



DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY  
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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
PUBLIC MEETING NOTICE FOR THE TASKFORCE TO EXAMINE EXPERIENCE  
FOR CPA LICENSURE (TASKFORCE), ENFORCEMENT PROGRAM OVERSIGHT  
COMMITTEE (EPOC), LEGISLATIVE COMMITTEE (LC) AND CBA MEETINGS**

**DATE:** Thursday, May 23, 2013

**TASKFORCE MEETING**

**TIME:** 9:00 a.m.

**COMMITTEE MEETING (EPOC)**

**TIME:** 1:30 p.m.

**COMMITTEE MEETING (LC)**

**TIME:** 2:30 p.m.

**CBA MEETING**

**TIME:** 3:30 p.m. to 5:00 p.m.

**DATE:** Friday, May 24, 2013

**CBA MEETING**

**TIME:** 9:00 a.m. to 1:30 p.m.

**PLACE: Hilton Pasadena**  
**168 S. Los Robles Avenue**  
**Pasadena, CA 91101**  
**Telephone: (626) 577-1000**  
**Fax: (626) 584-3148**

Enclosed for your information is a copy of the agendas for the Taskforce, EPOC, LC and CBA meetings on May 23-24, 2013. For further information regarding these meetings, please contact:

Kari O'Connor, Board Relations Analyst  
(916) 561-1716 or [kari.o'connor@cba.ca.gov](mailto:kari.o'connor@cba.ca.gov)  
California Board of Accountancy  
2000 Evergreen Street, Suite 250  
Sacramento, CA 95815

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

**The next CBA meeting is scheduled for July 25, 2013 in Northern California.**

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 [kari.o'connor@cba.ca.gov](mailto:kari.o'connor@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)  
 TASKFORCE TO EXAMINE EXPERIENCE FOR CPA LICENSURE (Taskforce)**

**TASKFORCE MEETING  
 AGENDA**

**Thursday, May 23, 2013  
 9:00 a.m.**

**Hilton Pasadena  
 168 S. Los Robles Avenue  
 Pasadena, CA 91101  
 Telephone: (626) 577-1000  
 Fax: (626) 584-3148**

	<u><b>CBA Item #</b></u>
Roll Call and Call to Order ( <b>Manuel Ramirez, Chair</b> ).	
I. Introduction of Members Selected to the Taskforce ( <b>Manuel Ramirez</b> ).	I.B.
II. Discussion Regarding the Taskforce Purpose and Goal ( <b>Manuel Ramirez</b> ).	X.C.2.
III. Overview of Taskforce-Related Resource Materials ( <b>Kathryn Kay, CBA Staff</b> ).	X.C.3.
IV. History and Overview of the Present CPA Licensure Requirements ( <b>Dominic Franzella, Licensing Chief</b> ).	X.C.4.
V. Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16 California Code of Regulations Sections 12 and 12.5 ( <b>Dominic Franzella</b> ).	X.C.5.
VI. Future Meeting Dates ( <b>Kathryn Kay</b> ).	X.C.6.
VII. Agenda Items for Next Meeting.	
VIII. Public Comments.*	
Adjournment	

Action may be taken on any item on the agenda. In accordance with the Bagley-Keene Open Meetings Act, all meetings of the Taskforce 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 Taskforce prior to the Taskforce taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the Taskforce. Individuals may appear before the Taskforce to discuss items not on the agenda; however, the Taskforce 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 Taskforce may be attending the meeting. However, if a majority of members of the full board are present at the Taskforce meeting, members who are not members Taskforce may attend the meeting only as observers.



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**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
 ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC)**

**EPOC MEETING  
 AGENDA  
 Thursday, May 23, 2013  
 1:30 p.m.**

**Hilton Pasadena  
 168 S. Los Robles Avenue  
 Pasadena, CA 91101  
 Telephone: (626) 577-1000  
 Fax: (626) 584-3148**

**CBA Item #**

- |      |   |        |
|------|---|--------|
|      | Roll Call and Call to Order ( <b>Alicia Berhow, Chair</b> ).  |        |
| I.   | Approve Minutes of the March 21, 2013 EPOC Meeting<br>( <b>Alicia Berhow</b> ).   | XI.D.  |
| II.  | Discussion and Possible Action Regarding Proposed Revisions to the<br>Manual of Disciplinary Guidelines and Model Disciplinary Orders<br>( <b>Rafael Ixta, Enforcement Chief</b> ). | X.A.2. |
| III. | Public Comments.*   |        |
| IV.  | Agenda Topics 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 EPOC 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 EPOC prior to the EPOC taking any action on said item. Members of the public will be provided appropriate opportunities to comment on any issue before the EPOC. Individuals may appear before the EPOC to discuss items not on the agenda; however, the EPOC 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 EPOC may be attending the meeting. However, if a majority of members of the full board are present at the EPOC meeting, members who are not members EPOC may attend the meeting only as observers.



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

**LC MEETING  
 AGENDA**

**Thursday, May 23, 2013**

**2:30 p.m.**

**Or Upon Adjournment of the  
 Enforcement Program Oversight Committee**

**Hilton Pasadena  
 168 S. Los Robles Avenue  
 Pasadena, CA 91101  
 Telephone: (626) 577-1000  
 Fax: (626) 584-3148**

	<b><u>CBA Item #</u></b>
Roll Call and Call to Order ( <b>Larry Kaplan, Chair</b> ).	
I. Approve Minutes of the March 21, 2013 LC Meeting ( <b>Larry Kaplan</b> ).	XI.C.
II. Update on Legislation Which the CBA Has Taken a Position.	
A. AB 186 – Professions and Vocations: Military Spouses: Temporary Licenses.	X.B.2.a.
B. AB 291 – California Sunset Review Commission.	X.B.2.b.
III. Consideration of Positions on Legislation.	X.B.3.a-j.
A. AB 258 – State Agencies: Veterans.	
B. AB 376 – Regulations: Notice.	
C. AB 1057 – Professions and Vocations: Military Status.	
D. AB 1151 – Tax Agent Registration.	
E. AB 1420 – State Government: State Agencies: Reports.	
F. SB 176 – Administrative Procedures.	

G. SB 305 – Healing Arts: Boards.

H. SB 822 – Professions and Vocations.

I. SB 823 – Accountancy: Licensure.

J. AB 132 – Personal Income Taxes: Retirement Plans: Early Distributions.

- IV. Report on 2013 Legislation Being Monitored by CBA (AB 12, AB 186, AB 258, AB 291, AB 292, AB 376, AB 393, AB 555, AB 653, AB 771, AB 772, AB 827, AB 866, AB 887, AB 894, AB 1013, AB 1017, AB 1057, AB 1114, AB 1151, AB 1219, AB 1420, SB 207, SB 305, SB 417, SB 532, SB 690, CBA 742, SB 822, and SB 823). X.B.4.
- V. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice. X.B.5.
- VI. Discussion and Possible Action on a Legislative Proposal to Amend Business and Professions Code Section 5087 Regarding Reciprocity of License From Another State (**Dominic Franzella, Licensing Chief**). X.B.6.
- VII. Public Comments\*
- VIII. Agenda Items for Next Meeting.

Adjournment

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

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

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



- B. Recommendations for Appointment(s)/Reappointment(s) to the Qualifications Committee (QC).
  - C. Recommendations for Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee (PROC).
- 4:15-4:30 p.m. III. Report of the Secretary/Treasurer (**K.T. Leung**).
- A. Discussion of Governor's Budget.
  - B. Fiscal Year 2012-13 Third Quarter Financial Statement.
- 4:30 p.m. IV. 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, and Proposed Decisions).
- May 24, 2013**  
9:00 a.m. V. Pursuant to Government Code Section 11126(e), the CBA Will Meet In Closed Session to Receive Advice from Counsel on Litigation (*David Greenberg v. Leslie LaManna, et al., Orange County Superior Court, Case No. 30-2013-00635372-CU-NP-CJC.*)
- 9:30 – 9:45 a.m. VI. Regulations.
- A. Discussion and Possible Action to Amend Previously Proposed Text at Title 16, California Code of Regulations Section 70 Regarding Fees.
- 9:45-10:00 a.m. VII. Report of the Executive Officer (EO) (**Patti Bowers**).
- A. Update on Staffing.
  - B. Update on CBA 2013-2015 Communications and Outreach Plan (Written Report Only).
- 10:00-10:15 a.m. VIII. Report of the Licensing Chief (**Dominic Franzella**).
- A. Report on Licensing Division Activity.
- 10:15 -11:00 a.m. IX. Report of the Enforcement Chief (**Rafael Ixta**).
- A. Enforcement Activity Report.
- 11:00 a.m.-12:30 p.m. X. Committee and Task Force Reports.
- A. Enforcement Program Oversight Committee (EPOC) (**Alicia Berhow, Chair**).

1. Report of the May 23, 2013 EPOC Meeting.
2. Discussion and Possible Action Regarding Proposed Revisions to the Manual of Disciplinary Guidelines and Model Disciplinary Orders.

B. Legislative Committee (LC) (**Larry Kaplan, Chair**).

1. Report of the May 23, 2013 LC Meeting.
2. Update on Legislation Which the CBA Has Taken a Position.
  - a. AB 186 – Professions and Vocations: Military Spouses: Temporary Licenses.
  - b. AB 291 – California Sunset Review Commission.
3. Consideration of Positions on Legislation.
  - a. AB 258 – State Agencies: Veterans.
  - b. AB 376 – Regulations: Notice.
  - c. AB 1057 – Professions and Vocations: Military Service.
  - d. AB 1151 – Tax Agent Registration.
  - e. AB 1420 – State Government: State Agencies: Reports.
  - f. SB 176 – Administrative Procedures.
  - g. SB 305 – Healing Arts: Boards.
  - h. SB 822 – Professions and Vocations.
  - i. SB 823 – Accountancy: Licensure.
  - j. AB 132 – Personal Income Taxes: Retirement Plans: Early Distributions.
4. Report on 2013 Legislation Being Monitored by CBA (AB 12, AB 186, AB 258, AB 291, AB 292, AB 376, AB 393, AB 555, AB 653, AB 771, AB 772, AB 827, AB 866, AB 887, AB 894, AB 1013, AB 1017, AB 1057, AB 1114, AB 1151, AB 1219, AB 1420, SB 207, SB 305, SB 417, SB 532, SB 690, SB 742, SB 822, and SB 823).

5. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.
6. Discussion and Possible Action on a Legislative Proposal to Amend Business and Professions Code Section 5087 Regarding Reciprocity of License From Another State (**Dominic Franzella, Licensing Chief**).

C. Taskforce to Examine Experience for CPA Licensure (Taskforce) (**Manuel Ramirez, Chair**).

1. Report of the May 23, 2013 Taskforce Meeting.
2. Discussion Regarding the Taskforce Purpose and Goal.
3. Overview of Taskforce-Related Resource Materials.
4. History and Overview of the Present Licensure Requirements.
5. Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16 California Code of Regulations Sections 12 and 12.5.
6. Future Meeting Dates.

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

No Report.

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

1. Report of the May 2, 2013 EAC Meeting.

F. Qualifications Committee (QC) (**Maurice Eckley, Chair**).

1. Report of the April 24, 2013 QC Meeting.

12:30-12:45 p.m. XI. Acceptance of Minutes.

- A. Draft Minutes of the March 21-22, 2013 CBA Meeting.
- B. Minutes of the March 21, 2013 LC Meeting.

C. Minutes of the March 21, 2013 EPOC Meeting.

D. Minutes of the January 23, 2013 QC Meeting.

E. Minutes of the January 31, 2013 EAC Meeting.

12:45 – 1:00 p.m.

XII. Other Business.

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

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

1. Update on NASBA Committees.

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

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

2. Nominations for NASBA Board of Directors.

1:00-1:30 p.m.

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 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 II.B.**  
May 23-24, 2013

## **Recommendations For Appointment(s)/Reappointment(s) to the Qualifications Committee (QC)**

**Presented by:** Michael Savoy, Vice President

**Date:** April 30, 2013

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### **Purpose of the Item**

The purpose of this agenda item is to recommend that Erin Sacco Pineda, CPA, (**Attachment 1**) be appointed as a member to the Qualifications Committee (QC).

### **Action Needed**

It is requested that the CBA adopt the recommendation.

### **Background**

The QC assists the CBA in its licensure activities by reviewing the experience of applicants for licensure and making recommendations to the CBA. This responsibility includes conducting work paper reviews, with the applicant or the employer present, to verify that the responses provided are reflective of the requisite experience for licensure.

### **Comments**

Prior to making a decision to recommend Ms. Pineda for appointment to the QC, I took steps in evaluating Ms. Pineda to determine whether her skills and experience would fit the needs of the QC.

I consulted with both the Chair of the QC, Maurice Eckley, Vice Chair of the QC, Kris Mapes, as well as CBA Executive Officer, Patti Bowers, to discuss Ms. Pineda's qualifications. Mr. Eckley and Ms. Mapes interviewed Ms. Pineda and after a review of her experience, believed her appointment would benefit the QC.

Additionally, I reviewed Ms. Pineda's professional work experience to ensure that with her appointment, the committee has a sufficient variety of expertise to carry out its mandated activities. A matrix identifying the present members and areas of expertise is included as **Attachment 2**.

As with all appointment recommendations, I conferred with Ms. Bowers to verify that the potential appointee has met the appropriate requirements for license renewal, including

## **Recommendations For Appointments/Reappointments to the Qualifications Committee**

Page 2

continuing education requirements and peer review (if subject). A check was also made to ensure there are no pending enforcement actions.

### **Fiscal/Economic Impact**

None.

### **Recommendation**

I recommend, in consultation with Mr. Eckley, CPA and Chair of the QC, Ms. Mapes, CPA and Vice Chair of the QC, to appointment Erin Sacco Pineda, CPA; to the QC.

### **Attachments**

1. Erin Sacco Pineda's Curriculum Vitae
2. California Board of Accountancy Qualifications Committee (QC) Skill Matrix



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**CBA Item II.C.**  
May 23-24, 2013

**Recommendations For Appointment(s)/Reappointment(s) to the  
Peer Review Oversight Committee (PROC)**

**Presented by:** Michael Savoy, Vice President

**Date:** May 1, 2013

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**Purpose of the Item**

The purpose of this agenda item is to recommend the following members (**Attachments 1-5**) be reappointed to the Peer Review Oversight Committee (PROC):

- Katherine Allanson, CPA
- Nancy Corrigan, CPA
- Robert Lee, CPA
- Sherry McCoy, CPA
- Seid M. Sadat, CPA

**Action Needed**

It is requested that the CBA adopt the recommendation.

**Background**

The PROC assists the CBA in an advisory capacity in its oversight of the Peer Review Program. The committee ensures that Board-recognized peer review program providers administer peer reviews in accordance with standards, evaluates applications to become a Board-Recognized Peer Review Program Provider, collects and analyzes statistical monitoring and reporting data from each Peer Review Provider on an annual basis, and prepares an Annual Report to the CBA regarding the results of its oversight.

At the May 2012 CBA meeting, CBA members expressed concern regarding PROC member term expiration dates and that the CBA would have significant loss of institutional knowledge should all the members' terms expire on or near the same date. The CBA directed staff, for purposes of succession planning, to create varying term expiration dates for PROC members.

**Comments**

At the November 2012 CBA meeting, two members were rotated off the PROC to create vacancies to allow new members to be appointed. A new member was appointed in March 2013 and a vacancy remains, which the CBA is actively recruiting for. The CBA will continue this process in the future to create varying member term expiration dates.

## **Recommendations For Appointment(s)/Reappointment(s) to the Peer Review Oversight Committee**

Page 2

To ensure that the PROC maintains a quorum to conduct business, I recommend reappointing Ms. Allanson, Ms. Corrigan, Mr. Lee, Ms. McCoy and Mr. Sadat to a two-year term. Pursuant to Business and Professions Code 5076.1(c), all appointments to the PROC must be made in two-year terms.

For all appointments to a committee, I work with the current chair to discuss knowledge and skills to ensure that the appointment(s) will contribute to the committee's function and enable it to carry out its mandated activities.

I also confer with the CBA's Executive Officer to verify that the potential appointees have met the appropriate requirements for license renewal, including continuing education requirements and peer review (if subject). A check is also made to ensure there are no pending enforcement actions.

For current members who are being reappointed, I review prior attendance records and review the evaluations that are completed annually by the present chair of the committee. The evaluation requests feedback in the areas of interpersonal skills, communications, leadership, attendance, preparedness, technical, and participation. Prior to making a decision to recommend these members for reappointment to the PROC, I performed all the steps previously mentioned.

I believe Ms. Allanson, Ms. Corrigan, Mr. Lee, Ms. McCoy, and Mr. Sadat have exhibited a high level of professionalism during the performance of their duties and have demonstrated the skills and knowledge to serve on the PROC, which will allow the PROC to assist the CBA with its oversight of the Peer Review Program.

### **Fiscal/Economic Impact**

This item does not have a fiscal/economic impact.

### **Recommendation**

I recommend, in consultation with Ms. Corrigan, CPA and Chair of the PROC, that Ms. Allanson, Ms. Corrigan, Mr. Lee, Ms. McCoy, and Mr. Sadat be reappointed to the PROC for two years.

### **Attachments**

1. Katherine Allanson's Curriculum Vitae
2. Nancy Corrigan's Curriculum Vitae
3. Robert Lee's Curriculum Vitae
4. Sherry McCoy's Curriculum Vitae
5. Seid M. Sadat's Curriculum Vitae



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**CBA Item II.C.**  
May 23-24, 2013

**Recommendation For Appointment(s)/ Reappointment(s) to the  
Peer Review Oversight Committee (PROC)**

**Presented by:** Michael Savoy, Vice President

**Date:** May 2, 2013

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**Purpose of the Item**

The purpose of this agenda item is to recommend that Nancy Corrigan, CPA, (**Attachment**) be reappointed as Chair to the Peer Review Oversight Committee (PROC).

**Action Needed**

It is requested that the California Board of Accountancy (CBA) adopt the recommendation.

**Background**

At the May 2012 CBA meeting, members reappointed Ms. Corrigan as Chair of the PROC for one year. CBA members requested that Ms. Corrigan appoint a Vice Chair to the PROC for the purpose of succession planning.

At the July 2012 CBA meeting, then CBA Vice President Leslie LaManna, in consultation with Ms. Corrigan, appointed PROC member Robert Lee, CPA, to serve as Vice Chair for one year. It was Ms. Corrigan's intent to work with the Vice President and recommend a new Vice Chair for the PROC in July 2013.

**Comments**

Reappointing Ms. Corrigan as Chair of the PROC for another year will provide additional opportunity for her to mentor a new Vice Chair and provide the CBA with multiple candidates to select from when choosing a new Chair. Allowing Ms. Corrigan to serve an additional year in this leadership role will permit the PROC to continue its important work providing oversight of mandatory peer review as it completes its final phase of implementation.

**Fiscal/Economic Impact**

This item does not have a fiscal/economic impact.

**Recommendation**

I recommend the reappointment of Ms. Corrigan as Chair of the PROC for one year.

**Attachment**

Nancy Corrigan's Curriculum Vitae



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**CBA Item III.B.**  
May 23-24, 2013

## **Fiscal Year 2012-13 Third Quarter Financial Statement**

**Presented by:** K.T. Leung, CPA, Secretary/Treasurer

**Date:** May 23, 2013

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### **Purpose of the Item**

The purpose of this agenda item is to provide California Board of Accountancy (CBA) members the third quarter financial report, which gives an overview of year-to-date 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. Third Quarter Financial Statement – Narrative
2. Third Quarter Financial Statement – Statistics
3. CBA Budget Allocation History
4. CBA Total Revenue and Expenditures

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2012-13**  
**THIRD QUARTER FINANCIAL STATEMENT - NARRATIVE**  
(for period of 7/01/12 through 3/31/13)



**DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENT**

**BUDGET**

No budget changes have occurred since the mid-year statement was presented at the March meeting. The May Revision to the Governor's Budget will be presented in mid-May after the distribution of this financial report. Staff will closely monitor the proposal to determine any impacts to the CBA.

**REVENUES/TOTAL RECEIPTS**

During the third quarter of fiscal year (FY) 2012-13, the CBA collected approximately \$7.7 million in total receipts. Overall, this is approximately the same amount of revenues received the prior year. Penalties and fines continue to reflect an increase in enforcement citations due to peer review reporting deficiencies.

**EXPENDITURES**

Rising healthcare costs contributed to an approximate 14 percent increase in health benefits although salary expenses remained relatively constant. The rates for these benefits are not dependent on an employee's salary and are negotiated by the providers and state every year. Costs can vary for each employee depending on which plan he/she chooses and how many dependents he/she has. State retirement costs have increased by approximately 12.2 percent. The state contributions vary every year based on CalPERS' projections and market conditions.

Increases in printing and postage costs reflected in the third quarter report are a result of printing and mailing hard-copies of the UPDATE publication, peer review notification mail outs and increased cite and fine mailings.

The consultant and professional service external expenses represent a 90 percent decrease over the previous year. Two remaining contracts will expire at the end of FY 2012-13. It is anticipated that the CBA will only enter into one expert consultant contract for FY 2013-14 to address an ongoing investigative case. Expert consultant contract usage has decreased significantly due to the fact that the Enforcement Division is fully staffed with investigative certified public accountants.

Consolidated data services have increased due to the CBA's migration to the State of California's new California Email Service (CES). CES is one of the State of California's first Information Technologies (IT) projects to implement the IT consolidation directives mandated by Assembly Bill 2408 (Chapter 404, Statutes of 2010). Costs include one-time set up fees, enhanced technical features, service uptime guarantees, as well as integrated Blackberry device support. Costs associated with this line item are anticipated to reduce since the initial costs have already been paid.

**CALIFORNIA BOARD OF ACCOUNTANCY  
FISCAL YEAR 2012-13  
THIRD QUARTER FINANCIAL STATEMENT  
PAGE 2**

Enforcement litigation costs show a 34 percent decrease. During the first nine months of FY 2011-12, the CBA resolved several high profile cases in which Attorney General billings were almost double prior year costs.

**RESERVES**

The CBA ended the third quarter with 16.6 months in Reserve (MIR). Total expenditures slightly exceed revenue by about \$34,000, however approximately \$655,000 of cost recovery reimbursements have added to the Reserve.

**CALIFORNIA BOARD OF ACCOUNTANCY**  
**FISCAL YEAR 2012-13**  
**Third Quarter Financial Statement**  
(for period of 7/1/12 through 3/31/12)

**ATTACHMENT 2**

	FY 2012-13 Received/Expended 7/01/12 - 3/31/13 (9 months ) [9]	FY 2011-12 Received/Expended 7/01/11 - 3/31/12 (9 months ) [9]	% Change FY 2012-13 to FY 2011-12 (A:B)	FY 2012-13 Annual Governor's Budget 7/01/12 - 6/30/13 (12 months) [10]	FY 2012-13 Receipts/Expenditures Over/Under Budget (D:A)	FY 2012-13 Annual Projections (12 months) [11]
<b>RECEIPTS</b>						
<b>Revenues:</b>						
Renewals [1]	4,520,482	4,694,955	-3.7%	5,904,082	-23.4%	5,504,499
Examination Fees	2,123,876	2,130,576	-0.3%	3,013,691	-29.5%	2,971,200
Licensing Fees	706,050	687,501	2.7%	955,900	-26.1%	977,583
Practice Privilege Fees	130,700	140,850	-7.2%	183,300	-28.7%	168,838
Miscellaneous [2]	40,443	43,088	-6.1%	57,084	-29.2%	55,305
Monetary Sanctions [3]	0	0	NA	0	NA	0
Penalties and Fines	162,650	50,653	221.1%	75,740	114.7%	226,867
<b>Total Revenues</b>	<b>7,684,201</b>	<b>7,747,623</b>	<b>-0.8%</b>	<b>10,189,797</b>	<b>-24.6%</b>	<b>9,904,291</b>
<b>Interest</b>	<b>22,000</b>	<b>24,211</b>	<b>NA</b>	<b>0</b>	<b>NA</b>	<b>41,621</b>
<b>TOTAL NET RECEIPTS</b>	<b>7,706,201</b>	<b>7,771,834</b>	<b>-0.8%</b>	<b>10,189,797</b>	<b>-24.4%</b>	<b>9,945,912</b>
<b>EXPENDITURES:</b>						
<b>Personal Services:</b>						
Salaries & Wages	3,192,970	3,219,085	-0.8%	4,296,285	-25.7%	4,258,519
<b>Benefits:</b>						
Health Insurance	469,466	412,161	13.9%	803,381	-41.6%	625,955
Other Insurance and Miscellaneous	158,279	145,249	9.0%	74,111	113.6%	211,039
State Retirement	587,549	523,440	12.2%	814,340	-27.8%	873,399
Social Security	184,761	188,474	-2.0%	298,071	-38.0%	246,348
<b>Total Benefits [4]</b>	<b>1,400,055</b>	<b>1,269,324</b>	<b>10.3%</b>	<b>1,989,903</b>	<b>-29.6%</b>	<b>1,866,740</b>
<b>TOTAL PERSONAL SERVICES:</b>	<b>4,593,025</b>	<b>4,488,409</b>	<b>2.3%</b>	<b>6,286,188</b>	<b>-26.9%</b>	<b>6,125,259</b>
<b>Operating Expenses:</b>						
Fingerprints	11,433	6,292	81.7%	185,000	-93.8%	18,192
General Expense	90,903	94,692	-4.0%	191,868	-52.6%	136,355
Printing	110,136	78,179	40.9%	85,608	28.7%	165,204
Communications	15,409	15,321	0.6%	48,614	-68.3%	28,000
Postage	161,110	117,487	37.1%	130,872	23.1%	252,744
Travel: In State	97,299	85,039	14.4%	132,886	-26.8%	145,000
Training	8,793	13,696	-35.8%	28,012	-68.6%	13,190
Facilities Operations	667,456	680,596	-1.9%	613,818	8.7%	667,456
Consultant & Professional Services Int.	0	0	NA	3,708	-100.0%	3,708
Consultant & Professional Services Ext.	41,273	404,696	-89.8%	313,368	-86.8%	41,273
Departmental Services	937,479	873,694	7.3%	1,250,341	-25.0%	1,250,341
Consolidated Data Center	31,853	15,527	105.1%	41,846	-23.9%	47,780
Data Processing	9,092	17,624	-48.4%	71,103	-87.2%	13,638
Central Administrative Services	388,196	385,613	0.7%	517,594	-25.0%	517,594
Exams	130,600	136,600	-4.4%	0	NA	130,600
Enforcement	435,666	657,170	-33.7%	1,463,551	-70.2%	677,780 [12]
Minor Equipment	10,315	18,863	-45.3%	70,000	-85.3%	117,540
Major Equipment	0	0	NA	0	NA	0
<b>Total Operating Expenses:</b>	<b>3,147,013</b>	<b>3,601,089</b>	<b>-12.6%</b>	<b>5,148,189</b>	<b>-38.9%</b>	<b>4,226,395</b>
<b>TOTAL EXPENDITURES</b>	<b>7,740,038</b>	<b>8,089,498</b>	<b>-4.3%</b>	<b>11,434,377</b>	<b>-32.3%</b>	<b>10,351,654</b>
Less Scheduled Reimbursements	118,832	114,234	4.0%	296,000	-59.9%	296,000
<b>TOTAL NET EXPENDITURES</b>	<b>7,621,206</b>	<b>7,975,264</b>	<b>-4.4%</b>	<b>11,138,377</b>	<b>-31.6%</b>	<b>10,055,654</b>
<b>RECEIPTS IN EXCESS OF EXPENSES</b>	<b>84,995</b>	<b>-203,430</b>		<b>-948,580</b>		<b>-109,742</b>
<b>PLUS COST RECOVERY</b>	<b>655,632</b>	<b>761,405</b>		<b>0</b>		<b>655,632</b>
<b>BEGINNING RESERVES JULY 1 [5]</b>	<b>15,123,000</b>	<b>14,346,000</b>		<b>15,123,000</b>		<b>15,123,000</b>
<b>GENERAL FUND LOAN 2011 [6]</b>	<b>0</b>	<b>-1,000,000</b>		<b>0</b>		<b>0</b>
<b>Total Resources</b>	<b>15,863,627</b>	<b>13,903,975</b>		<b>14,174,420</b>		<b>15,668,890</b>
<b>PROJECTED ENDING RESERVES</b>	<b>15,863,627</b>	<b>13,903,975</b>	<b>14.1%</b>	<b>14,174,420</b>		<b>15,668,890</b>
<b>GENERAL FUND LOAN 2002 [7]</b>	<b>(6,000,000)</b>					
<b>GENERAL FUND LOAN 2003 [7]</b>	<b>(270,000)</b>					
<b>GENERAL FUND LOAN 2008 [7]</b>	<b>(14,000,000)</b>					
<b>GENERAL FUND LOAN 2010 [7]</b>	<b>(10,000,000)</b>					
<b>GENERAL FUND LOAN 2011 [7]</b>	<b>(1,000,000)</b>					
<b>MONTHS IN RESERVE (MIR) [8]</b>	<b>16.6</b>	<b>14.6</b>		<b>15.3</b>		<b>16.4</b>

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**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 change/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] The following line items are part of the total benefits figure:  
Health Insurance - health, dental, vision.  
Other Insurance and Miscellaneous - worker's compensation, unemployment insurance, transit discount.
- [5] FY 2012-13 beginning reserve amount was taken from Analysis of Fund Condition statement, prepared by the Department of Consumer Affairs (DCA) Budget Office in December 2012.
- [6] A \$1 million loan to the General Fund was made last fiscal year.
- [7] Funds borrowed per California Government Code Section 16320, which indicates that the Budget Act is the authority for 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 2012-13 (\$11,138,377) divided by twelve months equals monthly expenditure authority (\$928,198). Total ending reserves divided by monthly authority equals "Months in Reserve" (MIR).
- [9] Received/Expended amounts through March 31, 2012 for FY 2011-12 and March 31, 2013 for FY 2011-13 include encumbrances, and are from DCA Budget Reports.
- [10] Figures reflect projected revenues from FY 2012-13 Workload and Revenue Statistics. expenditures are from the FY 2012-13 DCA Budget Galley STONE and the DCA Fund Condition statement prepared 12/2012.
- [11] This column reflects CBA's annual revenue and expenditure projections for FY 2012-13 based on nine months of actual data.
- [12] Annual expenditures projected for the Enforcement line item are based only on what the CBA has spent to date. No other factors are used in determining this projection. This estimate is not indicative of the number or type of enforcement cases the CBA anticipates being involved in or is currently investigating.

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

### CBA Budget Allocation History

(including reimbursements FM09)

Third Quarter FY 2012-13	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Board
<b>\$ Budgeted</b>	<b>\$11,138,377</b>	210,426	866,598	1,300,985	605,291	1,155,907	4,462,554	2,000,197	417,059	119,360
<b>\$ Spent*</b>	<b>\$7,621,206</b>	128,275	667,777	866,417	425,620	916,611	2,575,087	1,597,010	353,029	91,379
<b>Authorized Positions<sup>1</sup></b>	<b>79.9</b>	1.4	6.0	12.0	5.0	11.0	22.5	19.0	3.0	0.0

<sup>1</sup> The elimination of salary savings required by the Department of Finance in FY 2012-13, required the CBA to eliminate 3.6 authorized positions.

FY 2011-12	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services	Board
<b>\$ Budgeted</b>	<b>\$11,192,506</b>	223,850	783,475	1,455,026	559,625	1,119,251	4,365,077	2,126,576	447,700	0.0	111,925
<b>\$ Spent</b>	<b>\$10,248,290</b>	169,721	957,906	1,217,073	555,507	1,016,342	3,552,814	2,093,066	586,124	0.0	99,736
<b>Authorized Positions</b>	<b>83.5</b>	2.0	7.0	12.0	5.0	11.0	22.5	20.0	4.0	0.0	0.0

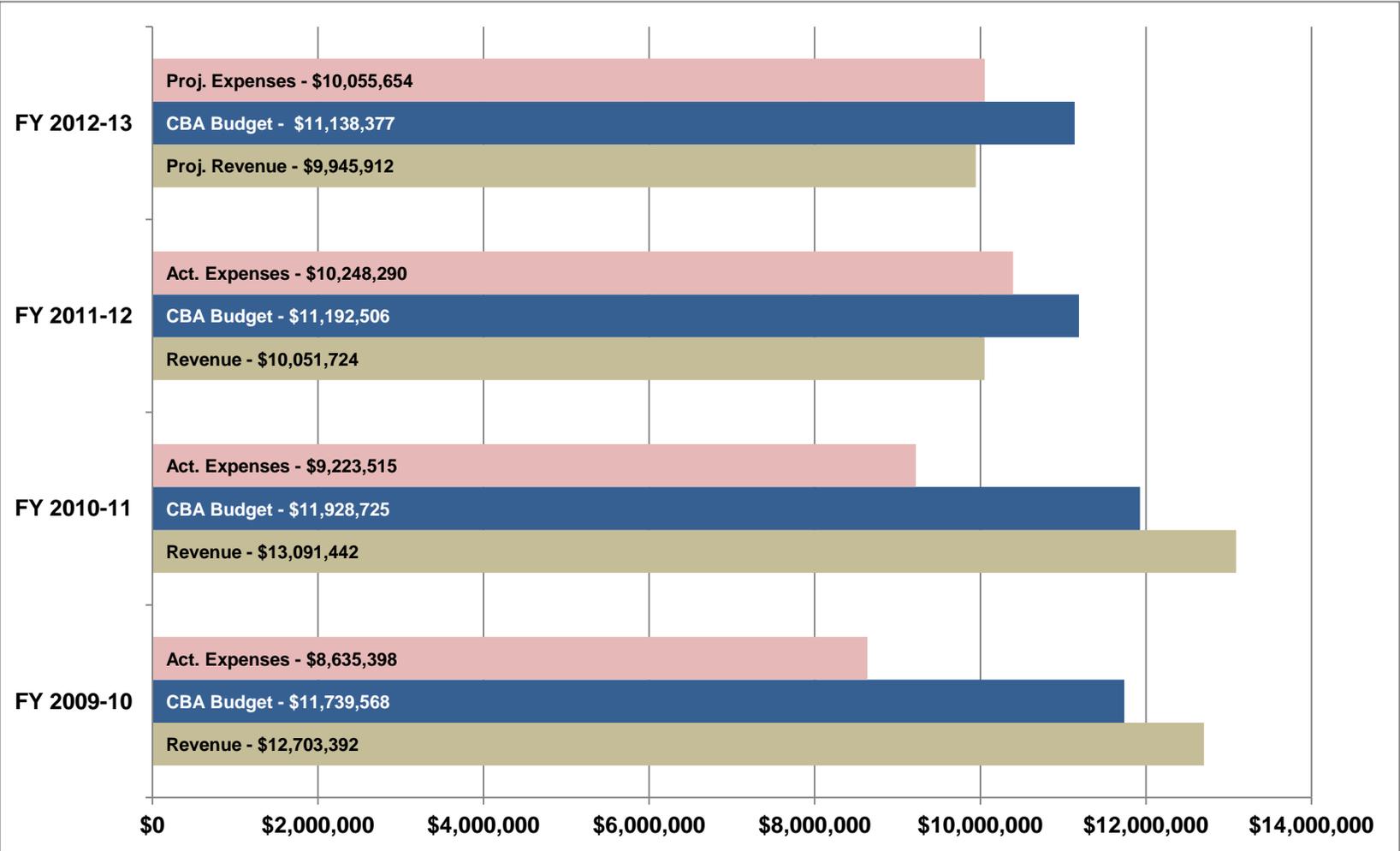
FY 2010-11	Total Budget Act	Practice Privilege	Exam	Initial Licensing	Licensing Administration	RCC	Enforcement	Administration	Executive	Client Services <sup>2</sup>	Board
<b>\$ Budgeted</b>	<b>\$11,928,725</b>	176,337	1,023,455	1,208,197	618,616	929,864	5,150,079	2,169,348	519,624	0	133,206
<b>\$ Spent</b>	<b>\$9,223,515</b>	140,127	883,475	1,230,379	530,717	980,654	2,743,474	2,118,158	478,714	0	117,816
<b>Authorized Positions</b>	<b>84.0</b>	2.0	9.0	15.0	5.0	8.0	20.0	21.0	4.0	0.0	0.0

<sup>2</sup> 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
<b>\$ Budgeted</b>	<b>\$11,739,568</b>	446,994	617,118	1,311,926	568,326	788,597	4,970,948	1,830,145	591,295	501,841	112,378
<b>\$ Spent</b>	<b>\$8,635,398</b>	301,775	665,369	1,122,477	517,342	805,498	2,601,959	1,564,363	469,070	409,554	177,991
<b>Authorized Positions</b>	<b>83.0</b>	5.0	6.0	15.0	5.0	7.0	17.0	19.0	4.0	5.0	0.0

\* Dollars spent through 3rd Quarter ending March 31, 2013.

# CBA Total Revenue and Expenditures





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**CBA Item VI.A.**  
May 23-24, 2013

**Discussion and Possible Action to Amend Previously Proposed Text at Title 16,  
California Code of Regulations Section 70 Regarding Fees**

**Presented by:** Matthew Stanley, Regulation Analyst  
**Date:** May 2, 2013

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**Purpose of the Item**

The purpose of this agenda item is to provide an opportunity for the California Board of Accountancy (CBA) to make changes to its fees reduction rulemaking in order to comply with case law.

**Action(s) Needed**

The CBA will be asked to adopt the proposed changes to the fees reduction rulemaking.

**Background**

In late March, the CBA was informed of OAL's disapproval of its Retired Status rulemaking. The basis for this decision was founded in a 2011 California Supreme Court case *California Farm Bureau Federation v. State Water Resources Control Board (California Farm Bureau v. Water Resources Board)*. Among other things, the Supreme Court says: ". . . A fee may be charged by a government entity so long as it does not exceed the reasonable cost of providing services necessary to regulate the activity for which the fee is charged. A valid fee may not be imposed for unrelated revenue purposes."

The Supreme Court also says: "Thus, permissible fees must be related to the overall cost of the government regulation. They need not be finely calibrated to the precise benefit each individual fee payor might derive. What a fee cannot do is exceed the reasonable cost of regulation with the generated surplus used for general revenue collection. An excessive fee that is used to generate general revenue becomes a tax."

**Comments**

With OAL's requirements for fee justification in mind, staff re-analyzed the fee reduction rulemaking that the CBA previously adopted at its January 2013 meeting. All of the affected fees were analyzed to determine exactly what each fee should be to support its respective workload. The actual reductions proposed by the CBA were not affected, since fees may be set lower than what is required. The level to which those fees will return after two years is what was examined through this process.

## **Discussion and Possible Action to Amend Previously Proposed Text at Title 16, California Code of Regulations Section 70 Regarding Fees**

Page 2 of 2

After preliminary analysis by staff using existing statistics, the only fee that was affected was the license renewal fee. Staff are recommending that, following the temporary reduction proposed in this rulemaking, the renewal fee should return to \$120 rather than the original \$200. As the initial permit to practice fee is tied to the license renewal fee by law, it will also be set at \$120. Once documents are finalized reflecting the analysis justifying the \$120 renewal fee, they will be provided to CBA members for reference in the June Executive Officer's Report.

The proposed modifications to the text are in the **Attachment** in double strikethrough and double underline. Should the CBA approve these changes, the next step would be to issue a 15-Day Notice of Modified Text and Documents Added to the File to add an Addendum to the Initial Statement of Reasons which would justify the fee levels. This would allow the public time to comment on the proposed changes.

*Suggested Motion:* Direct staff to take all steps necessary to complete the rulemaking process, including sending out the modified text and Addendum to the Initial Statement of Reasons 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.

### **Fiscal/Economic Impact Considerations**

The proposed fee levels are set to cover the costs associated with the workload created by the regulation.

### **Recommendation**

Staff recommend adopting the suggested motion.

### **Attachment**

Modifications to Text of Proposed Regulations



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## Attachment

### MODIFICATIONS TO TEXT OF PROPOSED REGULATIONS

#### Fees

Pursuant to the requirements of Government Code section 11346.8(c), and California Code of Regulations, Title 1, Section 44, the California Board of Accountancy (CBA) is providing notice of changes made to the above entitled proposed regulation. The proposed modifications are highlighted in double strikethrough and double underline format. Specifically, the fee after July 1, 2016, for renewal and the initial licensing period is being changed to \$120.

The CBA is making the change to Section 70 due to the fact that this change will conform the proposed fees to the requirements of court findings regarding regulatory fees in *California Farm Bureau Federation v. State Water Resources Control Board*. This change will ensure that the fees do not exceed the reasonable cost of providing the regulated services for which the fees are being charged.

#### Proposed Language

##### § 70. Fees.

(a)(1) From July 1, 2014 to June 30, 2016, the application fee for the computer-based Uniform Certified Public Accountant Examination shall be \$50 for issuance of the Authorization to Test to first-time applicants and \$25 for issuance of the Authorization to Test to repeat applicants.

~~(2) Commencing January 23, 2004 July 1, 2016, the application fee to be charged each California applicant for the computer-based Uniform Certified Public Accountant Examination shall be an application fee of \$100 for issuance of the Authorization to Test to first-time applicants and an application fee of \$50 for issuance of the Authorization to Test to repeat applicants.~~

(b)(1) From July 1, 2014 to June 30, 2016, the application fee for issuance of a certified public accountant certificate shall be \$50.

~~(2) Commencing July 1, 2004 July 1, 2016, the application fee to be charged each applicant for issuance of a certified public accountant certificate shall be \$250.~~

(c)(1) From July 1, 2014 to June 30, 2016, the application fee for registration as a partnership or as a corporation, including registration under a new name as a partnership or as a corporation, shall be \$30.

~~(2) The Commencing July 1, 2016, the application fee to be charged each applicant for registration as a partnership or as a corporation, including applicant for registration under a new name as a partnership or as a corporation, shall be \$150.~~

~~(d)(1) Commencing July 1, 2000, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200.~~

~~(2) Commencing July 1, 2011 From July 1, 2014 to June 30, 2016, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$120 \$50.~~

~~(3) (2) Commencing July 1, 2015 2016, the fee to be charged each applicant for the initial permit to practice as a partnership, a corporation, or a certified public accountant shall be \$200 \$120 unless subsection (i) applies.~~

~~(e)(1) Commencing July 1, 2000, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200.~~

~~(2) For licenses expiring after between June 30, 2014 July 1, 2014 and June 30, 2016, the fee for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$120 \$50.~~

~~(3) For licenses expiring after June 30, 2015 2016, the fee to be charged each applicant for renewal of a permit to practice as a partnership, a corporation, a public accountant, or a certified public accountant shall be \$200 \$120 unless subsection (i) applies.~~

~~(f) The fee for the processing and issuance of a duplicate copy of a certificate of licensure or registration shall be \$10.~~

~~(g) The fee for processing and issuance of a duplicate copy of a registration, or permit or other form evidencing licensure or renewal of licensure shall be \$2.~~

~~(h)(1) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 with an authorization to sign attest reports shall be \$100.~~

~~(2) The fee to be charged an individual for submission of a Practice Privilege Notification Form pursuant to Business and Professions Code Section 5096 without an authorization to sign attest reports shall be \$50.~~

~~(3) This subsection shall be inoperative until January 1, 2019.~~

~~(i) By May 31, 2014 2015, the Board shall conduct a review of its actual and estimated costs. Based on this review, the Board shall determine the appropriate level of fees for the initial permit to practice pursuant to subsection (d) and renewal of the permit to practice pursuant to subsection (e) in order to maintain the Board's contingent fund reserve balance at an amount equal to approximately ~~nine~~ three months of estimated annual authorized expenditures. If the Board determines that fees of more or less than \$200 \$120 are indicated, the Board shall fix the fees by regulation at the indicated amounts by July 1, 2015 2016.~~

Note: Authority cited: Sections 5010 and 5134, Business and Professions Code.  
Reference: Sections 122, 163, 5096, and 5134 Business and Professions Code.



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**CBA Item VII.B**  
May 23-24, 2013

## **Update on CBA 2013-2015 Communications and Outreach Plan**

**Presented by:** Lauren Hersh, Information & Planning Manager

**Date:** May 8, 2013

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### **Purpose of the Item**

The purpose of this agenda item is to keep California Board of Accountancy (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**

#### **Social media**

CBA's social media efforts are being refined to follow best practices in each social media platform that the CBA has a presence. At this writing, the CBA has nearly 2,200 fans on Facebook and nearly 1,100 followers on Twitter.

The highest concentration of Facebook fans resides in Los Angeles, followed by Cairo, Egypt; San Francisco, San Diego, Sacramento and San Jose. Rounding out the top ten cities are Riyadh, Saudi Arabia; Alexandria, Egypt; Irvine, CA; and Jeddah, Saudi Arabia. Many fans in foreign countries are accounting students or young professionals. Our Twitter followers are largely in the United States and are mostly made up of accounting and consulting firms and early to mid-career accounting professionals.

#### **UPDATE Publication**

The Spring/Summer 2013 edition of UPDATE is in production. This edition is expected to be posted to the CBA website in May, with mailing expected in early July.

Articles include:

- The Not-So-Secret "Secrets" to Successful License Renewal
- Mobility Across Multiple Jurisdictions

## Update on CBA 2013-2015 Communications and Outreach Plan

Page 2

- What to Expect at Your Scheduled Qualifications Committee/Section 69 Appearance
- Peer Review Reporting Streamlined
- Where the Money Goes

### Media Relations

Staff has seen an increase in press coverage of enforcement actions, most likely due to a few high-profile cases that have created interest among news editors in cases involving financial fraud.

Press advisories & topical news releases	19	19	8
Enforcement press releases	31	35	33
<b>Total</b>	<b>50</b>	<b>54</b>	<b>41</b>

### E-News

E-News subscriptions have increased by more than 800 since the last report. The table below indicates the number of subscribers by areas of interest, with many subscribers choosing more than one area of interest. The increases are reflected in the number of external subscribers, with the largest increases in UPDATE, California Licensees and Statutory/Regulatory.

List Name	External	Internal	Total
California Licensee	8,738	50	8,788
Consumer Interest	4,059	54	4,113
Examination Applicant	2,639	41	2,680
Licensing Applicant	3,142	45	3,187
Out-of-State Licensee	2,090	42	2,132
Statutory/Regulatory	7,029	58	7,087
CBA Meeting Info & Agenda Materials	3,227	36	3,263
UPDATE Publication	6,439	17	6,456
<b>Total subscriptions</b>	<b>37,363</b>	<b>343</b>	<b>37,706</b>

### Fiscal/Economic Impact Considerations

None.

### Recommendation

Staff has no recommendation on this item.

**CALIFORNIA BOARD OF ACCOUNTANCY  
REPORT ON LICENSING DIVISION ACTIVITY  
February 2013 – April 2013**

**CBA Item VIII.A.  
May 23-24, 2013**

<b>EXAMINATION</b>	<b>February</b>	<b>March</b>	<b>April</b>
<b>CPA Examination Applications Received</b>			
First-Time Sitter	619	536	511
Repeat Sitter	1,212	2,115	1,280
<b>CPA Examination Applications Processed</b>			
First-Time Sitter	526	770	773
Repeat Sitter	891	1,968	1,784
<b>Processing Time Frames (Days)</b>			
First-Time Sitter	23	26	27
Repeat Sitter	9	9	9
<b>INITIAL LICENSING</b>			
<b>CPA Licensure Applications Received</b>			
CPA	266	153	315
Partnership	9	3	5
Corporation	9	13	15
Fictitious Name Permit (Registration)	9	16	7
<b>Processing Time Frames (Days)</b>			
CPA	24	24	23
Partnership	16	19	10
Corporation	16	19	10
Fictitious Name Permit (Registration)	16	19	10
<b>Applicants Licensed Under</b>			
Pathway 0	0	0	0
Pathway 1A	35	39	35
Pathway 1G	45	54	67
Pathway 2A	42	71	78
Pathway 2G	128	201	221

**CALIFORNIA BOARD OF ACCOUNTANCY  
REPORT ON LICENSING DIVISION ACTIVITY  
February 2013 – April 2013**

<b>RENEWAL AND CONTINUING COMPETENCY</b>	<b>February</b>	<b>March</b>	<b>April</b>
<b>Total Number of Licensees</b>			
CPA	86,228	86,343	86,602
PA	111	106	105
Partnership	1,433	1,431	1,429
Corporation	3,812	3,822	3,820
<b>Licenses Renewed</b>			
CPA	3,309	3,053	3,221
PA	4	2	1
Partnership	60	61	51
Corporation	158	120	113
<b>CE Worksheet Review</b>			
CPA/PA Applications Reviewed	2,502	3,054	3,644
Deficient Applications Identified	154	394	533
Compliance Responses Received <i>(Including Requests for Inactive Status)</i>	129	297	116
Enforcement Referrals	0	0	0
Outstanding Deficiencies <i>(Including Abandonment)</i>	25	97	417
<b>PRACTICE PRIVILEGE</b>			
<b>Notifications Received</b>			
Hardcopy	77	45	25
Electronic	196	162	111
<b>Disqualifying Conditions Received</b>			
Approved	1	0	4
Denied	0	0	0
Pending	0	0	0
<b>Practice Privilege Suspension Orders</b>			
Notice of Intent to Suspend	6	4	2
Administrative Suspension Order	2	1	3

**CALIFORNIA BOARD OF ACCOUNTANCY  
REPORT ON LICENSING DIVISION ACTIVITY  
February 2013 – April 2013**

**DIVISION ACTIVITIES**

- The Initial Licensing Unit recently hired an Associate Governmental Program Analyst position.
- Renewal and Continuing Competency Unit staff continues to work to develop new and update existing materials related to changes in the license renewal process associated with peer review reporting and retroactive fingerprinting. Some of these materials include various notification letters, updating informational materials, and revising the license renewal application.
- With the upcoming implementation of the new practice privilege program, staff is finalizing a new handbook to aid out-of-state licensees understand the new provisions. It is anticipated that the new handbook will be placed on the CBA website by the end of the month.

**COMMITTEE NEWS**

**CPA Qualifications Committee (QC)**

The QC will meet on July 31, 2013 in Ontario, CA.

**Taskforce to Examine Experience for CPA Licensure (Taskforce)**

The newly established Taskforce will hold its inaugural meeting on May 23, 2013, in conjunction with the May 2013 CBA meeting.

## California Board of Accountancy Enforcement Activity Report

### Complaints

The Enforcement Division received 2,938 complaints since July 1, 2012 and assigned 2,643 for investigation.

Received	854	1,911	2,938
<i>Internal – Peer Review (Failure to Respond)</i>	<i>N/A</i>	<i>872</i>	<i>1,800</i>
<i>Internal – Peer Review (Other)</i>	<i>N/A</i>	<i>58</i>	<i>394</i>
<i>Internal – All Other</i>	<i>387</i>	<i>503</i>	<i>395</i>
<i>External</i>	<i>467</i>	<i>478</i>	<i>349</i>
Assigned for Investigation	601	1,626	2,643
Closed – No Action	232	294	300
Average Days from Intake to Closure or Assignment for Investigation	5	4	3
Pending	22	12	7
Average Age of Pending Complaints (days) <sup>1</sup>	5	16	7
<sup>1</sup> Represents data as of the end of the fiscal year, and as of April 30, 2013.			

### Comments

- Of the 2,938 complaints received, 1,800 related to failure to respond to CBA inquiry regarding submission of a Peer Review Reporting Form. An additional 394 complaints originated from failed peer reviews and peer review audits.
- The 395 Internal – All Other complaints primarily consist of referrals from the CBA Renewals and Continuing Competency Unit for failure to complete the continuing education required for license renewal.
- The Average Days to Close or Assign for Investigation remains below previous years.
- As a result of the National Association of State Boards of Accountancy (NASBA) launching the Accountancy Licensee Database (ALD), the Non-Technical unit received multiple complaints from the Colorado Board of Accountancy related to action taken against licensees of both states. All of the complaints were assigned for investigation.

## Investigations

The CBA Enforcement Division has assigned 2,643 cases for investigation in the current fiscal year. Enforcement staff has closed 2,691 investigations, and there are currently 392 cases assigned for investigation.

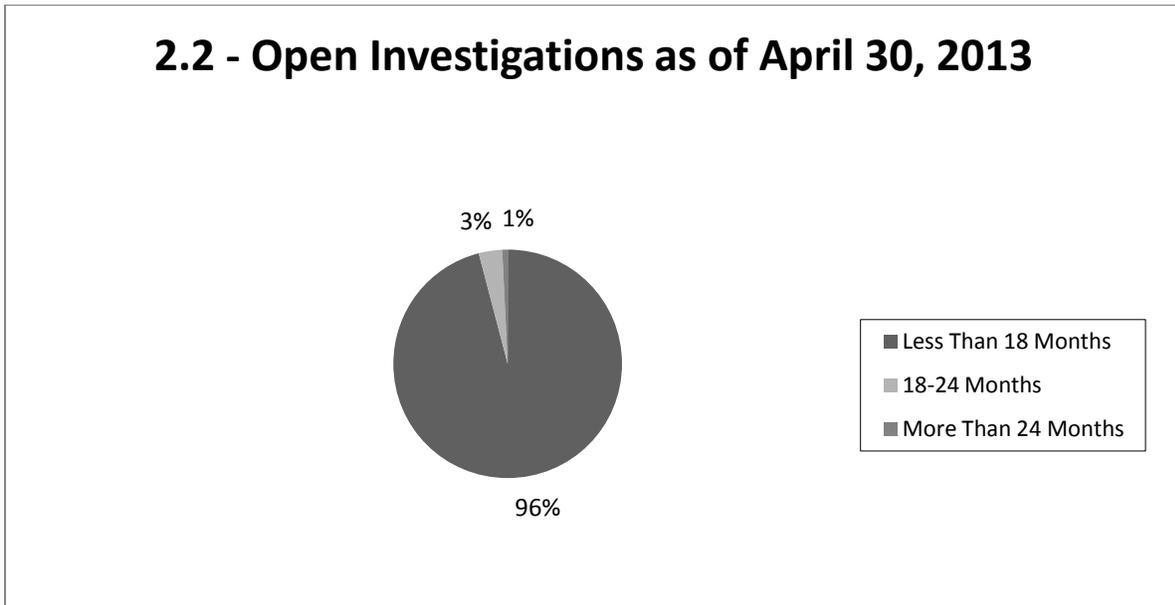
<b>2.1 – Investigations</b>	FY 2010/11	FY 2011/12	YTD 04/30/13
Assigned	601	1,626	2,643
<i>Internal – Peer Review (Failure to Respond)</i>	<i>N/A</i>	<i>872</i>	<i>1,800</i>
<i>Internal – Peer Review (Other)</i>	<i>N/A</i>	<i>58</i>	<i>317</i>
<i>Internal – All Other</i>	<i>272</i>	<i>335</i>	<i>264</i>
<i>External</i>	<i>329</i>	<i>361</i>	<i>262</i>
Closed	464	1,525	2,691
Average Days to Close	130	85	72
Investigations Pending <sup>1</sup>	334	439	392
<i>&lt; 18 Months</i>	<i>301</i>	<i>384</i>	<i>376</i>
<i>18-24 Months</i>	<i>21</i>	<i>26</i>	<i>13</i>
<i>&gt; 24 Months</i>	<i>12</i>	<i>29</i>	<i>3</i>
Average Age of Open Cases (days) <sup>1</sup>	238	248	179
Median Age of Open Cases (days) <sup>1</sup>	157	164	114

<sup>1</sup> Represents data as of the end of the fiscal year, and as of April 30, 2013.

