he was appointed, whichever occurs first.

No person shall serve more than two terms consecutively.

Vacancies must be filled by a person in the same capacity (public or licensee member) as the person being replaced.

The Governor must remove any licensee member whose permit to practice becomes void, revoked, or suspended.

Any member may, after an administrative hearing, be removed for neglect of duty or other just cause.

If a member is appointed to fill a vacant seat in what would be the middle of the previous member's term, the rest of that term does not count against the two term limit, as it is still defined as the previous member's term.

F. OFFICERS (Ref. Business & Professions Code §§ 5003, 5004 & 5007).

The officers of the CBA are President, Vice-President, and Secretary-Treasurer.

1. Election of Officers.

The process for the election of officers is as follows:

- At the September CBA meeting, the President shall inform members that the election of officers will be held at the November CBA meeting. Interested candidates are requested to prepare a one page written summary outlining their qualifications for the position for which they are applying. The summary is to be sent to the Executive Analyst by a date determined by the Executive Officer and CBA President.
- The summaries of qualification shall be distributed as part of the agenda items for the November CBA meeting.

- At the November CBA meeting, the President shall ask if there are any additional candidates for the officer positions. All candidates may be given up to five minutes of floor time to describe why they are qualified for the position.
- The vote for officers shall be taken by a simple hand vote.
- The President, Vice-President, and Secretary-Treasurer serve one-year terms and may not serve more than two consecutive one-year terms. The newly elected President, Vice-President, and Secretary-Treasurer shall assume the duties of their respective offices at the conclusion of the annual meeting at which they were elected.

2. Vacancy.

In the event of a vacancy of the Vice President or Secretary-Treasurer prior to the annual election of officers, the CBA President shall make an interim appointment to fill the vacancy effective until the next election cycle. In the event of a vacancy of the President, the Vice President shall become the president.

3. Duties.

a. President.

The President shall perform general administrative duties, as well as the following:

- Preside over CBA meetings
- Approve the agenda and time schedule
- Appoint CBA members as Liaison to the EAC and QC committees
- Appoint CBA members to CBA committees and task forces
- Establish other CBA committees as needed
- Make decisions regarding CBA matters between meetings
- Represent the CBA in media relations
- Coordinate the annual evaluation of the Executive Officer
- Make interim appointments to the EAC and QC committees, subject to ratification at the next CBA Meeting
- Monitor CBA Member attendance at CBA Meetings, and report issues to DCA
- Make interim appointments to the Vice-President and Secretary-Treasurer positions should they become vacant mid-term



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CBA Item II.A.
September 20-21, 2012

**Recommendations For Appointments/Reappointments to the
Enforcement Advisory Committee (EAC)**

Presented by: Leslie LaManna, Vice President
Date: August 24, 2012

Purpose of the Item

The purpose of this agenda item is to recommend the following members be reappointed to the EAC.

Joseph Buniva, CPA
Robert A. Lee, CPA
Seid M. Sadat, CPA
Michael Schwarz, CPA

Action Needed

It is requested that the CBA adopt the recommendation.

Background

None.

Comments

The above mentioned committee members are being recommended for reappointment to the EAC for a two year term based on the advice of and in consultation with the committee chair, Cheryl Gerhardt, CPA, who carefully reviewed and considered the needs of this committee and the skills and talents of existing and prospective committee members.

Fiscal/Economic Impact

This item does not have a fiscal/economic impact.

Recommendation

Ms. Gerhardt recommends, with my concurrence, the reappointment of Joseph Buniva, CPA; Robert A. Lee, CPA; Seid M. Sadat, CPA; and Michael Schwarz, CPA to the EAC.

Attachments

1. Joseph Buniva's Curriculum Vitae

2. Robert A. Lee's Curriculum Vitae
3. Seid Sadat's Curriculum Vitae
4. Michael Schwarz's Curriculum Vitae



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CBA Item II.B.
September 20-21, 2012

**Recommendations For Appointments/Reappointments to the
Qualifications Committee (QC)**

Presented by: Leslie LaManna, Vice President

Date: August 24, 2012

Purpose of the Item

The purpose of this agenda item is to recommend the following members be reappointed to the QC.

Carlos Aguila, CPA
Michael Haas, CPA
Charles Hester, CPA
Casandra Moore Hudnall, CPA
James Woyce, CPA

Action Needed

It is requested that the CBA adopt the recommendation.

Background

None.

Comments

The above mentioned committee members are being recommended for reappointment to the QC for a two year term based on the advice of and in consultation with the committee chair, Fausto Hinojosa, CPA, who carefully reviewed and considered the needs of this committee and the skills and talents of existing and prospective committee members.

Fiscal/Economic Impact

This item does not have a fiscal/economic impact.

Recommendation

Mr. Hinojosa recommends, with my concurrence, the reappointment of Carlos Aguila, CPA; Michael Haas, CPA; Charles Hester, CPA; Casandra Moore Hudnall, CPA; and James Woyce, CPA to the QC.

Attachments

1. Carlos Aguila's Curriculum Vitae
2. Michael Haas' Curriculum Vitae
3. Charles Hester's Curriculum Vitae
4. Casandra Moore Hudnall's Curriculum Vitae
5. James Woyce's Curriculum Vitae



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CBA Item III.B.
September 20-21, 2012

Fiscal Year 2011-2012 Year End Financial Report

Presented by: Michael Savoy CPA, Secretary/Treasurer

Date: September 6, 2012

Purpose of the Item

The purpose of this agenda item is to provide California Board of Accountancy (CBA) members the year end financial report, which gives an overview of year end receipts, expenditures, and the status of the Accountancy Fund Reserve.

Action Needed

No specific action is required on this agenda item.

Background

CBA Financial Reports are prepared quarterly (October, January, April, and August) and are included in CBA meeting materials. These reports provide an overview of receipts, expenditures, and the status of the Accountancy Fund Reserve.

Comments

None

Fiscal/Economic Impact Considerations

None

Recommendation

Staff has no recommendation on this item.

Attachments

1. Year End Financial Report – Narrative
2. Year End Financial Report – Statistics
3. CBA Budget Allocation History
4. CBA Total Revenue and Expenditures

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2011-12
YEAR END FINANCIAL REPORT - NARRATIVE
(for period of 7-01-11 through 6-30-12)



DISCUSSION AND ANALYSIS OF FINANCIAL REPORT

BUDGET

The fiscal year (FY) 2012-13 Budget was signed by Governor Brown on June 27, 2012. The Governor instituted a revised personal leave program (PLP) to reduce state employee compensation costs approximately 5 percent by requiring all state employees to take one unpaid day off per month. The program remains effective from July 1, 2012 through June 30, 2013. The Governor's office projects a total state savings of \$800 million. Consequently, the CBA's FY 2012-13 budget of \$11,288,000 will decrease by approximately \$300,000. This change has not yet been published on the Department of Finance website.

REVENUES/TOTAL RECEIPTS

Year end CBA revenues totaled approximately \$10,000,000. As expected from the CBA's July 1, 2011 renewal fee reduction, revenues in this category reflect a decrease of about 35 percent from the same period in FY 2010-11. The table below details renewal revenue receipts for the past five fiscal years:

FY 2011-12	FY 2010-11	FY 2009-10	FY 2008-09	FY 2007-08
\$5,716,951	8,853,620	\$8,457,550	\$8,238,710	\$7,961,922

An increase in fine revenue can be attributed to more than 800 citations and fines being issued to licensees who did not respond to repeated requests for peer review information. Citations are likely to decrease as licensees become more familiar and accustomed to the peer review reporting requirement.

EXPENDITURES

Total expenditures reflect a 10 percent increase from the same time period last fiscal year. The lifting of the hiring freeze in January 2012 permitted the CBA to recruit and fill vacant staff positions. By fiscal year end, the CBA was essentially fully staffed, accounting for the expenditure increase.

To reduce backlog and increase its enforcement presence, three Investigative Certified Public Accountant (ICPA) positions were filled in February 2012, with the final ICPA vacancy filling on June 18, 2012. Consequently, the Enforcement Division's expenditures that include the Office of Administrative Hearings, Attorney General, and court reporters costs reflect a 9 percent increase.

**CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2011-12
YEAR END FINANCIAL REPORT
PAGE 2**

RESERVES

The CBA ended this fiscal year with 15.0 months in Reserve. Total expenditures exceeded total revenue through the year end, however, higher than expected cost recovery reimbursements have offset the intended reduction in the Reserve. Cost recovery has been unusually high during FY 2011-12 due to the reimbursement of a single large case. It is expected that expenditures will continue to exceed revenues in FY 2012-13 and ongoing.

An additional \$1 million loan to the state's General Fund was made from the Accountancy Fund Reserve in FY 2011-12. To date, the CBA has a total of \$31.27 million loaned to the General Fund.

CALIFORNIA BOARD OF ACCOUNTANCY
FISCAL YEAR 2011-12
Year End Financial Report
(for period of 7-1-11 through 6-30-12)

ATTACHMENT 2

	FY 2011-12 Received/Expended (7-01-11) - (6-30-12) (12 months) [9]	FY 2010-11 Received/Expended (7-01-10) - (6-30-11) (12 months) [9]	% Change FY 2011-12 to FY 2010-11 (A:B)	FY 2011-12 Annual Governor's Budget (7-01-11) - (6-30-12) (12 months) [10]	FY 2011-12 Receipts/Expenditures Over/Under Budget (D:A)
RECEIPTS					
Revenues:					
Renewals [1]	5,716,951	8,853,620	-35.4%	5,531,500	3.4%
Examination Fees	2,980,573	2,963,007	0.6%	2,969,700	0.4%
Licensing Fees	951,900	947,250	0.5%	946,900	0.5%
Practice Privilege Fees	181,950	186,100	-2.2%	186,100	-2.2%
Miscellaneous [2]	58,922	61,854	-4.7%	56,201	4.8%
Monetary Sanctions [3]	0	0	NA	0	NA
Penalties and Fines	113,096	13,706	725.2%	26,104	333.3%
Total Revenues	10,003,392	13,025,537	-23.2%	9,716,505	3.0%
Interest	48,332	65,905	NA	0	NA
TOTAL NET RECEIPTS	10,051,724	13,091,442	-23.2%	9,716,505	3.5%
EXPENDITURES:					
Personal Services:					
Salaries & Wages	4,388,334	3,757,929	16.8%	4,468,185	-1.8%
Benefits	1,729,551	1,528,822	13.1%	1,709,065	1.2%
Total Personal Services:	6,117,885	5,286,751	15.7%	6,177,250	-1.0%
Operating Expenses:					
Fingerprints	10,012	23,822	-58.0%	185,000	-94.6%
General Expense	121,974	178,960	-31.8%	90,314	35.1%
Printing	109,835	120,170	-8.6%	85,608	28.3%
Communications	26,851	34,672	-22.6%	48,614	-44.8%
Postage	147,848	147,540	0.2%	195,988	-24.6%
Travel: In State	145,244	140,418	3.4%	132,886	9.3%
Travel: Out of State	0	0	NA	0	NA
Training	18,191	17,046	6.7%	28,012	-35.1%
Facilities Operations	688,415	693,393	-0.7%	613,818	12.2%
Utilities	0	0	NA	0	NA
Consultant & Professional Services Inter.	7,905	0	NA	3,708	113.2%
Consultant & Professional Services Ext.	166,379	237,085	-29.8%	482,363	-65.5%
Departmental Services	1,205,402	1,164,053	3.6%	1,239,790	-2.8%
Consolidated Data Center	33,832	27,735	22.0%	40,550	-16.6%
Data Processing	22,004	17,702	24.3%	71,103	-69.1%
Central Administrative Services	514,151	497,360	3.4%	514,151	0.0%
Exams	136,600	67,781	101.5%	0	NA
Enforcement	850,793	780,000	9.1%	1,463,551	-41.9%
Minor Equipment	73,626	21,743	238.6%	36,800	100.1%
Major Equipment	0	0	NA	13,000	-100.0%
State Controller Operations	13,000	19,000	NA	13,000	0.0%
FI\$Cal [4]	53,000	7,000	NA	53,000	0.0%
Total Operating Expenses:	4,345,062	4,195,480	3.6%	5,311,256	-18.2%
TOTAL EXPENDITURES	10,462,947	9,482,231	10.3%	11,488,506	-8.9%
Less Scheduled Reimbursements	214,657	24,300	783.4%	296,000	-27.5%
TOTAL NET EXPENDITURES	10,248,290	9,457,931	8.4%	11,192,506	-8.4%
RECEIPTS IN EXCESS OF EXPENSES	-196,565	3,633,511		-1,476,001	
PLUS COST RECOVERY	821,681	234,417		0	
BEGINNING RESERVES JULY 1 [5]	14,346,000	19,753,000		14,346,000	
GENERAL FUND LOAN 2011 [6]	-1,000,000	0		-1,000,000	
GENERAL FUND LOAN 2010	0	-10,000,000		0	
Total Resources	13,971,116	13,620,928		11,869,999	
PROJECTED ENDING RESERVES	13,971,116	13,620,928	2.6%	11,869,999	
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)	(10,000,000)			
GENERAL FUND LOAN 2011 [7]	(1,000,000)				
MONTHS IN RESERVE (MIR) [8]	15.0	13.3		12.4	

Footnotes:

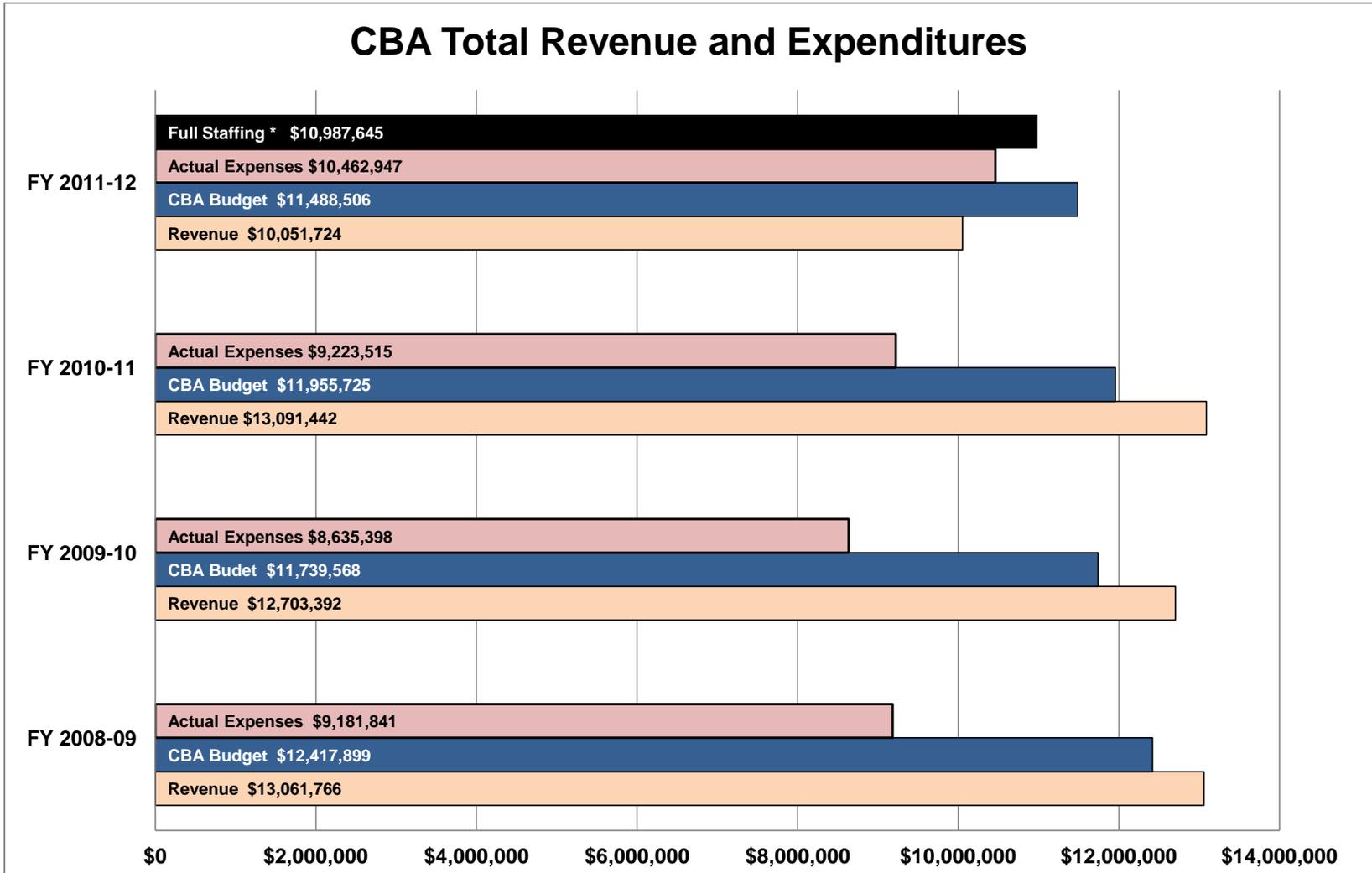
- [1] Includes biennial renewals, delinquent and prior year renewals, and initial licenses.
- [2] Includes miscellaneous services to the public, dishonored check fees, certification fees, duplicate licenses, name changes, over/short fees, suspended revenue, prior year adjustments, and unclaimed checks.
- [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 state'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 an integrated financial management system 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 2011-12 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office in December 2011.
- [6] The CBA budget for FY 2011-12 includes a \$1 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 .389% for 2011, .515% for 2010, 2.78% for 2008, 1.64% for 2003 loan, and 2.64% for 2002). "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." Outstanding General Fund loans total \$31,270,000.
- [8] Calculation: expenditure authority for FY 2011-12 (\$11,416,291) divided by twelve months equals monthly expenditure authority (\$951,357). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [9] Received/Expended amounts through June 30, 2012 for FY 2011-12 and June 30, 2011 for FY 2010-11 include encumbrances, and are from DCA Budget Reports.
- [10] Figures reflect projected revenues from FY 2011-12 Workload and Revenue Statistics, expenditures are from the FY 2011-12 DCA Budget Galley STONE and the DCA Fund Condition statement prepared 12/9/2011.

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.

CBA Budget Allocation History (including reimbursements FM13)											
Year End FY 2011-12	Total Budget Act ¹	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services	Board
\$ Budgeted	\$11,488,506	202,729	843,665	1,439,469	586,885	1,115,022	4,442,082	2,206,415	499,530	0.0	152,709
\$ Spent*	\$10,462,947	174,669	975,605	1,247,523	568,692	1,044,536	3,610,630	2,144,505	597,051	0.0	99,736
Authorized Positions	83.5	2.0	7.0	12.0	5.0	11.0	22.5	20.0	4.0	0.0	0.0
1. Total Budget Act dollars (\$11,488,506), including \$13,000 for State Controller Operations and \$53,000 for CBAs allocation toward FISCAL.											
FY 2010-11	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services ²	Board
\$ Budgeted	\$11,928,725	176,337	1,023,455	1,208,197	618,616	929,864	5,150,079	2,169,348	519,624	0	133,206
\$ Spent	\$9,223,515	140,127	883,475	1,230,379	530,717	980,654	2,743,474	2,118,158	478,714	0	117,816
Authorized Positions	84.0	2.0	9.0	15.0	5.0	8.0	20.0	21.0	4.0	0.0	0.0
2. The Client Services Unit was closed in 2010 and staff were redirected to the Examination, Enforcement, and RCC units.											
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

* Dollars spent through June 30, 2012.

FY 2011-12 - Year End Financial Report
 (*Full staffing assumed for an entire year)





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CBA Item III.C.
September 20-21, 2012

Report of the Budget Taskforce – Licensing Fee Analyses and Discussion of Reserve

Presented by: Nicholas Ng, Administrative Services Manager

Date: September 6, 2012

Purpose of the Item

The purpose of this agenda item is to provide California Board of Accountancy (CBA) members with recommendations made by the Budget Taskforce, comprised of Michael Savoy and Manuel Ramirez, related to budgetary concerns with high Accountancy Fund Reserve (Reserve) levels.

Action(s) Needed

CBA Members will be asked to determine what fee level structure is necessary to ensure that budgetary concerns with Reserve levels are addressed.

Background

With the conclusion of FY 2011-12, the CBA has received a full year of renewal fees at the 40 percent reduction rate. A snapshot of the Reserve was provided in the Year-End Financial Report under Agenda Item III.B.

While it appears that revenue levels seem to have fallen in line with expenditures, the Reserve levels have decreased only slightly from a balance of \$14.35M at the beginning of the fiscal year (FY) to \$13.97M at the end of the FY. Expenditures exceeded revenues for the first time in over a decade by approximately \$200,000. However, this small imbalance was more than offset by large investigative cost recovery reimbursements. Had it not been for a \$1M loan to the general fund, the Reserve would have increased in FY 2011-12. The FY 2011-12 Governor's Budget projected that the Accountancy Fund Reserve would decrease to less than \$12M. In its first year, the 40 percent reduction in renewal fees has not had quite the effect initially anticipated.

In August 2012, CBA staff provided Budget Taskforce members with fund condition projections including the current 40 percent renewal fee reduction as well as a number of additional fee reduction scenarios. The Budget Taskforce determined that the CBA should consider further/additional fee decreases to reduce the Reserve to amounts that cannot be considered excessive. The Budget Taskforce identified the following three fees for the members to consider lowering.

- Renewal Fees – original fee amount of \$200 per biennial period

Report of the Budget Taskforce – Licensing Fee Analyses and Discussion of Reserve Page 2 of 3

- Examination Fees – original fee amount of \$100 for new candidates and \$50 for repeat sitters
- Licensing Application/Registration Fees – original fee amount of \$250 for individual Certified Public Accountants (CPA) and \$150 for CPA Firms

These three fees were the only fees considered as any other fees would have negligible impact on cash flow given their small amounts/numbers.

Comments

Attached are detailed spreadsheets of four different temporary fee reduction scenarios for CBA member consideration. Each scenario would accomplish the Budget Taskforce's determination that the CBA bring the Reserve to an approximate three month level by the end of FY 2017-18. The CBA can then revisit whether it is necessary to increase fees to bring revenues and expenditures back in balance.

Fee Reduction Scenarios

Scenario 1 – Attachment 1

Further reduce renewal fees by an overall 55% reduction from original levels of \$200 to \$110 AND
Reduce licensing application / firm registration fees by 20% to \$200/\$120.

Scenario 2 – Attachment 2

Further reduce renewal fees by an overall 50% reduction from \$200 to \$100 per biennial period AND
Reduce examination application fees by 50% to \$50/\$25.

Scenario 3 – Attachment 3

Further reduce renewal fees by an overall 50% reduction from \$200 to \$100 per biennial period AND
Reduce examination application fees by 20% to \$80/\$40 AND
Reduce licensing application / firm registration fees by 50% to \$125/\$75.

Scenario 4 – Attachment 4

Further reduce renewal fees by an overall 60% reduction from \$200 to \$80 per biennial period.

Any of these options will temporarily benefit accounting professionals with reduced costs for maintaining and/or obtaining licensure. Further fee reductions would also reduce the Reserve to minimal levels that, based on staff projections, are not anticipated to have any adverse effect on mission critical operations. It would also provide the CBA with sufficient time to increase fees to avoid fully depleting the Reserve.

Report of the Budget Taskforce – Licensing Fee Analyses and Discussion of Reserve Page 3 of 3

It is important to note that the projections assume full spending of CBA budget authority. In FY 2011-12, the CBA still underspent its budget authority by approximately \$1M. The principal reason this occurred was because of the hiring freeze. Although the freeze was lifted for the CBA in January 2012, any other future cost savings initiatives would preclude the CBA from spending at levels identified in the attached projections. All state agencies have already been subjected to the one-day per month personal leave program which is anticipated to temporarily reduce the CBA's budget authority by approximately \$300,000 in FY 2012-13. Some of the scenarios project a reduction of the Reserve of slightly less than three months in Reserve (MIR) by the end of FY 2017-18. Factors such as the personal leave program and potential underspending of the budget would most likely allow the CBA to safely consider these slightly more aggressive approaches.

Finally, it is unknown whether the Department of Finance (DOF) will have concerns with such large decreases to CBA fees and the increasing disparity between revenues and expenditures. The DOF will need to approve any regulatory changes to fees and target Reserve levels

Fiscal/Economic Impact Considerations

Any reduction in fees identified in the scenarios above will reduce the Reserve to a three month level by the end of FY 2017-18.

Recommendation

The Budget Taskforce recommends that the CBA members consider one of the four fee reduction scenarios which will reduce the Reserve target to a three month level. The three MIR would provide the CBA with enough funding at any given time to cover its emergency \$2M annual contingency funding for litigation or enforcement activities as authorized in Business and Professions Code Section 5025.2(b). This takes into account that a rulemaking process would take approximately 18 months or 1.5 years to finalize. 18 months of emergency funding would be equivalent to approximately \$3M or three MIR.

Attachments

1. Scenario 1
2. Scenario 2
3. Scenario 3
4. Scenario 4

0704 - California Board of Accountancy
Analysis of Fund Condition

(Dollars in Thousands)

ATTACHMENT 1
SCENARIO 1
55% Reduction to Renewal Fees
20% Reduction to Licensing App Fees

Fee Reduction Proposals

Priority	% Reduction	Fee Category
1	55%	Renewal Fee/Initial Permit Reduction - \$200
2		Exam Sitting Fee Reduction - \$100/\$50
3	20%	License Application/Registration Fee Reduction - \$250/\$150

Changes to Projection Methodology

1	300	Annual Investigative Cost Recovery Projection (in thousands)
2	0%	Annual % Increase in Expenditures (DCA standard is 2%)

	ACTUAL 2010-11	ACTUAL 2011-12	CY 2012-13	Governor's Budget BY 2013-14	BY + 1 2014-15	BY + 2 2015-16	BY + 3 2016-17	BY + 4 2017-18
BEGINNING BALANCE	\$ 20,135	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 10,135	\$ 7,767	\$ 5,391
Prior Year Adjustment	\$ 348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 20,483	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 10,135	\$ 7,767	\$ 5,391
REVENUES AND TRANSFERS								
Revenues:								
125600 Other regulatory fees	\$ 67	\$ 167	\$ 130	\$ 131	\$ 131	\$ 131	\$ 131	\$ 131
125700 Other regulatory licenses and permits	\$ 4,827	\$ 4,622	\$ 4,666	\$ 4,475	\$ 4,188	\$ 4,188	\$ 4,188	\$ 4,188
125800 Renewal fees	\$ 7,801	\$ 4,963	\$ 5,152	\$ 5,349	\$ 4,069	\$ 4,069	\$ 4,069	\$ 4,069
125900 Delinquent fees	\$ 323	\$ 244	\$ 239	\$ 260	\$ 195	\$ 195	\$ 195	\$ 195
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 66	\$ 48	\$ 48	\$ 45	\$ 42	\$ 34	\$ 26	\$ 18
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161400 Miscellaneous revenues	\$ 3	\$ 5	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
164300 Penalty Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 13,091	\$ 10,052	\$ 10,238	\$ 10,262	\$ 8,628	\$ 8,620	\$ 8,612	\$ 8,604
Transfers from Other Funds								
*F00001 GF Loan Repaymentper BA of 2010 Proposed Repay of 11-12 Loan								
Transfers to Other Funds								
T00001 GF loan per item, BA of 2010 Proposed GF Loan FY 11-12	\$ -10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 3,091	\$ 9,052	\$ 10,238	\$ 10,262	\$ 8,628	\$ 8,620	\$ 8,612	\$ 8,604
Totals, Resources	\$ 23,574	\$ 23,398	\$ 24,210	\$ 23,484	\$ 21,123	\$ 18,755	\$ 16,379	\$ 13,994
EXPENDITURES								
Disbursements:								
0840 State Controller (State Operations)	\$ 19	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 Financial Information System for California (State Operations)	\$ 7	\$ 53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 9,436	\$ 10,182	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288
Credit Card BCP (BreZE)								
Total Disbursements	\$ 9,462	\$ 10,248	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288
INVESTIGATIVE COST RECOVERY	\$ 234	\$ 822	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
FUND BALANCE								
Reserve for economic uncertainties	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 10,135	\$ 7,767	\$ 5,391	\$ 3,006
Months in Reserve		14.9	14.1	13.3	10.8	8.3	5.7	3.2

0704 - California Board of Accountancy
Analysis of Fund Condition

(Dollars in Thousands)

ATTACHMENT 2
SCENARIO 2
50% Reduction to Renewal Fees
50 % Reduction to Exam App Fees

Fee Reduction Proposals

Priority	% Reduction	Fee Category
1	50%	Renewal Fee/Initial Permit Reduction - \$200
2	50%	Exam App Fee Reduction - \$100/\$50
3	50%	License Application/Registration Fee Reduction - \$250/\$150

Changes to Projection Methodology

1	300	Annual Investigative Cost Recovery Projection (in thousands)
2	0%	Annual % Increase in Expenditures (DCA standard is 2%)

	ACTUAL 2010-11	ACTUAL 2011-12	CY 2012-13	Governor's Budget BY 2013-14	BY + 1 2014-15	BY + 2 2015-16	BY + 3 2016-17	BY + 4 2017-18
BEGINNING BALANCE	\$ 20,135	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 9,985	\$ 7,466	\$ 4,938
Prior Year Adjustment	\$ 348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 20,483	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 9,985	\$ 7,466	\$ 4,938
REVENUES AND TRANSFERS								
Revenues:								
125600 Other regulatory fees	\$ 67	\$ 167	\$ 130	\$ 131	\$ 131	\$ 131	\$ 131	\$ 131
125700 Other regulatory licenses and permits	\$ 4,827	\$ 4,622	\$ 4,666	\$ 4,475	\$ 3,590	\$ 3,590	\$ 3,590	\$ 3,590
125800 Renewal fees	\$ 7,801	\$ 4,963	\$ 5,152	\$ 5,349	\$ 4,496	\$ 4,496	\$ 4,496	\$ 4,496
125900 Delinquent fees	\$ 323	\$ 244	\$ 239	\$ 260	\$ 217	\$ 217	\$ 217	\$ 217
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 66	\$ 48	\$ 48	\$ 45	\$ 42	\$ 34	\$ 25	\$ 17
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161400 Miscellaneous revenues	\$ 3	\$ 5	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
164300 Penalty Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 13,091	\$ 10,052	\$ 10,238	\$ 10,262	\$ 8,477	\$ 8,469	\$ 8,460	\$ 8,452
Transfers from Other Funds								
*F00001 GF Loan Repaymentper BA of 2010 Proposed Repay of 11-12 Loan								
Transfers to Other Funds								
T00001 GF loan per item, BA of 2010 Proposed GF Loan FY 11-12	\$ -10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 3,091	\$ 9,052	\$ 10,238	\$ 10,262	\$ 8,477	\$ 8,469	\$ 8,460	\$ 8,452
Totals, Resources	\$ 23,574	\$ 23,398	\$ 24,210	\$ 23,484	\$ 20,973	\$ 18,454	\$ 15,926	\$ 13,389
EXPENDITURES								
Disbursements:								
0840 State Controller (State Operations)	\$ 19	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 Financial Information System for California (State Operations)	\$ 7	\$ 53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 9,436	\$ 10,182	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288
Credit Card BCP (BreZE)								
Total Disbursements	\$ 9,462	\$ 10,248	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288
INVESTIGATIVE COST RECOVERY	\$ 234	\$ 822	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
FUND BALANCE								
Reserve for economic uncertainties	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 9,985	\$ 7,466	\$ 4,938	\$ 2,401
Months in Reserve		14.9	14.1	13.3	10.6	7.9	5.2	2.6

0704 - California Board of Accountancy
Analysis of Fund Condition

(Dollars in Thousands)

ATTACHMENT 3
SCENARIO 3
50% Reduction to Renewal Fees
20% Reduction to Licensing App Fees
50% Reduction to Exam App Fees

Fee Reduction Proposals

Priority	% Reduction	Fee Category
1	50%	Renewal Fee/Initial Permit Reduction - \$200
2	20%	Exam App Fee Reduction - \$100/\$50
3	50%	License Application/Registration Fee Reduction - \$250/\$150

Changes to Projection Methodology

1	300	Annual Investigative Cost Recovery Projection (in thousands)
2	0%	Annual % Increase in Expenditures (DCA standard is 2%)

	ACTUAL 2010-11	ACTUAL 2011-12	CY 2012-13	Governor's Budget BY 2013-14	BY + 1 2014-15	BY + 2 2015-16	BY + 3 2016-17	BY + 4 2017-18
BEGINNING BALANCE	\$ 20,135	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 10,001	\$ 7,498	\$ 4,986
Prior Year Adjustment	\$ 348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 20,483	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 10,001	\$ 7,498	\$ 4,986
REVENUES AND TRANSFERS								
Revenues:								
125600 Other regulatory fees	\$ 67	\$ 167	\$ 130	\$ 131	\$ 131	\$ 131	\$ 131	\$ 131
125700 Other regulatory licenses and permits	\$ 4,827	\$ 4,622	\$ 4,666	\$ 4,475	\$ 3,606	\$ 3,606	\$ 3,606	\$ 3,606
125800 Renewal fees	\$ 7,801	\$ 4,963	\$ 5,152	\$ 5,349	\$ 4,496	\$ 4,496	\$ 4,496	\$ 4,496
125900 Delinquent fees	\$ 323	\$ 244	\$ 239	\$ 260	\$ 217	\$ 217	\$ 217	\$ 217
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 66	\$ 48	\$ 48	\$ 45	\$ 42	\$ 34	\$ 25	\$ 17
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161400 Miscellaneous revenues	\$ 3	\$ 5	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
164300 Penalty Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 13,091	\$ 10,052	\$ 10,238	\$ 10,262	\$ 8,493	\$ 8,485	\$ 8,476	\$ 8,468
Transfers from Other Funds								
*F00001 GF Loan Repaymentper BA of 2010 Proposed Repay of 11-12 Loan								
Transfers to Other Funds								
T00001 GF loan per item, BA of 2010 Proposed GF Loan FY 11-12	\$ -10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 3,091	\$ 9,052	\$ 10,238	\$ 10,262	\$ 8,493	\$ 8,485	\$ 8,476	\$ 8,468
Totals, Resources	\$ 23,574	\$ 23,398	\$ 24,210	\$ 23,484	\$ 20,989	\$ 18,486	\$ 15,974	\$ 13,453
EXPENDITURES								
Disbursements:								
0840 State Controller (State Operations)	\$ 19	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 Financial Information System for California (State Operations)	\$ 7	\$ 53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 9,436	\$ 10,182	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288
Credit Card BCP (BreZE)								
Total Disbursements	\$ 9,462	\$ 10,248	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288
INVESTIGATIVE COST RECOVERY	\$ 234	\$ 822	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
FUND BALANCE								
Reserve for economic uncertainties	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 10,001	\$ 7,498	\$ 4,986	\$ 2,465
Months in Reserve		14.9	14.1	13.3	10.6	8.0	5.3	2.6

0704 - California Board of Accountancy
Analysis of Fund Condition

(Dollars in Thousands)

ATTACHMENT 4
SCENARIO 4
60% Reduction to Renewal Fees

Fee Reduction Proposals

Priority	% Reduction	Fee Category
1	60%	Renewal Fee/Initial Permit Reduction - \$200
2		Exam Sitting Fee Reduction - \$100/\$50
3		License Application/Registration Fee Reduction - \$250/\$150

Changes to Projection Methodology

1	300	Annual Investigative Cost Recovery Projection (in thousands)
2	0%	Annual % Increase in Expenditures (DCA standard is 2%)

	ACTUAL 2010-11	ACTUAL 2011-12	CY 2012-13	Governor's Budget BY 2013-14	BY + 1 2014-15	BY + 2 2015-16	BY + 3 2016-17	BY + 4 2017-18
BEGINNING BALANCE	\$ 20,135	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 9,846	\$ 7,187	\$ 4,519
Prior Year Adjustment	\$ 348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjusted Beginning Balance	\$ 20,483	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 9,846	\$ 7,187	\$ 4,519
REVENUES AND TRANSFERS								
Revenues:								
125600 Other regulatory fees	\$ 67	\$ 167	\$ 130	\$ 131	\$ 131	\$ 131	\$ 131	\$ 131
125700 Other regulatory licenses and permits	\$ 4,827	\$ 4,622	\$ 4,666	\$ 4,475	\$ 4,347	\$ 4,347	\$ 4,347	\$ 4,347
125800 Renewal fees	\$ 7,801	\$ 4,963	\$ 5,152	\$ 5,349	\$ 3,642	\$ 3,642	\$ 3,642	\$ 3,642
125900 Delinquent fees	\$ 323	\$ 244	\$ 239	\$ 260	\$ 173	\$ 173	\$ 173	\$ 173
141200 Sales of documents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
142500 Miscellaneous services to the public	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150300 Income from surplus money investments	\$ 66	\$ 48	\$ 48	\$ 45	\$ 42	\$ 33	\$ 24	\$ 15
160400 Sale of fixed assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161000 Escheat of unclaimed checks and warrants	\$ 4	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
161400 Miscellaneous revenues	\$ 3	\$ 5	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
164300 Penalty Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues	\$ 13,091	\$ 10,052	\$ 10,238	\$ 10,262	\$ 8,338	\$ 8,329	\$ 8,320	\$ 8,311
Transfers from Other Funds								
*F00001 GF Loan Repaymentper BA of 2010 Proposed Repay of 11-12 Loan								
Transfers to Other Funds								
T00001 GF loan per item, BA of 2010 Proposed GF Loan FY 11-12	\$ -10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals, Revenues and Transfers	\$ 3,091	\$ 9,052	\$ 10,238	\$ 10,262	\$ 8,338	\$ 8,329	\$ 8,320	\$ 8,311
Totals, Resources	\$ 23,574	\$ 23,398	\$ 24,210	\$ 23,484	\$ 20,834	\$ 18,175	\$ 15,507	\$ 12,830
EXPENDITURES								
Disbursements:								
0840 State Controller (State Operations)	\$ 19	\$ 13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8880 Financial Information System for California (State Operations)	\$ 7	\$ 53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1110 Program Expenditures (State Operations)	\$ 9,436	\$ 10,182	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288
Credit Card BCP (BreZE)								
Total Disbursements	\$ 9,462	\$ 10,248	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288	\$ 11,288
INVESTIGATIVE COST RECOVERY	\$ 234	\$ 822	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
FUND BALANCE								
Reserve for economic uncertainties	\$ 14,346	\$ 13,972	\$ 13,222	\$ 12,496	\$ 9,846	\$ 7,187	\$ 4,519	\$ 1,842
Months in Reserve		14.9	14.1	13.3	10.5	7.6	4.8	2.0



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CBA Item IV.B.
September 20-21, 2012

Update on CBA 2010-2012 Communications and Outreach Plan

Presented by: Lauren Hersh, Information & Planning Manager

Date: September 6, 2012

Purpose of the Item

The purpose of this agenda item is to keep CBA members informed of communications and outreach efforts and activities.

Action(s) Needed

No specific action is required on this agenda item.

Background

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.

Comments

UPDATE Publication

The UPDATE publication is presently in production, with a target web posting date of mid September and a mailing date in late October to approximately 75,000 licensees and interested parties. Among the articles included in this edition:

- Retired Status Update
- What You Want (and Need) to Know About Peer Review
- Certificate of General Experience
- The Importance of an Engagement Letter
- Annual Report
- Wells Submissions
- At a Glance: Subpoenas

Update on CBA 2010-2012 Communications and Outreach Plan

Page 2 of 2

E-News

E-News subscriptions have increased by nearly 2,000 since the last report. The largest increase was notably new subscriptions for electronic notification of UPDATE with an increase of 500 subscriptions, followed by California Licensees with 410, and an additional 354 new subscribers to Statutory/Regulatory updates. The table indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest.

List Name	External	Internal	Total
California Licensee	7,774	45	7,819
Consumer Interest	3,821	50	3,871
Examination Applicant	2,459	39	2,498
Licensing Applicant	2,886	42	2,928
Out-of-State Licensee	1,898	38	1,936
Statutory/Regulatory	6,578	53	6,631
CBA Meeting Info & Agenda Materials	2,954	31	2,985
UPDATE Publication	5,792	114	5,806
Total subscriptions	34,571	313	34,884

Social media

At this writing, the CBA has 1,547 fans on Facebook and reaches approximately 2,100 on a weekly basis. The largest demographic currently is 25-34 year olds, followed by 18-24 year olds. The California cities where most of our Facebook fans reside are Los Angeles, San Diego, San Francisco, Sacramento and San Jose. Although International testing for the Uniform CPA exam is no longer being considered by the CBA, there remains a high level of interest from those overseas, particularly Egypt, Saudi Arabia, United Arab Emirates, Kuwait, Taiwan and the Philippines. However, we seem to be reaching a large number of people in other foreign countries through our Facebook fans, notably South Korea, Canada and India.

The CBA currently has nearly 900 followers on Twitter.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff has no recommendation on this item.



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CBA Item IV.C.
September 20-21, 2012

CBA 2011-2012 Annual Report

Presented by: Deanne Pearce, Assistant Executive Officer

Date: August 30, 2012

Purpose of the Item

The purpose of this agenda item is to present the *California Board of Accountancy Fiscal Year 2011-2012 Annual Report of Accomplishments and Activities*. The report highlights CBA activities from July 1, 2011 to June 30, 2012. The report is presented annually at the September CBA meeting, and is published to the CBA website in the interest of transparency.

Action Needed

No specific action is required on this agenda item.

Background

This report is drafted annually, at the conclusion of the California Fiscal Year. It represents the accomplishments and achievements of the CBA and staff.

Comments

There are no comments for this agenda item.

Fiscal/Economic Impact

This item does not have a fiscal/economic impact.

Recommendation

Staff is making no recommendation in this agenda item.

Attachment

*California Board of Accountancy Annual Report of Accomplishments and Activities
Fiscal Year 2011-2012*

**CALIFORNIA BOARD
OF ACCOUNTANCY**



**ANNUAL REPORT OF
ACCOMPLISHMENTS AND
ACTIVITIES
FISCAL YEAR 2011-2012**

**MARSHAL A. OLDMAN, ESQ., PRESIDENT
PATTI BOWERS, EXECUTIVE OFFICER**

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A NOTE FROM THE EXECUTIVE OFFICER

I am pleased to present the fiscal year (FY) 2011-12 *California Board of Accountancy (CBA) Annual Report of Accomplishments and Activities*. This report highlights the results of each division's operations as well as solutions that are underway to enhance and improve the CBA's commitment to California consumers and licensees.



Patti Bowers
Executive Officer

The past year has seen an increase in the number of major accomplishments and changes at the CBA, including:

- Completed the CBA 2012-2014 Workforce and Succession Plan, encompassing all of the major program components of daily operations at the CBA and which is implemented with clear actions outlined to be initiated as key positions become vacated.
- Achieved full staffing of the CBA Enforcement Division, enabling the CBA to reach several of its Objectives in its 2010-2012 Strategic Plan and further enhancing consumer protection.
- Sponsored legislation authorizing the CBA to establish, by regulation, a retired status license for accountants.
- Through legislation, the CBA's sunset date was extended to January 1, 2016 and mandatory peer review program for the accountancy profession in California was made permanent, protecting consumers by enhancing the quality of public accounting services in California. All licensees have been notified of Peer Review and reporting requirements.
- Implemented a 40 percent temporary renewal fee reduction from \$200 to \$120.
- Leveraged social media and creative technology solutions to reach stakeholders with important information on new legislation and programs that would have a direct impact on consumers, students and faculty, applicants, and licensees.
- Updated all CBA publications, including the revising and redesigning The Consumer Assistance Booklet, fulfilling Objective 4.7 of the 2010-2012 Strategic Plan, "Develop and maintain brochures promoting consumer protection."
- Enhanced the CBA website with new information and resources, including a new Peer Review Reporting video, and a new webpage; Working for the CBA – Employment Information and Links.
- Expanded webcasts to include CBA committee meetings.

- Through legislation, codified the 10 semester units of ethics study required for CPA licensure starting in January 2014. This, along with Accounting Study regulations, will define the 30 semester hours of additional education that will be required for CPA licensure starting in 2014.
- Defined supervision as it applies to the CBA's experience requirement for CPA licensure and incorporated by reference into regulation the supervision verification forms. The regulation also incorporates by reference the CBA's Disciplinary Guidelines which are used in determining appropriate levels of discipline for various violations of the CBA's laws and rules.

This significant level of accomplishment and dedication by staff to implement and maintain the resulting programs and activities would be impressive in the best of times. We were glad for the "breather" we experienced in the nine months between the end of one furlough program and the next, along with the lifting of the hiring freeze in January 2012 that allowed us to hire much-needed staff.

Despite these uncertain times for state employees, staff have responded at every turn with professionalism, enthusiasm and dedication. I believe they are the envy of any Board, and whatever challenges may be ahead, California consumers and licensees, CBA stakeholders, and fellow agencies will be well-served at the California Board of Accountancy.

Patti Bowers
Executive Officer

ABOUT THE CALIFORNIA BOARD OF ACCOUNTANCY

From its inception in 1901, the California Board of Accountancy has, by statute, been charged with regulating the practice of accountancy. The original law prohibited anyone from falsely claiming to be a certified accountant, a mandate which exists today.

The standards for licensure have always been high. The first accountants certified by the CBA in 1901 were required to sit for a written examination, including questions on Theory of Accounts, Practical Accounting, Auditing, and Commerce Law, with a passage rate of at least 70 percent for each section. Applicants were required to provide a notarized affidavit certifying at least three years accounting experience, at least two years of which must have been in the office of a Certified Public Accountant (CPA) performing actual accounting work. In addition, each applicant was required to submit three references testifying to his character, in the form of a "Certificate of Moral Character." Today's mandate that each CBA licensee pass an ethics course finds its antecedent in the CBA's original requirement of this certificate.

In 1929, the Legislature placed the CBA within the Department of Professional and Vocational Standards. In 1945, the Accountancy Act was substantially revised. In 1971, the Legislature located the CBA within the newly-created Department of Consumer Affairs.

FUNCTION OF THE CBA

The CBA's legal mandate is to regulate the accounting profession for the public interest. The CBA establishes and maintains entry standards of qualification and conduct within the accounting profession, primarily through its authority to license. The CBA's enabling act is found at Section 5000 *et seq.* (Accountancy Act) of the Business and Professions Code, and the CBA's regulations appear in Title 16, Division 1 of the California Code of Regulations (CBA Regulations).

The CBA is unique among California licensing authorities, in that it has the authority to license and discipline not only individuals but also CPA firms. As accounting practitioners, the CPA and the Public Accountant (PA) are sole proprietors, partners, shareholders, and staff employees of public accounting firms. They provide professional services to individuals; private and publicly-held companies; financial institutions; nonprofit organizations; and local, state, and federal government entities. CPAs and PAs also are employed in business and industry, in government, and in academia.

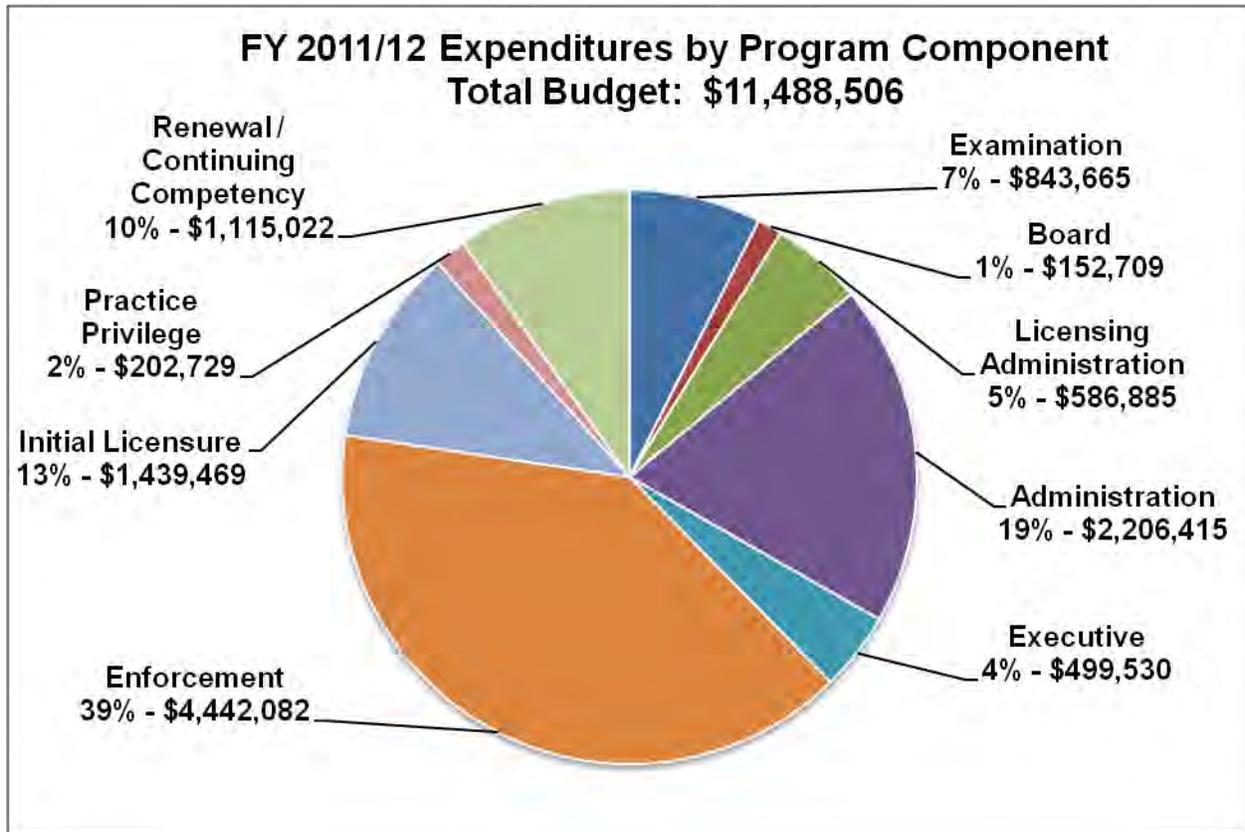
The CBA performs its consumer protection mission for many stakeholders, including:

- Consumers of accounting services who require audits, reviews, and compilations of financial statements, tax preparation, financial planning, business advice and management consultation, and a wide variety of related tasks.
- Lenders, shareholders, investors, and small and large companies who rely on the integrity of audited financial information.

- Governmental bodies, donors, and trustees of not-for-profit agencies, which require audited financial information or assistance with internal accounting controls.
- Regulatory bodies such as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Public Utilities Commission, and federal and state banking regulators; and local, state, and federal taxing authorities.
- Retirement systems, pension plans, and stock exchanges.

Current law stipulates that the CBA consists of 15 members, seven of whom must be CPAs, and eight of whom shall be public members who shall not be licensees of the CBA or registered by the CBA. The Governor appoints four of the public members and the seven licensees. In appointing the seven licensees, the Governor must appoint members representing a cross-section of the accounting profession with at least two members representing small public accounting firms. A small public accounting firm is defined as a professional firm that employs a total of no more than four licensees as partners, owners, or full-time employees in the practice of public accountancy. The Senate Rules Committee and the Speaker of the Assembly each appoint two public members.

CALIFORNIA BOARD OF ACCOUNTANCY BUDGET



The CBA's budget in FY 2011-12 was \$11,488,506, which represents the maximum amount of money that the CBA can spend on annual operations. The chart above illustrates the resources allotted to each unit within the CBA. The CBA Administration Division is responsible for determining the budgets for each program; with the number and classification of personnel, specific contracts, and expected equipment purchases all considered when determining these amounts. Each year, staff submit the budgeted amounts to the DCA in December.

On July 1, 2011, the CBA implemented a 40 percent temporary renewal fee reduction from \$200 to \$120. The temporary renewal fee reduction is scheduled to last four years, ending on June 30, 2015. In FY 2011-12, renewal revenues have decreased by over \$3 million from FY 2010-11 levels. This intended reduction helped to ensure that the Reserve would not continue to increase to excessive levels. The CBA ended FY 2010-11 with approximately \$14.3 million in its Reserve. By the end of FY 2011-12, Reserve levels equaled approximately \$14.0 million. It is important to note that the CBA can fully fund all operations even with the reduced renewal fees and has not decreased any critical functions due to the revenue decrease.

In August 2011, staff submitted workload and revenue statistics to the DCA and the Department of Finance (DOF) to finalize projected revenue levels for the FY 2012-13 budget. These statistics, which account for the renewal fee decrease, provide preliminary estimate to use for projecting revenues for the FY 2012-13 and FY 2013-14 budget.

An additional \$1 million loan to the state's General Fund was made from the Accountancy Fund Reserve in FY 2011-12. To date, the CBA has a total of \$31.27 million loaned to the General Fund. With current expenditure and revenue levels, staff have projected that there is no immediate need for these monies to be repaid. However, this does not preclude the CBA from requesting that specific repayment schedules be considered to avoid future uncertainty in its fund balance.

In order to keep CBA members abreast of the CBA budget, staff provide quarterly financial reports and budget updates at CBA meetings. These reports provide members updates on CBA expenditure and revenue levels. The following table provides a general summary of the Accountancy Fund including statistics for FY 2011-12 and staff projections for the next two years.

ANALYSIS OF FUND CONDITION	FY 2011-12 (Actual)	FY 2012-13 (Projected)	FY 2013-14 (Projected)
Total Reserves, July 1	\$14,346,000	\$13,972,000	\$12,922,000
Total Revenues	\$10,052,000	\$10,238,000	\$10,261,000
Total Transfers	-\$1,000,000	\$0	\$0
Total Resources	\$23,398,000	\$24,210,000	\$23,183,000
Total Expenditures	\$10,463,000	\$11,584,000	\$11,584,000
Scheduled Reimbursements	\$215,000	\$296,000	\$296,000
Investigative Cost Recovery	\$822,000	\$0	\$0
Reserve, June 30	\$13,972,000	\$12,922,000	\$11,895,000
MONTHS IN RESERVE	15.0	13.7	12.6

TRAVEL

Executive Order B-06-11, issued on April 26, 2011 by Governor Brown eliminated all discretionary travel. Travel was not permitted unless it was deemed mission critical, met specific exemption criteria and received pre-approval by the DCA. The CBA submitted 49 trips for pre-approval to the DCA in FY 2011-12. These trips consisted of exam site visits, staff participation in Board/Committee meetings, investigative hearings, etc. All 49 trips were approved by the DCA. Six committee meetings were held at the CBA offices in Sacramento in order to reduce staff travel expenses.

PERSONNEL

In January 2012, the hiring freeze was lifted and the CBA began to aggressively recruit for its vacant positions. By the end of FY 2011-12, the CBA had only four of its 83.5 permanent positions vacant. All Investigative CPA and non-technical investigator positions were filled by year's end.

In March 2012, DOF issued a directive to all state agencies through Budget Letter (BL) 12-03 to eliminate the salary savings line item and associated positions in departmental budgets. The DOF required that departments take a more accurate and transparent approach in calculating what the reductions should be by reviewing actual staffing data and associated expenditures for the previous four fiscal years. During this period, the CBA averaged 13.4 permanent position vacancies annually. The CBA submitted justification as to why the vacancy rate was so unusually high including hiring freeze restrictions, the hard to fill nature of its ICPA and limited term positions and the struggles with filling BCP positions immediately (17 new positions were authorized in Fiscal Year 2007-08). The DOF took the justification into consideration and determined that the appropriate CBA salary savings reduction should be 3.6 permanent positions. The CBA achieved the reduction in positions through attrition and no staff was in any danger of losing their jobs. The CBA has and will continue to redirect resources as necessary to ensure there is no adverse impact to its operations.

In keeping with the CBA Strategic Plan Objective 9.1, staff are continually encouraged by management to seek and attend training that will develop their professional and personal skills. In FY 2011-12, approximately three-fourths of staff utilized training provided by DCA or outside agencies.

STRATEGIC PLAN ACHIEVEMENTS

CBA staff and leadership have continually worked toward completion of the nine (9) Goals and 45 Objectives contained in the 2010-2012 strategic plan. To date, 38 of the 45 Objectives have been completed. Those that have yet to be completed will be instrumental in the development of the 2013 - 2015 Strategic Plan. Additionally, four (4) Objectives will have achieved complete status and be fully implemented with the roll out of BreZE. Some of the progress and successes in achieving strategic Goals and Objectives are outlined below:

1.4 Achieve an Investigative CPA staffing level to adequately address workload demands.

- The CBA's Enforcement Division is at full Investigative CPA staffing levels.

2.3 Explore the use of technology to enhance customer service.

- CBA has hosted several Facebook events and seminars and has increased the usage of Facebook and Twitter, enhancing external customer service.
- The CBA has 1,400 plus engaged Facebook fans and 829 followers on Twitter.

5.1 Proactively work with the American Institute of Certified Public Accountants (AICPA), National Association of State Boards of Accountancy (NASBA), and Prometric on behalf of national Uniform CPA Examination candidates to resolve issues in a fair and expeditious manner.

- The CBA completed site visits at all California Prometric testing centers that offer the Uniform CPA Examination (CPA Exam).
- CBA Examination staff is in regular and frequent contact with NASBA's Candidate Care personnel to resolve issues identified by California candidates who are taking the CPA Exam.

5.3 Monitor national association activities and respond as appropriate.

- Staff routinely responds to NASBA focus questionnaires.
- CBA members are notified of exposure drafts that are open for comment in the Executive Officer's monthly report.
- Executive Officer participates via conference call in various NASBA meetings.

6.4 Maintain a plan to ensure that CBA has staffing and skill levels in response to employee retirement and attrition.

- The CBA 2012-2014 Workforce and Succession Plan is complete.
- Specific IT workforce planning is presently underway, being addressed separately in an IT Services Management Plan, and it is anticipated that the IT Services Management Plan will be completed by the end of 2012.

7.1 Implement mandatory peer review in California.

- Senate Bill 543 signed by the Governor on October 3, 2011, made the Peer Review Program permanent.
- Letters were sent to the last group of Licensees to phase into the Peer Review Program on June 29, 2012. All Licensees have been notified of Peer Review and reporting requirements.

7.3 Explore the feasibility of conducting workshops in various regions of the state.

- Educational outreach has been accomplished by holding Open Houses in conjunction with CBA meetings due to travel restrictions. The first open house was held in January 2012 followed by an open house occurring in March 2012.
- CBA staff participated in a CalCPA Workshop webinar, focusing on the new education requirements for CPA licensure on April 27, 2012. The webinar is posted on the CBA website.

9.4 Develop and implement a staff recognition program.

- The CBA created new award programs for staff, consisting of the CBA Leadership's Award of Excellence, and the CBA Managers' Distinguished Service Award. The awards are given annually recognizing two staff members making outstanding contributions to the CBA over the past year. The CBA issued the first awards in September 2011.

The CBA has established a Strategic Plan committee to oversee the development and implementation of the 2013 – 2015 Strategic Plan. Preliminary work on the 2013 – 2015 Strategic Plan is well underway, including an exceptionally successful Strategic Planning Workshop completed on July 25, 2012.

WORKFORCE AND SUCCESSION PLAN

The CBA 2012-2014 Workforce and Succession Plan (Plan) is complete. The CBA understands the value of having a strategic Workforce and Succession plan implemented with clear actions outlined to be initiated as key positions become vacated. The Plan encompasses all of the major program components of daily operations at the CBA. Additionally, the Plan provides a blue print for CBA members to select a new Executive Officer should the incumbent choose to vacate the position, and for the Executive Officer to address a vacancy in any of the other Senior Staff positions, including the Assistant Executive Officer, Enforcement Chief, and Licensing Chief.

The Plan provides overall guidance and addresses specific actions management will proactively take when faced with the potential loss of one of the CBA's four senior staff. The Succession Plan also addresses succession planning related to other managers within the three divisions comprising the CBA. Additionally, realizing that there are key staff at the CBA who serve in lead capacities and who often have significant institutional knowledge of the CBA, managers have taken steps to ensure cross training occurs and that key processes are documented and made available thru various procedure manuals. The workforce planning

strategies this agency employs will ensure adequate staff are available and trained in order to fulfill the CBA's mission of consumer protection.

The Plan ties to specific goals and objectives stated in the CBA 2010-2012 Strategic Plan. The Plan also recognizes that specialized planning is needed to address the broad and complicated arena encompassing IT functionality, and such planning is beyond the scope of the CBA 2012–2014 Workforce and Succession Plan. Specific IT workforce planning is presently underway, being addressed separately in an IT Services Management Plan.

ADMINISTRATION DIVISION

INTRODUCTION

The Administration Division is comprised of twenty staff responsible for all CBA day-to-day administrative operations. Duties include assisting with the creation of the budget, facilitating requests for staffing augmentations, contracting with vendors, purchasing new equipment, serving as liaison to the DCA on personnel and travel matters, providing IT support, maintaining the CBA website, and providing timely outreach to all stakeholders. Additionally, staff within the Administrative Division coordinates the CBA's legislative and regulatory efforts, which are discussed later in the Report.

PUBLIC AFFAIRS AND OUTREACH

The 2011-2012 year was one of challenges and successes in the area of Public Affairs and Outreach. The 2010-2012 Strategic Plan (Strategic Plan) continued to serve as a roadmap, and we were successful in reaching the goals and objectives set out before us.

Tasked with reaching our stakeholders with important information on new legislation and programs that would have a direct impact on students and faculty, applicants, licensees and consumers, creative thinking and use of technology enabled CBA staff to accomplish this despite strict travel restrictions imposed on state agencies.

Staff sought to mitigate the impact by further developing and expanding its use of social media as an outreach tool. Two main issues were the focus of planned outreach activity; Peer Review and the new educational requirements to take effect January 2014. In response to Goal 7, Promoting Licensee Competency and specifically Objective 7.2 of the Strategic Plan, Educate licensees about the peer review process, staff engaged in a variety of outreach efforts to accomplish that goal. Live Facebook events to assist licensees and consumers with questions about Peer Review were held in July and August 2011, bringing the issue to both groups and establishing the CBA's Facebook page as a resource for additional peer review information. Peer Review messages including links to the CBA website were continued throughout the year on Facebook and Twitter, and posted more frequently as reporting deadlines drew near.