## Comments

- The Average Days to Close has decreased from 85 in the previous fiscal year to 72.
- The number of investigations pending for more than 24 months has decreased from four in the March 2013 report to three.
- Of the three cases that have been open for more than 24 months:
  - Two investigative hearings (IH's) are scheduled in May 2013.
  - One investigation is ongoing.
- The Average and Median Ages of Open Cases in Table 2.1 is lower than the previous two fiscal years.

Chart 2.2 illustrates the percentage of total open cases by length of time. Ninety-nine percent of investigations have been open for less than 24 months; three percent of investigations have been open for 18 to 24 months, and one percent of investigations have been open for more than 24 months.



## Discipline

As of April 30, 2013, the Enforcement Division has referred 54 complaints to the Attorney General's (AG) Office. There have been 39 accusations filed and 44 disciplinary actions adopted. Of the 44 actions adopted, 28 were Stipulated Settlements, four were Proposed Decisions and 12 were Default Decisions. There are currently 61 cases pending at the AG, with three pending for more than 24 months.

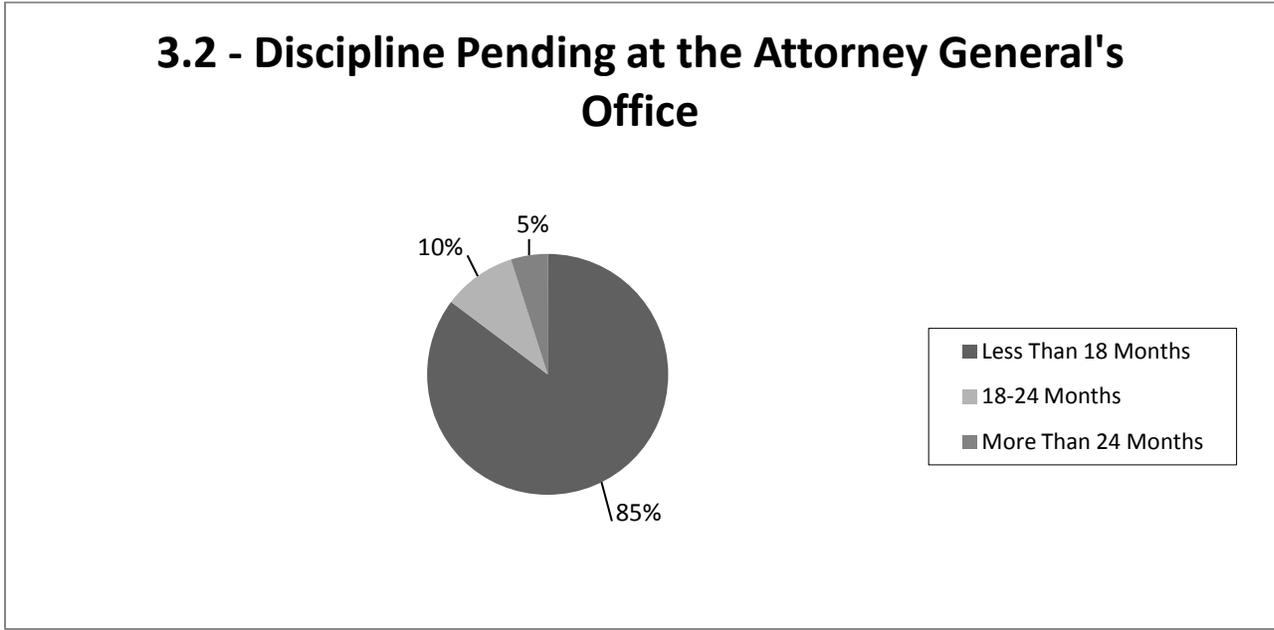
<b>3.1 - AG Referrals</b>	FY 2010/11	FY 2011/12	YTD 04/30/13
Referrals	24	50	54
Accusations Filed	20	37	39
Statements of Issues Filed	0	2	3
Petitions for Revocation of Probation Filed	2	3	1
Closed	22	26	44
<i>Via Stipulated Settlement</i>	12	19	28
<i>Via Proposed Decision</i>	6	3	4
<i>Via Default Decision</i>	4	4	12
Discipline Pending <sup>1</sup>	37	54	61
<i>&lt; 18 Months</i>	32	44	52
<i>18-24 Months</i>	2	3	6
<i>&gt; 24 Months</i>	3	7	3

<sup>1</sup> Represents data as of the end of the fiscal year, and as of April 30, 2013.

## Comments

- There are three cases that have been at the AG's Office for more than 24 months, which is the same as the previous report. Of the three that have been pending for more than 24 months:
  - One of the cases had a writ filed with the California Superior Court, and a hearing is pending.
  - One has an administrative hearing scheduled in May 2013, after the non-adoption of a Stipulated Settlement in November 2011. Staff has reached a new stipulated settlement with the respondent, and it will be presented at the May 2013 meeting.
  - A final case was presented to the CBA in November 2012, and the proposed decision was non-adopted. This matter was heard by the CBA at the March 2013 meeting, and will be effective in May 2013.
- On April 18, 2013 staff secured an Interim Suspension Order against a licensee accused of attempting to defraud the California Board of Equalization.

Chart 3.2 illustrates the number of cases pending at the AG's Office by percentage. Approximately 85 percent of all CBA cases at the AG's Office have been open less than 18 months, 10 percent have been pending 18-24 months, and five percent have been pending more than 24 months.



## Citations and Fines

CBA Regulation 95 authorizes the CBA Executive Officer to issue a citation to licensees for violations of the Accountancy Act or CBA Regulations in lieu of formal disciplinary action. To date, 1,877 citations, with a total fine amount of \$517,550, have been issued by the Enforcement Division.

<b>4.1 – Citations</b>	FY 2010/11	FY 2011/12	YTD 04/30/13
Total Citations Issued	30	908	1,877
Total Fines Assessed	\$26,850	\$255,350	\$517,550
<i>Peer Review (Failure to Respond)</i>	<i>N/A</i>	<i>872</i>	<i>1,800</i>
<i>Peer Review Fines Assessed</i>	<i>N/A</i>	<i>\$217,850</i>	<i>\$450,000</i>
<i>Other Citations</i>	<i>30</i>	<i>36</i>	<i>77</i>
<i>Other Fines Assessed</i>	<i>\$26,850</i>	<i>\$37,500</i>	<i>\$67,550</i>
Average number of days from receipt of a complaint to issuance of a citation	268	22	66
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)	Practice Without Permit (B&P 5050)

### Comments

- Of the 1,877 citations issued in the current fiscal year, 1,800 were issued for failure to respond to CBA inquiry regarding submission of a peer review reporting form.

## 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 April 30, 2013, there were 51 licensees on probation. The next probation meetings will be held in conjunction with the Enforcement Advisory Committee in May 2013.

## Peer Review

As of April 30, 2013, 55,240 Peer Review Reporting Forms have been submitted to the CBA. The reporting forms are categorized as follows:

<b>5.1 - Peer Review</b>						
License Ending In	Reporting Deadline	Peer Review Required	Peer Review Not Required	Not Applicable (Non-firms)	Total	Licensees Still Needing to Report
01-33	7/1/11	2,492	4,276	15,693	22,461	592
34-66	7/1/12	1,926	3,966	12,981	18,873	1,295
67-00	7/1/13	1,045	2,662	10,199	13,906	7,048
		5,463	10,904	38,873	55,240	13,065

## Comments

- On April 8, 2013 the Office of Administrative Law informed the CBA that the proposed changes to CBA Regulations 40, 43, and 45 were approved. Staff is in the process of implementing the changes required by those regulations. The most significant changes were revisions to the Peer Review Reporting Form requiring licensees to report specific peer review information at the time of license renewal.

## **Division Highlights and Future Considerations**

- The Enforcement Division recently filled the Non-Technical Unit manager vacancy.
- Enforcement Management is currently recruiting to fill two vacant analyst positions within the division.
- The CBA has considered and adopted 44 disciplinary actions this fiscal year, almost twice the number in the previous year.
- Less than one percent of all investigations have been open for more than 12 months.
- Deputy Attorney General Carl Sonne provided a half day training to all investigative staff on writing effective investigative reports and delivering expert testimony.
- The Enforcement Advisory Committee added a new member, and is now fully staffed.



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**EPOC Item II.**  
May 23, 2013

**CBA Item X.A.2.**  
May 23-24, 2013

**Discussion and Possible Action Regarding Proposed Revisions to the Manual of Disciplinary Guidelines and Model Disciplinary Orders**

**Presented by:** Rafael Ixta, Chief, Enforcement Division

**Date:** February 12, 2013

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**Purpose of the Item**

The purpose of this agenda item is to present the proposed modifications to the California Board of Accountancy (CBA) Manual of Model Disciplinary Guidelines and Model Disciplinary Orders (Guidelines) to the Enforcement Program Oversight Committee (EPOC) members and to discuss proposed revisions to the Guidelines.

**Action(s) Needed**

Staff is requesting the EPOC approve the revisions to the Guidelines and provide additional revisions as needed (**Attachment**).

**Background**

On a tri-annual basis, the Guidelines are revised by the EPOC, and adopted by the CBA. At the March 2013 EPOC meeting, staff presented a three part approach to updating the Guidelines. At that meeting the EPOC approved the timeline and conceptual changes presented.

The proposed revisions included in this draft are limited to revisions to the current version of the Guidelines, and do not include statutory or regulatory changes. Those changes will be presented at the September 2013 EPOC meeting.

**Comments**

The changes to the Guidelines start with the name. With the inclusion of additional model orders, the title "A Manual of Disciplinary Guidelines and Model Disciplinary Orders" is no longer appropriate as the manual now includes orders that are not disciplinary in nature. In order to address this issue, and shorten the overall name, staff has re-titled the Guidelines as "The California Board of Accountancy Disciplinary Guidelines and Model Orders."

The majority of changes in the Guidelines stem from modifying the minimum penalty away from "Correction of Violation," as that is not a penalty. In most cases, staff has replaced "Correction of Violation" with "Continuing Education Courses." The inclusion of additional model orders resulted in changing the numbering of the probation terms in the Guidelines.

## **Discussion and Possible Action Regarding Proposed Revisions to the Manual of Disciplinary Guidelines and Model Disciplinary Orders**

Page 2 of 3

There are a few changes in sections I through VI, including: modifying the Introduction for clarity and to establish acronyms and including a reference to the Petition for Reinstatement Checklist, Administrative Penalties, Correction of Violation, and Restitution.

Major changes to the Disciplinary Guidelines, section VII, include:

Page 16: Section 5054 has been deleted, as it clarifies section 5050 and is not a violation by itself.

Page 20: The maximum penalty for section 5063.3 was increased from revocation stayed, 90 day suspension, three years probation to revocation. Staff recommends revoking a license for extreme cases of disclosure of confidential information.

Page 21: Section 5070.7 was deleted as no guideline is needed since a license will automatically cancel by operation of law if not renewed within five years.

Page 24: Section 5081(a-b) were modified to include the imposition of an administrative penalty, if warranted, pursuant to section 5116.

Page 25: The minimum penalty for section 5095(a) was increased from Correction of Violation to Revocation Stayed, three years probation. Staff recommends this minimum penalty because receiving a license without obtaining the required experience should be equivalent to fraudulently obtaining a license. Therefore, the minimum is similar to section 5100(b).

Staff presented the additions and deletions related to section 5096 - Practice Privilege at the March 2013 CPC meeting.

Page 36: Section 5100(f) was modified to delete sections 5060, 5061, and 5062 from the possible violations as these sections occur in Article 3.5, and therefore are not applicable to Article 3.

Page 42: The minimum penalty for violating Section s101 was changed from probation to revocation stayed, three years probation. Staff recommends this change because there is no mechanism to place a licensee or firm on probation without revocation or suspension.

Staff recommends changing the minimum penalty for violating section 5105 from relinquish certificate to revocation since the licensee is delinquent and is practicing without a valid license.

## **Discussion and Possible Action Regarding Proposed Revisions to the Manual of Disciplinary Guidelines and Model Disciplinary Orders**

Page 3 of 3

- Page 44: Staff recommends changing the minimum and maximum penalty of section 5155 from continuing education (CE) courses to revocation stayed since section 5155 only applies to a disqualified shareholder. A disqualified person is defined as a licensed person who for any reason becomes legally disqualified (temporarily or permanently) to render the professional services that the particular professional corporation of which he or she is an officer, director, shareholder, or employee is or was rendering.
- Page 47: Staff presented the additions and deletions related to Articles 3 and 4, Practice Privilege, at the March 2013 CPC meeting.
- Page 54: The maximum penalty for Regulation 54.1 was increased from revocation stayed, 90 day suspension, three years probation to revocation. Staff recommends revoking a license for extreme cases of disclosure of confidential information.
- Page 59: Staff recommends changing the minimum penalty of Regulation 65 from correction of violation and/or CE courses to revocation stayed, three years probation. This regulation deals with independence, a core value of a CPA. Staff believes the new penalty is appropriate, and will promote consumer protection.

In the Model Orders, Section VIII, staff has incorporated the model orders that were approved by the EPOC for Petitions for Reinstatements, and developed model orders for applicants and a Petition for Revocation. Staff also drafted language for an optional probation term related to probation monitoring costs, and modified the CE optional condition to require additional CE ordered to be in addition to the CE required for license renewal.

### **Fiscal/Economic Impact Considerations**

There is minimal fiscal or economic impact to updating the disciplinary guidelines. The only real impact would be requiring probation monitoring cost reimbursement by licensees on probation.

### **Recommendation**

Staff recommends the EPOC members adopt the proposed changes to the Guidelines.

### **Attachments**

California Board of Accountancy Disciplinary Guidelines and Model Orders, 9th Edition, 2013

# CALIFORNIA BOARD OF ACCOUNTANCY

## DISCIPLINARY GUIDELINES AND MODEL ORDERS 9<sup>TH</sup> EDITION, 2013

## A MANUAL OF DISCIPLINARY GUIDELINES AND MODEL DISCIPLINARY ORDERS 8<sup>TH</sup> EDITION, 2013

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# California Board of Accountancy

## Disciplinary Guidelines and Model Orders

### **~~DISCIPLINARY GUIDELINES AND MODEL DISCIPLINARY ORDERS~~**

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#### ATTACHMENTS:

[Petition for Reinstatement Decision Checklist](#)

# DISCIPLINARY GUIDELINES AND MODEL ~~DISCIPLINARY~~ ORDERS

## I. INTRODUCTION

The California Board of Accountancy (CBA) licenses the practice of accountancy in the State of California and may revoke, suspend, or refuse to renew any permit or certificate for violation of applicable statutes or regulations. The CBA examines applicants, sets education requirements, and may deny licensure and the authority to practice under practice privilege (California Business and Professions Code Section 5096 et seq.). The CBA may, by regulation, prescribe, amend, or repeal rules of professional conduct appropriate to the establishment and maintenance of a high standard of integrity and competency in the profession.

The CBA, through its Enforcement Division, assisted by its statutorily established Enforcement Advisory Committee, receives and investigates complaints; initiates and conducts investigations or hearings, with or without the filing of a complaint; and obtains information and evidence relating to any matter involving the conduct of ~~California Public Accountants and Certified Public Accountants (CPA), Public Accountants (PA), and Accountancy Firms, as well as any alleged violation of the California Accountancy Act.~~ The California Accountancy Act and the ~~CBA~~ regulations ~~of the California Board of Accountancy~~ provide the basis for CBA disciplinary action. (See ~~California~~ Business and Professions ~~(B&P)~~ Codes Sections 5000 et seq., and Title 16 California Code of Regulations Sections 1 through 99.1.)

The expiration, cancellation, forfeiture, or suspension of a license, practice privilege, or other authority to practice public accountancy in California, or the voluntary surrender of a license by a licensee shall not deprive the CBA of the authority to proceed with an investigation, action, or disciplinary proceeding against the licensee or to render a decision suspending or revoking the license. (See California Business and Professions Code Section 5109.)

These disciplinary guidelines, designed for the use of Administrative Law Judges (~~ALJ~~), attorneys, CBA licensees, and others involved in the CBA's disciplinary process, are revised from time to time. The guidelines cover model ~~disciplinary~~ orders, including factors to be considered in aggravation and mitigation; standard probationary terms; and guidelines for specific offenses. The guidelines for specific offenses are referenced to the statutory and regulatory provisions violated.

These disciplinary guidelines set forth recommended discipline for the violation of current statutes and regulations; includes a provision for community service; and provides additional guidance regarding disciplinary and model orders. ~~This revised edition was adopted by the CBA on September 23, 2010.~~

The CBA recognizes that these recommended penalties and conditions of probation are merely guidelines and that mitigating or aggravating circumstances and other factors may necessitate deviations, as discussed herein.

## II. GENERAL CONSIDERATIONS

The CBA requests that **Proposed Decisions** following administrative hearings include the following:

- a. Specific code sections violated with their definitions.
- b. Clear description of the violation.
- c. Respondent's explanation of the violation if he or she is present at the hearing.
- d. Findings regarding aggravation, mitigation, and rehabilitation where appropriate (See factors set forth below/Section 99.1).
- e. When suspension or probation is recommended, the CBA requests that the disciplinary order include terms within the recommended guidelines for that offense unless the reason for departure there from is clearly set forth in the findings and supported by the evidence.

If the respondent fails to appear for the scheduled hearing, such action shall result in a **default decision** to revoke license.

When the CBA, at a **reinstatement hearing**, denies a petitioner's request for reinstatement, the CBA requests that the Administrative Law Judge provide technical assistance in formulating language clearly setting forth the reasons for denial. Such a **statement** should include, for example, a statement on rehabilitation, including suggestions for further approaches by petitioner to demonstrate rehabilitation, where appropriate. [The Petition for Reinstatement Checklist was designed to assist the CBA members and an ALJ with the preparation of a petition for reinstatement. See Attachment 1 for additional information.](#)

- f. **Reimbursement** to the CBA for costs of investigation and prosecution as warranted by [Business and Professions B&P Code Section 5107.](#)
- g. [Imposition of an Administrative Penalty if warranted. See section VI for guidance.](#)

The CBA will consider **stipulated settlements** to promote cost effectiveness and to expedite disciplinary decisions if such agreements achieve its disciplinary objectives. Deputy Attorneys General should inquire as to respondent's interest in stipulated settlement promptly after receipt of a notice of defense. If stipulated settlement appears unlikely, the case should be set for hearing.

The CBA's policy is that all disciplinary actions will be published.

It is also the CBA's policy that matters resolved by stipulation include **cost recovery**.

The CBA's Executive Officer is authorized by statute to request an Administrative Law Judge, as part of any proposed decision in a disciplinary proceeding, to order the recovery of

reasonable costs of investigation and prosecution (California Business and Professions Code Section 5107). This statute does not preclude the CBA from seeking recovery of costs through stipulations; thus, it does not change the CBA's policy of requesting and recovering costs where appropriate in stipulated settlements. Restitution to victims and/or administrative penalties should not be reasons to reduce, eliminate, or stay full recovery of all reasonable costs of investigation and prosecution.

In stipulated decisions involving **revocation** (no revocation stayed), the order will generally include the requirement that respondent must reimburse the CBA for all reasonable costs of investigation and prosecution prior to or upon reinstatement of respondent's revoked certificate under Section 5115 of the California Business and Professions Code.

The period of **probation** is generally three years. During the probation period, licensees are required to appear in person at interviews/meetings as directed by the CBA or its designated representatives to report on probation compliance.

Where an actual **suspension** is imposed, the order shall include the requirement that respondent engage in no activities for which certification is required (see model disciplinary orders). In addition, the respondent shall relinquish the certificate in question to the CBA and shall notify clients regarding the suspended status of the certificate, if directed to do so by the CBA.

When discipline includes a violation that can be corrected, correction of the violation should be included as the basis for any discipline.

Restitution should be considered for all cases in which harm is demonstrated against the complainant. However, restitution should consider the actual harm to a complainant; it is not intended to award punitive or compensatory damages.

### **III. EVIDENCE IN AGGRAVATION OF PENALTY**

The following are among aggravating circumstances to be considered by Administrative Law Judges in providing for penalties in proposed decisions:

1. Evidence that the violation was knowingly committed and/or was premeditated.
2. Licensee has a history of prior discipline, particularly where the prior discipline is for the same or similar type of conduct.
3. Licensee's actions resulted in financial damage to his or her clients or other consumers. The amount of loss may be an additional aggravating factor.
4. Violation of CBA probation.
5. Failure to comply with a final citation order.
6. Failure to comply with a notice to appear before the CBA or its designated representatives.
7. Failure to comply with continuing education requirements as ordered by the CBA or its designated representatives pursuant to Section 87.5.
8. Evidence that the licensee has not cooperated with the CBA's investigation.
9. Misappropriation of entrusted funds or other breach of fiduciary responsibility.
10. Duration of violation(s).
11. Evidence that the licensee knew or should have known that his or her actions could harm his or her clients or other consumers.
12. Evidence that the licensee took advantage of his or her client for personal gain, especially if the licensee was able to take advantage due to the ignorance, age, or lack of sophistication of the client.

## **IV. EVIDENCE IN MITIGATION OF PENALTY**

The following are among mitigating circumstances that may be taken into account by Administrative Law Judges in providing for penalties in proposed decisions:

1. The licensee has cooperated with the California Board of Accountancy's investigation, other law enforcement or regulatory agencies, and/or the injured parties.
2. The passage of considerable time since an act of professional misconduct occurred with no evidence of recurrence or evidence of any other professional misconduct.
3. Convincing proof of rehabilitation, including the factors in Section 99.1 as well as other relevant considerations.
4. Demonstration of remorse by the licensee.
5. Recognition by licensee of his or her wrongdoing and demonstration of corrective action to prevent recurrence.
6. Violation was corrected without monetary losses to consumers and/or restitution was made in full.
7. If violation involved multiple licensees, the relative degree of culpability of the subject licensee should be considered.

## V. REHABILITATION CRITERIA

The CBA's rehabilitation criteria, set forth in Section 99.1, are as follows:

When considering the denial of a certificate or permit under Section 480 of the Business and Professions Code, the suspension or revocation of a certificate or permit or restoration of a revoked certificate under Section 5115 of the California Business and Professions Code, the CBA, in evaluating the rehabilitation of the applicant and his or her present eligibility for a certificate or permit, will consider the following criteria:

1. Nature and severity of the act(s) or offense(s).
2. Criminal record and evidence of any act(s) committed subsequent to the act(s) or offense(s) under consideration that could also be considered as grounds for denial, suspension, or revocation.
3. The time that has elapsed since commission of the act(s) or offense(s) referred to in subdivision (1) or (2).
4. The extent to which the applicant or respondent has complied with any terms of parole, probation, restitution, or any other sanctions lawfully imposed against the applicant or respondent.
5. If applicable, evidence of expungement proceedings pursuant to Section 1203.4 of the Penal Code.
6. Evidence, if any, of rehabilitation submitted by the applicant or respondent.

## **VI. ADMINISTRATIVE PENALTIES**

California Business and Professions Code Section 5116 et seq. allow the CBA to order any licensee or applicant for licensure or examination to pay an administrative penalty as part of any disciplinary proceeding. In matters that go through the administrative hearing process, the CBA's Executive Officer may request an Administrative Law Judge to impose an administrative penalty as part of any proposed decision.

The administrative penalty assessed shall be in addition to any other penalties or sanctions imposed on the licensee or other person, including but not limited to, license revocation, license suspension, denial of the application for licensure, or denial of admission to the licensing examination. When probation is ordered, an administrative penalty may be included as a condition of probation.

For any violation, with the exception of violation of subdivisions (a), (c), (i), (j), or (k) of Section 5100, any licensee may be assessed an administrative penalty of not more than \$5,000 for the first violation and not more than \$10,000 for each subsequent violation.

For violation of subdivisions (a), (c), (i), (j), or (k) of Section 5100, licensed firms may be assessed an administrative penalty of not more than \$1,000,000 for the first violation and not more than \$5,000,000 for any subsequent violation. The administrative penalty that may be assessed an individual licensee who violates these sections is limited to not more than \$50,000 for the first violation and not more than \$100,000 for any subsequent violation.

Administrative penalties may be assessed under one or more violations; however, the total administrative penalty shall not exceed the amount of the highest administrative penalty allowed.

The term "violation" used in Sections 5116.1, 5116.2, and 5116.3 is intended to include the total violations in the disciplinary proceeding. Accordingly, "first violation" refers to the respondent's first disciplinary action and "subsequent violations" refers to any subsequent disciplinary actions.

Cost recovery ordered under California Business and Professions Code Section 5107 should not be a reason to reduce or eliminate the amount of administrative fines.

The following criteria should be considered in assessing administrative penalties.

1. Nature and extent of actual and potential consumer harm.
2. Nature and extent of actual and potential harm to clients.
3. Nature and severity of the violation.
4. The role of the person in the violation.

5. The person's attitude toward his or her commission of the violations.
6. Recognition of wrongdoing.
7. Person's history of violations.
8. Nature and extent of cooperation with the CBA's investigation.
9. The person's ability to pay the administrative penalty.
10. The level of administrative penalty necessary to deter future violations.
11. Nature and extent to which the person has taken corrective action to ensure the violation will not recur.
12. Nature and extent of restitution to consumers harmed by violations.
13. The violations involve sanctions by other government agencies or other regulatory licensing bodies, i.e. Internal Revenue Service, Securities and Exchange Commission, and Public Company Accounting Oversight Board.
14. Other aggravating or mitigating factors.

# California Board of Accountancy

## Index to Disciplinary Guidelines

(Refer to page 50 for Index to Model Disciplinary Orders)

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The offenses and penalties are listed chronologically by statute number in the Business and Professions Code and by regulation number in Title 16 of the California Code of Regulations. The number in brackets following each condition of probation refers to the model disciplinary order so numbered (See **Model Disciplinary Orders**). The probation terms listed under "if warranted" for each violation are to be considered, and imposed, if facts and circumstances warrant.

### CALIFORNIA ACCOUNTANCY ACT: BUSINESS AND PROFESSIONS CODE, DIVISION 3, CHAPTER 1

#### ARTICLE 2

##### Section 5037(a) OWNERSHIP OF ACCOUNTANTS' WORKPAPERS

Minimum Penalty - Continuing Education Courses ~~[3625]~~  
Maximum Penalty - Revocation stayed, [1,2,4] 3 years probation

##### CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation ~~[15-245-44]~~

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice ~~[2545]~~
3. Probation Monitoring Costs [27]
43. Restricted Practice ~~[2847]~~
54. Ethics Continuing Education ~~[3020]~~
65. Regulatory Review Course ~~[3221]~~
76. Continuing Education Courses ~~[3625]~~
87. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[4332]~~

(Reference Section 54.1)

**Section 5037(b)(1)(2) RETURN OF CLIENT DOCUMENTS**

Minimum Penalty - Continuing Education Courses ~~[3625]~~

Maximum Penalty - Revocation ~~[1,24-2]~~

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation ~~[15-245-44]~~

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice ~~[2545]~~
  3. Restitution ~~[2646]~~
  4. Probation Monitoring Costs [27]
  54. Restricted Practice ~~[2847]~~
  65. Engagement Letters ~~[2948]~~
  76. Ethics Continuing Education ~~[3120]~~
  87. Regulatory Review Course ~~[3224]~~
  98. Continuing Education Courses ~~[3625]~~
  109. Community Service – Free Services ~~[4029]~~
  1140. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[4332]~~
  1244. Conditions as appropriate relating to physical or mental disability or condition ~~[44-4934-36]~~

(Reference Section 68)

**ARTICLE 3**

**Section 5050(a) PRACTICE WITHOUT PERMIT;  
TEMPORARY PRACTICE**

.....  
Except as provided for in Section 5050(c), Section 5054, and Section 5096.12, this section applies to a respondent who practices for a time without a valid license to practice or to respondent who practices without obtaining a practice privilege.

Minimum Penalty - Continuing Education Courses ~~[3625]~~

Maximum Penalty - Revocation ~~[1,24-2]~~

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation ~~[15-245-44]~~

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [27]
  32. Restricted Practice ~~[2847]~~
  43. Ethics Continuing Education ~~[3120]~~
  54. Regulatory Review Course ~~[3224]~~
  65. Continuing Education Courses ~~[3625]~~
  76. Active License Status ~~[3726]~~
  87. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[4332]~~

**Section 5050(c) PRACTICE WITHOUT PERMIT;  
TEMPORARY PRACTICE; FOREIGN ACCOUNTANTS**

Applies to respondents licensed in a foreign country who are temporarily practicing in California and hold out as California licensees.

Minimum Penalty - ~~Cease and Desist Letter~~Correction of Violation  
Maximum Penalty - ~~Refer to Prosecutorial Agency for Unlicensed Practice~~Revoke authorization to practice  
(See section on **Unlicensed Activities.**)

~~**Section 5054 PREPARATION OF TAX RETURNS BY INDIVIDUALS AND FIRMS  
OUTSIDE THE STATE**~~

~~Minimum Penalty—Correction of Violation  
Maximum Penalty—Revoke authorization to practice~~

**Section 5055 TITLE OF CERTIFIED PUBLIC ACCOUNTANT/  
Section 5056 TITLE OF PUBLIC ACCOUNTANT**

(Applies to respondent who assumes or uses the title certified public accountant, CPA, public accountant, or PA without having an appropriate permit to practice.)

Minimum Penalty - Continuing Education Courses ~~[3625]~~  
Maximum Penalty - Revocation ~~[1,21-2]~~

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation ~~[15-245-44]~~

If warranted: 1. Suspension [3] with/without stay [4]  
~~2. Probation Monitoring Costs [27]~~  
~~3. Restricted Practice [2847]~~  
~~43. Ethics Continuing Education [3120]~~  
~~54. Regulatory Review Course [3224]~~  
~~65. Continuing Education Courses [3625]~~  
~~76. Active License Status [3726]~~  
~~87. Administrative Penalty not to exceed maximum set forth in  
Section 5116 [4332]~~

**Section 5058 USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED**

Minimum Penalty - Continuing Education Courses ~~[3625]~~  
Maximum Penalty - Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation ~~[15-245-14]~~

If warranted: 1. Suspension [3] with/without stay [4]  
~~2.~~ 2. Probation Monitoring Costs [27]  
~~3.~~ 3. Restricted Practice [2847]  
~~4.~~ 4. Ethics Continuing Education [3120]  
~~5.~~ 5. Regulatory Review Course [3224]  
~~6.~~ 6. Continuing Education Courses [3625]  
~~7.~~ 7. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

(Reference Section 2)

**Section 5058.1 TITLES IN CONJUNCTION WITH CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT**

Minimum Penalty - Continuing Education Courses ~~[3625]~~  
Maximum Penalty - Revocation stayed with actual suspension [1-4]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation ~~[15-245-14]~~

If warranted: 1. Suspension [3] with/without stay [4]  
~~2.~~ 2. Probation Monitoring Costs [27]  
~~3.~~ 3. Restricted Practice [2847]  
~~4.~~ 4. Ethics Continuing Education [3120]  
~~5.~~ 5. Regulatory Review Course [3224]  
~~6.~~ 6. Continuing Education Courses [3625]  
~~7.~~ 7. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

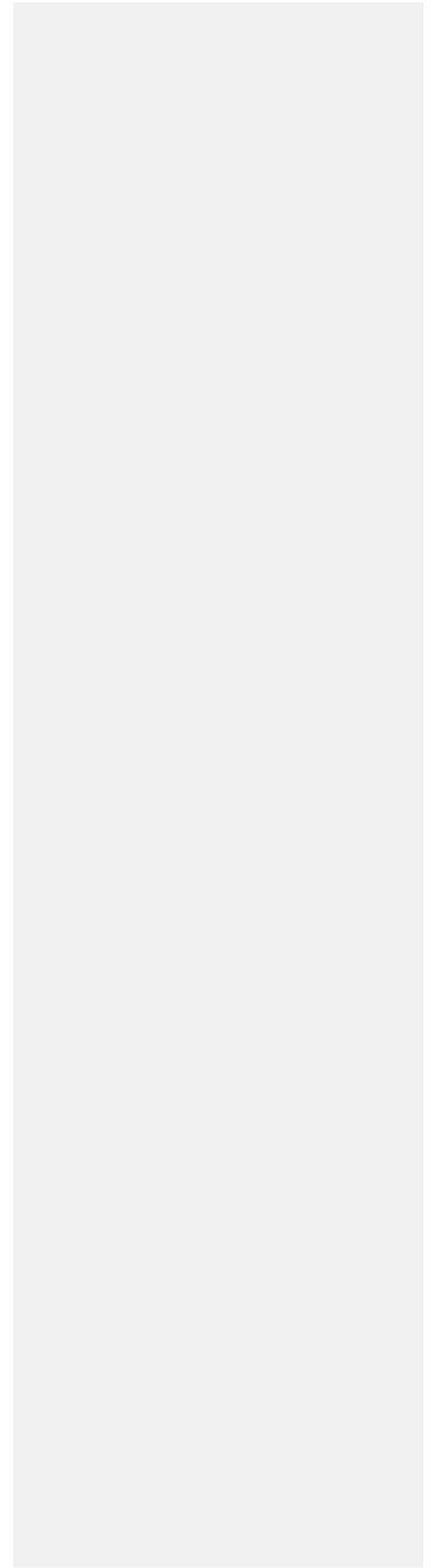
**Section 5058.2 INACTIVE DESIGNATION**

Minimum Penalty - ~~Continuing Education Courses [36]~~ Correction of Violation  
Maximum Penalty - Revocation stayed, 3 years probation ~~[1,2,41-2,4]~~

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation ~~[15-245-14]~~

If warranted: 1. Probation Monitoring Costs [27]  
2. Continuing Education Courses [36]  
3. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]



## ARTICLE 3.5

### Section 5060 NAME OF FIRM

Minimum Penalty - ~~Continuing Education Courses [36] for licensee, licensee partners, licensee directors, shareholders, and/or officers of corporation~~ ~~Continuing Education Courses [25]~~

Maximum Penalty - Revocation stayed with actual suspension [1-4]

#### CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
~~2. Probation Monitoring Costs [27]~~  
~~32. Restricted Practice [2847]~~  
~~43. Ethics Continuing Education [3120]~~  
~~54. Regulatory Review Course [3224]~~  
~~65. Continuing Education Courses [3625]~~  
~~76. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

(Reference Section 5072 ~~and 5150~~)

### Section 5061 COMMISSIONS

Minimum Penalty - Continuing Education ~~Courses [3625]~~

Maximum Penalty - Revocation [~~1,21-2~~]

#### CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2545~~]  
3. Restitution [~~2646~~]  
~~4. Probation Monitoring Costs [27]~~  
~~54. Restricted Practice [2847]~~  
~~65. Engagement Letters [2948]~~  
~~76. Ethics Continuing Education [3120]~~  
~~87. Regulatory Review Course [3224]~~  
~~98. Continuing Education Courses [3625]~~  
~~109. Community Service – Free Services [4029]~~  
~~1140. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

**Section 5062 REPORT CONFORMING TO PROFESSIONAL STANDARDS**

Minimum Penalty - Continuing Education Courses [\[3625\]](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required:

1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [\[15-245-14\]](#)
3. Continuing Education Courses [\[3625\]](#)

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [\[2545\]](#)
3. Restitution [\[2646\]](#)
4. [Probation Monitoring Costs \[27\]](#)
54. Restricted Practice [\[2847\]](#)
65. Engagement Letters [\[2948\]](#)
76. Ethics Continuing Education [\[3029\]](#)
87. Regulatory Review Course [\[3224\]](#)
98. Peer Review [\[3322\]](#)
109. CPA Exam [\[3423\]](#)
1149. Samples - Audits, Review or Compilation [\[3827\]](#)
1244. Community Service – Free Services [\[4029\]](#)
1342. Notice to Clients [\[4234\]](#)
1443. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

(Reference Section 5100(j))

**Section 5062.2 RESTRICTIONS ON ACCEPTING EMPLOYMENT WITH AN AUDIT CLIENT**

Minimum Penalty - Revocation stayed, 30 day suspension, 3 years probation [1-4]  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required:

1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted:

1. [Probation Monitoring Costs \[27\]](#)
24. Ethics Continuing Education [\[3129\]](#)
32. Regulatory Review Course [\[3224\]](#)
43. Community Service – Free Services [\[4029\]](#)
54. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

**Section 5063      REPORTABLE EVENTS**

Minimum Penalty - ~~Correction of Violation and/or~~ Continuing Education Courses [3625]  
Maximum Penalty - Revocation [1,24-2]

CONDITIONS OF PROBATION

Required:      1. If revocation stayed [4], 3 years probation  
                    2. Standard Conditions of Probation [~~15-245-14~~]

If warranted:      1. Suspension [3] with/without stay [4]  
                            2. Supervised Practice [~~2545~~]  
                            3. Probation Monitoring Costs [27]  
                            ~~43~~. Restricted Practice [~~2817~~]  
                            54. Ethics Continuing Education [3120]  
                            ~~65~~. Regulatory Review Course [3224]  
                            76. Continuing Education Courses [3625]  
                            87. Samples – Audit, Review or Compilation [3827]  
                            98. Prohibition from Handling Funds [3928]  
                            109. Community Service – Free Services [4029]  
                            1110. Administrative Penalty not to exceed maximum set forth in  
                                    Section 5116 [4332]  
                            1244. Conditions as appropriate relating to physical or mental disability or  
                                    condition [~~44-4931-36~~]

(Reference Sections 59, 60, 61)

**Section 5063.3      CONFIDENTIAL INFORMATION DISCLOSURE**

Minimum Penalty - Continuing Education Courses [3625]  
Maximum Penalty - ~~Revocation [1,2]Revocation stayed; 90 day suspension, 3 years probation~~  
                                    [~~1-4~~]

CONDITIONS OF PROBATION:

Required:      1. ~~If revocation stayed [4], 3 years probation 3 years probation~~  
                            2. Standard Conditions of Probation [~~15-245-14~~]

If warranted:      1. Suspension [3] ~~with/without stay [4]~~  
                            2. Supervised Practice [~~2545~~]  
                            3. Probation Monitoring Costs [27]  
                            4. Restricted Practice [28]  
                            ~~53~~. Ethics Continuing Education [3120]  
                            ~~64~~. Regulatory Review Course [3224]  
                            ~~75~~. Continuing Education Courses [3625]  
                            8. Samples – Audit, Review or Compilation [38]  
                            9. Prohibition from Handling Funds [39]  
                            10. Community Service – Free Services [40]  
                            ~~116~~. Notice to Clients [4234]  
                            12. Administrative Penalty not to exceed maximum set forth in  
                                    Section 5116 [4332]

## ARTICLE 4

### ~~Section 5070.7~~ — ~~FAILURE TO RENEW WITHIN FIVE YEARS~~

~~Minimum Penalty~~ — ~~Certificate canceled immediately and returned to the Board~~  
~~Maximum Penalty~~ — ~~CPA Exam [23]~~

### Section 5072(a) REQUIREMENTS FOR REGISTRATION AS A PARTNERSHIP

Applies to licensee(s) in a partnership who practices for a time without partnership license (Section 5073) and subsequently renews, or to a partnership in practice without a license.

Minimum Penalty - Continuing Education Courses [for Licensee Partners \[3625\]](#)

Maximum Penalty - Revocation of partnership/individual licenses [\[1,24-2\]](#)

#### CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [\[15-245-44\]](#)

If warranted: 1. Suspension [3] with/without stay [4]  
[2. Probation Monitoring Costs \[27\]](#)  
~~3~~2. Restricted Practice [\[2847\]](#)  
~~4~~3. Ethics Continuing Education [\[3120\]](#)  
~~5~~4. Regulatory Review Course [\[3224\]](#)  
~~6~~5. Continuing Education Courses [\[3625\]](#)  
~~7~~6. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

(See ~~also~~ section on **Unlicensed Activities**.)

### Section 5073(d) PARTNERSHIP APPLICATIONS (ADMISSION OR WITHDRAWAL OF PARTNER)

Minimum Penalty - Continuing Education Courses [for Licensee Partners \[3625\]](#)

Maximum Penalty - Revocation [\[1,24-2\]](#)

#### CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [\[15-245-44\]](#)

If warranted: [1. Probation Monitoring Costs \[27\]](#)  
~~2~~4. Ethics Continuing Education [\[3120\]](#)  
~~3~~2. Regulatory Review Course [\[3224\]](#)  
~~4~~3. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

### Section 5076(a) PEER REVIEW

Minimum Penalty - [Continuing Education Courses \[36\]](#)[Correction of Violation](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [\[15-245-44\]](#)

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [\[2545\]](#)  
[3. Probation Monitoring Costs \[27\]](#)  
[43. Restricted Practice \[2847\]](#)  
[54. Ethics Continuing Education \[3120\]](#)  
[65. Regulatory Review Course \[3224\]](#)  
[7. Peer Review \[33\]](#)  
[86. Continuing Education Courses \[3625\]](#)  
[97. Sample – Audit, Review or Compilation \[3827\]](#)  
[108. Notification to Clients/Cessation of Practice \[4234\]](#)  
[119. Administrative Penalty not to exceed maximum set forth in Section 5116 \[4332\]](#)

(Reference Sections 40, 41, 43)

**Section 5076(f) PEER REVIEW – DOCUMENT SUBMISSION REQUIREMENT**

Minimum Penalty - [Continuing Education Courses \[36\]](#)[Correction of Violation](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [\[15-245-44\]](#)

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [\[2545\]](#)  
[3. Probation Monitoring Costs \[27\]](#)  
[43. Restricted Practice \[2847\]](#)  
[54. Ethics Continuing Education \[3120\]](#)  
[65. Regulatory Review Course \[3224\]](#)  
[76. Peer Review \[3322\]](#)  
[87. Continuing Education Courses \[3625\]](#)  
[98. Sample – Audit, Review or Compilation \[3827\]](#)  
[109. Notification to Clients/Cessation of Practice \[4234\]](#)  
[1140. Administrative Penalty not to exceed maximum set forth in Section 5116 \[4332\]](#)

(Reference Section 46)

**Section 5078 OFFICES NOT UNDER PERSONAL MANAGEMENT OF CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT; SUPERVISION**

- Minimum Penalty - Continuing ~~e~~Education Courses for Licensee Owners [3625] and/or require CPA or PA to develop standards for supervision, and implement a practice plan; permit practice investigation within 3 months to insure compliance [2049]
- Maximum Penalty - Revocation [1,24-2]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [15-245-44]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [2545]
  3. Probation Monitoring Costs [27]
  4. ~~3.~~ Restricted Practice [2847]
  5. ~~4.~~ Ethics Continuing Education [3120]
  6. ~~5.~~ Regulatory Review Course [3224]
  7. ~~6.~~ Continuing Education Courses [3625]
  8. ~~7.~~ Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

**Section 5079(a)(b)(d) NONLICENSEE OWNERSHIP OF FIRMS**

- Minimum Penalty - Continuing Education Courses [3625] for California licensee partners or for licensee shareholders of corporation
- Maximum Penalty - Revocation of partnership or corporate registration and individual licenses [1,2]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed, 3 years probation
  2. Standard Conditions of Probation [15-245-44]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [27]
  3. ~~2.~~ Restricted Practice [2847]
  4. ~~3.~~ Ethics Continuing Education [3120]
  5. ~~4.~~ Regulatory Review Course [3224]
  6. ~~5.~~ Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

(Reference Section 51.1)

**ARTICLE 5**

**Section 5081(a) REQUIREMENTS FOR ADMISSION TO  
CERTIFIED PUBLIC ACCOUNTANT EXAMINATION  
(ACTS DENYING ADMISSION TO EXAM)**

Minimum Penalty - Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of Section 5100 for applicable provisions

Maximum Penalty - Denial of admission to examination or revocation of license if issued

If warranted: 1. Administrative Penalty not to exceed maximum set forth in Section 5116 [43]

(Reference relevant section for discipline based upon nature of act.)

**Section 5081(b)(c) REQUIREMENTS FOR ADMISSION TO  
CERTIFIED PUBLIC ACCOUNTANT EXAMINATION**

Minimum/Maximum Penalty - Denial of admission to examination, or revocation of license if issued.

If warranted: 1. Administrative Penalty not to exceed maximum set forth in Section 5116 [43]

**Section 5088 INTERIM PRACTICE RIGHTS: OUT OF STATE CPA**

Minimum/Maximum Penalty - If Board rejects application, cease practice immediately. If practice continues, see provisions on **Unlicensed Activities** and Practice Privilege.

**Section 5095(a) MINIMUM NUMBER OF ATTEST SERVICES HOURS;**

## ATTEST EXPERIENCE

Minimum Penalty - Revocation stayed and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.  
Correction of Violation

Maximum Penalty - Revocation [1,24-2]

### CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [15-245-44]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Probation Monitoring Costs [27]  
3. Restricted Practice [2847]  
4. Ethics Continuing Education [3120]  
5. Regulatory Review Course [3224]  
6. .CPA Exam [3423]  
7. Continuing Education Courses [3625]  
8. Active License Status [3626]  
9. Notification to Clients/Cessation of Practice [4234]  
10. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

## ARTICLE 5.1: Practice Privilege

### ~~Section 5096(e)(3) PRACTICE PRIVILEGE – PRACTICE FROM OFFICE IN THIS STATE~~

~~Minimum Penalty – Revocation stayed [1-21,2,4]; 3 years probation~~

~~Maximum Penalty – Revoke Practice Privilege [1-21,2]~~

### ~~CONDITIONS OF PROBATION~~

~~Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3]  
3. Standard Conditions of Probation [5-14]~~

~~If warranted: 1. Ethics Continuing Education [20]  
2. Regulatory Review Course [21]  
3. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]~~

**~~Section 5096(e)(5) PRACTICE PRIVILEGE – COOPERATE WITH BOARD INQUIRY~~**

~~Minimum Penalty—Administrative Suspension pursuant to Section 5096.4; or Board approval required before commencing practice under future practice privilege  
Maximum Penalty—Revoke Practice Privilege [1-21,2]~~

~~CONDITIONS OF PROBATION~~

~~Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3]  
3. Standard Conditions of Probation [5-14]~~

~~If warranted: 1. Ethics Continuing Education [20]  
2. Regulatory Review Course [21]  
3. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]~~

**~~Section 5096(g)(1) PRACTICE PRIVILEGE – DISQUALIFYING CONDITIONS~~**

~~Minimum Penalty—Revocation stayed [1-21,2,4]; 3 years probation  
Maximum Penalty—Revoke Practice Privilege [1-21,2]~~

~~CONDITIONS OF PROBATION~~

~~Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3]  
3. Standard Conditions of Probation [5-14]~~

~~If warranted: 1. Ethics Continuing Education [20]  
2. Regulatory Review Course [21]  
3. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]~~

**~~Section 5096.5 PRACTICE PRIVILEGE – SIGN ATTEST REPORTS~~**

~~Minimum Penalty—Revocation stayed [1-21,2,4]; 3 years probation  
Maximum Penalty—Revoke Practice Privilege [1-21,2]~~

~~CONDITIONS OF PROBATION~~

~~Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3]  
3. Standard Conditions of Probation [5-14]~~

~~If warranted: 1. Ethics Continuing Education [20]  
2. Regulatory Review Course [21]  
3. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]~~

**~~Section 5096.12(a) PRACTICE PRIVILEGE – LIMITED FIRM PRACTICE~~**

~~(Applies to an out-of-state firm practicing through a practice privilege holder.)~~

~~Minimum Penalty – Revocation stayed [1-21,2,41,2,4]; 3 years probation~~

~~Maximum Penalty – Revoke Practice Privilege [1-21,2]~~

**~~CONDITIONS OF PROBATION~~**

- ~~Required:~~
- ~~1. If revocation stayed [4], probation 3 to 5 years~~
  - ~~2. Standard Conditions of Probation [5-14]~~

- ~~If warranted:~~
- ~~1. Suspension [3]~~
  - ~~2. Ethics Continuing Education [20]~~
  - ~~3. Regulatory Review Course [21]~~
  - ~~4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]~~

**~~Section 5096.13 – FIRM INFORMATION~~**

~~Minimum Penalty – Correction of Violation~~

~~Maximum Penalty – Revoke authorization to practice~~

**Section 5096(d) PRACTICING THROUGH AN UNREGISTERED FIRM**

Minimum Penalty: Revocation stayed [1,2,41-2,4] 3 years probation

Maximum Penalty: Revoke Practice Privilege [1,24-2]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], probation 3 to 5 years
  2. Standard Conditions of Probation [15-21,23,24]~~[13-19,21,22,]~~

- If warranted:
- ~~13.~~ 13. Suspension [3]
  2. Probation Monitoring Costs [27]
  34. Ethics Continuing Education [3129]
  4. Regulatory Review Course [3230]
  5. Administrative Penalty not to exceed maximum set forth in Section 5116 [43]

**Section 5096(e)(2) COMPLY WITH RULES, LAWS, AND STANDARDS**

Minimum Penalty: One year suspension [3]  
Maximum Penalty: Revoke Practice Privilege [~~1,2~~1-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3] (Section 5096(g)).  
3. Standard Conditions of Probation [~~15-21,23,24~~13-19,21,22]

If warranted: 1. Probation Monitoring Costs [27]  
~~2~~4. Ethics Continuing Education [3129]  
~~3~~2. Regulatory Review Course [3224]  
~~4~~3. Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~43~~44]

**Section 5096(e)(3) PRACTICE FROM AN UNAUTHORIZED OFFICE IN THIS STATE**

Minimum Penalty: One year suspension [3]  
Maximum Penalty: Revoke Practice Privilege [~~1,2~~1-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3] (Section 5096(g)).  
3. Standard Conditions of Probation [~~15-21,23,24~~13-19,21,22,23]

If warranted: 1. Probation Monitoring Costs [~~27~~25]  
~~2~~4. Ethics Continuing Education [3129]  
~~3~~2. Regulatory Review Course [3224]  
~~4~~3. Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~43~~44]

**Section 5096(e)(5) COOPERATE WITH BOARD**

Minimum Penalty: One year suspension [3]  
Maximum Penalty: Revoke Practice Privilege [~~1,2~~1-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3] (Section 5096(g)).  
3. Standard Conditions of Probation [13-19,21,22,~~23~~]

If warranted: 1. Probation Monitoring Costs [25]  
~~2~~4. Ethics Continuing Education [~~29~~29]  
~~3~~2. Regulatory Review Course [3024]  
~~4~~3. Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~43~~44]

**Section 5096(e)(6), (7), (8), & (9) FAILURE TO CEASE EXERCISING THE PRACTICE PRIVILEGE**

Minimum Penalty: One year suspension [3]  
Maximum Penalty: Revoke Practice Privilege [1,21-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3] (Section 5096(g)).  
3. Standard Conditions of Probation [~~15-21, 23, 2413-19,21,22,23~~]

If warranted: 1. Probation Monitoring Costs [27]  
2. Ethics Continuing Education [3129]  
3. Regulatory Review Course [2324]  
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [4344]

**If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years pursuant to Section 5096(g).**

**Section 5096(f) FAILURE TO NOTIFY THE BOARD/CEASE PRACTICE**

Minimum Penalty: One year suspension [3]  
Maximum Penalty: Revoke Practice Privilege [1,21-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3] (Section 5096(g)).  
3. Standard Conditions of Probation [~~15-21,23,2413-19,21,22,23~~]

If warranted: 1. Probation Monitoring Costs [27]  
2. Ethics Continuing Education [3129]  
3. Regulatory Review Course [3224]  
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [4344]

**If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years pursuant to Section 5096(g).**

**Section 5096(i) FAILURE TO FILE PRE-NOTIFICATION FORM**

Minimum Penalty: One year suspension [3]  
Maximum Penalty: Revoke Practice Privilege [1,24-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3] (Section 5096(g)).  
3. Standard Conditions of Probation [~~15-21,23,24~~13-19,21,22,23]

If warranted: 1. Probation Monitoring Costs [27]  
24. Ethics Continuing Education [3129]  
35. Regulatory Review Course [3224]  
46. Administrative Penalty not to exceed maximum set forth in Section 5116 [4344]

**If it is determined that the failure to cease practice or provide the notice was intentional, that individual's practice privilege shall be revoked and there shall be no possibility of reinstatement for a minimum of two years.**

**Section 5096.5 UNAUTHORIZED SIGNING OF ATTEST REPORTS**

Minimum Penalty: Revocation stayed [~~1,2,4~~1-2,4] 3 years probation  
Maximum Penalty: Revoke Practice Privilege [1,24-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Suspension [3] (Section 5096(g)).  
3. Standard Conditions of Probation [~~15-21,23,24~~13-19,21,22,23]

If warranted: 1. Probation Monitoring Costs [27]  
24. Ethics Continuing Education [3129]  
35. Regulatory Review Course [3224]  
46. Administrative Penalty not to exceed maximum set forth in Section 5116 [4344]

**Section 5096.12 FIRM PRACTICING WITHOUT A PRACTICE PRIVILEGE HOLDER**

Minimum Penalty: Revocation stayed [1,2,41-2,4] 3 years probation  
Maximum Penalty: Revoke Practice Privilege [1,24-2]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [4], probation 3 to 5 years  
2. Standard Conditions of Probation [~~15-21,23,24~~13-19,21,22,23]

If warranted: ~~12.~~ Probation Monitoring Costs [27~~25~~]  
~~23.~~ Suspension [3] (Section 5096(g)).  
~~34.~~ Ethics Continuing Education [31~~29~~]  
~~45.~~ Regulatory Review Course [32~~21~~]  
~~56.~~ Administrative Penalty not to exceed maximum set forth in  
Section 5116 [43~~44~~]

**ARTICLE 5.5**

**Section 5097 AUDIT DOCUMENTATION**

Minimum Penalty - Continuing Education Courses [36~~25~~]  
Maximum Penalty - Revocation [1,24-2]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-24~~5-14]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [25~~45~~]  
~~3.~~ Probation Monitoring Costs [27]  
~~4.~~ Restricted Practice [28~~47~~]  
~~5.~~ Library Reference Material [30~~49~~]  
~~6.~~ Ethics Continuing Education [31~~29~~]  
~~7.~~ Regulatory Review Course [32~~21~~]  
~~8.~~ Peer Review [33~~22~~]  
~~9.~~ CPA Exam [34~~23~~]  
~~10.~~ Continuing Education Courses [36~~25~~]  
~~11.~~ Samples - Audits, Review or Compilation [38~~27~~]  
~~12.~~ Community Service – Free Services [40~~29~~]  
~~13.~~ Notice to Clients [42~~34~~]  
~~14.~~~~13.~~ Administrative Penalty not to exceed maximum set forth in  
Section 5116 [43~~32~~]  
(Reference Sections 68.2, 68.3, 68.4, 68.5)

## ARTICLE 6

### Section 5100 DISCIPLINE IN GENERAL, (including but not limited to that set forth in Subsections (a) through (l) of this Section)

Minimum Penalty - Continuing Education Courses ~~[3625]~~

Maximum Penalty - Revocation ~~[1,24-2]~~

#### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
  2. Standard Conditions of Probation ~~[15-245-44]~~

- If warranted:
1. Suspension [3] with/without stay [4]  
~~2. Probation Monitoring Costs [27]~~
  - ~~3~~2. Optional conditions which relate to underlying facts and circumstances;  
reference conditions listed in 5100 (a)-(j)
  - ~~4~~3. Administrative Penalty not to exceed maximum set forth in  
Section 5116 ~~[4332]~~

**Section 5100(a) CONVICTION OF ANY CRIME SUBSTANTIALLY RELATED TO THE QUALIFICATIONS, FUNCTIONS AND DUTIES OF A CPA/PA**

**FOR FELONY CONVICTIONS OR ~~MULTIPLE SEVERAL~~ MISDEMEANOR CONVICTIONS:**

Minimum Penalty - Revocation stayed. Actual suspension from practice 120 days. Three years probation [1-4]

Maximum Penalty - Revocation [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

Required:

1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [~~15-245-14~~]

If warranted:

1. Supervised Practice [~~2545~~]
2. Restitution [~~2646~~]
3. Probation Monitoring Costs [27]
43. Restricted Practice [~~2847~~]
54. Engagement Letters [~~2948~~]
65. Ethics Continuing Education [~~3120~~]
76. Regulatory Review Course [~~3224~~]
87. CPA Exam [~~3423~~] or Enrolled Agents Exam [~~3524~~]
98. Continuing Education Courses [~~3625~~]
109. Samples - Audit, Compilation or Review [~~3827~~]
1140. Prohibition from Handling Funds [~~3928~~]
1244. Community Service – Free Services [~~4029~~]
1342. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~4332~~]
13. Conditions as appropriate relating to physical or mental disability or condition [~~44-4934-36~~]

**IN THE CASE OF A SINGLE MISDEMEANOR VIOLATION, TAILOR PROBATION TO CIRCUMSTANCES; ADJUSTING THE REQUIRED CONDITIONS ACCORDINGLY AND CHOOSING APPROPRIATE WARRANTED CONDITIONS FROM THE ABOVE LIST.**

**Section 5100(b) FRAUD OR DECEIT IN OBTAINING**

## LICENSE/PERMIT/REGISTRATION

Minimum Penalty - Revocation stayed with 180 days actual suspension and 3 years probation (if license was issued). Cannot apply for license for 12 months (if not yet licensed), and, if application is subsequently approved, conditional license with probation for 3 years.

Maximum Penalty - Revocation or application denied. [\[1,24-2\]](#)

### CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [4], probation of 3 to 5 years
2. Suspension [3]
3. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted:

1. [Probation Monitoring Costs \[27\]](#)
24. [Ethics Continuing Education \[3120\]](#)
32. [Regulatory Review Course \[3224\]](#)
43. [Continuing Education Courses \[3625\]](#)
54. [Administrative Penalty not to exceed maximum set forth in Section 5116 \[4332\]](#)

### Section 5100(c) DISHONESTY, FRAUD, GROSS NEGLIGENCE, OR REPEATED ACTS OF NEGLIGENCE IN THE PRACTICE OF PUBLIC ACCOUNTANCY OR THE PERFORMANCE OF BOOKKEEPING

Minimum Penalty - Revocation stayed [\[4-21,2,4\]](#), 3 years probation

Maximum Penalty - Revocation [\[1,24-2\]](#)

### CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [4], probation of 3 to 5 years
2. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted:

1. [Supervised Practice \[2545\]](#)
2. [Restitution \[2646\]](#)
3. [Probation Monitoring Costs \[27\]](#)
43. [Restricted Practice \[2847\]](#)
54. [Ethics Continuing Education \[3120\]](#)
65. [Regulatory Review Course \[3224\]](#)
76. [Peer Review \[3322\]](#)
87. [CPA Exam \[3423\]](#)
98. [Continuing Education Courses \[3625\]](#)
109. [Samples - Audit, Review or Compilation \[3827\]](#)
1140. [Prohibition from Handling Funds \[3928\]](#)
1244. [Community Service – Free Services \[4029\]](#)
1342. [Notification to Clients \[4234\]](#)
1443. [Administrative Penalty not to exceed maximum set forth in Section 5116 \[4332\]](#)
1544. [Conditions as appropriate relating to physical or mental disability or condition \[44-4931-36\]](#)

### Section 5100(d) CANCELLATION, REVOCATION OR SUSPENSION

**BY ANY OTHER STATE OR FOREIGN COUNTRY**

Minimum Penalty - Revocation stayed [1,2,4], probation 3 years

Maximum Penalty - Revocation [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
  2. Standard Conditions of Probation [~~15-245-14~~]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~2545~~]
3. Restitution [~~2646~~]
4. Probation Monitoring Costs [27]
54. Restricted Practice [~~2847~~]
65. Ethics Continuing Education [~~3120~~]
76. Regulatory Review Course [~~3224~~]
87. CPA Exam [~~3423~~] or Enrolled Agents Exam [~~3524~~]
98. Continuing Education Courses [~~3625~~]
109. Samples - Audit, Review or Compilation [~~3827~~]
1140. Prohibition from Handling Funds [~~3928~~]
1244. Community Service – Free Services [~~4029~~]
1342. Notice to Clients [~~4234~~]
1443. Conditions as appropriate relating to physical or mental disability or condition [~~44-4934-36~~]

**Section 5100(e) VIOLATION OF PROVISIONS OF SECTION 5097**

Minimum Penalty - Continuing Education Courses [\[3625\]](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required:

1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [\[15-245-14\]](#)
3. Continuing Education Courses [\[3625\]](#)

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [\[2545\]](#)
3. [Probation Monitoring Costs \[27\]](#)
43. Restricted Practice [\[2847\]](#)
54. Library Reference Material [\[3049\]](#)
65. Ethics Continuing Education [\[3120\]](#)
76. Regulatory Review Course [\[3224\]](#)
87. Peer Review [\[3322\]](#)
98. CPA Exam [\[3423\]](#)
109. Samples - Audits, Review or Compilation [\[3827\]](#)
1140. Community Service – Free Services [\[4029\]](#)
1244. Notice to Clients [\[4234\]](#)
1342. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

**Section 5100(f) VIOLATIONS OF PROVISIONS OF SECTION 5120**

Section 5120 states "Any person who violates any of the provisions of Article 3 (commencing with Section 5050) is guilty of a misdemeanor, punishable by imprisonment for not more than six months, or by a fine of not more than one thousand dollars, or both." Whenever the Board has reason to believe that any person is liable for punishment under this article, the Board, or its designated representatives, may certify the facts to the appropriate enforcement officer of the city or county where the alleged violation had taken place and the officer may cause appropriate proceedings to be brought.

Violations of Article 3 include:

5050 and 5051	PRACTICE WITHOUT PERMIT/" PUBLIC ACCOUNTANCY" DEFINED
5055 and 5056	TITLE OF CERTIFIED PUBLIC ACCOUNTANT/ PUBLIC ACCOUNTANT
5058	USE OF CONFUSING TITLES OR DESIGNATIONS PROHIBITED
<del>5060</del>	<del>NAME OF FIRM</del>
<del>5061</del>	<del>COMMISSIONS</del>
<del>5062</del>	<del>REPORT CONFORMING TO PROFESSIONAL STANDARDS</del>

Minimum/Maximum Penalty - See specific statute/regulation violated for recommended penalty

**Section 5100(g) WILLFUL VIOLATION OF THE ACCOUNTANCY ACT, OR A RULE OR REGULATION PROMULGATED BY THE BOARD**

Minimum/Maximum Penalty - See specific statute or regulation violated for recommended penalty

**Section 5100(h) SUSPENSION OR REVOCATION OF THE RIGHT TO PRACTICE BEFORE ANY GOVERNMENTAL BODY OR AGENCY**

Minimum Penalty - Revocation stayed [~~1,2,41-2,4~~], 3 years probation  
Maximum Penalty - Revocation [~~1,21-2~~]

**CONDITIONS OF PROBATION:**

Required:

1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted ~~(include those related to underlying offense(s))~~:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~2545~~]
3. Restitution [~~2646~~]
4. Probation Monitoring Costs [27]
54. Restricted Practice [~~2847~~]
65. Ethics Continuing Education [3120]
76. Regulatory Review Course [3224]
87. CPA Exam [3423] or Enrolled Agents Exam [3524]
98. Continuing Education Courses [3625]
109. -Samples - Audit, Review or Compilation [3827]
1140. Prohibition from Handling Funds [3928]
1244. Community Service – Free Services [4029]
1342. Notice to Clients [4234]
1443. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]
1544. Conditions as appropriate relating to physical or mental disability or condition [~~44-4931-36~~]

**Section 5100(i) FISCAL DISHONESTY OR BREACH OF FIDUCIARY RESPONSIBILITY OF ANY KIND**

Minimum Penalty - Revocation stayed, 30 day suspension, 3 years probation [1-4]

Maximum Penalty - Revocation [~~1,21-2~~]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
  2. Suspension [3]
  3. Standard Conditions of Probation [~~15-245-44~~]

- If warranted:
1. Supervised Practice [~~2515~~]
  2. Restitution [~~2616~~]
  3. Probation Monitoring Costs [27]
  43. Restricted Practice [~~2817~~]
  54. Ethics Continuing Education [~~3120~~]
  65. Regulatory Review Course [~~3221~~]
  76. CPA Exam [~~3423~~] or Enrolled Agents Exam [~~3524~~]
  87. Continuing Education Courses [~~3625~~]
  98. Prohibition from Handling Funds [~~3828~~]
  109. Community Service – Free Services [~~4029~~]
  1110. Notice to Clients [~~4234~~]
  1211. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~4332~~]
  1312. Conditions as appropriate relating to physical or mental disability or condition [~~44-4931-36~~]

**Section 5100(j) KNOWING PREPARATION, PUBLICATION OR DISSEMINATION OF FALSE, FRAUDULENT, OR MATERIALLY MISLEADING FINANCIAL STATEMENTS, REPORTS, OR INFORMATION**

Minimum Penalty - Revocation stayed, 60 days suspension, 3 years probation [1-4]

Maximum Penalty - Revocation [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 to 5 years probation
  2. Suspension [3]
  3. Standard Conditions of Probation [~~15-245-14~~]

- If warranted:
1. Supervised Practice [~~2546~~]
  2. Restitution [~~2646~~]
  3. Probation Monitoring Costs [27]
  43. Restricted Practice [~~2847~~]
  54. Engagement Letters [~~2948~~]
  65. Ethics Continuing Education [~~3120~~]
  76. Regulatory Review Course [~~3224~~]
  87. CPA Exam [~~3423~~] or Enrolled Agents Exam [~~3524~~]
  98. Continuing Education Courses [~~3625~~]
  109. Samples - Audit, Review or Compilation [~~3827~~]
  1140. Community Service – Free Services [~~4029~~]
  1244. Notice to Clients [~~4234~~]
  1342. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~4332~~]
  1443. Conditions as appropriate relating to physical or mental disability or condition [~~44-4931-36~~]

**Section 5100(k) EMBEZZLEMENT, THEFT, MISAPPROPRIATION OF FUNDS OR PROPERTY, OR OBTAINING MONEY, PROPERTY OR OTHER VALUABLE CONSIDERATION BY FRAUDULENT MEANS OR FALSE PRETENSES**

Minimum Penalty - Revocation stayed, 90 day suspension, 3 years probation [1-4]

Maximum Penalty - Revocation [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
  2. Suspension [3]
  3. Standard Conditions of Probation [~~15-245-14~~]

- If warranted:
1. Supervised Practice [~~2546~~]
  2. Restitution [~~2646~~]
  3. Probation Monitoring Costs [27]
  43. Restricted Practice [~~2847~~]
  54. Ethics Continuing Education [~~3120~~]
  66. Regulatory Review Course [~~3224~~]
  76. CPA Exam [~~3423~~] or Enrolled Agents Exam [~~3524~~]
  87. Continuing Education Courses [~~3625~~]
  98. Prohibition from Handling Funds [~~3928~~]
  109. Notice to Clients [~~4234~~]
  1140. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~4332~~]
  1244. Conditions as appropriate relating to physical or mental disability or condition [~~44-4931-36~~]

**Section 5100(l) DISCIPLINE, PENALTY, OR SANCTION BY THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD OR SECURITIES AND EXCHANGE COMMISSION**

Minimum Penalty - Revocation stayed [~~1,2,41-2,4~~], 3 years probation  
Maximum Penalty - Revocation [~~1,21-2~~]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-44~~]

If warranted (include those related to underlying offense(s)):

1. Suspension [3] with/without stay [4]
2. Supervised Practice [~~2546~~]
3. Restitution [~~2646~~]
4. Probation Monitoring Costs [27]
54. Restricted Practice [~~2847~~]
65. Ethics Continuing Education [3120]
76. Regulatory Review Course [3224]
87. CPA Exam [3423] or Enrolled Agents Exam [3524]
98. Continuing Education Courses [3625]
109. Samples - Audit, Review or Compilation [3827]
1140. Prohibition from Handling Funds [3928]
1244. Community Service – Free Services [4029]
1342. Notice to Clients [4234]
1443. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]
1544. Conditions as appropriate relating to physical or mental disability or condition [~~44-4931-36~~]

**Section 5100(m) UNLAWFULLY ENGAGING IN PRACTICE OF PUBLIC ACCOUNTANCY IN ANOTHER STATE**

Minimum Penalty - Continuing Education Courses [3625]  
Maximum Penalty - Revocation [~~1,21-2~~]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-44~~]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [27]
  32. Restricted Practice [~~2847~~]
  43. Ethics Continuing Education [3120]
  54. Regulatory Review Course [3224]
  65. Continuing Education Courses [3625]
  76. Active License Status [3726]
  7. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

**Section 5101 DISCIPLINE OF PARTNERSHIP**

Minimum Penalty - ~~Revocation stayed [1,2,4], 3 years probation~~ Probation; require CPA or PA partners to develop standards for supervision, and implement a practice plan; permit practice investigation within 3 months to ensure compliance [10]

Maximum Penalty - Revocation [1,24-2]

**CONDITIONS OF PROBATION:**

Required: 1. Standard Conditions of Probation [15-245-44]

If warranted: 1. ~~Suspension [3] with/without stay [4]~~  
2. Supervised Practice [2545]  
~~32.~~ Restitution [2646]  
4. Probation Monitoring Costs [27]  
~~53.~~ Restricted Practice [2847]  
~~64.~~ Engagement Letters [2948]  
~~75.~~ Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

**Section 5104 RELINQUISHMENT OF CERTIFICATE OR PERMIT**

Minimum/Maximum Penalty - Revocation [1,24-2]

**Section 5105 DELINQUENCY IN PAYMENT OF RENEWAL FEE**

~~Minimum/Maximum Penalty - Revocation [1,2]~~

~~Minimum Penalty—Relinquish certificate [30] which will be reissued under Section 5070.6 guidelines (payment of renewal and delinquency fees and compliance with continuing education guidelines)~~

~~Maximum Penalty—Revocation [1-2]~~

**Section 5110(a) ACTS CONSTITUTING CAUSE FOR BOARD'S DENIAL OF EXAM APPLICATION OR ADMISSION, VOIDANCE OF GRADES, OR DENIAL OF LICENSE APPLICATION OR REGISTRATION**

Minimum/Maximum Penalty - Denial of admission to examination, denial of licensure application, or revocation of license if issued.

If warranted: 1. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

## ARTICLE 7

### Sections 5120/5121 VIOLATIONS AS MISDEMEANOR/EVIDENCE OF VIOLATION

See Section 5100(f) and section on **Unlicensed Activities**.

## ARTICLE 9

### Section 5152 CORPORATION REPORTS

Minimum Penalty - Continuing Education ~~Courses for officers of corporation [3625]~~ for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty - Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

### Section 5152.1 ACCOUNTANCY CORPORATION RENEWAL OF PERMIT TO PRACTICE

Minimum Penalty - Continuing Education Courses [36] ~~for licensee directors, shareholders, and/or officers of corporation~~ Continuing Education for officers of corporation [25]

Maximum Penalty - Suspend corporate accountancy registration and/or individual licenses for 90 days [3]

See Sections 5050 and 5060(b)

### Section 5154 DIRECTORS, SHAREHOLDERS, AND OFFICERS MUST BE LICENSED

Minimum Penalty - Continuing Education Courses [3625] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty - Revocation of corporate registration [1,24-2] and discipline of individual licenses

#### CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [15-245-14]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Probation Monitoring Costs [27]  
3. ~~Ethics~~ Continuing Education [3120]  
4. ~~Regulatory Review Course~~ [3224]  
5. ~~Administrative Penalty not to exceed maximum set forth in Section 5116~~ [4332]

**Section 5155      DISQUALIFIED SHAREHOLDER NONPARTICIPATION**

Minimum Penalty - ~~Revocation stayed [1,2,4], 3 years probation Continuing Education Courses [25]~~

Maximum Penalty - Revocation of individual and corporate license [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

Required:      1. Standard Conditions of Probation [~~15-245-44~~]

If warranted:      1. Suspension [3] with/without stay [4]  
                          ~~2. Probation Monitoring Costs [27]~~  
                          ~~32. Ethics Continuing Education [3120]~~  
                          ~~43. Regulatory Review Course [3224]~~  
                          ~~54. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

**Section 5156      UNPROFESSIONAL CONDUCT  
(ACCOUNTANCY CORPORATION)**

Minimum Penalty - Continuing Education Courses [~~3626~~] for licensee directors, shareholders, and/or officers of corporation

Maximum Penalty - Revocation of individual and corporate licenses [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

Required:      ~~1. If Revocation stayed [4], 3-5 years probation~~  
                          ~~2. Standard Conditions of Probation [15-245-44]~~

If warranted:      1. Suspension [3] with/without stay [4]  
                          ~~2. Probation Monitoring Costs [27]~~  
                          ~~32. Ethics Continuing Education [3120] for licensee directors, shareholders and/or officers~~  
                          ~~43. Regulatory Review Course [3224] for licensee directors, shareholders and/or officers~~  
                          ~~54. Community Service – Free Services [4020]~~  
                          ~~65. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

**Note:** An accountancy corporation is bound by the same regulations as individual respondents. See specific statute or regulation violated for recommended penalty.

**Section 5158 PRACTICE OF PUBLIC ACCOUNTANCY; MANAGEMENT  
(ACCOUNTANCY CORPORATION)**

- Minimum Penalty - Continuing Education [Courses \[36\] for licensee directors, shareholders, and/or officers of corporation](#). Require CPA or PA to develop management plan; permit practice investigation within 3 months to ensure compliance with management requirement and plan [\[20,3340,23\]](#)
- Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

- Required: [1. If Revocation stayed \[4\], 3-5 years probation](#)  
[24. Standard Conditions of Probation \[15-245-14\]](#)
- If warranted:
1. Supervised Practice [\[2546\]](#)
  2. Restitution [\[2646\]](#)
  3. Probation Monitoring Costs [\[27\]](#)
  43. Restricted Practice [\[2847\]](#)
  54. Engagement Letters [\[2948\]](#)
  66. Ethics Continuing Education [\[3120\]](#)
  76. Regulatory Review Course [\[3224\]](#)
  87. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)
  98. Conditions as appropriate relating to physical or mental disability or condition [\[44-4931-36\]](#)

**CALIFORNIA BOARD OF ACCOUNTANCY REGULATIONS  
TITLE 16 CALIFORNIA CODE OF REGULATIONS**

**ARTICLE 1: GENERAL**

**SECTION 3 NOTIFICATION OF CHANGE OF ADDRESS**

Minimum Penalty - Continuing Education Courses [\[3625\]](#)  
Maximum Penalty - 90 day Suspension [3]

**SECTION 5 OBSERVANCE OF RULES**

Minimum Penalty - Continuing Education Courses [\[3625\]](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [\[41-2,4\]](#), 3 years probation  
2. Standard Conditions of Probation [\[15-245-44\]](#)

If warranted: 1. [Probation Monitoring Costs \[27\]](#)  
2. [Ethics Continuing Education \[3129\]](#)  
~~3~~2. [Regulatory Review Course \[3224\]](#)  
~~4~~3. [Continuing Education Courses \[3625\]](#)  
~~5~~4. [Samples - Audit, Review or Compilation \[3827\]](#)  
~~6~~5. [Community Service – Free Services \[4029\]](#)  
~~7~~6. [Administrative Penalty not to exceed maximum set forth in Section 5116 \[4332\]](#)

Note: Reference the specific regulation for appropriate discipline.

**ARTICLE 2: EXAMINATIONS**

**SECTION 8.2 REQUIREMENTS FOR  
ISSUANCE OF THE AUTHORIZATION TO TEST**

Minimum Penalty - Probationary conditions on initial license (if not yet licensed) or revocation, stayed with probation (if already licensed); reference appropriate subsection of Section 5100 for applicable provisions

Maximum Penalty - Denial of admission to examination or revocation of license if issued; Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

**ARTICLE 3: PRACTICE PRIVILEGES**

**SECTION 20 NOTIFICATION OF CHANGE OF INFORMATION FOR REGISTERED OUT-OF-STATE ACCOUNTING FIRMS**

Minimum Penalty: Correction of Violation  
Maximum Penalty: 90 day Suspension [3]

CONDITIONS OF PROBATION:

Required: 1. If suspension stayed [4], probation 3 to 5 years  
2. Standard Conditions of Probation [~~15-2413-22~~]

If warranted: 1. Administrative Penalty [41]

**ARTICLE 4: PRACTICE PRIVILEGE**

**Section 32 BOARD APPROVAL REQUIRED**

Minimum Penalty—Revocation stayed [1-2, 4]; 3 years probation  
Maximum Penalty—Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [5-14]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Ethics Continuing Education [20]  
3. Regulatory Review Course [21]  
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

(Reference Section 5096(g))

**SECTION 33(a) CHANGES TO INFORMATION ON NOTIFICATION**

Minimum Penalty—Correction of Violation  
Maximum Penalty—Revoke Practice Privilege [1-2]

CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [5-14]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Ethics Continuing Education [20]  
3. Regulatory Review Course [21]  
4. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

**SECTION 35 — CONTINUING EDUCATION REQUIREMENTS**

Minimum Penalty — Correction of Violation  
Maximum Penalty — Revoke Practice Privilege [1-2]

**CONDITIONS OF PROBATION**

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [5-14]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Ethics Continuing Education [20]  
3. Regulatory Review Course [21]  
4. Continuing Education Courses [25]  
5. Administrative Penalty not to exceed maximum set forth in Section 5116 [32]

**ARTICLE 6: PEER REVIEW**

**SECTION 40(a)(b)(c) ENROLLMENT AND PARTICIPATION**

Minimum Penalty - Continuing Education Courses [36] ~~Correction of Violation~~  
Maximum Penalty - Revocation [1,21-2]

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [15-245-14]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [2545]  
3. Probation Monitoring Costs [27]  
43. Restricted Practice [2847]  
54. Ethics Continuing Education [3120]  
65. Regulatory Review Course [3224]  
76. Peer Review [3322]  
87. Continuing Education Courses [3625]  
98. Sample – Audit, Review or Compilation [3827]  
109. Notification to Clients/Cessation of Practice [4234]  
1140. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

(Reference Section 5076(a))

**SECTION 41 FIRM RESPONSIBILITIES**

Minimum Penalty - Continuing Education Courses ~~[3625]~~  
Maximum Penalty - Revocation ~~[1,24-2]~~

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation ~~[15-245-44]~~

If warranted: ~~1. Probation Monitoring Costs [27]~~  
~~24. Ethics Continuing Education [3129]~~  
~~32. Regulatory Review Course [3224]~~  
~~43. Continuing Education Courses [3625]~~  
~~54. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

(Reference Section 5076(a))

**SECTION 43 EXTENSIONS**

Minimum Penalty - Continuing Education Courses ~~[3625]~~  
Maximum Penalty - Revocation stayed with actual suspension [1-4]

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation ~~[15-245-44]~~

If warranted: ~~1. Probation Monitoring Costs [27]~~  
~~24. Ethics Continuing Education [3129]~~  
~~32. Regulatory Review Course [3224]~~  
~~43. Continuing Education Courses [3625]~~  
~~54. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

**SECTION 44 NOTIFICATION OF EXPULSION**

Minimum Penalty - [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty - Revocation [~~1,24-2~~]

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-44~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2545~~]  
[3. Probation Monitoring Costs \[27\]](#)  
~~43. Restricted Practice [2847]~~  
[54. Ethics Continuing Education \[3120\]](#)  
~~65. Regulatory Review Course [3224]~~  
~~76. Continuing Education Courses [3625]~~  
[87. Sample – Audit, Review or Compilation \[3827\]](#)  
~~98. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~  
[109. Conditions as appropriate relating to physical or mental disability or condition \[44-4931-36\]](#)

**SECTION 45 REPORTING TO BOARD**

Minimum Penalty - [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty - Revocation [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [~~4-2,4~~], 3 years probation  
2. Standard Conditions of Probation [~~15-245-44~~]

If warranted: [1. Probation Monitoring Costs \[27\]](#)  
~~24. Ethics Continuing Education [3120]~~  
~~32. Regulatory Review Course [3224]~~  
~~43. Continuing Education Courses [3625]~~  
[54. Administrative Penalty not to exceed maximum set forth in Section 5116 \[4332\]](#)

(Reference Section 5076(a))

**SECTION 46(a) DOCUMENT SUBMISSION REQUIREMENTS**

Applies to firms that receive a substandard peer review rating.

Minimum Penalty - [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty - Revocation [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [~~4-2,4~~], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. [Probation Monitoring Costs \[27\]](#)  
~~24.~~ [Ethics Continuing Education \[3129\]](#)  
~~32.~~ [Regulatory Review Course \[3224\]](#)  
~~43.~~ [Continuing Education Courses \[3625\]](#)  
~~54.~~ Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~4332~~]

(Reference Section 5076(f))

**SECTION 46(b) DOCUMENT SUBMISSION REQUIREMENTS**

Applies to firms that receive a “pass” or “pass with deficiencies” peer review rating.

Minimum Penalty - [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty - Revocation [~~1,24-2~~]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [~~4-2,4~~], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. [Probation Monitoring Costs \[27\]](#)  
~~24.~~ [Ethics Continuing Education \[3129\]](#)  
~~32.~~ [Regulatory Review Course \[3224\]](#)  
~~43.~~ Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~4332~~]

## ARTICLE 9: RULES OF PROFESSIONAL CONDUCT

### SECTION 50 CLIENT NOTIFICATION

Minimum Penalty – [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

#### CONDITIONS OF PROBATION

Required: 1. Standard Conditions of Probation [~~15-245-14~~]

If warranted:

1. Suspension [3] with/without stay [4]
2. [Probation Monitoring Costs \[27\]](#)
3. ~~Ethics Continuing Education [3120]~~
4. ~~Regulatory Review Course [3224]~~
5. ~~Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

### SECTION 51 FIRMS WITH NONLICENSEE OWNERS

Minimum Penalty – [Continuing Education Courses \[36\]](#) [for California licensee partners or for licensee shareholders of corporation](#) ~~Correction of Violation~~  
Maximum Penalty – Revocation stayed, suspension, 3 years probation [1-4]

#### CONDITIONS OF PROBATION

Required: 1. Standard Conditions of Probation [~~15-245-14~~]

If warranted:

1. Suspension [3] with/without stay [4]
2. [Probation Monitoring Costs \[27\]](#)
3. ~~Restricted Practice [2817]~~
4. ~~Ethics Continuing Education [3120]~~
5. ~~Regulatory Review Course [3224]~~
6. ~~Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

## SECTION 51.1 NOTIFICATION OF NON-LICENSEE OWNERSHIP

Minimum Penalty - Continuing Education [Courses \[3625\]](#) for California licensee partners or for licensee shareholders of corporation

Maximum Penalty - Revocation of partnership or corporate registration and individual licenses

### CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [\[4\]](#), 3 years probation  
2. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted: 1. Suspension [3] with/without stay [4]  
[2. Probation Monitoring Costs \[27\]](#)  
[32. Ethics Continuing Education \[3120\]](#)  
[43. Regulatory Review Course \[3224\]](#)  
[54. Administrative Penalty not to maximum set forth in Section 5116 \[4332\]](#)

(Reference Section 5079)

## SECTION 52 RESPONSE TO BOARD INQUIRY

Minimum Penalty - Continuing Education Courses [\[3625\]](#)

Maximum Penalty - Revocation [\[1,21-2\]](#)

### CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [\[1-2,4\]](#), 3 years probation  
2. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted: [1. Probation Monitoring Costs \[27\]](#)  
[24. Ethics Continuing Education \[3120\]](#)  
[32. Regulatory Review Course \[3224\]](#)  
[43. Continuing Education Courses \[3625\]](#)  
[54. Community Service – Free Services \[4029\]](#)  
[65. Administrative Penalty not to exceed maximum set forth in Section 5116 \[4332\]](#)

## SECTION 53 DISCRIMINATION PROHIBITED

Minimum Penalty - Continuing Education Courses [\[3625\]](#)

Maximum Penalty - Revocation stayed, 3 years probation [\[1,2,41-2,4\]](#)

### CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted: [1. Probation Monitoring Costs \[27\]](#)  
[24. Ethics Continuing Education \[3120\]](#)  
[32. Regulatory Review Course \[3224\]](#)  
[43. Continuing Education Courses \[3625\]](#)  
[54. Administrative Penalty not to exceed maximum set forth in Section 5116 \[4332\]](#)

**SECTION 54.1 DISCLOSURE OF CONFIDENTIAL INFORMATION PROHIBITED**

Minimum Penalty - Continuing Education Courses ~~[3625]~~  
Maximum Penalty - ~~Revocation [1,2]Revocation stayed; 90-day suspension, 3-years probation [1-4]~~

**CONDITIONS OF PROBATION:**

- Required:
1. ~~If revocation stayed [4], 3 years probation 3-years probation~~
  2. Standard Conditions of Probation ~~[15-245-14]~~
- If warranted:
1. ~~Suspension [3] with/without stay [4]Suspension [3]~~
  2. Supervised Practice ~~[2545]~~
  3. ~~Probation Monitoring Costs [27]~~ .....
  43. Ethics Continuing Education ~~[3120]~~
  54. Regulatory Review Course ~~[3224]~~
  65. Continuing Education Courses ~~[3625]~~
  76. Notice to Clients ~~[4234]~~
  87. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[4332]~~
- (Reference Section ~~5063.3 5037~~)

**SECTION 54.2 RECIPIENTS OF CONFIDENTIAL INFORMATION**

Minimum Penalty - Continuing Education Courses ~~[3625]~~  
Maximum Penalty - Revocation ~~[1,24-2]~~

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed, ~~[1-2, 4]~~, 3 years probation
  2. Standard Conditions of Probation ~~[15-245-14]~~
- If warranted:
1. Supervised Practice ~~[2545]~~
  2. ~~Probation Monitoring Costs [27]~~
  32. Ethics Continuing Education ~~[3120]~~
  43. Regulatory Review Course ~~[3224]~~
  54. Continuing Education Courses ~~[3625]~~
  65. Administrative Penalty not to exceed maximum set forth in Section 5116 ~~[4332]~~

**SECTION 56 COMMISSIONS – BASIC DISCLOSURE REQUIREMENT**

Minimum Penalty – ~~Correction of Violation and/or~~ Continuing Education Courses [3625]  
Maximum Penalty – Revocation [1,24-2]

CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2545~~]  
3. Restitution [~~2646~~]  
4. Probation Monitoring Costs [27]  
5. Restricted Practice [~~2847~~]  
6. Engagement Letters [29]  
7. Ethics Continuing Education [3120]  
8. Regulatory Review Course [3224]  
9. Continuing Education Courses [3625]  
10. Community Service – Free Services [40]  
11. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~4332~~]

**SECTION 56.1 COMMISSIONS – PROFESSIONAL SERVICES PROVIDED TO CLIENT**

Minimum Penalty – ~~Correction of Violation and/or~~ Continuing Education Courses [3625]  
Maximum Penalty – Revocation [1,24-2]

CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2545~~]  
3. Restitution [~~2646~~]  
4. Probation Monitoring Costs [27]  
5. Restricted Practice [~~2847~~]  
6. Ethics Continuing Education [3120]  
7. Regulatory Review Course [3224]  
8. Continuing Education Courses [3625]  
9. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~4332~~]

**SECTION 57      INCOMPATIBLE OCCUPATIONS AND CONFLICT OF INTEREST**

Minimum Penalty - Continuing Education Courses [\[3625\]](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required:      1. If revocation stayed [\[1-2,4\]](#), 3 years probation  
                  2. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted:    1. Suspension [3] with/without stay [4]  
                  2. Supervised Practice [\[2545\]](#)  
                  3. [Probation Monitoring Costs \[27\]](#)  
                  43. Restricted Practice [\[2847\]](#)  
                  54. Engagement Letters [\[2948\]](#)  
                  65. Ethics Continuing Education [\[3120\]](#)  
                  76. Regulatory Review Course [\[3224\]](#)  
                  87. Continuing Education Courses [\[3625\]](#)  
                  98. Prohibition from Handling Funds [\[3928\]](#)  
                  109. Community Service – Free Services [\[4029\]](#)  
                  1140. Administrative Penalty not to exceed maximum set forth in  
                      Section 5116 [\[4332\]](#)

**SECTION 58      COMPLIANCE WITH STANDARDS**

Minimum Penalty - Continuing Education Courses [\[3625\]](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required:      1. If revocation stayed [\[1-2,4\]](#), 3 years probation  
                  2. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted:    1. Suspension [3] with/without stay [4]  
                  2. Supervised Practice [\[2545\]](#)  
                  3. [Probation Monitoring Costs \[27\]](#)  
                  43. Restricted Practice [\[2847\]](#)  
                  54. Engagement Letters [\[2948\]](#)  
                  65. Ethics Continuing Education [\[3120\]](#)  
                  76. Regulatory Review Course [\[3224\]](#)  
                  87. Peer Review [\[3322\]](#)  
                  98. CPA Exam [\[3423\]](#)  
                  109. Continuing Education Courses [\[3625\]](#)  
                  1140. Samples - Audit, Review or Compilation [\[3827\]](#)  
                  1244. Administrative Penalty not to exceed maximum set forth in  
                      Section 5116 [\[4332\]](#)

## SECTION 59 REPORTING OF RESTATEMENTS

Minimum Penalty - ~~Correction of Violation and/or~~ Continuing Education Courses [3625]  
Maximum Penalty - Revocation [1,24-2]

### CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2545~~]  
~~3. Probation Monitoring Costs [27]~~  
~~43. Restricted Practice [2847]~~  
~~54. Ethics Continuing Education [3120]~~  
~~65. Regulatory Review Course [3224]~~  
~~76. Continuing Education Courses [3625]~~  
~~87. Community Service – Free Services [4029]~~  
~~98. Administrative Penalty not to exceed maximum set forth in~~  
Section 5116 [~~4332~~]

(Reference Section 5063)

## SECTION 60 REPORTING OF INVESTIGATIONS BY THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

Minimum Penalty - ~~Correction of Violation and/or~~ Continuing Education Courses [3625]  
Maximum Penalty - Revocation [~~1-21,2~~]

### CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2545~~]  
~~3. Probation Monitoring Costs [27]~~  
~~43. Restricted Practice [2847]~~  
~~54. Ethics Continuing Education [3120]~~  
~~65. Regulatory Review Course [3224]~~  
~~76. Continuing Education Courses [3625]~~  
~~87. Community Service – Free Services [4029]~~  
~~98. Administrative Penalty not to exceed maximum set forth in~~  
Section 5116 [~~4332~~]

(Reference Section 5063)

**SECTION 61 THE REPORTING OF SETTLEMENTS, ARBITRATION AWARDS, AND JUDGMENTS**

Minimum Penalty - ~~Correction of Violation and/or~~ Continuing Education Courses [3625]  
Maximum Penalty - Revocation [1,24-2]

CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [15-245-14]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [2546]  
3. Probation Monitoring Costs [27]  
4. Restricted Practice [2847]  
5. Engagement Letters [2948]  
6. Ethics Continuing Education [3120]  
7. Regulatory Review Course [3224]  
8. Continuing Education Courses [3625]  
98. Community Service – Free Services [4029]  
109. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

(Reference Section 5063)

**SECTION 62 CONTINGENT FEES**

Minimum Penalty - Continuing Education Courses [36] ~~Correction of Violation~~  
Maximum Penalty - Revocation [1,24-2]

CONDITIONS OF PROBATION:

Required: 1. If revocation stayed [1-2,4], 3 years probation  
2. Standard Conditions of Probation [15-245-14]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [2546]  
3. Restitution [2646]  
4. Probation Monitoring Costs [27]  
54. Restricted Practice [2847]  
65. Engagement Letters [2948]  
76. Ethics Continuing Education [3120]  
87. Regulatory Review Course [3224]  
98. Continuing Education Courses [3625]  
109. Community Service – Free Services [4029]  
1140. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]

**SECTION 63      ADVERTISING**

Minimum Penalty - ~~Correction of Violation and/or~~ Continuing Education Courses [3625]  
Maximum Penalty - Revocation [1,24-2]

**CONDITIONS OF PROBATION:**

Required:      1. If revocation stayed [1-2,4], 3 years probation  
                    2. Standard Conditions of Probation [15-245-14]

If warranted:    1. Suspension [3] with/without stay [4]  
                    2. Probation Monitoring Costs [27]  
                    3. Ethics Continuing Education [3120]  
                    4. Regulatory Review Course [3224]  
                    5. Community Service – Free Services [4029]  
                    6. Administrative Penalty not to exceed maximum set forth in  
                        Section 5116 [4332]

**SECTION 65      INDEPENDENCE**

Minimum Penalty - ~~Revocation stayed [1,2,4], 3 years probation.~~ ~~Correction of Violation and/or~~  
~~Continuing Education Courses [25]~~  
Maximum Penalty - Revocation [1,24-2]

**CONDITIONS OF PROBATION:**

Required:      1. If revocation stayed [1-2,4], probation of 3 to 5 years  
                    2. Standard Conditions of Probation [15-245-14]

If warranted:    1. Suspension [3] with/without stay [4]  
                    2. Supervised Practice [2546]  
                    3. Restitution [2646]  
                    4. Probation Monitoring Costs [27]  
                    5. Restricted Practice [2847]  
                    6. Engagement Letters [2948]  
                    7. Ethics Continuing Education [3120]  
                    8. Regulatory Review Course [3224]  
                    9. Peer Review [3322]  
                    10. CPA Exam [3423]  
                    11. Samples - Audit, Review or Compilation [3827]  
                    12. Administrative Penalty not to exceed maximum set forth in  
                        Section 5116 [4332]

**SECTION 67 APPROVAL OF USE OF FICTITIOUS NAME**

Minimum Penalty - ~~Continuing Education Courses [36]~~~~Correction of Violation~~  
Maximum Penalty - Revocation stayed, 90 day suspension, 3 years probation [1-4]

**CONDITIONS OF PROBATION:**

Required: 1. Standard Conditions of Probation [~~15-245-44~~]

If warranted: ~~1. Probation Monitoring Costs [27]~~  
~~24.~~ Ethics Continuing Education [~~3129~~]  
~~32.~~ Regulatory Review Course [~~3224~~]  
~~43.~~ Community Service – Free Services [~~4029~~]  
~~54.~~ Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~4332~~]

**SECTION 68 RETENTION OF CLIENT'S RECORDS**

Minimum Penalty - Continuing Education Courses [~~3626~~]  
Maximum Penalty - Revocation [~~1,21-2~~]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [~~4-2,4~~], 3 years probation  
2. Standard Conditions of Probation [~~15-245-44~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2546~~]  
3. Restitution [~~2646~~]  
~~4.~~ Probation Monitoring Costs [27]  
~~54.~~ Restricted Practice [~~2847~~]  
~~65.~~ Engagement Letters [~~2948~~]  
~~76.~~ Ethics Continuing Education [~~31929~~]  
~~87.~~ Regulatory Review Course [~~3224~~]  
~~98.~~ Continuing Education Courses [~~3626~~]  
~~109.~~ Community Service – Free Services [~~4029~~]  
~~1140.~~ Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~4332~~]  
~~1244.~~ Conditions as appropriate relating to physical or mental disability or  
condition [~~44-4931-36~~]

(Reference Section 5037)

## SECTION 68.1 WORKING PAPERS DEFINED; RETENTION

Minimum Penalty - Continuing Education Courses [\[3625\]](#)

Maximum Penalty - Revocation [\[1,24-2\]](#)

### CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [\[1-2,4\]](#), 3 years probation
2. Standard Conditions of Probation [\[15-245-14\]](#)

If warranted:

1. Suspension [3] with/without stay [4]
2. Restitution [\[2646\]](#)
3. Probation Monitoring Costs [\[27\]](#)
4. Restricted Practice [\[2847\]](#)
5. Engagement Letters [\[2948\]](#)
6. Ethics Continuing Education [\[3120\]](#)
7. Regulatory Review Course [\[3424\]](#)
8. Continuing Education Courses [\[3625\]](#)
8. Community Service – Free Services [\[4029\]](#)
10. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)
11. Conditions as appropriate relating to physical or mental disability or condition [\[44-4931-36\]](#)

## SECTION 68.2 COMPONENTS OF AUDIT DOCUMENTATION

Minimum Penalty - Continuing Education Courses [\[3625\]](#)

Maximum Penalty - Revocation [\[1,24-2\]](#)

### CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [\[15-245-14\]](#)
3. Continuing Education Courses [\[3625\]](#)

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [\[2545\]](#)
3. Probation Monitoring Costs [\[27\]](#)
4. Restricted Practice [\[2847\]](#)
5. Ethics Continuing Education [\[3120\]](#)
6. Regulatory Review Course [\[3224\]](#)
7. Peer Review [\[3322\]](#)
8. CPA Exam [\[3423\]](#)
9. Samples - Audits, Review or Compilation [\[3827\]](#)
10. Community Service – Free Services [\[4029\]](#)
11. Notice to Clients [\[4234\]](#)
12. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

(Reference Section 5097)

### SECTION 68.3 RETENTION PERIOD FOR AUDIT DOCUMENTATION

Minimum Penalty - Continuing Education Courses [\[3625\]](#)

Maximum Penalty - Revocation [\[1,24-2\]](#)

#### CONDITIONS OF PROBATION:

Required:

1. If revocation stayed [4], 3 years probation
2. Standard Conditions of Probation [\[15-245-14\]](#)
3. Continuing Education Courses [\[3625\]](#)

If warranted:

1. Suspension [3] with/without stay [4]
2. Supervised Practice [\[2545\]](#)
3. Probation Monitoring Costs [\[27\]](#)
43. Restricted Practice [\[2847\]](#)
54. Library Reference Material [\[3049\]](#)
65. Ethics Continuing Education [\[3120\]](#)
76. Regulatory Review Course [\[3224\]](#)
87. Peer Review [\[3322\]](#)
98. CPA Exam [\[3423\]](#)
109. Samples - Audits, Review or Compilation [\[3827\]](#)
1140. Community Service – Free Services [\[4029\]](#)
1244. Notice to Clients [\[4234\]](#)
1342. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

(Reference Section 5097)

**SECTION 68.4 CHANGES IN AUDIT DOCUMENTATION AFTER  
ISSUANCE OF REPORT**

Minimum Penalty - Continuing Education Courses [\[3626\]](#)

Maximum Penalty - Revocation [\[1,21-2\]](#)

**CONDITIONS OF PROBATION:**

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [\[15-245-44\]](#)
  3. Continuing Education Courses [\[3626\]](#)

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Supervised Practice [\[2546\]](#)
  3. [Probation Monitoring Costs \[27\]](#)
  - ~~43~~. Restricted Practice [\[2847\]](#)
  - ~~54~~. Library Reference Material [\[3049\]](#)
  - ~~65~~. Ethics Continuing Education [\[3120\]](#)
  - ~~76~~. Regulatory Review Course [\[3224\]](#)
  - ~~87~~. Peer Review [\[3322\]](#)
  - ~~98~~. CPA Exam [\[3423\]](#)
  - ~~107~~. Samples - Audits, Review or Compilation [\[3827\]](#)
  - ~~118~~. Community Service – Free Services [\[4029\]](#)
  - ~~129~~. Notice to Clients [\[4234\]](#)
  - ~~1340~~. Administrative Penalty not to exceed maximum set forth in Section 5116 [\[4332\]](#)

(Reference Section 5097)

**SECTION 68.5      AUDIT DOCUMENTATION  
RETENTION AND DESTRUCTION POLICY**

Minimum Penalty - Continuing Education Courses [\[3625\]](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required:      1. If revocation stayed [4], 3 years probation  
                    2. Standard Conditions of Probation [\[15-245-44\]](#)  
                    3. Continuing Education Courses [\[3625\]](#)

If warranted:    1. Suspension [3] with/without stay [4]  
                    2. Supervised Practice [\[2545\]](#)  
                    3. [Probation Monitoring Costs \[27\]](#)  
                    43. Restricted Practice [\[2847\]](#)  
                    54. Library Reference Material [\[3049\]](#)  
                    65. Ethics Continuing Education [\[3120\]](#)  
                    76. Regulatory Review Course [\[3224\]](#)  
                    87. Peer Review [\[3322\]](#)  
                    98. CPA Exam [\[3423\]](#)  
                    109. Samples - Audits, Review or Compilation [\[3827\]](#)  
                    1140. Community Service – Free Services [\[4029\]](#)  
                    1244 Notice to Clients [\[4234\]](#)  
                    1342. Administrative Penalty not to exceed maximum set forth in  
                    Section 5116 [\[4332\]](#)

(Reference Section 5097)

**SECTION 69      CERTIFICATION OF APPLICANT'S EXPERIENCE**

Minimum Penalty - [Continuing Education Courses \[36\]](#)[Correction of Violation](#)  
Maximum Penalty - Revocation [\[1,24-2\]](#)

**CONDITIONS OF PROBATION:**

Required:      1. If revocation stayed [\[4-2,4\]](#), 3 years probation  
                    2. Standard Conditions of Probation [\[15-245-44\]](#)

If warranted:    1. Suspension [3] with/without stay [4]  
                    2. Supervised Practice [\[2545\]](#)  
                    3. [Probation Monitoring Costs \[27\]](#)  
                    43. Ethics Continuing Education [\[3120\]](#)  
                    54. Regulatory Review Course [\[3224\]](#)  
                    65. Community Service – Free Services [\[4029\]](#)  
                    76. Administrative Penalty not to exceed maximum set forth in  
                    Section 5116 [\[4332\]](#)

## ARTICLE 11: ACCOUNTANCY CORPORATION RULES

### SECTION 75.8 SECURITY FOR CLAIMS AGAINST AN ACCOUNTANCY CORPORATION

- Minimum Penalty - [Continuing Education Courses \[36\] for licensee directors, shareholders, and/or officers of corporation](#)~~Correction of Violation~~  
Maximum Penalty - Revocation [~~1,2~~1-2]

#### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], probation of 3 to 5 years
  2. Standard Conditions of Probation [~~15-24~~5-14]

- If warranted:
1. Supervised Practice [~~25~~15]
  2. Restitution [~~26~~16]
  3. Probation Monitoring Costs [27]
  4. Restricted Practice [~~28~~17]
  5. Ethics Continuing Education [~~31~~20]
  6. Regulatory Review Course [~~32~~21]
  7. Continuing Education Courses [~~36~~25]
  8. Samples - Audit, Review or Compilation [~~38~~27]
  9. Prohibition from Handling Funds [~~39~~28]
  10. Community Service – Free Services [~~40~~29]
  11. Notification to Clients [~~42~~34]
  12. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~43~~32]

### SECTION 75.9 SHARES: OWNERSHIP AND TRANSFER

- Minimum Penalty - [Continuing Education Courses \[36\] for licensee directors, shareholders, and/or officers of corporation](#)~~Correction of Violation~~  
Maximum Penalty - [Revocation of corporate registration \[1,2\] and discipline of individual licenses](#)~~Revocation stayed, 90-day suspension, 3-years probation [1-4]~~

#### CONDITIONS OF PROBATION:

- Required:
1. If revocation stayed [4], 3 years probation
  2. Standard Conditions of Probation [~~15-24~~5-14]

- If warranted:
1. Suspension [3] with/without stay [4]
  2. Probation Monitoring Costs [27]
  3. Restricted Practice [~~28~~17]
  4. Ethics Continuing Education [~~31~~20]
  5. Regulatory Review Course [~~32~~21]
  6. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~43~~32]

[\(Reference Section 5154\)](#)

### SECTION 75.11(b) CERTIFICATION OF REGISTRATION; CONTINUING VALIDITY; NOTIFICATION OF NAME AND ADDRESS CHANGES

Minimum Penalty - ~~Continuing Education Courses [33] for licensee directors, shareholders, and/or officers of corporation~~~~Correction of Violation~~  
Maximum Penalty - ~~Suspend corporate accountancy registration and/or individual licenses for 90 days [3]~~~~Revocation stayed, 90-day suspension, 3 years probation [1-4]~~

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Restricted Practice [~~2847~~]  
3. Ethics Continuing Education [~~3120~~]  
4. Regulatory Review Course [~~3221~~]  
5. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~4332~~]

(~~Reference Section 5152~~)

**ARTICLE 12: CONTINUING EDUCATION RULES**

**SECTION 81(a) CONTINUING EDUCATION REQUIREMENTS FOR RENEWING AN EXPIRED LICENSE**

Minimum Penalty – ~~Correction of Violation and/or~~ Continuing Education Courses [~~3625~~]  
Maximum Penalty – Revocation [~~1,21-2~~]

CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2545~~]  
~~3. Probation Monitoring Costs [27]~~  
~~43. Restricted Practice [2847]~~  
~~54. Ethics Continuing Education [3120]~~  
~~65. Regulatory Review Course [3221]~~  
~~76. Continuing Education Courses [3625]~~  
~~87. Samples – Audit, Review or Compilation [3827]~~  
~~98. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

**SECTION 87 BASIC REQUIREMENTS (Continuing Education)**

Minimum Penalty – ~~Correction of Violation and/or~~ Continuing Education Courses [3625]  
Maximum Penalty – Revocation [~~1,24-2~~]

CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4], 3 years probation  
2. Standard Conditions of Probation [~~15-245-14~~]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~2545~~]  
~~3. Probation Monitoring Costs [27]~~  
~~43. Restricted Practice [2817]~~  
~~54. Ethics Continuing Education [3120]~~  
~~65. Regulatory Review Course [3224]~~  
~~76. Continuing Education Courses [3625]~~  
~~87. Samples – Audit, Review or Compilation [3827]~~  
~~98. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

**SECTION 87.5 ADDITIONAL CONTINUING EDUCATION REQUIREMENTS**

Minimum Penalty - ~~Continuing Education Courses [36]~~~~Correction of Violation~~  
Maximum Penalty - Revocation stayed, 3 years probation [~~1-2,1,2,4~~]

CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~15-245-14~~]

If warranted: ~~1. Probation Monitoring Costs [27]~~  
~~24. Ethics Continuing Education [3120]~~  
~~32. Regulatory Review Course [3224]~~  
~~43. Continuing Education Courses [3625]~~  
~~54. Active License Status [3726]~~  
~~65. Samples - Audit, Review or Compilation [3827]~~  
~~76. Administrative Penalty not to exceed maximum set forth in Section 5116 [4332]~~

**SECTION 87.6 RECORDS REVIEW  
CONTINUING EDUCATION REQUIREMENTS**

Minimum Penalty - [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty - Revocation stayed, 3 years probation [~~1,2,4~~-2,4]

**CONDITIONS OF PROBATION:**

Required: 1. Standard Conditions of Probation [~~15-245~~-44]

If warranted: [1. Probation Monitoring Costs \[27\]](#)  
~~2~~4. Ethics Continuing Education [~~31~~20]  
~~3~~2. Regulatory Review Course [~~32~~24]  
~~4~~3. Continuing Education Courses [~~36~~25]  
~~5~~4. Samples - Audit, Review or Compilation [~~38~~27]  
~~6~~5. Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~43~~32]

**SECTION 87.8 REGULATORY REVIEW COURSE**

Minimum Penalty - [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty - Revocation stayed, 3 years probation [~~1,2,4~~-2,4]

**CONDITIONS OF PROBATION:**

Required: 1. Standard Conditions of Probation [~~15-245~~-44]

If warranted: [1. Probation Monitoring Costs \[27\]](#)  
~~2~~4. Ethics Continuing Education [~~31~~20]  
~~3~~2. Continuing Education Courses [~~36~~25]  
~~4~~3. Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~43~~32]

**SECTION 89 CONTROL AND REPORTING**

Minimum Penalty - [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty - Revocation [~~1,2~~-2]

**CONDITIONS OF PROBATION:**

Required: 1. If revocation stayed [~~1-2~~,4], 3 years probation  
2. Standard Conditions of Probation [~~15-245~~-44]

If warranted: [1. Probation Monitoring Costs \[27\]](#)  
~~2~~4. Ethics Continuing Education [~~31~~20]  
~~3~~2. Regulatory Review Course [~~32~~24]  
~~4~~3. Continuing Education Courses [~~36~~25]  
~~5~~4. Administrative Penalty not to exceed maximum set forth in  
Section 5116 [~~43~~32]

## SECTION 89.1 REPORTS

Minimum Penalty - [Continuing Education Courses \[36\]](#)~~Correction of Violation~~  
Maximum Penalty - Revocation stayed, 3 years probation [~~1,2,4~~-2,4]

### CONDITIONS OF PROBATION:

Required: 1. Standard Conditions of Probation [~~15-245~~-44]

If warranted: 1. [Probation Monitoring Costs \[27\]](#)  
~~2~~4. Ethics Continuing Education [~~31~~20]  
~~3~~2. Regulatory Review Course [~~32~~24]  
~~4~~3. Continuing Education Courses [~~36~~25]  
~~5~~4. Samples - Audit, Review or Compilation [~~38~~27]  
~~6~~5. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~43~~32]

## SECTION 90 EXCEPTIONS AND EXTENSIONS

Minimum Penalty – Continuing Education [Courses \[36\]](#)~~25~~  
Maximum Penalty – Revocation [~~1,2~~1-2]

### CONDITIONS OF PROBATION

Required: 1. If revocation stayed [4] 3 years probation  
2. Standard Conditions of Probation [~~15-245~~-44]

If warranted: 1. Suspension [3] with/without stay [4]  
2. Supervised Practice [~~25~~45]  
3. [Probation Monitoring Costs \[27\]](#)  
~~4~~3. Restricted Practice [~~28~~47]  
~~5~~4. Ethics Continuing Education [~~31~~20]  
~~6~~5. Regulatory Review Course [~~32~~24]  
~~7~~6. Continuing Education Courses [~~36~~25]  
~~8~~7. Samples – Audit, Review or Compilation [~~38~~27]  
~~9~~8. Administrative Penalty not to exceed maximum set forth in Section 5116 [~~43~~32]

## ARTICLE 12.5: CITATIONS AND FINES

### SECTION 95.4 FAILURE TO COMPLY WITH CITATION

Minimum Penalty - Compliance with Citation Abatement Order and/or Fine as issued

Maximum Penalty - Revocation stayed, 3 years probation [~~1.2.41-2.4~~]

#### CONDITIONS OF PROBATION:

- Required:
1. Standard Conditions of Probation [~~15-245-44~~]
  2. Restitution [~~26+6~~]
  3. Compliance with Citation Abatement Order and/or Fine

- If warranted:
1. Probation Monitoring Costs [27]
  - ~~2.~~ Administrative Penalty not to exceed maximum set forth in Section 5116 [~~4332~~]

## VIOLATION OF PROBATION

- Minimum penalty - Citation and Fine ~~19)(43)~~
- Maximum penalty - Vacate stay order and impose penalty that was previously stayed; and/or revoke, separately and severally, for violation of probation and/or for any additional offenses. [1-4]

California Code of Regulations Section 95 provides the authority for the Executive Officer to issue citations and fines from \$100 to \$5000 to a licensee for violation of a term or condition contained in a decision placing that licensee on probation.