In October 2011, staff held a live Facebook event geared toward faculty and students with questions regarding new education requirements which will take effect in January 2014. In December 2011, another such event was held titled "Understanding the Steps to California CPA Licensure" which included the information on the present exam and licensure regulations, as well as information regarding upcoming changes to the education requirements. In much the same way staff used social media to provide information regarding Peer Review, staff used social media to inform other stakeholder groups of the impending changes to educational requirements for CPA licensure.

Staff also utilized social media to support "open houses" held in conjunction with scheduled CBA meetings, in which CBA members presented information to and interacted with students, faculty and other attendees. Open houses were conducted in January 25, 2012 in Irvine and March 22, 2012 in Burlingame, in which CBA members provided opening remarks and interacted with attendees. On April 27, 2012, CBA staff, along with the California Society of CPAs (CalCPA) participated in a webinar titled "150 Answers to 150 Hours" on the new educational requirements for CPA licensure. CBA staff presented an overview of the

upcoming educational changes to a live audience of roughly 70 individuals and the event was simultaneously webcast for increased participation and outreach. Social media appears to be partly responsible for the high interest in the event as reflected by hits to the event notice on the CBA website. Five days in advance of the event, there had been approximately 6,000 hits to the posting, and during the event staff members at the CBA office handled the large volume of questions being posted by those viewing online. These activities fulfilled several of the 2010-2012 Communication Plan objectives, as well as Strategic Plan Objective, 7.4. "Explore the feasibility of conducting educational workshops in various regions of the state."

Social media also played a significant role in creating CBA "communities" or groups of social media users with a common interest, in FY 2011-12. In July 2011, staff saw the opportunity to both build community through social media and ease the burden of phone calls coming in to reception staff in conjunction with the release of exam scores by AICPA. Over the course of three days, CBA added more than 100 new Facebook fans, with nearly 50,000 views of CBA posts. Subsequently, staff uses Facebook and Twitter to post exam information during each new score release and partners with AICPA and NASBA for study tips and resources. As a result, many exam candidates turn to the CBA Facebook page to get updated information on score releases, share study and testing experiences, encourage and congratulate or commiserate with one another.

Staff also identified additional communities that interacted on the CBA Facebook page in FY 2011-12, including students, young professionals and job seekers. There was significant support within these communities for consumer protection messages. Interactions on Twitter tended to be among early and mid-career professionals. These groups were most receptive to information regarding issues affecting CPAs, regulatory news from the CBA and the Securities and Exchange Commission, memos from the Internal Revenue Service, and press releases. At the end of FY 2011-2011 the number of CBA's Facebook fans was 1,500 and Twitter followers at just under 1,000, tripling since FY 2010-2011.

Staff wrote and starred in the CBA's first YouTube video, which was completed and posted to the CBA website in October 2011. This informative video gives a step-by-step tutorial on Peer Review reporting for licensees.

Two CBA publications underwent a makeover in FY 2011-2012. The Consumer Assistance Booklet was rewritten and redesigned, and the CBA's tri-annual newsletter, UPDATE, was also redesigned. Both publications are posted to the CBA website, and provide the reader with information that includes relevant links to resources to further enhance their reading experience. The new Consumer Assistance Booklet also helped to fulfill Objective 4.7 of the Strategic Plan, "Develop and maintain brochures promoting consumer protection." Apart from notifications of enforcement actions sent to media statewide, seventeen press advisories and news releases were also published and distributed in the last year.

LEGISLATION AND REGULATION

Consumer Protection

The CBA deliberated on several topics relating to consumer protection during the past year. Some of these topics resulted in legislation or regulation as noted below. Other issues were discussed and vetted by the CBA although it was determined that no further legislative or regulatory action was warranted at this time.

- The CBA discussed whether the current reporting threshold for civil action settlements or arbitration awards in Business and Professions Code Section 5063 was sufficient to protect the public. After significant discussion and testimony, it decided to retain the current \$30,000 level for reporting.
- The CBA considered whether the current insurance requirements for corporations in CBA Regulation Section 75.8 were sufficient. After testimony from the CEO of CAMICO, the CBA decided not to pursue a change in the requirements.
- The CBA discussed the mandatory collection of licensees' email addresses. It reached the decision to continue efforts to collect email addresses on a voluntary basis rather than require the information through a change in statute.

NEW LAWS

Assembly Bill 431 (Ma)

This bill was sponsored by the CBA, and authorized the CBA to establish, by regulation, a system for the placement of a license in a retired status for accountants who are not actively engaged in the practice of public accountancy or any activity which requires them to be licensed.

Senate Bill 306 (de León)

This bill made the Practice Privilege Safe Harbor period permanent in law. The previous safe harbor provision was in regulation and became inoperative on December 31, 2010. This bill also carved out a licensing exemption for certain out-of-state licensees practicing under very specific conditions in California.

Senate Bill 541 (Price)

This bill extended the sunset date for the CBA to January 1, 2016. In addition, it made the Peer Review Program permanent and exempted certain restatements from the self-reporting requirements.

Senate Bill 773 (Negrete-McLeod)

This bill codified the 10 semester units of ethics study required for CPA licensure starting in January 2014. This, along with Accounting Study regulations, will define the 30 semester hours of additional education that will be required for CPA licensure starting in 2014.

PENDING LEGISLATION

SB 1405

This bill would create a military inactive status. In addition, it would recast the practice privilege statutes to require no notice and no fee for out-of-state licensees performing certain work in California.

APPROVED REGULATIONS

Supervision and Disciplinary Guidelines (1/10/2012)

This regulation defines supervision as it applies to the CBA's experience requirement for licensure and incorporated by reference the supervision verification forms. The regulation also incorporated by reference the CBA's Disciplinary Guidelines which are used in determining appropriate levels of discipline for various violations of the CBA's laws and rules.

REGULATIONS IN PROGRESS

Accounting Study

This proposal would place the guidelines defining the 20 semester hours of accounting education that were developed by the Accounting Education Committee and the CBA into regulation. This, along with SB 773 of 2011, will define the 30 semester hours of additional education that will be required for CPA licensure starting in 2014.

Safe Harbor

This proposal would amend the safe harbor letters in Section 4 to clarify that the preparer of the attached financial statements is not required to be licensed by the CBA for the preparation of the attached statements. The proposal would add additional language to the letters to further clarify that the accompanying financial statements are not compiled.

Fingerprinting and Disclosure Requirements

This proposal would require that all licenses renewing in an active status have a record of their fingerprints on file with the Department of Justice. It also requires certain information to be disclosed on the renewal application.

Retired Status

This proposal would implement a retired status of licensure as provided for in AB 431 (Ma) of 2011. It outlines the qualifications needed to obtain retired status, provides a form for application for the status, and provides for restoration of the license back to active status. In addition, it sets the fees and only allows for the status to be granted two times.

Peer Review Reporting

This proposal would clarify and simplify the peer review reporting process for licensees. It proposes revisions to the peer review reporting form and changes the peer review reporting date to coincide with a licensee's renewal date.

Continuing Education

This proposal would conform requirements for CE courses, in large part, to national standards. In addition, it will change the CE required for applicants whose experience was obtained five or more years prior to application for licensure and for reissuance of a cancelled license to be equivalent to the same standard of CE required for active license renewal. Finally, the proposal reduces the number of CE hours from eight to four hours for a course in the detection and reporting of fraud in financial statements. The reduction was based, in part, on the fact that this topic has become a regular part of the accounting education required for CPA licensure over the past decade.

CBA WEBSITE

To assist CBA stakeholders, all CBA handbooks were updated and re-posted to the CBA website, along with the newly revised Consumer Assistance Booklet. There have been additions to the CBA website in FY 2011-12 that reflect new information and resources, including a new Peer Review Reporting Video, and a link to CPA Verify, which enables consumers to verify the license of a CPA licensed in 28 participating states outside of California through a national database. A new web page was also added in FY 2011-12; Working for the CBA – Employment Information and Links.

Continuing its commitment to greater transparency as set out in Strategic Plan Objective 4.5 “Increase transparency of CBA activities,” the CBA expanded its webcasts to include CBA committee meetings.

CBA staff have worked diligently to bring the CBA website into compliance with Americans with Disabilities Act (ADA) accessibility standards. This has involved accessibility testing of all new posts and documents, as well as review of existing documents, including all Portable Document Format (PDF) documents. This task now falls in the category of regular website maintenance.

INFORMATION TECHNOLOGY

Over the past year, CBA IT staff have successfully completed several important projects that have enhanced internal operations and CBA outreach and communication with stakeholders. It is worth noting that in light of the State of California's fiscal crisis and the increased pressure on State agencies to reduce waste and operate more efficiently, these CBA IT projects were also completed with minimal expenditures by utilizing existing CBA resources.

CBA successfully completed the migration to the State of California's new California Email Service (CES) from our internal Zimbra and Lotus Notes email systems. CES is a vendor hosted “cloud” email service provided by Microsoft Online Services and managed by the California Technology Agency (CTA) and Computer Science Corporation (CSC). CES is one of the State of California's first IT projects to implement the IT consolidation directives mandated by AB 2408 and the Governor's 2009 Reorganization Plan.

The CBA, along with the Medical Board of California (MBC) and Contractors State License Board (CSLB), was one of the first organizations to “pilot” CES for the State of California. The CBA IT team, working with CTA staff and contractors from Microsoft and CSC, was extensively involved in the planning and implementation of CES. The valuable feedback provided by our IT team during the CES project pilot helped to improve CES and streamline the CES “on boarding” process for other State of California organizations. The use of CES will help to reduce the workload on CBA's small IT team and will allow IT to dedicate more resources to CBA's conversion to DCA's BreEZe system.

In order to prepare for CBA's conversion to the BreEZe system, the CBA successfully completed the detailed database documentation and database data cleanup of our 16 internal “workaround” databases. This extensive effort involved the analysis and documentation of over 1500 data fields from over 250 database tables. The CBA is in “Phase 3” of the BreEZe development schedule, which is expected to begin in 2013.

The DCA document imaging project Scanning and Records Retrieval System (ScanRRs), scheduled to launch in July 2012, has been incorporated into the BreEZe system and no longer exists as a separate project. Once the CBA fully transitions to BreEZe, we will focus resources towards this project.

ENFORCEMENT DIVISION

INTRODUCTION

The Enforcement Division is responsible for overseeing the enforcement of laws and rules governing the practice of public accountancy. Staff receive complaints from consumers, licensees, professional societies, law enforcement agencies, other government agencies and internal referrals. While historically consumers and internal referrals have been the main origin of complaints, licensees also have been a significant source, most often reporting unlicensed activity. Enforcement staff also regularly monitors social media outlets for information that may suggest licensees' violations of the Accountancy Act.

The Enforcement Division is comprised of four business units that report to the Chief of Enforcement:

Technical Investigations

Technical Investigations consists of one Supervising Investigative Certified Public Accountant and seven Investigative Certified Public Accountants who conduct the most complex investigations.

Non Technical Investigations

Non Technical Investigations consists of one Staff Services Manager and six analysts who conduct the less complex investigations, probation monitoring, and citation and fine activities.

Program and Committee Assistance

Program and Committee Assistance consists of two analysts and two office technicians who provide assistance with program support activities and enforcement program committees including the Enforcement Advisory Committee and Peer Review Oversight Committee.

Peer Review

Peer Review consists of one analyst and one office technician who are tasked with implementing and monitoring compliance with the mandatory peer review program.

COMPLAINT MANAGEMENT

Consistent with the division's significant responsibilities in the area of consumer protection, workload is prioritized to ensure maximum consumer protection. Cases with the potential for ongoing consumer harm receive the highest priority and urgent attention. The options of interim suspension order or Penal Code Section 23 suspension are utilized whenever appropriate to restrict or suspend licensee practice rights to diminish potential consumer losses. Additionally, enforcement staff seeks stipulated settlements when possible to expedite disciplinary decisions to provide consumer protection and promote cost effectiveness.

The matrix on page 20 indicates the volume of complaints, convictions and arrest reports received during the fiscal year.

Complaints	FY 2010-11	FY 2011-12	Change
Received	722	1765	+1,043
Closed without Assignment for Investigation	132	174	+42
Assigned for Investigation	573	1600	+1,027
Average Days to Close or Assign for Investigation	5	4	-1
Pending	17	9	-8
Average Age of Pending Complaints	5 days	22 days	-17
Convictions/Arrest Reports			
Received	132	146	+14
Closed	100	130	+30
Assigned for Investigation	27	16	-11
Average Days to Close or Assign for Investigation	2	2	0
Pending	5	3	-2

The following matrix illustrates the results achieved by the Enforcement Division during FY 2011-12 in the area of investigations:

Investigations	FY 2010-11	FY 2011-12	Change
Initial Assignment for Investigation	601	1626	+1,025
Investigations Closed	464	1525	+1,061
Average Days to Close	130	85	-45
Investigations Pending	334	439	+105
Average Age of Pending Investigation	238 days	248 days	+10 days

In summary, the volume of Complaints, Convictions/Arrests, Investigations, Enforcement Actions, Disciplinary Orders, and Citations increased during the fiscal year. In an effort to address increase in processing timeframes associated with the added workload, management is reviewing pending investigations and preparing aggressive action plans for complex cases that are over one year old and for all other cases that are over 100 days old.

The matrix on page 21 illustrates the results achieved by the Enforcement Division during FY 2011-12 in fulfilling its consumer protection objective through referrals of matters to the Office of the Attorney General, imposition of discipline, and issuance of citations.

Enforcement Actions	FY 2010-11	FY 2011-12	Change
AG Cases Initiated	24	50	+26
AG Cases Pending	37	54	+17
Statement of Issues Filed	0	2	+2
Accusations Filed	20	37	+17
Disciplinary Orders			
Proposed Decisions & Default Decisions Effective	10	7	-3
Stipulations Effective	12	19	+7
Average Days to Complete Proposed Decisions/Default Decisions/Stipulations	727	867	+140
Citations			
Final Citations	30	908	+878
Average Days to Complete	268	22	-246

Additionally, enforcement staff have assessed administrative penalties on an increasing basis. During FY 2011-12 administrative penalties totaling \$302,500 were issued. This is an increase of \$282,500 from FY 2010-11.

In an effort to increase licensees' awareness of the consequences of unprofessional conduct, Enforcement Division staff prepared several "At a Glance" articles for the *UPDATE* publication. In FY 2011-12 articles on citations, probation, and the disciplinary guidelines were published.

STAFFING

During FY 2009-10 the Enforcement Division experienced an employee turnover rate of approximately 70 percent. However, in FY 2011-12, 95 percent of the positions in the enforcement division were filled. The current 95 percent position occupancy rate is one of the highest in the history of the CBA. The positive results of a high occupancy rate are reflected in the increased productivity enjoyed by the Division.

PEER REVIEW

On January 1, 2010 all California licensed firms providing accounting and auditing services, including sole proprietorships, were required to undergo a peer review once every three years as a condition of license renewal. Peer review is defined as the study of a firm's accounting and auditing practice by an independent Certified Public Accountant (CPA) using professional standards, the purpose of which is to promote quality in the accounting and auditing services provided by CPAs.

During FY 2011-12, the Enforcement Division neared completion of the first-phase of the peer review reporting period. During this phase, firms with a license number ending in 01-33 were required to report their peer review information to the CBA by July 1, 2011. Citations and fines

were issued to licensees who failed to respond to the three peer review letters issued by the CBA. To date, 872 citations have been issued and staff are following up with firms who received extensions to complete their peer review.

Staff also commenced work on the second-phase of the peer review reporting period. During this phase firms with a license number ending in 34-66 are required to report their peer review information to the CBA by July 1, 2012. Staff mailed 20,000 initial letters and 10,000 reminder letters notifying licensees of their peer review reporting obligation. As a result of these efforts, 15,000 peer review reporting forms have been received.

Other salient accomplishments include:

- Opened investigations on 106 firms who received a failed peer review report.
- Mailed 21,000 initial letters to firms with a third-phase peer review reporting requirement of July 1, 2013.
- Coordinated, prepared documentation for, and attended six Peer Review Oversight Committee (PROC) meetings.
- Assisted the PROC in developing its 2011 Annual Report to the CBA.
- Developed the PROC Procedure Manual.
- Initiated verification audits of peer review reporting forms filed. Forms with inaccurate information will be referred to investigations.

PERFORMANCE MEASURES

Beginning in July 2010, the DCA, as part of the Consumer Protection Enforcement Initiative, began posting on its website, Performance Measures for each board and bureau. Following are the CBA’s final performance measures for FY 2011-12:

Performance Measure	Target	Result
Number complaints and convictions received	NA	1,911
Average number of days to complete complaint intake	10 days	5 days
Average number of days to complete closed cases not resulting in formal discipline	180 days	153 days
Average number of days to complete investigations for complaints resulting in formal discipline	540 days	867 days
Average number of days from the date a probation monitor is assigned, to the date the monitor makes contact	5 days	1 day
Average number of days from the time a violation is reported to the time the probation monitor responds	15 days	3 days

The CBA met all performance measures except for the “Average number of days to complete the entire enforcement process for cases resulting in formal discipline.” As previously mentioned, enforcement management is implementing proactive measures to reduce the time required to complete investigations.

INTRODUCTION

Comprised of four units – Examination, Initial Licensing, Renewal and Continuing Competency, and Practice Privilege – and approximately 45 staff, the Licensing Division’s primary responsibilities include ensuring: 1) applicants meet education requirements prior to taking the Uniform CPA Examination (CPA Exam); 2) applicants for licensure who have passed the CPA Exam meet the education and experience requirements necessary for licensure; 3) accountancy partnerships and corporations are registered so they can offer services in California; 4) licensees have paid the required fees and have completed the required continuing education (CE) hours to renew their license and demonstrate minimum competency; and 5) out-of-state licensees seeking the privilege to practice public accountancy in California have notified the CBA of their intent.

Although the main focus of the Licensing Division is to regulate entry into the profession, Licensing Division staff maintains an integral part of the enforcement process as well. A large number of enforcement complaints originate from within the office, based upon information provided by the current or potential licensee. For instance, the Renewals and Continuing Competency Unit routinely refers complaints to the non-technical Enforcement Unit related to licensees practicing with CE deficiencies, and practicing with expired licenses.

One of the key resources the CBA uses to provide stakeholders with information related to becoming licensed and renewing a license are its various informative handbooks. During FY 2011-12, the Licensing Division performed a comprehensive overhaul of the four handbooks – Examination, Initial Licensing, License Renewal, and Practice Privilege. Each of the handbooks was thoroughly vetted and revised to ensure the most accurate information available was provided in a succinct and easily understood manner.

EXAMINATION UNIT

The Examination Unit processes applications to sit for the CPA Exam, including the review of official transcripts and foreign credential evaluations to ensure that examination candidates meet the educational qualifications pursuant to Sections 5092 and 5093 of the Business and Professions Code (B&P).

Over the past couple of years, the CBA has considered the joint efforts of the National Association of State Boards of Accountancy (NASBA) and American Institute of Certified Public Accountants (AICPA) to administer the CPA Exam at international locations – iExam – and the possibility of participating in the program. After the July 2011 CBA meeting, staff, at members’ direction, monitored iExam for the first six months following its launch in August 2011.

After further discussions and reviewing research provided by Examination staff at the March 2012 CBA meeting, the CBA elected to opt out of participation in iExam. The CBA found no benefit in licensing international candidates who have no intention of living or working in

California. In addition, California law requires that prior to issuance of a CPA license candidates must provide a valid United States social security number. The CBA was concerned that candidates approved by California to take the CPA Exam via iExam would be unable to obtain licensure, an important element of the process.

During the CBA’s ongoing deliberations on iExam, Examination staff received constant inquiries from potential candidates inquiring about the CBA’s decisions regarding iExam. After the March 2012 CBA meeting, when the CBA decided to officially opt out of participating in iExam, Examination staff quickly posted a notice to the website and sent out posts via Facebook and Twitter. Additionally, Examination staff drafted an article for the Spring 2012 UPDATE.

One of the most crucial elements the CBA performs related to insuring the security of the CPA Exam is conducting site visits at the various Prometric testing facilities throughout California. Individuals performing site visits use a standardized checklist prepared by NASBA to verify items including test center staff compliance with established security procedures such as monitoring that check-in and check-out procedures are followed; checking identification before candidates return from break time and lunch hours; and that the hardware is in a secure and monitored location within the testing center.

For FY 2011-12, the CBA completed a total of 16 site visits: 10 by Licensing Division staff; two by CBA Secretary/Treasurer Michael Savoy, CPA; three by Qualifications Committee member Charles Hester, CPA; and one by Peer Review Oversight Committee member Sherry McCoy, CPA. Overall, the site visits were successful with only minor items of correction noted.

	FY 2010-11	FY 2011-12
Examination Applications Received		
First-time Sitter	7,109	7,243
Repeat Sitter	17,404	17,606
Totals:	24,513	24,849
Processing Timeframes		
First-time Applicants	28 days	21 days
Repeat Applicants	8 days	6.5 days
CPA Exam Scores		
Scores Processed	40,261	34,924

INITIAL LICENSING UNIT

Upon passing the CPA Exam, completion of any additional required education, and obtaining the requisite experience, a candidate may apply for CPA licensure. For FY 2011-12, the Initial Licensing Unit (ILU) received 3,594 applications for licensure. Staff reviews each application

thoroughly to ensure applicants have met the required education, examination, and experience for licensure. Additionally, the ILU processes applications for firm licensure, including General and Limited Liability Partnerships, Corporations, and Fictitious Name Permits.¹ For FY 2011-12, ILU staff received 485 accountancy firm applications.

	FY 2010-11	FY 2011-12
Licenses Issued by Pathway		
Pathway 0	14	12
Pathway 1	1,070	904
Pathway 2	2,483	2,325
Total Licensed	3,567	3,241
Average Processing Timeframes	15 Days	15 Days
Pathway 0 was repealed in January 2010, however applicants seeking re-licensure following a cancelled license can be licensed under Pathway 0, that number is reflected above.		
Firm Registrations		
Corporations	184	223
Partnerships	66	106
Fictitious Name Permits	146	156
Total Registrations	396	485
Average Processing Timeframes	11 Days	8 Days

One of the other primary responsibilities for the ILU is processing requests for certification of CBA records. Although the majority of these requests are from California licensees or CPA exam candidates who are applying for licensing out-of-state, the CBA also receives requests from other interested parties. In FY 2011-12, ILU staff received 1,252 certification requests.

On February 9, 2012, CBA Regulation Sections 12 and 12.5 were amended to further define the term supervision. This culminated a near decade long effort to provide applicants and supervising licensees additional information on what it meant to supervise. With the new supervision definition in place, ILU staff updated the handbook and all four certificates of experience forms (public accounting general and attest and non-public accounting general and attest). Additionally, the ILU staff began a two-part series of articles directed at licensees providing supervision to potential licensing applicants. As part of the Spring 2012 UPDATE, ILU included an article providing information on signing the Certificate of Attest Experience.

¹ A sole proprietor choosing to practice using a name other than the name under which the person holds a valid permit to practice issued by the CBA

RENEWAL AND CONTINUING COMPETENCY UNIT

The Renewal and Continuing Competency (RCC) Unit is responsible for processing license renewals for CPAs, PAs, and accountancy firms. CPA and PA licensees are required to renew their licenses biennially, in conjunction with their birth month. For those licensees electing to renew their license in an active status, the RCC Unit ensures that licensees complete the required CE. Accountancy corporations and partnerships are also required to renew biennially, corresponding with their registration date with the CBA. Firms must submit information pertaining to their shareholders or partners.

The bulk of the work completed by RCC staff involves the review of CE Reporting Worksheets, which are submitted by licensees at the time of license renewal. When deficiencies occur, RCC staff sends a letter to the licensee informing them of the deficiency and advising them how to gain compliance. Provided on the following page are the CE worksheet review statistics including the number of deficiencies that were referred to the Enforcement Division for further review. As the table indicates, during FY 2011-12 RCC successfully worked with 3,502 licensees to bring them into compliance with the CBA's CE requirements.

	FY 2010-11	FY 2011-12
License Renewal Applications Processed		
Certified Public Accountant	35,704	38,329
Public Accountant	33	20
Accountancy Partnerships	616	653
Accountancy Corporations	1,663	1,654
Total:	38,016	40,656
Worksheet Review Statistics		
Number of CPA/PA Worksheets Reviewed	31,336	44,749
Number of 20/12 Deficiencies Received	-	1,231 (124)*
Number of Deficiencies Received	3,086	4,233
Number of Compliance Letters Sent (including inactive response)	2,380	3,502
Number of Enforcement Referrals	70	56
Number of Outstanding Deficiencies (including abandonment)	636	675
Regulatory Review Courses		
Number of Courses Received (first time submission)	12	7
Number of Courses Returned for Corrections	9	8
Number of Revised Courses Received (initial submission returned for corrections)	1	5
Number of Courses Approved	12	6

*The number outside the parenthetical reference indicates the 20/12 CE deficiency was the only requirement not met. The number inside the parenthetical reference indicates a CE deficiency was also identified and this count is included in the CE deficiencies identified.

Because of a lengthy hiring freeze experienced by many State agencies and workload that mounted as a result of the 18-month furloughs imposed on most State employees, the RCC Unit had a high volume of CE worksheets reviews in a pending status. To address this issue, the Licensing Division realigned staffing resources to provide additional positions to the RCC Unit, while the RCC Unit, along with other CBA staff, worked overtime on four Saturdays. Over the course of the overtime days, the RCC Unit was able to complete an additional 5,484 worksheet reviews, thereby bringing the workload within more acceptable timeframes.

RCC staff wrote several articles for the CBA Update in an effort to further inform licensees of changes and items of interest pertaining to the license renewal process. These articles addressed a variety of subjects including: new CE requirements, instructions for undergoing a status conversion, tips to avoid receiving a deficiency letter, and suggestions to streamline the license renewal process. Additionally, as a result of the educational presentation provided to the CBA at the January 2012 meeting and at the request of CBA members, staff posted a new informational handbook titled Overview of the Renewal Process. This handbook provides licensees with another quick-reference guide to understanding the intricacies of the license renewal process.

In general most licensees send their license renewal applications to the Department of Consumer Affairs for cashiering of the renewal fee. On occasion, however, licensees must submit their license renewal application directly to the CBA office. Over the past fiscal year, RCC staff reengineered the internal processing and cashiering procedures in an effort to better serve licensees. With the reengineered process in place, timeframes for processing in-house license renewal applications dramatically reduced to as little as two or three days.

As part of the CE regulation overhaul that took effect in January 2010, two of the primary changes added the following requirements: effective January 1, 2012, licensees renewing in an active status must complete a minimum of 20 hours of CE, with at least 12 hours in technical subject matter, in each year of the two-year licensure period, and licensees must complete a Regulatory Review course requirement once every six years (every third renewal).

At the halfway point of FY 2011-12, the new yearly CE requirement took effect – commonly referred to as the 20/12 requirement. With the role out of this new requirement, staff revised the CE Reporting Worksheet to better capture the yearly requirement and, thus, assist licensees in reporting completion of the requirement. As for the Regulatory Review course requirement, over the past fiscal year, RCC staff approved an additional six courses bringing the total number of approved courses to 21. Additional detail regarding the Regulatory Review course is available in the chart on the previous page.

Staff has been actively planning for the implementation of two new programs – retired status and retroactive fingerprinting. While the two programs are independent of each other, some of the steps to implement are parallel. In FY 2011-12, staff developed project outlines to make every effort to ensure implementation is as seamless as possible.

Lastly, on two occasions, RCC staff prepared materials for CBA consideration on the AICPA and NASBA joint Statement on Continuing Professional Education (CPE) Programs (Standards), which is a national benchmark for the development of all accounting-related CE

programs. As a result of final amendments adopted by the AICPA and NASBA, which became effective, January 2012, RCC staff brought forth proposed changes to the CBA's CE regulations to further align the regulations with the new national standards. Also, RCC staff recommended some additional changes that would improve overall clarity to the CE regulations. Members adopted staff's recommendations (with only a slight modification) at its May 2012 meeting.

CALIFORNIA PRACTICE PRIVILEGE

Qualified out-of-state CPAs may practice public accountancy in California without obtaining a California CPA license as long as the out-of-state CPA's principal place of business is not in California. These CPAs are required to notify the CBA that they intend to practice public accountancy in California by submitting a notification form requesting a California Practice Privilege and paying the required fee. The notification form is available for submission on-line or via hardcopy.

Practice rights under a California Practice Privilege are automatic upon submission of the notification form unless specific disqualifying conditions exist that require prior CBA approval. Since disqualifying conditions are self-reported, the CBA performs monthly audits of California Practice Privilege holders' qualifications and license status to ensure effective consumer protection. To date staff has issued 23 Administrative Suspension Orders to California Practice Privilege holders not qualified to practice under the Practice Privilege Program.

	FY 2010-11	FY 2011-12
Practice Privilege Notification Forms Received	2,594	2,576
Disqualifying Conditions Received	37	36

QUALIFICATIONS COMMITTEE

ILU staff act as liaisons to the Qualifications Committee (QC). The QC reviews selected applicants' audit work papers for sufficient experience for licensure as a CPA. During FY 2011-12, there were 37 appearances before the QC, resulting in 26 applicants approved for licensure and 11 applicants deferred for additional experience.

In addition to conducting interviews of applicants, the QC continued discussions on peer training. Implementation of peer training guidelines will establish common practices and interview techniques amongst QC members. It is anticipated that the QC will be drawing conclusion regarding the topic of peer training at the end of 2012. Staff will compile best practices identified from its discussions into the QC Manual for final review and approval. Once approved, the QC manual will be disseminated to members.

ETHICS CURRICULUM COMMITTEE

The CBA Advisory Committee on Accounting Ethics Curriculum, more commonly referred to as the Ethics Curriculum Committee or ECC, was a temporary 11-member, legislatively-established committee tasked with providing the CBA with guidelines on the 10 semester units of ethics study required for licensure beginning January 1, 2014. A RCC staff member acted as the staff member liaison for the ECC. The ECC held its final meeting August 16, 2011.

Although the ECC had presented the CBA with its final recommendations on the 10 semester units of ethics study at the July 2011 meeting, the CBA requested that the ECC give consideration to removing the requirement that applicants for licensure complete a three semester/four quarter unit course in accounting ethics/accountants' professional responsibilities at an upper division level or higher. This request stemmed from legal counsel's opinion that such a requirement would conflict with the present Accountancy Act. At the final meeting, the ECC voted to remove this requirement.

NEW EDUCATIONAL REQUIREMENTS

Beginning January 1, 2014, the educational requirements for CPA licensure will change dramatically. The CBA will fully transition to the 150 semester unit pathway for licensure, while also expanding the prescribed semester units for licensure from 48 to 78. These changes were a result of legislation passed in 2009 (SB 819, Chapter 308) and 2011 (SB 773, Chapter 344).

At the end of FY 2010-11, the two committees responsible for developing guidelines for the new educational units provided their respective reports to the CBA. For the 20 semester units of accounting study, the CBA initiated the rulemaking process to establish the guidelines via regulation, while for the 10 semester units of ethics study, the California Society of CPAs (CalCPA) sponsored legislation (SB 773) to codify the guidelines in the Accountancy Act.

With a fuller picture of what the requirements for licensure will be beginning January 1, 2014, the Licensing Division began performing an abundant amount of outreach to effected stakeholder groups – including, but not limited to, students; faculty; and various accounting organizations. Some of the outreach undertaken by the Licensing Division included:

- Holding two Facebook events
- Drafting numerous UPDATE articles
- Conducting two Open Houses (in conjunction with the January and March 2012 CBA meetings)
- Participating in a live webinar event at Santa Clara University hosted by the CalCPA
- Posting updated information to the CBA website, including revised frequently asked questions and tip sheet and an archived version of the live webinar

To further explore options for outreach and facilitate a smooth transition to the new educational requirements, an internal taskforce was established comprised of Examination and Initial Licensing staff. This taskforce, which held its kickoff meeting in June 2012, will develop a project plan and outline designed to further the CBA's outreach efforts, develop best practices for implementation, and develop and coordinate training activities for Licensing Division staff.

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CBA Item IV.D.
September 20-21, 2012

Report on Customer Satisfaction with CBA Services

Presented by: Deanne Pearce, Assistant Executive Officer

Date: September 6, 2012

Purpose of the Item

The purpose of this agenda item is to keep CBA members informed of communications from customers regarding their satisfaction with CBA services.

Action(s) Needed

No specific action is required on this agenda item.

Background

In response to CBA members' requests, information is being provided regarding responses received via the customer service surveys and other communications from customers regarding their satisfaction with CBA services.

Comments

Understanding the importance of providing excellent customer service, CBA members established goal two of the CBA's 2010-2012 Strategic Plan to focus on delivering the highest level of customer service. To achieve this goal, four objectives were identified, including:

- Objective 2.1: Respond to all inquiries within a reasonable time frame
- Objective 2.2: Maintain a secure and relevant website that provides enhanced and interactive features
- Objective 2.3: Explore the use of technology to enhance customer service
- Objective 2.4: Continue enhancing customer service through use of survey tools.

As previously reported to CBA members during discussions on the Strategic Plan, all of the objectives above have been achieved. Provided below are some examples of accomplishments as a result of the objectives:

- CBA Staff responds to emails within two days
- CBA Staff answer all calls live, whenever possible
- Licensees can report peer review information on-line via the CBA website

Report on Customer Satisfaction with CBA Services

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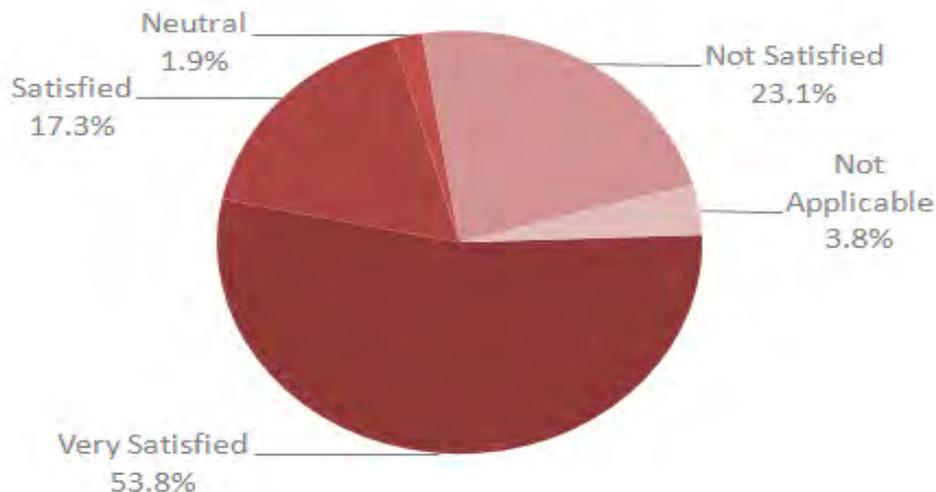
- Developed and deployed CBA Employee and customer satisfaction surveys.
- Developed internal CBA staff recognition programs for employees who provide excellent customer service

The CBA Customer Satisfaction Survey encompasses the areas of Enforcement and Licensing, and first asks respondents to select their customer type: Consumer, California licensed CPA/PA, Applicant for Practice Privilege, CPA exam applicant, Applicant for CPA licensure. Second, respondents are asked which unit they contacted: Renewal, Practice Privilege, Enforcement, Exam, Initial Licensing and Unknown. Respondents are then asked the following questions:

- *Overall, did the service you receive from the CBA meet your expectations?*
- *How satisfied were you with the service received from CBA staff?*
- *Were you satisfied with how quickly CBA staff responded to your inquiry?*
- *When contacting the CBA by telephone, were you satisfied with staff's ability to answer your question(s)?*
- *When contacting the CBA by email, were you satisfied with staff's ability to answer your question(s)?*
- *Are you satisfied with how information is organized and presented on the CBA website?*

The use of surveys (objective 2.4) has provided CBA Management significant feedback to monitor the level of customer service provided by CBA staff. It has also allowed customers the opportunity to provide feedback on proposed law changes, services they would like to receive by the CBA (for example, the option to use credit cards), and it allows for them to provide general comments about their interaction with the CBA. Excerpts of these comments are provided in **Attachment 1**.

Provided below are statistics from the survey identifying the satisfaction of services received by CBA staff, covering the time period of March 1, 2012 through June 30, 2012.



Report on Customer Satisfaction with CBA Services

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Another tool used by the CBA to monitor customer satisfaction with the CBA's service is receiving feedback from the Department of Consumer Affairs (DCA) Consumer Satisfaction Survey.

The DCA Consumer Satisfaction Survey is focused solely on enforcement, and the experiences of consumers in relation to the handling of their complaints. The survey, which is available on DCA's website, asks the following questions:

- *How did you contact our Board/Bureau?*
- *How satisfied were you with our response to your initial correspondence?*
- *How satisfied were you with the time it took to respond to your initial correspondence?*
- *Would you recommend us to a friend or family member experiencing a similar situation?*

DCA provides feedback to the CBA regarding survey responses on a quarterly basis. Because of the very limited responses to its survey, and confidential case information contained in most comments, the DCA is presently providing survey results to Boards and Bureaus for internal use only.

In addition to the surveys, another way the CBA receives feedback regarding satisfaction with CBA staff and services is through unsolicited comments. The CBA receives approximately 10-15 comments per month via mail and email acknowledging CBA staff for their assistance. These comments are posted outside the CBA Executive Officer's office for all staff to view. The EO recognizes a staff member six times per year at the "All Staff" Meetings for their excellent customer service skills.

Because of the value survey responses provide, staff have explored a variety of avenues to solicit feedback. Readers of UPDATE are encouraged both to fill out the Customer Satisfaction Survey online, as well as contact the CBA with their comments and suggestions. Online, the Customer Satisfaction Survey is prominently displayed near the top of the "Quick Hits" menu on the left of the CBA home page. Most outgoing email from staff includes the tagline, "We want to hear from you. Please take a moment to fill out our Customer Satisfaction Survey at <https://www.cba.ca.gov/forms/survey>."

All feedback received is viewed as both instructive and constructive, and managers review responses and survey results with their staff. Managers may provide additional staff training to improve the level of service and knowledgeable assistance we offer customers. Staff follows up with those who leave contact information to discuss their concerns and provide additional information or resources when possible.

Staff will continue to keep Members apprised of the information received regarding customer satisfaction with CBA services via future reports.

Report on Customer Satisfaction with CBA Services
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Fiscal/Economic Impact Considerations

None.

Recommendation

Staff has no recommendation on this item.

Attachment

Excerpts of Comments Received via the CBA Customer Satisfaction Survey.



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CBA Item IV.E.
September 20-21, 2012

Update on Bills on Which the CBA Has Taken a Position (AB 1345, AB 1409, AB 1588, AB 1904, AB 2570, SB 103, SB 1099, SB 1327, SB 1405 and SB 1576) and Report on Newly Amended Bills Identified During the Final Week of Session (AB 1489, SB 71, and SB 1025)

Presented by: Matthew Stanley, Regulation Analyst
Date: August 24, 2012

Purpose of the Item

The purpose of this agenda item is to present the status of legislation being followed by the California Board of Accountancy (CBA).

Action(s) Needed

No action is needed unless the CBA wishes to change a position or discontinue following a bill.

Background

The CBA has taken various positions on several pieces of legislation (**Attachment 1**) throughout the 2011-2012 legislative cycle. August 31, 2012 represents the end of the legislative cycle. Any bills not passed by that time fail passage. The remaining bills are left to be signed or vetoed by the Governor.

Of the bills being followed by the CBA, staff recommends maintaining the current position on the following bills which have not been amended, only been amended with minor or technical amendments, or amended as requested by the CBA: AB 1409, AB 1904, AB 2570, SB 103, SB 1099, SB 1327, and SB 1576.

Comments

AB 1345 – Local government: audits
CBA Position: Support if Amended

As of the date of this item being written, AB 1345, regarding mandatory audit partner rotation, was on the Governor's desk. Following the July meeting, staff prepared a letter restating the CBA's Support if Amended position, and hand delivered it to every Senator's office, staff also spoke with many Senate staffers during the delivery process regarding the bill. Despite these efforts, it was not amended following the CBA's July meeting. As soon as it passed the Legislature, a letter was sent to the Governor explaining why the CBA could not support AB 1345. If the bill has not been signed or vetoed by the date of the

Update on Bills of Which the CBA Has Taken a Position

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CBA meeting, the CBA may consider changing its position on the bill or it may take no action and retain its current position.

AB 1489 (Attachment 2) and SB 71 – State Boards and Commissions

CBA Position: None taken

While these bills were not being followed by the CBA, they were amended during the last days of session to include a provision relevant to the CBA. The purpose of both bills is to eliminate extraneous committees from state government. One of the provisions eliminates the CBA's Ethics Curriculum Committee (ECC) which has already completed its work. The ECC was due to sunset on January 1, 2014 regardless of these bills. Staff are providing this as information only and are not recommending that a position be taken on these bills. SB 71 is several hundred pages long, but it contains the same provisions regarding the ECC as AB 1489.

AB 1588 – Reservist Licensees (Attachment 3)

CBA Position: Support

What It Did

This bill would require all boards to waive renewal fees, continuing education (CE), other renewal requirements for active duty California National Guard and military reservists. The licensee must have a current and valid license at the time they are called to active duty, and satisfactory evidence of active duty service must be provided. The waiver only applies to the period of active duty service. The licensee is not allowed to practice while the waiver is in effect.

Amendments

The amendments will include all active duty service military and not just reservists. They also allow for the licensee to perform the functions for which they are licensed while on active duty, but prohibits private practice. The licensee must notify the board of their discharge within 60 days and complete renewal requirements within six months. Finally, the amendments exempt any board that has a similar license renewal waiver process statutorily authorized for that board.

Should AB 1588 and SB 1405 both become law, this final amendment would mean that the CBA would be exempt from the provisions of AB 1588.

Recommendation

Staff recommend that the CBA maintain its Support position.

SB 1025 – State Regulations: review (Attachment 4)

CBA Position: None taken

While this bill was not being followed by the CBA, it was amended during the last days of session to be relevant to the CBA. SB 1025 requires all regulatory entities to review their regulations and repeal, or bring to the attention of the

Update on Bills of Which the CBA Has Taken a Position

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Legislature for repeal, any that are duplicative, archaic, or inconsistent with statute or other regulations.

The CBA performed such a review early in 2012 and repealed three sections that were out of date and amended several other sections to bring them up to date. These changes took effect in February 2012. As this bill will not cause any additional regulatory workload or changes, staff recommend that no position be taken on this bill.

SB 1405 – Military Inactive Status and Practice Privilege (Attachment 5)

CBA Position: Support

What It Did

SB 1405 would do two things. First, it would create a military inactive status to exempt licensees from renewal requirements who are on active duty military service. Second, it revises the practice privilege laws to create a no notice, no fee form of practice privilege.

Amendments

The amendments that were previously discussed at the CBA's July meeting were all adopted as well as other amendments that improved the bill. These include the following:

- Emergency rulemaking authority,
- Additional actions taken by another board of accountancy that would necessitate that a practice privilege holder cease practice in California,
- The term "disqualifying conditions" was clarified, and
- The CBA review of other states websites was changed to a biennial basis.

Recommendation

Staff recommend that the CBA maintain its Support position.

Fiscal/Economic Impact Considerations

The Fiscal/Economic Impact is analyzed when each bill is originally presented. Any changes to the original statement would be noted in the above analysis.

Recommendation

Staff recommendations were noted in the above analysis.

Attachments

- 1 – Legislative Tracking List
- 2 – AB 1489 – State Boards and Commissions (relevant portion)
- 3 – AB 1588 – Reservist Licensees
- 4 – SB 1025 – State Regulations: review
- 5 – SB 1405 – Military Inactive Status and Practice Privilege

AMENDED IN ASSEMBLY AUGUST 23, 2012

AMENDED IN ASSEMBLY AUGUST 20, 2012

AMENDED IN ASSEMBLY JUNE 19, 2012

AMENDED IN SENATE APRIL 10, 2012

SENATE BILL

No. 1405

Introduced by Senator De León

February 24, 2012

An act to amend Sections 5070, 5092, and 5096.9 of, to amend, repeal, and add Sections 5072, 5096, 5096.1, 5096.2, 5096.3 5096.4, 5096.5, 5096.6, 5096.7, 5096.10, 5096.12, 5096.13, 5096.14, and 5096.15 of, to add Sections 5058.4 and 5070.2 to, and to add and repeal Sections 5096.20 and 5096.21 of, the Business and Professions Code, relating to accountancy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1405, as amended, De León. Accountancy: military service: practice privilege.

Existing law provides for the licensure and regulation of the practice of accountancy by the California Board of Accountancy within the Department of Consumer Affairs. The department is under the control of the Director of Consumer Affairs.

(1) Existing law provides for the regulation of various professions and vocations by boards within the Department of Consumer Affairs and for the licensure of individuals in that regard. Existing law authorizes any licensee whose license expired while he or she was on active duty as a member of the California National Guard or the United States Armed Forces to reinstate his or her license without examination or penalty if certain requirements are met. A permit issued to a certified

public accountant or a public accountant is subject to a biennial renewal fee. Existing law also imposes certain continuing education and peer review requirements on persons licensed by the board. Existing law makes violation of certain provisions governing accountants a crime.

This bill, beginning January 1, 2014, would authorize a certified public accountant or a public accountant to apply to the board to have his or her permit placed in a military inactive status while he or she is engaged in active duty as a member of the California National Guard or the United States Armed Forces, and would exempt a person granted that status from paying the biennial renewal fee or participating in continuing education and peer review activities. The bill would prohibit a person in military exempt status from engaging in the practice of public accountancy and would impose various other requirements. The bill would thereby change the definition of a crime and impose a state-mandated local program. The bill would require a person in military exempt status to pay the biennial renewal fee and to meet continuing education and peer review requirements within a specified period after his or her discharge from active duty.

(2) Existing law authorizes an individual whose principal place of business is not in this state, and who has a valid and current license, certificate, or permit, to practice public accountancy from another state, and to engage in the practice of public accountancy in this state under a practice privilege if a condition is satisfied. Under existing law, if such a condition is met, the individual, in order to obtain a practice privilege, is required to, among other things, provide notice to the board by submitting a notification form and pay fees, as specified. Existing law provides that an individual with a practice privilege is subject to the personal and subject matter jurisdiction and disciplinary authority of the board and the state courts and is required to comply with the accountancy provisions applicable to licensees. Under existing law, except as otherwise specified, a practice privilege expires one year from the date of the notice to the board. Existing law authorizes the board to deny practice privileges using specified procedures. Existing law prohibits an individual with a practice privilege from signing an attest report unless he or she meets specified experience requirements and completes any continuing education or other conditions as required by the board. Existing law makes these provisions operative only if there is a specified appropriation in the annual Budget Act to fund the practice privilege provisions.

This bill would, commencing July 1, 2013, and until January 1, 2019, eliminate the notification form and fee requirements and would instead authorize an individual otherwise meeting a condition for a practice privilege to perform certain audit and financial statement review services only through a firm of certified public accountants that is required to be registered with the board. The bill would require the individual to cease practicing for a specified period of time under the practice privilege in this state if the regulatory agency in the state where the individual is licensed, among other things, suspends or revokes the license or takes specified disciplinary action against the individual or the individual is convicted of a crime involving dishonesty. The bill would require an individual who is required to cease practice to notify the board and cease practice and would make an individual who violates these requirements subject to specified discipline by the board. The bill would require an individual, within a specified time period before he or she wishes to practice in this state to notify the board and shall not practice until the board provides the person with written permission to do so if certain circumstances apply. The bill would eliminate the expiration on a practice privilege and would also eliminate the board's authority to deny a practice privilege, except as specified, and would authorize the board to instead revoke such a privilege. If the board revokes a practice privilege, the bill would require the board to notify the regulatory agency of the state where the individual is licensed and certain federal regulatory agencies. With respect to the signing of attestation reports, the bill would eliminate the continuing education or other conditions requirements required by the board. The bill would also delete that provision making these provisions contingent on a specified appropriation in the annual Budget Act.

The bill require the board to adopt emergency regulations to implement these provisions.

The bill would require the board, prior to July 1, 2013, to add specified content to its Internet Web site in order to allow consumers to obtain license information about individuals with a practice privilege.

Commencing January 1, 2016, the bill would authorize the board to make a determination based on specified factors about whether allowing individuals from a particular state to practice pursuant to a practice privilege violates the board's duty to protect the public. If the board were to make such a determination, the bill would require the board to require those individuals, except as specified, to file the notification form and pay specified fees. The bill would require the board to report

to the relevant policy committees of the Legislature and the director preliminary determinations made pursuant to these provisions no later than July 1, 2015.

The bill would, by January 1, 2018, require the board to prepare a report to be provided to the relevant policy committees of the Legislature and the director detailing, among other things, how the board has implemented these practice privilege provisions.

The bill would, by July 1, 2014, require the board to convene a specified stakeholder group to consider whether the penalties imposed pursuant to the practice privilege provisions are sufficient to deter violations.

The bill would make other related conforming changes.

Existing law prohibits a person from engaging in the practice of accountancy as a partnership unless the partnership is registered with the board. Existing law requires a partnership to meet certain requirements in order to be registered, including, that *each partner be personally engaged within this state in the practice of accountancy and that* at least one general partner holds a specified permit or is an applicant for a specified certificate.

This bill would, *instead, require that each partner be engaged in this state in the practice of accountancy and would* additionally authorize a partnership registered to provide certain services, as described above, to meet those requirements.

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 5058.4 is added to the Business and
- 2 Professions Code, to read:
- 3 5058.4. The holder of a permit in a military inactive status
- 4 issued by the board pursuant to Section 5070.2, when lawfully
- 5 using the title “certified public accountant,” the CPA designation,
- 6 or any other reference that would suggest that the person is licensed
- 7 by the board, on materials such as correspondence, Internet Web

1 sites, business cards, nameplates, or name plaques, shall place the
2 term “military inactive” immediately after that title, designation,
3 or reference.

4 SEC. 2. Section 5070 of the Business and Professions Code is
5 amended to read:

6 5070. Permits to engage in the practice of public accountancy
7 in this state shall be issued by the board only to holders of the
8 certificate of certified public accountant issued under this chapter
9 and to those partnerships, corporations, and other persons who,
10 upon application approved by the board, are registered with the
11 board under this chapter. Notwithstanding any other provision of
12 law, the board may register an entity organized and authorized to
13 practice public accountancy under the laws of another state for the
14 purpose of allowing that entity to satisfy the registration
15 requirement set forth in Section 5096.12, provided that (1) the
16 certified public accountants providing services in California qualify
17 for the practice privilege, and (2) the entity satisfies all other
18 requirements to register in this state, other than its form of legal
19 organization.

20 All applicants for registration shall furnish satisfactory evidence
21 that the applicant is entitled to registration and shall pay the fee
22 as provided in Article 8 (commencing with Section 5130). Every
23 partnership, corporation, and other person to whom a permit is
24 issued after December 31, 1962, shall, in addition to any other fee
25 which may be payable, pay the initial permit fee provided in Article
26 8 (commencing with Section 5130).

27 Each partnership, corporation, and other person issued a permit
28 by the board to practice as a certified public accountant or as a
29 public accountant shall be furnished with a suitable certificate
30 evidencing that registration.

31 SEC. 3. Section 5070.2 is added to the Business and Professions
32 Code, to read:

33 5070.2. (a) (1) Beginning January 1, 2014, a holder of a permit
34 may apply to have his or her permit placed in a military inactive
35 status if the holder of a permit is engaged in, and provides sufficient
36 evidence of, active duty as a member of the California National
37 Guard or the United States Armed Forces.

38 (2) The board shall deny an applicant’s application for a military
39 inactive status permit if the permit issued pursuant to Section 5070
40 is canceled or if it is suspended, revoked, or otherwise punitively

1 restricted by the board or subject to disciplinary action under this
2 chapter.

3 (b) No holder of a permit in a military inactive status shall
4 engage in any activity for which a permit is required.

5 (c) The holder of a permit in a military inactive status shall be
6 exempt from all of the following:

7 (1) Payment of the biennial renewal fee described in subdivision
8 (f) of Section 5134.

9 (2) The continuing education requirements of Section 5027.

10 (3) The peer review requirements of Section 5076.

11 (d) In order to convert a permit status from military inactive
12 status prior to discharge from active duty as a member of the
13 California National Guard or the United States Armed Forces, the
14 holder of a permit in a military inactive status shall comply with
15 all of the following requirements:

16 (1) Pay the current biennial renewal fee described in subdivision
17 (f) of Section 5134.

18 (2) Meet continuing education requirements as prescribed by
19 the board.

20 (3) Meet the peer review requirements as prescribed by the
21 board.

22 (e) The holder of a permit in a military inactive status shall,
23 within one year from his or her discharge from active duty as a
24 member of the California National Guard or the United States
25 Armed Forces, comply with all of the following requirements:

26 (1) Provide evidence to the board of the discharge date.

27 (2) Pay the current biennial renewal fee described in subdivision
28 (f) of Section 5134.

29 (3) Meet continuing education requirements as prescribed by
30 the board.

31 (4) Meet the peer review requirements as prescribed by the
32 board.

33 (f) The board may adopt regulations as necessary to administer
34 this section.

35 SEC. 4. Section 5072 of the Business and Professions Code is
36 amended to read:

37 5072. (a) No persons shall engage in the practice of
38 accountancy as a partnership unless the partnership is registered
39 by the board.

1 (b) A partnership, other than a limited partnership, may be
2 registered by the board to engage in the practice of public
3 accountancy provided it meets the following requirements:

4 (1) At least one general partner shall hold a valid permit to
5 practice as a certified public accountant, public accountant, or
6 accountancy corporation, or shall be an applicant for a certificate
7 as a certified public accountant under Sections 5087 and 5088.

8 (2) Each partner ~~personally~~ engaged within this state in the
9 practice of public accountancy as defined by Section 5051 shall
10 hold a valid permit to practice in this state or shall have applied
11 for a certificate as a certified public accountant under Sections
12 5087 and 5088.

13 (3) Each partner not ~~personally~~ engaged in the practice of public
14 accountancy within this state shall be a certified public accountant
15 in good standing of some state, except as permitted by Section
16 5079.

17 (4) Each resident manager in charge of an office of the firm in
18 this state shall be a licensee in good standing of this state, or shall
19 have applied for a certificate as a certified public accountant under
20 Sections 5087 and 5088.

21 (c) This section shall become inoperative on July 1, 2013, and,
22 as of January 1, 2014, is repealed, unless a later enacted statute,
23 that becomes operative on or before January 1, 2014, deletes or
24 extends the dates on which it becomes inoperative and is repealed.

25 SEC. 5. Section 5072 is added to the Business and Professions
26 Code, to read:

27 5072. (a) No persons shall engage in the practice of
28 accountancy as a partnership unless the partnership is registered
29 by the board.

30 (b) A partnership, other than a limited partnership, may be
31 registered by the board to engage in the practice of public
32 accountancy provided it meets the following requirements:

33 (1) At least one general partner shall hold a valid permit to
34 practice as a certified public accountant, public accountant, or
35 accountancy corporation, or shall be an applicant for a certificate
36 as a certified public accountant under Sections 5087 and 5088, or
37 the partnership shall be registered pursuant to subdivision (c) of
38 Section 5096.12.

39 (2) Each partner ~~personally~~ engaged within this state in the
40 practice of public accountancy as defined by Section 5051 shall

1 hold a valid permit to practice in this state or shall have applied
2 for a certificate as a certified public accountant under Sections
3 5087 and 5088, except for a partner with practice privileges
4 pursuant to Section 5096.

5 (3) Each partner not ~~personally~~ engaged in the practice of public
6 accountancy within this state shall be a certified public accountant
7 in good standing of some state, except as permitted by Section
8 5079.

9 (4) Each resident manager in charge of an office of the firm in
10 this state shall be a licensee in good standing of this state, or shall
11 have applied for a certificate as a certified public accountant under
12 Sections 5087 and 5088.

13 (c) This section shall become operative on July 1, 2013.

14 (d) This section shall remain in effect only until January 1, 2019,
15 and as of that date is repealed, unless a later enacted statute, that
16 is enacted before January 1, 2019, deletes or extends that date.

17 SEC. 6. Section 5072 is added to the Business and Professions
18 Code, to read:

19 5072. (a) No persons shall engage in the practice of
20 accountancy as a partnership unless the partnership is registered
21 by the board.

22 (b) A partnership, other than a limited partnership, may be
23 registered by the board to engage in the practice of public
24 accountancy provided it meets the following requirements:

25 (1) At least one general partner shall hold a valid permit to
26 practice as a certified public accountant, public accountant, or
27 accountancy corporation, or shall be an applicant for a certificate
28 as a certified public accountant under Sections 5087 and 5088.

29 (2) Each partner ~~personally~~ engaged within this state in the
30 practice of public accountancy as defined by Section 5051 shall
31 hold a valid permit to practice in this state or shall have applied
32 for a certificate as a certified public accountant under Sections
33 5087 and 5088.

34 (3) Each partner not ~~personally~~ engaged in the practice of public
35 accountancy within this state shall be a certified public accountant
36 in good standing of some state, except as permitted by Section
37 5079.

38 (4) Each resident manager in charge of an office of the firm in
39 this state shall be a licensee in good standing of this state, or shall

1 have applied for a certificate as a certified public accountant under
2 Sections 5087 and 5088.

3 (c) This section shall become operative on January 1, 2019.

4 SEC. 7. Section 5092 of the Business and Professions Code is
5 amended to read:

6 5092. (a) To qualify for the certified public accountant license,
7 an applicant who is applying under this section shall meet the
8 education, examination, and experience requirements specified in
9 subdivisions (b), (c), and (d), or otherwise prescribed pursuant to
10 this article. The board may adopt regulations as necessary to
11 implement this section.

12 (b) An applicant for the certified public accountant license shall
13 present satisfactory evidence that the applicant has completed a
14 baccalaureate or higher degree conferred by a college or university,
15 meeting, at a minimum, the standards described in Section 5094,
16 the total educational program to include a minimum of 24 semester
17 units in accounting subjects and 24 semester units in business
18 related subjects. This evidence shall be provided prior to admission
19 to the examination for the certified public accountant license,
20 except that an applicant who applied, qualified, and sat for at least
21 two subjects of the examination for the certified public accountant
22 license before May 15, 2002, may provide this evidence at the
23 time of application for licensure.

24 (c) An applicant for the certified public accountant license shall
25 pass an examination prescribed by the board pursuant to this article.

26 (d) The applicant shall show, to the satisfaction of the board,
27 that the applicant has had two years of qualifying experience. This
28 experience may include providing any type of service or advice
29 involving the use of accounting, attest, compilation, management
30 advisory, financial advisory, tax, or consulting skills. To be
31 qualifying under this section, experience shall have been performed
32 in accordance with applicable professional standards. Experience
33 in public accounting shall be completed under the supervision or
34 in the employ of a person licensed or otherwise having comparable
35 authority under the laws of any state or country to engage in the
36 practice of public accountancy. Experience in private or
37 governmental accounting or auditing shall be completed under the
38 supervision of an individual licensed by a state to engage in the
39 practice of public accountancy.

1 (e) This section shall become inoperative on January 1, 2014,
2 but shall become or remain operative if the educational
3 requirements in ethics study and accounting study established by
4 subdivision (b) of Section 5094, Section 5094.5, and Section
5 5094.6 are reduced or eliminated.

6 SEC. 8. Section 5096 of the Business and Professions Code is
7 amended to read:

8 5096. (a) An individual whose principal place of business is
9 not in this state and who has a valid and current license, certificate,
10 or permit to practice public accountancy from another state may,
11 subject to the conditions and limitations in this article, engage in
12 the practice of public accountancy in this state under a practice
13 privilege without obtaining a certificate or license under this
14 chapter if the individual satisfies one of the following:

15 (1) The individual has continually practiced public accountancy
16 as a certified public accountant under a valid license issued by any
17 state for at least four of the last ten years.

18 (2) The individual has a license, certificate, or permit from a
19 state which has been determined by the board to have education,
20 examination, and experience qualifications for licensure
21 substantially equivalent to this state's qualifications under Section
22 5093.

23 (3) The individual possesses education, examination, and
24 experience qualifications for licensure which have been determined
25 by the board to be substantially equivalent to this state's
26 qualifications under Section 5093.

27 (b) The board may designate states as substantially equivalent
28 under paragraph (2) of subdivision (a) and may accept individual
29 qualification evaluations or appraisals conducted by designated
30 entities, as satisfying the requirements of paragraph (3) of
31 subdivision (a).

32 (c) To obtain a practice privilege under this section, an
33 individual who meets the requirements of subdivision (a), shall do
34 the following:

35 (1) In the manner prescribed by board regulation, notify the
36 board of the individual's intent to practice.

37 (2) Pay a fee as provided in Article 8 (commencing with Section
38 5130).

39 (d) Except as otherwise provided by this article or by board
40 regulation, the practice privilege commences when the individual

1 notifies the board, provided the fee is received by the board within
2 30 days of that date. The board shall permit the notification to be
3 provided electronically.

4 (e) An individual who holds a practice privilege under this
5 article:

6 (1) Is subject to the personal and subject matter jurisdiction and
7 disciplinary authority of the board and the courts of this state.

8 (2) Shall comply with the provisions of this chapter, board
9 regulations, and other laws, regulations, and professional standards
10 applicable to the practice of public accountancy by the licensees
11 of this state and to any other laws and regulations applicable to
12 individuals practicing under practice privileges in this state except
13 the individual is deemed, solely for the purpose of this article, to
14 have met the continuing education requirements and ethics
15 examination requirements of this state when such individual has
16 met the examination and continuing education requirements of the
17 state in which the individual holds the valid license, certificate, or
18 permit on which the substantial equivalency is based.