The maximum penalty is appropriate for repeated **similar** offenses, or for probation violations indicating a cavalier or recalcitrant attitude. If the probation violation is due in part to the commission of additional offense(s), additional penalties shall be imposed according to the nature of the offense; and the probation violation shall be considered as an aggravating factor in imposing a penalty for those offenses.

## UNLICENSED ACTIVITIES

If any unlicensed individual or firm violates, or is suspected of violating, any of the following Business and Professions Code sections, the matter may be referred to the Division of Investigation and if the allegation is confirmed, to the District Attorney or other appropriate law enforcement officer for prosecution.

<b>Section 5050</b>	<b>Section 5056</b>	<b>Section 5072</b>
<b>Section 5051</b>	<b>Section 5058</b>	<b>Section 5088</b>
<b>Section 5055</b>	<b>Section 5071</b>	

**Board Section 95.6 also provides the authority for the Executive Officer to issue citations and fines from \$100 to \$5000 and an order of abatement against any person defined in Business and Professions Code Section 5035 who is acting in the capacity of a licensee under the jurisdiction of the CBA.**

**Section 5120** provides that any person who violates any provisions of Article 3 is guilty of a misdemeanor and can be imprisoned for not more than 6 months or assessed a fine of not more than \$1,000 or both. Injunctions may be requested (see Section 5122 immediately following).

## INJUNCTIONS

Section 5122 provides that "Whenever in the judgment of the Board (or with its approval, in the judgment of the Enforcement Advisory Committee), any person has engaged, or is about to engage, in any acts or practices which constitute, or will constitute, an offense against this chapter, the Board may make application to the appropriate court for an order enjoining the acts or practices, and upon showing by the Board that the person has engaged, or is about to engage, in any such acts or practices, an injunction, restraining order, or such other order that may be appropriate shall be granted by the court." This section applies to licensees and unlicensed persons.

# California Board of Accountancy

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(Refer to page 9 for ~~Index to Disciplinary Guidelines~~)

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## VIII. MODEL ~~DISCIPLINARY~~ ORDERS

### LICENSEES

1. **Revocation** - Single Cause:

\_\_\_\_\_ License No. \_\_\_\_\_ issued  
(Ex: Certified Public Accountant) (Ex: 00000)

to respondent \_\_\_\_\_ is revoked.  
(Name)

2. **Revocation** - Multiple Causes:

\_\_\_\_\_ License No. \_\_\_\_\_ issued to respondent \_\_\_\_\_ is revoked  
pursuant to Determination(s) of Issues \_\_\_\_\_ separately and for all of them.

3. **Suspension:**

\_\_\_\_\_ License No. \_\_\_\_\_ issued to respondent \_\_\_\_\_ is suspended for  
\_\_\_\_\_. During the period of suspension the respondent shall engage in no activities  
for which certification as a Certified Public Accountant or Public Accountant is required as  
described in Business and Professions Code, Division 3, Chapter 1, Section 5051.

4. **Standard Stay Order:**

However, \_\_\_\_\_ (revocation/suspension) \_\_\_\_\_ is stayed and respondent is placed on  
probation for \_\_\_\_\_ years upon the following terms and conditions:

### PETITIONS FOR REINSTATEMENT

**5. Grant petition without restrictions on the license:**

The petition for reinstatement filed by \_\_\_\_\_ is hereby granted and Petitioner's  
certificate shall be fully restored.

**6. Grant petition and place license on probation:**

The petition for reinstatement filed by \_\_\_\_\_ is hereby granted. Petitioner's  
certificate shall be fully restored. However, the certificate shall then be immediately  
revoked, the revocation shall be stayed, and petitioner shall be placed on probation for  
\_\_\_\_\_ years upon the following terms and conditions (*list standard and applicable optional  
conditions of probation*):

**7. Grant petition and place license on probation after petitioner completes conditions  
precedent to reinstatement of the license:**

The petition for reinstatement filed by \_\_\_\_\_ is hereby granted and  
Petitioner's certificate shall be fully reinstated upon the following conditions precedent (*list*

conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc):

Upon completion of the conditions precedent above, Petitioner's certificate shall be reinstated. Upon reinstatement, Petitioner's certificate shall be revoked. However, said revocation shall be stayed and Petitioner shall be placed on probation for a period of \_\_\_\_\_ years under the following terms and conditions (list standard and applicable optional conditions of probation):

**8. Deny Petition:**

The petition for reinstatement filed by \_\_\_\_\_ is hereby denied.

Option: In accordance with Section 5115(a) of the Business and Professions Code, Petitioner may file a new petition for reinstatement only after \_\_\_\_\_ years have elapsed from the effective date of this decision.

Note: (3 years maximum)

Note: Business and Professions Code section 5115 also allows a person to file a petition for a reduction in penalty. The above checklist can also be used for these petitions.

**PETITION FOR REVOCATION OF PROBATION**

**9. Revocation of Probation:**

.....  
Certified Public Accountant Certificate No. \_\_\_\_\_, heretofore issued to Respondent \_\_\_\_\_, is revoked.

**10. Continuance of Probation:**

However, revocation is stayed and respondent is placed on probation for \_\_\_\_\_ years upon the following terms and conditions:

**APPLICANTS**

**11. Grant application without restrictions on the license:**

The application of respondent \_\_\_\_\_ for initial licensure is hereby granted and a license shall be issued to respondent upon successful completion of all licensing requirements including payment of all fees.

**12. Grant application and place license on probation:**

The application of respondent \_\_\_\_\_ for initial licensure is hereby granted and a license shall be issued to respondent upon successful completion of all licensing requirements including payment of all fees. Said license shall immediately be revoked, the order of revocation stayed and respondent's license placed on probation for a period of \_\_\_\_\_ years on the following conditions:

**13. Grant application and place license on probation after applicant completes conditions precedent to reinstatement of the license:**

The application filed by \_\_\_\_\_ for initial licensure is hereby granted and a license shall be issued upon the following conditions precedent (*list conditions precedent such as restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc*):

Upon completion of the conditions precedent above and successful completion of all licensing requirements, Respondent shall be issued a license. However, the license shall be immediately revoked, and Respondent shall be placed on probation for a period of \_\_\_\_\_ years under the following terms and conditions (*list standard and applicable optional conditions of probation*):

**14. Deny Application:**

The application of Respondent \_\_\_\_\_ for initial licensure is hereby denied.

## **STANDARD CONDITIONS OF PROBATION (TO BE INCLUDED IN ALL CASES OF PROBATION)**

**15. ~~5.~~ Obey All Laws**

Respondent shall obey all federal, California, other states' and local laws, including those rules relating to the practice of public accountancy in California.

**16. ~~6.~~ Cost Reimbursement**

Respondent shall reimburse the Board \$ \_\_\_\_\_ for its investigation and prosecution costs. The payment shall be made within \_\_ days/months of the date the Board's decision is final.

Option: The payment shall be made as follows: \_\_\_\_\_ [specify either prior to the resumption of practice or in quarterly payments (due with quarterly written reports), the final payment being due one year before probation is scheduled to terminate].

**17. ~~7.~~ Submit Written Reports**

Respondent shall submit, within 10 days of completion of the quarter, written reports to the Board on a form obtained from the Board. The respondent shall submit, under penalty of perjury, such other written reports, declarations, and verification of actions as are required. These declarations shall contain statements relative to respondent's compliance with all the terms and conditions of probation. Respondent shall immediately execute all release of information forms as may be required by the Board or its representatives.

**18. ~~8.~~ Personal Appearances**

Respondent shall, during the period of probation, appear in person at interviews/meetings as directed by the Board or its designated representatives, provided such notification is accomplished in a timely manner.

**19. ~~9.~~ Comply With Probation**

Respondent shall fully comply with the terms and conditions of the probation imposed by the Board and shall cooperate fully with representatives of the California Board of Accountancy in its monitoring and investigation of the respondent's compliance with probation terms and conditions.

**20. ~~10.~~ Practice Investigation**

Respondent shall be subject to, and shall permit, a practice investigation of the respondent's professional practice. Such a practice investigation shall be conducted by representatives of the Board, provided notification of such review is accomplished in a timely manner.

**21. ~~11.~~ Comply With Citations**

Respondent shall comply with all final orders resulting from citations issued by the California Board of Accountancy.

| **22.~~42.~~Tolling of Probation for Out-of-State Residence/Practice**

In the event respondent should leave California to reside or practice outside this state, respondent must notify the Board in writing of the dates of departure and return. Periods of non-California residency or practice outside the state shall not apply to reduction of the probationary period, or of any suspension. No obligation imposed herein, including requirements to file written reports, reimburse the Board costs, and make restitution to consumers, shall be suspended or otherwise affected by such periods of out-of-state residency or practice except at the written direction of the Board.

| **23.~~43.~~Violation of Probation**

If respondent violates probation in any respect, the Board, after giving respondent notice and an opportunity to be heard, may revoke probation and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke probation is filed against respondent during probation, the Board shall have continuing jurisdiction until the matter is final, and the period of probation shall be extended until the matter is final.

The CBA's Executive Officer may issue a citation under California Code of Regulations, Section 95, to a licensee for a violation of a term or condition contained in a decision placing that licensee on probation.

| **24.~~44.~~Completion of Probation**

Upon successful completion of probation, respondent's license will be fully restored.

## OPTIONAL CONDITIONS OF PROBATION (To Be Included In Cases Where Appropriate)

**25. ~~45.~~ Supervised Practice**

Within thirty days of the effective date of this decision, respondent shall submit to the Board or its designee for its prior approval a plan of practice that shall be monitored by another CPA or PA who provides periodic reports to the Board or its designee. Respondent shall pay all costs for such monitoring.

**26. ~~46.~~ Restitution**

Respondent shall make restitution to \_\_\_\_\_ in the amount of \$\_\_\_\_\_ and shall provide the Board with a written release from \_\_\_\_\_ attesting that full restitution has been paid. Restitution shall be completed before the termination of probation.

**27. Probation Monitoring Costs**

Respondent shall pay all costs associated with probation monitoring as determined by the CBA. Such costs shall be payable to the CBA within 30 days. Failure to pay such costs by the deadline(s) as directed shall be considered a violation of probation. If costs are billed after the completion of the probationary period, the obligation to pay the costs shall continue, but the probation shall not be extended.

**28. ~~47.~~ Restricted Practice**

Respondent shall be prohibited from \_\_\_\_\_ (performing certain types of engagements such as audits, reviews, compilations, or attestation engagements, etc.), and/or from practice in \_\_\_\_\_ (certain specialty areas, i.e. bookkeeping, write-up, tax, auditing, etc.).

**29. ~~48.~~ Engagement Letters**

Respondent shall use engagement letters with each engagement accepted during probation and shall provide copies of same to the Board or its designee upon request.

**30. ~~49.~~ Library Reference Materials**

Respondent shall have immediate access to, shall use, and shall maintain published materials and/or checklists that are consistent with the practice. Such materials and checklists shall be produced on-site for review by the Board or its designee upon reasonable notice.

**31. ~~20.~~ Ethics Continuing Education**

Respondent shall complete four hours of continuing education in course subject matter pertaining to the following: 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 (within a given period of time or prior to resumption of practice). Courses must be a minimum of one hour as described in California Code of Regulations Section 88.2, (Courses will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

**32. ~~24~~-Regulatory Review Course**

Respondent shall complete a CBA-approved 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 (within a given period of time or prior to resumption of practice). The course also will include an overview of historic and recent disciplinary actions taken by the CBA, highlighting the misconduct which led to licensees being disciplined. The course shall be (a minimum of two hours) hours.

If respondent fails to complete said courses within the time period provided, respondent shall so notify the CBA and shall cease practice until respondent completes said courses, has submitted proof of same to the CBA, and has been notified by the CBA that he or she may resume practice. Failure to complete the required courses no later than 100 days prior to the termination of probation shall constitute a violation of probation. This shall be in addition to continuing education requirements for relicensing.

**33. ~~22~~-Peer Review**

During the period of probation, all audit, review, and compilation reports and work papers shall be subject to peer review by a certified peer reviewer at respondent's expense. The review shall evaluate the respondent's and his/her firm's system of quality control, including its organizational structure, the policies and procedures established by the firm, and the firm's compliance with its quality control system as determined on the basis of a review of selected engagements. The specific engagements to be reviewed shall be at the discretion of the peer reviewer.

Upon completion of the peer review, respondent shall submit a copy of the report with the reviewer's conclusions and findings to the Board.

**34. ~~23~~-CPA Exam**

Respondent shall take and pass the (section) of the CPA examination (within a given period of time - e.g., within 180 days of the effective date of the decision or within 180 days of completion of educational program, etc. or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said exam, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

**35. ~~24.~~ Enrolled Agents Exam**

Respondent shall take and pass the enrolled agents exam (within a given period of time or prior to the resumption of practice). (Exam will be passed prior to resumption of practice where license has been suspended or where otherwise appropriate.)

If respondent fails to pass said examination within the time period provided or within two attempts, respondent shall so notify the Board and shall cease practice until respondent takes and successfully passes said examination, has submitted proof of same to the Board, and has been notified by the Board that he or she may resume practice. Failure to pass the required examination no later than 100 days prior to the termination of probation shall constitute a violation of probation.

**36. ~~25.~~ Continuing Education Courses**

Respondent shall complete and provide proper documentation of (specified) professional education courses within (a designated time). This (~~shall be/shall not be~~) in addition to continuing education requirements for relicensing.

~~OR~~

~~Respondent shall complete professional education courses as specified by the Board or its designee at the time of respondent's first probation appearance. The professional education courses shall be completed within a period of time designated and specified in writing by the Board or its designee, which time frame shall be incorporated as a condition of this probation. This (~~shall be/shall not be~~) in addition to continuing education requirements for relicensing.~~

~~Failure to satisfactorily complete the required courses as scheduled or failure to complete same no later than 100 days prior to the termination of probation shall constitute a violation of probation.~~

**37. ~~26.~~ Active License Status**

Respondent shall at all times maintain an active license status with the Board, including during any period of suspension. If the license is expired at the time the Board's decision becomes effective, the license must be renewed within 30 days of the effective date of the decision.

**38. ~~27.~~ Samples - Audit, Review or Compilation**

During the period of probation, if the respondent undertakes an audit, review or compilation engagement, the respondent shall submit to the Board as an attachment to the required quarterly report a listing of the same. The Board or its designee may select one or more from each category and the resulting report and financial statement and all related working papers must be submitted to the Board or its designee upon request.

**39. ~~28.~~ Prohibition from Handling Funds**

During the period of probation the respondent shall engage in no activities which require receiving or disbursing funds for or on behalf of any other person, company, partnership, association, corporation, or other business entity.

**40. ~~29~~. Community Service - Free Services**

Respondent shall participate in a community service program as directed by the Board or its designee in which respondent provides free professional services on a regular basis to a community or charitable facility or agency, amounting to a minimum of \_\_\_\_ hours. Such services to begin no later than \_\_ days after respondent is notified of the program and to be completed no later than \_\_\_\_\_. Respondent shall submit proof of compliance with this requirement to the Board. Respondent is entirely responsible for his or her performance in the program and the Board assumes neither express nor implied responsibility for respondent's performance nor for the product or services rendered.

**41. ~~30~~. Relinquish Certificate**

Respondent shall relinquish and shall forward or deliver the certificate or permit to practice to the Board office within 10 days of the effective date of this decision and order.

**42. ~~31~~. Notification to Clients/Cessation of Practice**

In orders that provide for a cessation or suspension of practice, respondent shall comply with procedures provided by the California Board of Accountancy or its designee regarding notification to, and management of, clients.

**43. ~~32~~. Administrative Penalty**

Respondent shall pay to the Board an administrative penalty in the amount of \$\_\_\_\_\_ for violation of Section(s) \_\_\_\_\_ of the California Accountancy Act. The payment shall be made within \_\_days/months of the date the Board's decision is final.

**44. ~~33~~. Medical Treatment**

Respondent shall undergo and continue treatment by a licensed physician of respondent's choice and approved by the Board or its designee until the treating physician certifies in writing in a report to the Board or its designee that treatment is no longer necessary. Respondent shall have the treating physician submit reports to the Board at intervals determined by the Board or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the Board of its determination that respondent is physically fit to practice.

**45. ~~34~~. Psychotherapist**

Respondent shall undergo and continue treatment by a licensed psychotherapist of respondent's choice and approved by the Board or its designee until the treating psychotherapist certifies in writing in a report to the Board or its designee that treatment is no longer necessary. Respondent shall have the treating psychotherapist submit reports to the Board at intervals determined by the Board or its designee. Respondent is responsible for costs of treatment and reports.

(Optional)

Respondent shall not engage in practice until notified by the Board of its determination that respondent is mentally fit to practice.

| **46. ~~35~~-Rehabilitation Program/Chemical Dependence**

Respondent shall successfully complete or shall have successfully completed a rehabilitation program for chemical dependence that the Board or its designee approves and shall have reports submitted by the program. If a program was not successfully completed prior to the period of probation, the respondent, within a reasonable period of time as determined by the Board or its designee but not exceeding 90 days of the effective date of the decision, shall be enrolled in a program. In addition, respondent must attend support groups, (e.g. Narcotics Anonymous, Alcoholic Anonymous etc.), as directed by the Board or its designee. Respondent is responsible for all costs of such a program.

| **47. ~~36~~-Drugs - Abstain From Use**

Respondent shall completely abstain from the personal use of all psychotropic drugs, including alcohol, in any form except when the same are lawfully prescribed.

| **48. ~~37~~-Drugs - Screening**

Respondent shall participate or shall have participated in a drug screening program acceptable to the Board and shall have reports submitted by the program. Respondent is responsible for all costs associated with said screening and reporting.

| **49. ~~38~~-Biological Fluid Testing**

Respondent, at any time during the period of probation, shall fully cooperate with the Board or its designee in its supervision and investigation of compliance with the terms and conditions of probation, and shall, when requested, submit to such tests and samples as the Board or its designee may require for the detection of alcohol, narcotics, hypnotic, dangerous drugs, or controlled substances. Respondent is responsible for all costs associated with this investigation and testing.

| Conditions ~~33-38 42-47~~ shall be used when evidence indicates respondent may have physical or mental ailment(s) or condition(s) which contributed to the violation or when the same are alleged by respondent to be a contributing factor to the violation(s).

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 186**

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**Subject:** Military Spouses: Temporary Licenses.  
**Version:** April 22, 2013  
**Status:** Assembly Appropriations Committee

**Author:** Maienschein  
**Sponsor:** None

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**Summary**

This bill would require a board within the Department of Consumer Affairs (DCA) to issue a temporary license, under specified conditions, to a spouse or domestic partner of an active duty member of the Armed Forces of the United States who is assigned to a duty station in the State of California under official active duty military orders.

**Recommendation**

Support if amended to require the individual to have a current, active, and unrestricted license with the authority to practice the identified profession in the state that issued the individual's license.

**Background**

At its March 2013 meeting, the California Board of Accountancy (CBA) took a support if amended position on Assembly Bill (AB) 186. The suggested amendments focused on consumer protection elements to include:

- Clarifying that boards have the authority to deny a temporary license pursuant to Business and Professions Code Section 480;
- Clarifying that boards have the authority to suspend or revoke a temporary license if a board determines that the applicant violates a condition to practice in California;
- Requiring the individual to have a current license with the authority to practice the identified profession in the state that issued the individual's license; and
- Clarify the status of a temporary license once a permanent license is issued.

**Analysis**

This bill was amended on April 22, 2013 to incorporate several consumer protection elements addressing most of the recommended amendments made by the CBA during its March 2013 meeting.

As amended, this bill would:

- Require a board, after an appropriate investigation, to issue a temporary license to a spouse or domestic partner of an active duty member of the Armed Forces of the United States who is assigned to a duty station in the State of California under official active duty military orders, in addition to expediting the licensure process.
- Permit a board within the DCA to conduct an investigation on the applicant, which may include a criminal background check.

## **AB 186 – Military Spouses: Temporary Licenses.**

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- Specify that the temporary license expires 12 months after its issuance or when the applicant receives or is denied a permanent California license.
- Require the applicant to submit an application to the board with a signed affidavit attesting that the applicant meets all of the requirements for the temporary license and the information submitted in the application is accurate. The application must also include written verification from the applicant's original jurisdiction confirming that the applicant's license is in good standing.
- Prohibit the applicant from obtaining a temporary license if they committed an act in any jurisdiction that would constitute grounds for denial, suspension, or revocation of the license.
- Prohibit the applicant from obtaining a temporary license if they were disciplined by another licensing entity, or have unresolved complaints, review procedure, or disciplinary proceeding.
- Require an applicant to provide a full set of fingerprints for the purpose of a criminal background check.

While the author addressed most of the CBA's suggested amendments, the recommended amendment that an applicant must have a current, active, and unrestricted license to practice their profession was not incorporated. The author did amend the bill to require that the applicant obtain written verification from their original licensing jurisdiction confirming the applicant's license is in good standing.

As discussed at the March 2013 CBA meeting, to further improve consumer protection, the bill should be amended to replace "in good standing" with "current, active, and unrestricted." This is necessary to ensure an applicant with an inactive license, who has possibly not met continuing education or other competency requirements in the jurisdiction where the license was obtained, doesn't receive a temporary license to practice in California.

### **Fiscal Estimate**

This bill would likely result in a minor but absorbable cost in staff time.

### **Support/Opposition**

Support: San Diego Military Advisory Council  
California Architects Board (CAB)  
California Association of Health Services at Home (CAHSAH)  
Department of Defense  
National Military Family Association

Opposition: California Nurses Association  
American Association for Marriage and Family Therapy, California Division  
Board for Professional Engineers, Land Surveyors, and Geologists

### **Effective/Operative Date**

January 1, 2014

## **AB 186 – Military Spouses: Temporary Licenses.**

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### **Related Bills**

AB 1904 (Block, Chapter 399, 2012) authorized a board within the DCA to expedite the licensure process to a spouse or domestic partner of an active duty member of the Armed Forces of the United States who is assigned to a duty station in the State of California under official active duty military orders.

### **Attachment**

AB 186, Amended April 22, 2013

AMENDED IN ASSEMBLY APRIL 22, 2013

AMENDED IN ASSEMBLY APRIL 1, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 186**

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**Introduced by Assembly Member Maienschein**  
**(Principal coauthor: Assembly Member Hagman)**  
**(Coauthors: Assembly Members *Chávez*, *Dahle*, *Donnelly*, *Beth***  
***Gaines*, *Grove*, *Harkey*, *Olsen*, and *Patterson*)**  
**(Coauthors: Senators Fuller and Huff)**

January 28, 2013

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An act to amend Section 115.5 of the Business and Professions Code, relating to professions and vocations, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 186, as amended, Maienschein. Professions and vocations: military spouses: temporary licenses.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law provides for the issuance of reciprocal licenses in certain fields where the applicant, among other requirements, has a license to practice within that field in another jurisdiction, as specified. *Existing law requires that the licensing fees imposed by certain boards within the department be deposited in funds that are continuously appropriated.* Existing law requires a board within the department to expedite the licensure process for an applicant who holds a current license in another jurisdiction in the same profession or vocation and who supplies satisfactory evidence of being married to, or in a domestic

partnership or other legal union with, an active duty member of the Armed Forces of the United States who is assigned to a duty station in California under official active duty military orders.

~~This bill would authorize a board within the department to issue a provisional license to an applicant who qualifies for an expedited license pursuant to the above-described provision. The~~

*This bill would require a board within the department to issue a temporary license to an applicant who qualifies for, and requests, expedited licensure pursuant to the above-described provision if he or she meets specified requirements. The bill would require the temporary license to expire 12 months after issuance, upon issuance of the expedited license, or upon denial of the application for expedited licensure by the board, whichever occurs first. The bill would authorize a board to conduct an investigation of an applicant for purposes of denying or revoking a temporary license, and would authorize a criminal background check as part of that investigation. The bill would require an applicant seeking a temporary license to submit an application to the board that includes a signed affidavit attesting to the fact that he or she meets all of the requirements for the temporary license and that the information submitted in the application is accurate, as specified. The bill would also require the application to include written verification from the applicant's original licensing jurisdiction stating that the applicant's license is in good standing.*

~~This bill would prohibit a provisional temporary license from being provided to any applicant who has committed an act in any jurisdiction that would have constituted grounds for denial, suspension, or revocation of the license at the time the act was committed, or committed. The bill would provide that a violation of the above-described provision may be grounds for the denial or revocation of a temporary license. The bill would further prohibit a temporary license from being provided to any applicant who has been disciplined by a licensing entity in another jurisdiction, or is the subject of an unresolved complaint, review procedure, or disciplinary proceeding conducted by a licensing entity in another jurisdiction. The bill would require the board to approve a provisional license based on an application that includes an affidavit that the information submitted in the application is accurate and that verification documentation from the other jurisdiction has been requested. The bill would require the provisional license to expire after 18 months or at the issuance of the expedited license. The bill would~~

*require an applicant, upon request by a board, to furnish a full set of fingerprints for purposes of conducting a criminal background check.*

~~By creating provisional licenses for which a fee may be collected and deposited into a continuously appropriated fund, this bill would make an appropriation.~~

*Because the bill would authorize the expenditure of continuously appropriated funds for a new purpose, the bill would make an appropriation.*

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

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

1 SECTION 1. Section 115.5 of the Business and Professions  
2 Code is amended to read:

3 115.5. (a) A board within the department shall expedite the  
4 licensure process for an applicant who meets both of the following  
5 requirements:

6 (1) Supplies evidence satisfactory to the board that the applicant  
7 is married to, or in a domestic partnership or other legal union  
8 with, an active duty member of the Armed Forces of the United  
9 States who is assigned to a duty station in this state under official  
10 active duty military orders.

11 (2) Holds a current license in another state, district, or territory  
12 of the United States in the profession or vocation for which he or  
13 she seeks a license from the board.

14 ~~(b) (1) For each applicant who is eligible for an expedited~~  
15 ~~license pursuant to subdivision (a) and meets the requirements in~~  
16 ~~paragraph (2), the board shall provide a provisional license while~~  
17 ~~the board processes the application for licensure. The board shall~~  
18 ~~approve a provisional license based on an application that includes~~  
19 ~~an affidavit that the information submitted in the application is~~  
20 ~~accurate and that verification documentation from the other~~  
21 ~~jurisdiction has been requested. The provisional license shall expire~~  
22 ~~18 months after issuance or upon issuance of the expedited license.~~

23 *(b) (1) A board shall, after appropriate investigation, issue a*  
24 *temporary license to an applicant who is eligible for, and requests,*  
25 *expedited licensure pursuant to subdivision (a) if the applicant*  
26 *meets the requirements described in paragraph (3). The temporary*  
27 *license shall expire 12 months after issuance, upon issuance of*

1 *the expedited license, or upon denial of the application for*  
2 *expedited licensure by the board, whichever occurs first.*

3 (2) *The board may conduct an investigation of an applicant for*  
4 *purposes of denying or revoking a temporary license issued*  
5 *pursuant to this subdivision. This investigation may include a*  
6 *criminal background check.*

7 (3) (A) *An applicant seeking a temporary license issued*  
8 *pursuant to this subdivision shall submit an application to the*  
9 *board which shall include a signed affidavit attesting to the fact*  
10 *that he or she meets all of the requirements for the temporary*  
11 *license and that the information submitted in the application is*  
12 *accurate, to the best of his or her knowledge. The application shall*  
13 *also include written verification from the applicant's original*  
14 *licensing jurisdiction stating that the applicant's license is in good*  
15 *standing in that jurisdiction.*

16 ~~(2) (A)~~

17 (B) *The applicant shall not have committed an act in any*  
18 *jurisdiction that would have constituted grounds for denial,*  
19 *suspension, or revocation of the license under this code at the time*  
20 *the act was committed. A violation of this subparagraph may be*  
21 *grounds for the denial or revocation of a temporary license issued*  
22 *by the board.*

23 ~~(B)~~

24 (C) *The applicant shall not have been disciplined by a licensing*  
25 *entity in another jurisdiction and shall not be the subject of an*  
26 *unresolved complaint, review procedure, or disciplinary proceeding*  
27 *conducted by a licensing entity in another jurisdiction.*

28 (D) *The applicant shall, upon request by a board, furnish a full*  
29 *set of fingerprints for purposes of conducting a criminal*  
30 *background check.*

31 (c) *A board may adopt regulations necessary to administer this*  
32 *section.*

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 291**

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<b>Subject:</b> California Sunset Review Commission	<b>Author:</b> Nestande
<b>Version:</b> February 11, 2013	<b>Sponsor:</b> None
<b>Status:</b> Assembly Accountability and Administrative Review Committee	

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### **Summary**

This bill would establish the California Sunset Review Commission (CSRC) and eliminate the Joint Sunset Review Committee (JSRC). This bill would require the CSRC to extensively examine each state agency, authority, board, bureau, commission, conservancy, council, department, division, and office to identify each entity's overall necessity, cost-effectiveness, and competency, and would require the CSRC to report to the Legislature with recommended changes.

### **Recommendation**

Watch. While the California Board of Accountancy (CBA) voted to oppose this bill at its March 2013 meeting, staff received indication from the author's office that they do not plan to pursue this bill until next year and are considering amendments that may address the concerns expressed by the members during the March 2013 CBA meeting.

### **Background**

The CBA voted at its March 2013 meeting to oppose this bill because legislative policy committees presently perform a thorough sunset review of the CBA and adding a second review is unnecessary.

On May 2, 2013, Mr. Ramirez and Ms. Salazar met with the author's Legislative Director to discuss the CBA's opposition to the bill. The Director indicated that the author will not pursue this bill until next year, and the author's office is seeking amendments which would address the concerns expressed by the board members relating to the CBA being subject to multiple reviews.

### **Analysis**

This bill would establish the CSRC within the Executive Branch to replace the JSRC. Pursuant to the proposed amendments in the Government Code, the CSRC would perform a more extensive sunset review of state agencies. The CSRC would consist of ten members: eight appointed by the Governor to serve four year terms, and two legislators appointed by the Senate and Assembly Committee on Rules to serve two year terms. The CSRC would appoint a Director to hire and manage a sufficient number of staff to facilitate the CSRC's responsibilities. The proposed commission would allocate time and resources to evaluate agencies, which could result in significant changes to the CBA and other boards, departments, and agencies.

The author pulled this bill from its scheduled hearing and has since agreed to make this a two-year bill to provide time for further review.

### **Fiscal Estimate**

Unknown; however, staff time to complete the assessment and assist the CSRC with their own review will likely result in the majority of the cost to the CBA.

**AB 291**

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**Support/Opposition**

Support: None on file.

Opposition: None on file.

**Effective/Operative Date**

Unknown.

**Related Bills**

Assembly Bill (AB) 1659 (Huber, Chapter 666, 2010) established the JSRC to identify and eliminate waste, duplication, and inefficiency in government entities through a sunset review over a 15 year period.

**Attachment**

AB 291

**ASSEMBLY BILL****No. 291****Introduced by Assembly Member Nestande**

February 11, 2013

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An act to amend and repeal Sections 9147.7, 9148.50, 9148.51, and 9148.52 of, to amend, repeal, and add Section 9148.8 of, and to add Article 7.6 (commencing with Section 9147.9) to Chapter 1.5 of Part 1 of Division 2 of Title 2 of, the Government Code, relating to state government.

## LEGISLATIVE COUNSEL'S DIGEST

AB 291, as introduced, Nestande. California Sunset Review Commission.

Existing law establishes the Joint Sunset Review Committee, a legislative committee comprised of 10 Members of the Legislature, to identify and eliminate waste, duplication, and inefficiency in government agencies and to conduct a comprehensive analysis of every “eligible agency” for which a date for repeal has been established, to determine if the agency is still necessary and cost effective. Existing law requires each eligible agency scheduled for repeal to submit a report to the committee containing specified information. Existing law requires the committee to take public testimony and evaluate the eligible agency prior to the date the agency is scheduled to be repealed, and requires that an eligible agency be eliminated unless the Legislature enacts a law to extend, consolidate, or reorganize the agency. Existing law also requires the committee to review eligible agencies and evaluate and determine whether each has demonstrated a public need for its continued existence and to submit a report to the Legislature detailing whether an

agency should be terminated, continued, or whether its functions should be modified.

This bill would abolish the Joint Sunset Review Committee on January 1 or an unspecified year. The bill would, commencing on that same January 1, establish the California Sunset Review Commission within the executive branch to assess the continuing need for any agency, as defined, to exist. The commission would consist of 10 members, with 8 members appointed by the Governor and 2 Members of the Legislature each appointed by the Senate Committee on Rules and the Speaker of the Assembly, subject to specified terms. The commission would be under the direction of a director appointed by the commission members. The bill would require the commission to meet regularly and to work with each agency subject to review to evaluate the need for the agency to exist, identify required statutory, regulatory, or management changes, and develop legislative proposals to enact those changes. The bill would require the commission to prepare a report, containing legislative recommendations based on its agency review, to be submitted to the Legislature and would also require the commission to meet certain cost-savings standards within 5 years.

This bill would require an agency to submit a specified self-evaluation report to the commission prior to its review. The bill would require the Legislative Analyst’s Office to provide the commission with an estimate of the staffing needed to perform the commission’s work.

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 9147.7 of the Government Code is
- 2 amended to read:
- 3 9147.7. (a) For the purpose of this section, “eligible agency”
- 4 means any agency, authority, board, bureau, commission,
- 5 conservancy, council, department, division, or office of state
- 6 government, however denominated, excluding an agency that is
- 7 constitutionally created or an agency related to postsecondary
- 8 education, for which a date for repeal has been established by
- 9 statute on or after January 1, 2011.
- 10 (b) The Joint Sunset Review Committee is hereby created to
- 11 identify and eliminate waste, duplication, and inefficiency in
- 12 government agencies. The purpose of the committee is to conduct

1 a comprehensive analysis over 15 years, and on a periodic basis  
2 thereafter, of every eligible agency to determine if the agency is  
3 still necessary and cost effective.

4 (c) Each eligible agency scheduled for repeal shall submit to  
5 the committee, on or before December 1 prior to the year it is set  
6 to be repealed, a complete agency report covering the entire period  
7 since last reviewed, including, but not limited to, the following:

8 (1) The purpose and necessity of the agency.

9 (2) A description of the agency budget, priorities, and job  
10 descriptions of employees of the agency.

11 (3) Any programs and projects under the direction of the agency.

12 (4) Measures of the success or failures of the agency and  
13 justifications for the metrics used to evaluate successes and failures.

14 (5) Any recommendations of the agency for changes or  
15 reorganization in order to better fulfill its purpose.

16 (d) The committee shall take public testimony and evaluate the  
17 eligible agency prior to the date the agency is scheduled to be  
18 repealed. An eligible agency shall be eliminated unless the  
19 Legislature enacts a law to extend, consolidate, or reorganize the  
20 eligible agency. No eligible agency shall be extended in perpetuity  
21 unless specifically exempted from the provisions of this section.  
22 The committee may recommend that the Legislature extend the  
23 statutory sunset date for no more than one year to allow the  
24 committee more time to evaluate the eligible agency.

25 (e) The committee shall be comprised of 10 members of the  
26 Legislature. The Senate Committee on Rules shall appoint five  
27 members of the Senate to the committee, not more than three of  
28 whom shall be members of the same political party. The Speaker  
29 of the Assembly shall appoint five members of the Assembly to  
30 the committee, not more than three of whom shall be members of  
31 the same political party. Members shall be appointed within 15  
32 days after the commencement of the regular session. Each member  
33 of the committee who is appointed by the Senate Committee on  
34 Rules or the Speaker of the Assembly shall serve during that  
35 committee member's term of office or until that committee member  
36 no longer is a Member of the Senate or the Assembly, whichever  
37 is applicable. A vacancy on the committee shall be filled in the  
38 same manner as the original appointment. Three Assembly  
39 Members and three Senators who are members of the committee  
40 shall constitute a quorum for the conduct of committee business.

1 Members of the committee shall receive no compensation for their  
2 work with the committee.

3 (f) The committee shall meet not later than 30 days after the  
4 first day of the regular session to choose a chairperson and to  
5 establish the schedule for eligible agency review provided for in  
6 the statutes governing the eligible agencies. The chairperson of  
7 the committee shall alternate every two years between a Member  
8 of the Senate and a Member of the Assembly, and the vice  
9 chairperson of the committee shall be a member of the opposite  
10 house as the chairperson.

11 (g) This section shall not be construed to change the existing  
12 jurisdiction of the budget or policy committees of the Legislature.

13 (h) *This section shall remain in effect only until January 1, 20\_\_,*  
14 *and as of that date is repealed, unless a later enacted statute, that*  
15 *is enacted before January 1, 20\_\_, deletes or extends that date.*

16 SEC. 2. Article 7.6 (commencing with Section 9147.9) is added  
17 to Chapter 1.5 of Part 1 of Division 2 of Title 2 of the Government  
18 Code, to read:

19

20 Article 7.6. California Sunset Review Commission

21

22 9147.9. This article may be cited as the California Sunset  
23 Review Commission Act.

24 9147.11. For the purpose of this section, the following  
25 definitions shall apply:

26 (a) "Agency" means any agency, authority, board, bureau,  
27 commission, conservancy, council, department, division, or office  
28 of state government, however denominated, excluding an agency  
29 that is constitutionally created or an agency related to  
30 postsecondary education.

31 (b) "Commission" means the California Sunset Review  
32 Commission.

33 (c) "Act" means the California Sunset Review Commission Act.

34 9147.13. The California Sunset Review Commission is hereby  
35 created within the executive branch of state government. The  
36 commission shall be located in Sacramento.

37 9147.15. (a) The commission shall consist of 10 members.

38 (1) The Governor shall appoint 8 members to serve a term of  
39 four years.

1 (2) The Senate Committee on Rules shall appoint one Member  
2 of the Senate to serve a term of two years or until that Member is  
3 no longer a Member of the Senate, whichever is applicable.

4 (3) The Speaker of the Assembly shall appoint one Member of  
5 the Assembly to serve a term of two years or until that Member is  
6 no longer a Member of the Assembly, whichever is applicable.

7 (b) The commission shall appoint a chairperson from its  
8 members appointed pursuant to paragraph (1).

9 (c) The Members of the Legislature appointed to the commission  
10 shall serve at the pleasure of the appointing power and shall  
11 participate in the activities of the commission to the extent that  
12 the participation is not incompatible with their respective positions  
13 as Members of the Legislature.

14 (d) A vacancy on the commission shall be filled in the same  
15 manner as the original appointment.

16 (e) (1) The members of the commission shall serve without  
17 compensation, except that each member appointed by the Governor  
18 shall receive fifty dollars (\$50) for each day's attendance at a  
19 meeting of the commission.

20 (2) Each member shall be allowed actual expenses incurred in  
21 the discharge of his or her duties, including travel expenses.

22 9147.17. (a) The commission shall be under the direction of  
23 a director appointed by the commission members.

24 (b) The director shall employ sufficient staff to carry out the  
25 commission's responsibilities.

26 (c) The Legislative Analyst's Office shall estimate the staffing  
27 needed to manage the workload of the commission.

28 9147.19. (a) The commission shall serve in an advisory  
29 capacity and shall meet regularly to assess and review the  
30 continuing need for an agency to exist.

31 (b) Prior to the commission's review of an agency, the  
32 commission staff shall work with each agency to evaluate the need  
33 for the agency to exist, identify required statutory, regulatory, or  
34 management changes, and develop recommendation for legislative  
35 proposals to enact those changes. The commission shall also  
36 consult with interest groups, affected agencies, and other interested  
37 parties in reviewing an agency.

38 (c) In carrying out its duties pursuant to this section, the  
39 commission shall evaluate an agency pursuant to the following  
40 criteria, as applicable:

- 1 (1) The efficiency and effectiveness of the agency’s operations.
- 2 (2) Whether the agency has been successful in achieving its
- 3 mission, goals, and objectives.
- 4 (3) Whether the agency performs duties that are not statutorily
- 5 authorized and, if so, identify the authority for those activities and
- 6 whether those activities are needed.
- 7 (4) Whether the agency has any authority related to fees,
- 8 inspections, enforcement, and penalties.
- 9 (5) Whether the agency’s functions and operations could be less
- 10 burdensome or restrictive while still serving the public.
- 11 (6) Whether the functions of the agency could be effectively
- 12 consolidated or merged with another agency to promote efficiency
- 13 in government.
- 14 (7) Whether the agency’s programs and jurisdiction duplicate
- 15 those of other state agencies.
- 16 (8) Whether the agency promptly and effectively addresses
- 17 complaints.
- 18 (9) Whether the agency utilizes public participation for
- 19 rulemaking and decisions and, if so, whether it is done in an
- 20 effective manner.
- 21 (10) Whether the agency complied with federal and state
- 22 requirements regarding equal employment, privacy rights, and
- 23 purchasing guidelines for underutilized businesses.
- 24 (11) Whether the agency effectively enforces rules regarding
- 25 the potential conflicts of interest of its employees.
- 26 (12) Whether abolishing the agency would cause federal
- 27 government intervention or loss of federal funds.
- 28 (13) Whether the agency’s statutory reporting requirements
- 29 effectively fulfill a useful purpose; and whether there are reporting
- 30 requirements of this agency that are duplicative of other agencies
- 31 or can effectively be combined or consolidated into another agency
- 32 that has similar requirements.
- 33 (d) The commission shall take public testimony from agency
- 34 staff, interest groups, and affected parties relating to whether an
- 35 agency should continue in existence.
- 36 (e) (1) The commission shall prepare a staff report to be
- 37 submitted to the Legislature. The report shall include, but not be
- 38 limited to, specific recommendations to the Legislature to enact
- 39 legislation to do the following:

1 (A) Repeal unnecessary, outdated, or unnecessary statutes,  
2 regulations, and programs.

3 (B) Develop reorganization plans that abolish and streamline  
4 existing agencies, if needed.

5 (2) A report to the Legislature pursuant to this section shall be  
6 submitted in compliance with Section 9795.

7 (3) This subdivision shall become inoperative on January 1,  
8 2018, pursuant to Section 10231.5

9 9147.21. Prior to review by the commission, an agency shall  
10 submit a self-evaluation report to the commission. The report shall  
11 include, but not be limited to, the criteria described in subdivision  
12 (c) of Section 9147.19.

13 9147.23. In order to ensure accountability, the commission  
14 shall demonstrate a 5-to-1 cost savings within the first five years  
15 of sunset review hearings, and every five years thereafter. For  
16 every dollar it costs to run the commission, five dollars (\$5) shall  
17 be saved in streamlining the government process and eliminating  
18 unnecessary agencies.

19 9147.25. This article shall become operative on January 1,  
20 20\_\_.

21 SEC. 3. Section 9148.8 of the Government Code is amended  
22 to read:

23 9148.8. (a) The appropriate policy committee of the Legislature  
24 may evaluate a plan prepared pursuant to Section 9148.4 or 9148.6.  
25 The chairperson of a policy committee may alternatively require  
26 that the Joint Sunset Review Committee evaluate and provide  
27 recommendations on any plan prepared pursuant to Section 9148.4  
28 or 9148.6, or any other legislative issue or proposal to create a new  
29 state board.

30 (b) The Joint Sunset Review Committee shall provide to the  
31 respective policy and fiscal committees of the Legislature any  
32 evaluation and recommendations prepared pursuant to this section.

33 (c) If an appropriate policy committee does not evaluate a plan  
34 prepared pursuant to Section 9148.6, then the Joint Sunset Review  
35 Committee shall evaluate the plan and provide recommendations  
36 to the Legislature.

37 (d) *This section shall remain in effect only until January 1, 20\_\_,*  
38 *and as of that date is repealed, unless a later enacted statute, that*  
39 *is enacted before January 1, 20\_\_, deletes or extends that date.*

1 SEC. 4. Section 9148.8 is added to the Government Code, to  
2 read:

3 9148.8. (a) The appropriate policy committee of the Legislature  
4 may evaluate a plan prepared pursuant to Section 9148.4 or 9148.6.  
5 The chairperson of a policy committee may alternatively require  
6 that the California Sunset Review Commission evaluate and  
7 provide recommendations on any plan prepared pursuant to Section  
8 9148.4 or 9148.6, or any other legislative issue or proposal to  
9 create a new state board.

10 (b) The California Sunset Review Commission shall provide to  
11 the respective policy and fiscal committees of the Legislature any  
12 evaluation and recommendations prepared pursuant to this section.

13 (c) If an appropriate policy committee does not evaluate a plan  
14 prepared pursuant to Section 9148.6, then the California Sunset  
15 Review Commission shall evaluate the plan and provide  
16 recommendations to the Legislature.

17 This section shall become operative on January 1, 20\_\_.

18 SEC. 5. Section 9148.50 of the Government Code is amended  
19 to read:

20 9148.50. The Legislature finds and declares all of the following:

21 (a) California’s multilevel, complex governmental structure  
22 today contains more than 400 categories of administrative or  
23 regulatory boards, commissions, committees, councils, associations,  
24 and authorities.

25 (b) These administrative or regulatory boards, commissions,  
26 committees, councils, associations, and authorities have been  
27 established without any method of periodically reviewing their  
28 necessity, effectiveness, or utility.

29 (c) As a result, the Legislature and residents of California cannot  
30 be assured that existing or proposed administrative or regulatory  
31 boards, commissions, committees, councils, associations, and  
32 authorities adequately protect the public health, safety, and welfare.

33 (d) *This section shall remain in effect only until January 1, 20\_\_,*  
34 *and as of that date is repealed, unless a later enacted statute, that*  
35 *is enacted before January 1, 20\_\_, deletes or extends that date.*

36 SEC. 6. Section 9148.51 of the Government Code is amended  
37 to read:

38 9148.51. (a) It is the intent of the Legislature that all existing  
39 and proposed eligible agencies, as defined in subdivision (a) of  
40 Section 9147.7, be subject to review to evaluate and determine

1 whether each has demonstrated a public need for its continued  
2 existence in accordance with enumerated factors and standards as  
3 set forth in Article 7.5 (commencing with Section 9147.7).

4 (b) If any state board becomes inoperative or is repealed in  
5 accordance with the act that added this section, any provision of  
6 existing law that provides for the appointment of board members  
7 and specifies the qualifications and tenure of board members shall  
8 not be implemented and shall have no force or effect while that  
9 state board is inoperative or repealed.

10 (c) Any provision of law authorizing the appointment of an  
11 executive officer by a state board subject to the review described  
12 in Article 7.5 (commencing with Section 9147.7), or prescribing  
13 his or her duties, shall not be implemented and shall have no force  
14 or effect while the applicable state board is inoperative or repealed.

15 (d) *This section shall remain in effect only until January 1, 20\_\_,*  
16 *and as of that date is repealed, unless a later enacted statute, that*  
17 *is enacted before January 1, 20\_\_, deletes or extends that date.*

18 SEC. 7. Section 9148.52 of the Government Code is amended  
19 to read:

20 9148.52. (a) The Joint Sunset Review Committee established  
21 pursuant to Section 9147.7 shall review all eligible agencies.

22 (b) The committee shall evaluate and make determinations  
23 pursuant to Article 7.5 (commencing with Section 9147.7).

24 (c) Pursuant to an evaluation made as specified in this section,  
25 the committee shall make a report which shall be available to the  
26 public and the Legislature on whether an agency should be  
27 terminated, or continued, or whether its functions should be revised  
28 or consolidated with those of another agency, and include any  
29 other recommendations as necessary to improve the effectiveness  
30 and efficiency of the agency. If the committee deems it advisable,  
31 the report may include proposed legislative proposals that would  
32 carry out its recommendations.

33 (d) *This section shall remain in effect only until January 1, 20\_\_,*  
34 *and as of that date is repealed, unless a later enacted statute, that*  
35 *is enacted before January 1, 20\_\_, deletes or extends that date.*

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 258**

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**Subject:** State Agencies: Veterans  
**Version:** April 23, 2013  
**Status:** Senate Floor

**Author:** Chávez  
**Sponsor:** None

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**Summary**

This bill would require every state agency that asks on any written document, or through its website, whether a person is a veteran, to instead ask, "Have you ever served in the United States military?"

**Recommendation**

Support. This bill would further assist veterans and is consistent with the CBA's support of the United States military.

**Background**

Existing law provides various benefits for current or prior members of the military, including: the GI Bill, disability compensation and pension, access to free or reduced cost medical care, vocational rehabilitation, unemployment benefits, veteran home loans, burial benefits, and survivor benefits.

**Analysis**

The term veteran technically only refers to service members who have served on a battlefield in war. As a result, some women do not believe they are eligible for veterans benefits. According to a study by the California Research Bureau (CRB), 7.4% of female veterans surveyed stated they are not a veteran. The study also found that some women believe veteran benefits are restricted to men. Failure to identify as a veteran could result in the loss of many Federal benefits previously mentioned.

The California Board of Accountancy (CBA) currently does not ask whether an applicant has served in the military, but if Assembly Bill 1057 (Medina) becomes law, the CBA will be required to do so on its applications for licensure beginning January 1, 2015.

**Fiscal Estimate**

None

**Support/Opposition**

Support: American Federation of State, County and Municipal Employees  
American Association of University Women- California

Opposition: None on file.

**Effective/Operative Date**

January 1, 2014

**Related Bills**

None.

**AB 258**  
Page 2 of 2

**Attachment**  
AB 258

AMENDED IN ASSEMBLY APRIL 23, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 258**

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**Introduced by Assembly Member Chávez**

February 7, 2013

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An act to add Section 11019.11 to the Government Code, relating to state agencies.

LEGISLATIVE COUNSEL'S DIGEST

AB 258, as amended, Chávez. State agencies: veterans.

Existing law provides for the governance and regulation of state agencies, as defined. Existing law provides certain benefits and protections for members of the Armed Forces of the United States.

This bill would require, *on or after July 1, 2014*, every state agency that requests on any written form or written publication, or through its Internet Web site, whether a person is a veteran, to request that information in a specified manner.

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 11019.11 is added to the Government  
2 Code, to read:  
3 11019.11. (a) Every state agency that requests on any written  
4 form or written publication, or through its Internet Web site,  
5 whether a person is a veteran, shall request that information only  
6 in the following format: "Have you ever served in the *United States*  
7 military?"

- 1 (b) This section shall apply only to a written form or written
- 2 publication that is newly printed on or after ~~January~~ *July* 1, 2014.

O

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 376**

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**Subject:** Regulations: Notice  
**Version:** February 14, 2013

**Author:** Donnelly  
**Sponsor:** None

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**Summary**

This bill requires a state agency that enforces a regulation promulgated on or after January 1, 2014 to notify a business that is mandated to comply with the regulation 30 days before the regulation becomes effective.

**Recommendation**

Watch. The Business and Professions Committee made this bill a two-year bill. It is subject to significant change before it is heard again next January.

**Background**

The California Board of Accountancy (CBA) only regulates businesses that engage in public accounting. The CBA presently is required to post its newly approved regulations on its website. Additionally, the law requires the CBA to provide the Office of Administrative Law (OAL) with the web addresses of these postings. OAL maintains a page on its website that lets users follow links to recently approved regulations.

**Analysis**

State agencies would be required to notify businesses that are “required to comply” with regulations promulgated on or after January 1, 2014. The bill does not require state agencies to notify businesses of existing regulations that apply to them.

While the approved regulations are available on both the state agency’s and OAL’s website, there is no requirement for state agencies or OAL to notify anyone of newly adopted regulations. According to the author, this bill is intended to alleviate the regulatory burden on businesses by providing such notification. This bill requires that such notification be provided by email where possible or U.S. mail otherwise.

The state agencies are to “cooperate with” the Secretary of State to identify businesses that must be notified.

The CBA would be required to notify every public accounting business affected by a given regulation.

Staff’s analysis of this bill as it is currently written has identified three apparent problems that could be faced by the CBA in implementation. First, the CBA only has the authority to regulate public accounting businesses. However, several of its regulations appear to affect other businesses as well such as continuing education providers or those who provide accounting services which do not require a license issued by the CBA. It is not known how this bill would apply to these businesses.

## **AB 376 – Regulations: Notice**

Page 2 of 2

Second, one of the main reasons this bill was made a two-year bill was the concern that the Secretary of State's information on businesses may not be in a format that would make it easy to identify the businesses as required by this bill.

Third, it is unknown how this bill would apply to regulated businesses that are outside of California as it is not limited to California Businesses. Because practice privilege holders are required to comply with CBA regulations, any regulatory proposal put forth by the CBA could potentially mean notifying every public accounting business in the United States. However, the Secretary of State, with whom agencies are required to cooperate in identifying impacted business, does not have records on businesses outside of California.

### **Fiscal Estimate**

In this bill's current form, it could result in unknown costs in staff time and resources.

### **Support/Opposition**

Support: None on file.

Opposition: California Labor Federation  
California Nurses Association  
Health Access California  
Sierra Club California

### **Effective/Operative Date**

January 1, 2014

### **Related Bills**

SB 1099 (Wright, Chapter 295, Statutes of 2012) required agencies to post newly-filed regulations on their websites, and provide OAL with the web addresses.

### **Attachment**

AB 376

**ASSEMBLY BILL****No. 376**

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**Introduced by Assembly Member Donnelly**February 14, 2013

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An act to add Section 11344.5 to the Government Code, relating to regulations.

## LEGISLATIVE COUNSEL'S DIGEST

AB 376, as introduced, Donnelly. Regulations: notice.

The Administrative Procedure Act requires the Office of Administrative Law to provide for the official compilation, printing, and publication of adoption, amendment, or repeal of regulations, which is known as the California Code of Regulations, provide for a weekly update of the California Code of Regulations, and provide for the publication of the California Regulatory Notice Register, which includes, but is not limited to, a summary of all proposed regulations filed with the Secretary of State in the previous week.

This bill would require a state agency enforcing a regulation promulgated on or after January 1, 2014, to notify a business that is required to comply with that regulation of the existence of the regulation 30 days before its effective date, and to cooperate with the Secretary of State to access business records to obtain the business contact information necessary to provide that notice.

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 11344.5 is added to the Government
- 2 Code, to read:
- 3 11344.5. (a) An agency enforcing a regulation promulgated
- 4 on or after January 1, 2014, shall notify a business that is required
- 5 to comply with that regulation of the existence of the regulation
- 6 30 days before the effective date of the regulation.
- 7 (b) If possible, an agency shall provide the notice required
- 8 pursuant to subdivision (a) by electronic mail, and if not possible,
- 9 then by written letter through the United States mail.
- 10 (c) An agency required to provide notice pursuant to this section
- 11 shall cooperate with the Secretary of State to access business
- 12 records to obtain the business contact information necessary to
- 13 provide the notice.

O

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1057**

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<b>Subject:</b> Professions and Vocations: Licenses: Military Service.	<b>Author:</b> Medina
<b>Version:</b> April 9, 2013	<b>Sponsor:</b> None
<b>Status:</b> Senate Floor	

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**Summary**

This bill would require, beginning January 1, 2015, boards to inquire in every application for licensure if the applicant is serving in, or has previously served in, the military.

**Recommendation**

Support. This bill would further assist veterans and is consistent with the CBA's prior support of the United States military members.

**Background**

According to a report published by the Department of Consumer Affairs (DCA), most boards accept experience obtained in military service towards licensure. However, boards are not required to ask on the application whether the applicant has military experience.

**Analysis**

The author proposed this bill as a result of many veterans struggling to find employment in a field that utilizes skills gained while serving in the military. According to a figure released by the United States Bureau of Labor Statistics in February, the average unemployment rate among veterans was 9.4%. Meanwhile, the unemployment rate as a whole was 7.7%.

According to the author, asking on the application whether the applicant has military experience will assist DCA boards and the applicant in identifying appropriate military experience. However, this bill, in its current form, would impact all applications for licensure, beyond individuals, and would require the CBA to include this question on applications for partnerships and accountancy corporations. After speaking with the author's office, it indicated it will examine this issue and determine whether to amend the bill for further clarification.

**Fiscal Estimate**

None

**Support/Opposition**

Support: None on file.

Opposition: None on file.

**Effective/Operative Date**

January 1, 2015

**AB 1057 – Professions and Vocations: Licenses: Military Service.**

Page 2 of 2

**Related Bills**

None.

**Attachment**

AB 1057

AMENDED IN ASSEMBLY APRIL 9, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1057**

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**Introduced by Assembly Member Medina**

February 22, 2013

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An act to add Section 114.5 to the Business and Professions Code, relating to professions and vocations.

LEGISLATIVE COUNSEL'S DIGEST

AB 1057, as amended, Medina. Professions and vocations: licenses: military service.

Existing law provides for the licensure and regulation of various professions and vocations by boards within the Department of Consumer Affairs. Existing law authorizes a licensee or registrant whose license expired while the licensee or registrant was on active duty as a member of the California National Guard or the United States Armed Forces to, upon application, reinstate his or her license without penalty and without examination, if certain requirements are satisfied, unless the licensing agency determines that the applicant has not actively engaged in the practice of his or her profession while on active duty, as specified.

This bill would require each board, *commencing January 1, 2015*, to inquire in every application for licensure if the applicant is serving in, or has previously served in, the military.

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 114.5 is added to the Business and
- 2 Professions Code, to read:
- 3 114.5. ~~Each~~ *Commencing January 1, 2015, each* board shall
- 4 inquire in every application for licensure if the applicant is serving
- 5 in, or has previously served in, the military.

O

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1151**

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**Subject:** Tax Agent Registration

**Author:** Ting

**Version:** May 7, 2013

**Sponsor:** None

**Status:** Assembly Appropriations Committee

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### **Summary**

This bill would require a tax agent, as defined, to register with the Secretary of State in order to represent a tax payer before a county official.

### **Recommendation**

Defer to the CBA. Historically, bills are presented for a California Board of Accountancy (CBA) position that relates to the CBA mission or directly impacts the CBA in some manner. This bill impacts individual practitioners; however, because the impact involves a registration requirement for certified public accountants (CPA) and others to perform specified services in local jurisdictions, staff believe CBA members may want to discuss the proposal. Staff does not have a recommended position on this bill. However, CBA members may vote to take one of the following positions on this bill (descriptions of these positions are provided in **Attachment 1**):

- Support
- Support if Amended
- Neutral
- Oppose unless Amended
- Oppose
- Watch

Additionally, members could take no position on the bill and direct staff to monitor internally and provide updates to members as the bill continues through the legislative process.

### **Background**

Existing law requires every assessor to examine the full value of all property subject to general property taxation. A county board of equalization or an assessment appeals board must balance the valuation of taxable property for the purpose of taxation. To request a reduction in property tax, a taxpayer must submit an application to their county board.

### **Analysis**

This bill would prohibit an individual, as defined, from representing a taxpayer before a county official unless he/she is a registered tax agent.

“Tax agent” is defined as an individual who is employed, under contract, or otherwise receives compensation to communicate directly, or through agents, employees, or subcontractors, with any county official for the purpose of influencing official action. This definition would not include:

## **AB 1151 – Tax Agent Registration**

Page 2 of 3

- An elected or appointed public official or public employee when acting in his or her official capacity;
- A person representing him/her self, a family member, and entity of which the person is a partner or owner of at least 10% of the entity; and
- An in-house tax professional or employee representing his or her employer.

This bill would apply, but is not limited to an attorney, CPA, public accountant, actuary, real estate broker, real estate salesperson, or licensed real estate appraiser.

This bill would require a tax agent to file an application with the Secretary of State containing:

- The agent's full name, business address, business telephone number, and business e-mail.
- The name of the tax agent's employing tax firm, if applicable.

Beginning July 1, 2014, this bill would require a tax agent to pay a registration fee, and an additional renewal fee every two years.

This bill would prohibit a tax agent from registering or providing services if the tax agent:

- Has been convicted of any felony under state or federal tax laws.
- Has been convicted of any other criminal offense involving dishonesty, breach of trust, or moral turpitude.
- Has been disbarred or suspended for any reason other than the failure to pay dues in their licensed profession.

This bill would require the Secretary of State to semiannually publish a list of registered tax agents on its website.

This bill would provide the Attorney General the discretion to pursue civil fines for noncompliance or violations of this bill.

Other states, such as Texas and Tennessee, have enacted similar statewide registration and continuing education requirements for property tax agents in their states. However, both states have exemptions for CPAs.

State and local tax (SALT) is a specialized area of tax law, which varies between jurisdictions. According to the author, this bill would provide consumer protection and further transparency by making a list of registered tax agents available to the public.

### **Fiscal Estimate**

None.

## **AB 1151 – Tax Agent Registration**

Page 3 of 3

### **Support/Opposition**

Support: California Alliance of Taxpayer Advocates  
California Association of Clerks and Election Officials  
Silicon Valley Leadership Group  
Ryan: Innovative Solutions to Taxing Problems

Opposition: California Chamber of Commerce  
California Secretary of State  
California Society of CPAs  
California Taxpayer's Association  
California Taxpayer Protection Committee  
Howard Jarvis Taxpayers Association  
National Federation of Independent Business

### **Effective/Operative Date**

July 1, 2014

### **Related Bills**

AB 404 (Gatto), of the 2011-12 legislative session, would have required tax agents to register as lobbyists in counties with lobbyist ordinances. AB 404 failed passage on the Senate Floor.

AB 2183 (Smyth), of the 2011-12 legislative session, would have enacted similar legislation. AB 2183 was held in the Senate Committee on Appropriations.

### **Attachments**

1. Consideration for Taking Positions on Legislation Memorandum, March 2009
2. AB 1151

## Memorandum

Attachment 1

Legislative Committee Agenda Item IV. Board Agenda Item XI.D.3.  
March 19, 2009 March 19-20, 2009

To : Board Members  
Legislative Committee Members

Date : March 2, 2009

Telephone : (916) 561-1792

Facsimile : (916) 263-3678

E-mail : mstanley@cba.ca.gov

From : Matthew Stanley, Legislation/Regulation Analyst

Subject : Considerations for Taking Positions on Legislation

The legislative deadline for introducing bills in the Legislature for this session was February 27, 2009, and the California Board of Accountancy (Board) must now consider introduced legislation that may be of interest to it. The Board may take a variety of possible positions on legislation, which are outlined below. However, the Board should be aware that introduced legislation rarely passes through the process without amendment; and those amendments may change the Board's position. It is anticipated that for those bills on which the Board takes one of the positions outlined below, staff will track that legislation and update the Board at future meetings regarding any amendments. This will allow the Board to change its position throughout the legislative session if desired.

### Positions the Board may take:

#### **Sponsor:**

The Board is the sponsor of the bill.

#### **Support:**

The Board supports the bill. At this level, the Board supports the bill as it is written and would send a letter of support to interested legislators at appropriate times. The Board may go as far as actually talking to Legislators on behalf of the bill if its passage is considered crucial to the Board.

#### **Support if Amended:**

The Board supports the concept of the bill, but it would need a modification to achieve the Board's full support. This position would be communicated to interested legislators at appropriate times along with the suggested amendment. If the Board's amendment is accepted without other significant amendment, the position would be changed to support automatically, and a letter would be sent to reflect the new position.

## Considerations for Taking Positions on Legislation

Page 2 of 2

### **Neutral:**

The bill in question affects the Board's interests in some way, but the Board does not have a position one way or the other. This position could be communicated to interested legislators if the Board chooses.

### **Oppose unless Amended:**

The Board opposes the bill as it is currently written, but if the bill were modified in a particular fashion, the Board would no longer be opposed. If the Board's amendment is accepted without other significant amendment, a letter would automatically be sent withdrawing the Board's opposition. Further, the Board may choose at a later time to take a Neutral, Support if Amended, or Support position. This position would be communicated to interested legislators at appropriate times along with the suggested amendment.

### **Oppose:**

The Board opposes the bill. There are no reasonable amendments that would change the Board's position. The Board would send a letter of opposition to interested legislators at appropriate times and may go as far as actually lobbying against the bill, if it's considered crucial to the Board.

### **Watch:**

The bill may develop into an item of interest for the Board. While it is not currently something on which the Board wishes to take a position, staff will continue to follow the bill and update the Board as to its status.

### **Discontinue Following:**

The bill has changed in such a way that it is no longer of interest to the Board. Staff no longer needs to provide updates on this bill.

Staff will track bills on which the Board takes a position and will continue to examine other legislation for amendments that may cause other bills to become of interest to the Board.

AMENDED IN ASSEMBLY APRIL 16, 2013

AMENDED IN ASSEMBLY APRIL 9, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1151**

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**Introduced by Assembly Member Ting**

February 22, 2013

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An act to add Chapter 14.5 (commencing with Section 22260) to Division 8 of the Business and Professions Code, relating to business.

LEGISLATIVE COUNSEL'S DIGEST

AB 1151, as amended, Ting. Tax agent registration.

Existing law requires every assessor to assess all property subject to general property taxation at its full value and to prepare an assessment roll in which all property within the county which it is the assessor's duty to assess is required to be listed. Existing law requires a county board of equalization or an assessment appeals board to equalize the valuation of taxable property within the county for the purpose of taxation. Existing law authorizes a taxpayer, with respect to each assessment year, to file an application for a reduction in an assessment, as provided, with the county board, which is the county board of supervisors meeting as a county board of equalization or an assessment appeals board.

This bill would, commencing July 1, ~~2015~~, 2014, prohibit a tax agent, defined as any individual who is employed, is under contract, or otherwise receives compensation to communicate directly with any county official for the purpose of influencing official action relating to the establishment of a taxable value for any property subject to taxation, from representing a taxpayer before a county official without first being

registered and issued a registration number by the Secretary of State. The bill would require a tax agent to file with the Secretary of State an application for registration that includes specified information and an unspecified registration fee. The bill would make the registration subject to biennial renewal and require the payment of an unspecified renewal fee ~~and proof of the completion of 8 hours of continuing education classes from providers approved by the State Board of Equalization.~~

This bill would require the Secretary of State to semiannually develop a list of registered tax agents and to make that list publicly available on its Internet Web site. The bill would authorize the Secretary of State to send a tax agent and the represented taxpayer a notice of noncompliance for the failure to comply with these provisions, as specified. The bill would also authorize the Attorney General to pursue civil fines for the failure to comply with these provisions subject to specified procedures. The bill would authorize the Secretary of State to adopt rules and regulations for the purpose of carrying out these provisions.

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. Chapter 14.5 (commencing with Section 22260)  
2 is added to Division 8 of the Business and Professions Code, to  
3 read:

4  
5 CHAPTER 14.5. TAX AGENTS  
6

7 22260. The following definitions apply for the purposes of this  
8 chapter:

9 (a) "County official" means the county assessor, an assessment  
10 appeals board member, an assessment hearing officer, and any  
11 other county employee within those offices whose duties are not  
12 primarily clerical or manual.

13 (b) "Influencing official action" means representing a taxpayer  
14 as an agent in connection with any matter before any county official  
15 by promoting, supporting, influencing, seeking modification of,  
16 opposing, or seeking delay of any official action by any means.  
17 The filing or submitting of required county forms for compliance  
18 purposes and communication relating to those filings shall not be  
19 considered influencing official action.

1 (c) “Official action” means corrections to values and any other  
2 changes in taxable value set; applying all legal exemptions to  
3 assessments; and deciding all property assessment disputes between  
4 taxpayers and a county official, including hearings before an  
5 assessment hearing officer or a county assessment appeals board.

6 (d) “Public official” and “public employee” mean any  
7 government official or employee of any state or local government  
8 agency.

9 (e) “Tax agent” means any individual who is employed, under  
10 contract, or otherwise receives compensation to communicate  
11 directly, or through agents, employees, or subcontractors, with any  
12 county official for the purpose of influencing official action. A tax  
13 agent shall not include:

14 (1) An elected or appointed public official or public employee  
15 when acting in his or her official capacity.

16 (2) A person representing any of the following:

17 (A) Himself or herself.

18 (B) An immediate family member.

19 (C) An entity of which the person is a partner or owner of 10  
20 percent or more of the value of the entity.

21 (3) *An in-house tax professional or in-house employee*  
22 *representing his or her employer by influencing official action.*

23 22260.2. (a) (1) Each tax agent, within 30 days after July 1,  
24 ~~2015~~ 2014, shall file with the Secretary of State an application for  
25 a registration containing the following information:

26 (A) The tax agent’s full name, business address, business  
27 telephone number, and business email address, if applicable.

28 (B) The name of the tax agent’s employing tax agent firm, if  
29 applicable.

30 (2) A tax agent shall also pay the Secretary of State a registration  
31 fee in the amount of \_\_\_\_ dollars (\$\_\_\_\_).

32 (b) If the requirements of subdivision (a) are satisfied, the  
33 Secretary of State shall issue a tax agent registration number to a  
34 tax agent.

35 (c) Beginning July 1, ~~2015~~, 2014, no tax agent shall represent  
36 taxpayers before a county official without first being registered  
37 and issued a registration number pursuant to this section.

38 (d) A registration issued pursuant to this section shall expire  
39 two years from its date of issuance unless and until that person  
40 terminates the registration. An expired registration may be renewed

1 biennially if ~~the continuing education requirement described in~~  
 2 ~~subdivision (e) is met and the registrant pays an annual renewal~~  
 3 ~~registration fee in the amount of \_\_\_\_ dollars (\$\_\_\_\_) to the~~  
 4 ~~Secretary of State.~~

5 ~~(e) (1) As part of the biennial renewal requirements described~~  
 6 ~~in subdivision (d), the tax agent shall provide proof of at least eight~~  
 7 ~~hours of continuing education classes, with at least seven hours~~  
 8 ~~relating to California property taxation and at least one hour of~~  
 9 ~~ethics training. The topics shall include, but not be limited to, the~~  
 10 ~~following subjects: the assessment handbooks, property tax rules,~~  
 11 ~~recent court rulings, and legislation. These classes shall be from~~  
 12 ~~providers to be approved by the State Board of Equalization.~~

13 ~~(2) A registrant shall be exempt from the continuing education~~  
 14 ~~requirement in paragraph (1) if he or she provides proof of~~  
 15 ~~membership as either of the following:~~

16 ~~(A) An active member of the State Bar of California.~~

17 ~~(B) A Certified Member of the Institute for Professionals in~~  
 18 ~~Taxation (CMI) with a designation in Property Tax.~~

19 ~~(f)~~

20 ~~(e) A person may not register or provide services as a tax agent~~  
 21 ~~if that person:~~

22 ~~(1) Has been convicted of any felony under state or federal tax~~  
 23 ~~laws.~~

24 ~~(2) Has been convicted of any other criminal offense involving~~  
 25 ~~dishonesty, breach of trust, or moral turpitude.~~

26 ~~(3) Has been disbarred or suspended for any reason other than~~  
 27 ~~the failure to pay dues from practice as an attorney, certified public~~  
 28 ~~accountant, public accountant, actuary, real estate broker, real~~  
 29 ~~estate salesperson, or licensed real estate appraiser by any duly~~  
 30 ~~constituted authority of any state, territory, or possession of the~~  
 31 ~~United States, including a commonwealth, or the District of~~  
 32 ~~Columbia, any court of record, or any agency, body, or board.~~

33 ~~(g)~~

34 ~~(f) Fees collected pursuant to this chapter shall be deposited in~~  
 35 ~~the Secretary of State’s Business Fees Fund established in Section~~  
 36 ~~12176 of the Government Code.~~

37 ~~22260.3. No county supervisor or member of a county~~  
 38 ~~assessment appeals board may act as a tax agent in the county in~~  
 39 ~~which they currently serve in as a county supervisor or as a member~~  
 40 ~~of a county assessment appeals board.~~

1 22260.4. (a) Within 30 days of any change in any of the  
2 registration information submitted pursuant to Section 22260.2, a  
3 tax agent shall file updated registration information with the  
4 Secretary of State.

5 (b) When a tax agent ceases all activities related to influencing  
6 official action, this fact shall be reported to the Secretary of State.

7 (c) It shall be a violation of this chapter for any person to act as  
8 a tax agent if that person is not registered as a tax agent pursuant  
9 to Section 22260.2 or if that person was previously registered as  
10 a tax agent pursuant to Section 22260.2 but that person is no longer  
11 registered as a tax agent.

12 22260.5. Nothing in this chapter shall be construed to prohibit  
13 a county from, by ordinance, enacting tax agent reporting  
14 requirements for campaign contributions to elected officials in that  
15 county.

16 22260.8. The secretary shall semiannually develop a list of  
17 registered tax agents and make that list available to the public on  
18 its Internet Web site.

19 22260.12. (a) If, after investigation, it is determined by the  
20 Secretary of State that any tax agent acting on behalf of the  
21 taxpayer fails to comply with this chapter and the tax agent has  
22 failed to cure the violation within 30 days of first receiving notice,  
23 the Secretary of State shall send the tax agent and the taxpayer or  
24 taxpayers whom the tax agent represents a notice of the tax agent's  
25 noncompliance.

26 (b) Any person may file a complaint with the Attorney General  
27 that any tax agent has violated any provision of this chapter.

28 (c) For any violation of this chapter, the Attorney General shall  
29 have the discretion to pursue civil fines for noncompliance or  
30 violations of this chapter. The Attorney General shall be designated  
31 as the enforcement officer for determination and imposition of the  
32 civil fines and noncompliance fees to be issued.

33 (d) Notwithstanding subdivision (c), no administrative fine shall  
34 be issued if the first violation of this chapter is cured within 30  
35 days of the date in which the tax agent receives notice of the  
36 violation from the Attorney General.

37 22260.14. Subject to the Administrative Procedure Act (Chapter  
38 3.5 (commencing with Section 11340) of Part 1 of Division 3 of  
39 Title 2 of the Government Code), the Secretary of State may  
40 develop rules and regulations for the administration of this chapter.

1 22260.16. This chapter shall become operative on July 1, ~~2015~~  
2 2014.

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**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
AB 1420**

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<b>Subject:</b> State Government: State Agencies: Reports	<b>Author:</b> Committee on Accountability and Administrative Review
<b>Status:</b> Assembly Accountability and Administrative Review Committee	
<b>Version:</b> March 21, 2013	<b>Sponsor:</b> None

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**Summary**

This bill would make a minor and technical amendment to allow Business and Professions (B&P) Code section 5092 (Pathway 1) to become inoperative January 1, 2014. This bill would make additional amendments irrelevant to the California Board of Accountancy.

**Recommendation**

Watch. While staff supports the amendment to B&P Code section 5092, staff does not recommend that the California Board of Accountancy (CBA) take a position on the entire bill as it proposes changes to other provisions of law unrelated to the CBA.

**Background**

Senate Bill (SB) 819 (Yee, Chapter 308, Statutes of 2009) established a single pathway to licensure beginning January 1, 2014. Under existing law, if the educational requirements in ethics study and accounting study established by subdivision (b) of section 5094, section 5094.5, and section 5094.6 of the B&P Code are reduced or eliminated, Pathway 1 would remain operative.

SB 71 (Leno, Chapter 728, Statutes of 2012), a budget trailer bill that, in part, eliminated many committees in state government, repealed B&P Code section 5094.5, the Ethics Curriculum Committee (ECC). The repeal of this section could inadvertently prevent Pathway 1 from becoming inoperative.

**Analysis**

Prior to SB 71 being signed into law, chaptering out language was to take place to ensure that the repeal of B&P Code section 5094.5 would eliminate the ECC and continue to allow Pathway 1 to become inoperative on January 1, 2014.

Due to an inadvertent oversight, the chaptering out language relative to B&P Code section 5092 did not occur. In order to correct the oversight, Assembly Bill 1420 (**Attachment**) makes a minor change in B&P Code section 5092 to allow Pathway 1 to become inoperative January 1, 2014.

**Fiscal Estimate**

None.

**Support/Opposition**

Support: None on file.

Opposition: None on file.

**AB 1420 – State Government: State Agencies: Reports**

Page 2 of 2

**Effective/Operative Date**

January 1, 2014

**Related Bills**

SB 819 (Yee, Chapter 308, Statutes of 2009)

SB 71 (Leno, Chapter 728, Statutes of 2012)

**Attachment**

AB 1420 (Excerpts Relevant to CBA, Pages 1-6)

**ASSEMBLY BILL****No. 1420**

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**Introduced by Committee on Accountability and Administrative Review (Frazier (Chair), Achadjian (Vice Chair), Buchanan, Ian Calderon, Cooley, Gorell, Hagman, Lowenthal, Medina, and Salas)**

March 21, 2013

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An act to amend Sections 1917.1, 2028.5, 5092, and 12104 of the Business and Professions Code, to amend Section 14076 of the Corporations Code, to amend Section 1727 of the Fish and Game Code, to amend Sections 19849.11 and 22959.6 of, and to repeal Section 11535 of, the Government Code, to amend Sections 4801 and 11166 of the Penal Code, to amend Sections 4214 and 25722.8 of the Public Resources Code, to amend Section 9250.14 of the Vehicle Code, to amend Sections 11462, 14132, and 14701 of the Welfare and Institutions Code, and to repeal Section 4 of Chapter 1299 of the Statutes of 1992, relating to state government.

## LEGISLATIVE COUNSEL'S DIGEST

AB 1420, as introduced, Committee on Accountability and Administrative Review. State government: state agencies: reports.

Existing law requires various state agencies to submit certain reports, plans, evaluations, and other similar documents to the Legislature and other state agencies.

This bill would eliminate provisions that require certain state agencies to submit certain reports to the Legislature and other state agencies. The bill would also modify requirements of certain reports by requiring, among other things, that reports be placed on the Internet Web site of the reporting agency rather than to be submitted to the Legislature or

other state agencies, or requiring certain state agencies to collaborate with other state agencies in preparing those reports. The bill would also modify cross-references.

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 1917.1 of the Business and Professions  
2 Code is amended to read:

3 1917.1. (a) The committee may grant a license as a registered  
4 dental hygienist to an applicant who has not taken a clinical  
5 examination before the committee, if the applicant submits all of  
6 the following to the committee:

7 (1) A completed application form and all fees required by the  
8 committee.

9 (2) Proof of a current license as a registered dental hygienist  
10 issued by another state that is not revoked, suspended, or otherwise  
11 restricted.

12 (3) Proof that the applicant has been in clinical practice as a  
13 registered dental hygienist or has been a full-time faculty member  
14 in an accredited dental hygiene education program for a minimum  
15 of 750 hours per year for at least five years immediately preceding  
16 the date of his or her application under this section. The clinical  
17 practice requirement shall be deemed met if the applicant provides  
18 proof of at least three years of clinical practice and commits to  
19 completing the remaining two years of clinical practice by filing  
20 with the committee a copy of a pending contract to practice dental  
21 hygiene in any of the following facilities:

22 (A) A primary care clinic licensed under subdivision (a) of  
23 Section 1204 of the Health and Safety Code.

24 (B) A primary care clinic exempt from licensure pursuant to  
25 subdivision (c) of Section 1206 of the Health and Safety Code.

26 (C) A clinic owned or operated by a public hospital or health  
27 system.

28 (D) A clinic owned and operated by a hospital that maintains  
29 the primary contract with a county government to fill the county's  
30 role under Section 17000 of the Welfare and Institutions Code.

1 (4) Satisfactory performance on a California law and ethics  
2 examination and any examination that may be required by the  
3 committee.

4 (5) Proof that the applicant has not been subject to disciplinary  
5 action by any state in which he or she, is or has been previously,  
6 issued any professional or vocational license. If the applicant has  
7 been subject to disciplinary action, the committee shall review that  
8 action to determine if it warrants refusal to issue a license to the  
9 applicant.

10 (6) Proof of graduation from a school of dental hygiene  
11 accredited by the Commission on Dental Accreditation.

12 (7) Proof of satisfactory completion of the National Dental  
13 Hygiene Board Examination and of a state clinical examination,  
14 regional clinical licensure examination, or any other clinical dental  
15 hygiene examination approved by the committee.

16 (8) Proof that the applicant has not failed the state clinical  
17 examination, the examination given by the Western Regional  
18 Examining Board, or any other clinical dental hygiene examination  
19 approved by the committee for licensure to practice dental hygiene  
20 under this chapter more than once or once within five years prior  
21 to the date of his or her application for a license under this section.

22 (9) Documentation of completion of a minimum of 25 units of  
23 continuing education earned in the two years preceding application,  
24 including completion of any continuing education requirements  
25 imposed by the committee on registered dental hygienists licensed  
26 in this state at the time of application.

27 (10) Any other information as specified by the committee to  
28 the extent that it is required of applicants for licensure by  
29 examination under this article.

30 (b) The committee may periodically request verification of  
31 compliance with the requirements of paragraph (3) of subdivision  
32 (a), and may revoke the license upon a finding that the employment  
33 requirement or any other requirement of paragraph (3) of  
34 subdivision (a) has not been met.

35 (c) The committee shall provide in the application packet to  
36 each out-of-state dental hygienist pursuant to this section the  
37 following information:

38 (1) The location of dental manpower shortage areas in the state.

1 (2) Any not-for-profit clinics, public hospitals, and accredited  
2 dental hygiene education programs seeking to contract with  
3 licensees for dental hygiene service delivery or training purposes.

4 ~~(d) The committee shall review the impact of this section on~~  
5 ~~the availability of actively practicing registered dental hygienists~~  
6 ~~in California and report to the appropriate policy and fiscal~~  
7 ~~committees of the Legislature by January 1, 2012. The report shall~~  
8 ~~include a separate section providing data specific to registered~~  
9 ~~dental hygienists who intend to fulfill the alternative clinical~~  
10 ~~practice requirements of subdivision (a). The report shall include,~~  
11 ~~but shall not be limited to, the following:~~

12 ~~(1) The number of applicants from other states who have sought~~  
13 ~~licensure.~~

14 ~~(2) The number of registered dental hygienists from other states~~  
15 ~~licensed pursuant to this section, the number of licenses not~~  
16 ~~granted, and the reason why the license was not granted.~~

17 ~~(3) The practice location of registered dental hygienists licensed~~  
18 ~~pursuant to this section. In identifying a registered dental~~  
19 ~~hygienist's location of practice, the committee shall use medical~~  
20 ~~service study areas or other appropriate geographic descriptions~~  
21 ~~for regions of the state.~~

22 ~~(4) The number of registered dental hygienists licensed pursuant~~  
23 ~~to this section who establish a practice in a rural area or in an area~~  
24 ~~designated as having a shortage of practicing registered dental~~  
25 ~~hygienists or no registered dental hygienists or in a safety net~~  
26 ~~facility identified in paragraph (3) of subdivision (a).~~

27 ~~(5) The length of time registered dental hygienists licensed~~  
28 ~~pursuant to this section practiced in the reported location.~~

29 SEC. 2. Section 2028.5 of the Business and Professions Code  
30 is amended to read:

31 2028.5. (a) The board may establish a pilot program to expand  
32 the practice of telehealth in this state.

33 (b) To implement this pilot program, the board may convene a  
34 working group of interested parties from the public and private  
35 sectors, including, but not limited to, state health-related agencies,  
36 health care providers, health plan administrators, information  
37 technology groups, and groups representing health care consumers.

38 (c) The purpose of the pilot program shall be to develop  
39 methods, using a telehealth model, to deliver throughout the state  
40 health care to persons with chronic diseases as well as information

1 on the best practices for chronic disease management services and  
2 techniques and other health care information as deemed  
3 appropriate.

4 ~~(d) The board shall make a report with its recommendations~~  
5 ~~regarding its findings to the Legislature within one calendar year~~  
6 ~~of the commencement date of the pilot program. The report shall~~  
7 ~~include an evaluation of the improvement and affordability of~~  
8 ~~health care services and the reduction in the number of~~  
9 ~~complications achieved by the pilot program.~~

10 SEC. 3. Section 5092 of the Business and Professions Code is  
11 amended to read:

12 5092. (a) To qualify for the certified public accountant license,  
13 an applicant who is applying under this section shall meet the  
14 education, examination, and experience requirements specified in  
15 subdivisions (b), (c), and (d), or otherwise prescribed pursuant to  
16 this article. The board may adopt regulations as necessary to  
17 implement this section.

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

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

32 (d) The applicant shall show, to the satisfaction of the board,  
33 that the applicant has had two years of qualifying experience. This  
34 experience may include providing any type of service or advice  
35 involving the use of accounting, attest, compilation, management  
36 advisory, financial advisory, tax, or consulting skills. To be  
37 qualifying under this section, experience shall have been performed  
38 in accordance with applicable professional standards. Experience  
39 in public accounting shall be completed under the supervision or  
40 in the employ of a person licensed or otherwise having comparable

1 authority under the laws of any state or country to engage in the  
2 practice of public accountancy. Experience in private or  
3 governmental accounting or auditing shall be completed under the  
4 supervision of an individual licensed by a state to engage in the  
5 practice of public accountancy.

6 (e) This section shall become inoperative on January 1, 2014,  
7 but shall become or remain operative if the educational  
8 requirements in ethics study and accounting study established by  
9 subdivision (b) of Section ~~5094~~, ~~Section 5094.5~~, ~~5093~~ and Section  
10 5094.6 are reduced or eliminated.

11 SEC. 4. Section 12104 of the Business and Professions Code  
12 is amended to read:

13 12104. (a) The department shall issue instructions and make  
14 recommendations to the county sealers, and the instructions and  
15 recommendations shall govern the procedure to be followed by  
16 these officers in the discharge of their duties.

17 (b) Instructions and recommendations that are made to ensure  
18 statewide weights and measures protection shall include a local  
19 administration cost analysis utilizing data provided by the county  
20 sealer. The cost analysis shall identify the joint programs or  
21 activities for which funds necessary to maintain adequate county  
22 administration and enforcement have not been provided. The  
23 secretary shall develop, jointly with the county sealers, county  
24 priorities for the enforcement programs and activities of the  
25 secretary.

26 ~~(e) The secretary shall, upon request, report to the Legislature~~  
27 ~~his or her findings concerning the cost analysis with specific regard~~  
28 ~~to programs where funds are inadequate for an efficient~~  
29 ~~enforcement program, together with a listing of the priorities jointly~~  
30 ~~established by the secretary and the county sealers that are~~  
31 ~~contained in the formal instructions and recommendations.~~

32 SEC. 5. Section 14076 of the Corporations Code, as amended  
33 by Section 6 of Chapter 648 of the Statutes of 2012, is amended  
34 to read:

35 14076. (a) It is the intent of the Legislature that the  
36 corporations make maximal use of their statutory authority to  
37 guarantee loans and surety bonds, including the authority to secure  
38 loans with a minimum loan loss reserve of only 20 percent, so that  
39 the financing needs of small business may be met as fully as  
40 possible within the limits of corporations' loan loss reserves. The

1 agency shall report annually to the Legislature on the financial  
2 status of the corporations and their portfolio of loans and surety  
3 bonds guaranteed. *The agency shall include this information in*  
4 *the annual report submitted to the Legislature by the director*  
5 *pursuant to subdivision (b) of Section 14030.2.*

6 (b) Any corporation that serves an area declared to be in a state  
7 of emergency by the Governor or a disaster area by the President  
8 of the United States, the Administrator of the United States Small  
9 Business Administration, or the United States Secretary of  
10 Agriculture shall increase the portfolio of loan guarantees where  
11 the dollar amount of the loan is less than one hundred thousand  
12 dollars (\$100,000), so that at least 15 percent of the dollar value  
13 of loans guaranteed by the corporation is for those loans. The  
14 corporation shall comply with this requirement within one year of  
15 the date the emergency or disaster is declared. Upon application  
16 of a corporation, the director may waive or modify the rule for the  
17 corporation if the corporation demonstrates that it made a good  
18 faith effort to comply and failed to locate lending institutions in  
19 the region that the corporation serves that are willing to make  
20 guaranteed loans in that amount.

21 (c) This section shall remain in effect only until January 1, 2018,  
22 and as of that date is repealed, unless a later enacted statute, that  
23 is enacted before January 1, 2018, deletes or extends that date.

24 SEC. 6. Section 14076 of the Corporations Code, as amended  
25 by Section 7 of Chapter 648 of the Statutes of 2012, is amended  
26 to read:

27 14076. (a) It is the intent of the Legislature that the  
28 corporations make maximal use of their statutory authority to  
29 guarantee loans and surety bonds, including the authority to secure  
30 loans with a minimum loan loss reserve of only 25 percent, unless  
31 the agency authorizes a higher leverage ratio for an individual  
32 corporation pursuant to subdivision (b) of Section 14037, so that  
33 the financing needs of small business may be met as fully as  
34 possible within the limits of corporations' loan loss reserves. The  
35 agency shall report annually to the Legislature on the financial  
36 status of the corporations and their portfolio of loans and surety  
37 bonds guaranteed. *The agency shall include this information in*  
38 *the annual report submitted to the Legislature by the director*  
39 *pursuant to subdivision (b) of Section 14030.2.*

1 (b) Any corporation that serves an area declared to be in a state  
2 of emergency by the Governor or a disaster area by the President  
3 of the United States, the Administrator of the United States Small  
4 Business Administration, or the United States Secretary of  
5 Agriculture shall increase the portfolio of loan guarantees where  
6 the dollar amount of the loan is less than one hundred thousand  
7 dollars (\$100,000), so that at least 15 percent of the dollar value  
8 of loans guaranteed by the corporation is for those loans. The  
9 corporation shall comply with this requirement within one year of  
10 the date the emergency or disaster is declared. Upon application  
11 of a corporation, the director may waive or modify the rule for the  
12 corporation if the corporation demonstrates that it made a good  
13 faith effort to comply and failed to locate lending institutions in  
14 the region that the corporation serves that are willing to make  
15 guaranteed loans in that amount.

16 (c) This section shall become operative on January 1, 2018.

17 SEC. 7. Section 1727 of the Fish and Game Code is amended  
18 to read:

19 1727. (a) In order to provide for a diversity of available angling  
20 experiences throughout the state, it is the intent of the Legislature  
21 that the commission maintain the existing wild trout program, and  
22 as part of the program, develop additional wild trout waters in the  
23 more than 20,000 miles of trout streams and approximately 5,000  
24 lakes containing trout in California.

25 (b) The department shall prepare a list of no less than 25 miles  
26 of stream or stream segments and at least one lake that it deems  
27 suitable for designation as wild trout waters. The department shall  
28 submit this list to the commission for its consideration at the regular  
29 October commission meeting.

30 (c) The commission may remove any stream or lake that it has  
31 designated as a wild trout fishery from the program at any time.  
32 If any of those waters are removed from the program, an equivalent  
33 amount of stream mileage or an equivalent size lake shall be added  
34 to the wild trout program.

35 ~~(d) The commission, in January of each even-numbered year,~~  
36 ~~shall submit a report to the Legislature regarding progress in~~  
37 ~~implementing the wild trout program described in this chapter. In~~  
38 ~~that report, the commission shall state its reasons why any stream~~  
39 ~~or lake listed by the department as suitable for consideration as a~~  
40 ~~wild trout water was or was not included in the program. The~~

1 ~~commission shall also state its reasons for removing and replacing~~  
2 ~~any waters within the program. The report shall be publicly~~  
3 ~~available on the department's Internet Web site.~~

4 SEC. 8. Section 11535 of the Government Code, as added by  
5 Section 8 of Chapter 147 of the Statutes of 2012, is repealed.

6 ~~11535. (a) There is, in the Department of Technology, the~~  
7 ~~Technology Services Board.~~

8 ~~(b) The board shall consist of 13 members, as follows:~~

9 ~~(1) The Director of Technology, who shall serve as the chair of~~  
10 ~~the board.~~

11 ~~(2) The Director of Finance, who shall serve as vice chair of~~  
12 ~~the board.~~

13 ~~(3) The Controller.~~

14 ~~(4) The Secretary of Food and Agriculture, the Secretary of~~  
15 ~~Transportation, the Secretary of the Department of Corrections~~  
16 ~~and Rehabilitation, the Secretary for Environmental Protection,~~  
17 ~~the Secretary of California Health and Human Services, the~~  
18 ~~Secretary of Labor and Workforce Development, the Secretary of~~  
19 ~~the Natural Resources Agency, the Secretary of Business,~~  
20 ~~Consumer Services, and Housing, and the Secretary of Veterans~~  
21 ~~Affairs.~~

22 ~~(5) The Director of Emergency Services.~~

23 SEC. 9. Section 19849.11 of the Government Code is amended  
24 to read:

25 19849.11. The Department of Human Resources, subject to  
26 ~~such conditions as any condition that~~ it may establish, subject to  
27 existing statutes governing health benefits and group term life  
28 insurance offered through the Public Employees' Retirement  
29 System, and subject to all other applicable provisions of state law,  
30 may enter into contracts for the purchase of employee benefits  
31 with respect to managerial and confidential employees as defined  
32 by subdivisions (e) and (f) of Section 3513, and employees  
33 excluded from the definition of state employee in subdivision (c)  
34 of Section 3513, and officers or employees of the executive branch  
35 of government who are not members of the civil service, and  
36 supervisory employees as defined in subdivision (g) of Section  
37 3513. Benefits shall include, but not be limited to, group life  
38 insurance, group disability insurance, long-term disability  
39 insurance, group automobile liability and physical damage  
40 insurance, and homeowners' and renters' insurance.

1 The department may self-insure the long-term disability  
2 insurance program if it is cost effective to do so.

3 ~~If it is determined that a self-insured long-term disability~~  
4 ~~insurance program will be established, the department shall provide~~  
5 ~~its cost analysis to the Joint Legislative Budget Committee at least~~  
6 ~~30 days prior to initiating the establishment of the program.~~

7 SEC. 10. Section 22959.6 of the Government Code is amended  
8 to read:

9 22959.6. (a) The Department of Human Resources may  
10 contract with one or more vision care plans for annuitants and  
11 eligible family members, provided the carrier or carriers have  
12 operated successfully in the area of vision care benefits for a  
13 reasonable period, as determined by the Department of Human  
14 Resources.

15 (b) The Department of Human Resources, as the program  
16 administrator, has full administrative authority over this program  
17 and associated funds and shall require the monthly premium to be  
18 paid by the annuitant for the vision care plan. The premium to be  
19 paid by the annuitant shall be deducted from his or her monthly  
20 allowance. If there are insufficient funds in an annuitant's  
21 allowance to pay the premium, the plan provider shall directly bill  
22 the annuitant. A vision care plan or plans provided under this  
23 authority shall be funded by the annuitants' premium. All premiums  
24 received from annuitants shall be deposited in the Vision Care  
25 Program for State Annuitants Fund, which is hereby created in the  
26 State Treasury. Any income earned on the moneys in the Vision  
27 Care Program for State Annuitants Fund shall be credited to the  
28 fund. Notwithstanding Section 13340, moneys in the fund are  
29 continuously appropriated for the purposes specified in subdivision  
30 (d).

31 (c) An annuitant may enroll in a vision care plan provided by  
32 a carrier that also provides a health benefit plan pursuant to Section  
33 22850 if the employee or annuitant is also enrolled in the health  
34 benefit plan provided by that carrier. However, ~~nothing in~~ this  
35 section may *not* be construed to require an annuitant to enroll in  
36 a vision care plan and a health benefit plan provided by the same  
37 carrier. An annuitant enrolled in this program shall only enroll into  
38 a vision plan or vision plans contracted for by the Department of  
39 Human Resources.

1 (d) ~~No~~A contract for a vision care plan may *not* be entered into  
2 unless the Department of Human Resources determines it is  
3 reasonable to do so. Notwithstanding any other provision of law,  
4 any premium moneys paid into this program by annuitants for the  
5 purposes of the annuitant vision care plan that is contracted for  
6 shall be used for the cost of providing vision care benefits to  
7 eligible, enrolled annuitants and their eligible and enrolled  
8 dependents, the payment of claims for those vision benefits, and  
9 the cost of administration of the vision care plan or plans under  
10 this vision care program, those costs being determined by the  
11 Department of Human Resources.

12 (e) If the Director of Human Resources determines that it is not  
13 economically feasible to continue this program anytime after its  
14 commencement, the director may, upon written notice to enrollees  
15 and to the contracting plan or plans, terminate this program within  
16 a reasonable time. The notice of termination to the plan or plans  
17 shall be determined by the Department of Human Resources. The  
18 notice to enrollees of the termination of the program shall  
19 commence no later than three months prior to the actual date of  
20 termination of the program.

21 (f) Premium rates for this program shall be determined by the  
22 Department of Human Resources in conjunction with the contracted  
23 plan or plans and shall be considered separate and apart from active  
24 employee premium rates.

25 ~~(g) The director shall report to the Legislature, prior to the end  
26 of the second quarter of the third plan year, on the continued  
27 economic sustainability of the Vision Care Program for State  
28 Annuitants.~~

29 SEC. 11. Section 4801 of the Penal Code is amended to read:

30 4801. (a) The Board of Parole Hearings may report to the  
31 Governor, from time to time, the names of any and all persons  
32 imprisoned in any state prison who, in its judgment, ought to have  
33 a commutation of sentence or be pardoned and set at liberty on  
34 account of good conduct, or unusual term of sentence, or any other  
35 cause, including evidence of intimate partner battering and its  
36 effects. For purposes of this section, “intimate partner battering  
37 and its effects” may include evidence of the nature and effects of  
38 physical, emotional, or mental abuse upon the beliefs, perceptions,  
39 or behavior of victims of domestic violence ~~where~~ *if* it appears the  
40 criminal behavior was the result of that victimization.

1 (b) (1) The Board of Parole Hearings, in reviewing a prisoner’s  
 2 suitability for parole pursuant to Section 3041.5, shall give great  
 3 weight to any information or evidence that, at the time of the  
 4 commission of the crime, the prisoner had experienced intimate  
 5 partner battering, but was convicted of an offense that occurred  
 6 prior to August 29, 1996. The board shall state on the record the  
 7 information or evidence that it considered pursuant to this  
 8 subdivision, and the reasons for the parole decision. ~~The board  
 9 shall annually report to the Legislature and the Governor on the  
 10 cases the board considered pursuant to this subdivision during the  
 11 previous year, including the board’s decisions and the specific and  
 12 detailed findings of its investigations of these cases.~~

13 ~~(2) The report for the Legislature to be submitted pursuant to  
 14 paragraph (1) shall be submitted pursuant to Section 9795 of the  
 15 Government Code.~~

16 ~~(3)~~

17 (2) The fact that a prisoner has presented evidence of intimate  
 18 partner battering cannot be used to support a finding that the  
 19 prisoner lacks insight into his or her crime and its causes.

20 SEC. 12. Section 11166 of the Penal Code is amended to read:

21 11166. (a) Except as provided in subdivision (d), and in  
 22 Section 11166.05, a mandated reporter shall make a report to an  
 23 agency specified in Section 11165.9 whenever the mandated  
 24 reporter, in his or her professional capacity or within the scope of  
 25 his or her employment, has knowledge of or observes a child whom  
 26 the mandated reporter knows or reasonably suspects has been the  
 27 victim of child abuse or neglect. The mandated reporter shall make  
 28 an initial report by telephone to the agency immediately or as soon  
 29 as is practicably possible, and shall prepare and send, fax, or  
 30 electronically transmit a written followup report within 36 hours  
 31 of receiving the information concerning the incident. The mandated  
 32 reporter may include with the report any nonprivileged  
 33 documentary evidence the mandated reporter possesses relating  
 34 to the incident.

35 (1) For purposes of this article, “reasonable suspicion” means  
 36 that it is objectively reasonable for a person to entertain a suspicion,  
 37 based upon facts that could cause a reasonable person in a like  
 38 position, drawing, when appropriate, on his or her training and  
 39 experience, to suspect child abuse or neglect. “Reasonable  
 40 suspicion” does not require certainty that child abuse or neglect

1 has occurred nor does it require a specific medical indication of  
2 child abuse or ~~neglect~~; any *neglect*. Any “reasonable suspicion” is  
3 sufficient. For purposes of this article, the pregnancy of a minor  
4 does not, in and of itself, constitute a basis for a reasonable  
5 suspicion of sexual abuse.

6 (2) The agency shall be notified and a report shall be prepared  
7 and sent, faxed, or electronically transmitted even if the child has  
8 expired, regardless of whether or not the possible abuse was a  
9 factor contributing to the death, and even if suspected child abuse  
10 was discovered during an autopsy.

11 (3) Any report made by a mandated reporter pursuant to this  
12 section shall be known as a mandated report.

13 (b) If, after reasonable efforts, a mandated reporter is unable to  
14 submit an initial report by telephone, he or she shall immediately,  
15 or as soon as is practicably possible, by fax or electronic  
16 transmission, make a one-time automated written report on the  
17 form prescribed by the Department of Justice, and shall also be  
18 available to respond to a telephone followup call by the agency  
19 with which he or she filed the report. A mandated reporter who  
20 files a one-time automated written report because he or she was  
21 unable to submit an initial report by telephone is not required to  
22 submit a written followup report.

23 (1) The one-time automated written report form prescribed by  
24 the Department of Justice shall be clearly identifiable so that it is  
25 not mistaken for a standard written followup report. In addition,  
26 the automated one-time report shall contain a section that allows  
27 the mandated reporter to state the reason the initial telephone call  
28 was not able to be completed. The reason for the submission of  
29 the one-time automated written report in lieu of the procedure  
30 prescribed in subdivision (a) shall be captured in the Child Welfare  
31 Services/Case Management System (CWS/CMS). The department  
32 shall work with stakeholders to modify reporting forms and the  
33 CWS/CMS as is necessary to accommodate the changes enacted  
34 by these provisions.

35 (2) This subdivision shall not become operative until the  
36 CWS/CMS is updated to capture the information prescribed in this  
37 subdivision.

38 (3) This subdivision shall become inoperative three years after  
39 this subdivision becomes operative or on January 1, 2009,  
40 whichever occurs first.

1     ~~(4) On the inoperative date of these provisions, a report shall~~  
 2 ~~be submitted to the counties and the Legislature by the State~~  
 3 ~~Department of Social Services that reflects the data collected from~~  
 4 ~~automated one-time reports indicating the reasons stated as to why~~  
 5 ~~the automated one-time report was filed in lieu of the initial~~  
 6 ~~telephone report.~~

7     ~~(5)~~

8     (4) Nothing in this section shall supersede the requirement that  
 9 a mandated reporter first attempt to make a report ~~via~~ *by* telephone,  
 10 or that agencies specified in Section 11165.9 accept reports from  
 11 mandated reporters and other persons, as required.

12     (c) Any mandated reporter who fails to report an incident of  
 13 known or reasonably suspected child abuse or neglect as required  
 14 by this section is guilty of a misdemeanor punishable by up to six  
 15 months confinement in a county jail or by a fine of one thousand  
 16 dollars (\$1,000) or by both that imprisonment and fine. If a  
 17 mandated reporter intentionally conceals his or her failure to report  
 18 an incident known by the mandated reporter to be abuse or severe  
 19 neglect under this section, the failure to report is a continuing  
 20 offense until an agency specified in Section 11165.9 discovers the  
 21 offense.

22     (d) (1) A clergy member who acquires knowledge or a  
 23 reasonable suspicion of child abuse or neglect during a penitential  
 24 communication is not subject to subdivision (a). For the purposes  
 25 of this subdivision, “penitential communication” means a  
 26 communication, intended to be in confidence, including, but not  
 27 limited to, a sacramental confession, made to a clergy member  
 28 who, in the course of the discipline or practice of his or her church,  
 29 denomination, or organization, is authorized or accustomed to hear  
 30 those communications, and under the discipline, tenets, customs,  
 31 or practices of his or her church, denomination, or organization,  
 32 has a duty to keep those communications secret.

33     (2) Nothing in this subdivision shall be construed to modify or  
 34 limit a clergy member’s duty to report known or suspected child  
 35 abuse or neglect when the clergy member is acting in some other  
 36 capacity that would otherwise make the clergy member a mandated  
 37 reporter.

38     (3) (A) On or before January 1, 2004, a clergy member or any  
 39 custodian of records for the clergy member may report to an agency  
 40 specified in Section 11165.9 that the clergy member or any

1 custodian of records for the clergy member, prior to January 1,  
2 1997, in his or her professional capacity or within the scope of his  
3 or her employment, other than during a penitential communication,  
4 acquired knowledge or had a reasonable suspicion that a child had  
5 been the victim of sexual abuse that the clergy member or any  
6 custodian of records for the clergy member did not previously  
7 report the abuse to an agency specified in Section 11165.9. The  
8 provisions of Section 11172 shall apply to all reports made pursuant  
9 to this paragraph.

10 (B) This paragraph shall apply even if the victim of the known  
11 or suspected abuse has reached the age of majority by the time the  
12 required report is made.

13 (C) The local law enforcement agency shall have jurisdiction  
14 to investigate any report of child abuse made pursuant to this  
15 paragraph even if the report is made after the victim has reached  
16 the age of majority.