19 (3) Shall not provide public accountancy services in this state
20 from any office located in this state, except as an employee of a
21 firm registered in this state. This paragraph does not apply to public
22 accountancy services provided to a client at the client's place of
23 business or residence.

24 (4) Is deemed to have appointed the regulatory agency of the
25 state that issued the individual's certificate, license, or permit upon
26 which substantial equivalency is based as the individual's agent
27 on whom notices, subpoenas, or other process may be served in
28 any action or proceeding by the board against the individual.

29 (5) Shall cooperate with any board investigation or inquiry and
30 shall timely respond to a board investigation, inquiry, request,
31 notice, demand, or subpoena for information or documents and
32 timely provide to the board the identified information and
33 documents.

34 (f) A practice privilege expires one year from the date of the
35 notice, unless a shorter period is set by board regulation.

36 (g) (1) No individual may practice under a practice privilege
37 without prior approval of the board if the individual has, or acquires
38 at any time during the term of the practice privilege, any
39 disqualifying condition under paragraph (2) of this subdivision.

40 (2) Disqualifying conditions include:

1 (A) Conviction of any crime other than a minor traffic violation.

2 (B) Revocation, suspension, denial, surrender, or other discipline
3 or sanctions involving any license, permit, registration, certificate,
4 or other authority to practice any profession in this or any other
5 state or foreign country or to practice before any state, federal, or
6 local court or agency, or the Public Company Accounting Oversight
7 Board.

8 (C) Pendency of any investigation, inquiry, or proceeding by
9 or before any state, federal or local court or agency, including, but
10 not limited to, the Public Company Accounting Oversight Board,
11 involving the professional conduct of the individual.

12 (D) Any judgment or arbitration award against the individual
13 involving the professional conduct of the individual in the amount
14 of thirty thousand dollars (\$30,000) or greater.

15 (E) Any other conditions as specified by the board in regulation.

16 (3) The board may adopt regulations exempting specified minor
17 occurrences of the conditions listed in subparagraph (B) of
18 paragraph (2) from being disqualifying conditions under this
19 subdivision.

20 (h) This section shall become inoperative on July 1, 2013, and,
21 as of January 1, 2014, is repealed, unless a later enacted statute,
22 that becomes operative on or before January 1, 2014, deletes or
23 extends the dates on which it becomes inoperative and is repealed.

24 SEC. 9. Section 5096 is added to the Business and Professions
25 Code, to read:

26 5096. (a) An individual whose principal place of business is
27 not in this state and who has a valid and current license, certificate,
28 or permit to practice public accountancy from another state may,
29 subject to the conditions and limitations in this article, engage in
30 the practice of public accountancy in this state under a practice
31 privilege without obtaining a certificate or license under this
32 chapter if the individual satisfies one of the following:

33 (1) The individual has continually practiced public accountancy
34 as a certified public accountant under a valid license issued by any
35 state for at least four of the last 10 years.

36 (2) The individual has a license, certificate, or permit from a
37 state which has been determined by the board to have education,
38 examination, and experience qualifications for licensure
39 substantially equivalent to this state’s qualifications under Section
40 5093.

1 (3) The individual possesses education, examination, and
2 experience qualifications for licensure which have been determined
3 by the board to be substantially equivalent to this state's
4 qualifications under Section 5093.

5 (b) The board may designate states as substantially equivalent
6 under paragraph (2) of subdivision (a) and may accept individual
7 qualification evaluations or appraisals conducted by designated
8 entities, as satisfying the requirements of paragraph (3) of
9 subdivision (a).

10 (c) An individual who qualifies for the practice privilege under
11 this section may engage in the practice of public accountancy in
12 this state, and no notice, fee, or other requirement shall be imposed
13 on that individual by the board.

14 (d) An individual who qualifies for the practice privilege under
15 this section may perform the following services only through a
16 firm of certified public accountants that has obtained a registration
17 from the board pursuant to Section 5096.12:

18 (1) An audit or review of a financial statement for an entity
19 headquartered in California.

20 (2) A compilation of a financial statement when that person
21 expects, or reasonably might expect, that a third party will use the
22 financial statement and the compilation report does not disclose a
23 lack of independence for an entity headquartered in California.

24 (3) An examination of prospective financial information for an
25 entity headquartered in California.

26 (e) An individual who holds a practice privilege under this
27 article:

28 (1) Is subject to the personal and subject matter jurisdiction and
29 disciplinary authority of the board and the courts of this state.

30 (2) Shall comply with the provisions of this chapter, board
31 regulations, and other laws, regulations, and professional standards
32 applicable to the practice of public accountancy by the licensees
33 of this state and to any other laws and regulations applicable to
34 individuals practicing under practice privileges in this state except
35 the individual is deemed, solely for the purpose of this article, to
36 have met the continuing education requirements and ethics
37 examination requirements of this state when the individual has
38 met the examination and continuing education requirements of the
39 state in which the individual holds the valid license, certificate, or
40 permit on which the substantial equivalency is based.

1 (3) Shall not provide public accountancy services in this state
2 from any office located in this state, except as an employee of a
3 firm registered in this state. This paragraph does not apply to public
4 accountancy services provided to a client at the client's place of
5 business or residence.

6 (4) Is deemed to have appointed the regulatory agency of the
7 state that issued the individual's certificate, license, or permit upon
8 which substantial equivalency is based as the individual's agent
9 on whom notices, subpoenas, or other process may be served in
10 any action or proceeding by the board against the individual.

11 (5) Shall cooperate with any board investigation or inquiry and
12 shall timely respond to a board investigation, inquiry, request,
13 notice, demand, or subpoena for information or documents and
14 timely provide to the board the identified information and
15 documents.

16 (6) Shall cease exercising the practice privilege in this state if
17 the regulatory agency in the state in which the individual's
18 certificate, license, or permit was issued takes disciplinary action
19 resulting in the suspension or revocation, including stayed
20 suspension, stayed revocation, or probation of the individual's
21 certificate, license, or permit, or takes other disciplinary action
22 against the individual's certificate, license, or permit that arises
23 from any of the following:

24 (A) Gross negligence, recklessness, or intentional wrongdoing
25 relating to the practice of public accountancy.

26 (B) Fraud or misappropriation of funds.

27 (C) Preparation, publication, or dissemination of false,
28 fraudulent, or materially incomplete or misleading financial
29 statements, reports, or information.

30 (7) Shall cease exercising the practice privilege in this state if
31 convicted in any jurisdiction of any crime involving dishonesty,
32 including, but not limited to, embezzlement, theft, misappropriation
33 of funds or property, or obtaining money, property, or other
34 valuable consideration by fraudulent means or false pretenses.

35 (8) Shall cease exercising the practice privilege if the United
36 States Securities and Exchange Commission or the Public Company
37 Accounting Oversight Board bars the individual from practicing
38 before them.

1 (9) Shall cease exercising the practice privilege if any
2 governmental body or agency suspends the right of the individual
3 to practice before the body or agency.

4 (f) An individual who is required to cease practice pursuant to
5 paragraphs (6) to (9), inclusive, of subdivision (e) shall notify the
6 board within 15 calendar days, on a form prescribed by the board,
7 and shall not practice public accountancy in this state pursuant to
8 this section until he or she has received from the board written
9 permission to do so.

10 (g) An individual who fails to cease practice as required by
11 subdivision (e) or that fails to provide the notice required by
12 subdivision (f) shall be subject to the personal and subject matter
13 jurisdiction and disciplinary authority of the board as if the practice
14 privilege were a license and the individual were a licensee. An
15 individual in violation of subdivision (e) or (f) shall, for a minimum
16 of one year from the date the board learns there has been a violation
17 of subdivision (e) or (f), not practice in this state and shall not have
18 the possibility of reinstatement during that period. If the board
19 determines that the failure to cease practice or provide the notice
20 was intentional, that individual's practice privilege shall be revoked
21 and there shall be no possibility of reinstatement for a minimum
22 of two years.

23 (h) The board shall require an individual who provides notice
24 to the board pursuant to subdivision (f) to cease the practice of
25 public accountancy in this state until the board provides the
26 individual with written permission to resume the practice of public
27 accountancy in this state.

28 (i) (1) An individual to whom, within the last seven years
29 immediately preceding the date on which he or she wishes to
30 practice in this state, any of the following criteria apply, shall notify
31 the board, on a form prescribed by the board, and shall not practice
32 public accountancy in this state pursuant to this section until the
33 board provides the individual with written permission to do so:

34 (A) He or she has been the subject of any final disciplinary
35 action by the licensing or disciplinary authority of any other
36 jurisdiction with respect to any professional license or has any
37 charges of professional misconduct pending against him or her in
38 any other jurisdiction.

39 (B) He or she has had his or her license in another jurisdiction
40 reinstated after a suspension or revocation of the license.

1 (C) He or she has been denied issuance or renewal of a
2 professional license or certificate in any other jurisdiction for any
3 reason other than an inadvertent administrative error.

4 (D) He or she has been convicted of a crime or is subject to
5 pending criminal charges in any jurisdiction other than a minor
6 traffic violation.

7 (E) He or she has otherwise acquired a disqualifying condition
8 as described in subdivision (a) of Section 5096.2.

9 (2) An individual who fails to cease practice as required by
10 subdivision (e) or who fails to provide the notice required by
11 paragraph (1) shall be subject to the personal and subject matter
12 jurisdiction and disciplinary authority of the board as if the practice
13 privilege were a license and the individual were a licensee. An
14 individual in violation of subdivision (e) or paragraph (1) shall,
15 for a minimum of one year from the date the board knows there
16 has been a violation of subdivision (e) or paragraph (1), not practice
17 in this state and shall not have the possibility of reinstatement
18 during that period. If the board determines that the failure to cease
19 practice or provide the notice was intentional, that individual shall
20 be prohibited from practicing in this state in the same manner as
21 if a licensee has his or her practice privilege revoked and there
22 shall be no possibility of reinstatement for a minimum of two years.

23 (j) This section shall become operative on July 1, 2013.

24 (k) This section shall remain in effect only until January 1, 2019,
25 and as of that date is repealed, unless a later enacted statute, that
26 is enacted before January 1, 2019, deletes or extends that date.

27 SEC. 10. Section 5096 is added to the Business and Professions
28 Code, to read:

29 5096. (a) An individual whose principal place of business is
30 not in this state and who has a valid and current license, certificate,
31 or permit to practice public accountancy from another state may,
32 subject to the conditions and limitations in this article, engage in
33 the practice of public accountancy in this state under a practice
34 privilege without obtaining a certificate or license under this
35 chapter if the individual satisfies one of the following:

36 (1) The individual has continually practiced public accountancy
37 as a certified public accountant under a valid license issued by any
38 state for at least four of the last 10 years.

39 (2) The individual has a license, certificate, or permit from a
40 state which has been determined by the board to have education,

1 examination, and experience qualifications for licensure
2 substantially equivalent to this state's qualifications under Section
3 5093.

4 (3) The individual possesses education, examination, and
5 experience qualifications for licensure which have been determined
6 by the board to be substantially equivalent to this state's
7 qualifications under Section 5093.

8 (b) The board may designate states as substantially equivalent
9 under paragraph (2) of subdivision (a) and may accept individual
10 qualification evaluations or appraisals conducted by designated
11 entities, as satisfying the requirements of paragraph (3) of
12 subdivision (a).

13 (c) To obtain a practice privilege under this section, an
14 individual who meets the requirements of subdivision (a), shall do
15 the following:

16 (1) In the manner prescribed by board regulation, notify the
17 board of the individual's intent to practice.

18 (2) Pay a fee as provided in Article 8 (commencing with Section
19 5130).

20 (d) Except as otherwise provided by this article or by board
21 regulation, the practice privilege commences when the individual
22 notifies the board, provided the fee is received by the board within
23 30 days of that date. The board shall permit the notification to be
24 provided electronically.

25 (e) An individual who holds a practice privilege under this
26 article:

27 (1) Is subject to the personal and subject matter jurisdiction and
28 disciplinary authority of the board and the courts of this state.

29 (2) Shall comply with the provisions of this chapter, board
30 regulations, and other laws, regulations, and professional standards
31 applicable to the practice of public accountancy by the licensees
32 of this state and to any other laws and regulations applicable to
33 individuals practicing under practice privileges in this state except
34 the individual is deemed, solely for the purpose of this article, to
35 have met the continuing education requirements and ethics
36 examination requirements of this state when such individual has
37 met the examination and continuing education requirements of the
38 state in which the individual holds the valid license, certificate, or
39 permit on which the substantial equivalency is based.

1 (3) Shall not provide public accountancy services in this state
2 from any office located in this state, except as an employee of a
3 firm registered in this state. This paragraph does not apply to public
4 accountancy services provided to a client at the client's place of
5 business or residence.

6 (4) Is deemed to have appointed the regulatory agency of the
7 state that issued the individual's certificate, license, or permit upon
8 which substantial equivalency is based as the individual's agent
9 on whom notices, subpoenas, or other process may be served in
10 any action or proceeding by the board against the individual.

11 (5) Shall cooperate with any board investigation or inquiry and
12 shall timely respond to a board investigation, inquiry, request,
13 notice, demand, or subpoena for information or documents and
14 timely provide to the board the identified information and
15 documents.

16 (f) A practice privilege expires one year from the date of the
17 notice, unless a shorter period is set by board regulation.

18 (g) (1) No individual may practice under a practice privilege
19 without prior approval of the board if the individual has, or acquires
20 at any time during the term of the practice privilege, any
21 disqualifying condition under paragraph (2) of this subdivision.

22 (2) Disqualifying conditions include:

23 (A) Conviction of any crime other than a minor traffic violation.

24 (B) Revocation, suspension, denial, surrender, or other discipline
25 or sanctions involving any license, permit, registration, certificate,
26 or other authority to practice any profession in this or any other
27 state or foreign country or to practice before any state, federal, or
28 local court or agency, or the Public Company Accounting Oversight
29 Board.

30 (C) Pendency of any investigation, inquiry, or proceeding by
31 or before any state, federal or local court or agency, including, but
32 not limited to, the Public Company Accounting Oversight Board,
33 involving the professional conduct of the individual.

34 (D) Any judgment or arbitration award against the individual
35 involving the professional conduct of the individual in the amount
36 of thirty thousand dollars (\$30,000) or greater.

37 (E) Any other conditions as specified by the board in regulation.

38 (3) The board may adopt regulations exempting specified minor
39 occurrences of the conditions listed in subparagraph (B) of

1 paragraph (2) from being disqualifying conditions under this
2 subdivision.

3 (h) This section shall become operative on January 1, 2019.

4 SEC. 11. Section 5096.1 of the Business and Professions Code
5 is amended to read:

6 5096.1. (a) Any individual, not a licensee of this state, who is
7 engaged in any act which is the practice of public accountancy in
8 this state, and who has not given notice of intent to practice under
9 practice privileges and paid the fee required pursuant to the
10 provisions of this article, and who has a license, certificate, or
11 other authority to engage in the practice of public accountancy in
12 any other state, regardless of whether active, inactive, suspended,
13 or subject to renewal on payment of a fee or completion of an
14 educational or ethics requirement, is:

15 (1) Deemed to be practicing public accountancy unlawfully in
16 this state.

17 (2) Subject to the personal and subject matter jurisdiction and
18 disciplinary authority of the board and the courts of this state to
19 the same extent as a holder of a valid practice privilege.

20 (3) Deemed to have appointed the regulatory agency of the state
21 that issued the individual's certificate or license as the individual's
22 agent on whom notice, subpoenas, or other process may be served
23 in any action or proceeding by the board against the individual.

24 (b) The board may prospectively deny a practice privilege to
25 any individual who has violated this section or implementing
26 regulations or committed any act which would be grounds for
27 discipline against the holder of a practice privilege.

28 (c) This section shall become inoperative on July 1, 2013, and,
29 as of January 1, 2014, is repealed, unless a later enacted statute,
30 that becomes operative on or before January 1, 2014, deletes or
31 extends the dates on which it becomes inoperative and is repealed.

32 SEC. 12. Section 5096.1 is added to the Business and
33 Professions Code, to read:

34 5096.1. (a) Any individual, not a licensee of this state, who is
35 engaged in any act which is the practice of public accountancy in
36 this state, and who does not qualify to practice pursuant to the
37 practice privilege described in Section 5096 and who has a license,
38 certificate, or other authority to engage in the practice of public
39 accountancy in any other state, regardless of whether active,

1 inactive, suspended, or subject to renewal on payment of a fee or
2 completion of an educational or ethics requirement, is:

3 (1) Deemed to be practicing public accountancy unlawfully in
4 this state.

5 (2) Subject to the personal and subject matter jurisdiction and
6 disciplinary authority of the board and the courts of this state to
7 the same extent as a holder of a valid practice privilege.

8 (3) Deemed to have appointed the regulatory agency of the state
9 that issued the individual’s certificate or license as the individual’s
10 agent on whom notice, subpoenas, or other process may be served
11 in any action or proceeding by the board against the individual.

12 (b) The board may revoke a practice privilege from any
13 individual who has violated this section or implementing
14 regulations or committed any act which would be grounds for
15 discipline against the holder of a practice privilege.

16 (c) This section shall become operative on July 1, 2013.

17 (d) This section shall remain in effect only until January 1, 2019,
18 and as of that date is repealed, unless a later enacted statute, that
19 is enacted before January 1, 2019, deletes or extends that date.

20 SEC. 13. Section 5096.1 is added to the Business and
21 Professions Code, to read:

22 5096.1. (a) Any individual, not a licensee of this state, who is
23 engaged in any act which is the practice of public accountancy in
24 this state, and who has not given notice of intent to practice under
25 practice privileges and paid the fee required pursuant to the
26 provisions of this article, and who has a license, certificate, or
27 other authority to engage in the practice of public accountancy in
28 any other state, regardless of whether active, inactive, suspended,
29 or subject to renewal on payment of a fee or completion of an
30 educational or ethics requirement, is:

31 (1) Deemed to be practicing public accountancy unlawfully in
32 this state.

33 (2) Subject to the personal and subject matter jurisdiction and
34 disciplinary authority of the board and the courts of this state to
35 the same extent as a holder of a valid practice privilege.

36 (3) Deemed to have appointed the regulatory agency of the state
37 that issued the individual’s certificate or license as the individual’s
38 agent on whom notice, subpoenas, or other process may be served
39 in any action or proceeding by the board against the individual.

1 (b) The board may prospectively deny a practice privilege to
2 any individual who has violated this section or implementing
3 regulations or committed any act which would be grounds for
4 discipline against the holder of a practice privilege.

5 (c) This section shall become operative on January 1, 2019.

6 SEC. 14. Section 5096.2 of the Business and Professions Code
7 is amended to read:

8 5096.2. (a) Practice privileges may be denied for failure to
9 qualify under or comply with the provisions of this article or
10 implementing regulations, or for any act that if committed by an
11 applicant for licensure would be grounds for denial of a license
12 under Section 480 or if committed by a licensee would be grounds
13 for discipline under Section 5100, or for any act committed outside
14 of this state that would be a violation if committed within this state.

15 (b) The board may deny practice privileges using either of the
16 following procedures:

17 (1) Notifying the individual in writing of all of the following:

18 (A) That the practice privilege is denied.

19 (B) The reasons for denial.

20 (C) The earliest date on which the individual is eligible for a
21 practice privilege.

22 (D) That the individual has a right to appeal the notice and
23 request a hearing under the provisions of the Administrative
24 Procedure Act if a written notice of appeal and request for hearing
25 is made within 60 days.

26 (E) That, if the individual does not submit a notice of appeal
27 and request for hearing within 60 days, the board's action set forth
28 in the notice shall become final.

29 (2) Filing a statement of issues under the Administrative
30 Procedure Act.

31 (c) An individual who had been denied a practice privilege may
32 apply for a new practice privilege not less than one year after the
33 effective date of the notice or decision denying the practice
34 privilege unless a longer time period, not to exceed three years, is
35 specified in the notice or decision denying the practice privilege.

36 (d) This section shall become inoperative on July 1, 2013, and,
37 as of January 1, 2014, is repealed, unless a later enacted statute,
38 that becomes operative on or before January 1, 2014, deletes or
39 extends the dates on which it becomes inoperative and is repealed.

1 SEC. 15. Section 5096.2 is added to the Business and
 2 Professions Code, to read:
 3 5096.2. (a) (1) Practice privileges may be revoked for any of
 4 the following reasons:
 5 (A) If an individual no longer qualifies under, or complies with,
 6 the provisions of this article, including, but not limited to, Section
 7 5096, or implementing regulations.
 8 (B) If an individual commits any act that if committed by an
 9 applicant for licensure would be grounds for denial of a license
 10 under Section 480.
 11 (C) If an individual commits any act that if committed by a
 12 licensee would be grounds for discipline under Section 5100.
 13 (D) If an individual commits any act outside of this state that
 14 would be a violation if committed within this state.
 15 (E) If an individual acquires at any time, while exercising the
 16 practice privilege, any disqualifying condition under paragraph
 17 (2).
 18 (2) Disqualifying conditions include:
 19 (A) Conviction of any crime other than a minor traffic violation.
 20 (B) Revocation, suspension, denial, surrender, or other discipline
 21 or sanctions involving any license, permit, registration, certificate,
 22 or other authority to practice any profession in this or any other
 23 state or foreign country or to practice before any state, federal, or
 24 local court or agency, or the Public Company Accounting Oversight
 25 Board.
 26 (C) Any judgment or arbitration award against the individual
 27 involving the professional conduct of the individual in the amount
 28 of thirty thousand dollars (\$30,000) or greater.
 29 (D) Any other conditions as specified by the board in regulation.
 30 (3) The board may adopt regulations exempting specified minor
 31 occurrences of the conditions listed in subparagraph (B) of
 32 paragraph (2) from being disqualifying conditions under this
 33 subdivision.
 34 (b) The board may revoke practice privileges using either of
 35 the following procedures:
 36 (1) Notifying the individual in writing of all of the following:
 37 (A) That the practice privilege is revoked.
 38 (B) The reasons for revocation.
 39 (C) The earliest date on which the individual may qualify for a
 40 practice privilege.

1 (D) That the individual has a right to appeal the notice and
2 request a hearing under the provisions of the Administrative
3 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
4 Part 1 of Division 3 of Title 2 of the Government Code) if a written
5 notice of appeal and request for hearing is made within 60 days.

6 (E) That, if the individual does not submit a notice of appeal
7 and request for hearing within 60 days, the board's action set forth
8 in the notice shall become final.

9 (2) Filing a statement of issues under the Administrative
10 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
11 Part 1 of Division 3 of Title 2 of the Government Code).

12 (c) An individual whose practice privilege has been revoked
13 may only subsequently exercise the practice privilege upon
14 application to the board for reinstatement of the practice privilege
15 not less than one year after the effective date of the notice or
16 decision revoking the practice privilege, unless a longer time period
17 is specified in the notice or decision revoking the practice privilege.

18 (d) Holders of practice privileges are subject to suspension,
19 fines, or other disciplinary actions for any conduct that would be
20 grounds for discipline against a licensee of the board or for any
21 conduct in violation of this article or regulations adopted
22 thereunder.

23 (e) The board may recover its costs pursuant to Section 5107
24 as part of any disciplinary proceeding against the holder of a
25 practice privilege.

26 (f) The provisions of the Administrative Procedure Act (Chapter
27 3.5 (commencing with Section 11340) of Part 1 of Division 3 of
28 Title 2 of the Government Code), including, but not limited to, the
29 commencement of a disciplinary proceeding by the filing of an
30 accusation by the board, shall apply under this article.

31 (g) If the board revokes or otherwise limits an individual's
32 practice privilege, the board shall promptly notify the regulatory
33 agency of the state or states in which the individual is licensed,
34 and the United States Securities and Exchange Commission, the
35 Public Company Accounting Oversight Board, and the National
36 Association of State Boards of Accountancy.

37 (h) This section shall become operative on July 1, 2013.

38 (i) This section shall remain in effect only until January 1, 2019,
39 and as of that date is repealed, unless a later enacted statute, that
40 is enacted before January 1, 2019, deletes or extends that date.

1 SEC. 16. Section 5096.2 is added to the Business and
2 Professions Code, to read:

3 5096.2. (a) Practice privileges may be denied for failure to
4 qualify under or comply with the provisions of this article or
5 implementing regulations, or for any act that if committed by an
6 applicant for licensure would be grounds for denial of a license
7 under Section 480 or if committed by a licensee would be grounds
8 for discipline under Section 5100, or for any act committed outside
9 of this state that would be a violation if committed within this state.

10 (b) The board may deny practice privileges using either of the
11 following procedures:

12 (1) Notifying the individual in writing of all of the following:

- 13 (A) That the practice privilege is denied.
- 14 (B) The reasons for denial.
- 15 (C) The earliest date on which the individual is eligible for a
16 practice privilege.

17 (D) That the individual has a right to appeal the notice and
18 request a hearing under the provisions of the Administrative
19 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
20 Part 1 of Division 3 of Title 2 of the Government Code) if a written
21 notice of appeal and request for hearing is made within 60 days.

22 (E) That, if the individual does not submit a notice of appeal
23 and request for hearing within 60 days, the board’s action set forth
24 in the notice shall become final.

25 (2) Filing a statement of issues under the Administrative
26 Procedure Act (Chapter 3.5 (commencing with Section 11340) of
27 Part 1 of Division 3 of Title 2 of the Government Code).

28 (c) An individual who had been denied a practice privilege may
29 apply for a new practice privilege not less than one year after the
30 effective date of the notice or decision denying the practice
31 privilege unless a longer time period, not to exceed three years, is
32 specified in the notice or decision denying the practice privilege.

33 (d) This section shall become operative on January 1, 2019.

34 SEC. 17. Section 5096.3 of the Business and Professions Code
35 is amended to read:

36 5096.3. (a) Practice privileges are subject to revocation,
37 suspension, fines, or other disciplinary sanctions for any conduct
38 that would be grounds for discipline against a licensee of the board
39 or for any conduct in violation of this article or regulations
40 implementing this article.

1 (b) Practice privileges are subject to discipline during any time
2 period in which they are valid, under administrative suspension,
3 or expired.

4 (c) The board may recover its costs pursuant to Section 5107
5 as part of any disciplinary proceeding against the holder of a
6 practice privilege.

7 (d) An individual whose practice privilege has been revoked
8 may apply for a new practice privilege not less than one year after
9 the effective date of the board's decision revoking the individual's
10 practice privilege unless a longer time period, not to exceed three
11 years, is specified in the board's decision revoking the practice
12 privilege.

13 (e) The provisions of the Administrative Procedure Act (Chapter
14 3.5 (commencing with Section 11340) of Part 1 of Division 3 of
15 Title 2 of the Government Code), including, but not limited to, the
16 commencement of a disciplinary proceeding by the filing of an
17 accusation by the board shall apply under this article.

18 (f) This section shall become inoperative on July 1, 2013, and,
19 as of January 1, 2014, is repealed, unless a later enacted statute,
20 that becomes operative on or before January 1, 2014, deletes or
21 extends the dates on which it becomes inoperative and is repealed.

22 SEC. 18. Section 5096.3 is added to the Business and
23 Professions Code, to read:

24 5096.3. (a) Practice privileges are subject to revocation,
25 suspension, fines, or other disciplinary sanctions for any conduct
26 that would be grounds for discipline against a licensee of the board
27 or for any conduct in violation of this article or regulations
28 implementing this article.

29 (b) Practice privileges are subject to discipline during any time
30 period in which they are valid, under administrative suspension,
31 or expired.

32 (c) The board may recover its costs pursuant to Section 5107
33 as part of any disciplinary proceeding against the holder of a
34 practice privilege.

35 (d) An individual whose practice privilege has been revoked
36 may apply for a new practice privilege not less than one year after
37 the effective date of the board's decision revoking the individual's
38 practice privilege unless a longer time period, not to exceed three
39 years, is specified in the board's decision revoking the practice
40 privilege.

1 (e) The provisions of the Administrative Procedure Act (Chapter
2 3.5 (commencing with Section 11340) of Part 1 of Division 3 of
3 Title 2 of the Government Code), including, but not limited to, the
4 commencement of a disciplinary proceeding by the filing of an
5 accusation by the board shall apply under this article.

6 (f) This section shall become operative on January 1, 2019.

7 SEC. 19. Section 5096.4 of the Business and Professions Code
8 is amended to read:

9 5096.4. (a) The right of an individual to practice in this state
10 under a practice privilege may be administratively suspended at
11 any time by an order issued by the board or its executive officer,
12 without prior notice or hearing, for the purpose of conducting a
13 disciplinary investigation, proceeding, or inquiry concerning the
14 representations made in the notice, the individual's competence
15 or qualifications to practice under practice privileges, failure to
16 timely respond to a board inquiry or request for information or
17 documents, or under other conditions and circumstances provided
18 for by board regulation.

19 (b) The administrative suspension order is immediately effective
20 when mailed to the individual's address of record or agent for
21 notice and service as provided for in this article.

22 (c) The administrative suspension order shall contain the
23 following:

24 (1) The reason for the suspension.

25 (2) A statement that the individual has the right, within 30 days,
26 to appeal the administrative suspension order and request a hearing.

27 (3) A statement that any appeal hearing will be conducted under
28 the provisions of the Administrative Procedure Act (Chapter 3.5
29 (commencing with Section 11340) of Part 1 of Division 3 of Title
30 2 of the Government Code) applicable to individuals who are
31 denied licensure, including the filing of a statement of issues by
32 the board setting forth the reasons for the administrative suspension
33 of practice privileges and specifying the statutes and rules with
34 which the individual must show compliance by producing proof
35 at the hearing and in addition any particular matters that have come
36 to the attention of the board and that would authorize the
37 administrative suspension, or the denial of practice privileges.

38 (d) The burden is on the holder of the suspended practice
39 privilege to establish both qualification and fitness to practice
40 under practice privileges.

1 (e) The administrative suspension shall continue in effect until
2 terminated by an order of the board or the executive officer or
3 expiration of the practice privilege under administrative suspension.

4 (f) Administrative suspension is not discipline and shall not
5 preclude any individual from applying for a license to practice
6 public accountancy in this state or from applying for a new practice
7 privilege upon expiration of the one under administrative
8 suspension, except that the new practice privilege shall not be
9 effective until approved by the board.

10 (g) Notwithstanding any administrative suspension, a practice
11 privilege expires one year from the date of notice unless a shorter
12 period is set by board regulation.

13 (h) Proceedings to appeal an administrative suspension order
14 may be combined or coordinated with proceedings for denial or
15 discipline of a practice privilege.

16 (i) This section shall become inoperative on July 1, 2013, and,
17 as of January 1, 2014, is repealed, unless a later enacted statute,
18 that becomes operative on or before January 1, 2014, deletes or
19 extends the dates on which it becomes inoperative and is repealed.

20 SEC. 20. Section 5096.4 is added to the Business and
21 Professions Code, to read:

22 5096.4. (a) The right of an individual to practice in this state
23 under a practice privilege may be administratively suspended at
24 any time by an order issued by the board or its executive officer,
25 without prior notice or hearing, for the purpose of conducting a
26 disciplinary investigation, proceeding, or inquiry concerning the
27 individual's competence or qualifications to practice under practice
28 privileges, failure to timely respond to a board inquiry or request
29 for information or documents, or under other conditions and
30 circumstances provided for by board regulation.

31 (b) The administrative suspension order is immediately effective
32 when mailed to the individual's address of record or agent for
33 notice and service as provided for in this article.

34 (c) The administrative suspension order shall contain the
35 following:

- 36 (1) The reason for the suspension.
- 37 (2) A statement that the individual has the right, within 30 days,
38 to appeal the administrative suspension order and request a hearing.
- 39 (3) A statement that any appeal hearing will be conducted under
40 the provisions of the Administrative Procedure Act (Chapter 3.5

1 (commencing with Section 11340) of Part 1 of Division 3 of Title
2 2 of the Government Code) applicable to individuals who are
3 denied licensure, including the filing of a statement of issues by
4 the board setting forth the reasons for the administrative suspension
5 of practice privileges and specifying the statutes and rules with
6 which the individual must show compliance by producing proof
7 at the hearing and in addition any particular matters that have come
8 to the attention of the board and that would authorize the
9 administrative suspension, or the revocation of practice privileges.

10 (d) The burden is on the holder of the suspended practice
11 privilege to establish both qualification and fitness to practice
12 under practice privileges.

13 (e) The administrative suspension shall continue in effect until
14 terminated by an order of the board or the executive officer.

15 (f) Administrative suspension is not discipline and shall not
16 preclude any individual from applying for a license to practice
17 public accountancy in this state.

18 (g) Proceedings to appeal an administrative suspension order
19 may be combined or coordinated with proceedings for revocation
20 or discipline of a practice privilege.

21 (h) This section shall become operative on July 1, 2013.

22 (i) This section shall remain in effect only until January 1, 2019,
23 and as of that date is repealed, unless a later enacted statute, that
24 is enacted before January 1, 2019, deletes or extends that date.

25 SEC. 21. Section 5096.4 is added to the Business and
26 Professions Code, to read:

27 5096.4. (a) The right of an individual to practice in this state
28 under a practice privilege may be administratively suspended at
29 any time by an order issued by the board or its executive officer,
30 without prior notice or hearing, for the purpose of conducting a
31 disciplinary investigation, proceeding, or inquiry concerning the
32 representations made in the notice, the individual's competence
33 or qualifications to practice under practice privileges, failure to
34 timely respond to a board inquiry or request for information or
35 documents, or under other conditions and circumstances provided
36 for by board regulation. The board shall consult the Public
37 Company Accounting Oversight Board and the Securities and
38 Exchange Commission on an every-six month basis to identify
39 out-of-state licensees who may have disqualifying conditions, or
40 may be obliged to cease practice, and shall disclose, pursuant to

1 this subdivision, whether those out-of-state licensees are lawfully
2 permitted to exercise the privilege. *Disclosure of this information*
3 *shall not be considered discipline.*

4 (b) The administrative suspension order is immediately effective
5 when mailed to the individual's address of record or agent for
6 notice and service as provided for in this article.

7 (c) The administrative suspension order shall contain the
8 following:

9 (1) The reason for the suspension.

10 (2) A statement that the individual has the right, within 30 days,
11 to appeal the administrative suspension order and request a hearing.

12 (3) A statement that any appeal hearing will be conducted under
13 the provisions of the Administrative Procedure Act (Chapter 3.5
14 (commencing with Section 11340) of Part 1 of Division 3 of Title
15 2 of the Government Code) applicable to individuals who are
16 denied licensure, including the filing of a statement of issues by
17 the board setting forth the reasons for the administrative suspension
18 of practice privileges and specifying the statutes and rules with
19 which the individual must show compliance by producing proof
20 at the hearing and in addition any particular matters that have come
21 to the attention of the board and that would authorize the
22 administrative suspension, or the denial of practice privileges.

23 (d) The burden is on the holder of the suspended practice
24 privilege to establish both qualification and fitness to practice
25 under practice privileges.

26 (e) The administrative suspension shall continue in effect until
27 terminated by an order of the board or the executive officer or
28 expiration of the practice privilege under administrative suspension.

29 (f) Administrative suspension is not discipline and shall not
30 preclude any individual from applying for a license to practice
31 public accountancy in this state or from applying for a new practice
32 privilege upon expiration of the one under administrative
33 suspension, except that the new practice privilege shall not be
34 effective until approved by the board.

35 (g) Notwithstanding any administrative suspension, a practice
36 privilege expires one year from the date of notice unless a shorter
37 period is set by board regulation.

38 (h) Proceedings to appeal an administrative suspension order
39 may be combined or coordinated with proceedings for denial or
40 discipline of a practice privilege.

1 (i) This section shall become operative on January 1, 2019.

2 SEC. 22. Section 5096.5 of the Business and Professions Code
3 is amended to read:

4 5096.5. (a) Notwithstanding any other provision of this article,
5 an individual may not sign any attest report pursuant to a practice
6 privilege unless the individual meets the experience requirements
7 of Section 5095 and completes any continuing education or other
8 conditions required by the board regulations implementing this
9 article.

10 (b) This section shall become inoperative on July 1, 2013, and,
11 as of January 1, 2014, is repealed, unless a later enacted statute,
12 that becomes operative on or before January 1, 2014, deletes or
13 extends the dates on which it becomes inoperative and is repealed.

14 SEC. 23. Section 5096.5 is added to the Business and
15 Professions Code, to read:

16 5096.5. (a) Notwithstanding any other provision of this article,
17 an individual may not sign any attest report pursuant to a practice
18 privilege unless the individual meets the experience requirements
19 of Section 5095.

20 (b) This section shall become operative on July 1, 2013.

21 (c) This section shall remain in effect only until January 1, 2019,
22 and as of that date is repealed, unless a later enacted statute, that
23 is enacted before January 1, 2019, deletes or extends that date.

24 SEC. 24. Section 5096.5 is added to the Business and
25 Professions Code, to read:

26 5096.5. (a) Notwithstanding any other provision of this article,
27 an individual may not sign any attest report pursuant to a practice
28 privilege unless the individual meets the experience requirements
29 of Section 5095 and completes any continuing education or other
30 conditions required by the board regulations implementing this
31 article.

32 (b) This section shall become operative on January 1, 2019.

33 SEC. 25. Section 5096.6 of the Business and Professions Code
34 is amended to read:

35 5096.6. (a) In addition to the authority otherwise provided for
36 by this code, the board may delegate to the executive officer the
37 authority to issue any notice or order provided for in this article
38 and to act on behalf of the board, including, but not limited to,
39 issuing a notice of denial of a practice privilege and an interim

1 suspension order, subject to the right of the individual to timely
2 appeal and request a hearing as provided for in this article.

3 (b) This section shall become inoperative on July 1, 2013, and,
4 as of January 1, 2014, is repealed, unless a later enacted statute,
5 that becomes operative on or before January 1, 2014, deletes or
6 extends the dates on which it becomes inoperative and is repealed.

7 SEC. 26. Section 5096.6 is added to the Business and
8 Professions Code, to read:

9 5096.6. (a) In addition to the authority otherwise provided for
10 by this code, the board may delegate to the executive officer the
11 authority to issue any notice or order provided for in this article
12 and to act on behalf of the board, including, but not limited to,
13 issuing an interim suspension order, subject to the right of the
14 individual to timely appeal and request a hearing as provided for
15 in this article.

16 (b) This section shall become operative on July 1, 2013.

17 (c) This section shall remain in effect only until January 1, 2019,
18 and as of that date is repealed, unless a later enacted statute, that
19 is enacted before January 1, 2019, deletes or extends that date.

20 SEC. 27. Section 5096.6 is added to the Business and
21 Professions Code, to read:

22 5096.6. (a) In addition to the authority otherwise provided for
23 by this code, the board may delegate to the executive officer the
24 authority to issue any notice or order provided for in this article
25 and to act on behalf of the board, including, but not limited to,
26 issuing a notice of denial of a practice privilege and an interim
27 suspension order, subject to the right of the individual to timely
28 appeal and request a hearing as provided for in this article.

29 (b) This section shall become operative on January 1, 2019.

30 SEC. 28. Section 5096.7 of the Business and Professions Code
31 is amended to read:

32 5096.7. Except as otherwise provided in this article, the
33 following definitions apply:

34 (a) Anywhere the term “license,” “licensee,” “permit,” or
35 “certificate” is used in this chapter or Division 1.5 (commencing
36 with Section 475), it shall include persons holding practice
37 privileges under this article, unless otherwise inconsistent with the
38 provisions of the article.

39 (b) Any notice of practice privileges under this article and
40 supporting documents is deemed an application for licensure for

1 purposes of the provisions of this code, including, but not limited
2 to, the provisions of this chapter and the provisions of Division
3 1.5 (commencing with Section 475) related to the denial,
4 suspension, and revocation of licenses.

5 (c) Anywhere the term “employee” is used in this article it shall
6 include, but is not limited to, partners, shareholders, and other
7 owners.

8 (d) This section shall become inoperative on July 1, 2013, and,
9 as of January 1, 2014, is repealed, unless a later enacted statute,
10 that becomes operative on or before January 1, 2014, deletes or
11 extends the dates on which it becomes inoperative and is repealed.

12 SEC. 29. Section 5096.7 is added to the Business and
13 Professions Code, to read:

14 5096.7. (a) Anywhere the term “license,” “licensee,” “permit,”
15 or “certificate” is used in this chapter or Division 1.5 (commencing
16 with Section 475), it shall include persons holding practice
17 privileges under this article, unless otherwise inconsistent with the
18 provisions of the article.

19 (b) Anywhere the term “employee” is used in this article it shall
20 include, but is not limited to, partners, shareholders, and other
21 owners.

22 (c) For purposes of this article, the term “license” includes
23 certificate or permit.

24 (d) This section shall become operative on July 1, 2013.

25 (e) This section shall remain in effect only until January 1, 2019,
26 and as of that date is repealed, unless a later enacted statute, that
27 is enacted before January 1, 2019, deletes or extends that date.

28 SEC. 30. Section 5096.7 is added to the Business and
29 Professions Code, to read:

30 5096.7. Except as otherwise provided in this article, the
31 following definitions apply:

32 (a) Anywhere the term “license,” “licensee,” “permit,” or
33 “certificate” is used in this chapter or Division 1.5 (commencing
34 with Section 475), it shall include persons holding practice
35 privileges under this article, unless otherwise inconsistent with the
36 provisions of the article.

37 (b) Any notice of practice privileges under this article and
38 supporting documents is deemed an application for licensure for
39 purposes of the provisions of this code, including, but not limited
40 to, the provisions of this chapter and the provisions of Division

1 1.5 (commencing with Section 475) related to the denial,
2 suspension, and revocation of licenses.

3 (c) Anywhere the term “employee” is used in this article it shall
4 include, but is not limited to, partners, shareholders, and other
5 owners.

6 (d) This section shall become operative on January 1, 2019.

7 SEC. 31. Section 5096.9 of the Business and Professions Code
8 is amended to read:

9 5096.9. (a) The board is authorized to adopt regulations to
10 implement, interpret, or make specific the provisions of this article.

11 (b) The board shall adopt emergency regulations in accordance
12 with the Administrative Procedure Act (Chapter 3.5 (commencing
13 with Section 11340) of Part 1 of Division 3 of Title 2 of the
14 Government Code) to establish policies, guidelines, and procedures
15 to initially implement this article as it goes into effect on July 1,
16 2013. The adoption of the regulations shall be considered by the
17 Office of Administrative Law to be necessary for the immediate
18 preservation of the public peace, health and safety, or general
19 welfare. The emergency regulations shall be submitted to the Office
20 of Administrative Law for filing with the Secretary of State in
21 accordance with the Administrative Procedure Act.

22 SEC. 32. Section 5096.10 of the Business and Professions
23 Code is amended to read:

24 5096.10. (a) The provisions of this article shall only be
25 operative if there is an appropriation from the Accountancy Fund
26 in the annual Budget Act to fund the activities in the article and
27 sufficient hiring authority is granted pursuant to a budget change
28 proposal to the board to provide staffing to implement this article.

29 (b) This section shall become inoperative on July 1, 2013, and,
30 as of January 1, 2013, is repealed, unless a later enacted statute,
31 that becomes operative on or before January 1, 2013, deletes or
32 extends the dates on which it becomes inoperative and is repealed.

33 SEC. 33. Section 5096.10 is added to the Business and
34 Professions Code, to read:

35 5096.10. (a) The provisions of this article shall only be
36 operative if there is an appropriation from the Accountancy Fund
37 in the annual Budget Act to fund the activities in the article and
38 sufficient hiring authority is granted pursuant to a budget change
39 proposal to the board to provide staffing to implement this article.

40 (b) This section shall become operative on January 1, 2019.

1 SEC. 34. Section 5096.12 of the Business and Professions
2 Code is amended to read:

3 5096.12. (a) A certified public accounting firm that is
4 authorized to practice in another state and that does not have an
5 office in this state may engage in the practice of public accountancy
6 in this state through the holder of a practice privilege provided
7 that:

8 (1) The practice of public accountancy by the firm is limited to
9 authorized practice by the holder of the practice privilege.

10 (2) A firm that engages in practice under this section is deemed
11 to consent to the personal, subject matter, and disciplinary
12 jurisdiction of the board with respect to any practice under this
13 section.

14 (b) The board may revoke, suspend, issue a fine pursuant to
15 Article 6.5 (commencing with Section 5116), or otherwise restrict
16 or discipline the firm for any act that would be grounds for
17 discipline against a holder of a practice privilege through which
18 the firm practices.

19 (c) This section shall become inoperative on July 1, 2013, and,
20 as of January 1, 2014, is repealed, unless a later enacted statute,
21 that becomes operative on or before January 1, 2014, deletes or
22 extends the dates on which it becomes inoperative and is repealed.

23 SEC. 35. Section 5096.12 is added to the Business and
24 Professions Code, to read:

25 5096.12. (a) A certified public accounting firm that is
26 authorized to practice in another state and that does not have an
27 office in this state may engage in the practice of public accountancy
28 in this state through the holder of a practice privilege provided
29 that:

30 (1) The practice of public accountancy by the firm is limited to
31 authorized practice by the holder of the practice privilege.

32 (2) A firm that engages in practice under this section is deemed
33 to consent to the personal, subject matter, and disciplinary
34 jurisdiction of the board with respect to any practice under this
35 section.

36 (b) The board may revoke, suspend, issue a fine pursuant to
37 Article 6.5 (commencing with Section 5116), or otherwise restrict
38 or discipline the firm for any act that would be grounds for
39 discipline against a holder of a practice privilege through which
40 the firm practices.

1 (c) A firm that provides the services described in subdivision
2 (d) of Section 5096 shall obtain a registration from the board.

3 (d) This section shall become operative on July 1, 2013.

4 (e) This section shall remain in effect only until January 1, 2019,
5 and as of that date is repealed, unless a later enacted statute, that
6 is enacted before January 1, 2019, deletes or extends that date.

7 SEC. 36. Section 5096.12 is added to the Business and
8 Professions Code, to read:

9 5096.12. (a) A certified public accounting firm that is
10 authorized to practice in another state and that does not have an
11 office in this state may engage in the practice of public accountancy
12 in this state through the holder of a practice privilege provided
13 that:

14 (1) The practice of public accountancy by the firm is limited to
15 authorized practice by the holder of the practice privilege.

16 (2) A firm that engages in practice under this section is deemed
17 to consent to the personal, subject matter, and disciplinary
18 jurisdiction of the board with respect to any practice under this
19 section.

20 (b) The board may revoke, suspend, issue a fine pursuant to
21 Article 6.5 (commencing with Section 5116), or otherwise restrict
22 or discipline the firm for any act that would be grounds for
23 discipline against a holder of a practice privilege through which
24 the firm practices.

25 (c) This section shall become operative on January 1, 2019.

26 SEC. 37. Section 5096.13 of the Business and Professions
27 Code is amended to read:

28 5096.13. (a) The notification of intent to practice under a
29 practice privilege pursuant to Section 5096 shall include the name
30 of the firm, its address and telephone number, and its federal
31 taxpayer identification number.

32 (b) This section shall become inoperative on July 1, 2013, and,
33 as of January 1, 2014, is repealed, unless a later enacted statute,
34 that becomes operative on or before January 1, 2014, deletes or
35 extends the dates on which it becomes inoperative and is repealed.

36 SEC. 38. Section 5096.13 is added to the Business and
37 Professions Code, to read:

38 5096.13. (a) The notification of intent to practice under a
39 practice privilege pursuant to Section 5096 shall include the name

1 of the firm, its address and telephone number, and its federal
2 taxpayer identification number.

3 (b) This section shall become operative on January 1, 2019.

4 SEC. 39. Section 5096.14 of the Business and Professions
5 Code is amended to read:

6 5096.14. (a) An individual shall not be deemed to be in
7 violation of this article solely because he or she begins the practice
8 of public accounting in California prior to notifying the board as
9 indicated in subdivision (c) of Section 5096, provided the notice
10 is given within five business days of the date practice begins. An
11 individual who properly notifies the board within the five-day
12 period provided for in this section shall be deemed to have a
13 practice privilege from the first day of practice in California unless
14 the individual fails to timely submit the required fee pursuant to
15 subdivision (c) of Section 5096.

16 (b) Subdivision (a) does not apply in those instances in which
17 prior approval by the board is required pursuant to subdivision (g)
18 of Section 5096.

19 (c) In addition to any other applicable sanction, the board may
20 issue a fine pursuant to Section 5096.3 for notifying the board
21 more than five business days after beginning practice in California.

22 (d) This section shall become inoperative on July 1, 2013, and,
23 as of January 1, 2014, is repealed, unless a later enacted statute,
24 that becomes operative on or before January 1, 2014, deletes or
25 extends the dates on which it becomes inoperative and is repealed.

26 SEC. 40. Section 5096.14 is added to the Business and
27 Professions Code, to read:

28 5096.14. (a) An individual shall not be deemed to be in
29 violation of this article solely because he or she begins the practice
30 of public accounting in California prior to notifying the board as
31 indicated in subdivision (c) of Section 5096, provided the notice
32 is given within five business days of the date practice begins. An
33 individual who properly notifies the board within the five-day
34 period provided for in this section shall be deemed to have a
35 practice privilege from the first day of practice in California unless
36 the individual fails to timely submit the required fee pursuant to
37 subdivision (c) of Section 5096.

38 (b) Subdivision (a) does not apply in those instances in which
39 prior approval by the board is required pursuant to subdivision (g)
40 of Section 5096.

1 (c) In addition to any other applicable sanction, the board may
2 issue a fine pursuant to Section 5096.3 for notifying the board
3 more than five business days after beginning practice in California.

4 (d) This section shall become operative on January 1, 2019.

5 SEC. 41. Section 5096.15 of the Business and Professions
6 Code is amended to read:

7 5096.15. (a) It is the intent of the Legislature that the board
8 adopt regulations providing for a lower fee or no fee for out-of-state
9 accountants who do not sign attest reports for California clients
10 under the practice privilege. These regulations shall ensure that
11 the practice privilege program is adequately funded. These
12 regulations shall be adopted as emergency regulations in
13 accordance with Chapter 3.5 (commencing with Section 11340)
14 of Part 1 of Division 3 of Title 2 of the Government Code and, for
15 purposes of that chapter, the adoption of the regulations shall be
16 considered by the Office of Administrative Law to be necessary
17 for the immediate preservation of the public peace, health and
18 safety, and general welfare.

19 (b) This section shall become inoperative on July 1, 2013, and,
20 as of January 1, 2014, is repealed, unless a later enacted statute,
21 that becomes operative on or before January 1, 2014, deletes or
22 extends the dates on which it becomes inoperative and is repealed.

23 SEC. 42. Section 5096.15 is added to the Business and
24 Professions Code, to read:

25 5096.15. (a) It is the intent of the Legislature that the board
26 adopt regulations providing for a lower fee or no fee for out-of-state
27 accountants who do not sign attest reports for California clients
28 under the practice privilege. These regulations shall ensure that
29 the practice privilege program is adequately funded. These
30 regulations shall be adopted as emergency regulations in
31 accordance with Chapter 3.5 (commencing with Section 11340)
32 of Part 1 of Division 3 of Title 2 of the Government Code and, for
33 purposes of that chapter, the adoption of the regulations shall be
34 considered by the Office of Administrative Law to be necessary
35 for the immediate preservation of the public peace, health and
36 safety, and general welfare.

37 (b) This section shall become operative on January 1, 2019.

38 SEC. 43. Section 5096.20 is added to the Business and
39 Professions Code, to read:

1 5096.20. (a) To ensure that Californians are protected from
2 out-of-state licensees with disqualifying conditions who may
3 unlawfully attempt to practice in this state under a practice
4 privilege, prior to July 1, 2013, the board shall add an out-of-state
5 licensee feature to its license lookup tab of the home page of its
6 Internet Web site that allows consumers to obtain information
7 about an individual whose principal place of business is not in this
8 state and who seeks to exercise a practice privilege in this state,
9 that is at least equal to the information that was available to
10 consumers through its home page prior to January 1, 2013, through
11 the practice privilege form previously filed by out-of-state licensees
12 pursuant to Section 5096, as added by Chapter 921 of the Statutes
13 of 2004, and the regulations adopted thereunder. At minimum,
14 these features shall include all of the following:

15 (1) The ability of the consumer to search by name and state of
16 licensure.

17 (2) The disclosure of information in the possession of the board,
18 which the board is otherwise authorized to publicly disclose, about
19 an individual exercising a practice privilege in this state, including,
20 but not limited to, whether the board has taken action of any form
21 against that individual and, if so, what the action was or is.

22 (3) A disclaimer that the consumer must click through prior to
23 being referred to any other Internet Web site, which in plain
24 language explains that the consumer is being referred to an Internet
25 Web site that is maintained by a regulatory agency or other entity
26 that is not affiliated with the board. This disclaimer shall include
27 a link to relevant sections of this article that set forth disqualifying
28 conditions, including, but not limited to, Section 5096.2.

29 (4) A statement in plain language that notifies consumers that
30 they are permitted to file complaints against such individuals with
31 the board.

32 (5) A link to the Internet Web site or sites that the board
33 determines, in its discretion, provides the consumer the most
34 complete and reliable information available about the individual's
35 status as a licenseholder, permitholder, or certificate holder.

36 (6) If the board of another state does not maintain an Internet
37 Web site that allows a consumer to obtain information about its
38 licensees including, but not limited to, disciplinary history, and
39 that information is not available through a link to an Internet Web
40 site maintained by another entity, a link to contact information for

1 that board, which contains a disclaimer in plain language that
2 explains that the consumer is being referred to a board that does
3 not permit the consumer to obtain information, including, but not
4 limited to, disciplinary history, about individuals through the
5 Internet Web site, and that the out-of-state board is not affiliated
6 with the board.

7 (b) The board shall biennially survey the Internet Web sites and
8 disclosure policies of other boards to ensure that its disclaimers
9 are accurate.

10 (c) This section shall remain in effect only until January 1, 2019,
11 and as of that date is repealed, unless a later enacted statute, that
12 is enacted before January 1, 2019, deletes or extends that date.

13 SEC. 44. Section 5096.21 is added to the Business and
14 Professions Code, to read:

15 5096.21. (a) On and after January 1, 2016, if the board
16 determines, through a majority vote of the board at a regularly
17 scheduled meeting, that allowing individuals from a particular
18 state to practice in this state pursuant to a practice privilege as
19 described in Section 5096, violates the board's duty to protect the
20 public, pursuant to Section 5000.1, the board shall require, by
21 regulation, out-of-state individuals licensed from that state, as a
22 condition to exercising a practice privilege in this state, to file the
23 notification form and pay the applicable fees as required by former
24 Section 5096, as added by Chapter 921 of the Statutes of 2004,
25 and regulations adopted thereunder.

26 (b) The board shall, at minimum, consider the following factors
27 in making the determination required by subdivision (a):

28 (1) Whether the state timely and adequately addresses
29 enforcement referrals made by the board to the accountancy
30 regulatory board of that state, or otherwise fails to respond to
31 requests the board deems necessary to meet its obligations under
32 this article.

33 (2) Whether the state makes the disciplinary history of its
34 licensees publicly available through the Internet in a manner that
35 allows the board to adequately link consumers to an Internet Web
36 site to obtain information that was previously made available to
37 consumers about individuals from the state prior to January 1,
38 2013, through the notification form.

39 (3) Whether the state imposes discipline against licensees that
40 is appropriate in light of the nature of the alleged misconduct.

1 (c) Notwithstanding subdivision (a), if (1) the National
2 Association of State Boards of Accountancy (NASBA) adopts
3 enforcement best practices guidelines, (2) the board, upon a
4 majority vote at a regularly scheduled board meeting, issues a
5 finding after a public hearing that those practices meet or exceed
6 the board's own enforcement practices, (3) a state has in place and
7 is operating pursuant to enforcement practices substantially
8 equivalent to the best practices guidelines, and (4) disciplinary
9 history of a state's licensees is publicly available through the
10 Internet in a manner that allows the board to link consumers to an
11 Internet Web site to obtain information at least equal to the
12 information that was previously available to consumers through
13 the practice privilege form filed by out-of-state licensees pursuant
14 to former Section 5096, as added by Chapter 921 of the Statutes
15 of 2004, no practice privilege form shall be required to be filed by
16 any licensee of that state as required by subdivision (a), nor shall
17 the board be required to report on that state to the Legislature as
18 required by subdivision (d).

19 (d) (1) The board shall report to the relevant policy committees
20 of the Legislature, the director, and the public, upon request,
21 preliminary determinations made pursuant to this section no later
22 than July 1, 2015. The board shall, prior to January 1, 2016, and
23 thereafter as it deems appropriate, review its determinations made
24 pursuant to subdivision (b) to ensure that it is in compliance with
25 this section.

26 (2) This subdivision shall become inoperative on July 1, 2017,
27 pursuant to Section 10231.5 of the Government Code.

28 (e) On or before July 1, 2014, the board shall convene a
29 stakeholder group consisting of members of the board, board
30 enforcement staff, and representatives of the accounting profession
31 and consumer representatives to consider whether the provisions
32 of this article are consistent with the board's duty to protect the
33 public consistent with Section 5000.1, and whether the provisions
34 of this article satisfy the objectives of stakeholders of the
35 accounting profession in this state, including consumers. The
36 group, at its first meeting, shall adopt policies and procedures
37 relative to how it will conduct its business, including, but not
38 limited to, policies and procedures addressing periodic reporting
39 of its findings to the board.

1 (f) On or before January 1, 2018, the board shall prepare a report
2 to be provided to the relevant policy committees of the Legislature,
3 the director, and the public, upon request, that, at minimum,
4 explains in detail all of the following:

5 (1) How the board has implemented this article and whether
6 implementation is complete.

7 (2) Whether this article is, in the opinion of the board, more,
8 less, or equivalent in the protection it affords the public than its
9 predecessor article.

10 (3) Describes how other state boards of accountancy have
11 addressed referrals to those boards from the board, the timeframe
12 in which those referrals were addressed, and the outcome of
13 investigations conducted by those boards.

14 (g) This section shall remain in effect only until January 1, 2019,
15 and as of that date is repealed, unless a later enacted statute, that
16 is enacted before January 1, 2019, deletes or extends that date.

17 SEC. 45. No reimbursement is required by this act pursuant to
18 Section 6 of Article XIII B of the California Constitution because
19 the only costs that may be incurred by a local agency or school
20 district will be incurred because this act creates a new crime or
21 infraction, eliminates a crime or infraction, or changes the penalty
22 for a crime or infraction, within the meaning of Section 17556 of
23 the Government Code, or changes the definition of a crime within
24 the meaning of Section 6 of Article XIII B of the California
25 Constitution.

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AMENDED IN ASSEMBLY AUGUST 24, 2012

AMENDED IN ASSEMBLY JUNE 13, 2012

SENATE BILL

No. 1025

**Introduced by ~~Committee on Budget and Fiscal Review~~ Senator
Lowenthal
(Principal coauthor: Assembly Member Nestande)**

February 6, 2012

An act to amend the Budget Act of 2011 (Chapter 33 of the Statutes of 2011) by augmenting Item 9840-001-0001 of Section 2.00 of that act, relating to the State Budget, and making an appropriation therefor, to take effect immediately, ~~Budget Bill~~; *add Section 11342.5 to the Government Code, relating to state government.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1025, as amended, ~~Committee on Budget and Fiscal Review~~ *Lowenthal*. ~~Budget Act of 2011: augmentation. State regulations: review.~~

Existing law authorizes various state entities to promulgate and implement administrative regulations, subject to specified criteria.

This bill would require, no later than December 31, 2013, each state entity that promulgates regulations to review those regulations, and repeal or report to the Legislature those identified as duplicative, archaic, or inconsistent with statute or other regulations. The bill would also require these entities to report to the Legislature by that date on regulations deemed to inhibit economic growth in the state.

~~The Budget Act of 2011 appropriated specified amounts from the General Fund for the support of state government.~~

~~This bill would appropriate \$1,096,918,436 from the General Fund in augmentation of a specified appropriation in the Budget Act of 2011,~~

regarding augmentations for contingencies and emergencies, and would require the Controller to allocate this additional amount according to a specified schedule.

This bill would declare that it is to take effect immediately as a Budget Bill.

Vote: majority. Appropriation: ~~yes~~ no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 11342.5 is added to the Government Code,
2 to read:

3 11342.5. Each state entity that promulgates regulations shall
4 review those regulations, and no later than December 31, 2013,
5 do either or both of the following, as applicable:

6 (a) Identify regulations it deems to be duplicative, archaic, or
7 inconsistent with statute or other regulations and do either of the
8 following:

9 (1) Repeal the regulations as authorized by law, if possible.

10 (2) If it is not possible to repeal the regulations, report to the
11 Legislature on the legislative or other action needed to repeal
12 them.

13 (b) Identify and report to the Legislature on regulations it deems
14 would inhibit economic growth in the state.