17 (e) (1) Any commercial film, photographic print, or image  
18 processor who has knowledge of or observes, within the scope of  
19 his or her professional capacity or employment, any film,  
20 photograph, videotape, negative, slide, or any representation of  
21 information, data, or an image, including, but not limited to, any  
22 film, filmstrip, photograph, negative, slide, photocopy, videotape,  
23 video laser disc, computer hardware, computer software, computer  
24 floppy disk, data storage medium, CD-ROM, computer-generated  
25 equipment, or computer-generated image depicting a child under  
26 16 years of age engaged in an act of sexual conduct, shall  
27 immediately, or as soon as practically possible, telephonically  
28 report the instance of suspected abuse to the law enforcement  
29 agency located in the county in which the images are seen. Within  
30 36 hours of receiving the information concerning the incident, the  
31 reporter shall prepare and send, fax, or electronically transmit a  
32 written followup report of the incident with a copy of the image  
33 or material attached.

34 (2) Any commercial computer technician who has knowledge  
35 of or observes, within the scope of his or her professional capacity  
36 or employment, any representation of information, data, or an  
37 image, including, but not limited, to any computer hardware,  
38 computer software, computer file, computer floppy disk, data  
39 storage medium, CD-ROM, computer-generated equipment, or  
40 computer-generated image that is retrievable in perceivable form

1 and that is intentionally saved, transmitted, or organized on an  
2 electronic medium, depicting a child under 16 years of age engaged  
3 in an act of sexual conduct, shall immediately, or as soon as  
4 practicably possible, telephonically report the instance of suspected  
5 abuse to the law enforcement agency located in the county in which  
6 the images or material are seen. As soon as practicably possible  
7 after receiving the information concerning the incident, the reporter  
8 shall prepare and send, fax, or electronically transmit a written  
9 followup report of the incident with a brief description of the  
10 images or materials.

11 (3) For purposes of this article, “commercial computer  
12 technician” includes an employee designated by an employer to  
13 receive reports pursuant to an established reporting process  
14 authorized by subparagraph (B) of paragraph (41) of subdivision  
15 (a) of Section 11165.7.

16 (4) As used in this subdivision, “electronic medium” includes,  
17 but is not limited to, a recording, CD-ROM, magnetic disk memory,  
18 magnetic tape memory, CD, DVD, thumbdrive, or any other  
19 computer hardware or media.

20 (5) As used in this subdivision, “sexual conduct” means any of  
21 the following:

22 (A) Sexual intercourse, including genital-genital, oral-genital,  
23 anal-genital, or oral-anal, whether between persons of the same or  
24 opposite sex or between humans and animals.

25 (B) Penetration of the vagina or rectum by any object.

26 (C) Masturbation for the purpose of sexual stimulation of the  
27 viewer.

28 (D) Sadomasochistic abuse for the purpose of sexual stimulation  
29 of the viewer.

30 (E) Exhibition of the genitals, pubic, or rectal areas of any  
31 person for the purpose of sexual stimulation of the viewer.

32 (f) Any mandated reporter who knows or reasonably suspects  
33 that the home or institution in which a child resides is unsuitable  
34 for the child because of abuse or neglect of the child shall bring  
35 the condition to the attention of the agency to which, and at the  
36 same time as, he or she makes a report of the abuse or neglect  
37 pursuant to subdivision (a).

38 (g) Any other person who has knowledge of or observes a child  
39 whom he or she knows or reasonably suspects has been a victim  
40 of child abuse or neglect may report the known or suspected

1 instance of child abuse or neglect to an agency specified in Section  
2 11165.9. For purposes of this section, “any other person” includes  
3 a mandated reporter who acts in his or her private capacity and  
4 not in his or her professional capacity or within the scope of his  
5 or her employment.

6 (h) When two or more persons, who are required to report,  
7 jointly have knowledge of a known or suspected instance of child  
8 abuse or neglect, and when there is agreement among them, the  
9 telephone report may be made by a member of the team selected  
10 by mutual agreement and a single report may be made and signed  
11 by the selected member of the reporting team. Any member who  
12 has knowledge that the member designated to report has failed to  
13 do so shall thereafter make the report.

14 (i) (1) The reporting duties under this section are individual,  
15 and no supervisor or administrator may impede or inhibit the  
16 reporting duties, and ~~no~~ a person making a report shall *not* be  
17 subject to any sanction for making the report. However, internal  
18 procedures to facilitate reporting and apprise supervisors and  
19 administrators of reports may be established provided that ~~they~~  
20 *the internal procedures* are not inconsistent with this article.

21 (2) The internal procedures shall not require any employee  
22 required to make reports pursuant to this article to disclose his or  
23 her identity to the employer.

24 (3) Reporting the information regarding a case of possible child  
25 abuse or neglect to an employer, supervisor, school principal,  
26 school counselor, coworker, or other person shall not be a substitute  
27 for making a mandated report to an agency specified in Section  
28 11165.9.

29 (j) A county probation or welfare department shall immediately,  
30 or as soon as practicably possible, report by telephone, fax, or  
31 electronic transmission to the law enforcement agency having  
32 jurisdiction over the case, to the agency given the responsibility  
33 for investigation of cases under Section 300 of the Welfare and  
34 Institutions Code, and to the district attorney’s office every known  
35 or suspected instance of child abuse or neglect, as defined in  
36 Section 11165.6, except acts or omissions ~~coming within~~ *pursuant*  
37 *to* subdivision (b) of Section 11165.2, or reports made pursuant to  
38 Section 11165.13 based on risk to a child ~~which~~ *that* relates solely  
39 to the inability of the parent to provide the child with regular care  
40 due to the parent’s substance abuse, which shall be reported only

1 to the county welfare or probation department. A county probation  
 2 or welfare department also shall send, fax, or electronically transmit  
 3 a written report thereof within 36 hours of receiving the information  
 4 concerning the incident to any agency to which it makes a  
 5 telephone report under this subdivision.

6 (k) A law enforcement agency shall immediately, or as soon as  
 7 practicably possible, report by telephone, fax, or electronic  
 8 transmission to the agency given responsibility for investigation  
 9 of cases under Section 300 of the Welfare and Institutions Code  
 10 and to the district attorney’s office every known or suspected  
 11 instance of child abuse or neglect reported to it, except acts or  
 12 omissions ~~coming within~~ pursuant to subdivision (b) of Section  
 13 11165.2, which shall be reported only to the county welfare or  
 14 probation department. A law enforcement agency shall report to  
 15 the county welfare or probation department every known or  
 16 suspected instance of child abuse or neglect reported to it which  
 17 is alleged to have occurred as a result of the action of a person  
 18 responsible for the child’s welfare, or as the result of the failure  
 19 of a person responsible for the child’s welfare to adequately protect  
 20 the minor from abuse when the person responsible for the child’s  
 21 welfare knew or reasonably should have known that the minor was  
 22 in danger of abuse. A law enforcement agency also shall send, fax,  
 23 or electronically transmit a written report thereof within 36 hours  
 24 of receiving the information concerning the incident to any agency  
 25 to which it makes a telephone report under this subdivision.

26 SEC. 13. Section 4214 of the Public Resources Code is  
 27 amended to read:

28 4214. (a) Fire prevention fees collected pursuant to this chapter  
 29 shall be expended, upon appropriation by the Legislature, as  
 30 follows:

31 (1) The State Board of Equalization shall retain moneys  
 32 necessary for the payment of refunds pursuant to Section 4228 and  
 33 reimbursement of the State Board of Equalization for expenses  
 34 incurred in the collection of the fee.

35 (2) The moneys collected, other than that retained by the State  
 36 Board of Equalization pursuant to paragraph (1), shall be deposited  
 37 into the State Responsibility Area Fire Prevention Fund, which is  
 38 hereby created in the State Treasury, and shall be available to the  
 39 board and the department to expend for fire prevention activities  
 40 specified in subdivision (d) that benefit the owners of structures

1 within a state responsibility area who are required to pay the fire  
2 prevention fee. The amount expended to benefit the owners of  
3 structures within a state responsibility area shall be commensurate  
4 with the amount collected from the owners within that state  
5 responsibility area. All moneys in excess of the costs of  
6 administration of the board and the department shall be expended  
7 only for fire prevention activities in counties with state  
8 responsibility areas.

9 (b) (1) The fund may also be used to cover the costs of  
10 administering this chapter.

11 (2) The fund shall cover all startup costs incurred over a period  
12 not to exceed two years.

13 (c) It is the intent of the Legislature that the moneys in this fund  
14 be fully appropriated to the board and the department each year  
15 in order to effectuate the purposes of this chapter.

16 (d) Moneys in the fund shall be used only for the following fire  
17 prevention activities, which shall benefit owners of structures  
18 within the state responsibility areas who are required to pay the  
19 annual fire prevention fee pursuant to this chapter:

20 (1) Local assistance grants pursuant to subdivision (e).

21 (2) Grants to Fire Safe Councils, the California Conservation  
22 Corps, or certified local conservation corps for fire prevention  
23 projects and activities in the state responsibility areas.

24 (3) Grants to a qualified nonprofit organization with a  
25 demonstrated ability to satisfactorily plan, implement, and complete  
26 a fire prevention project applicable to the state responsibility areas.  
27 The department may establish other qualifying criteria.

28 (4) Inspections by the department for compliance with defensible  
29 space requirements around structures in state responsibility areas  
30 as required by Section 4291.

31 (5) Public education to reduce fire risk in the state responsibility  
32 areas.

33 (6) Fire severity and fire hazard mapping by the department in  
34 the state responsibility areas.

35 (7) Other fire prevention projects in the state responsibility  
36 areas, authorized by the board.

37 (e) (1) The board shall establish a local assistance grant program  
38 for fire prevention activities designed to benefit structures within  
39 state responsibility areas, including public education, that are

1 provided by counties and other local agencies, including special  
2 districts, with state responsibility areas within their jurisdictions.

3 (2) In order to ensure an equitable distribution of funds, the  
4 amount of each grant shall be based on the number of structures  
5 in state responsibility areas for which the applicant is legally  
6 responsible and the amount of moneys made available in the annual  
7 Budget Act for this local assistance grant program.

8 (f) By January 1, 2013, and annually thereafter, the board shall  
9 submit to the Legislature a written report on the status and uses of  
10 the fund pursuant to this chapter. ~~The written report~~ *board shall*  
11 *work collaboratively with the Department of Forestry and Fire*  
12 *Protection in preparing the written report pursuant to this*  
13 *subdivision. The written report* shall also include an evaluation of  
14 the benefits received by counties based on the number of structures  
15 in state responsibility areas within their jurisdictions, the  
16 effectiveness of the board's grant programs, the number of  
17 defensible space inspections in the reporting period, the degree of  
18 compliance with defensible space requirements, measures to  
19 increase compliance, if any, and any recommendations to the  
20 Legislature.

21 (g) (1) The requirement for submitting a report imposed under  
22 subdivision (f) is inoperative on January 1, 2017, pursuant to  
23 Section 10231.5 of the Government Code.

24 (2) A report to be submitted pursuant to subdivision (f) shall be  
25 submitted in compliance with Section 9795 of the Government  
26 Code.

27 (h) It is essential that this article be implemented without delay.  
28 To permit timely implementation, the department may contract  
29 for services related to the establishment of the fire prevention fee  
30 collection process. For this purpose only, and for a period not to  
31 exceed 24 months, the provisions of the Public Contract Code or  
32 any other provision of law related to public contracting shall not  
33 apply.

34 SEC. 14. Section 25722.8 of the Public Resources Code is  
35 amended to read:

36 25722.8. (a) On or before July 1, 2009, the Secretary of State  
37 and Consumer Services, in consultation with the Department of  
38 General Services and other appropriate state agencies that maintain  
39 or purchase vehicles for the state fleet, including the campuses of  
40 the California State University, shall develop and implement, and

1 submit to the Legislature and the Governor, a plan to improve the  
2 overall state fleet’s use of alternative fuels, synthetic lubricants,  
3 and fuel-efficient vehicles by reducing or displacing the  
4 consumption of petroleum products by the state fleet when  
5 compared to the 2003 consumption level based on the following  
6 schedule:

7 (1) By January 1, 2012, a 10-percent reduction or displacement.

8 (2) By January 1, 2020, a 20-percent reduction or displacement.

9 (b) Beginning April 1, 2010, and annually thereafter, the  
10 Department of General Services shall ~~provide to the Department~~  
11 ~~of Finance and the appropriate legislative committees of the~~  
12 ~~Legislature~~ *prepare* a progress report on meeting the goals  
13 specified in subdivision (a). The Department of General Services  
14 shall ~~also make~~ *post* the progress report ~~available~~ on its Internet  
15 Web site.

16 (c) (1) The Department of General Services shall encourage,  
17 to the extent feasible, the operation of state alternatively fueled  
18 vehicles on the alternative fuel for which the vehicle is designed  
19 and the development of commercial infrastructure for alternative  
20 fuel pumps and charging stations at or near state vehicle fueling  
21 or parking sites.

22 (2) The Department of General Services shall work with other  
23 public agencies to incentivize and promote, to the extent feasible,  
24 state employee operation of alternatively fueled vehicles through  
25 preferential or reduced-cost parking, access to charging, or other  
26 means.

27 (3) For purposes of this subdivision, “alternatively fueled  
28 vehicles” means light-, medium-, and heavy-duty vehicles that  
29 reduce petroleum usage and related emissions by using advanced  
30 technologies and fuels, including, but not limited to, hybrid, plug-in  
31 hybrid, battery electric, natural gas, or fuel cell vehicles and  
32 including those vehicles described in Section 5205.5 of the Vehicle  
33 Code.

34 SEC. 15. Section 9250.14 of the Vehicle Code is amended to  
35 read:

36 9250.14. (a) (1) In addition to any other fees specified in this  
37 code and the Revenue and Taxation Code, upon the adoption of a  
38 resolution by any county board of supervisors, a fee of one dollar  
39 (\$1) shall be paid at the time of registration or renewal of  
40 registration of every vehicle, except vehicles described in

1 subdivision (a) of Section 5014.1, registered to an address within  
2 that county except those expressly exempted from payment of  
3 registration fees. The fees, after deduction of the administrative  
4 costs incurred by the department in carrying out this section, shall  
5 be paid quarterly to the Controller.

6 (2) (A) If the County of Los Angeles, the County of San Diego,  
7 or the County of San Bernardino has adopted a resolution to impose  
8 a one-dollar (\$1) fee pursuant to paragraph (1), the county may  
9 increase the fee specified in paragraph (1) to two dollars (\$2) in  
10 the same manner as the imposition of the initial fee pursuant to  
11 paragraph (1). The two dollars (\$2) shall be paid at the time of  
12 registration or renewal of registration of a vehicle, and quarterly  
13 to the Controller, as provided in paragraph (1).

14 (B) A resolution to increase the fee from one dollar (\$1) to two  
15 dollars (\$2) pursuant to subparagraph (A) shall be submitted to  
16 the department at least six months prior to the operative date of  
17 the fee increase.

18 (3) In addition to the service fee imposed pursuant to paragraph  
19 (1), and upon the implementation of the permanent trailer  
20 identification plate program, and as part of the Commercial Vehicle  
21 Registration Act of 2001 (Chapter 861 of the Statutes of 2000),  
22 all commercial motor vehicles subject to Section 9400.1 registered  
23 to an owner with an address in the county that established a service  
24 authority under this section, shall pay an additional service fee of  
25 two dollars (\$2).

26 (4) (A) If a county imposes a service fee of two dollars (\$2) by  
27 adopting a resolution pursuant to subparagraph (A) of paragraph  
28 (2), the fee specified in paragraph (3) shall be increased to four  
29 dollars (\$4). The four dollars (\$4) shall be paid at the time of  
30 registration or renewal of registration of a vehicle, and quarterly  
31 to the Controller as provided in paragraph (1).

32 (B) A resolution to increase the additional service fee from two  
33 dollars (\$2) to four dollars (\$4) pursuant to subparagraph (A) shall  
34 be submitted to the department at least six months prior to the  
35 operative date of the fee increase.

36 (b) Notwithstanding Section 13340 of the Government Code,  
37 the moneys paid to the Controller are continuously appropriated,  
38 without regard to fiscal years, for the administrative costs of the  
39 Controller, and for disbursement by the Controller to each county  
40 that has adopted a resolution pursuant to subdivision (a), based

1 upon the number of vehicles registered, or whose registration is  
2 renewed, to an address within that county.

3 (c) Except as otherwise provided in this subdivision, moneys  
4 allocated to a county pursuant to subdivision (b) shall be expended  
5 exclusively to fund programs that enhance the capacity of local  
6 police and prosecutors to deter, investigate, and prosecute vehicle  
7 theft crimes. In any county with a population of 250,000 or less,  
8 the moneys shall be expended exclusively for those vehicle theft  
9 crime programs and for the prosecution of crimes involving driving  
10 while under the influence of alcohol or drugs, or both, in violation  
11 of Section 23152 or 23153, or vehicular manslaughter in violation  
12 of Section 191.5 of the Penal Code or subdivision (c) of Section  
13 192 of the Penal Code, or any combination of those crimes.

14 (d) The moneys collected pursuant to this section shall not be  
15 expended to offset a reduction in any other source of funds, ~~nor~~  
16 *or* for any *other* purpose not authorized under this section.

17 (e) Any funds received by a county prior to January 1, 2000,  
18 pursuant to this section, that are not expended to deter, investigate,  
19 or prosecute crimes pursuant to subdivision (c) shall be returned  
20 to the Controller, for deposit in the Motor Vehicle Account in the  
21 State Transportation Fund. Those funds received by a county shall  
22 be expended in accordance with this section.

23 (f) Each county that adopts a resolution under subdivision (a)  
24 shall submit, on or before the 13th day following the end of each  
25 quarter, a quarterly expenditure and activity report to the designated  
26 statewide Vehicle Theft Investigation and Apprehension  
27 Coordinator in the Department of the California Highway Patrol.

28 (g) A county that imposes a fee under subdivision (a) shall issue  
29 a fiscal yearend report to the Controller on or before August 31 of  
30 each year. The report shall include a detailed accounting of the  
31 funds received and expended in the immediately preceding fiscal  
32 year, including, at a minimum, all of the following:

33 (1) The amount of funds received and expended by the county  
34 under subdivision (b) for the immediately preceding fiscal year.

35 (2) The total expenditures by the county under subdivision (c)  
36 for the immediately preceding fiscal year.

37 (3) Details of expenditures made by the county under  
38 subdivision (c), including salaries and expenses, purchase of  
39 equipment and supplies, and any other expenditures made listed  
40 by type with an explanatory comment.

1 (4) A summary of vehicle theft abatement activities and other  
2 vehicle theft programs funded by the fees collected under this  
3 section.

4 (5) The total number of stolen vehicles recovered and the value  
5 of those vehicles during the immediately preceding fiscal year.

6 (6) The total number of vehicles stolen during the immediately  
7 preceding fiscal year as compared to the fiscal year prior to the  
8 immediately preceding fiscal year.

9 (7) Any additional, unexpended fee revenues received under  
10 subdivision (b) for the county for the immediately preceding fiscal  
11 year.

12 (h) Each county that fails to submit the report required pursuant  
13 to subdivision (g) by November 30 of each year shall have the fee  
14 suspended by the Controller for one year, commencing on July 1  
15 following the Controller's determination that a county has failed  
16 to submit the report.

17 (i) (1) On or before January 1, 2013, and on or before January  
18 1 of each year, the Controller shall provide to the Department of  
19 the California Highway Patrol copies of the yearend reports  
20 submitted by the counties under subdivision (g), and, in  
21 consultation with the Department of the California Highway Patrol,  
22 shall review the fiscal yearend reports submitted by each county  
23 pursuant to subdivision (g) to determine if fee revenues are being  
24 utilized in a manner consistent with this section. If the Controller  
25 determines that the use of the fee revenues is not consistent with  
26 this section, the Controller shall consult with the participating  
27 counties' designated regional coordinators. If the Controller  
28 determines that use of the fee revenues is still not consistent with  
29 this section, the authority to collect the fee by that county shall be  
30 suspended for one year.

31 (2) If the Controller determines that a county has not submitted  
32 a fiscal yearend report as required in subdivision (g), the  
33 authorization to collect the service fee shall be suspended for one  
34 year pursuant to subdivision (h).

35 (3) ~~When~~ *If* the Controller determines that a fee shall be  
36 suspended for a county, the Controller shall inform the Department  
37 of Motor Vehicles on or before January 1 of each year that the  
38 authority to collect a fee for that county is suspended.

39 (j) ~~On or before January 1 of each year, the Controller shall~~  
40 ~~prepare and submit to the Legislature a revenue and expenditure~~

1 ~~summary for each participating county that includes all of the~~  
2 ~~following:~~

3 ~~(1) The total revenues received by each county.~~

4 ~~(2) The total expenditures by each county.~~

5 ~~(3) The unexpended revenues for each county.~~

6 ~~(k)~~

7 (j) For the purposes of this section, a county-designated regional  
8 coordinator is that agency designated by the participating county's  
9 board of supervisors as the agency in control of its countywide  
10 vehicle theft apprehension program.

11 ~~(l)~~

12 (k) This section shall remain in effect only until January 1, 2018,  
13 and as of that date is repealed, unless a later enacted statute that  
14 is enacted on or before January 1, 2018, deletes or extends that  
15 date.

16 SEC. 16. Section 11462 of the Welfare and Institutions Code  
17 is amended to read:

18 11462. (a) (1) Effective July 1, 1990, foster care providers  
19 licensed as group homes, as defined in departmental regulations,  
20 including public child care institutions, as defined in Section  
21 11402.5, shall have rates established by classifying each group  
22 home program and applying the standardized schedule of rates.  
23 The department shall collect information from group providers  
24 beginning January 1, 1990, in order to classify each group home  
25 program.

26 (2) Notwithstanding paragraph (1), foster care providers licensed  
27 as group homes shall have rates established only if the group home  
28 is organized and operated on a nonprofit basis as required under  
29 subdivision (h) of Section 11400. The department shall terminate  
30 the rate effective January 1, 1993, of any group home not organized  
31 and operated on a nonprofit basis as required under subdivision  
32 (h) of Section 11400.

33 (3) (A) The department shall determine, consistent with the  
34 requirements of this chapter and other relevant requirements under  
35 law, the rate classification level (RCL) for each group home  
36 program on a biennial basis. Submission of the biennial rate  
37 application shall be made according to a schedule determined by  
38 the department.

39 (B) The department shall adopt regulations to implement this  
40 paragraph. The adoption, amendment, repeal, or readoption of a

1 regulation authorized by this paragraph is deemed to be necessary  
2 for the immediate preservation of the public peace, health and  
3 safety, or general welfare, for purposes of Sections 11346.1 and  
4 11349.6 of the Government Code, and the department is hereby  
5 exempted from the requirement to describe specific facts showing  
6 the need for immediate action.

7 (b) A group home program shall be initially classified, for  
8 purposes of emergency regulations, according to the level of care  
9 and services to be provided using a point system developed by the  
10 department and described in the report, "The Classification of  
11 Group Home Programs under the Standardized Schedule of Rates  
12 System," prepared by the State Department of Social Services,  
13 August 30, 1989.

14 (c) The rate for each RCL has been determined by the  
15 department with data from the AFDC-FC Group Home Rate  
16 Classification Pilot Study. The rates effective July 1, 1990, were  
17 developed using 1985 calendar year costs and reflect adjustments  
18 to the costs for each fiscal year, starting with the 1986–87 fiscal  
19 year, by the amount of the California Necessities Index computed  
20 pursuant to the methodology described in Section 11453. The data  
21 obtained by the department using 1985 calendar year costs shall  
22 be updated and revised by January 1, 1993.

23 (d) As used in this section, "standardized schedule of rates"  
24 means a listing of the 14 rate classification levels, and the single  
25 rate established for each RCL.

26 (e) Except as specified in paragraph (1), the department shall  
27 determine the RCL for each group home program on a prospective  
28 basis, according to the level of care and services that the group  
29 home operator projects will be provided during the period of time  
30 for which the rate is being established.

31 (1) (A) (i) For new and existing providers requesting the  
32 establishment of an RCL, and for existing group home programs  
33 requesting an RCL increase, the department shall determine the  
34 RCL no later than 13 months after the effective date of the  
35 provisional rate. The determination of the RCL shall be based on  
36 a program audit of documentation and other information that  
37 verifies the level of care and supervision provided by the group  
38 home program during a period of the two full calendar months or  
39 60 consecutive days, whichever is longer, preceding the date of  
40 the program audit, unless the group home program requests a lower

1 RCL. The program audit shall not cover the first six months of  
2 operation under the provisional rate.

3 (ii) For audit purposes, if the group home program serves a  
4 mixture of AFDC-FC eligible and ineligible children, the weighted  
5 hours for child care and social work services provided and the  
6 capacity of the group home shall be adjusted by the ratio of  
7 AFDC-FC eligible children to all children in placement.

8 (iii) Pending the department's issuance of the program audit  
9 report that determines the RCL for the group home program, the  
10 group home program shall be eligible to receive a provisional rate  
11 that shall be based on the level of care and service that the group  
12 home program proposes it will provide. The group home program  
13 shall be eligible to receive only the RCL determined by the  
14 department during the pendency of any appeal of the department's  
15 RCL determination.

16 (B) A group home program may apply for an increase in its  
17 RCL no earlier than two years from the date the department has  
18 determined the group home program's rate, unless the host county,  
19 the primary placing county, or a regional consortium of counties  
20 submits to the department in writing that the program is needed  
21 in that county, that the provider is capable of effectively and  
22 efficiently operating the proposed program, and that the provider  
23 is willing and able to accept AFDC-FC children for placement  
24 who are determined by the placing agency to need the level of care  
25 and services that will be provided by the program.

26 (C) To ensure efficient administration of the department's audit  
27 responsibilities, and to avoid the fraudulent creation of records,  
28 group home programs shall make records that are relevant to the  
29 RCL determination available to the department in a timely manner.  
30 Except as provided in this section, the department may refuse to  
31 consider, for purposes of determining the rate, any documents that  
32 are relevant to the determination of the RCL that are not made  
33 available by the group home provider by the date the group home  
34 provider requests a hearing on the department's RCL  
35 determination. The department may refuse to consider, for purposes  
36 of determining the rate, the following records, unless the group  
37 home provider makes the records available to the department  
38 during the fieldwork portion of the department's program audit:

39 (i) Records of each employee's full name, home address,  
40 occupation, and social security number.

1 (ii) Time records showing when the employee begins and ends  
2 each work period, meal periods, split shift intervals, and total daily  
3 hours worked.

4 (iii) Total wages paid each payroll period.

5 (iv) Records required to be maintained by licensed group home  
6 providers under Title 22 of the California Code of Regulations  
7 that are relevant to the RCL determination.

8 (D) To minimize financial abuse in the startup of group home  
9 programs, when the department's RCL determination is more than  
10 three levels lower than the RCL level proposed by the group home  
11 provider, and the group home provider does not appeal the  
12 department's RCL determination, the department shall terminate  
13 the rate of a group home program 45 days after issuance of its  
14 program audit report. When the group home provider requests a  
15 hearing on the department's RCL determination, and the RCL  
16 determined by the director under subparagraph (E) is more than  
17 three levels lower than the RCL level proposed by the group home  
18 provider, the department shall terminate the rate of a group home  
19 program within 30 days of issuance of the director's decision.  
20 Notwithstanding the reapplication provisions in subparagraph (B),  
21 the department shall deny any request for a new or increased RCL  
22 from a group home provider whose RCL is terminated pursuant  
23 to this subparagraph, for a period of no greater than two years from  
24 the effective date of the RCL termination.

25 (E) A group home provider may request a hearing of the  
26 department's RCL determination under subparagraph (A) no later  
27 than 30 days after the date the department issues its RCL  
28 determination. The department's RCL determination shall be final  
29 if the group home provider does not request a hearing within the  
30 prescribed time. Within 60 days of receipt of the request for  
31 hearing, the department shall conduct a hearing on the RCL  
32 determination. The standard of proof shall be the preponderance  
33 of the evidence and the burden of proof shall be on the department.  
34 The hearing officer shall issue the proposed decision within 45  
35 days of the close of the evidentiary record. The director shall adopt,  
36 reject, or modify the proposed decision, or refer the matter back  
37 to the hearing officer for additional evidence or findings within  
38 100 days of issuance of the proposed decision. If the director takes  
39 no action on the proposed decision within the prescribed time, the  
40 proposed decision shall take effect by operation of law.

1 (2) Group home programs that fail to maintain at least the level  
 2 of care and services associated with the RCL upon which their rate  
 3 was established shall inform the department. The department shall  
 4 develop regulations specifying procedures to be applied when a  
 5 group home fails to maintain the level of services projected,  
 6 including, but not limited to, rate reduction and recovery of  
 7 overpayments.

8 (3) The department shall not reduce the rate, establish an  
 9 overpayment, or take other actions pursuant to paragraph (2) for  
 10 any period that a group home program maintains the level of care  
 11 and services associated with the RCL for children actually residing  
 12 in the facility. Determinations of levels of care and services shall  
 13 be made in the same way as modifications of overpayments are  
 14 made pursuant to paragraph (2) of subdivision (b) of Section  
 15 11466.2.

16 (4) A group home program that substantially changes its staffing  
 17 pattern from that reported in the group home program statement  
 18 shall provide notification of this change to all counties that have  
 19 placed children currently in care. This notification shall be provided  
 20 whether or not the RCL for the program may change as a result of  
 21 the change in staffing pattern.

22 (f) (1) The standardized schedule of rates for the 2002–03,  
 23 2003–04, 2004–05, 2005–06, 2006–07, and 2007–08 fiscal years  
 24 is:

26	Rate	Point Ranges	FY 2002–03, 2003–04,
27			2004–05, 2005–06,
28	Classification		2006–07, and 2007–08
29	Level		Standard Rate
30	1	Under 60	\$1,454
31	2	60– 89	1,835
32	3	90–119	2,210
33	4	120–149	2,589
34	5	150–179	2,966
35	6	180–209	3,344
36	7	210–239	3,723
37	8	240–269	4,102
38	9	270–299	4,479
39	10	300–329	4,858
40	11	330–359	5,234

1	12	360–389	5,613
2	13	390–419	5,994
3	14	420 & Up	6,371

4  
5 (2) (A) For group home programs that receive AFDC-FC  
6 payments for services performed during the 2002–03, 2003–04,  
7 2004–05, 2005–06, 2006–07, 2007–08, 2008–09, and 2009–10  
8 fiscal years, the adjusted RCL point ranges below shall be used  
9 for establishing the biennial rates for existing programs, pursuant  
10 to paragraph (3) of subdivision (a) and in performing program  
11 audits and in determining any resulting rate reduction, overpayment  
12 assessment, or other actions pursuant to paragraph (2) of  
13 subdivision (e):

15	Rate	Adjusted Point Ranges
16	Classification	for the 2002–03, 2003–04,
17		2004–05, 2005–06, 2006–07, 2007–08, 2008–09,
18	Level	and 2009–10 Fiscal Years
19	1	Under 54
20	2	54– 81
21	3	82–110
22	4	111–138
23	5	139–167
24	6	168–195
25	7	196–224
26	8	225–253
27	9	254–281
28	10	282–310
29	11	311–338
30	12	339–367
31	13	368–395
32	14	396 & Up

33  
34 (B) Notwithstanding subparagraph (A), foster care providers  
35 operating group homes during the 2002–03, 2003–04, 2004–05,  
36 2005–06, 2006–07, 2007–08, 2008–09, and 2009–10 fiscal years  
37 shall remain responsible for ensuring the health and safety of the  
38 children placed in their programs in accordance with existing  
39 applicable provisions of the Health and Safety Code and

1 community care licensing regulations, as contained in Title 22 of  
2 the Code of California Regulations.

3 (C) Subparagraph (A) shall not apply to program audits of group  
4 home programs with provisional rates established pursuant to  
5 paragraph (1) of subdivision (e). For those program audits, the  
6 RCL point ranges in paragraph (1) shall be used.

7 (D) Rates applicable for the 2009–10 fiscal year pursuant to the  
8 act that adds this subparagraph shall be effective October 1, 2009.

9 (3) (A) For group home programs that receive AFDC-FC  
10 payments for services performed during the 2009–10 fiscal year  
11 the adjusted RCL point ranges below shall be used for establishing  
12 the biennial rates for existing programs, pursuant to paragraph (3)  
13 of subdivision (a) and in performing program audits and in  
14 determining any resulting rate reduction, overpayment assessment,  
15 or other actions pursuant to paragraph (2) of subdivision (e):

Rate Classification Level	Adjusted Point Ranges for the 2009–10 Fiscal Years
1	Under 39
2	39–64
3	65–90
4	91–115
5	116–141
6	142–167
7	168–192
8	193–218
9	219–244
10	245–270
11	271–295
12	296–321
13	322–347
14	348 & Up

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35 (B) Notwithstanding subparagraph (A), foster care providers  
36 operating group homes during the 2009–10 fiscal year shall remain  
37 responsible for ensuring the health and safety of the children placed  
38 in their programs in accordance with existing applicable provisions  
39 of the Health and Safety Code and community care licensing

1 regulations as contained in Title 22 of the California Code of  
2 Regulations.

3 (C) Subparagraph (A) shall not apply to program audits of group  
4 home programs with provisional rates established pursuant to  
5 paragraph (1) of subdivision (e). For those program audits, the  
6 RCL point ranges in paragraph (1) shall be used.

7 (g) (1) (A) For the 1999–2000 fiscal year, the standardized  
8 rate for each RCL shall be adjusted by an amount equal to the  
9 California Necessities Index computed pursuant to the methodology  
10 described in Section 11453. The resultant amounts shall constitute  
11 the new standardized schedule of rates, subject to further  
12 adjustment pursuant to subparagraph (B).

13 (B) In addition to the adjustment in subparagraph (A),  
14 commencing January 1, 2000, the standardized rate for each RCL  
15 shall be increased by 2.36 percent, rounded to the nearest dollar.  
16 The resultant amounts shall constitute the new standardized  
17 schedule of rates.

18 (2) Beginning with the 2000–01 fiscal year, the standardized  
19 schedule of rates shall be adjusted annually by an amount equal  
20 to the CNI computed pursuant to Section 11453, subject to the  
21 availability of funds. The resultant amounts shall constitute the  
22 new standardized schedule of rates.

23 (3) Effective January 1, 2001, the amount included in the  
24 standard rate for each Rate Classification Level (RCL) for the  
25 salaries, wages, and benefits for staff providing child care and  
26 supervision or performing social work activities, or both, shall be  
27 increased by 10 percent. This additional funding shall be used by  
28 group home programs solely to supplement staffing, salaries,  
29 wages, and benefit levels of staff specified in this paragraph. The  
30 standard rate for each RCL shall be recomputed using this adjusted  
31 amount and the resultant rates shall constitute the new standardized  
32 schedule of rates. The department may require a group home  
33 receiving this additional funding to certify that the funding was  
34 utilized in accordance with the provisions of this section.

35 (4) Effective January 1, 2008, the amount included in the  
36 standard rate for each RCL for the wages for staff providing child  
37 care and supervision or performing social work activities, or both,  
38 shall be increased by 5 percent, and the amount included for the  
39 payroll taxes and other employer-paid benefits for these staff shall  
40 be increased from 20.325 percent to 24 percent. The standard rate

1 for each RCL shall be recomputed using these adjusted amounts,  
2 and the resulting rates shall constitute the new standardized  
3 schedule of rates.

4 (5) The new standardized schedule of rates as provided for in  
5 paragraph (4) shall be reduced by 10 percent, effective October 1,  
6 2009, and the resulting rates shall constitute the new standardized  
7 schedule of rates.

8 (6) The rates of licensed group home providers, whose rates are  
9 not established under the standardized schedule of rates, shall be  
10 reduced by 10 percent, effective October 1, 2009.

11 (h) The standardized schedule of rates pursuant to subdivisions  
12 (f) and (g) shall be implemented as follows:

13 (1) Any group home program that received an AFDC-FC rate  
14 in the prior fiscal year at or above the standard rate for the RCL  
15 in the current fiscal year shall continue to receive that rate.

16 (2) Any group home program that received an AFDC-FC rate  
17 in the prior fiscal year below the standard rate for the RCL in the  
18 current fiscal year shall receive the RCL rate for the current year.

19 (i) (1) The department shall not establish a rate for a new  
20 program of a new or existing provider, or for an existing program  
21 at a new location of an existing provider, unless the provider  
22 submits a letter of recommendation from the host county, the  
23 primary placing county, or a regional consortium of counties that  
24 includes all of the following:

25 (A) That the program is needed by that county.

26 (B) That the provider is capable of effectively and efficiently  
27 operating the program.

28 (C) That the provider is willing and able to accept AFDC-FC  
29 children for placement who are determined by the placing agency  
30 to need the level of care and services that will be provided by the  
31 program.

32 (D) That, if the letter of recommendation is not being issued by  
33 the host county, the primary placing county has notified the host  
34 county of its intention to issue the letter and the host county was  
35 given the opportunity of 30 days to respond to this notification  
36 and to discuss options with the primary placing county.

37 (2) The department shall encourage the establishment of  
38 consortia of county placing agencies on a regional basis for the  
39 purpose of making decisions and recommendations about the need

1 for, and use of, group home programs and other foster care  
2 providers within the regions.

3 (3) The department shall annually conduct a county-by-county  
4 survey to determine the unmet placement needs of children placed  
5 pursuant to Section 300 and Section 601 or 602, and shall publish  
6 its findings by November 1 of each year.

7 (j) The department shall develop regulations specifying  
8 ratesetting procedures for program expansions, reductions, or  
9 modifications, including increases or decreases in licensed capacity,  
10 or increases or decreases in level of care or services.

11 (k) For the purpose of this subdivision, “program change” means  
12 any alteration to an existing group home program planned by a  
13 provider that will increase the RCL or AFDC-FC rate. An increase  
14 in the licensed capacity or other alteration to an existing group  
15 home program that does not increase the RCL or AFDC-FC rate  
16 shall not constitute a program change.

17 (l) General unrestricted or undesignated private charitable  
18 donations and contributions made to charitable or nonprofit  
19 organizations shall not be deducted from the cost of providing  
20 services pursuant to this section. The donations and contributions  
21 shall not be considered in any determination of maximum  
22 expenditures made by the department.

23 ~~(m) The department shall, by October 1 of each year,~~  
24 ~~commencing October 1, 1992, provide the Joint Legislative Budget~~  
25 ~~Committee with a list of any new departmental requirements~~  
26 ~~established during the previous fiscal year concerning the operation~~  
27 ~~of group homes, and of any unusual, industrywide increase in costs~~  
28 ~~associated with the provision of group care that may have~~  
29 ~~significant fiscal impact on providers of group homes care. The~~  
30 ~~committee may, in fiscal year 1993-94 and beyond, use the list to~~  
31 ~~determine whether an appropriation for rate adjustments is needed~~  
32 ~~in the subsequent fiscal year.~~

33 SEC. 17. Section 14132 of the Welfare and Institutions Code  
34 is amended to read:

35 14132. ~~The following is the schedule of benefits under this~~  
36 ~~chapter is as follows:~~

37 (a) Outpatient services are covered as follows:  
38 Physician, hospital or clinic outpatient, surgical center,  
39 respiratory care, optometric, chiropractic, psychology, podiatric,  
40 occupational therapy, physical therapy, speech therapy, audiology,

1 acupuncture to the extent federal matching funds are provided for  
2 acupuncture, and services of persons rendering treatment by prayer  
3 or healing by spiritual means in the practice of any church or  
4 religious denomination insofar as these can be encompassed by  
5 federal participation under an approved plan, subject to utilization  
6 controls.

7 (b) (1) Inpatient hospital services, including, but not limited  
8 to, physician and podiatric services, physical therapy and  
9 occupational therapy, are covered subject to utilization controls.

10 (2) For Medi-Cal fee-for-service beneficiaries, emergency  
11 services and care that are necessary for the treatment of an  
12 emergency medical condition and medical care directly related to  
13 the emergency medical condition. This paragraph shall not be  
14 construed to change the obligation of Medi-Cal managed care  
15 plans to provide emergency services and care. For the purposes of  
16 this paragraph, “emergency services and care” and “emergency  
17 medical condition” shall have the same meanings as those terms  
18 are defined in Section 1317.1 of the Health and Safety Code.

19 (c) Nursing facility services, subacute care services, and services  
20 provided by any category of intermediate care facility for the  
21 developmentally disabled, including podiatry, physician, nurse  
22 practitioner services, and prescribed drugs, as described in  
23 subdivision (d), are covered subject to utilization controls.  
24 Respiratory care, physical therapy, occupational therapy, speech  
25 therapy, and audiology services for patients in nursing facilities  
26 and any category of intermediate care facility for the  
27 developmentally disabled are covered subject to utilization controls.

28 (d) (1) Purchase of prescribed drugs is covered subject to the  
29 Medi-Cal List of Contract Drugs and utilization controls.

30 (2) Purchase of drugs used to treat erectile dysfunction or any  
31 off-label uses of those drugs are covered only to the extent that  
32 federal financial participation is available.

33 (3) (A) To the extent required by federal law, the purchase of  
34 outpatient prescribed drugs, for which the prescription is executed  
35 by a prescriber in written, nonelectronic form on or after April 1,  
36 2008, is covered only when executed on a tamper resistant  
37 prescription form. The implementation of this paragraph shall  
38 conform to the guidance issued by the federal Centers of Medicare  
39 and Medicaid Services but shall not conflict with state statutes on  
40 the characteristics of tamper resistant prescriptions for controlled

1 substances, including Section 11162.1 of the Health and Safety  
2 Code. The department shall provide providers and beneficiaries  
3 with as much flexibility in implementing these rules as allowed  
4 by the federal government. The department shall notify and consult  
5 with appropriate stakeholders in implementing, interpreting, or  
6 making specific this paragraph.

7 (B) Notwithstanding Chapter 3.5 (commencing with Section  
8 11340) of Part 1 of Division 3 of Title 2 of the Government Code,  
9 the department may take the actions specified in subparagraph (A)  
10 by means of a provider bulletin or notice, policy letter, or other  
11 similar instructions without taking regulatory action.

12 (4) (A) (i) For the purposes of this paragraph, nonlegend has  
13 the same meaning as defined in subdivision (a) of Section  
14 14105.45.

15 (ii) Nonlegend acetaminophen-containing products, with the  
16 exception of children's acetaminophen-containing products,  
17 selected by the department are not covered benefits.

18 (iii) Nonlegend cough and cold products selected by the  
19 department are not covered benefits. This clause shall be  
20 implemented on the first day of the first calendar month following  
21 90 days after the effective date of the act that added this clause,  
22 or on the first day of the first calendar month following 60 days  
23 after the date the department secures all necessary federal approvals  
24 to implement this section, whichever is later.

25 (iv) Beneficiaries under the Early and Periodic Screening,  
26 Diagnosis, and Treatment Program shall be exempt from clauses  
27 (ii) and (iii).

28 (B) Notwithstanding Chapter 3.5 (commencing with Section  
29 11340) of Part 1 of Division 3 of Title 2 of the Government Code,  
30 the department may take the actions specified in subparagraph (A)  
31 by means of a provider bulletin or notice, policy letter, or other  
32 similar instruction without taking regulatory action.

33 (e) Outpatient dialysis services and home hemodialysis services,  
34 including physician services, medical supplies, drugs and  
35 equipment required for dialysis, are covered, subject to utilization  
36 controls.

37 (f) Anesthesiologist services when provided as part of an  
38 outpatient medical procedure, nurse anesthetist services when  
39 rendered in an inpatient or outpatient setting under conditions set  
40 forth by the director, outpatient laboratory services, and X-ray

1 services are covered, subject to utilization controls. ~~Nothing in~~  
2 ~~this~~ This subdivision shall *not* be construed to require prior  
3 authorization for anesthesiologist services provided as part of an  
4 outpatient medical procedure or for portable X-ray services in a  
5 nursing facility or any category of intermediate care facility for  
6 the developmentally disabled.

7 (g) Blood and blood derivatives are covered.

8 (h) (1) (A) Emergency and essential diagnostic and restorative  
9 dental services, except for orthodontic, fixed bridgework, and  
10 partial dentures that are not necessary for balance of a complete  
11 artificial denture, are covered, subject to utilization controls. The  
12 utilization controls shall allow emergency and essential diagnostic  
13 and restorative dental services and prostheses that are necessary  
14 to prevent a significant disability or to replace previously furnished  
15 prostheses which are lost or destroyed due to circumstances beyond  
16 the beneficiary's control. ~~Notwithstanding the foregoing~~

17 (B) *Notwithstanding subparagraph (A)*, the director may by  
18 regulation provide for certain fixed artificial dentures necessary  
19 for obtaining employment or for medical conditions that preclude  
20 the use of removable dental prostheses, and for orthodontic services  
21 in cleft palate deformities administered by the department's  
22 California Children Services Program.

23 (2) For persons 21 years of age or older, the services specified  
24 in paragraph (1) shall be provided subject to the following  
25 conditions:

26 (A) Periodontal treatment is not a benefit.

27 (B) Endodontic therapy is not a benefit except for vital  
28 pulpotomy.

29 (C) Laboratory processed crowns are not a benefit.

30 (D) Removable prosthetics shall be a benefit only for patients  
31 as a requirement for employment.

32 (E) The director may, by regulation, provide for the provision  
33 of fixed artificial dentures that are necessary for medical conditions  
34 that preclude the use of removable dental prostheses.

35 (F) Notwithstanding the conditions specified in subparagraphs  
36 (A) to (E), inclusive, the department may approve services for  
37 persons with special medical disorders subject to utilization review.

38 (3) Paragraph (2) shall become inoperative July 1, 1995.

39 (i) Medical transportation is covered, subject to utilization  
40 controls.

1 (j) Home health care services are covered, subject to utilization  
2 controls.

3 (k) Prosthetic and orthotic devices and eyeglasses are covered,  
4 subject to utilization controls. Utilization controls shall allow  
5 replacement of prosthetic and orthotic devices and eyeglasses  
6 necessary because of loss or destruction due to circumstances  
7 beyond the beneficiary's control. Frame styles for eyeglasses  
8 replaced pursuant to this subdivision shall not change more than  
9 once every two years, unless the department so directs.

10 Orthopedic and conventional shoes are covered when provided  
11 by a prosthetic and orthotic supplier on the prescription of a  
12 physician and when at least one of the shoes will be attached to a  
13 prosthesis or brace, subject to utilization controls. Modification  
14 of stock conventional or orthopedic shoes when medically  
15 indicated, is covered subject to utilization controls. When there is  
16 a clearly established medical need that cannot be satisfied by the  
17 modification of stock conventional or orthopedic shoes,  
18 custom-made orthopedic shoes are covered, subject to utilization  
19 controls.

20 Therapeutic shoes and inserts are covered when provided to  
21 beneficiaries with a diagnosis of diabetes, subject to utilization  
22 controls, to the extent that federal financial participation is  
23 available.

24 (l) Hearing aids are covered, subject to utilization controls.  
25 Utilization controls shall allow replacement of hearing aids  
26 necessary because of loss or destruction due to circumstances  
27 beyond the beneficiary's control.

28 (m) Durable medical equipment and medical supplies are  
29 covered, subject to utilization controls. The utilization controls  
30 shall allow the replacement of durable medical equipment and  
31 medical supplies when necessary because of loss or destruction  
32 due to circumstances beyond the beneficiary's control. The  
33 utilization controls shall allow authorization of durable medical  
34 equipment needed to assist a disabled beneficiary in caring for a  
35 child for whom the disabled beneficiary is a parent, stepparent,  
36 foster parent, or legal guardian, subject to the availability of federal  
37 financial participation. The department shall adopt emergency  
38 regulations to define and establish criteria for assistive durable  
39 medical equipment in accordance with the rulemaking provisions  
40 of the Administrative Procedure Act (Chapter 3.5 (commencing

1 with Section 11340) of Part 1 of Division 3 of Title 2 of the  
2 Government Code).

3 (n) Family planning services are covered, subject to utilization  
4 controls.

5 (o) Inpatient intensive rehabilitation hospital services, including  
6 respiratory rehabilitation services, in a general acute care hospital  
7 are covered, subject to utilization controls, when either of the  
8 following criteria are met:

9 (1) A patient with a permanent disability or severe impairment  
10 requires an inpatient intensive rehabilitation hospital program as  
11 described in Section 14064 to develop function beyond the limited  
12 amount that would occur in the normal course of recovery.

13 (2) A patient with a chronic or progressive disease requires an  
14 inpatient intensive rehabilitation hospital program as described in  
15 Section 14064 to maintain the patient's present functional level as  
16 long as possible.

17 (p) (1) Adult day health care is covered in accordance with  
18 Chapter 8.7 (commencing with Section 14520).

19 (2) Commencing 30 days after the effective date of the act that  
20 added this paragraph, and notwithstanding the number of days  
21 previously approved through a treatment authorization request,  
22 adult day health care is covered for a maximum of three days per  
23 week.

24 (3) As provided in accordance with paragraph (4), adult day  
25 health care is covered for a maximum of five days per week.

26 (4) As of the date that the director makes the declaration  
27 described in subdivision (g) of Section 14525.1, paragraph (2)  
28 shall become inoperative and paragraph (3) shall become operative.

29 (q) (1) Application of fluoride, or other appropriate fluoride  
30 treatment as defined by the department, other prophylaxis treatment  
31 for children 17 years of age and under, are covered.

32 (2) All dental hygiene services provided by a registered dental  
33 hygienist in alternative practice pursuant to ~~Sections 1768~~ *Article*  
34 *9 (commencing with Section 1900) of Chapter 4 of Division 2 of*  
35 *the Business and Professions Code* and ~~1770~~ *Section 1753.7* of  
36 the Business and Professions Code may be covered as long as they  
37 are within the scope of Denti-Cal benefits and they are necessary  
38 services provided by a registered dental hygienist in alternative  
39 practice.

1 (r) (1) Paramedic services performed by a city, county, or  
 2 special district, or pursuant to a contract with a city, county, or  
 3 special district, and pursuant to a program established under ~~Article~~  
 4 ~~3 (commencing with Section 1480) of Chapter 2.5 of Division 2~~  
 5 *the Emergency Medical Services System and the Prehospital*  
 6 *Emergency Medical Care Personnel Act (Division 2.5 (commencing*  
 7 *with Section 1797) of the Health and Safety Code Code) by a*  
 8 paramedic certified pursuant to that ~~article act~~, and consisting of  
 9 defibrillation and those services specified in ~~subdivision (3) of~~  
 10 ~~Section 1482 of the article that act.~~

11 (2) All providers enrolled under this subdivision shall satisfy  
 12 all applicable statutory and regulatory requirements for becoming  
 13 a Medi-Cal provider.

14 (3) This subdivision shall be implemented only to the extent  
 15 funding is available under Section 14106.6.

16 (s) In-home medical care services are covered when medically  
 17 appropriate and subject to utilization controls, for beneficiaries  
 18 who would otherwise require care for an extended period of time  
 19 in an acute care hospital at a cost higher than in-home medical  
 20 care services. The director shall have the authority under this  
 21 section to contract with organizations qualified to provide in-home  
 22 medical care services to those persons. These services may be  
 23 provided to patients placed in shared or congregate living  
 24 arrangements, if a home setting is not medically appropriate or  
 25 available to the beneficiary. As used in this section, “in-home  
 26 medical care service” includes utility bills directly attributable to  
 27 continuous, 24-hour operation of life-sustaining medical equipment,  
 28 to the extent that federal financial participation is available.

29 As used in this subdivision, in-home medical care services,  
 30 include, but are not limited to, *the following*:

- 31 (1) Level of care and cost of care evaluations.
- 32 (2) Expenses, directly attributable to home care activities, for  
 33 materials.
- 34 (3) Physician fees for home visits.
- 35 (4) Expenses directly attributable to home care activities for  
 36 shelter and modification to shelter.
- 37 (5) Expenses directly attributable to additional costs of special  
 38 diets, including tube feeding.
- 39 (6) Medically related personal services.
- 40 (7) Home nursing education.

- 1 (8) Emergency maintenance repair.
- 2 (9) Home health agency personnel benefits which permit
- 3 coverage of care during periods when regular personnel are on
- 4 vacation or using sick leave.
- 5 (10) All services needed to maintain antiseptic conditions at
- 6 stoma or shunt sites on the body.
- 7 (11) Emergency and nonemergency medical transportation.
- 8 (12) Medical supplies.
- 9 (13) Medical equipment, including, but not limited to, scales,
- 10 gurneys, and equipment racks suitable for paralyzed patients.
- 11 (14) Utility use directly attributable to the requirements of home
- 12 care activities which are in addition to normal utility use.
- 13 (15) Special drugs and medications.
- 14 (16) Home health agency supervision of visiting staff which is
- 15 medically necessary, but not included in the home health agency
- 16 rate.
- 17 (17) Therapy services.
- 18 (18) Household appliances and household utensil costs directly
- 19 attributable to home care activities.
- 20 (19) Modification of medical equipment for home use.
- 21 (20) Training and orientation for use of life-support systems,
- 22 including, but not limited to, support of respiratory functions.
- 23 (21) Respiratory care practitioner services, as defined in Sections
- 24 3702 and 3703 of the Business and Professions Code, subject to
- 25 prescription by a physician and surgeon.
- 26 Beneficiaries receiving in-home medical care services are entitled
- 27 to the full range of services within the Medi-Cal scope of benefits
- 28 as defined by this section, subject to medical necessity and
- 29 applicable utilization control. Services provided pursuant to this
- 30 subdivision, which are not otherwise included in the Medi-Cal
- 31 schedule of benefits, shall be available only to the extent that
- 32 federal financial participation for these services is available in
- 33 accordance with a home- and community-based services waiver.
- 34 (t) Home- and community-based services approved by the
- 35 United States Department of Health and Human Services may be
- 36 covered to the extent that federal financial participation is available
- 37 for those services under waivers granted in accordance with Section
- 38 1396n of Title 42 of the United States Code. The director may
- 39 seek waivers for any or all home- and community-based services
- 40 approvable under Section 1396n of Title 42 of the United States

1 Code. Coverage for those services shall be limited by the terms,  
2 conditions, and duration of the federal waivers.

3 (u) Comprehensive perinatal services, as provided through an  
4 agreement with a health care provider designated in Section  
5 14134.5 and meeting the standards developed by the department  
6 pursuant to Section 14134.5, subject to utilization controls.