15 ~~SECTION 1. The sum of one billion ninety-six million nine~~
16 ~~hundred eighteen thousand four hundred thirty-six dollars~~
17 ~~(\$1,096,918,436) is hereby appropriated from the General Fund~~
18 ~~for expenditure for the 2011-12 fiscal year in augmentation of~~
19 ~~Item 9840-001-0001 of Section 2.00 of the Budget Act of 2011~~
20 ~~(Chapter 33 of the Statutes of 2011). Notwithstanding Provision~~
21 ~~7 of Item 9840-001-0001, these funds shall be allocated by the~~
22 ~~Controller in accordance with the following schedule:~~

23 ~~(a) Seven hundred fifty-nine million six hundred thousand~~
24 ~~dollars (\$759,600,000) to Schedule (3) 20.10.030-Benefits (Medical~~
25 ~~Care and Services), of Item 4260-101-0001.~~

26 ~~(b) Forty-one million seven hundred ninety-three thousand~~
27 ~~dollars (\$41,793,000) to Schedule (2) 20.20-Long-Term Care~~
28 ~~Services—Penal Code and Judicially Committed, of Item~~
29 ~~4440-011-0001.~~

1 ~~(e) Two hundred ninety-five million four hundred thousand~~
2 ~~dollars (\$295,400,000) to Item 5225-002-0001, according to the~~
3 ~~following schedule:~~

4 ~~(1) Forty-six million two hundred thousand dollars~~
5 ~~(\$46,200,000) to Schedule (2) 25-Adult Corrections and~~
6 ~~Rehabilitation Operations—General Security.~~

7 ~~(2) One hundred sixty-three million two hundred thousand~~
8 ~~dollars (\$163,200,000) to Schedule (3) 50.10-Medical~~
9 ~~Services—Adult.~~

10 ~~(3) Eighty-six million dollars (\$86,000,000) to Schedule (6)~~
11 ~~50.40-Ancillary Health Care Services—Adult.~~

12 ~~(d) One hundred twenty-five thousand four hundred thirty-six~~
13 ~~dollars (\$125,436) to Item 9300-101-0001.~~

14 ~~SEC. 2. Any unencumbered balances, as of June 30, 2012, of~~
15 ~~the funds appropriated within any of the items identified in Section~~
16 ~~1 shall revert to the General Fund.~~

17 ~~SEC. 3. This act is a Budget Bill within the meaning of~~
18 ~~subdivision (e) of Section 12 of Article IV of the California~~
19 ~~Constitution and shall take effect immediately.~~

AMENDED IN SENATE AUGUST 22, 2012

AMENDED IN SENATE JUNE 25, 2012

AMENDED IN ASSEMBLY MARCH 5, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1588

Introduced by Assembly Member Atkins
(Principal coauthors: Assembly Members Cook and Nielsen)
(Coauthors: Assembly Members Allen, Bill Berryhill, Block, Butler,
Beth Gaines, Pan, V. Manuel Pérez, Williams, and Yamada)

February 6, 2012

An act to add Section 114.3 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1588, as amended, Atkins. Professions and vocations: reservist licensees: fees and continuing education.

Existing law provides for the regulation of various professions and vocations by boards within the Department of Consumer Affairs and for the licensure or registration of individuals in that regard. Existing law authorizes any licensee whose license expired while he or she was on active duty as a member of the California National Guard or the United States Armed Forces to reinstate his or her license without examination or penalty if certain requirements are met.

This bill would require the boards described above, *with certain exceptions*, to waive the renewal fees, continuing education requirements, and other renewal requirements as determined by the board, if any are applicable, of any licensee or registrant who is a ~~reservist~~ ^{reservist} called to active duty as a member of the United States ~~Military~~ ^{Military}.

Reserve *Armed Forces* or the California National Guard if certain requirements are met. *The bill would, except as specified, prohibit a licensee or registrant from engaging in any activities requiring a license while a waiver is in effect.* The bill would require a licensee or registrant to meet certain renewal requirements within a specified time period after being discharged from active duty service prior to engaging in any activity requiring a license. *The bill would require a licensee or registrant to notify the board of his or her discharge from active duty within a specified time period.*

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 114.3 is added to the Business and
 2 Professions Code, to read:
 3 114.3. (a) Notwithstanding any other provision of law, every
 4 board, as defined in Section 22, within the department shall waive
 5 the renewal fees, continuing education requirements, and other
 6 renewal requirements as determined by the board, if any are
 7 applicable, for any licensee or registrant ~~who is a reservist~~ called
 8 to active duty as a member of the United States ~~Military Reserve~~
 9 *Armed Forces* or the California National Guard if all of the
 10 following requirements are met:
 11 (1) The licensee or registrant possessed a current and valid
 12 license with the board at the time he or she was called to active
 13 duty.
 14 (2) The renewal requirements are waived only for the period
 15 during which the licensee or registrant is on active duty service.
 16 (3) Written documentation that substantiates the licensee or
 17 registrant’s active duty service is provided to the board.
 18 (b) ~~The~~ *(1) Except as specified in paragraph (2), the licensee*
 19 *or registrant shall not engage in any activities requiring a license*
 20 *during the period that the waivers provided by this section are in*
 21 *effect.* ~~In~~
 22 *(2) If the licensee or registrant will provide services for which*
 23 *he or she is licensed while on active duty, the board shall convert*
 24 *the license status to military active and no private practice of any*
 25 *type shall be permitted.*

1 (c) In order to engage in any activities for which he or she is
2 licensed *once discharged from active duty*, the licensee or registrant
3 shall meet all necessary renewal requirements as determined by
4 the board within ~~one year~~ *six months* from the ~~reservist's licensee's~~
5 *or registrant's* date of discharge from active duty service.

6 (d) After a licensee or registrant receives notice of his or her
7 discharge date, the licensee or registrant shall notify the board of
8 his or her discharge from active duty within 60 days of receiving
9 his or her notice of discharge.

10 (e)

11 (e) A board may adopt regulations to carry out the provisions
12 of this section.

13 (f) This section shall not apply to any board that has a similar
14 license renewal waiver process statutorily authorized for that
15 board.

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AMENDED IN SENATE AUGUST 22, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1489

Introduced by Committee on Budget (Blumenfield (Chair), Alejo, Bonilla, Brownley, Buchanan, Butler, Cedillo, Chesbro, Dickinson, Feuer, Gordon, Huffman, Mitchell, Monning, and Swanson)

January 10, 2012

An act relating to the Budget Act of 2012. An act to amend Sections 5092, 5093, and 5094.6 of, and to repeal Sections 3628 and 5094.5 of, the Business and Professions Code, to repeal Section 11535 of, and to repeal Article 3 (commencing with Section 11675) of Chapter 6 of Part 1 of Division 3 of Title 2 of, the Government Code, to amend Section 110552 of the Health and Safety Code, to repeal Section 1872.1 of the Insurance Code, to repeal Section 11062 of the Penal Code, and to amend Section 10605.2 of the Welfare and Institutions Code, relating to state government, and making an appropriation therefor, to take effect immediately, bill related to the budget.

LEGISLATIVE COUNSEL'S DIGEST

AB 1489, as amended, Committee on Budget. ~~Budget Act of 2012.~~ *State boards and commissions.*

(1) Existing law, the Naturopathic Doctors Act, provides for the licensure and regulation of naturopathic doctors by the Naturopathic Medicine Committee within the Osteopathic Medical Board of California. Existing law also requires the committee to establish a naturopathic childbirth attendance advisory subcommittee to issue recommendations concerning the practice of naturopathic childbirth

attendance based upon a review of naturopathic medical education and training, as specified.

This bill would repeal the provisions providing for the establishment of this subcommittee.

(2) Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy. Existing law requires an applicant for an accountancy license to complete a minimum of 24 semester units in accounting subjects and a minimum of 24 semester units in business-related subjects. Existing law, on and after January 1, 2014, requires an applicant for an accountancy license to complete an additional 10 semester units or 15 quarter units in ethics study and 20 units in accounting study. Existing law establishes the Advisory Committee on Accounting Ethics Curriculum within the jurisdiction of the board to, by January 1, 2012, recommend guidelines for the ethics study requirement to the board.

This bill would repeal the provisions establishing the Advisory Committee on Accounting Ethics Curriculum and would make related conforming and technical changes.

(3) Existing law establishes the Committee of Executive Salaries, and requires the committee to study issues relating to executive salaries in the private and public sector, and to report to the Legislature on a biannual basis on its findings and recommended changes.

This bill would repeal the provisions establishing the committee.

(4) Existing law requires the State Department of Public Health to regulate certain types of candy, as defined, and requires the department to convene an interagency collaborative to serve as an oversight committee for the implementation of those provisions and to work with the department in establishing and revising the required standards.

This bill would repeal those provisions establishing the interagency collaborative and would make technical and conforming changes.

(5) Existing law creates the Fraud Division within the Department of Insurance to enforce specific provisions of law regarding crimes against insured property and insurance fraud reporting. Existing law creates the advisory committee on automobile insurance fraud and economic automobile theft prevention within the division to recommend ways to coordinate the investigation, prosecution, and prevention of automobile insurance claims fraud, and to provide assistance to the division towards implementing the goal of reducing the frequency and severity of fraudulent automobile insurance claims, among other things.

This bill would repeal the provisions establishing the advisory committee.

(6) Existing law requires the Department of Justice to establish and chair a task force known as the Crime Laboratory Review Task Force to review and make recommendations as to how best to configure, fund, and improve the delivery of state and local crime laboratory services in the future and to report its findings to the Department of Finance and specified legislative committees by July 1, 2009.

This bill would repeal the provision establishing the task force.

(7) This bill would make various technical and conforming changes.

(8) This bill would appropriate \$1,000 from the General Fund to the Department of Finance for administrative costs related to this bill.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2012.

Vote: majority. Appropriation: no-yes. Fiscal committee: no-yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 3628 of the Business and Professions*
2 *Code is repealed.*

3 ~~3628.—(a) The committee shall establish a naturopathic~~
4 ~~childbirth attendance advisory subcommittee to issue~~
5 ~~recommendations concerning the practice of naturopathic childbirth~~
6 ~~attendance based upon a review of naturopathic medical education~~
7 ~~and training.~~

8 ~~(b) The naturopathic childbirth attendance advisory~~
9 ~~subcommittee shall be composed of an equal number of~~
10 ~~representatives from the clinical and academic settings of~~
11 ~~physicians and surgeons, midwives, and naturopathic doctors.~~

12 ~~(c) The naturopathic childbirth attendance advisory~~
13 ~~subcommittee shall review naturopathic education, training, and~~
14 ~~practice and make specific recommendations to the Legislature~~
15 ~~regarding the practice of naturopathic childbirth attendance.~~

16 ~~(d) The committee shall make recommendations to the~~
17 ~~Legislature not later than January 1, 2007. The naturopathic~~
18 ~~childbirth attendance advisory subcommittee and the committee~~
19 ~~shall consult with physicians and surgeons, midwives, and licensed~~

1 ~~naturopathic doctors in developing the findings and~~
2 ~~recommendations submitted to the Legislature.~~

3 *SEC. 2. Section 5092 of the Business and Professions Code is*
4 *amended to read:*

5 5092. (a) To qualify for the certified public accountant license,
6 an applicant who is applying under this section shall meet the
7 education, examination, and experience requirements specified in
8 subdivisions (b), (c), and (d), or otherwise prescribed pursuant to
9 this article. The board may adopt regulations as necessary to
10 implement this section.

11 (b) An applicant for the certified public accountant license shall
12 present satisfactory evidence that the applicant has completed a
13 baccalaureate or higher degree conferred by a college or university,
14 meeting, at a minimum, the standards described in Section 5094,
15 the total educational program to include a minimum of 24 semester
16 units in accounting subjects and 24 semester units in business
17 related subjects. This evidence shall be provided prior to admission
18 to the examination for the certified public accountant license,
19 except that an applicant who applied, qualified, and sat for at least
20 two subjects of the examination for the certified public accountant
21 license before May 15, 2002, may provide this evidence at the
22 time of application for licensure.

23 (c) An applicant for the certified public accountant license shall
24 pass an examination prescribed by the board pursuant to this article.

25 (d) The applicant shall show, to the satisfaction of the board,
26 that the applicant has had two years of qualifying experience. This
27 experience may include providing any type of service or advice
28 involving the use of accounting, attest, compilation, management
29 advisory, financial advisory, tax, or consulting skills. To be
30 qualifying under this section, experience shall have been performed
31 in accordance with applicable professional standards. Experience
32 in public accounting shall be completed under the supervision or
33 in the employ of a person licensed or otherwise having comparable
34 authority under the laws of any state or country to engage in the
35 practice of public accountancy. Experience in private or
36 governmental accounting or auditing shall be completed under the
37 supervision of an individual licensed by a state to engage in the
38 practice of public accountancy.

39 (e) This section shall become inoperative on January 1, 2014,
40 but shall become or remain operative if either the educational

1 requirements in ethics study and accounting study established by
2 subdivision (b) of Section ~~5094~~, ~~Section 5094.5~~, ~~5093~~ and Section
3 5094.6 are reduced or eliminated or if the practice privilege
4 requirements of Sections 5096 to 5096.15, inclusive, are amended
5 or repealed.

6 (f) The amendment to Section 5096.12 made by the act adding
7 this subdivision shall not be deemed an amendment of that section
8 for purposes of subdivision (e).

9 *SEC. 3. Section 5093 of the Business and Professions Code is*
10 *amended to read:*

11 5093. (a) To qualify for the certified public accountant license,
12 an applicant who is applying under this section shall meet the
13 education, examination, and experience requirements specified in
14 subdivisions (b), (c), and (d), or otherwise prescribed pursuant to
15 this article. The board may adopt regulations as necessary to
16 implement this section.

17 (b) (1) An applicant for admission to the certified public
18 accountant examination under the provisions of this section shall
19 present satisfactory evidence that the applicant has completed a
20 baccalaureate or higher degree conferred by 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 *federal* Higher Education Act of
25 ~~1965~~ 1965, as amended (20 U.S.C. Sec. 1001 et seq.), or meeting,
26 at a minimum, the standards described in subdivision (c) of Section
27 5094. The total educational program shall include a minimum of
28 24 semester units in accounting subjects and 24 semester units in
29 business-related subjects. This evidence shall be provided at the
30 time of application for admission to the examination, except that
31 an applicant who applied, qualified, and sat for at least two subjects
32 of the examination for the certified public accountant license before
33 May 15, 2002, may provide this evidence at the time of application
34 for licensure.

35 (2) An applicant for issuance of the certified public accountant
36 license under the provisions of this section shall present satisfactory
37 evidence that the applicant has completed at least 150 semester
38 units of college education including a baccalaureate or higher
39 degree conferred by a college or university, meeting, at a minimum,
40 the standards described in Section 5094, the total educational

1 program to include a minimum of 24 semester units in accounting
2 subjects, 24 semester units in business-related subjects, and, after
3 December 31, 2013, shall also include a minimum of 10 units of
4 ethics study consistent with the requirements set forth in Section
5 5094.3 and 20 units of accounting study consistent with the
6 regulations promulgated under subdivision ~~(e)~~ (a) of Section
7 5094.6. This evidence shall be presented at the time of application
8 for the certified public accountant license. Nothing herein shall be
9 deemed inconsistent with Section 5094 or 5094.6. ~~The Advisory~~
10 ~~Committee on Accounting Ethics Curriculum established under~~
11 ~~Section 5094.5 may determine that a course or a portion of a course~~
12 ~~satisfies the ethics study requirement.~~ Nothing herein shall be
13 construed to be inconsistent with prevailing academic practice
14 regarding the completion of units.

15 (c) An applicant for the certified public accountant license shall
16 pass an examination prescribed by the board.

17 (d) The applicant shall show, to the satisfaction of the board,
18 that the applicant has had one year of qualifying experience. This
19 experience may include providing any type of service or advice
20 involving the use of accounting, attest, compilation, management
21 advisory, financial advisory, tax or consulting skills. To be
22 qualifying under this section, experience shall have been performed
23 in accordance with applicable professional standards. Experience
24 in public accounting shall be completed under the supervision or
25 in the employ of a person licensed or otherwise having comparable
26 authority under the laws of any state or country to engage in the
27 practice of public accountancy. Experience in private or
28 governmental accounting or auditing shall be completed under the
29 supervision of an individual licensed by a state to engage in the
30 practice of public accountancy.

31 (e) Applicants completing education at a college or university
32 located outside of this state, meeting, at a minimum, the standards
33 described in Section 5094, shall be deemed to meet the educational
34 requirements of this section if the board determines that the
35 education is substantially equivalent to the standards of education
36 specified under this chapter.

37 *SEC. 4. Section 5094.5 of the Business and Professions Code*
38 *is repealed.*

39 ~~5094.5. (a) There is hereby created within the jurisdiction of~~
40 ~~the board the Advisory Committee on Accounting Ethics~~

1 Curriculum. For purposes of this section, “committee” means the
2 advisory committee established under this section.

3 (b) ~~The committee shall consist of the following 11 members:~~

4 (1) ~~One member appointed by the California Public Employees
5 Retirement System.~~

6 (2) ~~Two members appointed by the Regents of the University
7 of California. These members shall be professors of business ethics
8 or accounting who have published works on the desirability and
9 potential contents of accounting ethics education.~~

10 (3) ~~Two members appointed by the California State University
11 Board of Trustees. These members shall be professors of business
12 ethics or accounting who have published works on the desirability
13 and potential contents of accounting ethics education.~~

14 (4) ~~Two members representing the California Community
15 Colleges appointed by the Board of Governors of the California
16 Community Colleges. These members shall be instructors of
17 business ethics or accounting.~~

18 (5) ~~The Senate Committee on Rules, the Speaker of the
19 Assembly, and the board shall each appoint one member. The
20 members appointed by the Senate Committee on Rules and the
21 Speaker of the Assembly shall be from organized labor or consumer
22 advocaey organizations.~~

23 (6) ~~The Governor shall appoint one California certified public
24 accountant in public praetice from a list provided by the California
25 Society of Certified Public Accountants.~~

26 (e) ~~The term of a member of the committee shall be at the
27 pleasure of the appointing authority.~~

28 (d) ~~The committee shall be subject to the Bagley-Keene Open
29 Meeting Act (Article 9 (commencing with Section 11120) of
30 Chapter 1 of Part 1 of Division 3 of Title 2 of the Government
31 Code).~~

32 (e) ~~This section shall remain in effect only until January 1, 2014,
33 and as of that date is repealed, unless a later enacted statute, that
34 is enacted before January 1, 2014, deletes or extends that date.~~

35 *SEC. 5. Section 5094.6 of the Business and Professions Code*
36 *is amended to read:*

37 5094.6. (a) ~~No later than June 1, 2012, the committee shall
38 recommend to the board ethics study guidelines consisting of no
39 less than 10 semester units to be included as a part of the education
40 required under Section 5093. Ethics study may consist of academic~~

1 ~~courses, portions of courses, or independent study offered by~~
 2 ~~degree-granting universities, colleges, or other institutions of~~
 3 ~~learning accredited by a regional or national accrediting agency.~~
 4 ~~Nothing herein shall be deemed inconsistent with prevailing~~
 5 ~~academic practice regarding completion of units.~~

6 (b)

7 5094.6. (a) The board shall, no later than January 1, 2012, by
 8 regulation, adopt guidelines for accounting study to be included
 9 as part of the education required under Section 5093. In
 10 promulgating these regulations, the board shall consider the views
 11 of the Accounting Education Advisory Committee established
 12 under Section 5094.7.

13 (e)

14 (b) No later than six months following the issuance of the report
 15 by the California Research Bureau regarding the Uniform
 16 Accountancy Act’s 150-hour rule, the board shall hold a hearing
 17 on the report. At the hearing, the board shall make
 18 recommendations, based on that report, to the National Association
 19 of State Boards of Accountancy and the American Institute of
 20 Certified Public Accountants for ensuring the relevancy of
 21 accountancy education to the modern practice of accounting and
 22 shall approve a plan for the board to seek the adoption of those
 23 recommendations and any others the board may recommend related
 24 to enforcement and Internet disclosure.

25 (d)

26 (c) For purposes of this section, ~~the following definitions shall~~
 27 ~~apply:~~

28 (1) ~~Except as provided in subdivision (c), “committee” means~~
 29 ~~the Advisory Committee on Accounting Ethics Curriculum~~
 30 ~~established under Section 5094.5.~~

31 (2) ~~“Ethics study guidelines” means the guidelines for the study~~
 32 ~~of ethics adopted for California by the committee and the board~~
 33 ~~consisting of a program of learning that provides students with a~~
 34 ~~framework of ethical reasoning, professional values, and attitudes~~
 35 ~~for exercising professional skepticism and other behavior that is~~
 36 ~~in the best interest of the investing and consuming public and the~~
 37 ~~profession. At minimum, it includes academic work or independent~~
 38 ~~study and shall include a foundation for ethical reasoning and the~~
 39 ~~core values of integrity, objectivity, and independence consistent~~
 40 ~~with the International Education Standards-4 of the International~~

1 ~~Accountants Education Standards Board, the International~~
2 ~~Federation of Accountants Code of Ethics, and the American~~
3 ~~Institute of Certified Public Accountants Code of Professional~~
4 ~~Conduct.~~

5 (3) ~~“Accounting “accounting study” means independent study~~
6 ~~or other academic work in accounting, business, ethics, business~~
7 ~~law, or other academic work relevant to accounting and business,~~
8 ~~so as to enhance the competency of students as practitioners.~~

9 *SEC. 6. Section 11535 of the Government Code, as amended*
10 *by Chapter 147 of the Statutes of 2012, is repealed.*

11 ~~11535. (a) There is, in the Department of Technology, the~~
12 ~~Technology Services Board.~~

13 ~~(b) The board shall consist of 13 members, as follows:~~

14 ~~(1) The Director of Technology, who shall serve as the chair of~~
15 ~~the board.~~

16 ~~(2) The Director of Finance, who shall serve as vice chair of~~
17 ~~the board.~~

18 ~~(3) The Controller.~~

19 ~~(4) The Secretary of Food and Agriculture, the Secretary of~~
20 ~~Transportation, the Secretary of the Department of Corrections~~
21 ~~and Rehabilitation, the Secretary for Environmental Protection,~~
22 ~~the Secretary of California Health and Human Services, the~~
23 ~~Secretary of Labor and Workforce Development, the Secretary of~~
24 ~~the Natural Resources Agency, the Secretary of Business,~~
25 ~~Consumer Services, and Housing, and the Secretary of Veterans~~
26 ~~Affairs.~~

27 ~~(5) The Director of Emergency Services.~~

28 *SEC. 7. Article 3 (commencing with Section 11675) of Chapter*
29 *6 of Part 1 of Division 3 of Title 2 of the Government Code is*
30 *repealed.*

31 *SEC. 8. Section 110552 of the Health and Safety Code is*
32 *amended to read:*

33 110552. (a) The department shall regulate candy to ensure
34 that the candy is not adulterated.

35 (b) For the purposes of this chapter, “candy” means any
36 confectionary intended for individual consumption that contains
37 chili, tamarind, or any other ingredient identified as posing a health
38 risk in regulations adopted by the office or department.

39 (c) For purposes of this section, the following terms have the
40 following meanings:



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Attachment 1

LEGISLATIVE TRACKING LIST

<u>Bill #</u>	<u>Author</u>	<u>Topic</u>	<u>Board Position</u>
AB 1345	Lara	Local Government: audits	Support if Amended
AB 1409	V. Perez	Regulations: small business	Watch
AB 1588	Atkins	Reservist licensees	Support
AB 1904	Block	Military Spouses	Support
AB 2570	Hill	Settlement agreements	Oppose
SB 103	Liu	Teleconferencing	Oppose
SB 1099	Wright	Regulations: effective date	Oppose
SB 1327	Cannella	State government: Internet Website	Support
SB 1405	DeLeon	Military service: practice privilege	Support
SB 1576	Sen. B&P	Omnibus Bill	Support

**CALIFORNIA BOARD OF ACCOUNTANCY
REPORT ON LICENSING DIVISION ACTIVITY
June 2012 – August 2012**

CBA Item V.A.
September 20-21, 2012

EXAMINATION	June	July	August
CPA Examination Applications Received			
First-Time Sitter	935	740	748
Repeat Sitter	1,983	1,002	1470
CPA Examination Applications Processed			
First-Time Sitter	530	1,240	844
Repeat Sitter	2,036	757	1,412
Processing Time Frames (Days)			
First-Time Sitter	24	32.5	34
Repeat Sitter	5	6	10
INITIAL LICENSING			
CPA Licensure Applications Received			
CPA	294	251	317
Partnership	8	7	5
Corporation	21	18	14
Fictitious Name Permit (Registration)	7	19	8
Processing Time Frames (Days)			
CPA	18	19	18
Partnership	8	7	9
Corporation	8	7	9
Fictitious Name Permit (Registration)	8	7	9
Applicants Licensed Under			
Pathway 0	0	0	2
Pathway 1A	41	25	40
Pathway 1G	40	41	55
Pathway 2A	62	67	61
Pathway 2G	156	113	147

**CALIFORNIA BOARD OF ACCOUNTANCY
REPORT ON LICENSING DIVISION ACTIVITY
June 2012 – August 2012**

RENEWAL AND CONTINUING COMPETENCY	June	July	August
Total Number of Licensees			
CPA	84,712	84,784	85,034
PA	122	121	120
Partnership	1,414	1,417	1,414
Corporation	3,718	3,736	3,744
Licenses Renewed			
CPA	3,520	3,162	2,883
PA	2	5	0
Partnership	41	49	48
Corporation	113	167	124
CE Worksheet Review			
CPA/PA Applications Reviewed	3,077	3,676	3,367
Deficient Applications Identified	303	567	455
Compliance Responses Received <i>(Including Requests for Inactive Status)</i>	132	33	17
Enforcement Referrals	0	0	0
Outstanding Deficiencies <i>(Including Abandonment)</i>	171	534	438
PRACTICE PRIVILEGE			
Notifications Received			
Hardcopy	33	18	24
Electronic	89	85	99
Disqualifying Conditions Received			
Approved	0	2	3
Denied	0	2	0
Pending	0	0	0
Practice Privilege Suspension Orders			
Notice of Intent to Suspend	6	4	0
Administrative Suspension Order	3	2	1

**CALIFORNIA BOARD OF ACCOUNTANCY
REPORT ON LICENSING DIVISION ACTIVITY
June 2012 – August 2012**

DIVISION ACTIVITIES

- The Renewal and Continuing Competency Unit is actively working on the implementation process for the military waiver set to take effect January 1, 2013 and the military inactive status set to take effect January 1, 2014.
- On August 24, 2012, staff posted an update on the CBA website to alert licensees of the CBA's action to delay the option to apply for a retired status license until July 1, 2014.
- The Initial Licensing Unit is recruiting to fill a vacant Associate Governmental Program Analyst position.
- The Examination Unit is recruiting to fill a vacant Office Technician Permanent Intermittent position.
- Two Office Technician Retired Annuitants (one each from the Initial Licensing and Renewal and Continuing Competency Units) were let go on August 31, 2012. This was the result of the budget compromise between Governor Brown and various unions to require all state agencies to let go all non-mission critical Retired Annuitants.

COMMITTEE NEWS

CPA Qualifications Committee

The next Qualifications Committee (QC) meeting is scheduled to take place on October 24, 2012 at the Red Lion Hotel in Oakland, CA. Over the past several meetings, the QC has been working on developing a training plan that members can use when conducting CBA Regulation Section 69 and personal appearance interviews/reviews. The training plan is in its final stages, and it is anticipated that the QC will complete its work on the plan at the October meeting.



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CBA Item V.B.
September 20-21, 2012

**Licensing Educational Changes Taskforce – Project Plan for Implementation of
the New Educational Requirements for CPA Licensure Set to Take Effect
January 1, 2014**

Presented by: Dominic Franzella, Licensing Chief
Date: August 23, 2012

Purpose of the Item

The purpose of this item is to provide the California Board of Accountancy (CBA) with information on activities being undertaken by staff related to transiting to the new educational requirements for CPA licensure set to take effect January 1, 2014.

Action(s) Needed

No specific action is required on this agenda item.

Background

In 2009, the California Legislature passed Senate Bill (SB) 819 (Chapter 308) that significantly transforms the educational requirements for obtaining Certified Public Accountant (CPA) licensure beginning January 1, 2014. SB 819 set a sunset date for the Pathway 1 (120 semester units) as an option to apply for and receive a CPA license, thereby leaving only the 150 semester unit pathway (presently Pathway 2) as the sole option for obtaining licensure. Furthermore, SB 819 required the CBA to further define an additional 30 semester units of education, split between 20 semester units of accounting study and 10 semester units of ethics study, beyond its present requirement of 24 semester units each of accounting and business-related subjects. In 2011, the CBA undertook rulemaking activities to define the requirements for the 20 semester units of accounting study, while the Legislature passed SB 773 (Chapter 344, Statutes of 2011) to codify the requirements for the ethics study.

Since 2009, staff has worked diligently to get information out to affected stakeholders. This has included development of a webpage specific to the new educational requirements, holding Facebook events, drafting numerous UPDATE articles, and participating in live webinar events with the California Society of CPAs.

Comments

During the early stages of the transition process, only a few select staff had an active involvement with the activities associated with the new educational requirements. In

Licensing Educational Changes Taskforce – Project Plan for Implementation of the New Educational Requirements for CPA Licensure Set to Take Effect

January 1, 2014

Page 2 of 2

July of this year, CBA management took steps to broaden staff participation and established the Licensing Educational Changes Taskforce (Taskforce), which is an internal group of staff from the Licensing Division's Examination and Initial Licensing Units.

The objectives of the Taskforce are three-fold, to: (1) further the CBA's outreach efforts, (2) develop best practices for implementation, and (3) develop and coordinate training activities for Licensing Division staff. Provided in the **Attachment** is the project plan and project outline developed by the Taskforce. For the project plan, the Taskforce has identified eight general tasks for achieving its objectives, while for the project outline, the Taskforce has calendared out the various activities associated with each of the eight tasks.

The project plan and project outline are designed to act as staff's transition plan to implement the new educational requirements; however, staff realize that the project outline will be an evolving document and, as such, tasks and dates will be modified as necessary. Over the next several months, the Taskforce will work to sort through various options available for the impending transition and will revise the project outline as these elements begin to take shape. As certain milestones are reached, staff will bring back an updated project outline to the CBA so as to keep members current on the progress of the Taskforce.

Fiscal/Economic Impact Considerations

None.

Recommendation

Although no recommendation is required for this agenda item, as always, staff would value any feedback members may have regarding the Taskforce's proposed project plan and project outline, as well as any ideas they believe would assist in getting the message out regarding the new licensure requirements.

Attachment

Licensing Educational Changes Taskforce – Project Plan

Licensing Educational Changes Taskforce



To facilitate a smooth transition to the new requirements through continued outreach efforts, developing best practices for implementation, and coordinating training activities for Licensing Division staff.

Membership

Initial Licensing Unit

*Veronica Daniel, Manager
Stephanie Hoffman, Coordinator
Vicky Thornton, Coordinator
Angie Budomo, Analyst
Jennifer Johnson, Analyst
Denise Corrigan, Technician*

Examination Unit

*Jenny Sheldon, Manager
Suzanne Gracia, Coordinator
Anna Torrecillas, Analyst
Diane Edwards, Technician*

Licensing Educational Changes Taskforce Project Plan

On January 1, 2014 the California Board of Accountancy's (CBA) Licensing Division will implement extensive changes to the educational requirements for CPA licensure in California. Not since the implementation of the minimum educational requirements to sit for the Uniform CPA Exam has the Licensing Division experienced a change of this magnitude. The new requirements will have a profound effect not only on students, but on faculty as well.

The Licensing Educational Changes Taskforce (Taskforce), comprised of Examination and Initial Licensing Unit staff, has been created to help facilitate a smooth transition to the new requirements. Taskforce activities will be focused on meeting three main objectives.

1. Furthering the CBA's outreach efforts
2. Developing best practices for implementation
3. Developing and coordinating training activities for Licensing Division staff

The Taskforce has met three times focusing on development of the attached project outline. The project outline is a working document that will be updated as continued discussions lead to new ideas and discoveries. The project outline is broken down into eight general tasks:

- 1.0 Existing Exam Candidates and Licensure Applicants
- 2.0 Daily Communications
- 3.0 Social Media
- 4.0 External Organizations
- 5.0 Colleges/Universities
- 6.0 UPDATE Publication
- 7.0 Miscellaneous
- 8.0 Implementation Planning

What follows is a brief overview for each task on the attached project outline.

1.0 Existing Exam and Licensure Applicants

Informing existing exam and licensure applicants of the new education requirements is one of the first items the Taskforce will address because this knowledge may have a profound effect on their current course of action regarding their education. This information will enable applicants to make any necessary changes or additions to their current educational path and minimize future confusion and frustration as to what is needed to become licensed.

The Taskforce will develop letters or notices to include with exam and licensure application packets. This will include a self-assessment tool attachment to the application that will be available for download from the CBA website, in addition to being

Licensing Educational Changes Taskforce
Project Plan
Page 2

available via U.S. mail. It is anticipated that these items will be in production by October 2012.

2.0 Daily Communications

In an effort to foster effective communication between staff and applicants, the Taskforce will develop boilerplate language regarding the upcoming educational requirements to be used in email responses and when answering telephone calls. The Taskforce will create standard responses to frequently asked questions (FAQ), beginning with the existing FAQ sheet available on the CBA website, and expanding to include other frequent inquiries that may not yet be listed.

Additionally, the Taskforce will create a reference sheet describing the new educational requirements using everyday language to be used by staff in the Initial Licensing and Examination Units. This will help staff to become more familiar with the new requirements, and to be able to adequately disseminate accurate and relevant information to individuals seeking guidance.

Communication with applicants is essential to ensure a smooth transition to the new educational requirements for licensure. Therefore, the Taskforce will begin development of these items immediately with September 2012 as the target implementation date.

3.0 Social Media

In today's environment, social media plays a crucial role in the dissemination of information to mass audiences and the new educational requirements for CPA licensure are no exception. A significant portion of applicants and students are making use of social sites such as Facebook, Twitter, and YouTube, making this an effective way to reach out and advertise so interested parties will have a better understanding of the new licensure requirements.

The CBA will continue to encourage exam and licensure applicants to subscribe to E-news to receive the latest information on CBA programs and activities. In January and June of 2013, the Taskforce will host live Facebook events to allow exam and licensure applicants to receive information and ask questions. The CBA will also update FAQs from each Q&A session to post on the CBA website.

The Taskforce will explore options for creating a YouTube video, which will link directly to the CBA website. The YouTube video will consist of a visual PowerPoint presentation with live voice.

The Taskforce will also explore options for creating an Android or Apple application which applicants may download as a self-assessment tool for determining whether they meet the new education requirements.

4.0 External Organizations

It is important to reach out to external organizations to further spread the word regarding the new educational changes. The Taskforce plans to reach out electronically to organizations such as the California Society of Certified Public Accountants (CalCPA), National Association of State Boards of Accountancy (NASBA), American Institute of Certified Public Accountants, and other state boards of accountancy to alert their members of the continuous updates leading up to the effective date of the educational changes.

The Taskforce will work with CalCPA to determine the possibility of hosting another webinar event in conjunction with the September 2012 CBA meeting. The Taskforce will also seek assistance and resources for handling future webinars from the Department of Consumer Affairs and NASBA.

Foreign Credential Evaluation Services play a significant role in an applicant's path to licensure when education is obtained outside of the United States. As such, staff will develop very clear, written communication to each CBA-approved Foreign Credential Evaluation Service upon final approval of the regulation package related to the 20 units of accounting study.

5.0 Colleges/Universities

The Taskforce will continue to focus on targeting colleges and universities regarding notification of the new educational changes. The Taskforce will seek to expand the current college faculty list to include faculty advisors, as well as accounting firm recruiters, which would increase exposure to the student population.

The Taskforce will develop articles to be circulated to college and university accounting departments and campus newspapers. When traveling for CBA and committee meetings, the Taskforce will look for opportunities to take advantage of this time and plan presentations on the new educational requirements, and possible meetings for transcript review with local state and community colleges.

Regarding the transcript review process, the Taskforce will explore the option of having some colleges submit sample transcripts for CBA evaluation purposes. The University of Southern California has expressed interest in this process.

Considering the volume of students that acquire out-of-state education, communication to out-of-state schools is imperative. Special efforts will be made to contact out-of-state schools and provide them with information regarding California's educational requirements, including a link to the CBA website.

The Taskforce will seek contacts from the American Accounting Association and Beta Alpha Psi to further spread the word to out-of-state colleges and universities. The

Licensing Educational Changes Taskforce
Project Plan
Page 4

Taskforce will also explore providing a webinar specifically targeting the out-of-state colleges and universities.

6.0 UPDATE Publication

Beginning with the Winter 2013 issue of the CBA's *UPDATE*, and continuing in the Spring and Fall of 2013, the Taskforce will ensure that as developments arise, an article regarding the new educational requirements is included in each publication. The Taskforce will not include an article in the Fall 2012 *UPDATE* because it is already in the final stages of production.

Including this information in the *UPDATE* will keep licensees updated regarding the changes and help to ensure that applicants presently under their supervision, working to gain experience for future licensure, have an additional source of information. In addition, the articles in the *UPDATE* will keep open the channels of communication with an audience that may not otherwise be reached and informed of the significant changes to becoming a licensed California CPA.

7.0 Miscellaneous

A comprehensive overview on the development of the new educational changes will be provided in the CBA Annual Report, which is scheduled to be in review by July 31, 2012.

The CBA's information on Wikipedia does not appear to receive a high volume of traffic; therefore, minimal focus will be spent in this area. However, the information will be updated to reflect the upcoming educational changes and again once the requirements are in effect, keeping the CBA's information up-to-date on this website.

The CBA's handbooks for initial licensing and examination will be revised accordingly and placed on the website once the educational changes are in effect.

8.0 Implementation Planning

The largest section of the project outline is by far the implementation planning. At its second meeting the Taskforce reviewed a set of transcripts in an attempt to qualify the hypothetical individual for CPA licensure. This was an eye-opening experience making it clear that careful implementation planning is going to be key.

The Taskforce has agreed on the basics: the need for an internal review sheet, self-assessment tool, revised folder stamp, and formalized staff training. The Taskforce will develop and provide training to initial licensing and exam staff on subject matter to build knowledge and confidence when handling phone and email inquiries. This training is anticipated to take place beginning October 2012. Additional training will be provided once the best practices for implementation have been developed, which is planned for March 2013. In between the two planned trainings the units will be provided with

Licensing Educational Changes Taskforce
Project Plan
Page 5

periodic updates and information as developments arise. As always, additional trainings may be scheduled as needed.

The project outline will be an evolving document and as such, tasks or dates will be modified as necessary. Over the next several months the Taskforce will be working to sort through various options available for implementation and will revise the project outline as these elements begin to take shape. The Taskforce will meet bi-weekly and provide an updated project outline to senior management every month to show the progression of the overall project. All changes to the project outline going forward will be noted in underline and strikethrough.

Attachment
Project Outline

CALIFORNIA BOARD OF ACCOUNTANCY

PROJECT OUTLINE

Updated: August 8, 2012

PROJECT TITLE: New Educational Requirements for CPA Licensure Activities

THIS PROJECT OUTLINE IS MAINTAINED BY: Licensing Educational Changes Taskforce

TASK #	TASK NAME	ASSIGNED OR START DATE (1)	DUE DATE OR FINISH DATE (1)	STAFF / UNIT ASSIGNED	% COMPLETED/STATUS/COMMENTS	"X" WHEN COMPLETED
1.0	Existing Exam Candidates and Licensure Applicants					
1.1	Develop letter or insert notifying exam candidates of the new licensure requirements	7/10/2012	8/8/2012	Suzanne	Include with approval, deficiency, and pass letters. Include self-assessment tool (8.3) and tip sheet	X
1.1.1	Submit letter through the DAN process	8/15/2012	9/5/2012	Suzanne	If Legal approval is necessary, add two weeks to completion date.	
1.1.2	Meet with Exam staff to discuss inclusion of the letter/insert	8/15/2012	8/15/2012	Jenny		
1.1.3	Begin including the letter/insert in all mailings to exam candidates	10/1/2012	TBD	All Exam Staff		
1.2	Draft language to include in the approval email sent to exam candidates	7/10/2012	8/8/2012	Suzanne	language can be substantially similar to letter in 1.1	X
1.2.1	Submit email through the DAN process	8/15/2012	9/5/2012	Suzanne		
1.2.2	Put revised email into production	10/1/2012	TBD	IT		
1.3	Develop letter/insert notifying licensing applicants of new licensure requirements	7/10/2012	8/8/2012	Vicky/Stephanie	P1 applicants who need 2 year (or fraction thereof) experience requirement	X
1.3.1	Submit letter through the DAN process	8/15/2012	9/5/2012	Stephanie		

(1) Columns refer to either the dates a task is assigned/due, or to the period that staff is expected to begin and finish a task inside of a larger project, without a specific "assignment".

CALIFORNIA BOARD OF ACCOUNTANCY

PROJECT OUTLINE

Updated: August 8, 2012

PROJECT TITLE: New Educational Requirements for CPA Licensure Activities

THIS PROJECT OUTLINE IS MAINTAINED BY: Licensing Educational Changes Taskforce

TASK #	TASK NAME	ASSIGNED OR START DATE (1)	DUE DATE OR FINISH DATE (1)	STAFF / UNIT ASSIGNED	% COMPLETED/STATUS/COMMENTS	"X" WHEN COMPLETED
1.3.2	Meet with Licensing staff to discuss inclusion of the letter/insert	8/15/2012	8/15/2012	Veronica		
1.3.3	Begin including the letter/insert in all mailings to licensing applicants	10/1/2012	TBD	All Licensing Staff	Attach letter/insert to application and checklist. Include copy of self-assessment tool (8.3) and tip sheet	
1.4	Explore the possibility of adding information to the landing page for exam candidates' client account	August 2012	September 2012	Suzanne/Jenny IT		
2.0	Daily Communications					
2.1	Develop boilerplate responses for Exam and ILU staff to use when responding to various emails and answering phone calls	8/1/2012	9/4/2012	Stephanie/Suzanne	Start with existing FAQs and expand	
2.1.2	Submit boilerplate language through the DAN process	9/5/2012	9/17/2012	Stephanie/Suzanne		
2.2	Create a new requirements reference sheet for staff with "everyday" language	7/9/2012	8/1/2012	Jennifer	Based on existing multi-colored tip sheet	X
2.2.1	Submit reference sheet through the DAN process, if necessary	8/2/2012	8/13/2012	Jennifer		
2.2.2	Meet with Exams and Licensing staff to discuss the requirements and provide the reference sheet and boilerplate	September 2012	September 2012	Jenny/Veronica	Discussions will be on going at monthly staff meetings	

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CALIFORNIA BOARD OF ACCOUNTANCY

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Updated: August 8, 2012

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TASK #	TASK NAME	ASSIGNED OR START DATE (1)	DUE DATE OR FINISH DATE (1)	STAFF / UNIT ASSIGNED	% COMPLETED/STATUS/COMMENTS	"X" WHEN COMPLETED
3.0	Social Media					
3.1	January 2013 Facebook Event	7/12/2012	January 2013	Taskforce	Targeted advertising (i.e. colleges and universities, student organizations, etc.)	
3.1.1	Explore the possibility of conducting a webinar along with the Facebook event	12/3/2012	12/31/2012	Jenny	Steven Del Rio located a Webinar program that can be combined with Facebook for live questions. Need to further research.	
3.1.1	Post on CBA website and send E-news	12/10/2012	12/14/2012	Jenny/Rosella		
3.1.2	Use Social Media to advertise	November 2012	December 2012	Lauren		
3.2	June 2013 Facebook Event	5/1/2013	June 2013	Taskforce	Targeted advertising (i.e. colleges and universities, student organizations, etc.)	
3.2.1	Post on CBA website and send E-news	5/6/2013	5/10/2013	Jenny/Rosella		
3.3.2	Use Social Media to advertise	April 2013	May 2013	Lauren		
3.2	Facebook/Twitter Posts	7/12/12	Ongoing	Lauren	As content is posted to the CBA website or events take place	

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3.2.1	Request approved standard posts and messages for use to draw people to the information on the website	6/28/2012	6/28/2012	Stephanie		X
3.2.2	Review posts and messages to determine if list can be expanded upon.	7/25/2012	8/29/2012	Taskforce		X
3.3	Explore YouTube video presentation with voice	9/10/2012	9/28/2012	Diane/Rich	Use existing PP Presentation w/audio file from CalCPA webinar	X
3.3.1	Taskforce viewing of "draft" video	8/22/2012	8/22/2012	Rich	Rich will show the video at the taskforce meeting	
3.3.2	Taskforce provide feedback regarding video	8/22/2012	9/5/2012	Taskforce		
3.3.3	Present video to senior management for feedback and/or approval	September 2012	October 2012	Taskforce	May need to be completed in October due to September CBA meeting	
3.4	Explore the possibility of creating an android/apple application for self-assessment	10/1/2012	11/30/2012	Jenny/Dave		
4.0	External Organizations					
4.1	Reach out to CalCPA to see if when we post new information, they can alert their members	7/3/2012	7/13/2012	Veronica	CalCPA is already monitoring the CBA website, facebook, and twitter accounts and reposting relevant information.	X

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4.2	Work to get information out to Beta Alpha Psi organization and members (email list?)	7/3/2012	7/13/2012	Veronica	Follow-up with Lauren on the status of this item	X
4.3	Develop a letter and/or email to send to various external organizations once changes to CPA licensure requirements are final	November 2012	December 2012	Anna	Include information pulled from 1.1, 1.3, and 8.3	
4.3.1	Research contact information on identified organizations	November 2012	December 2012	Diane/Denise		
4.3.2	Submit the letter and/or email through the DAN process	1/7/2013	1/22/2013	Anna		
4.3.3	Send information to CA and out of state schools	2/4/2013	2/8/2013	Anna	Send to BOG, Chancellors, etc. with link to CBA website	
4.3.4	Send information to other state boards of accountancy, NASBA, and AICPA	2/4/2013	2/8/2013	Veronica	Coordinate with Janet to possibly send through Patti's email	
4.5	Develop letter to notify Foreign Credential Evaluation Services of the new requirements	8/1/2012	8/31/2012	Anna		
4.5.1	Submit the letter through the DAN process	9/4/2012	9/25/2012	Anna		

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4.5.2	Mail the letter to all Foreign Credential Evaluation Services	10/1/2012	10/8/2012	Anna		
4.6	Reach out to CalCPA for future webinar event opportunities. Check with NASBA and DCA for webinar resources.	7/13/2012	9/1/2012	Taskforce		
4.6.1	Presentation at UC Davis and CSU, Sacramento	September 2012	September 2012	Dominic	Staff answer questions received via webinar	
4.7	Review licensing information provided in NASBA's Accountancy Licensing Library (ALL).	8/27/2012	9/7/2012	Jenny		
4.7.1	Submit proposed language through the DAN process	9/10/2012	9/28/2012	Jenny	Determine if Legal review is necessary	
4.7.2	Work with NASBA to have information updated in ALL	10/1/2012	10/31/2012	Jenny		
5.0	Colleges/Universities					
5.1	Explore options for providing PowerPoint presentations to local state colleges	7/13/2012	12/1/2012	Angie		
5.2	Explore options for providing transcript review sessions in conjunction with CBA or committee meetings	7/13/2012	12/1/2012	Angie		

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5.3	Explore having colleges provide sample transcripts for CBA interpretation and educational purposes	7/13/2012	12/1/2012	Jennifer	USC has expressed an interest	
5.4	Review current resource lists and seek contacts for faculty advisors	7/13/2012	11/15/2012	Denise		
5.5	Seek contact information for accounting firm recruiters who may be a resource for disseminating information to students/faculty advisors	7/13/2012	11/15/2012	Denise		
5.6	Explore option for providing information to out-of state colleges	7/13/2012	9/15/2012	Taskforce		
5.6.1	Contact American Accounting Association (AAA) and Beta Alpha Psi to seek contact information for out-of state colleges	7/13/2012	9/15/12	Denise		
5.6.2	Explore options for providing a webinar to out-of-state colleges	7/13/12	12/1/2012	Suzanne		
6.0	UPDATE Publication					
6.1	Winter 2013	TBD	TBD	Taskforce	Dependent upon activities	

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6.2	Spring 2013	TBD	TBD	Taskforce		
6.3	Fall 2013 article	TBD	TBD	Taskforce		
7.0	Miscellaneous					
7.1	Include comprehensive overview (report) on the development of the new educational requirements for CPA licensure in the CBA Annual Report	7/1/2012	7/31/2012	Veronica		
7.2	Update Wikipedia Information	12/1/2012	1/30/2013	Veronica	Will make the bullet regarding Exam and Licensing requirements link to that section of the CBA website	
7.3	Update initial licensing handbook accordingly	7/12/2012	1/1/2013	Stephanie		
7.3.1	Submit initial licensing handbook through DAN process	1/1/2013	1/15/2013	Stephanie		
7.3.2	Post revised initial licensing handbook to website	TBD	TBD	Rosella		

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7.4	Update exam handbook	7/12/2012	1/1/2013	Suzanne		
7.4.1	Submit exam handbook through DAN process	1/1/2013	1/15/2013	Suzanne		
7.4.2	Post revised exam handbook to website	TBD	TBD	Rosella		
8.0	Implementation Planning					
8.1	Task Force Meetings	July 2012	July 2012	Taskforce	Weekly meetings to develop project plan and outline	
8.1.1	Bi-weekly meetings on various topics necessary to carryout project plan	August 2012	December 2013	Taskforce		
8.1.2	Monthly Meetings on various topics necessary to ensure smooth implementation	January 2014	June 2014	Taskforce	If necessary, bi-weekly schedule will be maintained	
8.2	Develop list of questions or items on which the task force needs clarification	7/2/2012	7/31/2012	Taskforce/Jenny	i.e. financial statement auditing, ESL, etc.	X
8.2.1	Meet with subject matter expert (Dominic) to discuss questions	August 2012	August 2012	Jenny/Veronica	May invite Dominic to address the questions at a Taskforce meeting	

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8.3	Develop a self-assessment tool for applicants	7/10/2012	8/8/2012	Taskforce/ Stephanie	Will be posted to CBA website, attached to licensing applications, exam remittance form, and letters to applicants	X
8.3.1	Submit self-assessment tool through the DAN process (including Kristy)	8/15/2012	9/5/2012	Stephanie		
8.3.2	Post self-assessment tool, revised licensing applications, and exam remittance form to CBA website.	10/1/2012	Indefinitely	Stephanie, Suzanne, Rosella	E-News notification will be sent	
8.4	Work on developing an internal review sheet and a new stamp for file folders	8/1/2012	10/31/2012	Angie, Denise, Diane		
8.4.1	Submit internal review sheet and stamp design through the DAN process	11/13/2012	12/3/2012	Taskforce		
8.4.2	Complete paperwork to order new stamp	1/2/2013	1/7/2013	Jenny/Clara	Begin using stamp once received	
8.5	Develop training on subject matter for initial licensing and exam units to build confidence and knowledge	7/12/2012	9/30/2012	Taskforce		
8.5.1	Provide training on subject matter to licensing and exam staff	9/30/2012	10/31/2012	Taskforce		

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8.6	Brainstorm ideas for how best to implement the review process for the new requirements	8/1/2012	1/18/2013	Taskforce		
8.6.1	Developing a formalized training for exam and licensing staff	1/19/2013	3/1/2013	Taskforce	Focused on internal processes and workflow	
8.6.2	Present training to management for approval	March 2013	March 2013	Taskforce		
8.6.3	Make adjustments to training based on management feedback.	April 2013	April 2013	Taskforce		
8.6.3	Provide formalized training to Exam and Licensing staff	May 2013	Continuous	Taskforce	Begin using internal review sheet and new stamp	

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CBA Item VI.A
September 20-21, 2012

Enforcement Division Report

Presented by: Rafael Ixta, Enforcement Chief

Date: September 6, 2012

Purpose of the Item

The purpose of this agenda item is to provide the California Board of Accountancy (CBA) members with an overview of the activities in the CBA Enforcement Division. This report outlines all facets of the investigative process, from complaint intake to case resolution. Consistent with the division's significant responsibilities in the area of consumer protection, workload is prioritized to ensure maximum consumer protection. Cases with the potential for ongoing consumer harm receive the highest priority and urgent attention.

Action(s) Needed

No specific action is required on this agenda item.

Background

Previously, the CBA Enforcement Chief presented multiple reports at each meeting in order to update the CBA members on activities of the Enforcement Division. With this report, staff has consolidated those reports, and updated the Enforcement Division Report template to be easier to read and provide a more comprehensive look at enforcement activities.

Comments

The new template is designed to provide a comprehensive look at the Enforcement Division, and to provide the CBA with a clearer picture of enforcement activities.

Fiscal/Economic Impact Considerations

This item does not have a fiscal/economic impact.

Recommendation

None.

Attachment

Enforcement Division Report

California Board of Accountancy Enforcement Division Report

As of September 6, 2012

Complaints

In the current year, 363 complaints have been received by the Enforcement Division. 266 complaints were assigned for investigation, with an average of six days from the time the complaint is received to when it is either closed or assigned to investigation.

1.1 – Complaints/Records of Convictions	FY 2010/11	FY 2011/12	YTD 9/6/2012
Received	854	1,911	363
Closed without Assignment for Investigation	232	294	109
Assigned for Investigation	601	1,626	266
Average Days to Close or Assign for Investigation	5	4	6
Pending	22	12	0
Average Age of Pending Complaints ¹	5	16	0

¹ Represents data as of the end of the fiscal year, and as of September 6, 2012.

Comments

- The 363 complaints received results in a projected average of approximately 2,100, which is similar to the previous fiscal year.
- The number of complaints assigned for investigation averages to almost 1,600, which is similar to the previous fiscal year.
- The average number of days to close or assign a complaint remains consistent with previous fiscal years.

Investigations

The CBA Enforcement Division has assigned 266 cases for investigation since July 1, 2012. 197 investigations were closed, and there are currently 506 cases assigned for investigation.

2.1 – Investigations	FY 2010/11	FY 2011/12	YTD 9/6/2012
Assigned	601	1626	266
Closed	464	1525	197
Average Days to Close	130	85	294
Investigations Pending ¹	334	439	506
<i>< 18 Months</i>	301	384	470
<i>18-24 Months</i>	21	26	22
<i>> 24 Months</i>	12	29	14
Average Age of Cases Open ¹	238	248	168
Median Age of Cases Open ¹	157	164	80
¹ Represents data as of the end of the fiscal year, and as of September 6, 2012.			

Comments

- The volume of investigations assigned and closed are consistent with the last fiscal year.
- The Average Days to Close an Investigation, and the Number of Investigations Pending, has increased from the previous fiscal year to current. It is anticipated these numbers will start to decrease as staff become fully trained and new enforcement processes are implemented.
- The Average Age of all open cases has decreased from fiscal year 2011/12 to current from 248 to 168 or 32 percent, while the Median Age has decreased from 164 to 80 or 51 percent. This illustrates that as a whole, our current case inventory is actually younger than previous fiscal years.
- The percentage of current cases that have been open more than 24 months is down more than 58 percent compared to fiscal year 2011/12.
- Of the 14 cases currently open more than 24 months, 10 are scheduled for an Investigative Hearing in October 2012, and 4 are still undergoing investigation.

Chart 2.2 on the following page illustrates the percentage of total open cases by length of time. Less than seven percent of all cases have been open for more than 18 months, and approximately 3 percent more than 24 months.

2.2 - Open Investigations as of September 6, 2012

Less Than 18 Months
 18-24 Months
 More Than 24 Months

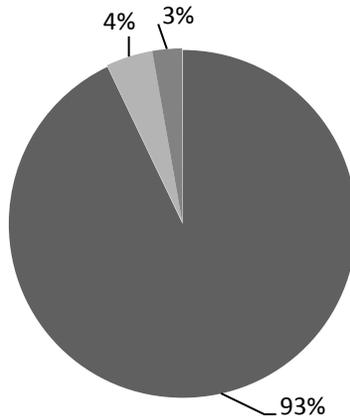
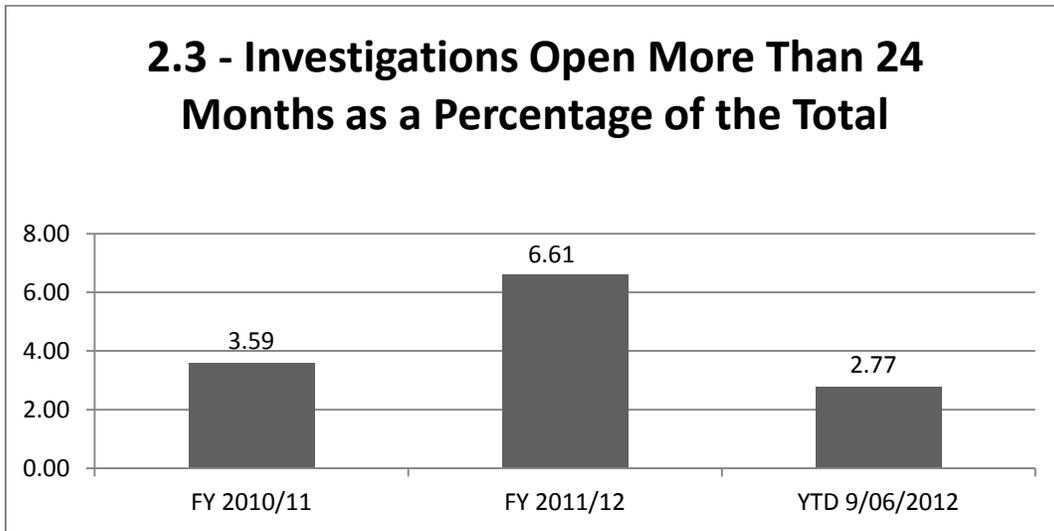


Chart 2.3 illustrates the case aging trend, comparing the current percentage of cases older than 24 months to the end of the previous two fiscal years. The chart shows the percentage of cases open for more than 24 months has fallen from 6.61 percent to 2.77 percent. This represents a decrease in inventory of more than 58 percent.

2.3 - Investigations Open More Than 24 Months as a Percentage of the Total



Discipline

As of September 6, 2012 the Enforcement Division has referred six complaints to the Attorney General's (AG) office. There have been six accusations filed and seven disciplinary actions adopted. Of the seven, five were stipulated settlements and two were default decisions. There are currently 50 cases pending at the AG, with 5 pending for more than 24 months.

3.1 - AG Referrals	FY 2010/11	FY 2011/12	YTD 9/6/2012
Referrals	24	50	6
Accusations Filed	20	37	6
Statements of Issues Filed	0	2	0
Petitions for Revocation of Probation	2	3	0
Closed	22	26	7
<i>Via Stipulated Settlement</i>	12	19	5
<i>Via Proposed Decision</i>	6	3	2
<i>Via Default Decision</i>	4	4	0
Discipline Pending ¹	37	54	50
<i>< 18 Months</i>	32	44	44
<i>18-24 Months</i>	2	3	1
<i>> 24 Months</i>	3	7	5

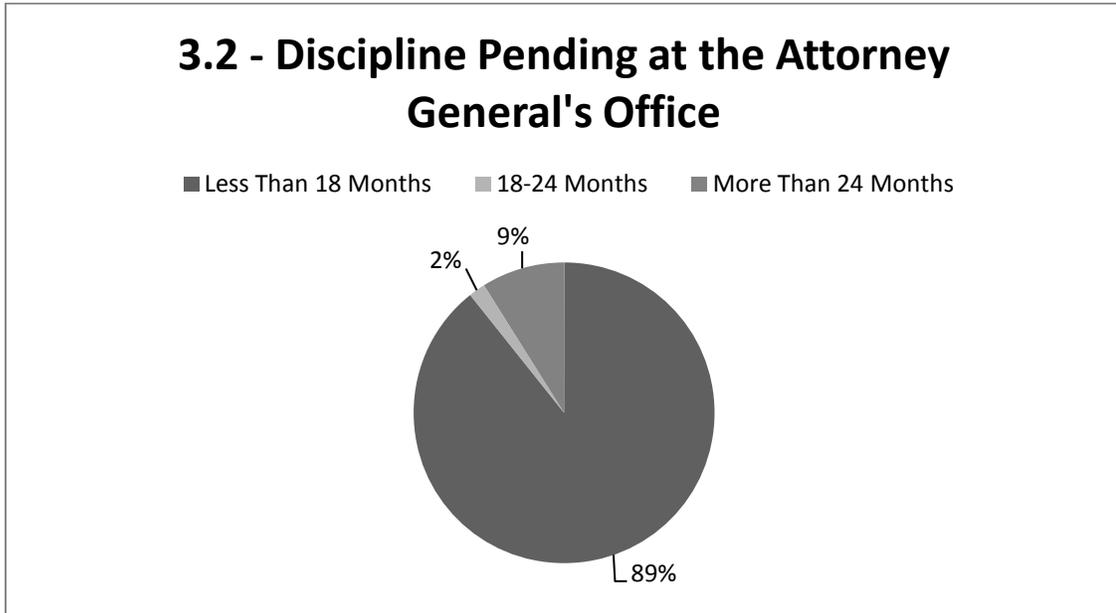
¹ Represents data as of the end of the fiscal year, and as of September 6, 2012.

Comments

- The number of referrals to the AG's Office should increase from the previous fiscal year as the current case backlog is addressed.
- The number of accusations filed is currently consistent with the previous year; however, that number should increase as the referrals from the previous fiscal year are developed into accusations, statements of issues, or petitions for revocation.
- The general trend of stipulated settlements is relatively stable, with 61 percent in fiscal year 2010/11, 73 percent in fiscal year 2011/12, and 71 percent in the current year to date.

As noted in table 3.1 above, there are currently five cases that have been at the Attorney General's office for more than 24 months. One of the cases will be presented at the September CBA meeting, one is pending drafting of a default decision by the Deputy Attorney General (DAG), and two others are scheduled for a hearing at the Office of Administrative Hearings (OAH) in November and December of 2012. The CBA and licensee are currently engaged in settlement discussions for the former. A final case was heard by an Administrative Law Judge (ALJ) in June, and staff is waiting for the proposed decision.

Chart 3.2 illustrates the number of cases pending at the AG's office by percentage. Approximately 89 percent of all CBA cases at the AG's office have been open less than 18 months, two percent have been pending 18-24 months, and nine percent have been pending more than 24 months. Staff maintains regular contact with the assigned DAG in order to expedite discipline whenever possible.



Citations and Fines

CBA Regulation 95 authorizes the CBA Executive Officer to issue a citation to licensees for violations of the Accountancy Act in lieu of formal disciplinary action. To date, 15 citations, with a total fine amount of \$14,700 have been issued by the Enforcement Division.

4.1 - Citations	FY 2010/11	FY 2011/12	YTD 8/30/2012
Total Citations Issued	30	908	15
Total Fines Assessed	\$26,850	\$255,350	\$14,700
Average number of days from receipt of a complaint to issuance of a citation	268	22	320
Top 3 Violations			
1:	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)	Response to CBA Inquiry (Reg 52)
2:	CE Basic Requirements (Reg 87)	CE Basic Requirements (Reg 87)	CE Basic Requirements (Reg 87)
3:	Practice Without Permit (B&P 5050)	Name of Firm (B&P 5060)	Name of Firm (B&P 5060)

Comments

- The increase in citations and fines issued in FY 2011/12 is attributable to the 872 citations issued to licensees who failed to respond to CBA inquiries regarding peer review. Although we continue our outreach and communication efforts, it is unknown at this time whether the same volume of peer review related citations will be issued in the current year.
- The current average days to process a citation is similar in length to fiscal year 2010/11. The data for fiscal year 2011/12 is an outlier to the trend data, as 872 of the 908 citations, or 96 percent, resulted from the peer review program and were opened and closed within three weeks.

Probation Monitoring

Once the disciplinary process is complete, the matter is referred to a CBA Probation Monitor for tracking and compliance with the terms of probation. As of August 30, 2012, there were approximately 50 licensees on probation. With the addition of new staff, in fiscal year 2011/12 staff performed eight practice investigations, an increase from fiscal year 2010/11. In order to save staff resources and the cost of travel, practice investigations and probation meetings are generally scheduled to coincide with EAC meetings. Six probation meetings and two practice investigations are scheduled in conjunction with the EAC meeting in Los Angeles on October 18, 2012.

Peer Review

A total of 46,516 peer review reporting forms have been submitted to the CBA by licensees in order to advise the CBA of whether or not the licensee is required to undergo a peer review. The reporting forms are categorized as follows:

5.1 - Peer Review						
License Ending In	Reporting Deadline	Peer Review Required	Peer Review Not Required	Not Applicable (Non-firms)	Total	Number of Failed Peer Review Reports Received
01-33	7/1/11	2,386	4,239	15,525	22,150	91
34-66	7/1/12	1,293	3,290	11,048	15,631	59
67-00	7/1/13	510	1,691	6,534	8,735	32
		4,189	9,220	33,107	46,516	182

Correspondence to Licensees

On June 27, 2012, 20,954 notification letters were sent to the third group of licensees that are due to submit a Peer Review Reporting Form by July 1, 2013.

Enforcement staff is currently preparing to send approximately 4,200 deficiency letters to licensees who were required to submit a Peer Review Reporting Form by July 1, 2012, but have not yet done so.

Verification of Peer Review Reporting Forms

Enforcement staff recently began reviewing the Peer Review Reporting Forms of licensees that reported they are operating as a firm but not subject to peer review. To date, staff has reviewed 373 reporting forms.

Based on information obtained from licensees' renewal forms, 91 licensees have been referred to Enforcement. These licensees are being asked to provide the CBA with a description of their highest level attestation engagement, and copies of their timesheets and invoices for a specific period of time. It is anticipated that verification of Peer Review Reporting Forms submitted by corporations and partnerships will begin September 2012.

Verifications will be performed on 100 percent of the reporting forms submitted by licensees that received a citation for failing to respond to CBA inquiry peer review correspondence.

Performance Measures

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.

Table 6.1 displays a list of the performance measures that have been established by the DCA, the CBA target for each of these measures, and the results from the CBA's Performance Measures Report for the fourth quarter (April 1, 2012 – June 30, 2012).

6.1 - DCA Performance Measure	DCA Target	CBA Target	4th Quarter Results	Comments
Number of Complaints and Convictions Received	Will vary by program	N/A	271	
Average number of days to complete complaint intake	Set by program	10 days	6 days	
Average number of days to complete closed cases not resulting in formal discipline	Set by program	180 days	176 days	
Average number of days to complete investigations resulting in formal discipline	12-18 months	540 days	782 days	
Average cost of intake and investigation for complaints not resulting in formal discipline	TBD	N/A	N/A	DCA is no longer tracking this performance measure.
Consumer satisfaction with the services received during the enforcement process	Will vary by program	80 % Satisfaction	Not available this quarter due to low number of responses received.	DCA is not currently tracking this performance measure due to the low volume received. Boards and Bureaus are distributing pre-printed survey cards with all case closure letters in an effort to increase responses.
Average number of days from the date a probation monitor is assigned to the date the monitor makes contact	Set by program	5 days	5 days	
Average number of days from the time a violation is reported to the program to the time the probation monitor responds	Set by program	15 days	1 day	

Comments

- The CBA has met all performance measures except for the average number of days to complete investigations resulting in formal discipline. We are currently addressing the age of investigations and this performance measure will improve as we become more current with our investigations.

Division Highlights and Future Considerations

- The percentage of cases open for more than 24 months has decreased since the close of fiscal year 2011/12 by 58 percent.
- The average age of all cases open continues to decline, with a 32 percent decrease from fiscal year 2011/12 to present.
- 97.23 percent of all active investigations have been open less than 24 months.
- Seven cases will be presented in closed session at the September 2012 CBA meeting, which is a total of 15 for the first two meetings of the fiscal year.
- Aggressive Investigation Plans have been developed for resolving technical cases over one year old and for non-technical cases over 100 days old.
- 10 Investigative Hearing are scheduled for October 2012.
- Approximately 4,200 deficiency letters will be mailed to licensees who failed to respond to CBA letters requesting the filing of their Peer Review Reporting Form by July 1, 2012.
- Six investigative staff will attend the DCA Enforcement Academy in October 2012.



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CBA Item IX.A.
September 20-21, 2012

Regulation Hearing Regarding Title 16, California Code of Regulations (CCR)
Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88,
88.1, 88.2, and 89 – Continuing Education

Presented by: Matthew Stanley, Regulation Analyst

Date: August 21, 2012

Purpose of the Item

The purpose of this agenda item is to provide information from the rulemaking file for the use of California Board of Accountancy (CBA) members during the regulatory hearing.

Action(s) Needed

No specific action is required on this agenda item.

Background

At its March 2012 meeting, the CBA directed staff to move forward with the rulemaking process to make revisions to its continuing education (CE) requirements. These changes include increasing the required number of hours from 48 to 80 for those with experience obtained more than five years prior to application for certified public accountant (CPA) licensure and for reissuance of a cancelled CPA license. It also reduces the required CE hours for a course related to the detection and/or reporting of fraud in financial statements from eight to four. Finally, the changes adopt many of the national standards identified in NASBA/AICPA Statement on Standards for Continuing Professional Education Programs.

The Notice of Proposed Action was filed with the Office of Administrative Law (OAL) on July 24, 2012 and published on August 3, 2012, thus initiating the required 45-day public comment period. September 17, 2012, will mark the end of the public comment period, and on September 21, 2012, during the CBA meeting, a public hearing will be conducted on the proposed amendments.

Comments

The following attachments will aid in your preparation for the hearing:

- Notice of Proposed Action (**Attachment 1**)
- Initial Statement of Reasons (**Attachment 2**)
- Proposed Regulatory Language (**Attachment 3**)

**Regulation Hearing Regarding Title 16, California Code of Regulations (CCR)
Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2, and
89 – Continuing Education**

Page 2 of 2

During the public hearing the CBA members may hear oral testimony and receive written comments. If any changes are made as a result of these comments, a 15-day Re-Notice will be required. As of the date of this memo, staff received two public comments in relation to this regulatory package (**Attachment 4**). Any comments received after the CBA mail out will be supplied to the CBA members at the meeting. The CBA may act to adopt the proposed regulations under CBA Agenda Item IX.B. Prior to submitting the final regulation package to OAL, staff will draft responses to any comments and prepare the Final Statement of Reasons for distribution to all persons who provided comments.

Recommendation

No specific action is required on this agenda item.

Attachments

1. Notice of Proposed Action
2. Initial Statement of Reasons
3. Text of Proposal
4. Public Comments

PROPOSED REGULATORY LANGUAGE

In Division 1 of Title 16 of the California Code of Regulations, Repeal Sections 87.1 and 87.7; Amend Sections 12, 12.5, 37, 80, 81, 87, 87.8, 87.9, 88, 88.1, 88.2, and 89; and Adopt Sections 80.1, 80.2, and 87.1 to read:

§ 12. General Experience Required Under Business and Professions Code Section 5092 and 5093.

(a) In order to meet the experience requirement of Section 5092 or Section 5093 of the Business and Professions Code, experience must be supervised by a person holding a valid, active license or comparable authority to practice public accounting as specified in subdivision (d) of Section 5092 or subdivision (d) of Section 5093. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3) (A) All verifications shall be submitted to the Board on Form 11A-29 (5/11) for public accounting experience or Form 11A-29A (5/11) for private industry and governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (a)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (a)(3)(A).

(b) The experience required by Section 5092 or Section 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

(c) The experience required by Section 5092 or Section 5093 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(d) An applicant who is applying ~~under Section 5092 or Section 5093 of the Business and Professions Code~~ with experience obtained five (5) or more years prior to

application may be required to ~~obtain 48~~ complete 80 hours of continuing education, which shall include ~~general accounting, and other comprehensive basis of accounting;~~ and to submit the certificates of completion to the Board meet the following requirements:

(1) The 80 hours must be completed in the two years preceding receipt of application by the Board.

(2) All 80 hours must meet the requirements as described in Section 87.

(3) A minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).

(4) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas, as described in Section 87(a)(2) and (3), for which the applicant may claim credit.

NOTE: Authority cited: Sections 5010, 5092 and 5093, Business and Professions Code. Reference: Sections 5092 and 5093, Business and Professions Code.

§ 12.5. Attest Experience Under Business and Professions Code Section 5095.

(a) To be authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095, an applicant for a California Certified Public Accountant license pursuant to Business and Professions Code Sections 5087, 5092, or 5093 or holder of an unexpired valid, active California Certified Public Accountant license issued pursuant to Business and Professions Code Sections 5087, 5092, or 5093 shall show to the satisfaction of the Board that he or she meets the requirements of this section and Business and Professions Code Section 5095.

(1) Some or all of the experience required by Section 5095 and this section may be completed prior to issuance of the California Certified Public Accountant license. Any experience that would be qualifying for purposes of Section 5095 and this section may also serve as qualifying experience for purposes of Sections 5092 or 5093. To be qualifying for purposes of Section 5095 and this section, any experience obtained after issuance of the California Certified Public Accountant license must be obtained while the license is held in active status.

(2) A holder of an active California Certified Public Accountant license may commence signing reports on attest engagements upon receipt of notification from the Board that he or she has met the requirements of this section and Business and Professions Code Section 5095. A holder of an inactive California Certified Public Accountant license may apply under this section, but must convert the license to active status before commencing to sign reports on attest engagements.

(3) An applicant for the California Certified Public Accountant license who has met the requirements of this section and Business and Professions Code Section 5095 may commence signing reports on attest engagements upon license issuance.

(b) In order to meet the attest experience requirements of Section 5095 an applicant for or holder of a California Certified Public Accountant license shall show to the satisfaction of the Board that the applicant has completed a minimum of 500 hours of

attest experience.

This experience shall include all of the following:

(1) Experience in the planning of the audit including the selection of the procedures to be performed.

(2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.

(3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.

(4) Experience in the preparation of written explanations and comments on the work performed and its findings.

(5) Experience in the preparation of and reporting on full disclosure financial statements.

(c) Qualifying experience may be gained through employment in public accounting, private industry, or government. Experience acquired in academia is not qualifying.

(d) In order to be qualifying, experience obtained pursuant to Section 5095 of the Business and Professions Code must be supervised by a person holding a valid active license or comparable authority to provide attest services as specified in subdivision (b) of Business and Professions Code Section 5095. Supervised experience means that the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work, pursuant to subsection (b) on a routine and recurring basis and shall have authority and oversight over the applicant.

(1) Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the public accounting firm, private industry company, or governmental agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the public accounting firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm or private industry company signing the verification is also the person supervising the experience, no second signature is required.

(2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's employer.

(3) (A) All verifications shall be submitted to the Board on Form 11A-6A (5/11) for public accounting experience or on Form 11A-6 (5/11) for private industry or governmental accounting experience, which are hereby incorporated by reference, and shall be signed under penalty of perjury.

(B) If the applicant is unable to obtain the verifications required in subsection (d)(3)(A), the Board may approve other forms of verification if they contain the information as required in subsection (d)(3)(A).

(e) In order to demonstrate the completion of qualifying experience, an applicant for or holder of a California Certified Public Accountant license may be required to appear before the Qualifications Committee to present work papers, or other evidence, substantiating that his or her experience meets the requirements of Section 5095 of the Business and Professions Code and of subsection (b) of this section.

(f) The applicant who is applying with attest experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of subsection (b) and generally accepted auditing standards. Alternatively, the applicant may acquire a minimum of 500 hours of United States

experience which meets the requirements of Business and Professions Code Section 5095 and subsection (b).

(g) ~~The~~ An applicant who is applying with experience obtained five (5) or more years prior to application may be required to obtain 48 complete 80 hours of continuing education, ~~which shall include financial accounting standards, auditing standards, compilation and review and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.~~ meet the following requirements:

(1) The 80 hours must be completed in the two years preceding receipt of application by the Board.

(2) All 80 hours must meet the requirements as described in Section 87.

(3) The 80 hours must be completed as follows:

(A) A minimum of 20 hours must be completed in the one year period immediately preceding receipt of application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).

(B) 16 hours in financial accounting standards.

(C) 16 hours in auditing standards.

(D) 8 hours in compilation and review.

(E) 8 hours in other comprehensive basis of accounting.

(F) 8 hours in the detection and/or reporting of fraud in financial statements.

(3) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal.

The certificate of completion must also delineate the subject areas for which the applicant may claim credit.

(h) The experience required by Sections 5092, 5093, or 5095 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full-time employment for an applicant qualifying under Section 5092 or at least one year of full-time employment for an applicant qualifying under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

NOTE: Authority cited: Sections 5010 and 5095, Business and Professions Code.
Reference: Section 5023, 5092, 5093 and 5095, Business and Professions Code.

§ 37. Reissuance.

(a) A certified public accountant (CPA) whose certificate has been cancelled by the operation of Business and Professions Code Section 5070.7 may apply for and obtain a new certificate if the applicant is otherwise qualified under the provisions of Section 5070.7 and the applicant meets the requirements of subsection ~~(a) or (b)~~ (b) or (c) of this section. The reissued certificate will permit the CPA to perform the same services as did the cancelled certificate except that a CPA whose cancelled certificate authorized signing reports on attest engagements may choose to be reissued a certificate that does not provide this authorization.

~~(a)~~ (b) An applicant who is applying for a reissued certificate shall, Within within three two years prior to receipt preceding the date of application, the applicant has completed

complete at least 48 80 hours of continuing education that meets the following requirements: as specified in paragraphs (1) or (2) of this subsection and has submitted the certificates of completion for those courses to the Board:

(1) For an applicant whose reissued certificate will not authorize signing reports on attest engagements, courses in the following subject areas are required: general accounting, and other comprehensive basis of accounting. 80 hours must be completed as follows:

(A) The 80 hours must be completed in the two years preceding receipt of application by the Board.

(B) All 80 hours must meet the requirements as described in Section 87.

(C) A minimum of 20 hours must be completed in the one year period immediately preceding receipt of application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).

(2) For an applicant whose reissued certificate will authorize signing reports on attest engagements, courses in the following subject areas are required: financial accounting standards, auditing standards, compilation and review, and other comprehensive basis of accounting. the 80 hours must be completed as follows:

(A) The 80 hours must be completed in the two years preceding receipt of application.

(B) All 80 hours must meet the requirements as described in Section 87.

(C) Within the 80 hours, the following minimums must be met:

(i) A minimum of 20 hours must be completed in the one year period immediately preceding receipt of application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).

(ii) 16 hours in financial accounting standards.

(iii) 16 hours in auditing standards.

(iv) 8 hours in compilation and review.

(v) 8 hours in other comprehensive basis of accounting.

(vi) 8 hours in the detection and/or reporting of fraud in financial statements.

(3) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas for which the applicant may claim credit.

(b) (c) In lieu of meeting the requirements of subsection (a) (b) of this section, the applicant may choose to retake and successfully complete the entire Uniform CPA examination.

NOTE: Authority cited: Sections 5010 and 5018, Business and Professions Code.
Reference: Section 5070.7, Business and Professions Code.

§ 80. Inactive License Status.

(a) Upon application, a licensee may have his/her license placed in an inactive status.

(a)(b) The holder of a license in an inactive status shall not engage in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code. This section does not prohibit a holder of a license in an inactive status from receiving a share of the net profits from a public accounting firm or other compensation from a

public accounting firm, provided that the licensee does not otherwise engage in the practice of public accountancy.

~~(b)~~(c) A license in an inactive status shall be renewed during the same time period in which a license in an active status is renewed. The renewal fee for a license in an inactive status shall be the same as the renewal fee for a license in an active status.

~~(c)~~(d) The continuing education requirements described in Section 87 are not applicable at the time of renewal for a licensee renewing a license in an inactive status.

~~(d)~~(e) At the time of renewal, the holder of a license in an inactive status may convert his/her license to an active status by paying the renewal fee and complying with the continuing education requirements as described in Section 87, with the exception of Section 87(a)(1). A minimum of 20 hours of continuing education shall be completed in the one-year period immediately preceding the time of renewal, 12 hours of which must be in technical subject areas described in ~~Section 88(a)(1)~~ 87(a)(2).

~~(e)~~(f) The holder of a license in an inactive status may convert to an active status prior to the next renewal by meeting the continuing education requirements as described in Section 87.4 80.1.

NOTE: Authority cited: Sections 462 and 5010, Business and Professions Code.

Reference: Section 462, Business and Professions Code.

§80.1 Conversion to Active Status Prior to Renewal.

(a) A licensee who has renewed his or her license in an inactive status may convert the license to an active status prior to the next license expiration date by performing the following:

(1) Within the 24-month period prior to converting to an active status, complete 80 hours of continuing education credit as described in Section 87(a)(2) and (a)(3), including the Ethics Continuing Education Requirement described in Section 87(b). A minimum of 20 hours shall be completed in the one-year period immediately preceding conversion to an active status, with a minimum of 12 hours of the 20 required hours in technical subject areas described in Section 87(a)(2);

(2) complete the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course;

(3) apply to the Board in writing requesting to convert the license to an active status;
and

(4) complete any continuing education that is required pursuant to subsection (k) of Section 89.

(b) A licensee with a license in an inactive status may not practice public accountancy until the Board approves the application for conversion of the license to an active status.

(c) A licensee who, while engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code during the 24 months prior to converting his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee

who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) A licensee who, while engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code during the 24 months prior to converting his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a).

(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) shall also complete an additional four hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

NOTE: Authority cited: Sections 462, 5010, and 5027 Business and Professions Code. Reference: Section 462, 5027, and 5028, Business and Professions Code.

§ 80.2. Continuing Education Requirements Following Conversion to Active Status During the Renewal Period.

(a) All continuing education required by this section must be completed on or after the date of conversion to active status.

(b) Once a license is converted to an active status, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license status conversion to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of license status conversion and the next license expiration date is less than six full months, no continuing education is required for license renewal.

(c) Once a license is converted to an active status, a licensee who, while engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code, engages in financial or compliance auditing of a governmental agency at any time between the date of license status conversion and the next license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Once a license is converted to an active status, a licensee who, while engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code, engages in audit, review, compilation, or attestation services at any time between the date of license status conversion and the license expiration date shall complete six hours of continuing education in accounting and auditing as part of each

20 hours of continuing education required under subsection (b). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).

(e) If a license expired as defined in Section 81(b)(2) after the expiration date immediately following conversion to active status, the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education in order to renew. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(1) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date the licensee applies for license renewal is less than two years from the date of license status conversion, all continuing education must be completed on or after the date of license status conversion.

(2) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this subsection shall also complete, as a part of the 80 hours, the following:

(A) Four hours of ethics education pursuant to Section 87(b).

(B) If the licensee is subject to the continuing education requirements of subsection (c) or (d), four hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements. This continuing education shall not be part of the continuing education required by subsection (c) or (d).

(f) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 462, 5010, and 5027 Business and Professions Code.
Reference: Sections 462, 5027, and 5028, Business and Professions Code.

§ 81. Continuing Education Requirements for Renewing an Expired License.

(a) As a condition for renewing a license in an active status, a licensee renewing an expired license shall adhere to the basic requirements described in Section 87 in the two-year period immediately preceding the date on which the licensee applies for license renewal. No carryover of continuing education is permitted from one license renewal period to another.

(b) For the purpose of this section, the following definitions shall apply:

(1) "Date of on which the licensee applies for license renewal" shall mean the date the license application, including the applicable renewal and delinquency fee, is postmarked on the envelope.

(2) "Expired" license shall mean delinquent, lapsed, or a late renewal that is postmarked after the licensee's last or most recent license expiration date, up to five years.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Sections 5026, 5027, 5028 and 5051, Business and Professions Code.

§ 87. Basic Requirements.

(a) 80 Hours. As a condition for renewing a license in an active status, a licensee shall complete at least 80 hours of ~~qualifying continuing education as described in Section 88~~ in the two-year period immediately preceding license expiration, and meet the reporting requirements described in Section 89(a). A licensee engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code is required to hold a license in an active status. No carryover of continuing education is permitted from one license renewal period to another.

(1) A licensee renewing a license in an active status ~~after December 31, 2014~~, shall complete a minimum of 20 hours in each year of the two-year license renewal period, with a minimum of 12 hours of the required 20 hours in technical subject areas as described in Section 88(a)(1) subsection (a)(2).

(2) Licensees shall complete a minimum of 50 percent of the required continuing education hours in the following technical subject areas: accounting, auditing, fraud, taxation, consulting, financial planning, ethics as defined in subsection (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.

(3) Licensees may claim no more than 50 percent of the required number of continuing education hours in the following non-technical subject areas: communication skills, word processing, sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.

(4) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.

(b) Ethics Continuing Education Requirement

A licensee renewing a license in an active status ~~after December 31, 2009~~ shall complete four hours of the 80 hours of continuing education required pursuant to subsection (a) in an ethics course. The course subject matter specified pertaining to shall consist of one or more of the following areas: a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities; case-based instruction focusing on real-life situational learning; ethical dilemmas facing the accounting profession; or business ethics, ethical sensitivity, and consumer expectations. Programs in the following subject areas are not acceptable toward meeting this requirement: sexual harassment, workplace harassment, or workplace violence. Courses must be a minimum of one hour as described in Section 88.2.

(c) Government Auditing Continuing Education Requirement.

A licensee who, while engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code, engages in planning, directing, conducting substantial portions of field work, or reporting on financial or compliance audits of a governmental agency shall complete 24 hours of the 80 hours required pursuant to subsection (a) in the areas of governmental accounting, auditing or related subjects. This continuing education shall be completed in the same two-year license

renewal period as the report is issued. A governmental agency is defined as any department, office, commission, authority, board, government-owned corporation, or other independent establishment of any branch of federal, state or local government. Related subjects are those which maintain or enhance the licensee's knowledge of governmental operations, laws, regulations or reports; any special requirements of governmental agencies; subjects related to the specific or unique environment in which the audited entity operates; and other auditing subjects which may be appropriate to government auditing engagements. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (d).

(d) Accounting and Auditing Continuing Education Requirement.

A licensee who, while engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code, engages in planning, directing, performing substantial portions of the work, or reporting on an audit, review, compilation, or attestation service, shall complete 24 hours of the 80 hours of continuing education required pursuant to subsection (a) in the course subject matter pertaining to financial statement preparation and/or reporting (whether such statements are prepared on the basis of generally accepted accounting principles or other comprehensive bases of accounting), auditing, reviews, compilations, industry accounting, attestation services, or assurance services. This continuing education shall be completed in the same two-year license renewal period as the report is issued. If no report is issued because the financial statements are not intended for use by third parties, the continuing education shall be completed in the same two-year license renewal period as the financial statements are submitted to the client.

(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) of this section shall also complete an additional ~~eight~~ four hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

~~(f) New Licensees.~~

~~(1) A licensee receiving an initial license shall be required to complete 20 hours of continuing education as described in Section 88, for each full six month interval in the initial license period as a condition of renewing a license in an active status.~~

~~(2) A licensee engaged in governmental auditing, as described in subsection (c), at any time during the initial license period shall complete six hours of governmental continuing education, as described in subsection (c), as part of each 20 hours of continuing education required for renewing the license in an active status. A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (f)(3).~~

~~(3) A licensee who provides audit, review, compilation, or attestation services, as described in subsection (d), at any time during the initial license period shall complete six hours of accounting and auditing continuing education, as described in subsection (d), as part of each 20 hours of continuing education required for renewing the license in an active status.~~

~~(4) If the initial license period is less than six full months, there is no continuing education required for renewing the license in an active status.~~

~~(g)~~(f) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Sections 5026, 5027, 5028 and 5051, Business and Professions Code.

~~§ 87.1. Conversion to Active Status Prior to Renewal.~~

~~(a) A licensee who has renewed his/her license in an inactive status may convert the license to an active status prior to the next license expiration date by (1) completing 80 hours of continuing education credit as described in Section 88, to include the Ethics Continuing Education Requirement described in Section 87(b), within the 24-month period prior to converting to active status, of which a minimum of 20 hours shall be completed in the one-year period immediately preceding conversion to an active status, with a minimum of 12 hours in subject areas described in subsection (a)(1) of Section 88; (2) completing the regulatory review course described in Section 87.8 if more than six years have elapsed since the licensee last completed the course; (3) applying to the Board in writing requesting to convert the license to an active status; and (4) completing any continuing education that is required pursuant to subsection (j) of Section 89. The licensee may not practice public accounting until the application for conversion of the license to an active status has been approved.~~

~~(b) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or conducted substantial portions of field work, or reported on financial or compliance audits of a governmental agency shall complete 24 hours of continuing education in governmental accounting and auditing as described in Section 87(c) as part of the 80 hours of continuing education required to convert his/her license to an active status under subsection (a). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (c).~~

~~(c) A licensee who, during the 24 months prior to converting his/her license to an active status, planned, directed, or performed substantial portions of the work or reported on an audit, review, compilation, or attestation service shall complete 24 hours of continuing education in accounting and auditing as described in Section 87(d) as part of the 80 hours of continuing education required to his/her license to an active status under subsection (a).~~

~~(d) A licensee who must complete continuing education pursuant to subsections (b) and/or (c) of this section shall also complete an additional eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements as described in Section 87(e). This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (b) or (c).~~

~~(e) Once a license is converted to an active status, the licensee must complete 20 hours of continuing education as described in Section 88 for each full six month period from the date of license conversion to an active status to the next license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date of change to an active status and the next license expiration~~

~~date is less than six full months, no additional continuing education is required for license renewal.~~

~~(f) Once a license is converted to an active status, a licensee who engages in financial or compliance auditing of a governmental agency at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of governmental continuing education as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (g).~~

~~(g) Once a license is converted to an active status, a licensee who engages in audit, review, compilation, or attestation services at any time between the date of license conversion to an active status and the next license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of continuing education required under subsection (e). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).~~

~~**NOTE:** Authority cited: Sections 5010 and 5027, Business and Professions Code. Reference: Section 5028, Business and Professions Code.~~

§ 87.1. Continuing Education Requirements for New Licensees.

(a) All continuing education must be completed on or after the date the initial license was issued.

(b) Once a license is issued, the licensee must complete 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date the initial license was issued to the first license expiration date in order to fulfill the continuing education requirement for license renewal. If the time period between the date the initial license was issued and the first license expiration date is less than six full months, no continuing education is required for license renewal.

(c) A licensee who is required to complete a total of 80 hours of continuing education pursuant to subsection (b) shall also complete four hours of ethics education pursuant to Section 87(b).

(d) Once a license is issued, a licensee who, while engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code, engages in financial or compliance auditing of a governmental agency at any time between the date the initial license was issued and the first license expiration date shall complete six hours of governmental auditing continuing education as part of each 20 hours of continuing education required under subsection (b). Continuing education in the areas of governmental accounting and auditing shall meet the requirements of Section 87(c). A licensee who meets the requirements of this subsection shall be deemed to have met the requirements of subsection (e).

(e) Once a license is issued, a licensee who, while engaged in the practice of public accountancy as defined in Section 5051 of the Business and Professions Code, engages in audit, review, compilation, or attestation services at any time between the date the initial license was issued and the first license expiration date shall complete six hours of continuing education in accounting and auditing as part of each 20 hours of

continuing education required under subsection (b). Continuing education in the areas of accounting and auditing shall meet the requirements of Section 87(d).

(f) A licensee who is required to complete a total of 80 hours of continuing education pursuant to this section and must complete continuing education pursuant to subsection (d) or (e) shall also complete an additional four hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements. This continuing education shall be part of the total hours of continuing education required by this section, but shall not be part of the continuing education required by subsection (d) or (e).

(g) If an initial license expires as defined in Section 81(b)(2), the licensee must complete an additional 20 hours of continuing education as described in Section 87(a)(2) and (a)(3) for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours of continuing education. If the time period between the date the license expired and the date on which the licensee applies for license renewal is less than six full months, no additional continuing education is required for license renewal.

(h) All continuing education required by this section shall be completed in the two-year period immediately preceding the date on which the licensee applies for license renewal. If the date on which the licensee applies for license renewal is less than two years from the date the initial license was issued, all continuing education must be completed on or after the date the initial license was issued.

(i) Failure to Comply.

A licensee's willful failure to comply with the requirements of this section shall constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Section 5028, Business and Professions Code.

§ 87.7. Continuing Education in the Accountancy Act, Board Regulations, and Other Rules of Professional Conduct.

~~(a) In order to renew a license in an active status a licensee shall, within the six years preceding the license expiration date, complete a continuing education course on the provisions of the Accountancy Act and the Board of Accountancy Regulations, application to current practice, and other rules of professional conduct. Such course shall be approved by the Board prior to the licensee receiving continuing education credit for the course and shall be a minimum of 8 hours. The eight hours shall be counted towards the 80 hours required pursuant to Section 87.~~

~~(b) The operative date for this regulation is based on the last two digits of the license number according to the following schedule: for license numbers ending with 01-33 the operative date is January 1, 1998, for license numbers ending with 34-66 the operative date is January 1, 2000, for license numbers ending with 67-00 the operative date is January 1, 2002.~~

~~(c) Course providers shall apply to the Board for approval of the course specified in Subsection (a), on Form CE-PCE-1 (9/96), Professional Conduct and Ethics Application for Course Approval. The term of approval shall be for a two (2) year period. The Board~~

may cancel its approval during this two year period if the Board determines that the course fails to meet the criteria specified in this Subsection. Approval shall be based on the following criteria:

- (1) The course shall be a formal educational program that meets the requirements set forth in Sections 88, 88.1, and 88.2. 58
- (2) The course shall have written educational goals and specific learning objectives, as well as a syllabus which provides a general outline, instructional objectives and a summary of topics for the course. A copy of the educational goals, learning objectives and course syllabus shall be submitted by the provider with the approval application.
- (3) The course shall provide participants with the current California Accountancy Act and California Board of Accountancy Regulations (or summary thereof).
- (4) Any self-study course shall require a 90 percent passing score on a test given at the conclusion of the course. The test shall be submitted along with the course materials for approval.
- (5) A certificate of completion which includes the provider approval number shall be issued to each licensee who has satisfactorily completed the course.
- (6) The course content shall include the following:
 - (A) A review and update of the current California Accountancy Act and the Board of Accountancy Regulations.
 - (B) Information which will provide an understanding of how the Statutes, Regulations and cases relate to current practice situations.
 - (C) A review of nationally recognized Codes of Professional Conduct as they relate to professional responsibility.
 - (D) A discussion of recent relevant cases on ethics and professional responsibilities for the accounting profession.
 - (E) A bibliography of recent publications and cases on professional conduct and ethics for the accounting profession.
- (d) Upon receiving approval from the Board, the provider of the Professional Conduct and Ethics course required in Subsection (a) may represent the course in promotional materials as being approved by the Board during the term of approval.
- (e) On a random basis established by the Board or at the Board's request or in response to complaints about a particular course, the Board may review the records of a provider to ensure compliance with the criteria specified in this Section. Within 15 days of receipt of written notification, the provider shall submit or make available to the Board all material deemed necessary by the Board to determine whether the course complies. The Board may cancel its approval for a course found not to be in compliance.
- (f) Approved course providers may allow a secondary provider to present their course through a site license, contractual arrangement, or other type of agreement.
- (g) For every course presentation, including any made by a secondary provider, organization or party, the original approved provider (primary provider) who entered into the approval agreement with the California Board of Accountancy shall:
 - (1) Retain a written outline of the course and completion records to reflect the actual participant attendance, or in the case of self-study courses, passing test scores of 90 percent or higher. The retention period shall be eight years.

- ~~(2) Ensure that all participants who complete the course receive a certificate of completion, including all information specified in Section 89(b). If a secondary provider presented the course, the certificate shall identify both the primary and secondary providers.~~
- ~~(3) Be responsible for the quality and content of the course by requiring and ensuring that the course be presented only by qualified instructors and/or discussion leaders, and that presentations always include all components and content areas represented in the approval application.~~
- ~~(4) Periodically update course content to reflect current laws, regulations, case law decisions and standards of practice.~~
- ~~(h) Licensees may claim continuing education credit earned from completing a Board-approved course designed in fulfillment of this section for the Ethics Continuing Education Requirement described in Section 87(b) and/or for the Regulatory Review Requirement described in Section 87.8 provided the course is completed prior to January 1, 2011 and reported to the Board prior to January 1, 2012.~~
- ~~(i) Board-approved course providers may continue to offer the course, described in section 87.7(a) until December 31, 2010 for licensees to receive continuing education credit in fulfillment of the Ethics Continuing Education Requirement described in Section 87(b) and/or for the Regulatory Review Requirement described in Section 87.8.~~
- ~~(j) After January 1, 2010, the Board will no longer approve courses specific to this requirement.~~

~~**NOTE:** Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Section 5027, Business and Professions Code.~~

§ 87.8. Regulatory Review Course.

- ~~(a) In order to renew a license in an active status after December 31, 2009, a licensee shall, within the six years preceding the license expiration date, complete a continuing education course on the provisions of the California Accountancy Act and the California Board of Accountancy Regulations specific to the practice of public accountancy in California emphasizing the provisions applicable to current practice situations. The course also will include an overview of historic and recent disciplinary actions taken by the Board, highlighting the misconduct which led to licensees being disciplined. The course shall be a minimum of two hours, and a licensee shall select from a list of Board-approved courses. The two hours can be counted towards the 80 hours required pursuant to Section 87.~~
- ~~(b) A licensee shall report completion of the Regulatory Review course at the time of renewal. A licensee, licensed prior to the implementation of Section 87.8, shall maintain their existing reporting date used for the professional conduct and ethics requirement to report the completion of the Regulatory Review course.~~

~~**NOTE:** Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Section 5027, Business and Professions Code~~

§ 87.9. Offering a Regulatory Review Course.

(a) Prior to offering a regulatory review course which can be claimed by a licensee to fulfill Section 87.8, course providers shall apply to the Board for approval of the course by completing Initial Application Package CE-RR-1 (07/09), Regulatory Review Application for Course Approval, which is hereby incorporated by reference. Approval shall be based on the following criteria:

(1) The course shall be a formal educational program that meets the requirements described in Sections 88, 88.1, and 88.2, excluding Section 88.2(c)(1)(A) and (c)(1)(B).

(2) The course shall provide participants with the current California Accountancy Act and California Board of Accountancy Regulations.

(3) A self-study course shall require a 90 percent passing score on a test given at the conclusion of the course. The test shall not include true/false type questions. The test shall be submitted along with the course materials for approval.

(4) A self-study course is required to demonstrate an average completion time of two 50-minute continuing education hours by pre-testing the documentation from a minimum of four current and active certified public accountants simulating the manner in which the course will be completed and showing the length of time spent by each participant to complete the course. Pre-testing participants are required to be independent of the group that developed and/or are offering the course and provide feedback on the level of difficulty of the course.

(5) If the course is a component of a larger program, the two hours devoted to the regulatory review course must be continuous and uninterrupted.

(6) The course content shall include the following:

(A) A review of the current California Accountancy Act, specific to the practice of public accountancy in California, and shall include a review of the following California Accountancy Act Articles: Articles 1.5, 3, 3.5, 4, 5.5, 6, 6.5 and 7.

(B) A review of the current California Board of Accountancy Regulations, specific to the practice of public accountancy in California, and shall include a review of the following Accountancy Regulations Articles: Articles 1, 6, 9, 12, 12.5, and 13.

(C) The review of the California Accountancy Act and California Board of Accountancy Regulations must include a discussion on how the specified articles relate to the practice of public accountancy in California, including a review of historic and recent disciplinary actions taken by the Board, highlighting the misconduct which led to licensees being disciplined.

(b) The term of the approval shall be for a two-year period. In order to maintain Board approval, providers shall submit Renewal Application Package CE-RR-2 (07/09), Regulatory Review Approval Continuance Application, which is hereby incorporated by reference, prior to the end of the two-year period.

(c) Upon receiving approval from the Board, the provider of the Regulatory Review course required under Section 87.8 may represent the course in promotional materials during the term of approval, as being approved by the Board.

(d) The Board may review the records of a provider to ensure compliance with the criteria specified in this Section. Within 15 days of receipt of written notification, the provider shall submit or make available all material requested by the Board. The Board may cancel its approval for a course found not to be in compliance.

(e) For every course presentation, the provider that enters into the approval agreement with the Board shall:

(1) Retain completion records to reflect the actual participant attendance, or in the case of a self-study course, passing test scores of 90 percent or higher. The retention period shall be eight years.

(2) Be responsible for the quality and content of the course by requiring and ensuring that the course include all components and content areas represented in the approval application.

(3) Update course content to reflect current laws, regulations, and enforcement violations.

(f) A provider whose course is denied approval or when a previous approval is canceled by Board staff may appeal such action to the Board. The appeal shall be filed within six months of the action being appealed or the mailing of written notification, whichever is later. The appeal shall contain the following information:

(1) The name and business address of the provider making the appeal.

(2) The action being appealed and the date of any written notification from the Board.

(3) A summary of the basis for the appeal, including any information which the provider believes was not given adequate consideration by staff.

(g) The Board will consider only appeals based on information previously considered by staff. If the provider wishes to submit for consideration additional evidence or information not previously submitted to staff, such additional information should be submitted directly to staff with the request that its previous action be reconsidered. An appeal based on evidence or information not previously submitted to staff will be referred by the Board to staff for further consideration.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.

Reference: Section 5027, Business and Professions Code.

§ 88. Programs Which Qualify.

(a) (1) The overriding consideration in determining whether a specific program qualifies as acceptable continuing education is that it be a formal program of learning which contributes directly to the professional competence of a licensee in public practice. It is the obligation of each licensee to select a course of study, consistent with the requirements of this section and Sections 88.1 and 88.2, which will contribute directly to his/her professional competence.

~~(1) Licensees shall complete a minimum of 50 percent of the required continuing education hours in the following subject areas: 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.~~

~~(2) Licensees may claim no more than 50 percent of the required number of continuing education hours in the following subject areas: communication skills, word processing,~~

~~sales, marketing, motivational techniques, negotiation skills, office management, practice management, and personnel management.~~

~~(3) Programs in the following subject areas are not acceptable continuing education: personal growth, self-realization, spirituality, personal health and/or fitness, sports and recreation, foreign languages and cultures and other subjects which will not contribute directly to the professional competence of the licensee.~~

~~(4-2) A formal program of learning is an instructional activity that meets the requirements of this section and Sections 88.1 and 88.2 or a course for which academic credit is granted by a university, college, or other institution of learning accredited by a regional or national accrediting agency.~~

~~(b) The following types of live presentation programs are deemed to qualify as acceptable continuing education provided the standards outlined in Section 88(a), Section 88.1, and Section 88.2 are maintained.~~

~~(1) Professional development programs of national and state accounting organizations.~~

~~(2) Technical session at meetings of national and state accounting organizations and their chapters which are designed as formal educational programs.~~

~~(3) University or college courses:~~

~~(i) Credit courses -each semester hour credit shall equal 15 hours toward the requirement. Each quarter hour credit shall equal 10 hours.~~

~~(ii) Non credit courses -each classroom hour will equal one qualifying hour.~~

~~(4) Other formal educational programs provided the program meets the required standards.~~

~~(c) Group Internet-Based Programs (Webcast): Programs that enable a licensee to participate from a computer in an interactive course presented by a live instructor at a distant location are qualifying, provided the program is based upon materials specifically developed for instructional use and meets the requirements of Section 88(a), Section 88.1 and Section 88.2. Group viewing of a webcast program is permissible only where a live facilitator logs into the program to ask questions on behalf of the group. The live facilitator shall document and verify group participation and attendance in accordance with the requirements of Section 88.1 and 88.2.~~

~~(d) Formal correspondence or other individual study programs are qualifying provided: (1) the program is based upon materials specifically developed for instructional use, and (2) the program meets the requirements of Section 88(a), Section 88.1, and Section 88.2,~~

~~(3) the program is completed within one year from the date of purchase or enrollment, and~~

~~(4) the licensee receives a passing score.~~

~~(e) Self-study modules for national examinations that contribute to the professional competency of a licensee in public practice, such as the Certified Financial Planner™ Certification Examination or the Certified Management Accountant examination qualify as acceptable continuing education if the modules meet the ~~above~~ requirements of subsection (d).~~

~~(e)(f) The credit Credit as an instructor, discussion leader, or speaker ~~will~~ shall be allowed for any meeting or program provided that the session is one which ~~would meet~~ meets the continuing education requirements set forth in ~~Section 88(a)~~ subsection (a)(1), Section 88.1, and Section 88.2. The credit allowed an instructor, discussion~~

leader, or a speaker ~~will~~ shall be on the basis of actual presentation hours, plus up to two additional hours for actual preparation time for each hour taught. The maximum credit for such preparation and teaching ~~will~~ shall not exceed 50 percent of the renewal period requirement. For repeat presentations, an instructor shall receive no credit unless the instructor can demonstrate that the program content was substantially changed and that such change required significant additional study or research. Credit for licensees attending, not as instructors, discussion leader, or speakers, is limited to the actual meeting time.

~~(f)~~(g) Credit may be allowed by the Board on an hour-for-hour basis for the following activities:

(1) Writing published articles and books provided the publisher is not under the control of the licensee, and the article and/or book would contribute to his/her professional competence.

(2) Writing instructional materials for any continuing education program which meets the requirements of ~~Section 88(a)~~ subsection (a)(1), Section 88.1, and Section 88.2,

(3) Writing questions for the Uniform Certified Public Accountant Examination.
~~The maximum credit allowed under this subsection (subsection f) shall not exceed 25 percent of the renewal period requirement.~~

(4) Performing a technical review of instructional materials for any continuing education program which meets the requirements of subsection (a)(1), Section 88.1, and Section 88.2. For the purposes of this section a technical review shall mean reviewing for technical accuracy, currency of the information, and attainment of stated learning objectives.

(h) The maximum credit allowed under subsection (g) shall not exceed 25 percent of the renewal period requirement.

(i) In order for any continuing education hours to be acceptable to the Board under this article, the hours shall be completed in a program which qualifies under this section or Section 87.9.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Section 5027, Business and Professions Code.

§ 88.1. Provider Requirements.

(a) Live Presentation

In order to qualify as acceptable continuing education under Section 88(b) the provider of ~~the~~ a live presentation program must:

(1) Require attendance and retain for a period of six years a record of attendance that accurately assigns the appropriate number of contact hours for participants including those who arrive late or leave early.

(2) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(3) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of six years. The amount of credit reflected on the certificate of completion shall be calculated in accordance with Section 88.2(a). The certificate of completion must delineate the subject areas, as described in Section ~~88(a)(1) and (2)~~ 87(a)(2) and (3), for which the licensee may claim credit.

(b) Group Internet-Based Programs (Webcast)

In order to qualify as acceptable continuing education under Section 88(c), the provider of the a Group Internet-Based Program (Webcast) must ~~be in compliance with requirements below:~~

(1) Require and monitor attendance throughout the program by using attendance monitoring devices such as polling, questions, or surveys. The program shall include a minimum of ~~two~~ three monitoring events each ~~half~~ hour, at ~~last~~ least one of which occurs at an irregular interval.

(2) Have a live instructor while the program is being presented and a feature allowing participants to send questions/comments directly to the instructor and receive answers during the program.

(3) If it is recorded or archived, have a live subject matter expert facilitate the program (webcast) to answer questions. A recorded or archived program that does not have a live subject matter expert must meet the self-study requirements of subsection (c), Section 88, and Section 88.2(c).

~~(3)~~(4) Retain for a period of six years a record of attendance that accurately assigns the appropriate number of participation hours for participants.

~~(4)~~(5) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

~~(5)~~(6) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course. Satisfactory completion shall at a minimum require responding to at least 75 percent of the monitoring events described in ~~Section~~ subsection ~~88.1(b)(1)~~ during the period for which continuing education credit is being granted. Retain records of licensees receiving certificates of completion for a period of six years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(b). The certificate of completion must delineate the subject areas, as described in Section ~~88(a)(1) and (2)~~ 87(a)(2) and (3), for which the licensee may claim credit.

~~(6)~~(7) Have a written policy to address rescheduling and the granting of partial credit in the event of a technology failure, and make that policy available to the Board upon request.

(c) Self-Study

In order to qualify as acceptable continuing education under Section 88~~(e)~~(d) the ~~sponsor~~ provider of the a self-study course must:

(1) Retain for a period of six years written educational goals and specific learning objectives, as well as a syllabus, which provides a general outline, instructional objectives, and a summary of topics for the course. A copy of the educational goals, learning objectives, and course syllabus shall be made available to the California Board of Accountancy upon request.

(2) Issue a certificate of completion, with verification certified by a program provider representative such as a signature or seal, to each licensee upon satisfactory completion of the course and retain records of licensees receiving certificates of completion for a period of six years. The amount of credit shall be displayed on the certificate of completion and shall be calculated in accordance with Section 88.2(c). The certificate of completion must delineate the subject areas, as described in Section ~~88(a)(1) and (2)~~ 87(a)(2) and (3), for which the licensee may claim credit.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Sections 5026 and 5027, Business and Professions Code.

§ 88.2. Program Measurements.

(a) Live Presentation

In order to qualify as acceptable continuing education under Section 88(b) a live presentation program must:

(1) Be measured in 50-minute class hours. A program must be at least one 50-minute class hour in length to be acceptable continuing education. For a program composed of several segments in which individual segments are less than 50 minutes, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50-minute class hour. For a program that is longer than one 50-minute class hour, credit shall be granted for additional 25-minute segments (one-half of a 50-minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Any program designed pursuant to Section 87(b) must be a minimum of one 50-minute class hour. Should a course be comprised of multiple subject areas as described in Section ~~88(a)(1)~~ 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50-minute class hour.

(3) Meet the provider requirements for live presentation under Section 88.1(a).

(b) Group Internet-Based Program (Webcast)

In order to qualify as acceptable continuing education under Section 88(c), a Group Internet-Based Program (Webcast) must:

(1) Be measured by actual program length in 50-minute class hours. A program must be a minimum of one 50-minute class hour in length to be acceptable continuing education. For a program composed of several segments, the sum of the segments, in increments not less than 25 minutes, may be added together to equal a full 50-minute class hour. For a program that is longer than one 50-minute class hour, credit shall be granted for additional 25-minute segments (one-half of a 50-minute class hour). Only class hours or the equivalent (and not participant hours devoted to preparation or study time) will be used to measure the hours of continuing education.

(2) Any program designed pursuant to Section 87(b) must be a minimum of one 50-minute class hour. Should a program be comprised of multiple subject areas as described in Section ~~88(a)(1)~~ 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50-minute class hour.

(3) Meet the provider requirements for Group Internet-Based Program (Webcast) under Section 88.1(b).

(c) Self-Study

In order to qualify as acceptable continuing education under Section 88(d), ~~any a~~ self-study course, whether in electronic or paper text format, must:

(1) ~~Grant continuing education credit equal to the average completion time if the self-study course is designed to use learning methodologies that simulate a classroom learning process by employing significant ongoing interactive feedback to the participant regarding his/her learning progress. These courses clearly define lesson objectives and manage the participant through the learning process by (A) requiring frequent participant response to questions that test for understanding of the material presented, (B) provide evaluated feedback to incorrectly answered questions, and (C) reinforcement feedback to correctly answered questions. Evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. Reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.~~ calculated using one of the following methods:

(A) Demonstrating an average completion time of two 50-minute continuing education hours by pre-testing the documentation from a minimum of three current and active certified public accountants simulating the manner in which the course will be completed and showing the length of time spent by each participant to complete the course. Pre-testing participants are required to be independent of the group that developed and/or are offering the course and provide feedback on the level of difficulty of the course.

(B) Demonstrating an average completion time of two 50-minute continuing education hours by dividing the number of words contained in the text of the required reading (excluding any material not critical to the achievement of the stated learning objectives such as the course introduction, author biography, instructions, table of contents, and supplementary reference materials) by 180, adding the actual length of time in minutes of any audio or video segments, adding the number of review questions multiplied by 1.85, and dividing the total by 50. The continuing education credit shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50.

(2) Clearly define lesson objectives and manage the participant through the learning process by requiring frequent participant response to questions that test for understanding of the material presented, providing evaluated feedback to incorrectly answered questions and reinforcement feedback to correctly answered questions. For purposes of this section, evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. For purposes of this section, reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct.

~~(2)~~(3) Any program designed pursuant to Section 87(b) must be a minimum of one class hour. Should a program be comprised of multiple subject areas as described in Section 88(a)(1) 87(a)(2), those components specific to Section 87(b) must be a minimum of one 50-minute class hour.

~~(3)~~(4) Require a passing score on a test given at the conclusion of the course. The test shall not include true/false type questions.

~~(4) Any self-study program or component designed pursuant to Section 87(b) shall require a 90 percent passing score on a test given at the conclusion of the course. Should a program be comprised of multiple subject areas as described in Section 88(a)(1), those components specific to Section 87(b) shall require a 90 percent passing score on a test given at the conclusion of the component specific to Section 87(b) or at the conclusion of the course.~~

(5) Meet the provider requirements for self-study under Section 88.1(c).

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Sections 5026 and 5027, Business and Professions Code.

§ 89. Control and Reporting.

(a) Upon renewal, a licensee who is required, pursuant to Section 80.2, 81, 87, or 87.1, to obtain continuing education must provide a written statement, signed under penalty of perjury, certifying that the requisite number of continuing education hours has been obtained. The licensee shall disclose the following information concerning courses or programs claimed as qualifying continuing education hours:

(1) Course title or description

(2) Date of completion

(3) Name of school, firm or organization providing the course or program

(4) Method of study, i.e., whether course or program is self-study, live presentation or Group Internet-Based Program (Webcast)

(5) Number of hours earned.

(6) Subject areas as described in Section 87(a)(2) and (3).

(b) If credit is claimed for completing the two hour regulatory review course specified in Section 87.8, a licensee shall obtain and retain for six years after renewal of his/her license, a certificate of completion or its equivalent disclosing the following information:

(1) Name of licensee

(2) Course title

(3) Board-issued approval number for the ~~professional conduct and ethics~~ regulatory review course completed by the licensee

(4) School, firm or organization providing the course

(5) Date of completion

(6) Verification by a program provider representative, such as a signature or seal.

(c) If continuing education credit for attending a continuing education course is claimed, the licensee shall obtain and retain for four years after renewal a certificate of completion or its equivalent disclosing the following information:

(1) Name of licensee in attendance

(2) School, firm or organization conducting course

- (3) Location of course attended
- (4) Title of course or description of content
- (5) Dates of attendance except when the licensee attended a course for academic credit given by a college, university, or other institution of higher learning accredited by an association recognized by the Secretary of the United States Department of Education, in which case the applicant may provide evidence of a grade of pass or "credit" to satisfy this requirement.
- (6) Number of hours of actual attendance except when the licensee attended a course for academic credit given by a college, university, or other institution of higher learning accredited by an association recognized by the Secretary of the United States Department of Education, in which case the applicant may provide evidence of a grade of pass or "credit" to satisfy this requirement.
- (7) Verification by a program provider representative, such as a signature or seal.
- (8) Subject areas as described in Section 87(a)(2) and (3).
- (d) If continuing education credit is claimed for completing a self-study course, the licensee shall obtain and retain for four years after renewal a receipt or its equivalent documenting the date of purchase or enrollment and a certificate of completion or its equivalent disclosing the following information:
 - (1) Name of licensee taking the course
 - (2) School, firm, or organization providing the course
 - (3) Title of course or description of contents
 - (4) Date of completion
 - (5) Number of hours of continued education credit granted for completing the course.
 - (6) Subject areas as described in Section 87(a)(2) and (3).
- (e) If credit as an instructor, discussion leader, or speaker is claimed, the licensee shall retain for four years after renewal the following information:
 - (1) School, firm or organization providing course
 - (2) Location of course presented
 - (3) Title of the course or description of content
 - (4) Course outline
 - (5) Dates and evidence of presentation
 - (6) Number of hours of actual preparation time and presentation time.
- (f) If credit is claimed for writing continuing education instructional materials, the following information shall be maintained for four years after renewal:
 - (1) Name of the course provider or publisher
 - (2) Title of the course and a description of the instructional materials
 - (3) Date of completion of the instructional materials or publication date
 - (4) A copy of the instructional materials
 - (5) Hours claimed.
- (g) If credit for published articles and books is claimed, the following information shall be maintained for four years after renewal:
 - (1) Name and address of publisher
 - (2) Title of publication
 - (3) Brief description
 - (4) Date(s) of publication
 - (5) Copy of publication

(6) Hours claimed

(h) If credit for writing questions for the Uniform CPA Examination is claimed, the licensee shall obtain and retain for four years after renewal a letter or other statement from the American Institute of Certified Public Accountants documenting the licensee's participation and the number of hours of continuing education credit the licensee has received.

(i) If credit is claimed for performing a technical review of continuing education instructional materials, the following information shall be maintained for four years after renewal:

(1) Name of the course provider or publisher,

(2) Title of the course and a description of the instructional materials,

(3) Date the review was completed,

(4) A copy of the instructional materials, and

(5) Hours claimed.

~~(j)~~(i) The Board will may solicit and verify such information ~~on a test basis~~. If a licensee is found to have a deficiency, the licensee shall be so notified and shall be required to provide copies of the documentation required by this section. ~~Upon request, the licensee may be granted a reasonable period of time in which to correct the deficiency.~~

~~(k)~~(k) A licensee who is determined by the Board at renewal not to have completed the required number of hours of qualifying continuing education shall be required to make up any deficiency. A licensee who is required to make up a deficiency shall be ineligible for active status license renewal or conversion to active status pursuant to Section ~~87.1~~ 80.1 until such time as documentation to support the required hours of continuing education for license renewal has been submitted and approved by the Board.

~~(l)~~(l) A licensee's willful making of any false or misleading statement, in writing, regarding his/her continuing education shall constitute cause for disciplinary action pursuant to section 5100(g) of the Accountancy Act.

NOTE: Authority cited: Sections 5010 and 5027, Business and Professions Code.
Reference: Section 5027, Business and Professions Code.

CALIFORNIA BOARD OF ACCOUNTANCY

INITIAL STATEMENT OF REASONS

Hearing Date: September 21, 2012

Subject Matter of Proposed Regulations: Continuing Education

Sections Affected: Title 16, Division 1, of Article 12 in California Code of Regulations, Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2, and 89.

1. Amend Section 12 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal clarifies that experience for licensure must be supervised by an individual with an active license. In addition, the proposal increases the number of CE hours, from 48 to 80, if an applicant's experience was obtained five or more years prior to application for licensure. Further, it specifies that the 80 hours must be obtained in the two years prior to application, including 20 hours in the year prior to application that meet specified requirements; and, would require that the 80 hours meet the requirements of Section 87. This proposal would also require that certificates of completion be submitted to the Board, contain a verification certified by the program provider representative, such as a signature or seal, and, delineate the subject areas for which the applicant may claim credit.

Factual Basis/Rationale:

In April, 2011, the Board's Qualifications Committee (QC) examined the current CE requirements for reissuance, which is required after a license expires due to non-renewal after five years, and for applying for CPA licensure with experience obtained five or more years prior to application. When the QC compared the CE requirements for converting a license from inactive to active status, it discovered that the requirement for conversion (80 CE hours) was much more rigorous than for individuals who have been out of practice for five or more years (48 CE hours). The QC made a recommendation, this proposal, in order to ensure that those that have been out of practice for five or more years have the currency of knowledge required to enter or reenter the profession.

2. Amend Section 12.5 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal clarifies that experience for licensure must be supervised by an individual with an active license. In addition, the proposal increases the number of CE hours, from 48 to 80, if an applicant's experience was obtained five or more years prior to application for licensure. Further, it specifies that the 80 hours must be obtained in the two years prior to application, including 20 hours in the year prior to application that

meet specified requirements; and, would require that the 80 hours meet the requirements of Section 87. This proposal would also require that certificates of completion be submitted to the Board, contain a verification certified by the program provider representative, such as a signature or seal, and, delineate the subject areas for which the applicant may claim credit.

Factual Basis/Rationale:

In April, 2011, the Board's Qualifications Committee (QC) examined the current CE requirements for reissuance, which is required after a license expires due to non-renewal after five years, and for applying for CPA licensure with experience obtained five or more years prior to application. When the QC compared the CE requirements for converting a license from inactive to active status, it discovered that the requirement for conversion (80 CE hours) was much more rigorous than for individuals who have been out of practice for five or more years (48 CE hours). The QC made a recommendation, this proposal, in order to ensure that those that have been out of practice for five or more years have the currency of knowledge required to enter or reenter the profession.

3. Amend Section 37 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal increases the number of CE hours, from 48 to 80, an applicant for reissuance of a cancelled license must complete.

For the board to reissue a license without the authority to sign reports on attest engagements, it specifies that the applicant must obtain 80 hours in the two years prior to application, including 20 hours in the year prior to application, with at least 12 hours in subjects specified in Section 87(a)(2); and that the 80 hours meet the requirements of Section 87.

For the board to reissue a license with the authority to sign reports on attest engagements, it specifies that the applicant must obtain 80 hours in the two years prior to application and meet the requirements of Section 87. At least 20 of the 80 hours must be completed in the year prior to application, with at least 12 hours in subjects specified in Section 87(a)(2), and the 80 hours must be taken in specified subject matter areas of at least the following: (1) 16 hours in financial accounting standards; (2) 16 hours in auditing standards; (3) 8 hours in compilation and review; (4) 8 hours in other comprehensive basis of accounting; and, (5) 8 hours in the detection and/or reporting of fraud in financial statements .

This proposal would also require that certificates of completion be submitted to the Board, contain a verification certified by the program provider representative, such as a signature or seal, and, delineate the subject areas for which the applicant may claim credit.

Factual Basis/Rationale:

In April, 2011, the Board's Qualifications Committee (QC) examined the current CE requirements for reissuance, which is required after a license expires due to non-renewal after five years, and for applying for CPA licensure with experience obtained five or more years prior to application. When the QC compared the CE requirements for converting a license from inactive to active status, it discovered that the requirement for conversion (80 CE hours) was much more rigorous than for individuals who have been out of practice for five or more years (48 CE hours). The QC made a recommendation, this proposal, in order to ensure that those that have been out of practice for five or more years have the currency of knowledge required to enter or reenter the profession.

4. Amend Section 80 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would clarify that the minimum yearly CE requirement outlined in Section 87(a)(1) does not apply to licensees renewing a license from an inactive to an active status, correct paragraph numbering errors, and adjust section references due to the proposed adoption of Section 80.1 and proposed amendments to Sections 87, 87.1, and 88.

Factual Basis/Rationale:

Section 5028 of the Business and Professions Code (B&P) provides the Board with the authority to make exceptions to the CE requirements for licensees not engaged in the practice of public accountancy. The exception in Section 80 allows a licensee not engaged in the practice of public accountancy to renew his or her license in an inactive status without completing any CE. Section 80 also outlines the CE requirements to convert a license from an inactive to an active status at the time of renewal.

This proposal is necessary because, in order to meet the minimum yearly CE requirement outlined in Section 87(a)(1), the licensee would have to know over one year in advance of the license expiration date that he or she would want or need to renew the license in an active status, which would essentially nullify the flexibility Section 80 is designed to provide.

5. Adopt Section 80.1 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would adopt Section 80.1 specifying the requirements to convert a license from an inactive to an active status prior to the license expiration date. Specifically, this amendment would renumber existing requirements for license conversion at Section 87.1 to 80.1, placing the existing requirements in this new section.

Factual Basis/Rationale:

The requirements for a licensee returning to the practice of public accountancy prior to the time of license renewal (license status conversion) are presently outlined in Section 87.1. Adopting this new section will move these requirements to immediately follow Section 80 regarding inactive license status, a more logical location within Article 12.

6. Adopt Section 80.2 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would adopt Section 80.2 specifying the CE requirements for renewing a license in an active status after undergoing a license status conversion, pursuant to proposed Section 80.1, and the CE requirements if the license is renewed after the license expiration date. After undergoing license status conversion, this proposal would require that for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, the licensee would be required to complete an additional 20 hours of continuing education, up to a total of 80 hours. No CE would be required for license renewal after conversion if the time period between the date of license status conversion and the next license expiration date is less than six full months.