7 The department shall seek any federal waivers necessary to  
8 implement the provisions of this subdivision. The provisions for  
9 which appropriate federal waivers cannot be obtained shall not be  
10 implemented. Provisions for which waivers are obtained or for  
11 which waivers are not required shall be implemented  
12 notwithstanding any inability to obtain federal waivers for the  
13 other provisions. No provision of this subdivision shall be  
14 implemented unless matching funds from Subchapter XIX  
15 (commencing with Section 1396) of Chapter 7 of Title 42 of the  
16 United States Code are available.

17 (v) Early and periodic screening, diagnosis, and treatment for  
18 any individual under 21 years of age is covered, consistent with  
19 the requirements of Subchapter XIX (commencing with Section  
20 1396) of Chapter 7 of Title 42 of the United States Code.

21 (w) Hospice service—~~which~~ *that* is Medicare-certified hospice  
22 service is covered, subject to utilization controls. Coverage shall  
23 be available only to the extent that ~~no~~ additional net program costs  
24 are *not* incurred.

25 (x) When a claim for treatment provided to a beneficiary  
26 includes both services—~~which~~ *that* are authorized and reimbursable  
27 under this chapter, and services—~~which~~ *that* are not reimbursable  
28 under this chapter, that portion of the claim for the treatment and  
29 services authorized and reimbursable under this chapter shall be  
30 payable.

31 (y) Home- and community-based services approved by the  
32 United States Department of Health and Human Services for  
33 beneficiaries with a diagnosis of AIDS or ARC; who require  
34 intermediate care or a higher level of care.

35 Services provided pursuant to a waiver obtained from the  
36 Secretary of the United States Department of Health and Human  
37 Services pursuant to this subdivision, and which are not otherwise  
38 included in the Medi-Cal schedule of benefits, shall be available  
39 only to the extent that federal financial participation for these  
40 services is available in accordance with the waiver, and subject to

1 the terms, conditions, and duration of the waiver. These services  
2 shall be provided to individual beneficiaries in accordance with  
3 the client's needs as identified in the plan of care, and subject to  
4 medical necessity and applicable utilization control.

5 The director may under this section contract with organizations  
6 qualified to provide, directly or by subcontract, services provided  
7 for in this subdivision to eligible beneficiaries. Contracts or  
8 agreements entered into pursuant to this division shall not be  
9 subject to the Public Contract Code.

10 (z) Respiratory care when provided in organized health care  
11 systems, as defined in Section 3701 of the Business and Professions  
12 Code, and as an in-home medical service as ~~outlined~~ *provided* in  
13 subdivision (s).

14 (aa) (1) There is hereby established in the department, a  
15 program to provide comprehensive clinical family planning  
16 services to any person who has a family income at or below 200  
17 percent of the federal poverty level, as revised annually, and who  
18 is eligible to receive these services pursuant to the waiver identified  
19 in paragraph (2). This program shall be known as the Family  
20 Planning, Access, Care, and Treatment (Family PACT) Program.

21 (2) The department shall seek a waiver in accordance with  
22 Section 1315 of Title 42 of the United States Code, or a state plan  
23 amendment adopted in accordance with Section  
24 ~~1396a(a)(10)(A)(ii)(XXI)(ii)(2)~~ *1396a(a)(10)(A)(ii)(XXI)* of Title  
25 42 of the United States Code, which was added to Section 1396a  
26 of Title 42 of the United States Code by Section ~~2303(a)(2)~~  
27 *2303(a)(1)* of the federal Patient Protection and Affordable Care  
28 Act (PPACA) (Public Law 111-148), for a program to provide  
29 comprehensive clinical family planning services as described in  
30 paragraph (8). Under the waiver, the program shall be operated  
31 only in accordance with the waiver and the statutes and regulations  
32 in paragraph (4) and subject to the terms, conditions, and duration  
33 of the waiver. Under the state plan amendment, which shall replace  
34 the waiver and shall be known as the Family PACT successor state  
35 plan amendment, the program shall be operated only in accordance  
36 with this subdivision and the statutes and regulations in paragraph  
37 (4). The state shall use the standards and processes imposed by  
38 the state on January 1, 2007, including the application of an  
39 eligibility discount factor to the extent required by the federal  
40 Centers for Medicare and Medicaid Services, for purposes of

1 determining eligibility as permitted under Section  
2 ~~1396a(a)(10)(A)(ii)(XXI)(ii)(2)~~ *1396a(ii)(2)* of Title 42 of the  
3 United States Code. To the extent that federal financial  
4 participation is available, the program shall continue to conduct  
5 education, outreach, enrollment, service delivery, and evaluation  
6 services as specified under the waiver. The services shall be  
7 provided under the program only if the waiver and, when  
8 applicable, the successor state plan amendment are approved by  
9 the federal Centers for Medicare and Medicaid Services and only  
10 to the extent that federal financial participation is available for the  
11 services. Nothing in this section shall prohibit the department from  
12 seeking the Family PACT successor state plan amendment during  
13 the operation of the waiver.

14 (3) Solely for the purposes of the waiver or Family PACT  
15 successor state plan amendment and notwithstanding any other  
16 provision of law, the collection and use of an individual's social  
17 security number shall be necessary only to the extent required by  
18 federal law.

19 (4) Sections 14105.3 to 14105.39, inclusive, 14107.11, 24005,  
20 and 24013, and any regulations adopted under these ~~statutes~~  
21 *provisions* shall apply to the program provided for under this  
22 subdivision. ~~No~~ Any other provision of law under the Medi-Cal  
23 program or the State-Only Family Planning Program shall *not*  
24 apply to the program provided for under this subdivision.

25 (5) Notwithstanding Chapter 3.5 (commencing with Section  
26 11340) of Part 1 of Division 3 of Title 2 of the Government Code,  
27 the department may implement, without taking regulatory action,  
28 the provisions of the waiver after its approval by the federal Health  
29 Care Financing Administration and the provisions of this section  
30 by means of an all-county letter or similar instruction to providers.  
31 Thereafter, the department shall adopt regulations to implement  
32 this section and the approved waiver in accordance with the  
33 requirements of Chapter 3.5 (commencing with Section 11340) of  
34 Part 1 of Division 3 of Title 2 of the Government Code. ~~Beginning~~  
35 ~~six months after the effective date of the act adding this~~  
36 ~~subdivision, the department shall provide a status report to the~~  
37 ~~Legislature on a semiannual basis until regulations have been~~  
38 ~~adopted.~~

39 (6) ~~In the event that~~ *If* the Department of Finance determines  
40 that the program operated under the authority of the waiver

1 described in paragraph (2) or the Family PACT successor state  
2 plan amendment is no longer cost effective, this subdivision shall  
3 become inoperative on the first day of the first month following  
4 the issuance of a 30-day notification of that determination in  
5 writing by the Department of Finance to the chairperson in each  
6 house that considers appropriations, the chairpersons of the  
7 committees, and the appropriate subcommittees in each house that  
8 considers the State Budget, and the Chairperson of the Joint  
9 Legislative Budget Committee.

10 (7) If this subdivision ceases to be operative, all persons who  
11 have received or are eligible to receive comprehensive clinical  
12 family planning services pursuant to the waiver described in  
13 paragraph (2) shall receive family planning services under the  
14 Medi-Cal program pursuant to subdivision (n) if they are otherwise  
15 eligible for Medi-Cal with no share of cost, or shall receive  
16 comprehensive clinical family planning services under the program  
17 established in Division 24 (commencing with Section 24000) either  
18 if they are eligible for Medi-Cal with a share of cost or if they are  
19 otherwise eligible under Section 24003.

20 (8) For purposes of this subdivision, “comprehensive clinical  
21 family planning services” means the process of establishing  
22 objectives for the number and spacing of children, and selecting  
23 the means by which those objectives may be achieved. These  
24 means include a broad range of acceptable and effective methods  
25 and services to limit or enhance fertility, including contraceptive  
26 methods, federal Food and Drug Administration approved  
27 contraceptive drugs, devices, and supplies, natural family planning,  
28 abstinence methods, and basic, limited fertility management.  
29 Comprehensive clinical family planning services include, but are  
30 not limited to, preconception counseling, maternal and fetal health  
31 counseling, general reproductive health care, including diagnosis  
32 and treatment of infections and conditions, including cancer, that  
33 threaten reproductive capability, medical family planning treatment  
34 and procedures, including supplies and followup, and  
35 informational, counseling, and educational services.  
36 Comprehensive clinical family planning services shall not include  
37 abortion, pregnancy testing solely for the purposes of referral for  
38 abortion or services ancillary to abortions, or pregnancy care that  
39 is not incident to the diagnosis of pregnancy. Comprehensive

1 clinical family planning services shall be subject to utilization  
2 control and include all of the following:

3 (A) Family planning related services and male and female  
4 sterilization. Family planning services for men and women shall  
5 include emergency services and services for complications directly  
6 related to the contraceptive method, federal Food and Drug  
7 Administration approved contraceptive drugs, devices, and  
8 supplies, and followup, consultation, and referral services, as  
9 indicated, which may require treatment authorization requests.

10 (B) All United States Department of Agriculture, federal Food  
11 and Drug Administration approved contraceptive drugs, devices,  
12 and supplies that are in keeping with current standards of practice  
13 and from which the individual may choose.

14 (C) Culturally and linguistically appropriate health education  
15 and counseling services, including informed consent, that include  
16 all of the following:

- 17 (i) Psychosocial and medical aspects of contraception.
- 18 (ii) Sexuality.
- 19 (iii) Fertility.
- 20 (iv) Pregnancy.
- 21 (v) Parenthood.
- 22 (vi) Infertility.
- 23 (vii) Reproductive health care.
- 24 (viii) Preconception and nutrition counseling.
- 25 (ix) Prevention and treatment of sexually transmitted infection.
- 26 (x) Use of contraceptive methods, federal Food and Drug  
27 Administration approved contraceptive drugs, devices, and  
28 supplies.
- 29 (xi) Possible contraceptive consequences and followup.
- 30 (xii) Interpersonal communication and negotiation of  
31 relationships to assist individuals and couples in effective  
32 contraceptive method use and planning families.

33 (D) A comprehensive health history, updated at the next periodic  
34 visit (between 11 and 24 months after initial examination) that  
35 includes a complete obstetrical history, gynecological history,  
36 contraceptive history, personal medical history, health risk factors,  
37 and family health history, including genetic or hereditary  
38 conditions.

39 (E) A complete physical examination on initial and subsequent  
40 periodic visits.

1 (F) Services, drugs, devices, and supplies deemed by the federal  
2 Centers for Medicare and Medicaid Services to be appropriate for  
3 inclusion in the program.

4 (9) In order to maximize the availability of federal financial  
5 participation under this subdivision, the director shall have the  
6 discretion to implement the Family PACT successor state plan  
7 amendment retroactively to July 1, 2010.

8 (ab) (1) Purchase of prescribed enteral nutrition products is  
9 covered, subject to the Medi-Cal list of enteral nutrition products  
10 and utilization controls.

11 (2) Purchase of enteral nutrition products is limited to those  
12 products to be administered through a feeding tube, including, but  
13 not limited to, a gastric, nasogastric, or jejunostomy tube.  
14 Beneficiaries under the Early and Periodic Screening, Diagnosis,  
15 and Treatment Program shall be exempt from this paragraph.

16 (3) Notwithstanding paragraph (2), the department may deem  
17 an enteral nutrition product, not administered through a feeding  
18 tube, including, but not limited to, a gastric, nasogastric, or  
19 jejunostomy tube, a benefit for patients with diagnoses, including,  
20 but not limited to, malabsorption and inborn errors of metabolism,  
21 if the product has been shown to be neither investigational nor  
22 experimental when used as part of a therapeutic regimen to prevent  
23 serious disability or death.

24 (4) Notwithstanding Chapter 3.5 (commencing with Section  
25 11340) of Part 1 of Division 3 of Title 2 of the Government Code,  
26 the department may implement the amendments to this subdivision  
27 made by the act that added this paragraph by means of all-county  
28 letters, provider bulletins, or similar instructions, without taking  
29 regulatory action.

30 (5) The amendments made to this subdivision by the act that  
31 added this paragraph shall be implemented *on* June 1, 2011, or on  
32 the first day of the first calendar month following 60 days after  
33 the date the department secures all necessary federal approvals to  
34 implement this section, whichever is later.

35 (ac) Diabetic testing supplies are covered when provided by a  
36 pharmacy, subject to utilization controls.

37 SEC. 18. Section 14701 of the Welfare and Institutions Code  
38 is amended to read:

39 14701. (a) The State Department of Health Care Services, in  
40 collaboration with the State Department of Mental Health and the

1 California Health and Human Services Agency, shall create a state  
2 administrative and programmatic transition plan, either as one  
3 comprehensive transition plan or separately, to guide the transfer  
4 of the Medi-Cal specialty mental health managed care and the  
5 EPSDT Program to the State Department of Health Care Services  
6 effective July 1, 2012.

7 (H)

8 (b) (1) Commencing no later than July 15, 2011, the State  
9 Department of Health Care Services, together with the State  
10 Department of Mental Health, shall convene a series of stakeholder  
11 meetings and forums to receive input from clients, family members,  
12 providers, counties, and representatives of the Legislature  
13 concerning the transition and transfer of Medi-Cal specialty mental  
14 health managed care and the EPSDT Program. This consultation  
15 shall inform the creation of a state administrative transition plan  
16 and a programmatic transition plan that shall include, but is not  
17 limited to, the following components:

18 (A) The plan shall ensure *that* it is developed in a way that  
19 continues access and quality of service during and immediately  
20 after the transition, preventing any disruption of services to clients  
21 and family members, providers and counties, and others affected  
22 by this transition.

23 (B) A detailed description of the state administrative functions  
24 currently performed by the State Department of Mental Health  
25 regarding Medi-Cal specialty mental health managed care and the  
26 EPSDT Program.

27 (C) Explanations of the operational steps, timelines, and key  
28 milestones for determining when and how each function or program  
29 will be transferred. These explanations shall also be developed for  
30 the transition of positions and staff serving Medi-Cal specialty  
31 mental health managed care and the EPSDT Program, and how  
32 these will relate to, and align with, positions at the State  
33 Department of Health Care Services. The State Department of  
34 Health Care Services and the California Health and Human  
35 Services Agency shall consult with the Department of Personnel  
36 Administration in developing this aspect of the transition plan.

37 (D) A list of any planned or proposed changes or efficiencies  
38 in how the functions will be performed, including the anticipated  
39 fiscal and programmatic impacts of the changes.

1 (E) A detailed organization chart that reflects the planned  
2 staffing at the State Department of Health Care Services in light  
3 of the requirements of subparagraphs (A) to (C), inclusive, and  
4 includes focused, high-level leadership for behavioral health issues.

5 (F) A description of how stakeholders were included in the  
6 various phases of the planning process to formulate the transition  
7 plans and a description of how their feedback will be taken into  
8 consideration after transition activities are underway.

9 (2) The State Department of Health Care Services, together with  
10 the State Department of Mental Health and the California Health  
11 and Human Services Agency, shall convene and consult with  
12 stakeholders at least twice following production of a draft of the  
13 transition plans and before submission of transition plans to the  
14 Legislature. Continued consultation with stakeholders shall occur  
15 in accordance with the requirement in subparagraph (F) of  
16 paragraph (1).

17 ~~(b) The State Department of Health Care Services shall provide~~  
18 ~~the transition plans described in subdivision (a) to all fiscal~~  
19 ~~committees and appropriate policy committees of the Legislature~~  
20 ~~no later than October 1, 2011. The transition plans may also be~~  
21 ~~updated by the Governor and provided to all fiscal and applicable~~  
22 ~~policy committees of the Legislature upon its completion, but no~~  
23 ~~later than May 15, 2012.~~

24 SEC. 19. Section 4 of Chapter 1299 of the Statutes of 1992,  
25 as amended by Section 3 of Chapter 791 of the Statutes of 1997,  
26 is repealed.

27 ~~Sec. 4. (a) The Legislature finds and declares that the~~  
28 ~~requirement of completion of a minimum of two academic years~~  
29 ~~of dental education does not result in undue hardship upon, or~~  
30 ~~adversely impact, international dental candidates.~~

31 ~~(b) (1) The Board of Dental Examiners shall collect data on~~  
32 ~~the international dental candidates who are admitted to, and take,~~  
33 ~~the restorative technique examination on and after January 1, 1993.~~  
34 ~~The board shall report to the Legislature between June 1, 1998,~~  
35 ~~and December 31, 1998, inclusive, on the impact of Section 1636.5~~  
36 ~~of the Business and Professions Code on those international dental~~  
37 ~~candidates about whom the data is collected pursuant to this~~  
38 ~~subdivision.~~

- 1     ~~(2) The report prepared pursuant to this subdivision shall~~
- 2     ~~include, for each administration of the restorative technique~~
- 3     ~~examination, all of the following information:~~
- 4         ~~(A) The number of international dental candidates who fail the~~
- 5         ~~examination for the third time.~~
- 6         ~~(B) The number of international dental candidates who, after~~
- 7         ~~failing the examination for the third time, apply to international~~
- 8         ~~dental studies programs in California, and the number of these~~
- 9         ~~candidates accepted by these programs.~~
- 10        ~~(C) The number of international dental candidates who, after~~
- 11        ~~failing the examination for the third time, apply to any dental~~
- 12        ~~studies program, in or out of California, and the number of these~~
- 13        ~~candidates accepted by these programs.~~

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
SB 176**

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**Subject:** Administrative Procedures  
**Status:** Senate Appropriations Suspense File  
**Version:** April 24, 2013

**Author:** Galgiani  
**Sponsor:** Dept. of Real Estate

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**Summary**

In order to increase public participation and improve the quality of regulations, this bill would require state agencies, boards, and commissions to submit a notice prior to any meeting date or report, provided the meeting or report is seeking public input, as described. The bill would additionally require state agencies, boards, and commissions to submit specified notices to the Office of Administrative Law, for publication in the *California Regulatory Notice Register* (Notice Register).

**Recommendation**

Support. This is a good government bill that will increase the transparency of the regulatory process.

**Background**

Current law requires only a Notice of Proposed Changes to be published in the Notice Register at the beginning of the 45-day public comment period.

**Analysis**

This bill would require state agencies to publish a notice in the Notice Register at least 15 days prior to any meeting that is seeking public input. Examples of meetings seeking public input include, but are not limited to, the following formal, official, or organized:

- Informational hearings
- Workshops
- Scoping hearings
- Preliminary meetings
- Public and stakeholder outreach meetings

This bill requires a state agency to submit a notice for publication in the Notice Register any time it issues or publishes a 15-Day Notice or posts informational reports on its website for public review.

The sponsor and author have worked with CBA staff and will be amending the bill to clarify that the informational reports do not include standard rulemaking documents.

The purpose of this bill, as described by the sponsor, is to provide a source of all regulatory information in one place, namely, the Notice Register. Some groups and individuals follow multiple rulemaking agencies, and it is extremely cumbersome to check numerous websites when all of the information they are looking for could easily be placed in this one location.

## **SB 176 – Administrative Procedures**

Page 2 of 2

### **Fiscal Estimate**

This bill would likely result in a very minor and absorbable cost in staff time.

### **Support/Opposition**

Support: American Council of Engineering Companies  
Apartment Association of Greater Los Angeles  
California Apartment Association  
California Association of REALTORS  
California Building Industry Association  
California Business Properties Association  
California Cement Manufactures Environmental Coalition  
California Chamber of Commerce  
California Independent Oil Marketers Association  
California Land and Title Association  
California Manufactures & Technology Association  
California New Car Dealers Association  
California Restaurant Association  
California Retailers Association  
California Service Station & Auto Repair Association  
National Federation of Independent Business  
San Diego County Apartment Association  
Santa Barbara Rental Property Association  
USANA Health Sciences, Inc.  
Western States Petroleum Association

Opposition: Sierra Club

### **Effective/Operative Date**

January 1, 2014

### **Related Bills**

None

### **Attachment**

SB 176

AMENDED IN SENATE APRIL 24, 2013

**SENATE BILL****No. 176**

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**Introduced by Senator Galgiani**  
*(Coauthors: Senators Cannella and Correa)*

February 6, 2013

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An act to add ~~Section~~ *Sections 11346.46 and 11346.47* to the Government Code, relating to administrative procedures.

## LEGISLATIVE COUNSEL'S DIGEST

SB 176, as amended, Galgiani. Administrative procedures.

Existing law governs the procedure for the adoption, amendment, or repeal of regulations by state agencies and for the review of those regulatory actions by the Office of Administrative Law, including procedures relating to increased public participation in the adoption, amendment, and repeal of these regulations.

This bill would, in order to increase public participation and improve the quality of regulations, require state agencies, boards, and commissions to ~~publish~~ *submit* a notice prior to any meeting date or report, provided the meeting or report is seeking public input, as described. *The bill would additionally require state agencies, boards, and commissions to submit specified notices to the Office of Administrative Law, for publication in the California Regulatory Notice Register.*

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 11346.46 is added to the Government  
2 Code, to read:

3 11346.46. (a) In order to increase public participation in the  
4 regulation development process and improve the quality of  
5 regulations, state agencies, boards, and commissions shall ~~publish~~  
6 *submit* a notice in the California Regulatory Notice Register, as  
7 ~~prepared by the Office of Administrative Law, Register. The notice~~  
8 *shall appear in the California Regulatory Notice Register* at least  
9 15 days prior to any meeting date or report, provided the meeting  
10 or report is seeking public input.

11 (b) For purposes of this section, meetings and reports seeking  
12 public input include, but are not limited to, the following *formal,*  
13 *official, or organized:*

14 (1) Informational hearings.

15 (2) Workshops.

16 (3) Scoping hearings.

17 (4) Preliminary meetings.

18 (5) Public and stakeholder outreach meetings.

19 ~~(6) Fifteen-day comment period notices.~~

20 ~~(7) The posting of Internet Web site links to informational and~~  
21 ~~state reports prepared for public review and comment.~~

22 SEC. 2. Section 11346.47 is added to the Government Code,  
23 to read:

24 11346.47. *State agencies, boards, and commissions shall submit*  
25 *a notice to the Office of Administrative Law for publication in the*  
26 *California Regulatory Notice Register, upon issuance or*  
27 *publication of the following:*

28 (a) *Any notice required by either subdivision (c) of Section*  
29 *11346.8, commonly known as 15-day comment period notice, or*  
30 *subdivision (b) of Section 11347.1.*

31 (b) *Any Internet Web site link to informational reports prepared*  
32 *for public review that have been posted on the agency, board, or*  
33 *commission Internet Web site in connection with proposed*  
34 *regulations.*

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**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
SB 305**

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**Subject:** Healing Arts Board  
**Version:** April 25, 2013  
**Status:** Senate Appropriations

**Author:** Price  
**Sponsor:** None

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**Summary**

This bill would clarify that a board described in Business and Professions (B&P) Code section 144 may request, and is authorized to receive, certified records of all arrest and convictions, certified records regarding probation, and all other related documents needed to complete an applicant or licensee investigation from a local or state agency. However, this bill would not mandate a local or state agency to provide the requested records upon a board's request. This bill contains additional provisions unrelated to the California Board of Accountancy (CBA).

**Recommendation**

Neutral. While staff supports the first provision in the bill relating to B&P Code section 144, staff does not recommend the CBA to take a position on the entire bill because it has other provisions unrelated to the CBA.

**Background**

It is customary for most boards and bureaus to obtain complete arrest, conviction and other related documents as part of an applicant or licensee investigation. As such, boards rely on various authorities and local law enforcement agencies to provide necessary records. However, some local government agencies have recently refused to provide the requested information in the belief that that boards are not authorized to obtain the records without permission from the individual.

For example, the Respiratory Care Board recently attempted to obtain records from a local government agency and was told the arrest records could not be released pursuant to Section 432.7(g)(1) of the Labor Code, which states:

“No peace officer or employee of a law enforcement agency with access to criminal charges offender record information maintained by a local law enforcement criminal justice agency shall knowingly disclose, with intent to affect a person's employment, any information contained therein pertaining to an arrest or detention or proceeding that did not result in a conviction, including information pertaining to a referral to, and participation in, any pretrial or post trial diversion program, to any person not authorized by law to receive that information.”

**Analysis**

This bill would clarify that boards have the authority to request and receive an individual's arrest, court, and other related documents; thus allowing local and state agencies to provide the requested documents.

Some boards have stated that without the authorization to receive the requested documents, a delay in the investigation would occur and could even prevent a board

## **SB 305 – Healing Arts Board**

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from taking disciplinary action. At present, the CBA has not experienced difficulty in obtaining requested records; however, it is possible the CBA could experience difficulty in the future.

### **Fiscal Estimate**

None.

### **Support/Opposition**

Support: California Optometric Association  
Osteopathic Physicians and Surgeons of California  
SEIU California  
California Naturopathic Doctors Association  
California State Board of Optometry  
Western University of Health Sciences  
Association of Regulatory Boards of Optometry  
National Board of Examiners in Optometry

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2014

### **Related Bills**

None.

### **Attachment**

SB 305

AMENDED IN SENATE APRIL 25, 2013

AMENDED IN SENATE APRIL 15, 2013

**SENATE BILL**

**No. 305**

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**Introduced by Senator Price**  
(Principal coauthor: Assembly Member Gordon)

February 15, 2013

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An act to amend Sections 2450, 2450.3, ~~2569~~, 3010.5, 3014.6, 3685, 3686, 3710, 3716, and ~~3765 of~~, *3765 of*, and to add Section 144.5 to, the Business and Professions Code, relating to healing arts.

LEGISLATIVE COUNSEL'S DIGEST

SB 305, as amended, Price. Healing arts: boards.

Existing law requires specified regulatory boards within the Department of Consumer Affairs to require an applicant for licensure to furnish to the board a full set of fingerprints in order to conduct a criminal history record check.

This bill would additionally authorize those boards to request and receive from a local or state agency certified records of all arrests and convictions, certified records regarding probation, and any and all other related documentation needed to complete an applicant or licensee investigation and would authorize a local or state agency to provide those records to the board upon request.

Existing law, the Osteopathic Act, provides for the licensure and regulation of osteopathic physicians and surgeons by the Osteopathic Medical Board of California.

This bill would require that the powers and duties of the board, as provided, be subject to review by the appropriate policy committees of the Legislature. The bill would require that the review be performed as if these provisions were scheduled to be repealed as of January 1, 2018.

Existing law, the Naturopathic Doctors Act, until January 1, 2014, provides for the licensure and regulation of naturopathic doctors by the Naturopathic Medicine Committee within the Osteopathic Medical Board of California. Existing law also specifies that the repeal of the committee subjects it to review by the appropriate policy committees of the Legislature.

This bill would extend the operation of these provisions until January 1, 2018, and make conforming changes.

~~Existing law provides for the regulation of dispensing opticians, as defined, by the Medical Board of California.~~

~~This bill would require that the powers and duties of the board, as provided, be subject to review by the appropriate policy committees of the Legislature. The bill would require that the review be performed as if these provisions were scheduled to be repealed as of January 1, 2018.~~

Existing law, the Optometry Practice Act, provides for the licensure and regulation of optometrists by the State Board of Optometry. The Respiratory Care Act provides for the licensure and regulation of respiratory care practitioners by the Respiratory Care Board of California. Each of those acts authorizes the board to employ an executive officer. Existing law repeals these provisions on January 1, 2014 and subjects the boards to review by the Joint Committee on Boards, Commissions, and Consumer Protection.

This bill would extend the operation of these provisions until January 1, 2018, and provide that the repeal of these provisions subjects the boards to review by the appropriate policy committees of the Legislature.

The Respiratory Care Act also prohibits a person from engaging in the practice of respiratory care unless he or she is a licensed respiratory care practitioner. However, the act does not prohibit specified acts, including, among others, the performance of respiratory care services in case of an emergency or self-care by a patient.

This bill would additionally authorize the performance of pulmonary function testing by persons who are currently employed by Los Angeles county hospitals and have performed pulmonary function testing for at least 15 years.

This bill would make legislative findings and declarations as to the necessity of a special statute for the persons described above.

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 144.5 is added to the Business and  
2 Professions Code, to read:

3 144.5. Notwithstanding any other law, a board described in  
4 Section 144 may request, and is authorized to receive, from a local  
5 or state agency certified records of all arrests and convictions,  
6 certified records regarding probation, and any and all other related  
7 documentation needed to complete an applicant or licensee  
8 investigation. A local or state agency may provide those records  
9 to the board upon request.

10 SEC. 2. Section 2450 of the Business and Professions Code is  
11 amended to read:

12 2450. There is a Board of Osteopathic Examiners of the State  
13 of California, established by the Osteopathic Act, which shall be  
14 known as the Osteopathic Medical Board of California which  
15 enforces this chapter relating to persons holding or applying for  
16 physician's and surgeon's certificates issued by the Osteopathic  
17 Medical Board of California under the Osteopathic Act.

18 Persons who elect to practice using the term of suffix "M.D.,"  
19 as provided in Section 2275, shall not be subject to this article,  
20 and the Medical Board of California shall enforce the provisions  
21 of this chapter relating to persons who made the election.

22 Notwithstanding any other law, the powers and duties of the  
23 Osteopathic Medical Board of California, as set forth in this article  
24 and under the Osteopathic Act, shall be subject to review by the  
25 appropriate policy committees of the Legislature. The review shall  
26 be performed as if this chapter were scheduled to be repealed as  
27 of January 1, 2018.

28 SEC. 3. Section 2450.3 of the Business and Professions Code  
29 is amended to read:

30 2450.3. There is within the jurisdiction of the Osteopathic  
31 Medical Board of California a Naturopathic Medicine Committee  
32 authorized under the Naturopathic Doctors Act (Chapter 8.2  
33 (commencing with Section 3610)). This section shall become  
34 inoperative on January 1, 2018, and, as of that date is repealed,  
35 unless a later enacted statute that is enacted before January 1, 2018,  
36 deletes or extends that date. Notwithstanding any other provision  
37 of law, the repeal of this section renders the Naturopathic Medicine

1 Committee subject to review by the appropriate policy committees  
2 of the Legislature.

3 ~~SEC. 4. Section 2569 of the Business and Professions Code is~~  
4 ~~amended to read:~~

5 ~~2569. Notwithstanding any other law, the powers and duties~~  
6 ~~of the board, as set forth in this chapter, shall be subject to review~~  
7 ~~by the appropriate policy committees of the Legislature. The review~~  
8 ~~shall be performed as if this chapter were scheduled to be repealed~~  
9 ~~as of January 1, 2018.~~

10 ~~SEC. 5.~~

11 *SEC. 4.* Section 3010.5 of the Business and Professions Code  
12 is amended to read:

13 3010.5. (a) There is in the Department of Consumer Affairs  
14 a State Board of Optometry in which the enforcement of this  
15 chapter is vested. The board consists of 11 members, five of whom  
16 shall be public members.

17 Six members of the board shall constitute a quorum.

18 (b) The board shall, with respect to conducting investigations,  
19 inquiries, and disciplinary actions and proceedings, have the  
20 authority previously vested in the board as created pursuant to  
21 Section 3010. The board may enforce any disciplinary actions  
22 undertaken by that board.

23 (c) This section shall remain in effect only until January 1, 2018,  
24 and as of that date is repealed, unless a later enacted statute, that  
25 is enacted before January 1, 2018, deletes or extends that date.  
26 Notwithstanding any other law, the repeal of this section renders  
27 the board subject to review by the appropriate policy committees  
28 of the Legislature.

29 ~~SEC. 6.~~

30 *SEC. 5.* Section 3014.6 of the Business and Professions Code  
31 is amended to read:

32 3014.6. (a) The board may appoint a person exempt from civil  
33 service who shall be designated as an executive officer and who  
34 shall exercise the powers and perform the duties delegated by the  
35 board and vested in him or her by this chapter.

36 (b) This section shall remain in effect only until January 1, 2018,  
37 and as of that date is repealed, unless a later enacted statute, that  
38 is enacted before January 1, 2018, deletes or extends that date.

1 ~~SEC. 7.~~

2 *SEC. 6.* Section 3685 of the Business and Professions Code is  
3 amended to read:

4 3685. Notwithstanding any other law, the repeal of this chapter  
5 renders the committee subject to review by the appropriate policy  
6 committees of the Legislature.

7 ~~SEC. 8.~~

8 *SEC. 7.* Section 3686 of the Business and Professions Code is  
9 amended to read:

10 3686. This chapter shall remain in effect only until January 1,  
11 2018, and as of that date is repealed, unless a later enacted statute,  
12 that is enacted before January 1, 2018, deletes or extends that date.

13 ~~SEC. 9.~~

14 *SEC. 8.* Section 3710 of the Business and Professions Code is  
15 amended to read:

16 3710. (a) The Respiratory Care Board of California, hereafter  
17 referred to as the board, shall enforce and administer this chapter.

18 (b) This section shall remain in effect only until January 1, 2018,  
19 and as of that date is repealed, unless a later enacted statute, that  
20 is enacted before January 1, 2018, deletes or extends that date.  
21 Notwithstanding any other law, the repeal of this section renders  
22 the board subject to review by the appropriate policy committees  
23 of the Legislature.

24 ~~SEC. 10.~~

25 *SEC. 9.* Section 3716 of the Business and Professions Code is  
26 amended to read:

27 3716. The board may employ an executive officer exempt from  
28 civil service and, subject to the provisions of law relating to civil  
29 service, clerical assistants and, except as provided in Section 159.5,  
30 other employees as it may deem necessary to carry out its powers  
31 and duties.

32 This section shall remain in effect only until January 1, 2018,  
33 and as of that date is repealed, unless a later enacted statute, that  
34 is enacted before January 1, 2018, deletes or extends that date.

35 ~~SEC. 11.~~

36 *SEC. 10.* Section 3765 of the Business and Professions Code  
37 is amended to read:

38 3765. This act does not prohibit any of the following activities:

1 (a) The performance of respiratory care that is an integral part  
2 of the program of study by students enrolled in approved  
3 respiratory therapy training programs.

4 (b) Self-care by the patient or the gratuitous care by a friend or  
5 member of the family who does not represent or hold himself or  
6 herself out to be a respiratory care practitioner licensed under the  
7 provisions of this chapter.

8 (c) The respiratory care practitioner from performing advances  
9 in the art and techniques of respiratory care learned through formal  
10 or specialized training.

11 (d) The performance of respiratory care in an emergency  
12 situation by paramedical personnel who have been formally trained  
13 in these modalities and are duly licensed under the provisions of  
14 an act pertaining to their speciality.

15 (e) Respiratory care services in case of an emergency.  
16 “Emergency,” as used in this subdivision, includes an epidemic  
17 or public disaster.

18 (f) Persons from engaging in cardiopulmonary research.

19 (g) Formally trained licensees and staff of child day care  
20 facilities from administering to a child inhaled medication as  
21 defined in Section 1596.798 of the Health and Safety Code.

22 (h) The performance by a person employed by a home medical  
23 device retail facility or by a home health agency licensed by the  
24 State Department of Health Services of specific, limited, and basic  
25 respiratory care or respiratory care related services that have been  
26 authorized by the board.

27 (i) The performance of pulmonary function testing by persons  
28 who are currently employed by Los Angeles County hospitals and  
29 have performed pulmonary function testing for at least 15 years.

30 ~~SEC. 12.~~

31 *SEC. 11.* The Legislature finds and declares that a special law,  
32 as set forth in Section ~~11~~ 10 of this act, is necessary and that a  
33 general law cannot be made applicable within the meaning of  
34 Section 16 of Article IV of the California Constitution because of  
35 the unique circumstances relating to persons who are currently  
36 employed by Los Angeles County hospitals and have performed  
37 pulmonary function testing for at least 15 years.

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**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
SB 822**

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**Subject:** Professions and Vocations

**Author:** Business, Professions and  
Economic Development Committee

**Version:** April 22, 2013

**Sponsor:** None

**Status:** Senate Appropriations Committee

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### **Summary**

This bill would provide the California Board of Accountancy (CBA) citation authority over out-of-state licensee exercising a practice privilege in California. This bill would also require an out-of-state licensee, who is exercising a practice privilege in California, to notify the CBA of pending criminal charges. As this is an omnibus bill, it also contains several provisions unrelated to the CBA.

### **Recommendation**

Support. This bill contains the CBA's legislative proposals.

### **Background**

At its January 2013 meeting, the CBA voted to approve a legislative proposal to provide citation authority over an out-of-state licensee exercising a practice privilege in California to provide the CBA consistent citation authority over California licensees and practice privilege holders.

At its March 2013 meeting, the CBA voted to approve a legislative proposal to require an out-of-state licensee utilizing a practice privilege to report pending criminal charges, other than a minor traffic violation, to the CBA while practicing in California.

### **Analysis**

#### Citation Authority

Section 125.9 of the Business and Professions (B&P) Code authorizes the CBA to issue citations and fines to California licensees who violate specified sections of law. Beginning July 1, 2013, B&P Code section 5096.2 will authorize the CBA to revoke, suspend, or fine a practice privilege holder for specified violations. The law, as it presently exists, does not authorize the CBA to issue citations to out-of-state licensees practicing in California.

This bill would ensure the CBA has the authority to issue citations to out-of-state licensees practicing in California under practice privilege. This bill would make a necessary statutory change to B&P Code sections 5096.2 and 5096.12, to authorize the CBA to issue a citation to a practice privilege holder or registered out-of-state firm.

#### Pending Criminal Charges

Upon application for licensure, an individual must submit fingerprints to the Department of Justice (DOJ) for purposes of conducting a criminal offender record identification search. As a result of having fingerprints on file with the DOJ, provided the individual is licensed, the CBA receives a notification directly from the DOJ if the individual is arrested or has criminal charges filed.

## **SB 822 – Professions and Vocations**

Page 2 of 2

Under the new practice privilege provisions that become effective July 1, 2013, an out-of-state licensee who wishes to practice in California is required to disclose pending criminal charges. However, an out-of-state licensee who is presently exercising a practice privilege and actively practicing in California will not be required to notify the CBA should he/she attain pending criminal charges.

This bill would require an out-of-state licensee, practicing in California under a practice privilege, to notify the CBA of pending criminal charges. This notification is consistent with the information the CBA receives for California licensees as well as individuals seeking to practice in California and will allow the CBA to initiate an investigation to determine whether there is potential for consumer harm and take action accordingly.

### **Fiscal Estimate**

There is the potential for increased revenue from the addition of the citation authority, and there is a potential for additional investigations based on the notification received regarding pending criminal charges.

### **Support/Opposition**

Support: Board for Professional Engineers, Land Surveyors and Geologists  
Board of Guide Dogs for the Blind  
California Association of Clerks and Election Officials  
Contractors State License Board  
Executive Officer, California Board of Accountancy

Opposition: None on file.

### **Effective/Operative Date**

January 1, 2014

### **Related Bills**

None.

### **Attachments**

Attachment 1 – Executive Officer’s Letter of Support for SB 822 and SB 823

Attachment 2 – SB 822

AMENDED IN SENATE APRIL 22, 2013

**SENATE BILL**

**No. 822**

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**Introduced by Committee on Business, Professions and Economic Development (Senators Price (Chair), Block, Corbett, Emmerson, Galgiani, Hernandez, Hill, Padilla, Wyland, and Yee)**

March 20, 2013

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An act to amend Sections 5096, 5096.2, 5096.12, 7065.3, 7114, 7141, 7206, 7210, ~~and~~ 7887, and 17914, of, ~~and~~ to add Section 7851 to, and to repeal Sections 102.1 and 102.2 of, the Business and Professions Code, relating to professions and vocations, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 822, as amended, Committee on Business, Professions and Economic Development. Professions and vocations.

*(1) Existing law requires that certain actions take place with regard to the Cemetery Board and Funeral Directors and Embalmers Board and the Structural Pest Control Board by January 1, 1996.*

*This bill would delete those provisions.*

*(2) Existing law, between July 1, 2013, and January 1, 2019, 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 to engage in the practice of public accountancy in this state under a practice privilege without obtaining a certificate or license, if certain conditions are met.*

*This bill would add the condition that the individual is required to notify the Board of Accountancy of any pending criminal charges in any jurisdiction, other than for a minor traffic violation.*

*Existing law, between July 1, 2013, and January 1, 2019, authorizes a certified public accounting firm that is authorized to practice in another state and that does not have an office in this state to engage in the practice of public accountancy in this state through the holder of a practice privilege, and the board is authorized to revoke, suspend, issue a fine, as provided, or otherwise restrict or discipline the firm for any act that would be grounds for discipline against a holder of a practice privilege through which the firm practices.*

*This bill would also authorize the board to issue a citation and fine, as provided, under the general powers given to the board as a part of the Department of Consumer Affairs.*

(1)

(3) Existing law, the Contractors' State License Law, provides for the licensure and regulation of contractors in this state. Under existing law, a contractor's license that has expired may be renewed at any time within 5 years after its expiration by filing an application for renewal on a form prescribed by the registrar of contractors, and payment of the appropriate renewal fee. If the license is renewed after the expiration date, existing law requires the licensee to also pay a delinquency fee. *The registrar of contractors is required to conduct a comprehensive field investigation of no less than 3% of applications for an additional classification on a contractor's license based upon experience and without further examination to ensure that the applicants met the experience requirements and to make public, at quarterly meetings of the Contractors' State License Board, a listing of all additional classification applications approved during the previous 12 months, including, but not limited to, the name of the applicant, license number, classification applied for, and existing classifications.*

This bill would provide an exception to the requirement to pay the delinquency fee where an incomplete renewal application, that had originally been submitted on or before the license expiration date, was returned to the licensee by the registrar with an explanation of the reasons for its rejection and a corrected and acceptable renewal application is returned by the licensee within 30 days after the license expiration date. The bill would also require that the license reflect an expired status for any period between the expiration date and the date of submission of a correct and acceptable renewal application. *The bill would delete the requirement that the registrar's investigation be a field investigation, and would delete the requirement that the registrar make public, at quarterly meetings of the Contractors' State License Board,*

*the listing of all additional classification applications approved during the previous 12 months.*

(2)

(4) Existing law, until January 1, 2014, provides that there is in the Department of Consumer Affairs a State Board of Guide Dogs for the Blind that has exclusive authority to issue licenses for the instruction of blind persons in the use of guide dogs, for the training of guide dogs for use by blind persons, to operate schools for the training of guide dogs for the blind, and for the instruction of blind persons in the use of guide dogs. Existing law requires the board to hold regular meetings at least once a year at which an examination of applicants for certificates of registration is to be given.

This bill would delete that requirement.

(3)

(5) Existing law, the Geologist and Geophysicist Act, provides for the registration, regulation, and discipline of professional geologists and geophysicists by the Board for Professional Engineers, Land Surveyors, and Geologists. A violation of the act is a misdemeanor. Existing law creates the Geology and Geophysics Account of the Professional Engineers and Land Surveyors Fund, which is a continuously appropriated fund, into which fees prescribed by the act are deposited.

This bill would create a new category of registration, to be known as a “retired registration,” for a geologist or geophysicist who meets specified qualifications and would prescribe fees necessary to obtain a retired registration, as well as restrictions on holders of the registration. The bill would also specify the title that the holder of a retired registration is authorized to use. Because a violation of these requirements would be a crime, the bill would impose a state-mandated local program. Because the bill would increase moneys deposited into a continuously appropriated fund, the bill would make an appropriation.

(6) *Existing law requires any person who regularly transacts business in this state for profit under a fictitious business name to do several things, including, but not limited to, filing a fictitious business name statement not later than 40 days from the time the registrant commences to transact business. Existing law requires the statement to be signed by the husband or wife if the registrants are husband and wife.*

*This bill would instead provide that the statement shall be signed by either party to the marriage if the registrants are a married couple.*

(4)

(7) 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: yes. Fiscal committee: yes.  
State-mandated local program: yes.

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

1     SECTION 1. *Section 102.1 of the Business and Professions*  
2     *Code is repealed.*

3     ~~102.1. (a) If the Cemetery Board and the Funeral Directors~~  
4     ~~and Embalmers Board are not consolidated or otherwise~~  
5     ~~restructured on January 1, 1996, the Department of Consumer~~  
6     ~~Affairs shall succeed to, and is vested with, all the duties, powers,~~  
7     ~~purpose, responsibilities, and jurisdiction of the boards, including~~  
8     ~~the employment of one executive director for the purposes of~~  
9     ~~performing the department's obligations herewithin.~~

10    ~~(b) Notwithstanding Section 107, any law authorizing the~~  
11    ~~appointment of an executive officer by the Cemetery Board and~~  
12    ~~the Funeral Directors and Embalmers Board shall not be~~  
13    ~~implemented and shall have no force or effect while either board~~  
14    ~~is inoperative or repealed.~~

15    ~~(c) If legislation consolidating or otherwise restructuring the~~  
16    ~~Cemetery Board and the Funeral Directors and Embalmers Board~~  
17    ~~is not enacted, the Controller is authorized to transfer the necessary~~  
18    ~~amount of funds from Item 1335-001-0258 of the 1995 Budget~~  
19    ~~Act to the department for expenditure by the department for~~  
20    ~~purposes of this section.~~

21    ~~(d) This section shall be operative only during the period that~~  
22    ~~legislation is not enacted to consolidate or otherwise restructure~~  
23    ~~the Cemetery Board and the Funeral Directors and Embalmers~~  
24    ~~Board into another board or entity.~~

25    SEC. 2. *Section 102.2 of the Business and Professions Code*  
26    *is repealed.*

27    ~~102.2. (a) If the Structural Pest Control Board does not comply~~  
28    ~~with the contingencies specified in paragraphs (a) to (d), inclusive,~~  
29    ~~of Provision 1 of Item 1530-001-0775 of the Budget Act of 1995~~  
30    ~~by January 1, 1996, as determined by the Department of Consumer~~

1 Affairs, then the department may succeed to and is vested with all  
2 the duties, powers, purpose, responsibilities, and jurisdiction of  
3 the board, including the employment of one executive director for  
4 the purposes of performing the department obligations herein.

5 (b) If the department elects to not exercise control over the board  
6 pursuant to subdivision (a), the department shall monitor the board  
7 on a monthly basis and the Controller shall, on a monthly basis,  
8 transfer the necessary amount of funds, not to exceed one-sixth of  
9 the amount of the appropriation for each fund identified in  
10 subdivision (c), to the board for the purpose of this subdivision.  
11 If at any time the department determines that the board is not  
12 meeting satisfactory progress toward the obligations set forth in  
13 subdivision (a), the department may invoke privileges of succession  
14 as allowed by subdivision (a).

15 Monitoring shall include a monthly report from the board, the  
16 status of meeting the obligations set forth in subdivisions (a)  
17 through (d), inclusive, of Provision 1 of Item 1530-001-0775 of  
18 the Budget Act of 1995 in addition to other statutory obligations  
19 as prescribed by law.

20 (e) Notwithstanding Section 107, any provision of law  
21 authorizing the appointment of an executive officer by the  
22 Structural Pest Control Board shall not be implemented and shall  
23 have no force or effect while the board is inoperative or repealed.  
24 This subdivision shall be in effect only if the Department of  
25 Consumer Affairs invokes privileges of succession pursuant to  
26 subdivision (a).

27 (d) In the event that the Structural Pest Control Board does not  
28 comply with Provision 1 of Item 1530-001-0775 of the Budget  
29 Act of 1995 by January 1, 1996, as determined by the department,  
30 the sum of one million three hundred fifty-five thousand dollars  
31 (\$1,355,000) is thereupon appropriated from the Structural Pest  
32 Control Fund to the department, and the sum of one hundred three  
33 thousand dollars (\$103,000) is thereupon appropriated from the  
34 Structural Pest Control Education and Enforcement Fund to the  
35 department, for purposes of this section.

36 *SEC. 3. Section 5096 of the Business and Professions Code,*  
37 *as added by Section 9 of Chapter 411 of the Statutes of 2012, is*  
38 *amended to read:*

39 5096. (a) An individual whose principal place of business is  
40 not in this state and who has a valid and current license, certificate,

1 or permit to practice public accountancy from another state may,  
2 subject to the conditions and limitations in this article, engage in  
3 the practice of public accountancy in this state under a practice  
4 privilege without obtaining a certificate or license under this  
5 chapter if the individual satisfies one of the following:

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

9 (2) The individual has a license, certificate, or permit from a  
10 state ~~which~~ *that* has been determined by the board to have  
11 education, examination, and experience qualifications for licensure  
12 substantially equivalent to this state's qualifications under Section  
13 5093.

14 (3) The individual possesses education, examination, and  
15 experience qualifications for licensure ~~which~~ *that* have been  
16 determined by the board to be substantially equivalent to this state's  
17 qualifications under Section 5093.

18 (b) The board may designate states as substantially equivalent  
19 under paragraph (2) of subdivision (a) and may accept individual  
20 qualification evaluations or appraisals conducted by designated  
21 entities, as satisfying the requirements of paragraph (3) of  
22 subdivision (a).

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

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

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

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

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

39 (e) An individual who holds a practice privilege under this  
40 article:

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

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

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

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

24 (5) Shall cooperate with any board investigation or inquiry and  
25 shall timely respond to a board investigation, inquiry, request,  
26 notice, demand, or subpoena for information or documents and  
27 timely provide to the board the identified information and  
28 documents.

29 (6) Shall cease exercising the practice privilege in this state if  
30 the regulatory agency in the state in which the individual's  
31 certificate, license, or permit was issued takes disciplinary action  
32 resulting in the suspension or revocation, including stayed  
33 suspension, stayed revocation, or probation of the individual's  
34 certificate, license, or permit, or takes other disciplinary action  
35 against the individual's certificate, license, or permit that arises  
36 from any of the following:

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

39 (B) Fraud or misappropriation of funds.

1 (C) Preparation, publication, or dissemination of false,  
2 fraudulent, or materially incomplete or misleading financial  
3 statements, reports, or information.

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

9 (8) Shall cease exercising the practice privilege if the United  
10 States Securities and Exchange Commission or the Public Company  
11 Accounting Oversight Board bars the individual from practicing  
12 before them.

13 (9) Shall cease exercising the practice privilege if any  
14 governmental body or agency suspends the right of the individual  
15 to practice before the body or agency.

16 *(10) Shall notify the board of any pending criminal charges,*  
17 *other than for a minor traffic violation, in any jurisdiction.*

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

24 (g) An individual who fails to cease practice as required by  
25 subdivision (e) or ~~that~~ *who* fails to provide the notice required by  
26 subdivision (f) shall be subject to the personal and subject matter  
27 jurisdiction and disciplinary authority of the board as if the practice  
28 privilege were a license and the individual were a licensee. An  
29 individual in violation of subdivision (e) or (f) shall, for a minimum  
30 of one year from the date the board learns there has been a violation  
31 of subdivision (e) or (f), not practice in this state and shall not have  
32 the possibility of reinstatement during that period. If the board  
33 determines that the failure to cease practice or provide the notice  
34 was intentional, that individual's practice privilege shall be revoked  
35 and there shall be no possibility of reinstatement for a minimum  
36 of two years.

37 (h) The board shall require an individual who provides notice  
38 to the board pursuant to subdivision (f) to cease the practice of  
39 public accountancy in this state until the board provides the

1 individual with written permission to resume the practice of public  
2 accountancy in this state.

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

9 (A) He or she has been the subject of any final disciplinary  
10 action by the licensing or disciplinary authority of any other  
11 jurisdiction with respect to any professional license or has any  
12 charges of professional misconduct pending against him or her in  
13 any other jurisdiction.

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

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

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

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

24 (2) An individual who fails to cease practice as required by  
25 subdivision (e) or who fails to provide the notice required by  
26 paragraph (1) shall be subject to the personal and subject matter  
27 jurisdiction and disciplinary authority of the board as if the practice  
28 privilege were a license and the individual were a licensee. An  
29 individual in violation of subdivision (e) or paragraph (1) shall,  
30 for a minimum of one year from the date the board knows there  
31 has been a violation of subdivision (e) or paragraph (1), not practice  
32 in this state and shall not have the possibility of reinstatement  
33 during that period. If the board determines that the failure to cease  
34 practice or provide the notice was intentional, that individual shall  
35 be prohibited from practicing in this state in the same manner as  
36 if a licensee has his or her practice privilege revoked and there  
37 shall be no possibility of reinstatement for a minimum of two years.

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

39 ~~(k)~~

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

4 *SEC. 4. Section 5096.2 of the Business and Professions Code,*  
5 *as added by Section 15 of Chapter 411 of the Statutes of 2012, is*  
6 *amended to read:*

7 5096.2. (a) (1) Practice privileges may be revoked for any of  
8 the following reasons:

9 (A) If an individual no longer qualifies under, or complies with,  
10 the provisions of this article, including, but not limited to, Section  
11 5096, or implementing regulations.

12 (B) If an individual commits any act that if committed by an  
13 applicant for licensure would be grounds for denial of a license  
14 under Section 480.

15 (C) If an individual commits any act that if committed by a  
16 licensee would be grounds for discipline under Section 5100.

17 (D) If an individual commits any act outside of this state that  
18 would be a violation if committed within this state.

19 (E) If an individual acquires at any time, while exercising the  
20 practice privilege, any disqualifying condition under paragraph  
21 (2).

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

33 (D) Any other conditions as specified by the board in regulation.

34 (3) The board may adopt regulations exempting specified minor  
35 occurrences of the conditions listed in subparagraph (B) of  
36 paragraph (2) from being disqualifying conditions under this  
37 subdivision.

38 (b) The board may revoke practice privileges using either of  
39 the following procedures:

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

1 (A) That the practice privilege is revoked.

2 (B) The reasons for revocation.

3 (C) The earliest date on which the individual may qualify for a  
4 practice privilege.

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

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

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

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

22 (d) Holders of practice privileges are subject to suspension,  
23 *citations*, fines, or other disciplinary actions for any conduct that  
24 would be grounds for discipline against a licensee of the board or  
25 for any conduct in violation of this article or regulations adopted  
26 thereunder.

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

30 (f) The provisions of the Administrative Procedure Act (Chapter  
31 3.5 (commencing with Section 11340) of Part 1 of Division 3 of  
32 Title 2 of the Government Code), including, but not limited to, the  
33 commencement of a disciplinary proceeding by the filing of an  
34 accusation by the board, shall apply under this article.