This proposal would specify additional CE requirements after conversion for a licensee who engages in financial or compliance auditing of a governmental agency or a licensee who engages in audit, review, compilation or attestation services at any time between the date of license status conversion and the license expiration date. This proposal would also require a licensee renewing an expired license after having undergone a license status conversion to complete an additional 20 hours of CE for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours. For a licensee who is required to complete a total of 80 hours of CE after conversion, the following would also be required: (A) four hours of ethics CE; and (B) for those licensees required to comply with Section 80.2(c) or (d), four hours of CE related to the detection and/or reporting of fraud in financial statements. A licensee's willful failure to comply with this section would constitute cause for disciplinary action pursuant to Business and Professions Code section 5100(g).

Factual Basis/Rationale:

The CE requirements for renewing a license in an active status after undergoing a license status conversion are presently outlined in Section 87.1. Adopting this new section will move these requirements to immediately following proposed Section 80.1 regarding license status conversion.

The CE requirements for renewing a license in an active status following a license status conversion is based on the number of months between the date of license status conversion and the date the license expires – 20 hours for each full six-month period. This proposal would require a licensee renewing a delinquent license after having undergone a license status conversion, pursuant to proposed Section 80.1, to complete an additional 20 hours of CE for each full six month period from the date of license

expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours. This requirement is necessary to ensure the licensees' currency of knowledge after a period of not practicing public accountancy.

7. Amend Section 81 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would amend existing definitions for this section by specifying that the date of license renewal is the date "on which the licensee applies for" license renewal and by deleting the word "license" from the definition of "expired."

Factual Basis/Rationale:

This proposal is necessary to improve clarity.

8. Amend Section 87 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would move the existing requirements specified in Sections 88(a)(1), (a)(2), and (a)(3) regarding the criteria for programs that qualify as acceptable CE to proposed Sections 87(a)(2), (a)(3), and (a)(4). In addition, this proposal would specify the following courses that would not qualify as ethics education under Section 87(b): sexual harassment, workplace harassment, and workplace violence. This proposal would also: (a) clarify that the existing accounting and auditing CE requirement must be met for a licensee if the services were provided "while engaged in the practice of public accountancy"; (b) repeal existing subsection (f); (c) reduce the fraud CE requirement from eight to four hours; and, (d) adjust section references due to proposed amendments to Sections 88 and 89.

Factual Basis/Rationale:

Section 87 requires licensees renewing a license in an active status to complete a minimum of 50 percent of CE hours in subject matter as specified in Section 88(a)(1) and a maximum of 50 percent of CE hours in subject matter as specified in Section 88(a)(2). This proposal would relocate these requirements from Section 88 to a more logical location in Section 87, where all other basic CE requirements are outlined, and formally name the two subject area groups technical and non-technical.

Section 87(b) requires licensees complete four hours of ethics education to renew a license in an active status. This proposal would clearly exclude all courses on sexual harassment, workplace harassment, and workplace violence from fulfilling this education requirement as these courses are already required by Section 12950.1 of the Government Code and do not enhance a licensee's knowledge of ethical accounting practices. This proposal would also make clear that courses specific to the laws and rules of a state other than California may not fully qualify because they may not enhance a licensee's knowledge of ethical accounting practices under California laws.

This proposal would repeal the education requirements for new licensees specified in subsection (f) as the requirements are being relocated to the proposed Section 87.1. They are not consistent with other basic requirements under Section 87.

9. Repeal Section 87.1 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would repeal Section 87.1 and relocate various existing requirements specified in this section to the proposed Sections 80.1 and 80.2.

Factual Basis/Rationale:

This proposal is necessary to improve the overall clarity of Article 12 and make these requirements easier for licensees to locate.

10. Adopt Section 87.1 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would adopt a new Section 87.1 specifying the CE requirements for new licensees renewing a license in an active status. This proposal would include requirements for:

- (a) CE to be completed on or after the date the initial license was issued;
- (b) completing twenty hours of CE for each full six-month period from the date the initial license was issued to the first license expiration date in specified subject areas described in Sections 87(a)(2) and (a)(3);
- (c) four hours of ethics education for licensees required to obtain a full 80 hours of CE to renew;
- (d) six hours of governmental auditing CE as part of each 20 hours of CE for licensees engaged in financial or compliance auditing of a governmental agency between the date the initial license was issued and the first license expiration date;
- (e) CE in the areas of governmental accounting and auditing to meet the requirements of Section 87(c);
- (f) six hours of accounting and auditing CE as part of each 20 hours of CE for licensees engaged in audit, review, compilation, or attestation services between the date the initial license was issued and the first license expiration date;
- (g) CE in the areas of accounting and auditing to meet the requirements of Section 87(d);
- (h) completing an additional twenty additional hours of CE if an initial license expires unless the time period between the date the license expires and the date licensee applies for renewal is less than six full months; and,
- (i) CE to be completed in the two-year period immediately preceding the date on which the licensee applies for renewal.

Failure to comply with the requirements of this Section would constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

Factual Basis/Rationale:

This proposal would relocate the CE requirements for renewing a license in an active status following the initial licensing period, previously located in Section 87(f), to a more logical location within Article 12. This proposal would also establish the CE requirements for a new licensee renewing a license in an active status after the initial license expiration date.

The CE requirements for renewing a license in an active status following the initial licensing period are based on the number of months between the date of license issuance and the date the license expires – 20 hours for each full six-month period. This proposal would require a licensee renewing a license in an active status after the initial license expiration date complete an additional 20 hours of CE for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours. This requirement is necessary to ensure the licensees currency of knowledge after a period of not practicing public accountancy.

11. Repeal Section 87.7 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would repeal Section 87.7 as the requirements specified by this section are no longer applicable.

Factual Basis/Rationale:

This proposal is necessary because the Board no longer approves courses designed pursuant to this section and a licensee's ability to claim credit for completing such a course expired on January 1, 2012.

12. Amend Section 87.8 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would remove a past implementation date and reference to the course previously required by Section 87.7.

Factual Basis/Rationale:

This proposal is necessary to remove reference to outdated requirements.

13. Amend Section 87.9 of Title 16 of the California Code of Regulations

Specific Purpose:

The proposed amendment to Section 87.9(a)(1) regarding requirements for course providers offering a regulatory review course would exclude Sections 88.2(c)(1)(A) and (c)(1)(B) from the requirements of Section 87.9 and prohibit the use of true/false type questions on final examinations for self-study courses.

Factual Basis/Rationale:

This proposal would clarify that the portion of Section 88.2 that describes how self-study CE credit is calculated does not apply to courses developed pursuant to Section 87.9 as the method for calculating this type of credit is outlined in Section 87.9(a)(4).

The American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA) issued a joint Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*), which is a national benchmark for the development of all accounting-related CE programs. Standard No. 8 (S8-04) of the *Standards* states, in pertinent part, “true/false questions are not permissible on the final examination.” The proposed amendment to Section 87.9(a)(3) would prohibit the use of true/false type questions on final examinations for self-study courses, keeping the requirements for CE providers in California in line with the new national standard.

14. Amend Section 88 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would repeal Sections 88(a) (1), (a) (2), and (a) (3), which are being relocated to proposed Sections 87(a)(2), (a)(3), and (a)(4). In addition, this proposal would: (a) specify the requirements for when the group viewing of webcast CE programs would be permissible; (b) specify how a live facilitator of a webcast would document and verify group participation and attendance; (c) establish the timeframe during which formal correspondence or individual study (self-study) courses must be completed; (d) clarify that credit may be allowed by the CBA on an “hour-for-hour basis” for certain types of activities under subsection (g); (e) add a new method for obtaining CE credit under subsection (g) (performing technical review of instructional materials as specified); (f) specify that the maximum credit allowed for the activities listed in subsection (g) shall not exceed 25 percent of the renewal period requirement; and, (h) specify that in order for any CE hours to be acceptable to the CBA it must be completed in a program which qualifies under this Section or Section 87.9.

This proposal would also correct paragraph numbering errors, and adjust section references due to proposed amendments to this section.

Factual Basis/Rationale:

This proposal would repeal the education requirements specified in Sections 88(a)(1), (a)(2), and (a)(3) as they are being relocated to a more logical location in Section 87.

This proposal would also specify that the CE activities listed in subsection (g) qualify for CE credit on an hour-for-hour basis. Absent this amendment the allowable credit is not clear.

Standard No. 13 (S13-04) of the *Standards* states, in pertinent part, “where small groups view a group internet based program such that one person logs into the program and asks questions on behalf of the group, documentation of attendance is required in order to award CPE credits to the group of participants. Participation in the group must be documented and verified by the small group facilitator.” The proposed amendment to Section 88(c) would provide licensees the ability to participate in small group viewing of webcast programs bringing California into alignment with the new national standard.

Standard No. 8 (S8-06) of the *Standards* states, in pertinent part, “All courses must include an expiration date (the time by which the learner must complete the final examination). For individual courses, the expiration date is no longer than one year.” The Board does not regulate CE providers other than for the Board-approved Regulatory Review course. Therefore, to bring California into alignment with the national standard the proposed amendment to Section 88(d)(3) would require that licensees complete courses within one year from the date of purchase or enrollment.

Standard No. 5 of the *Standards* states, in pertinent part, “sponsors of group and self-study programs must ensure learning activities are reviewed by qualified persons other than those who developed the programs to assure that the program is technically accurate and current and addresses the stated learning objectives.” Although the standard does not state that these technical reviews must qualify as CE, the guiding principle in determining the acceptability of CE is whether the program assures reasonable currency of knowledge and contributes to the professional competence of a licensee in public practice. Therefore, the proposed amendment to Section 88(g)(4) would allow licensees to claim CE credit on an hour for hour basis, up to 25 percent of the required CE hours, for performing this type of review.

15. Amend Section 88.1 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would: reduce the minimum required monitoring events for webcast programs from two monitoring events each half hour to three monitoring events each hour; specify the requirements for viewing recorded or archived webcast CE programs to include the requirement that a recorded or archived webcast have a live subject matter expert facilitate the program, or otherwise meet the self-study requirements of subsection (c), Section 88 and Section 88.2(c); and, adjust section references due to proposed amendments to Sections 87 and 88.

Factual Basis/Rationale:

Standard No. 13 (S13-03) of the *Standards* sets the minimum required number of attendance monitoring events for webcast CE programs at three polling questions per hour, one less than the requirement in Section 88.1(b)(1). At the time the Board

developed regulations regarding webcast programs, a national standard did not exist. In this age of constant technological advances, webcast programs are becoming an increasingly popular method for obtaining CE. Maintaining a monitoring requirement that is out of line with the recently established national standard could result in limiting California licensees' access to this convenient method of fulfilling the CE requirements. This proposal would bring Section 88.1(b)(1) into alignment with the national standard.

Standard No. 7 (S7-01) the *Standards* states, in pertinent part, "Once a group internet based program is recorded or archived, it will continue to be considered a group internet based program only where a live subject matter expert facilitates the recorded presentation. Any future presentations that do not include a live subject matter expert will be considered a self study program and must meet all self study delivery method requirements." The proposed amendment to Section 88.1(b)(3) would provide licensees the ability to receive CE credit for viewing recorded or archived webcast programs bringing California into alignment with the new national standard.

16. Amend Section 88.2 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would add new requirements for self-study courses to qualify as acceptable CE under Section 88(d). Specifically, this proposal would: delete the present method for calculating credit hours for self-study CE programs and would replace it with two alternatives; require the self-study course to clearly define lesson objectives and manage the participant through the learning process, as specified; prohibit the use of true/false type questions on final examinations; and adjust section references due to proposed amendments to Sections 87 and 88. Finally, this proposal would eliminate the 90% passing score requirement for a self-study ethics class. Implementation of such a requirement presented an enforcement challenge to the Board as the Board currently has no authority to pre-approve these classes or course providers.

Factual Basis/Rationale:

Standard No. 14 of the *Standards* outlines two new methods for calculating how CE providers are to determine the amount of credit awarded for the completion of self-study courses, which are no longer consistent with the Board Regulations. The first method requires the use of three pilot testers to obtain the representative completion time. The second method in this standard is based on a very specific word count formula. The proposed amendment to Section 88.2(c)(1) would adopt these two methods keeping the requirements in line with the new national standard

Standard No. 8 (S8-04) of the *Standards* states, in pertinent part, "true/false questions are not permissible on the final examination." The proposed amendment to Section 88.2(c)(4) would prohibit the use of true/false type questions on final examinations for self-study courses, keeping the requirements in line with the new national standard.

The 90% passing score requirement for a self study ethics class is being eliminated as it was not enforceable due to the fact that the Board does not pre-approve these classes.

17. Amend Section 89 of Title 16 of the California Code of Regulations

Specific Purpose:

This proposal would add new requirements for licensees to report and maintain records of CE compliance for the Board. Specifically, this proposal would require: disclosure of the subject areas for the courses or programs claimed as qualifying CE hours; retention of course purchase documentation; specify the document retention requirements for CE credit claimed for performing technical review of CE instructional materials as permitted by newly proposed Section 88(f)(4); clarify the Board's authority to solicit documentation and require the licensee to provide copies of the documentation provided by this Section; and adjust section references due to proposed amendments to Section 87 and the proposed adoption of Sections 80.2 and 87.1.

Factual Basis/Rationale:

For a program to qualify under Section 88.1, the CE provider must have on the certificate of completion certain information pertaining to the course's subject matter. Section 89 is being amended to require the licensee to disclose this information and retain the certificates of completion with this information on it to ensure compliance with all CE requirements.

Standard No. 8 (S8-06) of the *Standards* states, in pertinent part, "All courses must include an expiration date (the time by which the learner must complete the final examination). For individual courses, the expiration date is no longer than one year." The Board does not regulate CE providers other than for the Board-approved Regulatory Review course. Therefore, to bring California into alignment with the national standard, the proposed amendment to Section 89(d) would require that licensees retain documentation of the date of purchase or enrollment in a self-study course.

Standard No. 5 of the *Standards* states, in pertinent part, "sponsors of group and self-study programs must ensure learning activities are reviewed by qualified persons other than those who developed the programs to assure that the program is technically accurate and current and addresses the stated learning objectives." The proposed amendment to Section 88(g)(4) would allow a licensee to claim credit for performing a technical review of a CE program. The proposed amendment to Section 89(i) would specify the minimum document retention requirements for claiming this type of CE credit.

The proposed amendment to Section 89(j) would also clarify that the Board may solicit any of the documentation required under this section and that such information shall be required to be submitted in conjunction with any identified CE deficiency.

Underlying Data

Technical, theoretical or empirical studies, reports, or documents relied upon (if any):

1. QC Recommendation to Amend CBA Regulation Sections 37 – Reissuance, 12(d) and 12.5(f) – Experience Obtained Five or More Years Prior to Application
2. Statement on Standards for Continuing Professional Education (CPE) Programs issued jointly by the National Association of State Boards of Accountancy and the American Institute of Certified Public Accountants.
3. Draft Minutes of the May 24, 2012 CPC Meeting.

Business Impact

This regulation will not have a significant adverse economic impact on businesses. This initial determination is based on the following facts or evidence/documents/testimony:

Over a 10-year lifetime, the total economic costs of this regulation package can range from \$0 to \$2,088,400.

It would impose the following reporting, recordkeeping, or other compliance requirements:

Licensees are required to obtain proof of completion of CE containing specific information which must be provided at the request of the Board.

Description of alternatives which would lessen any significant adverse impact on business (which includes small business):

There is no significant adverse impact on business from this proposal.

Economic Impact Assessment

This regulatory proposal will have the following effects:

- It will not create or eliminate jobs within the State of California because the estimated economic impact does not exceed \$2,088,400 over the lifetime of the proposal.
- It will not create new business or eliminate existing businesses within the State of California because the estimated economic impact does not exceed \$2,088,400 over the lifetime of the proposal.
- It will not affect the expansion of businesses currently doing business within the State of California because the estimated economic impact does not exceed \$2,088,400 over the lifetime of the proposal.

- This regulatory proposal benefits the health and welfare of California residents because continuing education ensures the continuing competency and currency of knowledge of licenses. This, in turn, benefits the welfare of the consumers of California who rely on the services provided by licensees.
- This regulatory proposal does not affect worker safety because it has nothing to do with worker safety.
- This regulatory proposal does not affect the state's environment because it has nothing to do with the environment.

Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective or less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.

Set forth below are the alternatives which were considered and the reasons each alternative was rejected:

The Board considered not pursuing this regulatory change, but that was rejected as there is a need to make the CE required for applicants whose experience was obtained five or more years prior to application for licensure and for reissuance of a cancelled license to be equivalent to the higher standard of CE required for conversion from inactive status to active status to ensure consumer protection. In addition, by definition, adopting national standards does not allow for variation of those standards if the full benefit is to be retained.

TITLE 16. DIVISION 1. CALIFORNIA BOARD OF ACCOUNTANCY

NOTICE IS HEREBY GIVEN that the California Board of Accountancy (Board) is proposing to take the action described in the Informative Digest. Any person interested may present statements or arguments orally or in writing relevant to the action proposed at a hearing to be held at The Wyndham Irvine Orange County Airport, 17941 Von Karman, Irvine, CA 92614, at 9:00 a.m., on September 21, 2012. Written comments, including those sent by mail, facsimile, or e-mail to the addresses listed under Contact Person in this Notice, must be received by the Board at its office not later than 5:00 p.m. on September 17, 2012, or must be received by the Board at the hearing. The Board, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person designated in this Notice as contact person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

Authority and Reference: Pursuant to the authority vested by Sections 462, 5010, 5018, 5027, 5092, 5093, and 5095 of the Business and Professions Code, and to implement, interpret or make specific Sections 462, 5023, 5026, 5027, 5028, 5051, 5070.7, 5092, 5093, and 5095 of said Code, the California Board of Accountancy is considering changes to Division 1 of Title 16 of the California Code of Regulations as follows:

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Existing law, Business and Professions Code (B&P) Section 5027, requires the Board to prescribe, amend and repeal regulations regarding continuing education (CE) including the following:

- A definition of basic requirements for CE;
- At least 24 hours of qualifying CE in the area of governmental accounting and auditing for a licensee who plans, directs, or approves any financial or compliance audit report on any governmental agency during the two-year license renewal period;
- At least 24 hours of qualifying CE in the area of accounting and auditing related to reporting on financial statements for a licensee who provides audit, review or other attestation services or issues compiled financial statement reports during the two-year license renewal period;
- Completion of a CE course on the provisions of the Accountancy Act and the rules of professional conduct within a six-year period;
- CE course requirements for a licensee on inactive status to complete prior to reentering public practice ;
- A delineation of qualifying programs for maintaining competency; and,
- A system of control and compliance reporting.

Existing law requires that these regulations assure reasonable currency of knowledge and provide for a variety of alternatives for compliance. The Board has existing regulations regarding license status and CE requirements in Articles 2, 5 and 12 of Division 1 of Title 16 of the California Code of Regulations.

The American Institute of Certified Public Accountants (AICPA) and National Association of State Boards of Accountancy (NASBA) have issued a joint *Statement on Standards for Continuing Professional Education (CPE) Programs (Standards)* revised January 2012, which sets forth recommended national standards for CE. This proposal would conform the Board's CE regulations, in large part, to those national standards.

In addition, it will change the CE required for applicants whose experience was obtained five or more years prior to application for licensure and for reissuance of a cancelled license to be equivalent to the higher standard of CE required for conversion from inactive status to active status (increase from 48 to 80 hours). Finally, to eliminate duplication and overlap in educational course content, the proposal would reduce the number of CE hours for the fraud course from eight hours to four hours as fraud has become a regular part of the accounting education required for licensure over the past decade.

The regulatory proposal is as follows:

1. Amend Sections 12 and 12.5 in Title 16 of the California Code of Regulations.

This proposal clarifies that experience for licensure must be supervised by an individual with an active license. In addition, the proposal increases the number of CE hours, from 48 to 80, if an applicant's experience was obtained five or more years prior to application for licensure. Further, it specifies that the 80 hours must be obtained in the two years prior to application, including 20 hours in the year prior to application that meet specified requirements; and, would require that the 80 hours meet the requirements of Section 87. This proposal would also require that certificates of completion be submitted to the Board, contain a verification certified by the program provider representative, such as a signature or seal, and, delineate the subject areas for which the applicant may claim credit.

2. Amend Section 37 in Title 16 of the California Code of Regulations.

This proposal increases the number of CE hours, from 48 to 80, an applicant for reissuance of a cancelled license must complete.

For the board to reissue a license without the authority to sign reports on attest engagements, it specifies that the applicant must obtain 80 hours in the two years prior to application, including 20 hours in the year prior to application, with at least 12 hours in subjects specified in Section 87(a)(2); and that the 80 hours meet the requirements of Section 87.

For the board to reissue a license with the authority to sign reports on attest engagements, it specifies that the applicant must obtain 80 hours in the two years prior to application and meet the requirements of Section 87. At least 20 of the 80 hours must be completed in the year prior to application, with at least 12 hours in subjects specified in Section 87(a)(2), and the 80 hours must be taken in specified subject matter areas of at least the following: (1) 16 hours in financial accounting standards; (2) 16 hours in auditing standards; (3) 8 hours in compilation and review; (4) 8 hours in other comprehensive basis of accounting; and, (5) 8 hours in the detection and/or reporting of fraud in financial statements .

This proposal would also require that certificates of completion be submitted to the Board, contain a verification certified by the program provider representative, such as a signature or seal, and, delineate the subject areas for which the applicant may claim credit.

3. Amend Section 80 in Title 16 of the California Code of Regulations.

This proposal would clarify that the minimum yearly CE requirement outlined in Section 87(a)(1) does not apply to licensees renewing a license from an inactive to an active status, correct paragraph numbering errors, and adjust section references due to the proposed adoption of Section 80.1 and proposed amendments to Sections 87, 87.1, and 88.

4. Adopt Section 80.1 in Title 16 of the California Code of Regulations.

This proposal would adopt Section 80.1 specifying the requirements to convert a license from an inactive to an active status prior to the license expiration date. Specifically, this amendment would renumber existing requirements for license conversion at Section 87.1 to 80.1, placing the existing requirements in this new section.

5. Adopt Section 80.2 in Title 16 of the California Code of Regulations.

This proposal would adopt Section 80.2 specifying the CE requirements for renewing a license in an active status after undergoing a license status conversion, pursuant to proposed Section 80.1, and the CE requirements if the license is renewed after the license expiration date. After undergoing license status conversion, this proposal would require that for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, the licensee would be required to complete an additional 20 hours of continuing education, up to a total of 80 hours. No CE would be required for license renewal after conversion if the time period between the date of license status conversion and the next license expiration date is less than six full months.

This proposal would specify additional CE requirements after conversion for a licensee who engages in financial or compliance auditing of a governmental agency or a licensee who engages in audit, review, compilation or attestation services at any time between the date of license status conversion and the license expiration date. This proposal would also require a licensee renewing an expired license after having undergone a license status conversion to complete an additional 20 hours of CE for each full six month period from the date of license expiration to the date on which the licensee applies for license renewal, up to a total of 80 hours. For a licensee who is required to complete a total of 80 hours of CE after conversion, the following would also be required: (A) four hours of ethics CE; and (B) for those licensees required to comply with Section 80.2(c) or (d), four hours of CE related to the detection and/or reporting of fraud in financial statements. A licensee's willful failure to comply with this section would constitute cause for disciplinary action pursuant to Business and Professions Code section 5100(g).

6. Amend Section 81 in Title 16 of the California Code of Regulations.

This proposal would amend existing definitions for this section by specifying that the date of license renewal is the date “on which the licensee applies for” license renewal and by deleting the word “license” from the definition of “expired.”

7. Amend Section 87 in Title 16 of the California Code of Regulations.

This proposal would move the existing requirements specified in Sections 88(a)(1), (a)(2), and (a)(3) regarding the criteria for programs that qualify as acceptable CE to proposed Sections 87(a)(2), (a)(3), and (a)(4). In addition, this proposal would specify the following courses that would not qualify as ethics education under Section 87(b): sexual harassment, workplace harassment, and workplace violence. This proposal would also: (a) clarify that the existing accounting and auditing CE requirement must be met for a licensee if the services were provided “while engaged in the practice of public accountancy”; (b) repeal existing subsection (f); (c) reduce the fraud CE requirement from eight to four hours; and, (d) adjust section references due to proposed amendments to Sections 88 and 89.

8. Repeal Section 87.1 in Title 16 of the California Code of Regulations.

This proposal would repeal Section 87.1 and relocate various existing requirements specified in this section to the proposed Sections 80.1 and 80.2.

9. Adopt Section 87.1 in Title 16 of the California Code of Regulations.

This proposal would adopt a new Section 87.1 specifying the CE requirements for new licensees renewing a license in an active status. This proposal would include requirements for:

- (a) CE to be completed on or after the date the initial license was issued;
- (b) completing twenty hours of CE for each full six-month period from the date the initial license was issued to the first license expiration date in specified subject areas described in Sections 87(a)(2) and (a)(3);
- (c) four hours of ethics education for licensees required to obtain a full 80 hours of CE to renew;
- (d) six hours of governmental auditing CE as part of each 20 hours of CE for licensees engaged in financial or compliance auditing of a governmental agency between the date the initial license was issued and the first license expiration date;
- (e) CE in the areas of governmental accounting and auditing to meet the requirements of Section 87(c);
- (f) six hours of accounting and auditing CE as part of each 20 hours of CE for licensees engaged in audit, review, compilation, or attestation services between the date the initial license was issued and the first license expiration date;
- (g) CE in the areas of accounting and auditing to meet the requirements of Section 87(d);
- (h) completing an additional twenty additional hours of CE if an initial license expires unless the time period between the date the license expires and the date licensee applies for renewal is less than six full months; and,
- (i) CE to be completed in the two-year period immediately preceding the date on which the licensee applies for renewal.

Failure to comply with the requirements of this Section would constitute cause for disciplinary action pursuant to Section 5100(g) of the Accountancy Act.

10. Repeal Section 87.7 in Title 16 of the California Code of Regulations.

This proposal would repeal Section 87.7 as the requirements specified by this section are no longer applicable.

11. Amend Section 87.8 in Title 16 of the California Code of Regulations.

This proposal would remove a past implementation date and reference to the course previously required by Section 87.7.

12. Amend Section 87.9 in Title 16 of the California Code of Regulations.

The proposed amendment to Section 87.9(a)(1) regarding requirements for course providers offering a regulatory review course would exclude Sections 88.2(c)(1)(A) and (c)(1)(B) from the requirements of Section 87.9 and prohibit the use of true/false type questions on final examinations for self-study courses.

13. Amend Section 88 in Title 16 of the California Code of Regulations.

This proposal would repeal Sections 88(a) (1), (a) (2), and (a) (3), which are being relocated to proposed Sections 87(a)(2), (a)(3), and (a)(4). In addition, this proposal would: (a) specify the requirements for when the group viewing of webcast CE programs would be permissible; (b) specify how a live facilitator of a webcast would document and verify group participation and attendance; (c) establish the timeframe during which formal correspondence or individual study (self-study) courses must be completed; (d) clarify that credit may be allowed by the CBA on an "hour-for-hour basis" for certain types of activities under subsection (g); (e) add a new method for obtaining CE credit under subsection (g) (performing technical review of instructional materials as specified); (f) specify that the maximum credit allowed for the activities listed in subsection (g) shall not exceed 25 percent of the renewal period requirement; and, (h) specify that in order for any CE hours to be acceptable to the CBA it must be completed in a program which qualifies under this Section or Section 87.9.

This proposal would also correct paragraph numbering errors, and adjust section references due to proposed amendments to this section.

14. Amend Section 88.1 in Title 16 of the California Code of Regulations.

This proposal would: reduce the minimum required monitoring events for webcast programs from two monitoring events each half hour to three monitoring events each hour; specify the requirements for viewing recorded or archived webcast CE programs to include the requirement that a recorded or archived webcast have a live subject matter expert facilitate the program, or otherwise meet the self-study requirements of subsection (c), Section 88 and Section 88.2(c); and, adjust section references due to proposed amendments to Sections 87 and 88.

15. Amend Section 88.2 in Title 16 of the California Code of Regulations.

This proposal would add new requirements for self-study courses to qualify as acceptable CE under Section 88(d). Specifically, this proposal would: delete the present method for calculating credit hours for self-study CE programs and would

replace it with two alternatives; require the self-study course to clearly define lesson objectives and manage the participant through the learning process, as specified; prohibit the use of true/false type questions on final examinations; and adjust section references due to proposed amendments to Sections 87 and 88. Finally, this proposal would eliminate the 90% passing score requirement for a self-study ethics class. Implementation of such a requirement presented an enforcement challenge to the Board as the Board currently has no authority to pre-approve these classes or course providers.

16. Amend Section 89 in Title 16 of the California Code of Regulations.

This proposal would add new requirements for licensees to report and maintain records of CE compliance for the Board. Specifically, this proposal would require: disclosure of the subject areas for the courses or programs claimed as qualifying CE hours; retention of course purchase documentation; specify the document retention requirements for CE credit claimed for performing technical review of CE instructional materials as permitted by newly proposed Section 88(f)(4); clarify the Board's authority to solicit documentation and require the licensee to provide copies of the documentation provided by this Section; and adjust section references due to proposed amendments to Section 87 and the proposed adoption of Sections 80.2 and 87.1.

Anticipated Benefits of the Proposal:

Licensees:

- The licensees will benefit from this regulation package due to rearranging regulation sections in a logical and less confusing manner.
- Renewals will become easier since CE requirements are more consistent with national standards.
- Licensees will experience new alternatives for compliance through the availability of new access to group-based internet courses, unlike the former regulations, and will be able to receive CE at no charge by performing specific "technical reviews" on selected CE courses.

CE Providers:

The maximum increase in revenues on CE providers would amount to \$208,840 annually.

- The beneficial impact to CE providers in the event that the entire affected population of applicants whose experience was obtained five or more years prior to application for licensure (75 in 2010/2011 FY) can potentially amount to a maximum of \$24,000 in additional CE revenue.
- The beneficial impact to CE providers in the event that the entire affected population of licensees (57 in 2010/2011 FY) requires reissuance of their cancelled licensure can potentially amount to a maximum of \$18,240 in additional CE revenue.
- The beneficial impact to CE providers should the entire affected

population of first-time licensees (521 in 2010/2011 FY) who are delinquent and renew their licensure can potentially amount to a maximum of \$166,600 in additional CE revenue.

Unlike previous regulations, the CE providers will be able to use nationally standardized measurements to design and qualify a particular CE course, or they may request to have this done for them by non-affiliated CPAs who are compensated by receiving “free” CE credit for their services.

Consumers:

Consumers will benefit from these necessary changes. The regulation package will result in stronger, clearer CE requirements and greater access to methods of complying with CE for CPA professionals. Consequently, this proposal would provide greater assurances of reasonable currency of knowledge to the public. Further, California CE providers will now have the opportunity to develop CE courses that conform to national standards which reflect uniformly acceptable accountancy CE courses. Consequently, the public, which the Board is mandated to protect, will have access to accountancy services by practicing professionals who will have a greater likelihood of maintaining currency of knowledge, proficiency, and providing competent and ethical service in the performance of their duties.

Consistency and Compatibility with Existing State Regulations

The Board has evaluated this regulatory proposal and it is neither inconsistent nor incompatible with existing state regulations.

INCORPORATION BY REFERENCE

None

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State:

The focus of these regulation changes are CE-related affecting applicants for CPA licensure, licensees and CE providers. Consequently the Board must verify the various CE requirements have been met. The changes in this regulatory package will have minimal and/or absorbable fiscal impacts to the Board other than the absorbable staff time to make one-time reference changes to the new regulations in guides, handbooks, and web materials. It is estimated that it will take the staff approximately 60 additional hours per year to review and verify that the requirements found in this regulation package have been met.

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

Cost to Any Local Agency or School District for Which Government Code Sections 17500 - 17630 Require Reimbursement: None

Business Impact:

The Board has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

AND

The following studies/relevant data were relied upon in making the above determination:

Over a 10-year lifetime, the total economic costs of this regulation package can range from \$0 to \$2,088,400. The potential \$208,840 annual cost would be borne by approximately 650 licensees annually which may affect firms if a firm decides to incur the cost for the licensee's continuing education.

Cost Impact on Representative Private Person or Business:

Licensees

The estimated total economic impact on the licensees identified below could range from \$0 to \$208,840 annually.

- The estimated costs to the affected population of applicants whose experience was obtained five or more years prior to application for licensure (75 in 2010/2011 FY) requiring additional hours of CE can potentially range from \$0 to \$24,000 annually.
- The estimated costs to the affected population of licensees (57 in 2010/2011 FY) seeking CE related to the reissuance of their cancelled licensure can potentially range from \$0 to \$18,240 annually.
- The estimated costs to the affected population of first-time licensees (521 in 2010/2011 FY) seeking CE related to a delinquent licensure renewal can range from \$0 to \$166,600 annually.

CE Providers

It is not anticipated that the CE providers would need to hire additional instructors to address the increased demand for their courses. It is assumed that with the large number of providers, the workload could be absorbed with existing staff resources. Cost impacts to the CE providers resulting from this regulation package are considered to be minor and

absorbable as a cost of doing business.

Effect on Housing Costs: None

EFFECT ON SMALL BUSINESS

The Board has determined that the proposed regulations would affect small businesses.

RESULTS OF ECONOMIC IMPACT ASSESSMENT/ANALYSIS:

Impact on Jobs/Businesses:

The Board has determined that this regulatory proposal will not have a significant impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California because the estimated economic impact does not exceed \$2,088,400 over the lifetime of the proposal.

Benefits of Regulation:

The Board has determined that this regulatory proposal will have the following benefits to health and welfare of California residents, worker safety, and state's environment:

Business and Professions Code section 5000.1 states that "protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions." Continuing education ensures the continuing competency and currency of knowledge of licensees. This, in turn, benefits the welfare of the consumers of California who rely on the services provided by licensees.

CONSIDERATION OF ALTERNATIVES

The Board must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposal described in this Notice, or would be more cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Any interested person may present statements or arguments orally or in writing relevant to the above determinations at the above-mentioned hearing.

INITIAL STATEMENT OF REASONS AND INFORMATION

The Board has prepared an initial statement of the reasons for the proposed action and has available all the information upon which the proposal is based.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations, and any document incorporated by reference, and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained at the hearing or prior to the hearing upon request from the Board at 2000 Evergreen St., Ste. 250, Sacramento, California 95815.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named below.

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the contact person named below or by accessing the website listed below.

CONTACT PERSON

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name:	Matthew Stanley
Address:	2000 Evergreen St., Ste. 250 Sacramento, CA 95815
Telephone No.:	916-561-1792
Fax No.:	916-263-3678
E-Mail Address:	mstanley@cba.ca.gov

The backup contact person is:

Name:	Kari O'Connor
Address:	2000 Evergreen St., Ste. 250 Sacramento, CA 95815
Telephone No.:	916-561-1716
Fax No.:	916-263-3678
E-Mail Address:	koconnor@cba.ca.gov

Website Access: Materials regarding this proposal can be found at http://www.dca.ca.gov/cba/laws_and_rules/pubpart.shtml.



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August 8, 2012

Matthew Stanley
2000 Evergreen St. Ste. 250
Sacramento, CA 95815

cc: Kris Rose

Re: Proposed Regulatory Language related to Title 16. Division 1. California Board of Accountancy

Dear Mr. Matthew Stanley;

My name is Kathy Yates, Executive VP for Professional Education Services, LP. We are sponsor who offers a Board Approved Regulatory Review Course. In addition, we are registered as an approved continuing education sponsor with NASBA, adhering to the NASBA / AICPA Statement on Standards for Continuing Professional Education (CE) Programs revised January 2012.

I am in receipt of the proposed regulatory language changes and have some concerns that I believe need to be addressed and clarified prior to final adoption. There are two primary areas of concern that I would like to be reviewed: §88.2 *Program Measurements* and §87.9 *Offering a Regulatory Review Course*.

Please note that I called and spoke with you and as a courtesy you had one of the CE coordinators (Cindy) contact me regarding this concern. She indicated that she agreed with my concerns and did not believe it was the intention of the Board to include such language however, she requested that I still address a letter regarding these concerns and forward it to you as well as to Ms. Kris Rose. In advance, I thank both of you for your consideration regarding this.

Although "out of order", I would first like to outline my concerns regarding §88.2 *Program Measurements* as these then relate to §87.9 *Offering a Regulatory Review Course*. In Section §88.2 there seems to be some discrepancy between the CA proposed language and the AICPA / NASBA standards which the Board has indicated they are working on conforming to. Specifically section §88.2 (c) (1) (A) – the language as currently proposed indicates that an average completion time of two 50-minute continuing education hours would be required to grant 1 hour of continuing education credit under the pre-test method of credit calculation. This is in direct conflict with the AICPA / NASBA standard S14-02. Standard S14-02 states that the CE credit must be recommended based on the representative completion time for the sample (and measurement is defined as being "one 50-minute period equal to one CE credit" under Standard No. 13). This CE measurement standard has been in effect since NASBA and the AICPA defined the standards for interactivity related to self-study CE and this interactivity is included in the CA language under §88.2 (c)(2). I believe that it is the Board's intention to grant credit based on the same measurement as the NASBA/AICPA statement on standards: 1 credit for each 50-minute period – however, I do not believe that it clearly stated in the proposed language.

Also in Section §88.2 there is a discrepancy between the Board's language and the AICPA/NASBA Standards. §88.2 (c)(1)(B) again discusses the average completion time of two 50-minute continuing education hours equating one CE credit (in conflict with AICPA/NASBA Standard S14-02) but also the language does not include in the word count formula the calculation related to the number of *final exam questions* which should be counted in addition to the number of review questions. Method 2 defined by the AICPA/NASBA clearly outlines

the prescribed word count formula. The calculation is defined as two primary components, added together and then divided by 50. First includes the number of words of the pertinent text material to be divided by 180. The second part of the calculation is the total number of review questions, exercises, and *final examination questions* added together and multiplied by 1.85 (S14-07). The proposed language by the CA board has omitted the counting of the final exam questions in the word count formula which I believe was an accidental oversight.

My concern with §87.9 *Offering a Regulatory Review Course* is that §87.9 (a) (4) outlines the pretesting method for credit calculation. The 2nd method of method of credit calculation (via a word count formula) has been omitted. Also in reading §87.9 (a) (4) I interpret it to mean that the course must be a minimum of 2 50-minute hours for two credits (that it is not defining two-fifty minutes equating one credit which is my concern expressed above). I just wish to clarify that I am correct in the interpretation of this section. It may be the Board's intention to have different standards related to this course specifically (e.g. a 90% pass rate) due to the fact that specific course review / approval is required and therefore the Board feels it is able to monitor and enforce these varied requirements. That is understandable and acceptable if that is the case.

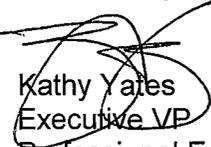
We have been providing quality CE across the nation for over 20 years and we applaud the Board's efforts to move towards uniform CE standards. We believe the recent standards as adopted by the AICPA / NASBA aid in ensuring consistency among CE providers and thereby best serve the professional and the public. Also, requiring the interactivity for self-study courses has improved the quality of the courses offered through this format while recognizing the value of self-study continuing education by granting credit on the same measurement standard as other forms of continuing education.

I believe that it is the Board's intentions to conform with the heart of the NASBA / AICPA standards and I hope that includes hour-for-hour credit for all formats of CE delivery. The majority of the State Boards have already moved this direction by either adopting the standards as written or including the same (or very similar) language in their own adaptation of the standards.

If I have not clearly outlined my concerns or you have any questions regarding what I have stated, please feel free to contact me directly.

In advance, thank you for your consideration regarding my comments. I appreciate the Board allowing public comment prior to finalizing these changes and hearing the concerns of not only the CPAs and the public that they serve, but the CE sponsors who are also impacted by the changes.

Respectfully,



Kathy Yates
Executive VP

Professional Education Services, LP
kyates@pescpe.xohost.com

Stanley, Matthew@CBA

From: Kathy Yates [kyates@pescpe.xohost.com]
Sent: Wednesday, August 08, 2012 1:24 PM
To: Stanley, Matthew@CBA; Rose, Kris@CBA
Subject: CA Letter - last note (promise!)

I'm sorry – there is one other note I'd like to add to my comments that I failed to mention in the original letter.

The CA section §S88.2 (c)(1)(B) states “shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50”. However, the AICPA/NASBA S13-01 reads “ ... but not equally divisible by 50, the CPE credits granted must be rounded down to the nearest one-half credit, if one-half credits are awarded.”

The AICPA/NASBA task force (which included members of the AICPA, NASBA staff and committee members including CE sponsors) added this final statement specifically because not all states accept ½ credits. Trying to maintain uniformity for ce sponsors and therefore maintaining uniformity for licensees was an important goal of the task force.

Hopefully the CA Board will consider adding this “if one-half credits are awarded” statement to their regulation to maintain conformity and avoid confusion and frustration for all involved.

Again, my appreciation.

Kathy Yates
Executive VP
Professional Education Services, LP
kyates@pescpe.xohost.com
916-791-3675 ext 10

August 8, 2012

Matthew Stanley
Address: 2000 Evergreen St., Ste. 250
Sacramento, CA 95815

Dear Mr. Stanley,

My name is Patsy Berry and I am the Director of Curriculum for Accountants Education Group, a national provider of self-study continuing education to CPAs.

As per the instructions in the California Board of Accountancy's Regulation Notice I am writing to express my concern with the language of amended Section 88.2 in Title 16 of the California Code of Regulations. The Regulation Notice states that the proposed language change to this section would in large part bring the Board's CE regulations in conformity with the AICPA/NASBA jointly issued *Statement on Standards for Continuing Professional Education (CPE) Programs (Standards)* revised in January 2012.

In contrast, the existing language appears to have two areas of conflict with the jointly issued national *Standards*.

Specifically, the language of Section 88.2(c)(A) and Section 88.2(c)(B) appears to grant only one half hour of credit for every 50 minutes of self-study, in contrast to the national *Standards*, which grant a full hour credit for every 50 minutes of self-study. This appearance of half credit is generated by the use of the word "two" in both paragraphs (A) and (B).

In addition, the language of Section 88.2(c)(B), which adopts the national *Standards* alternate "word count" formula for measuring credit hours fails to award 1.85 minutes of self-study credit per final exam question. This too is in contrast to the national *Standards*, which grants 1.85 minutes of self study credit for both review and final exam questions.

To allow these measurement discrepancies between the national *Standards* and the California regulations would cause significant hardships to both national CE providers and California licensees. As a result, I hope the language will be reconsidered.

Sincerely,

Patsy Berry

Director of Curriculum

Accountants Education Group



National Association of State Boards of Accountancy

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August 31, 2012

Mr. Matthew Stanley
2000 Evergreen Street, Suite 250
Sacramento, California 95815

Re: Comments on Proposed Changes to Division 1 of Title 16 of the California Code of Regulations

Thank you for providing the National Association of State Boards of Accountancy the opportunity to comment on the proposed changes to Division 1 of Title 16 of the California Code of Regulations. The following comments are regarding specific sections where more guidance or clarification is needed. The comments are respectfully submitted for your consideration.

Section 88.2 . Program Measurements. (c) Self-Study

This section provides that continuing education credit for self-study programs must be calculated using one of two methods. Both methods described in paragraphs (A) and (B) state that the self-study program must demonstrate an "average completion time of two 50-minute continuing education hours." We have interpreted that statement to mean that a self-study program must offer a minimum of 2.0 continuing education credits in order to qualify for satisfaction of CPE requirements.

The Statement on Standards for Continuing Professional Education (CPE) Programs (Standards), revised January 2012, provides that sponsored learning activities are measured by actual program length, with one 50-minute period equal to one CPE credit. In the spirit of innovation in learning techniques and trends, the revised Standards allows for a self-study program to recommend one-half increments (equal to 25 minutes) prior to the first credit being earned; however, the acceptability of one-half CPE credits remains the discretion of state board requirements.

To require a 2.0 CPE credit minimum for a self-study program is not consistent with the credit measurement guidelines as stated in Section 88.2 (a)(1) for live presentations and Section 88.2 (b)(1) for group internet-based programs which are both measured in 50-minute class hours. We suggest that the measurement guidelines for self-study programs in Section 88.2 (c) be modified to be consistent with those for group internet-based and live programs.

Section 88.2. Program Measurements. (c)(1)(B)

This section provides a method for calculating recommended CPE credits for a self-study program using a word count formula. The word count formula appears to include all elements as the word count formula proscribed in the revised Standards with the exception that final examination questions are included with the

review questions multiplied by 1.85 in the formula contained in the revised Standards. We recommend that final examination questions be added to the language in Section 88.2 (c)(1)(B).

Sincerely,

A handwritten signature in cursive script that reads "Jessica Luttrull".

Jessica Luttrull, CPA
Manager-National Registry
National Association of State Boards of Accountancy



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September 6, 2012

SEP 10 2012
CALIFORNIA BOARD
OF ACCOUNTANCY

Matthew Stanley
2000 Evergreen St. Ste. 250
Sacramento, CA 95815

Re: Proposed Changes to California Board of Accountancy Regulations

Gleim Publications, Inc. is a NASBA/QAS approved continuing education sponsor. As such, we comply with the *NASBA/AICPA Statement on Standards for Continuing Professional Education Programs* revised January 2012. One of the advantages of these Standards is to remove barriers which required CE sponsors to comply with different (and sometimes conflicting) requirements in 52 jurisdictions. Therefore, we were excited to learn that California was proposing changes that according to the Informative Digest/Policy Statement Overview "would conform the Board's CE regulations, in large part, to those national standards." Further, the Informative Digest/Policy Statement Overview states "Unlike previous regulations, the CE providers will be able to use nationally standardized measurements to design and qualify a particular CE course..."

However, in reviewing the proposed regulations, we noted several instances where the proposed regulations deviate from the *NASBA/AICPA Statement on Standards for Continuing Professional Education Programs* revised January 2012.

Specifically, Section 88.2 (c)(1)(A) states, "Demonstrating an average completion time of two 50-minute continuing education hours..." This deviates from the NASBA/AICPA Standards which define the measurement of representative completion time as "one 50-minute period equal to one CE credit". In order to meet the Board's goal of conforming the Board's CE regulations to national standards, we believe the Board's language needs to be clarified.

Additionally, Section 88.2 (c) (1) (B) provides for an alternative to pre-testing which allows for the use of a formula to determine the average completion time. This section uses the same language relating to the 50-minute period as (A). In addition, the formula in this section does not provide for including the final quiz questions as part of the formula. However, the NASBA/AICPA Standards permit the inclusion of the final quiz questions in the formula;

This same section, states "The continuing education credit shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50." However, the NASBA/AICPA Standards state "but not equally divisible by 50, the CE credits granted must be rounded down to the nearest one-half credit **if one-half credits are awarded.**" (emphasis added) This provision of the NASBA/AICPA Standards is particularly important to sponsors as some state boards of accountancy rules require rounding down to the nearest hour instead of half hour.

While we do not currently offer a Regulatory Review Course for California, we may decide to offer such a course in the future and would request that the criteria for such a course also conform with the NASBA/AICPA Standards.

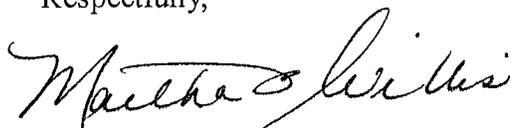
Finally, we would like to point out that the proposed regulations require sponsors to retain information relating to course content and certificates of completion for a period of six years. The NASBA/AICPA Standards require five years. While this is not an onerous burden on sponsors, in order to conform to the national standards, the retention requirements should be changed to five years.

The Informative Digest/Policy Statement Overview states that the cost impact to CE providers "are considered to be minor and absorbable as a cost of doing business." We would disagree with that statement as long as California requirements are different from the requirements of other states due to the cost of keeping track of and conforming to regulations in multiple jurisdictions. However, if the proposed regulations conform with the national standards then we would agree with the statement.

As previously stated, we are supportive of the Board's efforts to conform California requirements to those of national standards. We believe that making just a few changes in the regulations as proposed will meet that goal.

We appreciate your consideration of our comments. Please feel free to contact us if you need any further information or clarification.

Respectfully,



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September 10, 2012

Matthew Stanley
California Board of Accountancy
2000 Evergreen St., Ste. 250
Sacramento, CA 95815

Dear Mr. Stanley,

On behalf of CalCPA's Forensic Services Section members, following are our comments regarding the changes related to fraud continuing education and a recommendation outlining proposed changes to the type of CE that qualifies for fraud education.

Fraud Continuing Education Should Not Be Reduced

Given the prevalence of fraud schemes being uncovered and in the news media along with the rise in instances and costs of fraud schemes, it stands to reason that the time devoted to the study of fraud and fraud prevention should not be reduced from eight hours to four hours. The four CE hours the Board is currently considering eliminating should instead remain and the definition of Fraud CE should be expanded, as proposed below.

Proposed Language Change to the Current Eight Hours of CE Requirement for Fraud Education:

The Forensic Services Section represents about 400 CalCPA members in forensic accounting. This proposed change was approved by the Fraud Section May 23 and by the Steering Committee May 24.

Per Section 87(e) of the CBA Regulations, it states that if you are subject to the Government or A&A CE requirement, you must "also complete eight hours of continuing education specifically related to the detection and/or reporting of fraud in financial statements (Fraud CE). The Fraud CE requirement is part of the 80 hours of required CE for license renewal but is not part of the 24-hour A&A or Government CE requirement."

Proposed Change:

Insert the word "prevention" and change the word "in" to "affecting" as follows:
(e) A licensee who must complete continuing education pursuant to subsections (c) and/or (d) of this section shall also complete an additional eight hours of continuing

education specifically related to the prevention, detection and/or reporting of fraud in affecting the financial statements. This continuing education shall be part of the 80 hours of continuing education required by subsection (a), but shall not be part of the continuing education required by subsections (c) or (d).

Keeping the eight hour fraud CE requirement and these two changes would encompass these key points:

- 1) The main goal of fraud CE requirement is to protect the public interest, thus preventing fraud and detecting other forms of fraud aside from Financial Statement Fraud is needed.
 - a. Preventing fraud is the first line of defense
 - i. Fraud deterrence is not earlier fraud detection, and this is often a confusing point. Fraud detection involves a review of historical transactions to identify indicators of a non-conforming transaction. Deterrence involves an analysis of the conditions and procedures that affect fraud enablers, in essence, looking at what could happen in the future given the process definitions in place, and the people operating that process. Deterrence is a preventive measure – reducing input factors. (Cendrowski, Martin, Petro, *The Handbook of Fraud Deterrence*).
 - b. Limiting the wording of the fraud CE requirement to “Detection and/or reporting of fraud in financial statements” only captures one of seven types of fraud identified as “White Collar Crimes” and only 24% of reported frauds.
 - i. Edwin Sutherland's landmark definition of white collar crime offered these categories of crime:
 - Misrepresentation in financial statements of corporations
 - Manipulation in the stock market
 - Commercial bribery
 - Bribery of public officials directly or indirectly
 - Misrepresentation in advertisement and salesmanship
 - Embezzlement and misappropriation of funds
 - Misapplication of funds in receiverships and bankruptcies (O'Grady, William. *Crime in Canadian Context*. Toronto: Oxford University Press, 2011, p. 175.)
 - ii. A PwC survey found that only 24% of reported frauds were Accounting Fraud (Global Economic Crime Survey by PwC November 2011)
 - iii. According to the 2012 ACFE Report to the Nations, financial statement fraud schemes comprised approximately 8% of cases

while asset misappropriation schemes represented 87% of cases reported.

- c. Misrepresentation of the financial statements is not the only threat to the public interest; other forms of fraud which would ultimately affect the financials of an entity are equally detrimental to the public interest, examples include:
 - i. Asset Misappropriation / Embezzlement (72% of reported frauds per PwC survey)
 - ii. Bribery and Corruption (24% of reported frauds per PwC survey)
 - iii. Cybercrime (23% of reported frauds per PwC survey)
 - iv. IP Infringement (7% of reported frauds per PwC survey)
 - v. Money laundering (9% of reported frauds per PwC survey)
 - vi. Tax Fraud (4% of reported frauds per PwC survey)
 - vii. Securities Fraud (6% of reported frauds per PwC survey)

- d. All types of fraud negatively impact organizations and thus the public interest
 - i. The typical organization loses five percent of its annual revenue to fraud, with a median loss of \$140,000. Applied to Gross World Product, the annual projected global fraud loss is \$3.5 trillion dollars.¹

Therefore, it would not be in the best interest of the profession or the public to reduce the fraud CE requirement. Additionally, the expanded fraud CE definition recommended above would enhance the content and outcome of fraud education.

Should you have any questions, please feel free to contact me at salomonp@hemming.com.

Best Regards,


Peter A. Salomon, CPA/CFF
Chair, Forensic Services Section
California Society of CPAs

Cc: California Board of Accountancy
Bruce Allen

¹ According to the Report to the Nations on Occupational Fraud and Abuse – 2012 Global Fraud Study as published by the Association of Certified Fraud Examiners.

HOWARD SIBELMAN

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September 10, 2012

California Board of Accountancy Board Members
2000 Evergreen Street, Suite 250
Sacramento, CA 95815

Attention: Matthew Stanley – by email mstanley@cba.ca.gov

Dear Board Members,

I am chair of the California Society of CPAs' Accounting Principles and Auditing Standards State Committee. I have been a CPA for more than 40 years and I currently serve as Accounting and Education Director at Crowe Horwath International, but these comments are my personal views and no way reflect any official position of Crowe Horwath International.

I recently was made aware of the proposed changes to the California Board of Accountancy Regulation Section 87 (e) changing the continuing education requirement (CE) of eight hours of fraud CPE every renewal to four hours. A couple of thoughts on the matter.

Unrelated to the hours requirement, I think the scope of education that qualifies for fraud should be expanded to include prevention as well as detection, and/or reporting of fraud in financial statements. This broader definition would emphasize the assistance CPAs can give their clients in improving their systems of internal control to prevent fraud. The Federal government recognizes the importance of good internal control in business as demonstrated by the work of the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As to the hours requirement, many CPAs prefer attending classes in person rather than webcast and for these CPAs it is a better use of their time to have eight hour courses. The CBA's concern of over burdening the CPAs with requirements is important. However, a better solution would be to reword the 8 hour requirement so that 1 8 hour course every second renewal (4 years) is acceptable. Another possible way to ease the CPE burden could be to still require the eight hours of fraud CPE each renewal, including adding prevention to what qualifies, but allowing the eight hours to be part of, rather than in addition to, the required twenty-four accounting and auditing hours of CPE.

Thank you for your consideration and please feel free to contact me if you have any questions.

Sincerely,



Howard Sibelman, CPA

CC: Loretta.doone@calcpa.org
art.korn@calcpa.org



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CBA Item IX.B.
 September 20-21, 2012

Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2, and 89 – Continuing Education

Presented by: Matthew Stanley, Regulation Analyst

Date: August 22, 2012

Purpose of the Item

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to adopt regulations to make revisions to its continuing education (CE) requirements. These changes include increasing the required number of hours from 48 to 80 for those with experience obtained more than five years prior to application for certified public accountant (CPA) licensure and for reissuance of a cancelled CPA license. It also reduces the required CE hours for a course related to the detection and/or reporting of fraud in financial statements from eight to four. Finally, the changes adopt many of the national standards identified in NASBA/AICPA Statement on Standards for Continuing Professional Education Programs.

Action(s) Needed

The CBA will be asked to adopt the proposed regulatory changes.

Background

Following the regulatory hearing to receive public comment on the proposal (**CBA Agenda Item IX.A.**), the next step in the process is that the CBA must act to formally adopt the proposed regulations outlined in the subject of this item.

The CBA may decide to make changes to the proposed regulations based on any received comments, or it may proceed with adopting the proposal without modification.

Comments

The CBA has received three public comments regarding this proposal. They can be found as Attachment 4 to CBA Agenda Item IX.A. The letters from Ms. Berry of the Accountants Education Group, Ms. Yates of Professional Education Services, LP, and the National Association of State Boards of Accountancy (NASBA) contain the same comments regarding Section 88.2(c)(1)(A) and (B). They indicate that there may have been a drafting error by including the word “two” in these subparagraphs and by omitting final exam questions from the formula contained in subparagraph (B). To quote the pertinent section from Ms. Berry’s letter,

Specifically, the language of Section 88.2(c)(A) and Section 88.2(c)(B) appears to grant only one half hour of credit for every 50 minutes of self-study, in contrast

Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2, and 89 – Continuing Education

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to the national *Standards*, which grant a full hour credit for every 50 minutes of self-study. This appearance of half credit is generated by the use of the word “two” in both paragraphs (A) and (B).

In addition, the language of Section 88.2(c)(B), which adopts the national *Standards* alternate “word count” formula for measuring credit hours fails to award 1.85 minutes of self-study credit per final exam question. This too is in contrast to the national *Standards*, which grants 1.85 minutes of self study credit for both review and final exam questions.

In addition, Ms. Yates followed up on her letter with an email that suggests adding the phrase “if one-half credits are awarded” to better match the national standard. Since the CBA does award half-credits, staff suggest rejecting this particular comment as unnecessary.

In addition, staff have identified an additional change that it is suggesting the CBA make to Sections 12 and 12.5. Currently, those sections state that an individual with experience obtained more than five years prior to application for CPA licensure “may be required” to take the additional CE. Over time, the permissiveness of this language has been interpreted to mean that if the applicant has passed the Uniform CPA Exam within the previous five years, the CE would not be required. As staff has generally applied this in order to provide clarity and direction to applicants, staff recommend that it be codified in regulation.

Staff have prepared suggested language (**Attachment 1**) to address the above concerns and to make other minor, conforming changes. The changes to the original proposal are shown in double-strikethrough and double-underline.

If the CBA decides to make the proposed changes, staff will prepare and proceed with a 15-Day Notice of Modified Text.

If no changes are to be made after the public comment period and hearing closes:

Motion: Direct staff to take all steps necessary to complete the rulemaking process, including the filing of the final rulemaking package with the Office of Administrative Law, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as originally noticed.

If substantive changes are to be made after the public comment period and hearing closes:

Motion: Direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text for an additional 15-day comment period. If after the 15-day public comment period, no adverse comments are received, authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the proposed regulations as described in the modified text notice.

Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 12, 12.5, 37, 80, 80.1, 80.2, 81, 87, 87.1, 87.7, 87.8, 87.9, 88, 88.1, 88.2, and 89 – Continuing Education

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Fiscal/Economic Impact Considerations

This regulatory proposal will have an economic impact on individuals whose experience was obtained five or more years prior to application for licensure and those seeking reissuance of a cancelled license due to the fact that the number of CE hours required for them is increased by this proposal. Cost impacts to CE providers are considered to be minor.

The fiscal impact to the CBA is minimal, requiring only a small amount of time to review and verify the additional requirements of this proposal.

Recommendation

Staff recommend adopting the proposed regulatory changes, including the proposed change to Section 88.2(c)(1), and adopting the motion regarding substantive changes to the proposal.

Attachment

Proposed Changes to the Text



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Attachment 1

Proposed Changes to the Text

Section 12(d)

(d) An applicant who is applying under ~~Section 5092 or Section 5093 of the Business and Professions Code~~ with experience obtained five (5) or more years prior to application and who has not passed the Uniform CPA Examination during this five-year period shall ~~may~~ be required to ~~obtain 48~~ complete 80 hours of continuing education, ~~which shall include general accounting, and other comprehensive basis of accounting; and to submit the certificates of completion to the Board~~ meet the following requirements:

(1) The 80 hours must be completed in the two years preceding receipt of application by the Board.

(2) All 80 hours must meet the requirements as described in Section 87.

(3) A minimum of 20 hours must be completed in the one year period immediately preceding the receipt of the application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).

(4) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas, as described in Section 87(a)(2) and (3), for which the applicant may claim credit.

Section 12.5(g)

(g) ~~The An~~ applicant who is applying with experience obtained five (5) or more years prior to application and who has not passed the Uniform CPA Examination during this five-year period shall ~~may~~ be required to ~~obtain 48~~ complete 80 hours of continuing education, ~~which shall include financial accounting standards, auditing standards, compilation and review and other comprehensive basis of accounting; and to submit the certificates of completion to the Board.~~ meet the following requirements:

(1) The 80 hours must be completed in the two years preceding receipt of application by the Board.

(2) All 80 hours must meet the requirements as described in Section 87.

(3) The 80 hours must be completed as follows:

(A) A minimum of 20 hours must be completed in the one year period immediately preceding receipt of application, with a minimum of 12 hours in subject areas described in Section 87(a)(2).

(B) 16 hours in financial accounting standards.

(C) 16 hours in auditing standards.

(D) 8 hours in compilation and review.

(E) 8 hours in other comprehensive basis of accounting.

(F) 8 hours in the detection and/or reporting of fraud in financial statements.

~~(3)~~ (4) Certificates of completion must be submitted to the Board and shall contain a verification certified by a program provider representative such as a signature or seal. The certificate of completion must also delineate the subject areas for which the applicant may claim credit.

Section 88.2(c)(1)

(c) Self-Study

In order to qualify as acceptable continuing education under Section 88(d), ~~any a~~ self-study course, whether in electronic or paper text format, must:

~~(1) Grant continuing education credit equal to the average completion time if the self-study course is designed to use learning methodologies that simulate a classroom learning process by employing significant ongoing interactive feedback to the participant regarding his/her learning progress. These courses clearly define lesson objectives and manage the participant through the learning process by (A) requiring frequent participant response to questions that test for understanding of the material presented, (B) provide evaluated feedback to incorrectly answered questions, and (C) reinforcement feedback to correctly answered questions. Evaluated feedback means a response specific to each incorrect answer to the study questions that explains why the particular answer is wrong, as each one is likely to be wrong for a different reason. Reinforcement feedback means a response to the correct answer of the study questions that restates and explains why the answer selected was correct. calculated using one of the following methods:~~

(A) Demonstrating an average completion time, measured in ~~of two~~ 50-minute continuing education hours, by pre-testing the documentation from a minimum of three current and active certified public accountants simulating the manner in which the course will be completed and showing the length of time spent by each participant to complete the course. Pre-testing participants are required to be independent of the group that developed and/or are offering the course and provide feedback on the level of difficulty of the course. The continuing education credit shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50.

(B) Demonstrating an average completion time, measured in ~~of two~~ 50-minute continuing education hours, by dividing the number of words contained in the text of the required reading (excluding any material not critical to the achievement of the stated learning objectives such as the course introduction, author biography, instructions, table of contents, and supplementary reference materials) by 180, adding the actual length of time in minutes of any audio or video segments, adding the number of review questions, exercises, and final examination questions multiplied by 1.85, and dividing the total by 50. The continuing education credit shall be rounded down to the nearest one-half hour credit when the total minutes of the program are not equally divisible by 50.



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CPC Item II.A.
September 20, 2012

CBA Item X.A.2.a.
September 20-21, 2012

Consideration of Options to Allow in Limited Circumstances the Ability for Candidates to Qualify for the Uniform CPA Examination Prior to the Conferral of a Baccalaureate Degree or Higher

Presented by: Dominic Franzella, Licensing Chief
Date: August 24, 2012

Purpose of the Item

This agenda item is intended to facilitate discussion regarding possible action to allow a potential applicant for the Uniform CPA Examination (CPA Exam), in limited circumstances, the ability to test prior to the conferral of a baccalaureate degree or higher.

Action(s) Needed

Based on discussions with legal counsel, this type of exception will require a legislative change. If the California Board of Accountancy (CBA) determines that it in fact wants to allow for this limited exception, it will need to direct staff to develop draft legislative language for review at the November 2012 CBA meeting.

Background

As members are aware, the educational requirements for CPA licensure will change effective January 1, 2014. As part of the new educational requirements, an applicant for CPA licensure will need to complete an additional 20 semester units of accounting study and 10 semester units of ethics study beyond the present 24 semester units each of accounting and business-related subjects.

As part of Senate Bill (SB) 819 (Chapter 308, Statutes of 2009), the Legislature established the Accounting Education Committee (AEC). The Legislature created the AEC for the purpose of providing to the CBA guidelines for the 20 semester units of accounting study.

In July 2011, the AEC provided the CBA with its recommendations on guidelines for the 20 semester units of accounting study. Included in the recommended guidelines, the AEC proposed that a CPA licensure applicant that earned a Masters of Accounting, Taxation, or Laws in Taxation (LL.M.) shall be deemed to have completed that 20 semester units of accounting study. The CBA adopted this recommendation and included it in the final regulatory text it adopted in November 2011.

Consideration of Options to Allow in Limited Circumstances the Ability for Candidates to Qualify for the Uniform CPA Examination Prior to the Conferral of a Baccalaureate Degree or Higher

Page 2 of 3

Comments

One of the minimum qualifications included in Section 5093 of the California Accountancy Act and Section 9.2 of the CBA Regulations requires that an applicant for the CPA Exam shall present satisfactory evidence that he/she has completed a baccalaureate degree or higher. The applicant must also demonstrate completion of a minimum of 24 semester units each in accounting and business-related subjects. The CBA considers satisfactory evidence to be official transcripts sent directly to the CBA office by an applicant's respective college or university.

In preparing for the series of open houses that the CBA and staff conducted in January and March that focused on the new educational requirements, staff came across a potential unintended outcome specific to a student that completes one of the specified master's degrees. Over time master's degrees will probably become a more attractive option for a student who, early on, plans on becoming a CPA. As a result, many colleges and universities will likely begin developing five-year programs whereby a student can earn a master's and baccalaureate degree concurrently.

Presently, staff are only aware of a handful of colleges and universities (most of which are out of state) that offer a five-year program. The colleges and universities that offer these programs generally document conferral on the transcripts of a master's and baccalaureate degrees simultaneously. The impact this creates is that a candidate for the CPA Exam, who otherwise would qualify for admittance at around the three-and-one-half or four year mark of the program (having met all the general educational and elective requirements for a baccalaureate degree), will not qualify to sit for the CPA Exam since the transcript will not document conferral of the baccalaureate degree.

If as expected more California colleges and universities begin to develop and promote five-year programs, the CBA may want to be proactive and address this situation during the transition phase to the new educational requirements. The CBA may wish to amend the California Accountancy Act to allow an applicant for the CPA Exam to qualify to sit prior to the baccalaureate degree being conferred under the following limited circumstances:

- The applicant must have his/her respective college or university submit a letter along with the transcript attesting to the fact that the individual completed all the requirements for a baccalaureate degree.
- The letter must include the date the individual met all of the baccalaureate degree requirements.
- The letter must include a statement indicating that the sole reason the baccalaureate degree has not been conferred is because the individual is enrolled in a five-year master's program.

When it comes time for the applicant to apply for CPA licensure, the applicant must still provide satisfactory evidence of completion of all the educational requirements.

Consideration of Options to Allow in Limited Circumstances the Ability for Candidates to Qualify for the Uniform CPA Examination Prior to the Conferral of a Baccalaureate Degree or Higher

Page 3 of 3

Beginning January 1, 2014, this will include a baccalaureate degree or higher, a minimum of 150 semester units, 24 semester units each in accounting and business-related subjects, 20 semester units of accounting study, and 10 semester units of ethics study.

In an effort to determine if any other states employ an option to allow a candidate to sit for the CPA Exam under this type of limited circumstance, and what impact, if any, this proposal may have on mobility, staff conducted a quick poll through the National Association of State Boards of Accountancy. Of the 22 states that responded, 10 indicated that they allowed for some version of this proposed policy, with Texas having a policy most similar to the one being proposed by staff. Some of the other states that responded in the affirmative have, in essence, an early entrance option that allows for a candidate to sit for the CPA Exam anywhere from 100 days to six months prior to finishing his/her education.

As for the potential impact this may have on mobility, based on the responses received, it appears that the states' primary concern relates to the educational qualifications the applicant met at the time of licensure. Provided that when it came time to issue the CPA license, California required a baccalaureate degree or higher with a minimum of 150 semester units, the states will consider the individual substantially equivalent.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommends that the CBA adopt a policy to allow for a candidate for the CPA Exam in limited circumstances (as outlined on the prior page) to qualify to test prior to the conferral of a baccalaureate degree, and direct staff to prepare language for consideration at the November 2012 meeting.



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CPC Item II.B.
September 20, 2012

CBA Item X.A.2.b.
September 20-21, 2012

Consideration of Options to Expand the List of Qualifying Disciplines in Business and Professions Code Section 5094.3 Related to the Ethics Study Requirement

Presented by: Dominic Franzella, Licensing Chief
Date: August 24, 2012

Purpose of the Item

This agenda item is in response to members' comments at the September 2011 CBA meeting regarding the passage of Senate Bill (SB) 773 and possibly taking action to expand the list of qualifying disciplines in Section 5094.3 of the California Accountancy Act related to the ethics study requirements by restoring the seven disciplines for ethics study as originally recommended by the Ethics Curriculum Committee (ECC).

Action(s) Needed

If the California Board of Accountancy (CBA) determines that it in fact wants to expand the list of qualifying disciplines, the CBA will need to direct staff to develop draft legislative language for review at the November 2012 CBA meeting.

Background

As members are aware, the educational requirements for CPA licensure will change effective January 1, 2014. As part of the new educational requirements, an applicant for CPA licensure will need to complete an additional 20 semester units of accounting study and 10 semester units of ethics study beyond the present 24 semester units each of accounting and business-related subjects. As part of Senate Bill 819 (Chapter 308, Statutes of 2009), the Legislature established the ECC for the purpose of providing guidelines to the CBA for the 10 semester units of ethics study.

At the July 2011 CBA meeting, the ECC presented its ethics study proposal which included an option to complete up to three semester units of education in 10 specified disciplines. The Center for Public Interest Law (CPIL) voiced support for the disciplines of Philosophy, Religion, and Theology, but opposed the remaining seven disciplines which included Ethnic Studies, Sociology, Psychology, Economics, Cultural Studies, Diversity Studies, and Political Science. The CBA members present voted unanimously to accept the ECC's proposal, which included all 10 disciplines, but did request the ECC reconsider the requirement to complete three semester or four quarter units in accounting ethics or accountants' professional responsibilities at an upper division or higher level.

Consideration of Options to Expand the List of Qualifying Disciplines in Business and Professions Code Section 5094.3 Related to the Ethics Study Requirement

Page 2 of 3

At the time of the July 2011 CBA meeting, SB 773, which mirrored the ECC's recommendation, was working its way through the Legislature and CBA members voted to take a support if amended position, with the recommended amendment being the elimination of the upper division course requirement. On August 15, 2011, the bill was amended to modify the upper division requirement for the accounting ethics/accountants' professional responsibilities units and remove seven of the disciplines included in the ECC's original recommendation leaving only Philosophy, Religion, and Theology.

By the September 2011 CBA meeting, SB 773 had been enrolled and presented to the Governor for approval. Members discussed pursuing legislation to reincorporate the seven disciplines deleted from the ethics study requirement but determined it best to postpone any discussion until the outcome of SB 773 was known. Governor Brown signed SB 773 on September 26, 2011.

Comments

One component of the ECC's recommendation for the 10 semester units of ethics study included a maximum of three semester units in the following 10 disciplines:

- Philosophy
- Ethnic Studies
- Sociology
- Psychology
- Economics
- Cultural Studies
- Diversity Studies
- Religion
- Theology
- Political Science

In considering whether to restore the seven deleted disciplines to the ethics study requirement, the CBA may first want to look back at some of the reasoning behind the ECC's original recommendation for inclusion of the original 10 disciplines. The ECC originally discussed allowing seven semester units in these disciplines with the intent of striking a balance between including enough categories for schools to be able to meet the education requirement and ensuring students develop a sound foundation for ethical reasoning.

Despite some stakeholders' concern that the list of disciplines may be too broad, ECC maintained a strong belief that the 10 disciplines offered students a broad framework for developing ethical reasoning. For example, the ECC believed the disciplines of Religion, Sociology, and Psychology are, at their core, focused on human nature and motivations, which are concepts that ECC felt would serve accounting professionals. As a compromise, the ECC reduced the maximum allowable semester units in this area from seven to three.

Two disciplines that seemed of particular concern to CPIL at the July 2011 CBA meeting were Economics and Political Science. The ECC found, however, that introductory courses in Economics would provide students with an understanding on

Consideration of Options to Expand the List of Qualifying Disciplines in Business and Professions Code Section 5094.3 Related to the Ethics Study Requirement

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how economic incentives can influence decisions that sometimes lead to accounting fraud when individuals are seeking financial gains. The ECC also believed that introductory Political Science courses would provide a broad framework and foundation for ethical reasoning with respect to the relationship of good governance to business, institutions, and society at large.

Should the CBA wish to expand the list of acceptable disciplines it would require legislation. Two areas the CBA may wish to consider when evaluating the need for this change are: 1) the CBA may receive opposition from stakeholders that have previously voiced disagreement with the inclusion of all ten disciplines, and 2) the CBA has yet to evaluate the effect the reduced number of acceptable disciplines may have on students' ability to meet the ethics study requirements as the requirements have yet to take effect.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff makes no recommendation.



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CPC Item II.C.
September 20, 2012

CBA Item X.A.2.c.
September 20-21, 2012

**Consideration of Options to Extend the Deadline to Apply for Licensure
Under the Present Pathways**

Presented by: Dominic Franzella, Licensing Chief
Date: August 24, 2012

Purpose of the Item

This agenda item is intended to facilitate discussion regarding possible action to extend the deadline for licensure applications under the present pathways.

Action(s) Needed

If the California Board of Accountancy (CBA) determines that it in fact wants to extend the deadline for licensure applications under the present pathways, the CBA will need to direct staff to develop draft legislative language for review at the November 2012 CBA meeting.

Background

As members are aware, the educational requirements for CPA licensure will change effective January 1, 2014. As part of the new educational requirements, an applicant for CPA licensure will need to complete an additional 20 semester units of accounting study and 10 semester units of ethics study beyond the present 24 semester units each of accounting of business-related subjects.

The primary purpose behind the passage of Senate Bill (SB) 819 (Chapter 308, Statutes of 2009), which eliminated Pathway 1 and revised Pathway 2, was to ensure that California maintained its National Association of State Boards of Accountancy's (NASBA) designation as a substantially equivalent state.

With the passage of SB 819 and the elimination of Pathway 1, California was assured that all CPAs licensed prior to January 1, 2014 under the existing pathways would be deemed substantially equivalent. Had the CBA maintained both pathways to licensure, NASBA indicated that California would no longer be deemed substantially equivalent, which would greatly impact California CPAs' ability to obtain practice rights in other states.

At the July 2012 CBA Strategic Planning Committee Meeting, CBA member Manuel Ramirez, CPA, expressed concern over recent college graduates having sufficient time

Consideration of Options to Extend the Deadline to Apply for Licensure Under the Present Pathways

Page 2 of 3

to obtain the experience necessary to apply for licensure under the existing pathways by January 1, 2014.

Comments

To qualify for licensure under one of the present pathways students must meet all requirements for licensure (education, passage of the Uniform CPA Examination, and experience) and apply to the CBA by December 31, 2013. Presently, Pathway 1 requires a baccalaureate degree, 24 semester units each of accounting and business-related subjects, and two years of general accounting experience, while Pathway 2 requires 150 semester hours of education, a baccalaureate degree, 24 semester units each of accounting and business-related subjects, and one year of experience. This means that applicants under Pathway 1 would need to have started work obtaining their experience on or before January 1, 2012 and applicants under Pathway 2 have until January 1, 2013 to start their experience.

The concern regarding extending the present pathways seems to be based on the thought that students may not be aware of the impending changes to the licensure requirements and, therefore, through no fault of their own, fail to begin their experience in time to become licensed under the existing pathways.

The CBA faced a similar situation when it moved from a single method of licensure, referred to as Pathway 0, to Pathways 1 and 2 on January 1, 2002. At that time, the CBA permitted applicants to be grandfathered into the Pathway 0 requirements by sitting for and passing at least two parts of the Uniform CPA Examination by May 15, 2002 and applying for licensure by January 1, 2006. In 2004, SB 136 (Chapter 909, Statutes of 2004) extended the application deadline to January 1, 2010, which resulted in applicants being able to obtain licensure under Pathway 0 for up to eight years after the educational requirements had increased.

Although the present situation is similar, the CBA now has substantial equivalency to consider when determining if the present pathways should be extended. California's substantial equivalency standing, as determined by NASBA, relies upon the CBA fully transitioning over to a singular pathway to licensure under a 150 semester unit requirement on January 1, 2014.

Staff has reached out to NASBA to gauge what impact extending the deadline to apply for licensure under the present pathways may have on California's substantially equivalent designation and received preliminary information that it may jeopardize the designation. Staff continues to seek further clarification from NASBA. If NASBA provides additional information after the mail out, staff will provide to the CBA at the meeting.

In all likelihood, before NASBA could provide a definitive answer on what impact extending the deadline may have on California's substantially equivalent definition, it will need specific situations or scenarios or both that the CBA may desire to employ.

Consideration of Options to Extend the Deadline to Apply for Licensure Under the Present Pathways

Page 3 of 3

Therefore, if the CBA does in fact want to continue to explore possible options for extending the deadline to apply for licensure under the present pathway, staff requests that the CBA provide specific instances under which it would want to extend the present pathways.

As the CBA gives consideration on whether to continue to explore this topic, it may wish to consider the outreach activities undertaken by the CBA and staff related to the transition to the new educational requirements. The CBA has always been mindful of the extent to which these educational changes would affect students who were in the process of completing their education while the requirements were being developed. Therefore, staff implemented an aggressive outreach campaign that began while the Accounting Education Committee (AEC) and ECC were still in the preliminary stages of discussing the new requirements.

The outreach campaign was in full effect by the time of the June 7, 2011 joint meeting of the AEC and ECC, which staff publicized through emails, press releases, and the CBA's social media sites. Staff invited over 700 stakeholders to the meeting and sent a variety of flyers and formal invitations. Through these efforts, many stakeholders physically attended the meeting in addition to a record number of people who watched the meeting via webcast. The CBA continued its outreach efforts through several live Facebook events, webinars, open houses, UPDATE articles, press releases, and creating a dedicated page on the CBA website as well as a dedicated email address for questions specific to the new requirements.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff makes no recommendation.

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**CPC Item III.**

September 20, 2012

CBA Item X.A.3.

September 20-21, 2012

Discussion on Initiating a Rulemaking to Adopt Title 16, California Code of Regulations Sections 16, 16.1, and 16.2 Regarding Military Inactive Status

Presented by: Matthew Stanley, Regulation Analyst**Date:** September 5, 2012**Purpose of the Item**

The purpose of this agenda item is to present the California Board of Accountancy (CBA) with proposed regulatory language to implement a military inactive status of licensure.

Action(s) Needed

The CBA will be asked to approve regulatory language to implement a military inactive status and to direct staff to implement the rulemaking process.

Background

If Senate Bill 1405 is signed into law as expected, the CBA will have a new status of licensure, military inactive status, that will go into effect on January 1, 2014. This new law will require regulations in order to implement it. In order for those regulations to take effect by January 1, 2014, the rulemaking package must be submitted to the Office of Administrative Law to begin the public comment period by October 2, 2012.

Comments

The proposed language (**Attachment 1**) would implement the military inactive status through the following:

Section 16 – Military Inactive Status

This section provides an application form by which an individual may apply for the status. In addition, it requires that the proof of military active duty service be provided at the time of application. The application also serves as the application for renewal for each renewal date while the license is in a military inactive status. This eliminates the need for a licensee to complete a license renewal application while on active military duty.

Section 16.1 – Definitions

This section provides information as to the type of documentation the CBA will accept as proof of active duty military service and evidence of a discharge date.

Discussion on Initiation of a Rulemaking to Adopt Title 16, California Code of Regulations Sections 16, 16.1, 16.2, and 16.3 Regarding Military Inactive Status

Page 2 of 2

Section 16.2 – Status Conversion of a License in a Military Inactive Status

This section provides for the conversion of a license in a military inactive status to an active status. These include notifying the CBA, providing evidence of discharge date, paying the fee as described in this section, filing the peer review reporting form by the next renewal date, and completing the basic continuing education requirements as outlined.

The section also provides for conversion to an inactive status by notifying the CBA, providing evidence of discharge date, and paying the fees described in this section.

The fee to be paid is determined by the date on which the status conversion request is made. If it is made more than 12 months prior to the licensee's next renewal date, the fee for conversion is the same as the renewal fee. If the request is made less than 12 months prior to the renewal date, the fee is waived as the licensee will be paying the regular renewal fee at the regular time of renewal.

Finally, if the licensee wishes to convert while they are still on active duty, and do not yet possess evidence of a discharge date, they are required to provide proof that they are still on active duty at the time of the request in order to prevent someone from circumventing the requirement that they convert their license within a one-year time period following discharge from active duty.

Fiscal/Economic Impact Considerations

Any fiscal or economic impact that may be caused by this new licensure status is the result of the law. The proposed regulations themselves should have little to no fiscal or economic impact.

Recommendation

Staff recommend that the CBA approve the language and direct staff to initiate the rulemaking process.

Attachment

Text of the Proposal



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Attachment 1

Text of the Proposal

Section 16 – Military Inactive Status

Beginning January 1, 2014, a licensee engaged in active duty as a member of the California National Guard or the United States Armed Forces may apply to have his or her license placed in a military inactive status by completing Form 11R-49 (8/12), which is hereby incorporated by reference. Along with Form 11R-49 (8/12), a licensee shall submit sufficient evidence that he or she is engaged in active duty as a member of the California National Guard or the United States Armed Forces.

Note: Authority cited: Sections 5010 and 5070.2, Business and Professions Code. Reference: Section 5070.2, Business and Professions Code.

Section 16.1 – Definitions

(a) For the purposes of this article and Section 5070.2 of the Business and Professions Code, the following definitions shall apply:

(1) “Sufficient evidence of active duty as a member of the California National Guard or the United States Armed Forces” shall include, but not be limited to, copies of current Leave and Earnings Statements or military orders.

(2) “Evidence of discharge date” shall mean a completed Certificate of Release, Discharge from Active Duty (DD Form 214).

Note: Authority cited: Sections 5010 and 5070.2, Business and Professions Code. Reference: Section 5070.2, Business and Professions Code.

Section 16.2 – Status Conversion of a License in a Military Inactive Status

(a) The holder of a license in a military inactive status may convert the license to an active status by notifying the Board in writing, providing evidence of discharge date, paying the fee described in subsection (c), complying with the peer review reporting requirements of Section 45(a) by his or her next renewal date, and complying with the continuing education requirements as described in Section 87. A minimum of 20 hours of continuing education shall be completed in the one-year period immediately preceding the date of conversion to active status, 12 hours of which must be in subject areas described in Section 88(a)(1).

(b) The holder of a license in a military inactive status may convert the license to an inactive status by notifying the Board in writing, providing evidence of discharge date, and paying the fee described in subsection (c).

(c) The fee to be paid at status conversion shall be as follows:

(1) For a status conversion requested more than 12 months prior to the renewal date as described in Section 5070.5 of the Business and Professions Code, the fee for conversion shall be the same as the fee described in Section 70(e).

(2) For a status conversion requested 12 months or less prior to the renewal date as described in Section 5070.5 of the Business and Professions Code, the fee for conversion shall be waived.

(d) If the licensee is still engaged in active duty at the time of conversion, sufficient evidence of active duty as a member of the California National Guard or the United States Armed Forces shall be provided in lieu of the evidence of discharge date required in subsection (a) and (b).

Note: Authority cited: Sections 5010 and 5070.2, Business and Professions Code. Reference: Section 5070.2, Business and Professions Code.

APPLICATION FOR MILITARY INACTIVE STATUS

Please print or type. Applications that are not readable will be returned.

NAME	LICENSE NUMBER	E-MAIL ADDRESS (OPTIONAL)
ADDRESS OF RECORD		BUSINESS PHONE NUMBER
CITY, STATE, ZIP		HOME/CELL PHONE NUMBER

Please be advised of the following requirements for obtaining and maintaining a CPA license in military inactive status:

- A. The holder of a permit may apply to have his or her permit placed in a military inactive status if the holder of a permit is engaged in, and provides sufficient evidence of, active duty as a member of the California National Guard or the United States Armed Forces. Sufficient evidence includes, but is not limited to, copies of current Leave and Earnings Statements or military orders.
- B. No holder of a permit in a military inactive status shall engage in any activity for which a permit is required.
- C. During the period that a permit is in a military inactive status, no renewal fee is required and no continuing education or peer review requirements would need to be met until status conversion.

Eligibility:

In order for the California Board of Accountancy (CBA) to determine eligibility, please respond to the following:

1. Are you currently engaged in active duty in the United States Armed Forces? YES NO

If "yes," please attach copies of current Leave and Earnings Statements, military orders, or other official documents showing current active duty service and provide them with your application to the CBA.

2. Are you currently engaged in active duty in the California National Guard? YES NO

If "yes," please attach copies of current Leave and Earnings Statements, military orders, or other official documents showing current active duty service and provide them with your application to the CBA.

Renewal Statement:

This application for military inactive status also serves as an application for renewal for any renewal dates during which you are still on active duty as a member of the California National Guard or the United States Armed Forces and during which your license is in a military inactive status. The CBA will still send a renewal notice during this time; however, you will not be obligated to return that notice. By signing this application, you will cause your license to be renewed in a military inactive status at the appropriate time.

I hereby certify, under penalty of perjury under the laws of the State of California, that all statements, answers, and representations on this form are true, complete, and accurate. By signing below, I acknowledge having read this entire application and the requirements listed here for obtaining and maintaining a CPA license in military inactive status.

Signature: _____ Date: _____

PERSONAL INFORMATION COLLECTION NOTICE: The information provided in this form will be used by the California Board of Accountancy, to determine qualifications for a Retired Certified Public Accountant/Public Accountant License. Sections 5009, 5026 through 5029, 5060, 5070 through 5079, and 5150 through 5158 of the Business and Professions Code authorize the collection of this information. Failure to provide any of the required information is grounds for rejection of the form as being incomplete. Information provided may be transferred to the Department of Justice, a District Attorney, a City Attorney, or to another government agency as may be necessary to permit the CBA, or the transferee agency, to perform its statutory or constitutional duties, or otherwise transferred or disclosed as provided in Civil Code Section 1798.24. Each individual has the right to review his or her file, except as otherwise provided by the Information Practices Act. The Executive Officer of the CBA is responsible for maintaining the information in this form, and may be contacted at 2000 Evergreen Street, Suite 250, Sacramento, CA 95815, telephone number (916) 263-3680 regarding questions about this notice or access to records.



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SPC Item II.
September 20, 2012

CBA Item X.B.2.
September 20-21, 2012

Proposed 2013-2015 CBA Strategic Plan

Presented by: Deanne Pearce, Assistant Executive Officer

Date: August 30, 2012

Purpose of the Item

The purpose of this agenda item is to present the 2013-2015 California Board of Accountancy (CBA) Strategic Plan for review and possible adoption by the Strategic Planning Committee and CBA Members.

Action Needed

Strategic Planning Committee and CBA Members will be asked to provide feedback regarding the proposed Strategic Plan. Based on the comments received, CBA Staff will seek adoption of the Strategic Plan by CBA Members.

Background

This Strategic Plan is the outcome of pre-development work by the Strategic Planning Committee and a Strategic Plan Workshop facilitated by the Department of Consumer Affairs' Strategic Planning Unit, which included CBA members, management and staff. The Strategic Plan is intended to be staged over a three year period and updated as warranted.

Comments

The Strategic Plan focuses the efforts of the CBA to achieve the mandates of the Accountancy Act (California Business and Professions Code, Section 5000 et.seq.) and Accountancy Regulations (California Code of Regulations, Title 16, Division 1), as well as the policy directions of CBA Board members.

Fiscal/Economic Impact

Any fiscal or economic impact of the individual goals and objectives will be addressed separately.

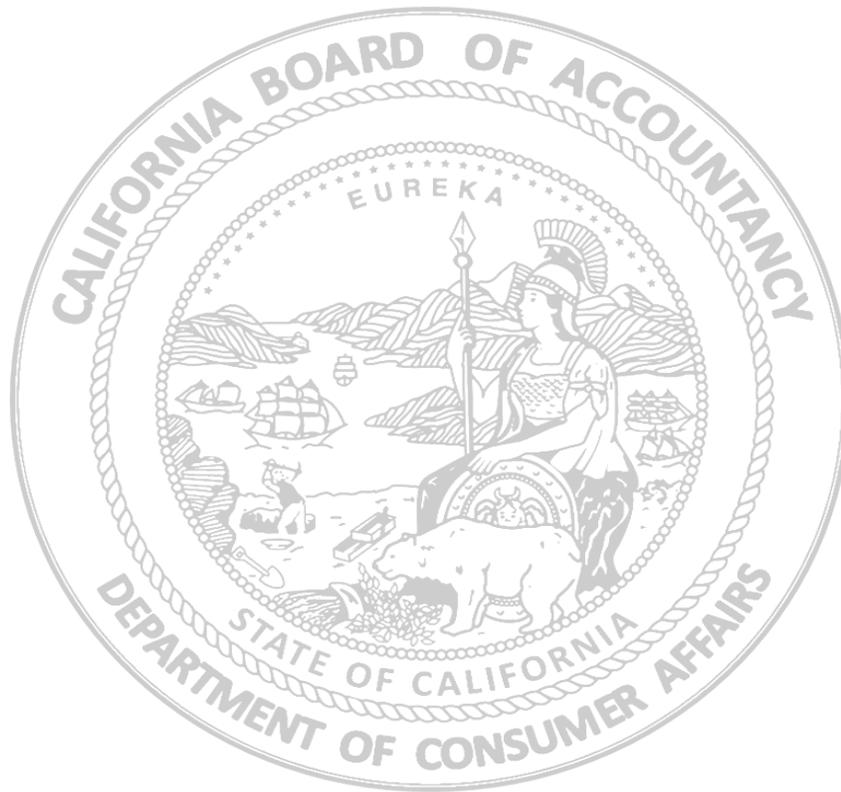
Recommendation

Staff is making no recommendation in this agenda item.

Attachment

Proposed 2013-2015 CBA Strategic Plan

CALIFORNIA BOARD OF ACCOUNTANCY



2013-2015

STRATEGIC PLAN

Members of the Board

Marshal Oldman, Esq., President

Leslie J. LaManna, CPA, Vice President

Michael M. Savoy, CPA, Secretary/Treasurer

Sarah (Sally) Anderson, CPA

Diana L. Bell

Alicia Berhow

Michelle R. Brough, Esq.

Donald A. Driftmier, CPA

Herschel T. Elkins, Esq.

Laurence (Larry) Kaplan

Louise Kirkbride

Kitak (K.T.) Leung, CPA

Manuel Ramirez, CPA

David L. Swartz, CPA



EDMUND G. BROWN, JR. – Governor
ANNA CABALLERO – Secretary, State and Consumer Services Agency
DENISE BROWN – Director, Department of Consumer Affairs
PATTI BOWERS – Executive Officer

ABOUT THE CALIFORNIA BOARD OF ACCOUNTANCY

From its inception in 1901, the CBA has, by statute, been charged with regulating the practice of accountants the public could rely upon as being competent. The original law prohibited anyone from falsely claiming to be a certified public accountant, a mandate which exists today. By authority of the California Accountancy Act, the CBA:

- Ensures that only candidates who meet certain qualifications are allowed to take the national Uniform Certified Public Accountant (CPA) Examination.
- Certifies, licenses and renews licenses of individual CPAs and Public Accountants (PA).
- Registers accountancy partnerships and accountancy corporations.
- Takes disciplinary action against licensees for violation of CBA statutes and regulations.
- Monitors compliance with continuing education and peer review requirements.
- Reviews work products of CPAs, PAs and accountancy firms to ensure adherence to professional standards.

In 1971, the Legislature located the California Board of Accountancy (CBA) within the newly-created Department of Consumer Affairs. The CBA currently regulates over 84,000 licensees and 5,000 firms, the largest group of accounting professionals in the nation. The CBA establishes and maintains entry level standards of qualification and conduct within the accounting profession, primarily through its authority to license.

Through its Examination and Initial Licensure Programs, the CBA qualifies California candidates for the national Uniform CPA Examination, certifies and licenses individual CPAs, and registers accountancy firms. The CBA's License Renewal and Continuing Competency Program focuses on license renewal, ensuring that licensees maintain a currency of professional knowledge to competently practice public accountancy.

Through its Practice Privilege Program, the CBA registers out-of-state CPAs that do not maintain a principal place of business in California to practice public accountancy in California if they meet one the following sets of criteria: possess a valid and active license, certificate, or permit from a substantially equivalent state as deemed by the CBA and defined by Section 5093 of the California Accountancy Act, possess individual education, examination, and experience qualifications that have been determined by the CBA to be substantially equivalent to the qualifications under Section 5093 of the California Accountancy Act, or have continually practiced public accountancy under a valid license issued by any state for at least four of last 10 years. With the signing of Senate Bill 1405 and beginning July 1, 2013, the Practice Privilege Program will be substantially changed to allow most out-of-state CPAs to practice public accountancy in California with no notice and no fee. In limited circumstances, out-of-state CPAs will need to obtain CBA approval prior to practicing, and for accounting firms performing

specified services for companies headquartered in California, they will need to obtain licensure.

The objective of the CBA Enforcement Program is to protect consumers, minimize substandard practice, and rehabilitate and discipline licensees, as warranted. The CBA has the authority to discipline not only individuals, but firms. Enforcement activities include investigating complaints against persons practicing public accountancy without a license and taking disciplinary actions against licensees for violations of statutes and regulations. In addition, the program monitors compliance with continuing education and peer review requirements, and it actively reviews the work products of CPAs, PAs and accountancy firms to ensure compliance with appropriate professional standards.

The CBA is self-funded, supported by fees paid by the professional community it regulates, and draws no monies from taxpayers or the General Fund.

MISSION, VISION, AND VALUES OF THE CALIFORNIA BOARD OF ACCOUNTANCY

OUR MISSION

To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

OUR VISION

All consumers are well informed and receive quality accounting services from licensees they can trust.

OUR VALUES

Integrity

The CBA will act in an honest, ethical, and professional manner in all endeavors, and fully disclose all pertinent information.

Quality and Professionalism

The CBA will ensure that qualified, proficient and skilled staff provide services to CBA stakeholders. The CBA will deliver high quality service, information, and products that reflect excellence and professionalism.

Transparency

The CBA will actively promote the sharing of ideas and information throughout the organization and with the public, and be receptive to new ideas.

Initiative

The CBA will encourage creatively looking at problems and processes and actively seek solutions and improvements.

Respect

The CBA will be responsive, considerate, and courteous to all, both within and outside the organization.

Accountability

The CBA will take ownership and responsibility for its actions and their results.

Teamwork

The CBA will promote cooperation and trust at all levels by working with and soliciting the ideas and opinions of CBA stakeholders.

Consumer Protection

The CBA will make effective and informed decisions in the best interest and for the safety of consumers.

RECENT ACCOMPLISHMENTS BY THE CALIFORNIA BOARD OF ACCOUNTANCY

Implemented a Mandatory Peer Review Program

The CBA implemented a mandatory Peer Review program effective January 1, 2010. Peer Review is a study of a firm's accounting and auditing work, by an unaffiliated CPA following professional standards. Since implementation, over 46,000 licensees have fulfilled their peer review reporting requirement, which further supports the CBA's consumer protection mandate by ensuring licensees are performing specified accounting work in accordance with professional standards.

Implemented Changes to the Continuing Education requirements for Licensees, Including the Completion of Ethics Education.

Effective January 1, 2010, the CBA implemented changes to the continuing education (CE) requirements for CPA license renewal. Specifically, licensees seeking to renew a license in an active status are required to complete four hours of ethics education focused on a review of nationally recognized codes of conduct emphasizing how the codes relate to professional responsibilities, case-based instruction focusing on real-life situational learning, ethical dilemmas facing the accounting profession, and Business ethics, ethical sensitivity, and consumer expectations.

Additionally, licensees must complete a two-hour Board-approved Regulatory Review course if more than six years have lapsed since they last completed a Board-approved Regulatory Review or Professional Conduct and Ethics (PC&E) course.

Effective January 1, 2012, as part of the total 80 hours of CE required to renew a license in an active status, licensees were required to complete a minimum of 20 hours of CE, including a minimum of 12 hours in technical subject matter, in each year of the two-year license renewal period.

Began Implementation to Single Pathway for CPA Licensure as a Result of Senate Bill 819, Making the CBA a Substantially Equivalent State.

Senate Bill (SB) 819 (Chapter 308, Statutes of 2009) established a sunset date of January 1, 2014 for CPA licensure via Pathway 1, while at the same time requiring refinement of the requirements that comprise Pathway 2. Specifically, beginning January 2014, SB 819 requires that an additional 30 of the 150 semester units of education be further defined, with 10 semester units of ethics study and 20 units of accounting study. Preliminary activities for implementation included outreach via social media, UPDATE articles, and participation in webinars with the CBA and California Society of CPAs. Additionally, the CBA has and continues to post information on the CBA website to assist students, faculty and applicants in understanding the changes to the educational requirements. The CBA also hosted two Open House events in January and March 2012, inviting faculty, students and other interested parties to attend a presentation on the educational changes and provided an open forum to ask questions of CBA members and staff. CBA members and leadership were key participants in both Open Houses.

Effectively Maintained Involvement in Legislative Activities

The CBA continued to increase its involvement in the legislative process to further promote consumer protection initiatives as well as programs to assist licensees. This resulted in legislation establishing Peer Review as a permanent program and establishing a Retired Status for CPAs.

Reduced Fees for CBA Licensees

Beginning July 1, 2011, the CBA successfully implemented a 40 percent reduction in license renewal fees for CPAs and accounting firms. This reduction was made to address stabilization of the CBA's revenue and expenditures.

Obtained Full Staffing within the CBA Organization

The CBA successfully filled key leadership and enforcement positions within the CBA organization. Additionally, management optimized or re-allocated resources to ensure programs were adequately staffed and operating.

Increased Information Services and Distribution of Information

The CBA successfully used social media to deliver key messages to stakeholders. Additionally, the CBA participated in several speaking engagements, including hosting two Open Houses focused on the new educational requirements for CPA licensure. Focusing on consumers, the CBA revamped the Consumer Assistance Booklet to provide key resource information regarding the practice of public accountancy.

Assessed Administrative Penalties Consistently

Through its Enforcement actions, the CBA consistently issued appropriate administrative penalties to licensees who violated the Accountancy Act and CBA Regulations.

Achieved Reduction in Examination and Licensing Processing Timeframes

CBA Licensing Division staff consistently processed both examination and licensing applications in under 30 days.

OVERVIEW OF STRATEGIC PLAN

This Strategic Plan identifies seven goals and 28 objectives developed to enable the CBA to meet its mandates identified in the Accountancy Act (California Business and Professions Code, Section 5000 et.seq.) and CBA Regulations (California Code of Regulations, Title 16, Division 1), as well as the policy directions of CBA Board members.

Protection of the public shall be the CBA's highest priority in exercising its licensing, regulatory, and disciplinary functions. In meeting its mandate and mission, the CBA also strives to deliver the highest standards of service to all concerned, affected, and interested stakeholders.

The CBA's stakeholders include consumers, licensees, applicants, professional organizations and groups that have a direct or indirect stake in the CBA because it can affect or be affected by the CBA's actions, objectives, and policies.

While it will be challenging to execute the goals and objectives outlined in the Strategic Plan, this action-oriented plan is focused on consumer protection, customer service, and ensuring the CBA is responsive to the needs of our many stakeholders.

This Strategic Plan is the outcome of pre-development work by the Strategic Planning Committee and a Strategic Plan Workshop facilitated by the Department of Consumer Affairs' Strategic Planning Unit, which included CBA members, management and staff. The Strategic Plan is intended to be staged over a three year period and updated as warranted.

GOALS AND OBJECTIVES

Goal 1 – Enforcement

Maintain an active, effective and efficient program to maximize consumer protection.

Objectives

- 1.1 Continue to interface with other regulatory agencies to assist with the CBA's enforcement responsibilities.
- 1.2 Expand field work of CBA investigators.
- 1.3 Increase licensees' awareness of the consequences of unprofessional conduct.
- 1.4 Reduce internal CBA investigative time frames and work collaboratively with the Office of the Attorney General to both reduce time frames and improve the overall process.
- 1.5 Continue to educate licensees on their due process rights.
- 1.6 Ensure licensees are complying with mandatory Peer Review requirements.

Goal 2 – Customer Service

Deliver the highest level of customer service.

Objectives

- 2.1 Continue to respond to all inquiries within a reasonable time frame.
- 2.2 Maintain a high level of professionalism when following procedures and interacting with stakeholders.
- 2.3 Continue to provide responses to customer service feedback.

Goal 3 – Licensing

Maintain an active, effective, and efficient program that maximizes customer service to Uniform CPA Examination candidates, applicants for CPA licensure and licensees.

Objectives

- 3.1 Maintain reasonable timeframes for processing license renewals.

- 3.2 Implement new practice privilege program following passage of Senate Bill 1405.
- 3.3 Implement the new educational requirements for CPA licensure beginning January 1, 2014, which include 30 units of education in the areas of accounting and ethics study, as well as address any transition issues.

Goal 4 –Outreach

Provide and maintain effective and timely outreach to all CBA stakeholders.

Objectives

- 4.1 Continue to conduct educational workshops in various regions of the state.
- 4.2 Maintain a communication plan that increases and prioritizes outreach efforts and focuses on relevant issues and key messages.
- 4.3 Address members' and staff's ability to have more flexibility to provide outreach and education to stakeholders.
- 4.4 Continue to leverage emerging technologies to reach consumers and licensees with relevant issues and key messages.

Goal 5 –Laws and Regulations

Maintain an active presence and leadership role that efficiently leverages the CBA's position of legislative influence.

Objectives

- 5.1 Increase the CBA's visibility and reputation with the Legislature.
- 5.2 Promote the CBA's position on legislation and public policy consistent with the CBA's goals and objectives.
- 5.3 Increase liaison communications with other state agencies that impact the CBA's objectives, and provide reports regarding the communications at future CBA meetings (e.g. FTB, DCA, SCO, SEC, and IRS).

Goal 6-Emerging Technologies

Improve efficiency and information security through use of existing and emerging technologies.

Objectives

- 6.1 Apply best practices to safeguard the confidentiality, integrity, and when appropriate, availability of CBA's information assets.
- 6.2 Prepare for transition to document imaging.
- 6.3 Provide the option for an online application process for licensure and license renewal, and accepting credit card payments.
- 6.4 Continue to transition the CBA's website to the standards of the State Portal architecture and functionality.
- 6.5 Maintain a secure and relevant website that provides enhanced interactive features.
- 6.6 Continue to enhance technology to improve customer service.
- 6.7 Execute an option for delivering agenda materials electronically when appropriate.

Goal 7 – Organizational Effectiveness

Maintain an efficient and effective team of leaders and professionals by promoting staff development and retention.

Objectives

- 7.1 Maintain management and staff succession plan.
- 7.2 Include board and committee succession information within the CBA's Guidelines and Procedure Manual and continue to communicate and encourage participation to those who are qualified.



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CBA Item X.C.2.
September 20-21, 2012

Approval of 2013 EAC Meeting Dates

Member: Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)

Date: August 29, 2012

Purpose of the Item

The purpose of this item is to request the California Board of Accountancy (CBA) to approve the 2013 EAC meeting dates.

Action Needed

The EAC is requesting the CBA to approve the 2013 meeting dates.

Background

The following meeting dates and locations have been approved by the EAC Members:

- January 31, 2013 San Jose / Bay Area
- May 2, 2013 Los Angeles Area
- July 11, 2013 Sacramento Area
- October 24, 2013 Burbank / Los Angeles Area
- December 12, 2013 San Diego Area

Comments

None.

Fiscal / Economic Impact Considerations

None.

Recommendation

Staff recommends approval of the meeting dates.



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CBA Item X.E.2.
September 20-21, 2012

Approval of 2013 PROC Meeting Dates

Member: Nancy J. Corrigan, Chair, Peer Review Oversight Committee (PROC)

Date: August 27, 2012

Purpose of the Item

The purpose of this item is to request the California Board of Accountancy (CBA) to approve the 2013 PROC meeting dates.

Action Needed

The PROC is requesting the CBA to approve the 2013 meeting dates.

Background

The following meeting dates have been approved by the PROC Members:

- February 22, 2013
- June 21, 2013
- August 23, 2013
- November 1, 2013

Comments

None.

Fiscal / Economic Impact Considerations

None.

Recommendation

Staff recommends approval of the meeting dates.



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CBA Item XI.A.
 September 20-21, 2012

DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

MINUTES OF THE
JULY 26, 2012
CBA MEETING

Tsakopoulos Library Galleria
 828 I Street
 Sacramento, CA 95814
 Telephone: (916) 264-2800
 Facsimile: (916) 264-2809

Roll Call and Call to Order.

CBA President Marshal Oldman called the meeting to order at 10:28 a.m. on Thursday, July 26, 2012 at Tsakopoulos Library Galleria. The meeting recessed at 12:00 p.m. President Oldman reconvened the meeting at 1:00 p.m. and the meeting adjourned at 3:15 p.m.

CBA Members

July 26, 2012

Marshal Oldman, President	10:28 a.m. to 3:15 p.m.
Leslie LaManna, Vice President	10:28 a.m. to 3:15 p.m.
Michael Savoy, Secretary-Treasurer	10:28 a.m. to 3:15 p.m.
Sarah (Sally) Anderson	10:28 a.m. to 3:15 p.m.
Diana Bell	10:28 a.m. to 3:15 p.m.
Alicia Berhow	10:28 a.m. to 3:15 p.m.
Michelle Brough	10:28 a.m. to 3:15 p.m.
Donald Driftmier	10:28 a.m. to 3:15 p.m.
Herschel Elkins	10:28 a.m. to 3:15 p.m.
Laurence (Larry) Kaplan	10:28 a.m. to 3:15 p.m.
Louise Kirkbride	10:28 a.m. to 3:15 p.m.
Kitak (K.T.) Leung	10:28 a.m. to 3:15 p.m.
Manuel Ramirez	10:28 a.m. to 3:15 p.m.
David Swartz	10:28 a.m. to 3:15 p.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer
 Rich Andres, Information Technology Staff

Paul Fisher, Supervising Investigative CPA
Dominic Franzella, Chief, Licensing Division
Lauren Hersh, Information & Planning Manager
Rafael Ixta, Chief, Enforcement Division
Kari O'Connor, Board Relations Analyst
Deanne Pearce, Assistant Executive Officer
Kristy Shellans, Legal Counsel, Department of Consumer Affairs (DCA)
Carl Sonne, Deputy Attorney General, Department of Justice (DOJ)
Matthew Stanley, Legislation/Regulation Analyst

Other Participants

Brian Clifford, Legislative Analyst, DCA
Jason Fox, California Society of CPAs (CalCPA)
Joe Petito, The Accountants Coalition
Pilar Onate-Quintana, KP Public Affairs
Jonathan Ross, KP Public Affairs
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA

I. Report of the President

Mr. Oldman stated that the implementation and emergency regulations regarding SB 1405 has been assigned to the Committee on Professional Conduct (CPC). Mr. Oldman suggested that the Legislative Committee (LC) work on a bill to authorize the CBA to engage in specific types of restitution orders as part of probation and disciplinary settlements. Mr. Oldman commented that he has asked CBA staff to reach out to the State Controller's Office (SCO) to request their attendance at a future CBA meeting to discuss issues such as audit failures and city bankruptcies.

II. Report of the Vice President.

A. Recommendations for Appointment(s) to the Enforcement Advisory Committee (EAC).

There was no report for this item.

B. Recommendations for Appointment(s) to the Qualifications Committee (QC).

There was no report for this item.

C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee (PROC).

It was moved by Ms. LaManna, seconded by Mr. Ramirez and unanimously carried by those present to appoint Mr. Lee as Vice Chair of the PROC.

III. Report of the Secretary/Treasurer

A. Discussion of Governor's Budget.

There was no report on this item.

IV. Report of the Executive Officer (EO)

A. Update on Staffing.

Ms. Bowers reported that the CBA is currently recruiting to fill two vacancies. Ms. Bowers stated that the Enforcement Division is fully staffed; however, the two student assistants working in the Enforcement Division will be terminated on September 1, 2012.

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

Ms. Hersh provided an overview of this item. Ms. Hersh noted the CBA's successes in the area of social media. Ms. Hersh stated that many Facebook followers consider the CBA Facebook page as a source to get customer service and find and share useful information. Ms. Hersh commented that social media allows for communication and the transferring of information and resources between organizations such as American Institute of Certified Public Accountants, National Association of State Boards of Accountancy (NASBA), CalCPA and other state boards.

C. Discussion and Possible Action to Amend Business and Professions Code Section 5008 Regarding Eliminating the Requirement that the CBA Distribute the UPDATE Publication and Instead Allow that it be Made Available to Licensees.

Ms. Hersh provided an overview of this item. Mr. Hersh stated that the last two issues of UPDATE have been provided through web posting and E-News, and mailed out to those who requested to receive the hardcopy. The CBA website has received approximately 31,000 hits for the Spring edition of UPDATE, while staff mailed the UPDATE to the 3000 individuals opting in to receive a hard copy. Postcards have been sent to remind subscribers that UPDATE will be provided electronically, unless the subscriber chooses to opt-in for a hardcopy.

Mr. Swartz stated that sending a hardcopy of the UPDATE to our licensees would be a more effective method of communication.

Mr. Ramirez stated that the CBA should uphold its obligation to communicate to its licensees and should distribute the UPDATE publication rather than just “make it available.” Mr. Ramirez further stated that he supports keeping the original regulatory language.

Ms. Kirkbride stated that is it possible to send out postcards stating that UPDATE is now available electronically which gives an end date for receiving a hard copy of UPDATE unless the licensee “opts in” to continue to receive a hard copy.

Mr. Kaplan commented that postcards should be sent to collect e-mail addresses so the UPDATE publication can be distributed by e-mail in the future.

It was moved by Mr. Kaplan, seconded by Mr. Swartz and unanimously carried by those present to have staff coordinate a transition plan to work towards transitioning UPDATE to be distributed electronically.

V. Report of the Licensing Chief.

A. Report on Licensing Division.

Mr. Franzella provided an overview of this item (See Attachment__). Mr. Franzella stated that there is an increase in examination applicants due to graduating students. Mr. Franzella also stated that a taskforce consisting of staff from the Initial Licensing and Examination Units, has been created. This taskforce will focus on the implementation of the new educational requirements. Mr. Franzella further stated that a plan for outreach activities and several other topics related to the new educational requirements will be presented at the September CBA Meeting.

VI. Report of the Enforcement Chief.

A. Enforcement Case Activity and Aging Report.

Mr. Ixta provided an overview of this item (See Attachment__).

Mr. Ramirez expressed concern about the number of cases over 24-months old.

Mr. Elkins requested that at a future CBA meeting, staff provide more information on possible reasons for a 24 month pending period for enforcement cases.

Ms. Shellans stated that one potential cause for the length of time was that the Office of Administrative Hearings was also processing hearings

for teacher layoff notices and for a period of time, priority was given to such hearings. This caused a backlog and resulted in a significant increase in time from when an accusation was served by the CBA and when an administrative hearing would take place.

Ms. Bowers stated that once a case goes to administrative hearing, there can be a delay in receiving a decision from the Administrative Law Judge (ALJ). Ms. Bowers further stated that enforcement staff has been proactive in reaching out to the assigned ALJ to follow up on delayed final decisions.

B. Citation and Fine Report.

Mr. Ixta reported that the majority of citations were issued for failure to respond to the CBA in relation to peer review reporting, and continuing education violations.

C. Reportable Events Report.

Mr. Ixta reported that since the last CBA meeting, 24 reportable events have been received. There has been five Securities and Exchange Commission Wells Notice submissions received in the last two months.

Mr. Swartz inquired if the SCO reviews governmental restatements.

Mr. Fisher stated that the SCO does not review them. Mr. Fisher further stated that he reviews restatements and if necessary, they are referred to the EAC for review. Mr. Fisher noted that the number of restatements is consistent with what has been reported in the past.

D. Update on Peer Review Implementation.

Mr. Ixta reported that all three implementation phases of peer review reporting are now in effect. Mr. Ixta stated that 872 citations have been issued to licensees from the first phase. CBA staff will be issuing deficiency letters 4,500 licenses from the second phase for not submitting a peer review notification form.

Mr. Ramirez inquired if a failed peer review report is a reportable event.

Mr. Fisher stated peer review is a separate program and a failed peer review report is not included as a reportable event under Section 5063.

Mr. Elkins inquired about the steps after a citation is issued for failure to respond.

Mr. Ixta stated if the licensee does not respond to the citation, it becomes

final and the fine amount is added to the renewal fee. In order to renew a licensee, the fine amount must be paid.

Ms. Bowers stated that Peer Review is a condition for renewing a license; however peer review notification is not a condition of renewal. Ms. Bowers further stated that if a licensee fails to file a notification, and does not respond to board inquiries, they are issued a citation. If the licensee does not satisfy the requirements of the citation, then the license renewal may be held.

E. Results of the 3rd Quarter Performance Measures Report to DCA.

Mr. Ixta provided an overview of this item.

Mr. Ramirez inquired about why the CBA does not track DCA Performance Measure Six.

Ms. Bowers stated that DCA has opted not to track this performance measure until greater responses have been received throughout other boards. However, internally enforcement has a survey which contains the information in Performance Measure Six and this information is reviewed and tracked by CBA enforcement management.

At this time, CBA members heard Agenda Items VIII.D., IX. and X.A. through X.B.1.d.

VII. Regulation Hearing and Possible Action on Proposed Regulations.

A. Regulation Hearing Regarding Title 16, California Code of Regulations (CCR) Section 40 and 45 – Peer Review Reporting.

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

“This is a public hearing on proposed regulations of the California Board of Accountancy, Department of Consumer Affairs, to consider adopting regulations for a Retired Status License. On behalf of the Board and its staff, I'd like to welcome you. My name is Matthew Stanley and I serve as the Board's Regulation Analyst. I will preside over this hearing on behalf of the Board and the Department.”

“The California Board of Accountancy is contemplating this action pursuant to the authority vested by Sections of the Business and Professions Code, authorizing the Board to amend, adopt, or repeal regulations for the administration and enforcement of the Chapter 1 of Division 3 of the Business and Professions Code.”

“For the record, the date today is July 26th and the time is approximately 12:30 p.m. Our hearing is being held at Tsakopoulos Library Galleria at 828 I Street, in Sacramento, California.”

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

“If the Board has received written comments on the proposal, those comments will be entered into the official record of the proceedings. The Board shall be provided and shall consider all written comments received up until 5:00 p.m., January 23, 2012. Anyone who wishes to comment in writing but does not want to speak today is welcome to do so. If we receive written comments on the proposed regulations, they will be acknowledged and entered into the official record of the rulemaking proceedings.”

“Those persons interested in testifying today should identify themselves and the section or subsection of the proposed regulations that they wish to address. Individuals will be called to testify in the order determined by recognition from the hearing officer. If you have a comment about the proposed regulation or any part or specific subsection of the proposal, please step up to the microphone and give your name, spelling your last name and tell us what organization you represent, if any. Speak loudly enough for your comments to be heard and recorded. Remember, it's not necessary to repeat the testimony of previous commentators. It is sufficient if you simply say that you agree with what a previous speaker has stated. Written testimony can be summarized but should not be read. When you are testifying, please identify the particular regulation proposal you are addressing. Please comment only on provisions of the article under discussion. “

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

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

“Please raise your hand if you wish to comment on the proposed regulations. Is there anyone else who would like to comment on the proposed regulations?”

“Thank you for participating in this regulation hearing. It is important that public comment on such policy issues be heard prior to the Board taking action on the proposal. The Board shall take into consideration all comments timely received. Upon careful consideration of all comments, the Board may take action to adopt the proposed text, or it may direct staff to modify the proposed text and make the text available for additional public comment.”

No public comments were received.

Mr. Stanley closed the regulation hearing at 12:34 p.m.

- B. Discussion and Possible Action to Adopt or Amend Proposed Text at Title 16, California Code of Regulations (CCR) Sections 40 and 45 – Peer Review Reporting.

It was moved by Mr. Ramirez, seconded by Ms. Brough and unanimously carried by those present to adopt the proposed regulatory changes and direct staff to take all steps necessary to complete the rulemaking process.

- C. Discussion and Possible Action on Issuing a 15-Day Notice of Modified Text at Title 16, California Code of Regulations (CCR) Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71, and 87.1– Retired Status.

It was moved by Mr. Driftmier, seconded by Ms. Anderson and unanimously carried by those present to adopt the staff recommendation to adopt the modified text in the attachment and direct staff to take all steps necessary to send out the modified text for the required 15-day comment period. If after the 15-day comment period, no adverse comments are received, authorize the Executive Officer to make any non substantive changes to the proposed regulations and submit the final rulemaking file to the Office of Administrative Law.

VIII. Committee and Task Force Reports.

- A. Enforcement Program Oversight Committee (EPOC) (Diana Bell, Chair).
 - 1. Report of the July 26, 2012 EPOC Meeting.
 - 2. Discussion and Possible Action on Defining the Responsibilities of the CBA Member Liaison to the Enforcement Advisory Committee (EAC).

Ms. Bell reported that these issues were brought before the EPOC and the CBA in follow up to discussions at the March EPOC and CBA meeting relating to the question of what would be the appropriate method for CBA members to express concerns with the investigation of a disciplinary matter.

Ms. Bell stated that EPOC members agreed that the appropriate method to communicate enforcement-related concerns would be to the EAC through the CBA member liaison to the EAC.

The EPOC members also recommend that the language presented in Attachment 2 of the agenda item be added to the Guidelines and Procedures Manual with the addition of the language “including Government Code Section 11430.10” to the last sentence.

It was moved by Ms. Bell, seconded by Ms. Anderson and carried by those present to approve EPOC’s recommendation on defining the responsibilities of the CBA member liaison to the EAC. Ms. Brough abstained.

3. Discussion and Possible Action on Establishing Guidelines for EPOC Members to Audit a Closed and Finalized Case.

Ms. Bell stated that this agenda item is a follow up to the responsibilities of EPOC as defined in the G&P Manual regarding the internal audit of closed and finalized disciplinary cases.

Ms. Bell stated that EPOC agreed that due to the increased amount of interaction with EAC in the future, the CBA liaison to the EAC should also be a member of the EPOC.

It was moved by Ms. Bell, seconded by Ms. Anderson and carried by those present to approve the guidelines as proposed in Attachment 1 of the agenda item. Ms. Brough abstained.

B. Legislative Committee (LC) (**Sally Anderson, Chair**).

1. Report of the July 26, 2012 LC Meeting.
2. Update on Bills on Which the CBA has Taken a Position (AB 1345, AB 1409, AB 1537, AB 1588, AB 1904, AB 1914, AB 1982, AB 2022, AB 2041, AB 2570, SB 103, SB 975, SB 1099, SB 1327 and SB 1576).

Ms. Anderson reported that CBA staff provided a brief summary of three categories of legislation. The first category is bills which have not been amended since the CBA's May meeting or which had only

minor, technical amendments. Ms. Anderson stated that these bills include AB 1409, AB 2570, SB 103, and SB 1099.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to maintain the CBA's current position on AB 1409, AB 2570, SB 103, and SB 1099.

Ms. Anderson stated that the second category is bills which either failed passage or were amended to no longer be relevant to the CBA. These include AB 1537, AB 1914, AB 1982, AB 2022, AB 2041, and SB 975.

It was moved by Ms. Anderson, seconded by Ms. LaManna and unanimously carried by those present that the CBA discontinue following AB 1537, AB 1914, AB 1982, AB 2022, AB 2041, and SB 975.

Ms. Anderson stated that LC discussed bills which have been substantially amended since the May CBA meeting.

Ms. Anderson stated that AB 1345 is the bill that requires audit partner rotation. While the CBA provided four proposed amendments to the bill, the only one taken at this point was the one to clarify that the six year limit for using a particular audit partner would begin in Fiscal Year 2013/14. The remaining proposed amendments were not taken.

It was moved by Ms. Anderson, seconded by Ms. Bell and unanimously carried by those present that the CBA maintain its Support if Amended position. In addition, the LC recommends that staff be directed to send letters regarding the CBA position to committee members and follow up with phone calls to the committee.

Ms. Anderson stated that AB 1588 is the bill that requires boards to waive continuing education (CE) and renewal fees for military reservists. The author's office worked with CBA staff, and staff from several other boards to come up with language that would meet everyone's needs. There were several minor amendments which improved the bill, one of which gives the boards rulemaking authority. Ms. Anderson stated that the CBA's specific request to remove the CE exemption was not taken as several other boards wanted this left in place.

It was moved by Ms. Anderson, seconded by Ms. Brough and unanimously carried by those present that the CBA adopt a Support position on AB 1588.

AB 1904 is the bill that would have required a temporary license to be issued to spouses of active military members stationed in California who are licensed in other jurisdictions. This bill was amended to remove the temporary license provisions and instead require that boards expedite the licensure process for these individuals.

It was moved by Ms. Anderson, seconded by Ms. Bell and unanimously carried by those present that the CBA adopt a Support position on AB 1904.

Ms. Anderson stated that SB 1327 is the bill to require a website to assist individuals with the licensing requirements needed to start a business. It would have required the CBA to provide information, including applications and qualifications, to be placed on the site. CBA staff attended a meeting with the author's staff and were able to view a presentation of the existing website, called CalGOLD, which currently provides access to information provided by state entities on a voluntary basis. Ms. Anderson stated that the information is provided voluntarily, and it is incomplete which is the issue SB 1327 is attempting to remedy. In order to assuage the CBA's concerns about directing traffic to another website and possibly causing consumer confusion, the bill has been amended so that state entities only need to provide a link to their licensing information. In this way, the CalGOLD website would direct users to the CBA website.

It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to recommend that the CBA adopt a Support position. In the event that SB 1327 does not become law, the LC also recommends that staff be directed to reach out to the Governor's office to provide links to the CBA's licensing information on the CalGOLD website.

SB 1576 is the omnibus bill which has several provisions affecting the CBA. The amendments which were originally taken regarding retired status were incomplete. The most recent amendments complete the CBA's request which was approved in January.

It was moved by Ms. Anderson, seconded by Ms. Bell and unanimously carried by those present that the CBA adopt a Support position on SB 1576.

3. Consideration of Position on SB 1405 – Accountancy: Military Service: Practice Privilege.

Ms. Anderson stated that SB 1405 still contains the provisions regarding the creation of a military inactive status, but it has been amended to also include new practice privilege provisions which have been referred to as mobility. Ms. Anderson reported that the LC views this bill as an improvement over the current practice privilege program. The mobility provisions being proposed in SB 1405 are temporary and sunset in 2019 to allow both the CBA and the Legislature an opportunity to review the efficacy of the program. Ms. Anderson further stated that CBA staff and the sponsors of the bill have worked to address various concerns that will improve the bill further.

It was moved by Ms. Anderson, seconded by Mr. Leung and carried by those present that the CBA adopt a Support position on SB 1405. Ms. Kirkbride opposed.

4. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

There was no report for this item.

5. Discussion and Possible Action to Amend Business and Professions Code Section 5076 – Peer Review.

Ms. Anderson stated that current law requires a peer review in order to renew a license. In 2010, the CBA took action to begin a rulemaking to exempt those who renew inactive; however, the issue of a new retired status was brought forward shortly after, and it was decided to await the outcome of that legislation before moving forward as an exception may need to be made for retired status as well.

Ms. Anderson reported that as CBA staff researched the issue, it was discovered that a licensee could renew inactive, and undergo a status conversion less than a month later and be exempt from peer review. Although a rulemaking would be able to address the issue of inactive and retired status, it could not address the status conversion issue and the language provided by staff would address both issues at the same time. Ms. Anderson commented that there is still time to have the omnibus bill amended to include this language.

It was moved by Ms. Anderson, seconded by Ms. Bell and unanimously carried by those present that the proposed language be included in the Omnibus Bill, SB 1576.

- C. Committee on Professional Conduct (CPC) Michael Savoy, Chair).

There was no report for this item.

D. Strategic Planning Committee (SPC) (Manuel Ramirez, Chair).

Mr. Ramirez reported that the CBA Strategic Plan Workshop was held on July 25, 2012. Mr. Ramirez thanked CBA members and staff for attending and stated that the workshop was effective. Mr. Ramirez noted that mission and vision statements were reviewed and that most time was spent making updates to the CBA core values and goals. The next phase of the development of the Strategic Plan will be for a review of the draft document at the Strategic Planning Committee meeting in September. The 2013-2015 Strategic Plan will be presented to the CBA for adoption at the September or November CBA meeting.

E. Enforcement Advisory Committee (EAC) (Cheryl Gerhardt, Chair).

Report of the July 12, 2012 EAC Meeting.

Mr. Ixta provided the report for this item.

Mr. Ixta stated that three investigative hearings were held. Two concluded with a recommendation to refer the case to the AG's office for preparation of an accusation and one concluded with a recommendation to assign CE. The EAC reviewed 18 closed cases and agreed with closure on all but one. This case is being reviewed by enforcement management to determine if the investigation was properly closed. After review, this case will be discussed with the EAC.

F. Qualifications Committee (QC) (Fausto Hinjosa, Chair).

There was no report for this item.

G. Peer Review Oversight Committee (PROC)

Report of the June 15, 2012 PROC Meeting.

Mr. Ixta provided the report for this item.

Mr. Ixta stated that the PROC discussed its participation in several oversight activities. Mr. Ixta noted that PROC members attend these activities to ensure the PROC is providing adequate oversight.

Mr. Ixta stated that Mr. Corrigan recommended Robert Lee to serve as Vice Chair of the PROC. Ms. Corrigan plans to assign future vice chairs to one year terms, then once two or three vice chairs have had the opportunity to serve, one can serve as committee chair at the CBA's approval.

Mr. Ixta stated that Janice Gray from the Compliance Assurance Committee (CAC) discussed the National Peer Review Committee (NPRC) and provided an in-depth presentation of the peer review process as it pertains to firms of publicly traded companies.

The PROC discussed to what extent oversight activities should be provided to the NPRC. Presently, the CAC is providing oversight to NPRC so that respective state PROCs will have assurance that no additional oversight is required. The PROC has not committed to this process and has requested additional information from the CAC to determine if any additional oversight of the NPRC will be necessary.

Ms. Anderson asked what oversight the PROC provides over CalCPA.

Mr. Ixta stated that the PROC attends the CalCPA Report Acceptance Body meetings to make sure that the process is fair and consistent and will attend peer reviewer training to make sure peer reviewers are being properly trained.

Mr. Ixta further stated that the PROC reviewed its roles and responsibilities and was researching other states' policies to determine if any peer review results should be included on the CBA website.

Ms. Anderson stated that when peer review was approved, it was agreed that it should be an educational process and the peer review results should not be included on the CBA website. Ms. Anderson stated that consumers should be made aware of peer review and ask for a firm's peer review report.

Mr. Ramirez inquired if the CBA should provide any input to the committee regarding discussion on issues of policy. Mr. Ramirez stated that such policy-related discussions seem outside the scope of the PROC and are best reserved for the CBA as originally outlined.

Ms. Bowers stated the CBA could provide the committee the direction not to discuss policy issues.

2. Discussion and Possible Action on the Role of the PROC.

Mr. Ixta stated that the PROC reviewed its role and the proposed changes are to make the role of the PROC broader, should there be other peer review program providers in the future, and to ensure that program providers are in compliance with Section 48.

Mr. Ramirez stated that he agrees with the proposed roles. Mr. Ramirez inquired if the committee should serve as the CBA representative at the

AICPA board meetings or if the CBA President should appoint a representative or CBA member to serve in this capacity.

Ms. Bowers stated that from an educational standpoint there is valuable information that takes place that the committee members could benefit from.

Mr. Ramirez inquired if testimony occurs at the AICPA board meetings.

Ms. Bowers stated that the AICPA meetings are more of a function of board members rather than public testimony and is primarily a presentation of the board members to the other board members.

Ms. LaManna stated that she appreciated the hard work of the committees and did not want to discourage them.

Ms. Bell suggested including as part of the role of PROC, adding a bullet that states bringing policy issues to the attention of the CBA prior to discussing as a committee.

Ms. Bowers suggested that the CBA's decision regarding policy issues be applied to all CBA committees, rather than the PROC only.

It was moved by Mr. Swartz, seconded by Ms. Anderson and unanimously carried by those present to direct the PROC not to pursue any research in posting peer review results to the CBA website.

It was moved by Mr. Ramirez, seconded by Mr. Leung and unanimously carried by those present to approve the changes to the role of PROC in the CBA Guidelines & Procedures Manual.

IX. Acceptance of Minutes.

- A. Draft Minutes of the May 24-25, 2012 CBA Meeting.
- B. Minutes of the May 24, 2014 EPOC Meeting.
- C. Minutes of the May 24, 2012 LC Meeting.
- D. Minutes of the April 20, 2012 PROC Meeting.

It was moved by Ms. Bell, seconded by Mr. Ramirez and unanimously carried by those present to accept agenda items IX.A-IX.D.

X. Other Business.

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

There was no report for this item.

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

1. Update of NASBA Committees.

a. Accountancy Licensee Database (ALD) Task Force.

Ms. Bowers reported that the ALD Task Force will meet July 30-31, 2012 and an update from that meeting will be provided at the September CBA meeting.

b. Board Relevance & Effectiveness Committee.

There was no report for this item.

c. Education Committee.

There was no report for this item.

d. Uniform Accountancy Act Committee (UAA).

There was no report for this item.

XI. Closing Business

A. Public Comments.*

No public comments were received.

B. Agenda Items for Future CBA Meetings.

There was no discussion on this item.

C. Press Release Focus

Ms. Hersh stated that topics for press release focus should include changes to peer review reporting and retired status. A press release would be issued pending the outcome of SB 1405.

XII. Closed Session. Pursuant to Government Code Section 11126(c)(3), the CBA Convened into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decision and Proposed Decisions).

Adjournment.

President Oldman adjourned the meeting at 3:15 p.m. on Thursday, July 26, 2012.

_____ Marshal A. Oldman, Esq., President

_____ Michael M. Savoy, CPA, Secretary-Treasurer

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



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CBA Item XI.B.
 September 20-21, 2012

DEPARTMENT OF CONSUMER AFFAIRS
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)

DRAFT

**Minutes of the
 July 25, 2012
 CBA Strategic Planning Workshop**

Tsakopoulos Library Galleria
 828 I Street
 Sacramento, CA 95814
 Telephone: (916) 264-2800
 Facsimile: (916) 264-2809

Roll Call and Call to Order.

CBA President Marshal Oldman called the meeting to order at 10:00 a.m. on Wednesday, July 25, 2012 at Tsakopoulos Library Galleria. The meeting recessed at 12:30 p.m. President Oldman reconvened the meeting at 1:27 p.m. and the meeting adjourned at 2:30 p.m.

CBA Members

Marshal Oldman, President	10:00 a.m. to 2:30 p.m.
Leslie LaManna, Vice President	10:00 a.m. to 2:30 p.m.
Michael Savoy, Secretary-Treasurer	10:00 a.m. to 2:30 p.m.
Sarah (Sally) Anderson	10:00 a.m. to 2:30 p.m.
Diana Bell	Absent
Alicia Berhow	Absent
Michelle Brough	Absent
Donald Driftmier	10:00 a.m. to 2:30 p.m.
Herschel Elkins	10:00 a.m. to 2:30 p.m.
Laurence (Larry) Kaplan	10:00 a.m. to 2:30 p.m.
Louise Kirkbride	Absent
Kitak (K.T.) Leung	10:00 a.m. to 2:30 p.m.
Manuel Ramirez	10:00 a.m. to 2:30 p.m.
David Swartz	10:00 a.m. to 2:30 p.m.

Staff and Legal Counsel

Rich Andres, Information Technology Staff
Patti Bowers, Executive Officer
Dominic Franzella, Chief, Licensing Division
Lauren Hersh, Information and Planning Manager
Rafael Ixta, Chief, Enforcement Division
Kari O'Connor, Board Relations Analyst
Deanne Pearce, Assistant Executive Officer

Other Participants

Jason Fox, California Society of Certified Public Accountants (CalCPA)
Reyanna Garcia, Department of Consumer Affairs (DCA), Strategic Planning Unit
Joe Petito, The Accountants Coalition
Tom Roy, DCA, Strategic Planning Unit
Hal Schultz, CalCPA
Jeannie Tindel, CalCPA

I. Welcome, Introductions and Agenda Overview.

President Oldman introduced Mr. Roy and Ms. Garcia from DCA Strategic Planning Unit as the facilitators of the CBA Strategic Planning Workshop.

II. Overview 2010-2012 CBA Strategic Plan Accomplishments.

Mr. Roy provided a brief overview of the goals and objectives achieved from the 2010-2012 CBA Strategic Plan.

III. Develop 2013-2015 CBA Strategic Plan.

1. Review Responses and Develop Environmental Scan.

Mr. Roy provided an overview of the Environmental Scan Responses received from CBA members, committee members, and CBA staff.

2. Review Current CBA Mission Statement, Vision and Values.

CBA members determined that no changes to the mission and vision statements were necessary. The mission and vision statements from the 2010-2012 CBA Strategic Plan will be used in the 2013-2015 CBA Strategic Plan. CBA members updated and added two new values to the Strategic Plan. The values agreed upon by CBA members include: Integrity, Quality and Professionalism, Transparency, Initiative, Respect, Accountability, Teamwork, and Consumer Protection.

3. Review and Update Goals.

CBA members reviewed the current goals in the 2010-2012 CBA Strategic Plan and after deliberation CBA members kept the six staff recommended goals which include: Enforcement, Customer Service, Licensing, Outreach, Emerging Technologies, and Laws and Regulations. CBA members added "Succession Planning" as the seventh goal in the 2013-15 CBA Strategic Plan.

4. Review and Update Objectives.

CBA members created new objectives to coincide with the updated and new goals for the 2013-2015 CBA Strategic Plan.

IV. Public Comments for Items Not on the Agenda.

No public comments were received.

Adjournment

President Oldman adjourned the meeting at 2:30 p.m. on Wednesday, July 25, 2012.

_____ Marshal A. Oldman, Esq., President

_____ Michael M. Savoy, CPA, Secretary/Treasurer

Kari O'Connor, Board Relations Analyst, and Patti Bowers, Executive Officer, prepared the CBA Strategic Plan Workshop minutes. If you have any questions, please call (916) 561-1718.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**CPC Item I.**

September 20, 2012

CBA Item XI.C.

September 20-21, 2012

CALIFORNIA BOARD OF ACCOUNTANCY (CBA)
COMMITTEE ON PROFESSIONAL CONDUCT (CPC)
MINUTES OF THE MEETING

DRAFT

May 25, 2012

The Hilton Pasadena
168 South Los Robles Avenue
Pasadena, CA 91101
Telephone: (626) 577-1000
Facsimile: (626) 584-3148

CALL TO ORDER

Michael Savoy, Chair, called the meeting of the Committee on Professional Conduct (CPC) to order at 10:37 a.m. Mr. Savoy requested that the role be called.

Present

Michael M. Savoy, Chair
Sarah (Sally) Anderson
Herschel T. Elkins
Leslie LaManna
David Swartz

Not Present

Donald Driftmier
Louise Kirkbride

CBA Members Observing

Diana Bell
Laurence (Larry) Kaplan
Manuel Ramirez

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer
Deanne Pearce, Assistant Executive Officer
Rich Andres, Information Technology Staff
Veronica Daniel, Licensing Manager
Paul Fisher, Supervising Investigative CPA

Dominic Franzella, Chief, Licensing Division
Rafael Ixta, Chief, Enforcement Division
Nick Ng, Administration Manager
Kari O'Connor, Executive Analyst
Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs
Carl Sonne, Deputy Attorney General, Department of Justice
Matthew Stanley, Legislation/Regulation Analyst

Other Participants

Cheryl Gerhardt, Chair, Enforcement Advisory Committee
Jonathan Ross, KP Public Affairs
Hal Schultz, California Society of CPAs (CalCPA)
Jeannie Tindel, CalCPA

I. Approve Minutes of the March 23, 2012 CPC Meeting

It was moved by Mr. Elkins, seconded by Ms. LaManna and carried unanimously to approve the minutes of the March 23, 2012 CPC meeting.

II. Discussion on Initiating a Rulemaking to Amend Title 16, California Code of Regulations Sections 80, 80.1, 80.2, 81, 87, 87.1, 87.8, 87.9, 88, 88.1, and 89.

Mr. Franzella presented an overview of this item, which included the proposed regulatory language to modify the requirements for continuing education (CE). Mr. Franzella stated the modified language would incorporate seven standards from the joint *Statement on Standards for Continuing Professional Education Programs* issued jointly by the American Institute of CPAs and National State Board of Accountancy. He also stated that additional changes were being proposed to specify CE requirements for CPAs renewing an expired license and improve the overall clarity of Article 12. Staff recommended that the CBA approve the draft regulations, including any necessary revisions, and direct staff to initiate the rulemaking process.

Mr. Schultz suggested that proposed CBA Regulation Section 88.2(c)(2)(5) (Attachment 1) be revised to remove the 90% passing score on a test for a CE course designed pursuant to CBA Regulation Section 87(b), the Ethics CE requirement. He explained that the new paragraph (4) would apply to all courses with the exception of the two hour regulatory review course which would continue to require a 90% passing score.

Mr. Ross concurred with Mr. Schultz's suggestion. Mr. Ross further raised concern with the proposed addition of certain course subject areas being excluded from qualifying for the four hour ethics CE requirement, specifically courses covering the following subject areas: [sexual harassment, workplace harassment or workplace violence.]

Ms. Anderson inquired as to why the language was added to Section 87.

Mr. Franzella explained that it was added because historically we have not accepted those courses covering this area for meeting the Ethics CE requirement. Mr. Franzella Indicated the reason for not accepting these subject areas was because they do not directly relate to the practice of public accountancy.

Ms. Shellans explained that these courses are not considered ethics for the profession, but instead are California laws. Ms. Shellans noted that when dealing with the profession itself, it is licensees project themselves as a professional in regards to practice and ethical decisions licensees make.

Ms. Anderson inquired whether the CBA is the only agency that does not recognize these courses for ethics requirements.

Ms. Shellans stated that there are many agencies that she works with that do not recognize these courses for ethics requirements.

Mr. Ross questioned whether the CBA could include language that states that those subjects could be a part of the class but not the focus of the class.

Mr. Savoy stated that the CBA's focus is on the regulatory ethics. He indicated his satisfaction with the proposed language.

It was moved by Mr. Swartz, seconded by Ms. LaManna and carried unanimously to eliminate Section 88.2(c)(2)(5) from the proposed changes, recommend the CBA approve the remaining proposed language and direct staff to initiate the rulemaking process.

III. Discussion Regarding the CBA's Requirements for Maintaining Adequate Security for Claims Against an Accountancy Corporation (CBA Regulation 75.8).

Mr. Stanley gave an overview of this item and informed the CPC that Ric Rosario, President and CEO of CAMICO will be present at the CBA meeting on May 25, 2012. Staff recommended, and the CPC concurred, that the item be deferred to the CBA for action.

IV. Public Comments

No Public Comments were received

V. Agenda Items for Next Meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 11:13 a.m.



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**SPC Item I.**

September 20-21, 2012

CBA Item XI.D.

September 20-21, 2012

**STRATEGIC PLANNING COMMITTEE
 MINUTES OF THE MEETING**

March 23, 2012

DRAFT

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

CALL TO ORDER

Manuel Ramirez, Chair, called the meeting of the Strategic Planning Committee (SPC) to order at 8:31 a.m. Mr. Ramirez requested that the roll be called.

Present

Manuel Ramirez, Chair
 Larry Kaplan
 David Swartz

CBA Members Observing

Sally Anderson
 Diana Bell
 Donald Driftmier
 Hershel Elkins
 Louise Kirkbride
 Leslie LaManna
 Marshal Oldman
 Michael Savoy

CBA Staff and Legal Counsel

Rich Andres, Information Technology Staff
 Patti Bowers, Executive Officer
 Veronica Daniel, Manager, Initial Licensing & Practice Privilege Unit
 Paul Fisher, Supervising Investigative CPA
 Dominic Franzella, Chief, Licensing Division
 April Freeman, Enforcement Analyst
 Rafael Ixta, Chief, Enforcement Division
 Kari O'Connor, Executive Analyst
 Deanne Pearce, Assistant Executive Officer
 Michele Santaga, Enforcement Analyst
 Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs
 Carl Sonne, Deputy Attorney General, Department of Justice
 Matthew Stanley, Legislation/Regulation Analyst

Other Participants

John Ams, National Society of Accountants
Nancy Corrigan, CPA, Jeffery, Corrigan & Shaw LLP
Jason Fox, CalCPA
Jon Ross
Jeannie Tindel, CalCPA

I. Discussion on the Role of the SPC and Review of the CBA Member Guidelines and Procedures Manual

Ms. O'Connor presented suggested language to incorporate the SPC into the CBA Guidelines and Procedures Manual.

It was moved by Mr. Ramirez, seconded by Mr. Swartz and unanimously carried by those present that the CBA approve the proposed language to include the SPC in the CBA Guidelines and Procedures Manual.

II. Discussion on the Methodology to be Used to Develop the 2013-2015 CBA Strategic Plan

Ms. O'Connor presented information regarding various methods previously used to develop the CBA Strategic Plan.

It was moved by Mr. Swartz, seconded by Mr. Kaplan and unanimously carried by those present to develop the 2013-2015 Strategic Plan using the method which involves CBA members voluntarily participating to draft the Strategic Plan in collaboration with CBA staff.

III. Discussion on Future Meeting Dates for the SPC and Plan Development

Ms. O'Connor presented proposed meeting dates for the development of the 2013-2015 CBA Strategic Plan.

It was moved by Mr. Kaplan, seconded by Mr. Swartz and unanimously carried by those present to accept the proposed meeting dates for the development of the 2013-2015 Strategic Plan and directed staff to work with CBA members to determine if there is any scheduling conflicts with the proposed workshop dates.

IV. Update on 2010-2012 CBA Strategic Plan

Ms. O'Connor provided an information update on the current status of the objectives from the current CBA Strategic Plan.

There were no comments.

V. Public Comments

There were no public comments.

VI. Agenda Items for Next Meeting.

No agenda items were identified.

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Department of Consumer Affairs
California Board of Accountancy

CBA Item XI.E.
September 20-21, 2012

Minutes of Meeting
April 25, 2012
CPA Qualifications Committee

California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA

The regularly scheduled meeting of the Certified Public Accountant (CPA) Qualifications Committee (QC) of the California Board of Accountancy (CBA) was called to order at approximately 10:00 a.m. on April 25, 2012 by QC Chair, Fausto Hinojosa.

QC Members Present

Fausto Hinojosa, Chair
Maurice Eckley, Jr., Vice-Chair
Carlos Aguila
Jenny Bolsky
Gary Bong
Brian Cates
Lewis Fisher
Michael Haas
Charles Hester
Kristina Mapes
Robert Ruehl
Jeremy Smith
James Woyce

Board Liaison Present

Diana Bell

Staff Present

Judy Bartucco, Licensing Technician
Veronica Daniel, Licensing Manager
Dominic Franzella, Licensing Chief
Stephanie Hoffman, Licensing Coordinator
Deanne Pearce, Assistant Executive Officer
Vicky Thornton, Licensing Coordinator

QC Members Absent

Alan Lee
Casandra Moore Hudnall
Ash Shenouda

I. CHAIRPERSON'S REPORT

Fausto Hinojosa, introduced and welcomed the CBA Board Liaison Diana Bell and new QC Member Lewis Fisher. The members were also updated on the staffing changes for the Licensing Division, noting that Dominic Franzella is now the Chief of Licensing and Veronica Daniel is now the Initial Licensing Unit Manager.

- A. Approval of the January 25, 2012, QC Meeting Minutes.

It was moved by Kris Mapes, seconded by Charles Hester and unanimously carried by those present to adopt the minutes of the January 25, 2012 QC Meeting.

- B. 1. Minutes of the January 26-27, 2012 CBA Meeting.

Copies of the meeting minutes were provided to the QC members for reference purposes.

2. Update on the March 22-23, 2012 CBA Meeting.

The members were informed that the CBA opted-out of the International Qualifications Exam, and also that the CBA is moving forward with the rulemaking process to amend the continuing education requirements for applicants applying for CPA licensure with stale dated experience or as a reissuance.

The members asked about the CBA's discussion regarding the issue of Safe Harbor. Ms. Bell explained the CBA's position. The QC members requested a copy of the proposed language regarding Safe Harbor.

II. REPORT ON ACTIVITIES IN THE INITIAL LICENSING UNIT (ILU)

The QC was provided the ILU report, which included a breakdown of the number of applications received by license type, processing timeframes and the number of licenses issued under each pathway. The report also included the number of firm applications received and processing timeframes for those applications. The numbers reported were for the time period of January 2012 through March 2012.

III. FURTHER DISCUSSION AND EDUCATIONAL PRESENTATION RELATED TO CBA REGULATION SECTION 69 AND PERSONAL APPEARANCES

Mr. Franzella provided background information and an overview of: what the QC had discussed at the January meeting regarding the letters sent to employers and applicants, the opening and closing statements for use during appearances, and changes in the worksheet of substantiation of qualifying experience.

The members discussed additional changes to the letters, the opening and closing statements and the worksheet and offered final suggestions prior to circulation.

IV. PRESENTATION ON THE NEW EDUCATION REQUIREMENTS FOR CPA LICENSURE SET TO TAKE EFFECT JANUARY 1, 2014

Mr. Franzella provided a Power Point presentation outlining the new educational requirements for CPA licensure.

V. PUBLIC COMMENT

None.

VI. AGENDA ITEMS FOR FUTURE CPA QUALIFICATIONS COMMITTEE MEETINGS

- Approval of April 25, 2012 QC minutes.
- Selection Process for Section 69 reviews and personal appearances.
- Review of the Certificate of Experience form.
- Allowing a designee to appear at a Section 69 review instead of employer.

VII. CONDUCT CLOSED HEARINGS [Closed session in accordance with Government Code Section 11126(c)(2) and (f)(3), and Business and Professions Code Section 5023 to conduct closed hearings to interview individual applicants for CPA licensure].

C12-007 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant has 18.75 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.

C12-008 Applicant and her employer appeared and presented workpapers for her public accounting experience. Applicant has 24 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. However, the Certificate of Attest Experience was not properly completed.

Recommendation: Upon receipt by the CBA of an updated and correct experience form the applicant will be approved for licensure.

The firm is placed on reappearance status.

C12-009 Applicant and his employer appeared and presented workpapers for his public accounting experience. He has 212 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

C12-010 Applicant appeared and presented workpapers for his government accounting experience. Applicant has 28.75 months of experience with a 24- month experience requirement.

The material provided did not contain full set of financial statements and management representation letter. The documentation was inadequate and did not demonstrate satisfactory knowledge of current standards and pronouncements.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must provide a full set of financial statements and management representation letter to be reviewed by the Qualification Committee. Once the CBA receives the requested documents, they will be forwarded to QC members for review and a determination will then be made regarding the applicant's experience. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted.

C12-011 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant has 47 months of experience with a 24 month experience requirement.

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. The work was adequate to support licensure.

Recommendation: Approve

The following Section 69 reviews and personal appearances took place on May 2, 2012, and are made a part of these minutes.

C10-008 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve applicant for licensure, however, because the firm has minimal exposure to audits, the firm is placed on reappearance status.

C11-029 Applicant appeared and presented workpapers for his non-public accounting experience. Applicant has 41.25 months of experience with a 12 month experience requirement.

The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve

C12-012 Applicant appeared with two separate employers and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed had no deficiencies noted, however the hours were exclusively review hours for one employer and limited, minimal audit hours for the second employer.

The workpapers did not reflect experience 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 requirement for authorization to sign attest reports, the applicant must obtain additional audit or audit equivalent work experience. Applicant may provide an additional Certificate of Attest Experience from another employer to the QC for review. Any new experience must be obtained under the supervision of a licensee authorized to sign reports on attest engagements and an affirmative Certificate of Attest Experience must be submitted. A determination will then be made as to whether or not he will be required to reappear with work papers for the Committee's review.

One firm is placed on reappearance status.

C12-013 Applicant appeared with his employer and presented workpapers for his public accounting experience. Applicant has 76.5 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 applicant for licensure. However, due to the heavy reliance on review hours, the firm is placed on reappearance status.

C12-014 Applicant and his employer appeared and presented workpapers for his public accounting experience. Applicant is currently licensed with general experience.

The work reviewed was complete and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve applicant for licensure, however, because of the low number of audit hours documented on the Certificate of Attest Experience, the firm is placed on reappearance status.

ADJOURNMENT

There being no further business to be conducted, the meeting was adjourned at 3:45 P.M. on April 25, 2012. The next meeting of the CPA Qualifications Committee will be held on August 1, 2012.

Fausto Hinojosa, Chair

Prepared by Vicky Thornton, Licensing Coordinator

There being no further business, the meeting was adjourned at 8:44 a.m.



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ENFORCEMENT ADVISORY COMMITTEE MINUTES OF MEETING

CBA Item XI.F.
 September 20-21, 2012

May 3, 2012

The Radisson Hotel LAX
 6225 West Century Blvd.
 Los Angeles, CA 90045

FINAL

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 May 3, 2012.

Enforcement Advisory Committee

Cheryl Gerhardt, Chair	9:00 a.m. – 5:00 p.m.
James Rider, Vice Chair	9:00 a.m. – 5:00 p.m.
Joseph Buniva, Committee Member	9:00 a.m. – 5:00 p.m.
Gary Caine, Committee Member	Absent
Mary Rose Caras, Committee Member	9:00 a.m. – 5:00 p.m.
Jeffrey De Lyser, Committee Member	9:00 a.m. – 5:00 p.m.
Robert A. Lee, Committee Member	9:00 a.m. – 5:00 p.m.
Mervyn McCulloch, Committee Member	9:00 a.m. – 5:00 p.m.
James Petray, Committee Member	Absent
Seid Sadat, Committee Member	9:00 a.m. – 5:00 p.m.
Michael Schwarz, Committee Member	Absent

Staff and Legal Counsel

Paul Fisher, Supervising Investigative CPA
 Rafael Ixta, Enforcement Chief
 Kay Lewis, Investigative CPA
 Marla Weitzman, Investigative CPA
 Allison Nightingale, Enforcement Secretary
 Jesus Silva, Enforcement Analyst
 Vincent Johnson, Enforcement Analyst
 Carl Sonne, DAG

II. REVIEW ENFORCEMENT FILES ON INDIVIDUAL LICENSEES

The EAC adjourned into closed session under provisions of Government Code Section 11126(c)(2) and Business and Professions Code Section 5020.

EAC members convened into closed session at 9:01 a.m. and reconvened into open session at 10:30 a.m.

III. REPORT OF THE COMMITTEE CHAIR

A. Approval of the Minutes of the February 2, 2012 EAC Meeting

Following review, it was moved by Mr. Rider, seconded by Mr. Lee, and unanimously carried to approve the minutes of the February 2, 2012 EAC meeting.

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

B. Report of the March 22-23, 2012 CBA Meeting

Ms. Gerhardt attended the March 22-23, 2012 CBA meeting held in Burlingame. Items discussed included a discussion about the role of the Enforcement Program Oversight Committee (EPOC). Department of Consumer Affairs (DCA) legal staff stated that the CBA members should not be involved in directing investigations.

Ms. Gerhardt also reported on the Uniform CPA Exam being offered in foreign countries. She reported that CBA members decided that California will not participate in the International delivery of the Uniform CPA Exam (iExam) Program.

IV. REPORT OF THE ENFORCEMENT CHIEF

Prior to presenting his report, Mr. Ixta reported that there is currently a vacancy for an Investigative Certified Public Accountant (ICPA) position in the Enforcement Unit because Fred Ly, ICPA, accepted a position with the California Public Utilities Commission. Mr. Ixta also stated that he will be conducting interviews the following week.

A. Enforcement Case Activity and Aging Report

The Enforcement Case Activity and Aging Report for the period April 1, 2011 to March 31, 2012 was provided in the agenda packets.

Mr. Ixta reported that there are 398 investigations pending. The average age of these pending cases are 253 days.

B. Citation and Fine Activity Report

The Citation and Fine Activity Report for the period July 1, 2011 through April 20, 2012 was provided in the agenda packets.

C. Reportable Events Report

The Reportable Events Report was provided in the agenda packets. Mr. Ixta reported that the Enforcement staff has been asked by the CBA to report on an annual basis how many investigations resulted from reportable activities and the outcome.

D. Results of 2nd Quarter Performance Measures Report to DCA

The results from the DCA Performance Measures Report for the period October 1, 2011 through December 31, 2011 was provided in the agenda packets.

V. OTHER BUSINESS

A. Report of the March 22, 2012 Legislative Committee Meeting

Mr. Ixta reported on Assembly Bill (AB) 1345 regarding Local Government Audits. The bill was introduced by Assembly Member Lara and is sponsored by the State Controller Office. AB 1345 would require that a local agency not employ an accounting firm if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for each of the six previous fiscal years. The CBA took an oppose position on the bill.

B. Report of the March 23, 2012 Committee on Professional Conduct Meeting

Mr. Ixta reported about discussion on initiating rulemaking to amend the Continuing Education (CE) requirement for CPA license reissuance and for CPA licensure applicants with experience obtained more than five years prior to application. Mr. Ixta also reported that the increase in CE will help ensure consumer protection by requiring 80 hours of CE for persons entering or re-entering the practice of public accountancy.

C. Report of the March 22, 2012 Enforcement Program Oversight Committee Meeting

Mr. Ixta reported that there was a discussion on the role of the EPOC and the role of the EAC. DCA legal was present at the meeting and stated that she identified potential overlap of the role of the EPOC and EAC.

D. Report of the March 23, 2012 Strategic Planning Committee Meeting

Mr. Ixta reported that there was discussion on the role of the Strategic Planning Committee (SPC) for inclusion in the CBA Member Guidelines and Procedures (G & P) Manual. It was discussed that the SPC's role is to assist the CBA in the development and implementation of the CBA Strategic Plan by assisting with and overseeing the development of the CBA Strategic Plan, reviewing progress on completing goals and objectives outlined in the CBA Strategic Plan, and report updates to the CBA on a yearly basis, on the progress of the Strategic Plan.

VI. PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

There were no public comments offered during the meeting.

VII. CONSIDER DISCIPLINARY ACTION AGAINST INDIVIDUAL ACCOUNTANTS

[Closed session as authorized by Government Code Sections 11126(c)(2) and (f)(3) and Business and Professions Code Section 5020 conducted after the general meeting to interview individual accountants and to consider possible disciplinary action against accountants prior to the filing of an accusation.]

VIII. ADJOURNMENT

The next EAC Meeting is scheduled for July 12, 2012 at the CBA office in Sacramento.

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

Cheryl Gerhardt, Chair
Enforcement Advisory Committee

Prepared by: Allison Nightingale, Enforcement Secretary



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

CBA Item XI.G.
 September 20-21, 2012

**MINUTES OF THE
 JUNE 15, 2012
 PROC MEETING**

San Jose Marriott
 301 South Market Street
 San Jose, CA 95113
 Telephone: (408) 280-1300

<u>PROC Members:</u>	<u>June 15, 2012</u>
Nancy Corrigan, Chair	9:35 a.m. – 3:00 p.m.
Katherine Allanson	9:35 a.m. – 3:00 p.m.
Gary Bong	Absent
T. Ki Lam	9:35 a.m. – 12:00 p.m.
Sherry McCoy	9:35 a.m. – 3:00 p.m.
Robert Lee	9:35 a.m. – 3:00 p.m.
Seid M. Sadat	9:35 a.m. – 3:00 p.m.

Staff:

Rafael Ixta, Chief, Enforcement Division
 April Freeman, Peer Review Analyst
 Rich Andres, Information Technology Staff

Other Participants:

Linda McCrone, California Society of Certified Public Accountants (CalCPA)
 Jeannie Tindel, CalCPA
 Janice Gray, National Association of State Boards of Accountancy (NASBA), Compliance Assurance Committee (CAC)

I. Roll Call and Call to Order.

Nancy Corrigan, Chair, called the meeting of the Peer Review Oversight Committee (PROC) to order at 9:35 a.m.

II. Report of the Committee Chair.

A. Approval of April 20, 2012 Minutes.

Nancy Corrigan asked if members had any changes or corrections to the minutes of the April 20, 2012 PROC meeting. No changes were made.

It was motioned by Robert Lee, seconded by Seid Sadat, and unanimously carried by those present to adopt the minutes of the April 20, 2012 PROC meeting.

B. Report on the May 24-25, 2012 CBA Meeting.

Ms. Corrigan stated that her report to the CBA included highlights from Jim Brackens' presentation at the April 20, 2012 PROC meeting. She reported to the CBA that approximately 90% of peer reviews in California are administered by CalCPA and approximately 10% are administered by the National Peer Review Committee (NPRC). She further explained to the CBA that the PROC will be determining the level of oversight needed for California-licensed firms that have their peer reviews administered by other state societies or by a state using their own peer review program. Ms. Corrigan made the CBA aware that other states have inconsistent peer review oversight, and that NASBA and the CAC are working towards nationwide consistency.

Ms. Corrigan reported that the PROC continues to work on revisions to their roles and responsibilities which will go back to the CBA in July 2012. She also invited CBA members to attend PROC meetings when available.

C. Discussion and Possible Action to Recommend to CBA the Appointment of a Committee Person as Vice Chair for PROC.

Ms. Corrigan explained that the CBA decided that the PROC should have a Vice Chair. It is important for the PROC to have a succession plan and also to have a back-up in the event the Chair is unavailable. She also explained that PROC members have been reappointed for one-year terms in order to bring future PROC reappointments in line with other CBA committee reappointments.

Ms. Corrigan requested that members who are interested in the Vice Chair position or wish to nominate another PROC member as the Vice Chair should notify her no later than Friday, June 29, 2012. She will then make a recommendation to the CBA Vice President for appointment at the July 26, 2012 CBA meeting.

Ms. Corrigan suggested that she may select 2-3 Vice Chairs, serving consecutive one year terms, then she will make a recommendation to appoint one of the Vice Chairs to assume the Chair position.

III. Report on PROC Activities.

A. Report on the February 16, 2012 Administrative Site Visit at the CalCPA.

Sherry McCoy stated that the written report of the February 16, 2012 Administrative Site Visit to CalCPA has been completed. She expressed appreciation for CalCPA's openness during the visit and encouraged PROC members to think about ideas for rotating the focus of future administrative site visits.

B. Report on the April 26, 2012 CalCPA Peer Review Committee Meeting.

Ms. McCoy reported on her attendance at a CalCPA Peer Review Committee (PRC) meeting. She relayed a sense of camaraderie and getting everyone on the same page, especially with recurring issues.

Ms. Corrigan wants to make sure all PROC members are exposed to a PRC meeting in the future.

C. Report on the May 8, 2012 American Institute of Certified Public Accountants' (AICPA) Peer Review Board Meeting.

Ki Lam stated the members were very active and had a good discussion. Seid Sadat added that the discussion was highly technical and members are on top of the issues.

D. Report on the May 17, 2012 CalCPA Report Acceptance Body (RAB) Meeting.

Mr. Sadat stated he went to the CalCPA Glendale office to review the RAB materials prior to the meeting. The meeting was more insightful with the documents. He raised the issue of a 6-7 person firm that performed 120 compilations and 18 reviews in a specialized industry, and only two engagements were selected for review.

PROC members questioned their role when they observe these types of situations. They asked if they should ask questions as long as it doesn't interfere with the meeting.

Linda McCrone stated they are allowed to ask questions. Janice Gray added that they are encouraged to ask questions because the questions may have validity. She further recommended that they accept the answer given during the meeting and deal with any larger issues later with either the program director or the committee chair.

Rafael Ixta reminded members that while observing RAB meetings they should keep in mind that the minimum standards, as outlined in Title 16, California Code of Regulations Section 48, should always be their guide in determining if the program is in compliance with CBA peer review requirements.

E. Report on the May 23, 2012 CalCPA Peer Reviewer Training.

Ms. Lam stated that the peer reviewer training course provided a lot of information and the trainer was very knowledgeable and willing to answer follow-up questions after class.

Katherine Allanson stated it was an excellent class. She stated half the class time was dedicated to case studies and practical samples which she enjoyed. She added that there was a lot of interaction.

F. Assignment of Future PROC Activities.

Ms. Corrigan made/confirmed the following assignments:

- July 24, 2012 2 p.m. CalCPA RAB Meeting – Reassigned from Katherine Allanson to Sherry McCoy.
- August 8, 2012 AICPA Peer Review Board (PRB) Meeting – Seid Sadat
- October 11, 2012 AICPA PRB Meeting – Gary Bong & Ki Lam
- November 15-16, 2012 CalCPA PRC Meeting – Katherine Allanson & Robert Lee

Mr. Ixta stated that the August PROC meeting will be held in Sacramento, the October meeting in Burbank, and the December meeting might be changed to Sacramento. He added that any meetings currently scheduled on Fridays might need to be rescheduled if a 4-day work week is implemented in July due to budget cuts.

IV. Discussion Regarding the National Peer Review Committee (NPRC).

A. Presentation by the NASBA CAC Regarding Oversight of the NPRC.

Ms. Corrigan introduced Janice Gray, the Chair of NASBA's CAC. Ms. Gray began by stating that her presentation is made on behalf of NASBA, not the AICPA or her position as a member of the Oklahoma Board of Accountancy. She began with a history of the CAC including the fact that it includes one regulatory seat which is typically filled by a state board member.

Ms. Gray also gave a history of the NPRC which includes two seats filled by NASBA representatives that report back to NASBA and the CAC. She explained how the NPRC's technical review and report acceptance processes include the NASBA representatives, as well as gave statistics on how many reports were accepted by a team including one of the NASBA representatives. One of the NASBA representatives has expressed confidence that States can rely on NASBA's oversight of the NPRC.

Ms. Gray stated that the next third-party review of the NPRC will be completed in the next few months. The review will be conducted by a different reviewer and the report will be made public.

The CAC will continue to encourage every State to have an active PROC. This will provide assurance to all States that the peer review program is working effectively. She reiterated that States without a PROC have oversight of their peer review program by the AICPA and the state society.

Ms. Gray stated that the CAC will always consider suggestions from State PROCs and that the purpose of the CAC is to assist State PROCs. She mentioned that California could have representation on the CAC. She requested that CBA staff provide NASBA with names of former CBA members for consideration of appointment to the CAC. She also clarified that their appointment and role on the CAC would be to represent NASBA and not the CBA.

Ms. Allanson questioned how a PROC should balance the educational and consumer protection elements of peer review. Ms. Gray explained that the Oklahoma Board looks closely at all peer reviews with a fail and pass with deficiencies rating. Their board has the ability to take action above and beyond any corrective action order by the state society.

She added that the Oklahoma PROC reviews corrective actions ordered by the state society to determine if they are appropriate and if the actions will help to correct the problems outlined in the peer review report. The Oklahoma PROC can also refer cases to their enforcement program. At that point, they send out an investigator to review the firm independently without relying on the peer review.

Ms. Gray stated that the CAC would like every State PROC to follow up on corrective actions.

Mr. Sadat questioned how many State PROCs provide direct oversight of the NPRC. Ms. Gray responded that no State PROC oversees NPRC directly. Ms. Gray further stated that the NPRC in its current form is relatively new and State PROCs are still getting familiar with the role of the NPRC. Also, the CAC is requesting States to allow

sufficient time for the CAC to provide its oversight activities of the NPRC and report back to the State PROCs.

Ms. Gray explained that Oklahoma requires peer review for reviews and audits only. Licensees who perform compilations are required to complete four hours of continuing education annually in lieu of a peer review.

Staff will request NASBA to conduct a Quick Poll to determine if other states require a peer review for firms that perform compilations as their highest level of work.

B. Discussion and Possible Action Regarding Oversight of the NPRC Administration of the AICPA Peer Review Program.

Ms. Corrigan requested feedback from PROC members on how to proceed with oversight of the NPRC. Mr. Ixta suggested they consider the following options:

- Provide direct oversight to the NPRC.
- Delegate oversight of the NPRC to NASBA's CAC by monitoring the CAC's oversight activities and actively participating in the CAC's oversight process.

Ms. McCoy requested that they investigate the feasibility of attending the CAC's meetings via teleconference. Mr. Lee suggested ensuring that the PROC obtain copies of the CAC's oversight reports. Ms. Corrigan agreed and added that the PROC should also obtain CAC's oversight statistics on a regular basis.

Mr. Ixta suggested preparing a letter to the CAC outlining how the PROC would like to proceed in monitoring the CAC's oversight of the NPRC.

She stated the CAC has 3-4 teleconference meetings per year and one face-to-face meeting.

It was motioned by Seid Sadat, seconded by Katherine Allanson, and unanimously carried by those present to direct staff to prepare a letter to the CAC requesting transparency in their oversight of the NPRC, including but not limited to, providing the PROC with copies of all oversight reports and statistics, and being permitted to participate in all teleconference meetings of the CAC.

V. Reports and Status of Peer Review Program.

A. Statistics of Licensees Who Have Reported Their Peer Review Information to the CBA.

April Freeman reported that as of May 16, 2012, over 35,000 peer review reporting forms have been submitted to the CBA. The reporting forms are categorized as follows:

Licenses Ending in 01-33

Peer Review Required	2,231
Peer Review Not Required (firms)	4,216
Peer Review Not Applicable (non-firms)	15,429

Licenses Ending in 34-66

Peer Review Required	986
Peer Review Not Required (firms)	2,698
Peer Review Not Applicable (non-firms)	9,927

PROC members requested that each group of licensees be totaled and corresponding reporting due dates be added. Members also requested updates on the peer review citations and the reporting form verifications.

B. Status of Correspondence to Licensees Regarding Peer Review Reporting and Updates to License Renewal Application.

Ms. Freeman advised members that approximately 21,000 peer review notification letters will be mailed to the third group of licensees in July 2012.

C. Status of PROC Roles and Responsibilities Activity Tracking.

Ms. Freeman stated that the chart has been updated to capture recently attended activities and upcoming events.

D. Draft Table of Contents for 2012 PROC Annual Report.

Ms. Freeman stated that the draft table of contents is exactly as it was in the PROC's 2011 Annual Report. Unless members have changes to the table of contents, it will be used to begin developing the PROC's 2012 Annual Report.

Members requested that the 2011 Annual Report be made available to them at the next meeting so that they may begin making updates.

VI. Discussion and Possible Action On Making Recommendations for Displaying Peer Review Information on the CBA's Website.

Mr. Ixta stated that at the last meeting, the PROC discussed posting peer review information on the CBA website. He gave an overview of what information the CBA's license look-up feature currently includes. The website also advises consumers to ask for a copy of their firm's most recent peer review.

Mr. Ixta stated that reading the minutes of the CBA meetings, the CBA never intended for peer review information to be made public. He further stated that there would be several policy issues to overcome, including legal issues and the current moratorium on database changes to the Consumer Affairs System (CAS) pending implementation of the BreZE System.

Staff researched ten other states and found that only Nevada posts peer review information on its website. Nevada only posts the year that peer review compliance is required.

Mr. Ixta asked if the PROC wanted to make a recommendation to the CBA on whether or not to display peer review information on the website. PROC members questioned whether the CBA would be amenable to posting any information.

Jeannie Tindel encouraged the PROC to go back to the CBA for a policy discussion. She stated that publishing peer review information will have a negative effect on the program. She added that peer review is not an indicator of future performance and agreed that the public should be advised to ask for a firm's peer review.

Mr. Ixta stated that the PROC should take the issue to the CBA for policy discussion, but it needs to be able to articulate exactly what information should be posted and why.

Ms. Allanson believes the PROC should get guidance from CBA before further developing the issue to post peer review information on the CBA website. She does not want to devote additional time if the CBA will not change its policy.

Mr. Ixta suggested the following options:

1. Present the information to the CBA during the PROC report at the next CBA meeting; or,
2. Prepare an issue paper for the next PROC meeting to articulate the PROC's recommendation to the CBA.

Staff will also request NASBA to conduct a Quick Poll to determine what, if any, information is posted by other states.

PROC members agreed to move forward with option two and have staff prepare an issue paper for discussion at the August PROC meeting.

VII. Discussion and Possible Action Regarding Recommendations for Change to the PROC's Roles and Responsibilities.

Ms. Corrigan reminded members that the PROC roles and responsibilities are being revised at the request of the CBA. She explained that the revised roles and responsibilities were created using the statutes and regulations, whereas the original roles and responsibilities were taken from a document adopted by the CBA in 2008.

She stated that the revised roles and responsibilities more accurately reflect the oversight activities currently being performed by the PROC.

It was motioned by Robert Lee, seconded by Seid Sadat, and unanimously carried by those present to adopt the revised PROC roles and responsibilities.

VIII. Educational Presentation on California Practice Privilege Requirements.

Mr. Ixta presented information to the PROC regarding the requirements of the California Practice Privilege Program. He stated there is no requirement that individuals provide peer review information prior to receiving a practice privilege permit. The program began in 2006, before peer review was mandatory in California. He added that legislation would be necessary to change the practice privilege requirements to require that individuals provide peer review results prior to practicing in California.

According to Ms. Tindel, in early 2012, CalCPA performed a survey of 2,500 active practice privilege holders in California. Of the 718 responses received, 39% performed audits or reviews and virtually all were licensed in states that require peer review.

Mr. Ixta added that to be eligible for practice privilege, the individual must be licensed in a state that is considered to have education and experience requirements equivalent to that of California.

Mr. Lee believes that individuals should have to show proof of peer review to receive a practice privilege permit.

Ms. Gray added that in Texas and Oklahoma, you must show proof of a peer review in order to provide services to companies owned in those states.

Staff will request a NASBA Quick Poll to determine if other states require a peer review for out-of-state licensees.

IX. Discussion of Title 16 California Code of Regulations Section 40(b) Regarding Peer Review Due Dates.

Ms. Corrigan requested that this item be tabled to the August 24, 2012 meeting and that PROC members be provided with Linda McCrone's paper concerning issues with changes in entity.

X. Discussion and Possible Action Regarding Suggestions for Addressing the Length of Time it Takes to Complete the Peer Review Process (2011 PROC Annual Report Item).

Ms. Corrigan reminded members that the PROC 2011 Annual Report included an item for future consideration to determine if there is a way to shorten the length of the peer review process.

Mr. Ixta stated that the PROC has learned a lot about the peer review process in the past year. He asked if the PROC still wanted to look into this issue.

Ms. Allanson believes the length of time it takes to get a peer review is okay. The peer reviewers are working as hard as they can, and most of the time the delay is due to the firm being peer reviewed. She suggested we track the length of time it takes to complete a peer review. Mr. Ixta requested that CalCPA report back to the PROC with timeframes for peer review completion. Ms. McCrone stated she would check to see what statistics they have available.

XI. Future Agenda Items.

Agenda items for future meetings:

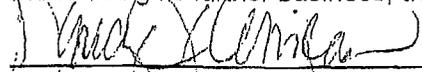
- Publicizing peer review information
- Discussion of 18-month rule, mergers and dissolutions (CCR Section 40)
- Development of the 2012 PROC Annual Report
- Letter to NASBA CAC regarding NPRC oversight
- Follow-up on peer review citations and reporting form verifications
- Status of failed peer review trends
- Quick Poll results
- 2013 meeting calendar
- Peer review record retention

XII. Public Comment for Items Not on the Agenda.

None

XIII. Adjournment.

There being no further business, the meeting was adjourned at 3:00 p.m.


Nancy J. Corrigan, Chair

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



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CBA Item XII.B.2.
September 20-21, 2012

Proposed Responses to NASBA Focus Questions

Presented By: Kari O'Connor, Board Relations Analyst

Date: August 17, 2012

Purpose of the Item

The purpose of this agenda item is to provide proposed responses on behalf of the the California Board of Accountancy (CBA) to NASBA regarding practice and regulatory issues impacting the accountancy profession. (**Attachment**)

Action(s) Needed

The CBA will be requested to either approve, or direct staff to make changes to, the proposed responses.

Background

Attached for your information are draft responses to NASBA Regional Directors' Focus Questions, which were issued on August 2, 2012. These responses have been prepared for Raymond Johnson, Pacific Regional Director, and are due to Mr. Johnson by October 9, 2012.

Comments

Staff has been informed that the quarterly Focus Questions are used to help NASBA regional directors stay apprised of each state's policies and procedures, and to see where improvements or adjustments might be made. The eight regional directors review the states' answers and then present their findings to NASBA.

Fiscal/Economic Impact Considerations

This item does not have a fiscal/economic impact.

Recommendation

These draft responses to the Focus Questions were prepared by CBA staff from the Enforcement, Licensing, and Administration Divisions.

Attachment

NASBA Quarterly Focus Questions

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

August 2, 2012

To: State Board Chairs, Members and Executive Directors
From: Ted Lodden - Chair, Committee on Relations with Member Boards
Re: Focus Questions

As Chair of the Committee on Relations with Member Boards, I would like to thank you for your participation at NASBA's Regional Meetings and your assistance with our past Focus Questions. Your continued support helps keep NASBA an organization that responds to its member boards, or put another way: "Mission Driven – Member Focused."

I hope you are all making plans to attend NASBA's Annual Meeting, October 28-31 in Orlando, FL, and the Forum of International Accounting Regulators, which will immediately follow it on October 31-November 1. In the meantime, please do not hesitate to call your Regional Director to discuss the following questions or any other issues you feel NASBA should consider. We look forward to hearing from you.

Sincerely,

Ted Lodden

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tal@brookslodden.com

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Great Lakes Director – **Kim Tredinnick** Fax: (608) 249-1411 Phone: (608) 240-2318
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Middle Atlantic Director – **Miley ("Bucky") W. Glover** Fax: (704) 289-3439
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Alabama, Florida, Georgia, Kentucky, Mississippi, Puerto Rico, Tennessee, Virgin Islands

Southwest Director – **Janice L. Gray** Fax: (405) 364-3771 Phone: (405) 360-5533, ext. 103
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Arkansas, Louisiana, New Mexico, Oklahoma, Texas

REGIONAL DIRECTORS' FOCUS QUESTIONS

The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. Please send your Board's responses to your Regional Director by October 9, 2012. Use additional sheets for your responses if needed.

**JURISDICTION California Board of Accountancy (CBA) DATE August 21, 2012
NAME OF PERSON SUBMITTING FORM Kari O'Connor**

1. (a) In the last three years, what organizations have been your Board's top three referral sources of disciplinary cases? (State Society? HUD? SEC? etc.) (b) About how many cases have been referred by each of these in the last year?

(a) In the past three years, the top three organizations that have made referral to the CBA that resulted in disciplinary action are the California Department of Justice (CA DOJ), the Public Company Accounting Oversight Board (PCAOB) and the Securities and Exchange Commission (SEC).

(b) In the past year, the CA DOJ has filed 130 referrals, the PCAOB has filed 4 referrals, and the SEC has filed 2 referrals.

2. (a) Can a community college in your state provide sufficient accounting/business courses (excluding principles or introductory accounting courses) to enable an individual holding a baccalaureate in drama, for example, to qualify to sit for the Uniform CPA Examination or for licensure as a CPA? (b) If so, are there qualifications the community college must meet to have its accounting and business courses acceptable to the Board?

(a) Yes, an individual holding a non-accounting degree can complete all 24 semester units of accounting and 24 semester units of business-related subjects at a California community college.

(b) The community college must be regionally or nationally accredited.

3. (a) What services can a "CPA-Inactive" or "CPA-Retired" perform as a volunteer for a charity in your jurisdiction? (b) Does it matter if those services are done for compensation or pro bono? If so, please explain.

(a) In general, a CPA-Inactive and a CPA-Retired are not allowed to practice public accountancy.

(b) Business and Professions Code section 5051 defines the practice of public accountancy. This section states that activities detailed in subsection (a), (c), or (e) are not deemed to be in the practice of public if they are performed without compensation. Section 5051 states:

Except as provided in Sections 5052 and 5053, a person shall be deemed to be engaged in the practice of public accountancy within the meaning and intent of this chapter if he or she does any of the following:

- (a) Holds himself or herself out to the public in any manner as one skilled in the knowledge, science, and practice of accounting, and as qualified and ready to render professional service therein as a public accountant for compensation.
- (b) Maintains an office for the transaction of business as a public accountant.
- (c) Offers to prospective clients to perform for compensation, or who does perform on behalf of clients for compensation, professional services that involve or require an audit, examination, verification, investigation, certification, presentation, or review of financial transactions and accounting records.
- (d) Prepares or certifies for clients reports on audits or examinations of books or records of account, balance sheets, and other financial, accounting and related schedules, exhibits, statements, or reports that are to be used for publication, for the purpose of obtaining credit, for filing with a court of law or with any governmental agency, or for any other purpose.
- (e) In general or as an incident to that work, renders professional services to clients for compensation in any or all matters relating to accounting procedure and to the recording, presentation, or certification of financial information or data.
- (f) Keeps books, makes trial balances, or prepares statements, makes audits, or prepares reports, all as a part of bookkeeping operations for clients.
- (g) Prepares or signs, as the tax preparer, tax returns for clients.
- (h) Prepares personal financial or investment plans or provides to clients products or services of others in implementation of personal financial or investment plans.
- (i) Provides management consulting services to clients. The activities set forth in subdivisions (f) to (i), inclusive, are "public accountancy" only when performed by a certified public accountant or public accountant, as defined in this chapter.

A person is not engaged in the practice of public accountancy if the only services he or she engages in are those defined by subdivisions (f) to (i), inclusive, and he or she does not hold himself or herself out, solicit, or advertise for clients using the certified public accountant or public accountant designation. A person is not holding himself or herself out, soliciting, or advertising for clients within the meaning of this section solely by reason of displaying a CPA or PA certificate in his or her office or identifying himself or herself as a CPA or PA on other than signs, advertisements, letterhead, business cards, publications directed to clients or potential clients, or financial or tax documents of a client.

5052. Nothing in this chapter shall apply to any person who as an employee, independent contractor, or otherwise, contracts with one or more persons, organizations, or entities, for the purpose of keeping books, making trial balances, statements, making audits or preparing reports, all as a part of bookkeeping operations, provided that such trial balances, statements, or reports

are not issued over the name of such person as having been prepared or examined by a certified public accountant or public accountant.

Nothing contained in this chapter shall affect, limit or be construed as affecting or limiting the rights of any public accountant who met the requirements of prior statutes and who was registered with the board as a public accountant on or before December 31, 1955.

5053. Nothing contained in this chapter precludes a person who is not a certified public accountant or public accountant from serving as an employee of, or an assistant to, a certified public accountant or public accountant or partnership or a corporation composed of certified public accountants or public accountants holding a permit to practice pursuant to this chapter if the employee or assistant works under the control and supervision of a certified public accountant, or a public accountant authorized to practice public accountancy pursuant to this chapter and if the employee or assistant does not issue any statement over his or her name. This section does not apply to an attorney at law in connection with his or her practice of law.

4. What is happening in your jurisdiction that is important for other State Boards and NASBA to know?

New Requirements for CPA Licensure

As noted in the CBA's response to the NASBA focus questions from March 2012, beginning January 1, 2014 the educational requirements for CPA licensure will change dramatically. Applicants will need to demonstrate completion of 150 semester units, including 30 semester units beyond the presently required 24 semester units of accounting subjects and 24 semester units of business-related subjects. The additional education will be comprised of 20 semester units of accounting study and 10 semester units of ethics study. The CBA is continuing its efforts to achieve widespread dissemination of information to licensure and examination applicants, licensees, students, faculty, and colleges and universities both in California and out-of-state as the new education requirements will have a profound effect on all parties involved.

Legislation

At its July meeting, the CBA adopted a Support Position on SB 1405. This bill eliminates the notice and fee requirements of practice privilege effective July 1, 2013 and reinstates them on January 1, 2019, unless the legislature decides to extend the program. The Legislature's decision will be based, in part, on a report prepared by the CBA on the consumer protections provided by this new program and whether or not other state boards timely address referrals by the CBA and the outcomes of those investigations.

SB 1405 authorizes out-of-state licensees to do certain audit and review services through a firm licensed in California. It requires a practice privilege holder to cease practice and notify the CBA if certain conditions apply, and CBA authorization would be required to resume practice. The bill would require individuals who have met any of certain criteria within the prior seven years to give notification to the CBA regarding their intent to practice and would require CBA authorization to practice prior to commencing practice in California. This bill authorizes the

CBA to revoke a practice privilege under certain circumstances including specified disqualifying conditions. If the practice privilege is revoked, the bill requires the CBA to notify the individual's licensing boards and other entities. The bill allows the CBA to administratively suspend a practice privilege for specified reasons.

SB 1405 also requires the CBA to add information to its website in order to expedite a consumers' ability to find information regarding the license status of practice privilege holders.

5. Are there any issues with which NASBA can help your Board?

NASBA is in the unique position of having the attention of college and university accounting programs in every state. The CBA website, www.cba.ca.gov, contains a wealth of information regarding the new educational requirements and distributing this information on a national level would go a long way toward ensuring as many applicants, students, faculty, and colleges and universities as possible are informed of the impending changes to California's CPA licensure requirements.

6. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

Input only from Board Chair

Input only from Executive Director

Input only from Board Chair and Executive Director

Input from all Board Members and Executive Director

Input from some Board Members and Executive Director

Input from all Board Members

Input from some Board Members

Other (please explain):



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CBA Item XIII.C.
September 20-21, 2012

Press Release Focus

Presented by: Deanne Pearce, Assistant Executive Officer

Date: September 6, 2012

Purpose of the Item

The purpose of this agenda item is to 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.

Action(s) Needed

No specific action is required on this agenda item

Background

There have been eight press releases since the July 2012 CBA meeting; one post-meeting press release announcing the changes to peer review reporting and seven enforcement actions. In addition, a press advisory notifying the media of the September meeting is scheduled to be sent out September 17, 2012.

Comments

None.

Fiscal/Economic Impact Considerations

None.

Recommendation

Staff recommendation will be made at the time of this presentation.

Attachments

1. News Release
2. Enforcement Action News Release



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NEWS RELEASE

Attachment 1

CALIFORNIA BOARD OF ACCOUNTANCY ADOPTS CHANGES TO PEER REVIEW REPORTING

New rules to enhance compliance by tying reporting deadlines to license renewals

SACRAMENTO – The California Board of Accountancy (CBA) has approved changes to regulations that it expects will further protect consumers through mandatory peer review reporting by California CPAs. The CBA took action following a public hearing during its meeting in Sacramento on Thursday, July 26.

Among the changes:

- Synchronize the peer review reporting date with a licensee's renewal date.
- Emphasize that any firm performing specific services for the first time must complete a peer review within 18 months of completing those services.
- Address reporting requirements for new licensees and licensees not previously subject to peer review.
- Address reporting requirements beyond July 1, 2013.

CBA President Marshal Oldman said as peer review becomes a permanent component of regulation, it is common sense to require licensees to report their peer review at the same time they renew their licenses. "It's an easy date for licensees to remember, they should be in the habit of responding to us for license renewal and it saves everyone time and expense. Most importantly, better compliance will translate into better consumer protection."

The changes are expected to go into effect January 1, 2014, and replace the initial phase-in of the peer review reporting program. Peer review was enacted in 2009, and made permanent by the statute in 2011.

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.

For immediate news updates via email, subscribe to CBA's E-News at <https://www.cba.ca.gov/forms/enews>.

More information about the California Board of Accountancy is available at www.cba.ca.gov

Sent to business@latimes.com (Los Angeles Times) on
September 4, 2012

Sterling Blair Abernathy, La Verne, CA (CPA 46384); Vispi Bahadur Shroff, Canyon Country, CA (CPA 49525); Anthony Tiongson, Cerritos, CA (CPA 16032); Nelson S. Vinson, West Covina, CA (California Practice Privilege) have been disciplined by the California Board of Accountancy. Please utilize the attached links to the California Board of Accountancy's Web page to access details of these enforcement actions. 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 these enforcement actions.

http://www.dca.ca.gov/cba/discipline/decisions/index_a.shtml#795
http://www.dca.ca.gov/cba/discipline/decisions/index_s.shtml#777
http://www.dca.ca.gov/cba/discipline/decisions/index_t.shtml#694
http://www.dca.ca.gov/cba/discipline/decisions/index_v.shtml#533

Sent to business@ocregister.com (Orange County Register) on September 4, 2012

Patrick D. Dugan and Dugan & Associates, CPA, Huntington Beach, CA (CPA 49647; FNP 1122) and Frank M. Gruber, Garden Grove, CA (CPA 72571) have been disciplined by the California Board of Accountancy. Please utilize the attached links to the California Board of Accountancy's Web page to access details of these enforcement actions. 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 these enforcement actions.

http://www.dca.ca.gov/cba/discipline/decisions/index_d.shtml#702
http://www.dca.ca.gov/cba/discipline/decisions/index_g.shtml#818

Sent to business@mercurynews.com (San Jose Mercury News) on
September 4, 2012

Michael J. Byrd, Saratoga, CA (CPA 46019) 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_b.shtml#698