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

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

2 ~~(i)~~

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

6 *SEC. 5. Section 5096.12 of the Business and Professions Code,*  
7 *as added by Section 35 of Chapter 411 of the Statutes of 2012, is*  
8 *amended 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), *issue a citation and*  
22 *fine pursuant to Section 125.9*, or otherwise restrict or discipline  
23 the firm for any act that would be grounds for discipline against a  
24 holder of a practice privilege through which the firm practices.

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

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

28 ~~(e)~~

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

32 *SEC. 6. Section 7065.3 of the Business and Professions Code*  
33 *is amended to read:*

34 7065.3. Notwithstanding Section 7065, upon a conclusive  
35 showing by a licensee that he or she possesses experience  
36 satisfactory to the registrar in the classification applied for, an  
37 additional classification may be added, without further  
38 examination, under all of the following conditions:

39 (a) For five of the seven years immediately preceding the  
40 application, the qualifying individual of the licensee has been listed

1 as a member of the personnel of any licensee whose license was  
2 active and in good standing, and who during the period listed on  
3 a license was actively engaged in the licensee's construction  
4 activities.

5 (b) The qualifying individual for the applicant has had within  
6 the last 10 years immediately preceding the filing of the  
7 application, not less than four years experience as a journeyman,  
8 foreman, supervising employee, or contractor in the classification  
9 within which the licensee intends to engage in the additional  
10 classification as a contractor.

11 (c) The application is, as determined by the registrar, for a  
12 classification ~~which~~ *that* is closely related to the classification or  
13 classifications in which the licensee is licensed, or the qualifying  
14 individual is associated with a licensed general engineering  
15 contractor or licensed general building contractor and is applying  
16 for a classification ~~which~~ *that* is a significant component of the  
17 licensed contractor's construction business as determined by the  
18 registrar. This section shall not apply to an applicant who is  
19 licensed solely within the limited-specialty classifications.

20 Pursuant to Section 7065, the registrar shall conduct a  
21 comprehensive ~~field~~ investigation of no less than 3 percent of  
22 applications filed under this section to ensure that the applicants  
23 met the experience requirements of this section ~~and shall make~~  
24 ~~public, at quarterly meetings of the Contractors' State License~~  
25 ~~Board, a listing of all applications approved under this section~~  
26 ~~during the previous 12 months, including, but not limited to, the~~  
27 ~~name of the applicant, license number, classification applied for,~~  
28 ~~and existing classifications.~~

29 **SECTION 1.**

30 *SEC. 7.* Section 7114 of the Business and Professions Code is  
31 amended to read:

32 7114. (a) Aiding or abetting an unlicensed person to evade  
33 the provisions of this chapter or combining or conspiring with an  
34 unlicensed person, or allowing one's license to be used by an  
35 unlicensed person, or acting as agent or partner or associate, or  
36 otherwise, of an unlicensed person with the intent to evade the  
37 provisions of this chapter constitutes a cause for disciplinary action.

38 (b) A licensee who is found by the registrar to have violated  
39 subdivision (a) shall, in accordance with the provisions of this  
40 article, be subject to the registrar's authority to order payment of

1 a specified sum to an injured party, including, but not limited to,  
2 payment for any injury resulting from the acts of the unlicensed  
3 person.

4 ~~SEC. 2.~~

5 *SEC. 8.* Section 7141 of the Business and Professions Code is  
6 amended to read:

7 7141. (a) Except as otherwise provided in this chapter, a  
8 license that has expired may be renewed at any time within five  
9 years after its expiration by filing an application for renewal on a  
10 form prescribed by the registrar and payment of the appropriate  
11 renewal fee. Renewal under this section shall be effective on the  
12 date an acceptable renewal application is filed with the board. The  
13 licensee shall be considered unlicensed and there will be a break  
14 in the licensing time between the expiration date and the date the  
15 renewal becomes effective. Except as provided in subdivision (b),  
16 if the license is renewed after the expiration date, the licensee shall  
17 also pay the delinquency fee prescribed by this chapter.

18 (b) An incomplete renewal application that had originally been  
19 submitted on or before the license expiration date shall be returned  
20 to the licensee by the registrar with an explanation of the reasons  
21 for its rejection. If a corrected and acceptable renewal application  
22 is not returned within 30 days after the license expiration date, the  
23 delinquency fee shall apply. The 30 day grace period shall apply  
24 only to the delinquency fee. The license shall reflect an expired  
25 status for any period between the expiration date and the date of  
26 submission of a correct and acceptable renewal application.

27 (c) If so renewed, the license shall continue in effect through  
28 the date provided in Section 7140 that next occurs after the  
29 effective date of the renewal, when it shall expire if it is not again  
30 renewed.

31 (d) If a license is not renewed within five years, the licensee  
32 shall make an application for a license pursuant to Section 7066.

33 ~~SEC. 3.~~

34 *SEC. 9.* Section 7206 of the Business and Professions Code is  
35 amended to read:

36 7206. Special meetings shall be held upon request of a majority  
37 of the members of the board or upon the call of the president.

38 ~~SEC. 4.~~

39 *SEC. 10.* Section 7210 of the Business and Professions Code  
40 is amended to read:

1 7210. It shall be unlawful for any person to sell, offer for sale,  
2 give, hire or furnish under any other arrangement, any guide dog  
3 or to engage in the business or occupation of training ~~such a~~ *guide*  
4 dog unless he or she holds a valid and unimpaired license issued  
5 pursuant to this chapter.

6 ~~SEC. 5.~~

7 *SEC. 11.* Section 7851 is added to the Business and Professions  
8 Code, to read:

9 7851. (a) The board shall issue, upon application and payment  
10 of the fee established by Section 7887, a retired registration to a  
11 geologist or geophysicist who has been registered by the board for  
12 a minimum of five years within California and a minimum of 20  
13 years within the United States or its territories, and who holds a  
14 registration that is not suspended, revoked, or otherwise disciplined,  
15 or subject to pending discipline under this chapter.

16 (b) The holder of a retired registration issued pursuant to this  
17 section shall not engage in any activity for which an active  
18 geologist's or geophysicist's registration is required. A geologist  
19 or geophysicist holding a retired registration may use the titles  
20 "retired professional geologist" or "professional geologist, retired,"  
21 or "retired professional geophysicist" or "professional geophysicist,  
22 retired."

23 (c) The holder of a retired registration shall not be required to  
24 renew that registration.

25 (d) In order for the holder of a retired registration, issued  
26 pursuant to this section, to restore his or her registration to active  
27 status; he or she shall pass the examination required for initial  
28 registration with the board.

29 ~~SEC. 6.~~

30 *SEC. 12.* Section 7887 of the Business and Professions Code  
31 is amended to read:

32 7887. The amount of the fees prescribed by this chapter shall  
33 be fixed by the board in accordance with the following schedule:

34 (a) The fee for filing each application for registration as a  
35 geologist or a geophysicist or certification as a specialty geologist  
36 or a specialty geophysicist and for administration of the  
37 examination shall be fixed at not more than two hundred ~~and~~ fifty  
38 dollars (\$250).

39 (b) The registration fee for a geologist or for a geophysicist and  
40 the fee for the certification in a specialty shall be fixed at an amount

1 equal to the renewal fee in effect on the last regular renewal date  
2 before the date on which the certificate is issued, except that, with  
3 respect to certificates that will expire less than one year after  
4 issuance, the fee shall be fixed at an amount equal to 50 percent  
5 of the renewal fee in effect on the last regular renewal date before  
6 the date on which the certificate is issued. The board may, by  
7 appropriate regulation, provide for the waiver or refund of the  
8 initial certificate fee where the certificate is issued less than 45  
9 days before the date on which it will expire.

10 (c) The duplicate certificate fee shall be fixed at not more than  
11 six dollars (\$6).

12 (d) The temporary registration fee for a geologist or for a  
13 geophysicist shall be fixed at not more than eighty dollars (\$80).

14 (e) The renewal fee for a geologist or for a geophysicist shall  
15 be fixed at not more than four hundred dollars (\$400).

16 (f) The renewal fee for a specialty geologist or for a specialty  
17 geophysicist shall be fixed at not more than one hundred dollars  
18 (\$100).

19 (g) Notwithstanding Section 163.5, the delinquency fee for a  
20 certificate is an amount equal to 50 percent of the renewal fee in  
21 effect on the last regular renewal date.

22 (h) Each applicant for registration as a geologist shall pay an  
23 examination fee fixed at an amount equal to the actual cost to the  
24 board to administer the examination described in subdivision (d)  
25 of Section 7841.

26 (i) Each applicant for registration as a geophysicist or  
27 certification as an engineering geologist or certification as a  
28 hydrogeologist shall pay an examination fee fixed by the board at  
29 an amount equal to the actual cost to the board for the development  
30 and maintenance of the written examination, and shall not exceed  
31 one hundred dollars (\$100).

32 (j) The fee for a retired registration shall be fixed at not more  
33 than 50 percent of the fee for filing an application for registration  
34 as a geologist or a geophysicist in effect on the date of application  
35 for a retired registration.

36 *SEC. 13. Section 17914 of the Business and Professions Code*  
37 *is amended to read:*

38 17914. The statement shall be signed as follows:

39 (a) If the registrant is an individual, by the individual.

1 (b) If the registrants are ~~husband and wife, by the husband or~~  
2 ~~wife a married couple, by either party to the marriage.~~

3 (c) If the registrant is a general partnership, limited partnership,  
4 limited liability partnership, copartnership, joint venture, or  
5 unincorporated association other than a partnership, by a general  
6 partner.

7 (d) If the registrant is a limited liability company, by a manager  
8 or officer.

9 (e) If the registrant is a trust, by a trustee.

10 (f) If the registrant is a corporation, by an officer.

11 (g) If the registrant is a state or local registered domestic  
12 partnership, by one of the domestic partners.

13 ~~SEC. 7.~~

14 *SEC. 14.* No reimbursement is required by this act pursuant to  
15 Section 6 of Article XIII B of the California Constitution because  
16 the only costs that may be incurred by a local agency or school  
17 district will be incurred because this act creates a new crime or  
18 infraction, eliminates a crime or infraction, or changes the penalty  
19 for a crime or infraction, within the meaning of Section 17556 of  
20 the Government Code, or changes the definition of a crime within  
21 the meaning of Section 6 of Article XIII B of the California  
22 Constitution.

**CALIFORNIA BOARD OF ACCOUNTANCY  
LEGISLATIVE ANALYSIS  
SB 823**

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**Subject:** Accountancy: Licensure

**Author:** Business, Professions and Economic  
Development Committee

**Version:** March 20, 2013

**Sponsor:** None

**Status:** Senate Floor

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### **Summary**

This bill would allow students enrolled in a program that grants concurrent conferral of a master's and baccalaureate degree to qualify for the Uniform CPA Examination (CPA Exam) prior to completing the master's degree program if they have fulfilled the baccalaureate degree requirements. This bill would also allow prospective certified public accountants (CPA), who complete and pass all four sections of the Uniform CPA Exam (CPA Exam) on or before December 31, 2013, two years to obtain licensure under the existing requirements.

### **Recommendation**

Support. This bill contains the CBA's legislative proposals.

### **Background**

At its November 2012 CBA meeting, the CBA voted to approve a legislative proposal to allow students enrolled in a five-year master's degree program to sit for the CPA Exam prior to completing the master's degree program provided they fulfilled the baccalaureate degree requirements. The CBA also approved a legislative proposal to extend the pathways to December 31, 2015 for candidates who complete the CPA Exam by December 31, 2013.

### **Analysis**

#### Five-year Master's Degree Program

Section 5093 of the Business and Professions (B&P) Code requires that an applicant for the CPA Exam shall present evidence that a baccalaureate degree has been completed and conferred. Applicants enrolled in a five-year master's degree program typically receive concurrent conferral of a baccalaureate and master's degree. Under existing law, if the candidate has fulfilled the baccalaureate degree requirements but the institution does not confer the degree until the conclusion of the of the five-year program, the applicant cannot qualify for the CPA Exam.

This bill would amend section 5093 of the B&P Code to allow applicants who are enrolled in a program that grants concurrent conferral of a master's and baccalaureate degree, to qualify for the CPA Exam prior to the conferral of a baccalaureate degree. In order to qualify, the institution must provide to the CBA a letter and transcripts documenting that:

- The applicant is in good standing in a program that will result in the concurrent conferral of degrees;
- The applicant fulfilled the requirements for the baccalaureate degree; and

## **SB 823 – Accountancy: Licensure**

Page 2 of 2

- The date on which the applicant met the institution’s requirements for conferral of a baccalaureate degree.

### Pathway Extension

Existing law provides for two pathways under which an applicant can obtain licensure.

- B&P Code section 5092 (Pathway 1) – baccalaureate degree, 24 semester units each of accounting and business-related subjects, two years of general accounting experience
- B&P Code section 5093 (Pathway 2) – baccalaureate degree with a minimum of 150 semester units, 24 semester units each of accounting and business-related subjects, one year of general accounting experience

Legislation passed in 2009, specifically SB 819, set in motion significant changes to the present pathways to licensure. Beginning January 1, 2014, applicants will no longer be able to apply under Pathway 1 and the educational requirements for Pathway 2 will significantly increase. Specifically, in addition to the already existing educational requirements (outlined above), applicants will need to complete an additional 20 semester units in accounting study and 10 semester units of ethics study.

There was concern that applicants coming up on the January 1, 2014 date may have begun their collegiate life and undertaken completing the required education based on the present pathway requirements, and for those who elected to seek licensure under Pathway 1 that they would fall short of the necessary two years of general accounting experience.

This bill would address the CBA’s concerns by extending applicants’ ability to apply for licensure under the present pathway requirements until December 31, 2015 provided applicants had passed the CPA Exam on or before December 31, 2013.

### **Fiscal Estimate**

Neither of the legislative proposals will create a significant fiscal impact on CBA resources.

### **Support/Opposition**

Support: California Society of CPAs  
Executive Officer, California Board of Accountancy

Opposition: None on file.

### **Effective/Operative Date**

Effective upon signature of the Governor.

### **Related Bills**

None.

### **Attachment**

Attachment 1 – Executive Officer’s Letter of Support for SB 822 and SB 823

Attachment 2 – SB 823

**SENATE BILL****No. 823**

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**Introduced by Committee on Business, Professions and Economic Development (Senators Price (Chair), Block, Corbett, Emmerson, Galgiani, Hernandez, Hill, Padilla, Wyland, and Yee)**

March 20, 2013

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An act to amend Sections 5092, 5093, and 5094.3 of the Business and Professions Code, relating to accountancy, and declaring the urgency thereof, to take effect immediately.

## LEGISLATIVE COUNSEL'S DIGEST

SB 823, as introduced, Committee on Business, Professions and Economic Development. Accountancy: licensure.

Existing law provides for the licensing and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law prohibits a person from engaging in the practice of public accountancy in this state unless he or she holds either a valid permit issued by the board or a practice privilege, as specified.

Existing law sets forth education, examination, and experience requirements for accountancy licensure. Existing law provides that certain licensure requirement provisions shall become inoperative on January 1, 2014, unless other particular licensure requirements are reduced, eliminated, amended, or repealed.

This bill would allow applicants who have satisfied the examination requirement on or before December 31, 2013, and who meet all remaining requirements for the issuance of a certified public accountant license on or before December 31, 2015, to be issued a license, notwithstanding that particular licensure requirement provisions may become inoperative as of January 1, 2014.

Existing law sets forth the requirements for an applicant for admission to the examination for a certified public accountant, including the

production of evidence that the applicant has completed a baccalaureate or higher degree. Existing law requires that an applicant shall provide documentation of the completion of particular ethics studies.

This bill would allow an applicant who has not been conferred a baccalaureate degree solely because he or she is enrolled in a program that confers master's and baccalaureate degrees concurrently, to be eligible for admission to the examination if the applicant's educational institution mails materials to the board showing the applicant has satisfied certain requirements.

This bill would also allow an applicant who successfully passed the accountant examination on or before December 31, 2013, to qualify for a license without satisfying other particular educational requirements, provided that the applicant completes other requirements for the issuance of a license on or before December 31, 2015.

This bill would also make technical, nonsubstantive changes to these provisions.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

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

1 SECTION 1. Section 5092 of the Business and Professions  
2 Code is amended to read:  
3 5092. (a) To qualify for the certified public accountant license,  
4 an applicant who is applying under this section shall meet the  
5 education, examination, and experience requirements specified in  
6 subdivisions (b), (c), and (d), or otherwise prescribed pursuant to  
7 this article. The board may adopt regulations as necessary to  
8 implement this section.  
9 (b) An applicant for the certified public accountant license shall  
10 present satisfactory evidence that the applicant has completed a  
11 baccalaureate or higher degree conferred by a college or university,  
12 meeting, at a minimum, the standards described in Section 5094,  
13 the total educational program to include a minimum of 24 semester  
14 units in accounting subjects and 24 semester units in business  
15 related subjects. This evidence shall be provided prior to admission  
16 to the examination for the certified public accountant license,  
17 except that an applicant who applied, qualified, and sat for at least

1 two subjects of the examination for the certified public accountant  
2 license before May 15, 2002, may provide this evidence at the  
3 time of application for licensure.

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

6 (d) The applicant shall show, to the satisfaction of the board,  
7 that the applicant has had two years of qualifying experience. This  
8 experience may include providing any type of service or advice  
9 involving the use of accounting, attest, compilation, management  
10 advisory, financial advisory, tax, or consulting skills. To be  
11 qualifying under this section, experience shall have been performed  
12 in accordance with applicable professional standards. Experience  
13 in public accounting shall be completed under the supervision or  
14 in the employ of a person licensed or otherwise having comparable  
15 authority under the laws of any state or country to engage in the  
16 practice of public accountancy. Experience in private or  
17 governmental accounting or auditing shall be completed under the  
18 supervision of an individual licensed by a state to engage in the  
19 practice of public accountancy.

20 (e) (1) This section shall become inoperative on January 1,  
21 2014, but shall become or remain operative if the educational  
22 requirements in ethics study and accounting study established by  
23 subdivision (b) of Section 5094, Section ~~5094.5~~ 5094.3, and  
24 Section 5094.6 are reduced or eliminated.

25 (2) *Notwithstanding paragraph (1), this section shall remain*  
26 *operative and continue to apply to an applicant who has*  
27 *successfully passed the examination requirement specified under*  
28 *Section 5082 on or before December 31, 2013, and who meets all*  
29 *remaining requirements for the issuance of a certified public*  
30 *accountant license on or before December 31, 2015.*

31 SEC. 2. Section 5093 of the Business and Professions Code is  
32 amended to read:

33 5093. (a) To qualify for the certified public accountant license,  
34 an applicant who is applying under this section shall meet the  
35 education, examination, and experience requirements specified in  
36 subdivisions (b), (c), and (d), or otherwise prescribed pursuant to  
37 this article. The board may adopt regulations as necessary to  
38 implement this section.

39 (b) (1) An applicant for admission to the certified public  
40 accountant examination under the provisions of this section shall

1 present satisfactory evidence that the applicant has completed a  
2 baccalaureate or higher degree conferred by a degree-granting  
3 university, college, or other institution of learning accredited by  
4 a regional or national accrediting agency included in a list of these  
5 agencies published by the United States Secretary of Education  
6 under the requirements of the Higher Education Act of 1965 as  
7 amended (20 U.S.C. Sec. 1001 et seq.), or meeting, at a minimum,  
8 the standards described in subdivision (c) of Section 5094. The  
9 total educational program shall include a minimum of 24 semester  
10 units in accounting subjects and 24 semester units in  
11 business-related subjects. This evidence shall be provided at the  
12 time of application for admission to the examination, except that  
13 an applicant who applied, qualified, and sat for at least two subjects  
14 of the examination for the certified public accountant license before  
15 May 15, 2002, may provide this evidence at the time of application  
16 for licensure.

17 (A) *An applicant enrolled in a program at an institution as*  
18 *described in this paragraph that grants concurrent conferral of a*  
19 *master's and a baccalaureate degree may satisfy the requirements*  
20 *of this subdivision if the applicant's institution mails the applicant's*  
21 *official transcript or its equivalent together or separately with a*  
22 *letter signed by the institution's registrar, or its equivalent, directly*  
23 *to the board pursuant to subdivision (c) of Section 5094. The letter*  
24 *shall include all of the following:*

25 (i) *A statement that the applicant is enrolled and in good*  
26 *standing in a program that will result in the concurrent conferral*  
27 *of a master's and a baccalaureate degree.*

28 (ii) *A statement that the applicant has completed all*  
29 *requirements, including general education and elective*  
30 *requirements, for a baccalaureate degree and the only reason the*  
31 *college or university has yet to confer the degree is because the*  
32 *applicant is enrolled in a program that confers a master's and a*  
33 *baccalaureate degree concurrently.*

34 (iii) *The date on which the applicant met all of the college's or*  
35 *university's requirements for conferral of a baccalaureate degree.*

36 (B) *The total educational program for an applicant described*  
37 *in subparagraph (A) shall include a minimum of 24 semester units*  
38 *in accounting subjects and 24 semester units in business-related*  
39 *subjects. This evidence shall be provided at the time of application*  
40 *for admission to the examination, except that an applicant who*

1 *applied, qualified, and sat for at least two subjects of the*  
2 *examination for the certified public accountant license before May*  
3 *15, 2002, may provide this evidence at the time of application for*  
4 *licensure.*

5 (2) An applicant for issuance of the certified public accountant  
6 license under the provisions of this section shall present satisfactory  
7 evidence that the applicant has completed at least 150 semester  
8 units of college education including a baccalaureate or higher  
9 degree conferred by a college or university, meeting, at a minimum,  
10 the standards described in Section 5094, the total educational  
11 program to include a minimum of 24 semester units in accounting  
12 subjects, 24 semester units in business-related subjects, and, after  
13 December 31, 2013, shall also include a minimum of 10 units of  
14 ethics study consistent with the requirements set forth in Section  
15 5094.3 and 20 units of accounting study consistent with the  
16 regulations promulgated under subdivision (c) of Section 5094.6.  
17 This evidence shall be presented at the time of application for the  
18 certified public accountant license. Nothing herein shall be deemed  
19 inconsistent with Section 5094 or 5094.6. Nothing herein shall be  
20 construed to be inconsistent with prevailing academic practice  
21 regarding the completion of units.

22 (c) An applicant for the certified public accountant license shall  
23 pass an examination prescribed by the board.

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

38 (e) Applicants completing education at a college or university  
39 located outside of this state, meeting, at a minimum, the standards  
40 described in Section 5094, shall be deemed to meet the educational

1 requirements of this section if the board determines that the  
2 education is substantially equivalent to the standards of education  
3 specified under this chapter.

4 *(f) An applicant who has successfully passed the examination*  
5 *requirement specified under Section 5082 on or before December*  
6 *31, 2013, may qualify for the certified public accountant license*  
7 *without satisfying the 10 semester units of study set forth in Section*  
8 *5094.3 or 20 semester units of accounting study consistent with*  
9 *the regulations promulgated under Section 5094.6, if the applicant*  
10 *completes all other requirements for the issuance of a license on*  
11 *or before December 31, 2015.*

12 SEC. 3. Section 5094.3 of the Business and Professions Code  
13 is amended to read:

14 5094.3. (a) An applicant for licensure as a certified public  
15 accountant shall, to the satisfaction of the board, provide  
16 documentation of the completion of 10 semester units or 15 quarter  
17 units of ethics study, as set forth in paragraph (2) of subdivision  
18 (b) of Section 5093, in the manner prescribed in this section.

19 (b) (1) Between January 1, 2014, and December 31, 2016,  
20 inclusive, an applicant shall complete 10 semester units or 15  
21 quarter units in courses described in subdivisions (d), (e), and (f).

22 (2) Beginning January 1, 2017, an applicant shall complete 10  
23 semester units or 15 quarter units in courses described in  
24 subdivisions (c), (d), (e), and (f).

25 (c) A minimum of three semester units or four quarter units in  
26 courses at an upper division level or higher devoted to accounting  
27 ethics or accountants' professional responsibilities, unless the  
28 course was completed at a community college, in which case it  
29 need not be completed at the upper division level or higher.

30 (d) Between January 1, 2014, and December 31, 2016, inclusive,  
31 a maximum of 10 semester units or 15 quarter units, and on and  
32 after January 1, 2017, a maximum of 7 semester units or 11 quarter  
33 units, in courses containing the following terms in the course title:

- 34 (1) Business, government, and society.  
35 (2) Business law.  
36 (3) Corporate governance.  
37 (4) Corporate social responsibility.  
38 (5) Ethics.  
39 (6) Fraud.  
40 (7) Human resources management.

- 1 (8) Business leadership.
- 2 (9) Legal environment of business.
- 3 (10) Management of organizations.
- 4 (11) Morals.
- 5 (12) Organizational behavior.
- 6 (13) Professional responsibilities.
- 7 (14) Auditing.

8 (e) (1) A maximum of three semester units or four quarter units  
9 in courses taken in the following disciplines:

- 10 (A) Philosophy.
- 11 (B) Religion.
- 12 (C) Theology.

13 (2) To qualify under this subdivision, the course title shall  
14 contain one or more of the terms “introduction,” “introductory,”  
15 “general,” “fundamentals of,” “principles,” “foundation of,” or  
16 “survey of,” or have the name of the discipline as the sole name  
17 of the course title.

18 (f) A maximum of one semester unit of ethics study for  
19 completion of a course specific to financial statement audits.

20 (g) *An applicant who has successfully passed the examination*  
21 *requirement specified under Section 5082 on or before December*  
22 *31, 2013, is exempt from this section unless the applicant fails to*  
23 *obtain the qualifying experience as specified in Section 5092 or*  
24 *5093 on or before December 31, 2015.*

25 SEC. 4. This act is an urgency statute necessary for the  
26 immediate preservation of the public peace, health, or safety within  
27 the meaning of Article IV of the Constitution and shall go into  
28 immediate effect. The facts constituting the necessity are:

29 In order that accountants be permitted to lawfully provide  
30 services to their clients in California as soon as possible, it is  
31 necessary that this bill take effect immediately.



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**LC Item II.J.**  
May 23, 2013

**CBA Item X.B.3.j.**  
May 23-24, 2013

**Assembly Bill 132: Personal Income Taxes: Retirement Plans: Early Distributions.**

**Presented by:** Andrew R. Breece, Legislative Coordinator

**Date:** May 7, 2013

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**Purpose of the Item**

The purpose of this agenda item is to present Assembly Bill (AB) 132 (**Attached**) for California Board of Accountancy (CBA) review and deliberation.

**Action(s) Needed**

No action is required; however CBA members may act to take a position on AB 132.

**Background**

Historically, bills are presented to the CBA that relate to the CBA mission or otherwise impacts the CBA in some manner. This bill impacts personal income taxes resulting from early distributions from specified retirement plans. This bill was discussed by CBA members during a recent legislative visit with Assemblymember Holden's office. Assemblymember Holden's office requested that AB 132 be presented for CBA consideration of a position.

**Comments**

Presently, the Personal Income Tax Law, in modified conformity to federal income tax laws, imposes an additional tax upon early distributions from specified retirement plans, as provided.

This bill would, for taxable years, beginning on or after January 1, 2014, and before January 1, 2017, exclude from that additional tax the first \$6,000 distributed to an individual for the purpose of paying qualified costs, as defined, with respect to acquisition indebtedness for a principal residence, as provided. This bill would take effect immediately as a tax levy.

**Fiscal/Economic Impact Considerations**

CBA staff has not completed a fiscal or economic impact analysis on this bill.

**Recommendation**

Staff does not have a recommended position on AB 132. The CBA typically only takes a position on bills that relate to the CBA mission or otherwise impact the CBA.

**Assembly Bill 132: Personal income taxes: Retirement plans: Early Distributions.**

Page 2 of 2

CBA members could direct staff to monitor the bill internally and provide updates to members as the bill moves through the legislative process.

Additionally, subsequent to the legislative visit, CBA staff sent a thank you letter to Assembly Member Holden's office and referenced in the letter that AB 132 would be presented for CBA review and deliberation, but that historically the CBA only takes a position on bills that relate to the CBA mission or otherwise impacts the CBA.

**Attachment**

AB 132

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 132**

**Introduced by Assembly Member Holden**  
*(Coauthor: Assembly Member Morrell)*

January 16, 2013

An act to amend Section 17085 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 132, as amended, Holden. Personal income taxes: retirement plans: early distributions.

The Personal Income Tax Law, in modified conformity to federal income tax laws, imposes an additional tax upon early distributions from specified retirement plans, as provided.

This bill would, for taxable years, beginning on or after January 1, 2014, and before January 1, 2017, exclude from that additional tax the first \$6,000 distributed to an individual for the purpose of paying qualified costs, as defined, with respect to acquisition indebtedness for a principal residence, as provided.

This bill would take effect immediately as a tax levy.

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 17085 of the Revenue and Taxation Code
- 2 is amended to read:

1 17085. Section 72 of the Internal Revenue Code, relating to  
2 annuities, certain proceeds of endowment and life insurance  
3 contracts, is modified as follows:

4 (a) The amendments and transitional rules made by Public Law  
5 99-514 shall be applicable to this part for the same transactions  
6 and the same years as they are applicable for federal purposes,  
7 except that the repeal of Section 72(d) of the Internal Revenue  
8 Code, relating to repeal of special rule for employees' annuities,  
9 shall apply only to the following:

10 (1) Any individual whose annuity starting date is after December  
11 31, 1986.

12 (2) At the election of the taxpayer, any individual whose annuity  
13 starting date is after July 1, 1986, and before January 1, 1987.

14 (b) The amount of a distribution from an individual retirement  
15 account or annuity or employee trust or employee annuity that is  
16 includable in gross income for federal purposes shall be reduced  
17 for purposes of this part by the lesser of either of the following:

18 (1) An amount equal to the amount includable in federal gross  
19 income for the taxable year.

20 (2) An amount equal to the basis in the account or annuity  
21 allowed by Section 17507 (relating to individual retirement  
22 accounts and simplified employee pensions), the increased basis  
23 allowed by Sections 17504 and 17506 (relating to plans of  
24 self-employed individuals), the increased basis allowed by Section  
25 17501, or the increased basis allowed by Section 17551 that is  
26 remaining after adjustment for reductions in gross income under  
27 this provision in prior taxable years.

28 (c) (1) Except as provided in paragraph (2), the amount of the  
29 additional tax imposed under this part shall be computed in  
30 accordance with Sections 72(m), (q), (t), and (v) of the Internal  
31 Revenue Code, as applicable for federal income tax purposes for  
32 the same taxable year, using a rate of 2½ percent, in lieu of the  
33 rate provided in those sections.

34 (2) In the case where Section 72(t)(6) of the Internal Revenue  
35 Code, relating to special rules for simple retirement accounts, as  
36 applicable for federal income tax purposes for the same taxable  
37 year, applies, the rate in paragraph (1) shall be 6 percent in lieu of  
38 the 2½-percent rate specified therein.

39 ~~(3) (A) Notwithstanding paragraphs (1) and (2), for taxable~~  
40 ~~years beginning on or after January 1, 2014, and before January~~

1 ~~1, 2017, an individual shall not pay the additional tax described~~  
2 ~~in paragraph (1) for early withdrawal of a qualified principal~~  
3 ~~residence payment distribution from his or her retirement account~~  
4 ~~when the moneys are used to reduce qualified costs.~~

5 *(3) (A) For taxable years beginning on or after January 1,*  
6 *2014, and before January 1, 2017, Section 72(t)(2) of the Internal*  
7 *Revenue Code, relating to subsection not to apply to certain*  
8 *distributions, is modified to additionally provide that Section*  
9 *72(t)(1) of the Internal Revenue Code, relating to imposition of*  
10 *additional tax, shall not apply to distributions made to an*  
11 *individual from a qualified retirement plan to the extent such*  
12 *distributions do not exceed the aggregate amount of qualified*  
13 *principal residence payment distributions.*

14 (B) For the purposes of this paragraph:

15 (i) “Acquisition indebtedness” shall have the same meaning as  
16 in Section 163(h)(3)(B) of the Internal Revenue Code, except that  
17 the dollar limitation in Section 163(h)(3)(B)(ii) of the Internal  
18 Revenue Code shall not apply.

19 (ii) “Qualified costs” means either of the following:

20 (I) Amounts paid as principal or interest on acquisition  
21 indebtedness.

22 (II) Amounts paid as part of a loan modification that either  
23 reduces the principal or interest of acquisition indebtedness.

24 (iii) “Qualified principal residence payment distribution” means  
25 any payment or distribution received by an individual to the extent  
26 that the payment or distribution is used by the individual before  
27 the close of the 60th day after the day on which that payment or  
28 distribution is received to pay qualified costs with respect to a  
29 principal residence of the individual or spouse of the individual.

30 ~~(C) This paragraph shall only apply to an individual that meets~~  
31 ~~both of the following requirements:~~

32 ~~(i) The individual only owns one home, occupied by the~~  
33 ~~individual as his or her principal residence, that has a market value~~  
34 ~~that is less than the amount the individual owes on his or her~~  
35 ~~acquisition indebtedness on that home.~~

36 ~~(ii) The individual receives, and provides certification of,~~  
37 ~~counseling from a counseling agency approved by the United States~~  
38 ~~Department of Housing and Urban Development, as provided in~~  
39 ~~Subpart B of Part 214 of Title 24 of the Code of Federal~~  
40 ~~Regulations. The certification shall be signed by the individual~~

1 and the agency counselor, and shall include the date of the  
2 counseling and the name, address, and telephone number of both  
3 the counselor and the individual.

4 (iii) The counseling agency shall not receive any compensation,  
5 either directly or indirectly, from the lender or from any other  
6 person involved in originating or servicing the acquisition  
7 indebtedness.

8 (D) The aggregate amount of qualified principal residence  
9 payment distributions received by an individual for all taxable  
10 years shall not exceed six thousand dollars (\$6,000).

11 (C) This paragraph shall apply only if:

12 (i) The individual and, if married, the spouse of the individual,  
13 collectively own no more than one residence that is used by either  
14 the individual or the spouse of the individual, or by both, as a  
15 principal residence (within the meaning of Section 121 of the  
16 Internal Revenue Code, relating to exclusion of gain or sale of  
17 principal residence) and neither the individual nor, if married, the  
18 spouse of the individual, own any other residence that is used by  
19 either the individual or spouse of the individual, or by both, as a  
20 residence that is not a principal residence within the meaning of  
21 Section 280A(d)(1) of the Internal Revenue Code, relating to use  
22 as a residence.

23 (ii) The principal residence has a market value that is less than  
24 the unpaid balance of acquisition indebtedness on that residence.

25 (D) The aggregate amount of distributions received by an  
26 individual that may be treated as qualified principal residence  
27 payment distributions under this paragraph shall not exceed a  
28 total of six thousand dollars (\$6,000) for all taxable years.

29 (E) The Franchise Tax Board may promulgate regulations as  
30 necessary or appropriate to carry out the purposes of this paragraph.

31 (d) Section 72(f)(2) of the Internal Revenue Code shall be  
32 applicable without applying the exceptions which immediately  
33 follow that paragraph.

34 (e) Section 72(e)(II) of the Internet Revenue Code shall not  
35 apply.

36 SEC. 2. This act provides for a tax levy within the meaning of  
37 Article IV of the Constitution and shall go into immediate effect.

O



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**LC Item VI.**  
May 23, 2013

**CBA Item X.B.6.**  
May 23-24, 2013

**Discussion and Possible Action on a Legislative Proposal to Amend Business and Professions Code Section 5087 Regarding Reciprocity of License From Another State**

**Presented by:** Dominic Franzella, Chief, Licensing Division

**Date:** May 8, 2013

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**Purpose of the Item**

The purpose of this item is to determine whether the California Board of Accountancy (CBA) desires to amend Business and Professions (B&P) Code section 5087 (**Attachment 1**) related to reciprocity.

**Action(s) Needed**

The CBA will be asked to decide whether to sponsor the proposed language as legislation.

**Background**

Since as far back as 1945, the CBA has maintained a statute that focuses on the topic of reciprocity. Over the years the statute has been modified, with the last substantive change occurring in 2001 when the Legislature took steps to remove a requirement that an applicant for licensure be over the age of 18.

**Comments**

B&P Code section 5087 provides the CBA with the authority to issue a certified public accountant (CPA) license to an applicant who holds a valid and unrevoked license under the laws of any state, if the CBA determines that the standards under which the applicant received the license are substantially equivalent to the standards of education, examination, and experience in California. This presents a moving target relative to determining if an applicant qualifies for licensure pursuant to B&P Code section 5087.

This statute, as presently enacted, requires the CBA to evaluate the standards under which the initial licensing body issued the license to determine if the standards are consistent with present standards for California licensure. This creates an issue if an applicant was licensed several years ago – primarily the need to obtain the requirements under which the licensing body issued the license.

The change staff has brought forth in **Attachment 2** would eliminate the existing “look-back” approach and replace with a concept substantially similar to that found in the practice privilege provisions. Specifically, the CBA would establish a list of states that it has determined to have licensing requirements substantially equivalent to existing law.

## **Discussion and Possible Action on a Legislative Proposal to Amend Business and Professions Code Section 5087 Regarding Reciprocity of License From Another State**

Page 2 of 2

Provided the CBA adopts the proposed language and upon successful passage, staff would move forward with bringing forth a proposed rulemaking to establish a list of substantially equivalent states.

This is a substantially similar process to that which the CBA just completed with respect to the new practice privilege provisions. For those provisions, the CBA established a list of substantially equivalent states, as it relates to B&P Code section 5093.<sup>1</sup> Specifically, the CBA adopted regulatory text based on the National Association of State Boards of Accountancy's list of substantially equivalent states.

If the CBA elects to modify B&P Code section 5087 as offered by staff, an applicant that provides proof of a CPA license issued from a state on a CBA-determined list would not need to document completion of the education, examination, and experience requirements. The applicant will, however, still need to meet other licensing-related provisions such as meeting CBA Regulation section 21 (**Attachment 3**), undergoing a state and federal level criminal offender record information search, and completing the Professional Ethics for CPAs (PETH) examination.

Staff has been in contact with staff from the Senate Business, Professions and Economic Development Committee and has been informed that if the CBA approves language at this meeting it can be placed in omnibus legislation.

### **Fiscal/Economic Impact Considerations**

Staff does not anticipate any fiscal or economic impact associated with this statutory change beyond the normal course of operations to update materials associated with any statutory changes.

### **Recommendation**

Staff recommends that the CBA adopt the proposed legislative amendments found in **Attachment 2**.

### **Attachment**

1. Present B&P Code Section 5087
2. Proposed Legislative Amendments to B&P Code Section 5087
3. CBA Regulation Section 21

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<sup>1</sup> This is commonly known as Pathway 2 and presently requires a baccalaureate degree with a minimum of 150 semester units, 24 semester units each of accounting and business-related subjects, and one year of general accounting experience.

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**Attachment 1****Present Business and Professions Code Section 5087****5087. Reciprocity of license from another state; Waiver of examination requirements**

(a) The board may issue a certified public accountant license to any applicant who is a holder of a valid and unrevoked certified public accountant license issued under the laws of any state, if the board determines that the standards under which the applicant received the license are substantially equivalent to the standards of education, examination, and established under this chapter and the applicant has not committed acts or crimes constituting grounds for denial under Section 480. To be authorized to sign reports on attest engagements, the applicant shall meet the requirements of Section 5095.

(b) The board may in particular cases waive any of the requirements regarding the circumstances in which the various parts of the examination were to be passed for an applicant from another state.

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**Attachment 2****Proposed Legislative Amendments to Business and Professions Code  
Section 5087****5087. Reciprocity of license from another state; Waiver of examination requirements**

(a) The board may issue a certified public accountant license to any applicant who is a holder of a valid and unrevoked certified public accountant license issued under the laws of any state, if the board determines that the license was issued by a state the board has determined to have standards under which the applicant received the license are substantially equivalent to the standards of education, examination, and experience established under this chapter and the applicant has not committed acts or crimes constituting grounds for denial under Section 480. To be authorized to sign reports on attest engagements, the applicant shall meet the requirements of Section 5095.

(b) The board may in particular cases waive any of the requirements regarding the circumstances in which the various parts of the examination were to be passed for an applicant from another state.

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**Attachment 3****CBA Regulation Section 21****21. Out-of-State Licensee.**

(a) The Board will consider applications filed under Section 5087 from holders of valid unrevoked Certified Public Accountant licenses issued under the laws of any state. The Board may deny an application when the facts indicate that the applicant has been a California resident before, during or after having obtained a CPA license in another state and when the facts indicate that the applicant's CPA license was obtained in another state to evade otherwise applicable California statutes and rules.

(b) An applicant pursuant to Business and Professions Code Section 5087 may be considered to have met the education, examination, and experience requirements for issuance of the California license if the applicant shows, to the satisfaction of the Board, that he or she has engaged in the practice of public accounting as a licensed Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

(c) An applicant pursuant to Business and Professions Code Section 5087 may be considered to have met the attest experience requirement of Section 5095 if the applicant shows to the satisfaction of the Board that he or she has been authorized to provide attest services and engaged in the practice of public accounting as a Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

Note: Authority cited: Section 5010 and 5018, Business and Professions Code.  
Reference: Section 5082, 5087 and 5095, Business and Professions Code.

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**Taskforce Item II.**      **CBA Item X.C.2.**  
May 23, 2013              May 23-24, 2013

**Discussion Regarding the Taskforce Purpose and Goal**

**Presented by:** Manuel Ramirez, CPA, Taskforce Chair

**Date:** May 8, 2013

**Purpose of the Item**

This agenda item is offered to outline the guiding purpose and goal of the Taskforce to Examine Experience for CPA Licensure (Taskforce).

**Action(s) Needed**

None.

**Background**

California Board of Accountancy (CBA) President Leslie LaManna, CPA, announced the establishment of the Taskforce at the March 2013 CBA meeting. At the meeting, President LaManna indicated that she established the Taskforce to examine a possible shift to a single experience requirement for CPA licensure.

**Comments**

The May 2013 meeting represents the inaugural meeting for the Taskforce. As such, the meeting has been scheduled to provide ample time to allow Taskforce members to offer their respective view points and for the Taskforce to set the stage for further consideration on the topic of California CPA licensure experience.

As bared out in the remaining Taskforce agenda items, the present law provides for two options for satisfying the experience requirement for CPA licensure – general accounting or attest. The two experience options an applicant can complete oftentimes leads to the notion that the CBA issues two distinct license types, which is not the case. Regardless of the experience gained, upon completion of the necessary licensure requirements, an applicant will receive a California CPA license. The only difference is that an individual receiving a license with the completion of general accounting experience may not sign reports on attest engagements.<sup>1</sup>

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<sup>1</sup> The CBA defines attest engagements in CBA Regulation section 2.4, which states “Attest services as used in Section 5095 of the Business and Professions Code...include an audit, a review of financial statements, or an examination of prospective financial information. Attest services shall not include the issuance of compiled financial statements.”

## **Discussion Regarding the Taskforce Purpose and Goal**

Page 2 of 2

The primary purpose and goal of this Taskforce is to provide a recommendation regarding the experience requirement for CPA licensure. As the Taskforce embarks on this important endeavor, it necessitates that it weighs its options objectively and with the CBA's overall priority of consumer protection in mind. The below questions will serve as the Taskforce's foundation for clearly defining the reasons for any changes, as well as play a pivotal role in addressing any public perception issues and the ultimate success of any potential legislation.

- What is the problem the CBA is attempting to solve?
- Who will be impacted and how will they be impacted?
- How will the final outcome further the CBA's primary mandate of consumer protection?

As it relates to the final question, the guiding forces for the Taskforce, and thus the CBA, in evaluating the consumer protection mandate are Business and Professions (B&P) Code section 5000.1 and the CBA Mission Statement.

*B&P Code section 5000.1 – Priority of the board, Protection of the Public*

Protection of the public shall be the highest priority of the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. Whenever the protection of the public is inconsistent with other interests sought to be promoted, the protection of the public shall be paramount.

*CBA Mission Statement*

To protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

None.



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**Taskforce Item III. CBA Item X.C.3.**  
May 23, 2013 May 23-24, 2013

## Overview of the Taskforce-Related Resource Materials

**Presented by:** Kathryn Kay, Licensing Coordinator

**Date:** May 8, 2013

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### Purpose of the Item

The purpose of this item is informational in nature and designed to provide members of the Taskforce to Examine Experience for CPA Licensure (Taskforce) with necessary background on California Board of Accountancy (CBA) related discussions regarding the experience requirement for California CPA licensure.

### Action(s) Needed

None.

### Background

None.

### Comments

The attached Taskforce-related resource binder serves a four-fold purpose.

- First, it provides the Taskforce with all of the various experience-related statutes and regulations – including any required forms (**Appendices 1 and 2**).
- Second, it provides information on how many licenses the CBA has issued under the present pathway systems (which includes the ability to obtain licensure with general accounting experience only) (**Appendix 3**).
- Third, the licensure requirements (including experience) of all 55 United States jurisdictions and the most recent version of the Uniform Accountancy Act and Model Rules (**Appendices 4 and 5**).
- Fourth, it provides materials dating as far back at 1995 regarding CBA- and CBA committee-related discussions on the topic of experience, specifically related to reports and deliberations regarding aspects of the general accounting and attest experience requirements (**Appendices 6 and 7**).

In reviewing the materials, the Taskforce will note that the majority of the information focuses on this fourth area and the associated appendices. It is in these materials that

## **Overview of the Taskforce-Related Resource Materials**

Page 2 of 2

the Taskforce will become acquainted with the rationale for the CBA's initial desire to move to a singular experience requirement without the need to satisfy any attest experience (**Appendix 6.b**). Additionally, it will highlight various discussions that have occurred over the past decade at the committee and CBA level focused on experience-related topics (**Appendix 7**).

In structuring the materials, staff sought to group items with a general nexus together to maintain continuity regarding a particular topic. For example, **Appendix 7** is grouped by various discussion topics, such as increased attest hours, elimination of the ability to obtain licensure with general accounting experience, etc. Within each group in chronological order are the minutes and the papers associated with each topic.

While the resource materials provide a detailed account of the happenings related to the experience requirement for licensure, in **Taskforce Agenda Item V**, staff has taken the opportunity to synthesize some of this material as it relates to various options previously considered by the CBA.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

None.

### **Attachment**

Taskforce-Related Resource Materials

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**Taskforce Item IV. CBA Item X.C.4.**  
May 23, 2013 May 23-24, 2013

## History and Overview of the Present CPA Licensure Requirements

**Presented by:** Dominic Franzella, Chief, Licensing Division

**Date:** May 8, 2013

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### Purpose of the Item

This item is designed to provide members of the Taskforce to Examine Experience for CPA Licensure (Taskforce) with:

- Important background on the evolution of the California Board of Accountancy (CBA) requirements for certified public accountant (CPA) licensure
- How an applicant for licensure satisfies the experience requirement
- How staff evaluate whether an applicant has satisfactorily completed the experience requirement

### Action(s) Needed

None.

### Background

While the Taskforce-related research materials (**Taskforce Agenda Item III**) provide for a significantly more robust history regarding the CBA's consideration of the experience requirement, the history provided in this item is designed to highlight the point in time when the shift to the present two options for qualifying experience occurred.

Prior to January 1, 2002, the CBA maintained, what amounted to, three alternatives to qualify for CPA licensure. Specifically, depending on an applicant's educational qualifications at the time s/he sat for the Uniform CPA Examination, s/he would have a 24-, 36-, or 48-month experience requirement. Regardless of and in addition to the total months of experience, the CBA required an applicant for licensure to demonstrate an understanding of the requirements in performing the attestation function as it relates to financial statements.

As part of its sunset review in 2000, the CBA proposed significant modifications to its existing licensure processes, which would more closely align it with the Uniform

## History and Overview of the Present CPA Licensure Requirements

Page 2 of 6

Accountancy Act (UAA).<sup>1</sup> As it pertained to licensure, the CBA recommended amendments to the education and experience requirements, this included requiring 150 semester units of education and eliminating the requirement that individuals complete an attest experience requirement. In 2001, two pieces of legislation were introduced to address the CBA's vision of broad changes to the licensure process.

Senate Bill (SB) 133, introduced by Senator Figueroa, was a result of the CBA's sunset review hearings before the Joint Legislative Sunset Review Committee. As it related to the CBA's licensure process, SB 133, as originally introduced, required the CBA to perform a comprehensive evaluation of the proposed changes and to complete the study by September 1, 2003.

Assembly Bill (AB) 585, introduced by Assemblymember Nation and co-sponsored by the California Society of CPAs and the Board of Equalization, as originally introduced, sought to codify many of the CBA's recommendations to more closely align California's licensure requirements with the UAA. The most notable changes to the licensure requirements being offered in AB 585 included requiring a baccalaureate degree and a minimum of 150 semester units and the elimination of the attest experience requirement for licensure.

Two of the primary concerns raised by stakeholders focused on the educational and experience shifts the CBA proposed for licensure. As it related to the educational shift, stakeholders voiced concern on the impact requiring additional units (totaling a minimum of 150 semester units) and transitioning to a single pathway for licensure would have on entry into the profession. As it related to the experience shift, stakeholders noted the attest function is the cornerstone of the accounting profession, especially since the attest function is the sole function for which a CPA license was required.

As a result, during the Legislature's deliberative process, a compromise was reached that established the present pathway system. Specific to the experience requirement, the Legislature established the ability for an individual to obtain licensure with general accounting experience; however, if the individual wanted to sign reports on attest engagements, he/she would still need to satisfy the attest experience requirement.

### **Comments**

Since 2002, the present law has provided for two pathways under which an applicant can obtain licensure.

- Pathway 1 – baccalaureate degree; 24 semester units each of accounting and business-related subjects; two years of general accounting experience; and if the

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<sup>1</sup> The UAA is a joint venture by the American Institute of CPAs and National Association of State Boards of Accountancy to establish a model law to provide a uniform approach to the regulation of the accounting profession.

## History and Overview of the Present CPA Licensure Requirements

Page 3 of 6

applicant wants to sign reports on attest engagement, s/he must complete a minimum of 500 hours of attest experience satisfactory to the CBA

- Pathway 2 – baccalaureate degree with a minimum of 150 semester units; 24 semester units each of accounting and business-related subjects; one year of general accounting experience; and if the applicant wants to sign reports on attest engagement, s/he must complete a minimum of 500 hours of attest experience satisfactory to the CBA

The documentation that an applicant must submit, or have submitted on his/her behalf, whether applying under Pathway 1 or Pathway 2 is identical. To have a complete application, an applicant must have all of the following:

- *Application for Certified Public Accountant License*
- *Criminal Conviction Disclosure Form*
- Official transcripts/foreign credential evaluations
- *Certificate of General Experience* or *Certificate of Attest Experience*
- Verification of successful passage of the Professional Ethics Exam for CPAs
- State and federal level criminal offender record information search conducted by the California Department of Justice
- \$250 application fee

In order to provide the Taskforce a fuller understanding on how an applicant satisfies the experience requirement and staff's evaluation process, the below summary is provided. It is divided into two separate sections outlining the general accounting experience and the attest experience.

### General Accounting Experience

Both Business and Professions Code (B&P) sections 5092 (Pathway 1) and 5093 (Pathway 2) (**Taskforce Agenda Item III, Appendix 1**) allow for the below to qualify as general accounting experience. The only distinction between the two sections, as it relates to the experience requirement, is that Pathway 1 requires two years of experience, while Pathway 2 requires one year of experience.

- Providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills
- Shall have been performed in accordance with applicable professional standards

## History and Overview of the Present CPA Licensure Requirements

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- Public accounting experience shall be completed under the supervision or in the employ of a person licensed or otherwise having comparable authority under the laws of any state or country to engage in the practice of public accountancy
- Private industry or governmental accounting or auditing shall be completed under the supervision of an individual licensed by a state to engage in the practice of public accountancy

Nothing in Pathway 1 or Pathway 2 requires that the applicant earn experience in all of the previously outlined areas. Theoretically, an applicant can satisfy the general accounting experience requirement simply by completing a minimum of one year of experience in management advisory services.

To satisfactorily document completion of the general accounting experience requirement, an applicant must have submitted on his/her behalf a *Certificate of General Experience* (either public or non-public) (**Taskforce Agenda Item III, Appendix 2.a**). Pursuant to CBA Regulation section 12 (**Taskforce Agenda Item III, Appendix 1**), the *Certificate of General Experience* must be signed 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 was gained in public accounting the second signature must be an owner of the public accounting firm holding a valid license or other comparable authority to practice public accountancy.<sup>2</sup> To be considered supervised experience, the applicant's supervisor shall have reviewed and evaluated the applicant's qualifying work on a routine and recurring basis and shall have authority and oversight over the applicant.

In signing the form, under penalty of perjury, the supervisor is confirming to the fact that s/he has supervised the applicant and the applicant has completed general accounting experience. To document the minimum one- or two-year general accounting experience, the supervisor supplies the dates of employment. While the supervisor is noting that at a minimum the applicant has completed general accounting experience, met the required time period, and done so in accordance with applicable professional standards, the supervisor is not expressing an opinion as to whether the applicant understands the applicable professional standards.

In evaluating an applicant's general accounting experience, staff ensures that the one- or two-year time period has been met and that the signers of the experience form meet the requirements as outlined above. For forms signed by California CPAs, staff can easily complete this via review of the CBA's licensee database. In those instances where the signer is out of state (or even out of country), often, staff send the *Employer Verification Form* to the applicant to have the licensing body where the supervisor is licensed verify that the supervisor held a valid license to practice public accountancy

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<sup>2</sup> A second signature is not required if the owner of the public accounting firm or private industry company is the individual signing the verification as the supervisor.

## History and Overview of the Present CPA Licensure Requirements

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during the time period which s/he supervised the applicant. This form is sent directly back to the CBA from the licensing body.

While in many cases an applicant has earned all of the experience at a single place of employment and under one supervisor, it is not uncommon to have multiple *Certificates of General Experience* submitted on an applicant's behalf. In these instances, staff performs the above evaluations on all of the signing supervisors, and ensures in aggregate that the one- or two-year experience requirement is met.

One other area of note, an applicant can obtain licensure by satisfying the general accounting experience as outlined above, and at a later date seek to convert the license to provide for the authority to sign reports on attest engagements by satisfying the attest experience requirement as outlined below.

### Attest Experience

In those instances where an applicant is seeking the authority to sign reports on attest engagements, as part of the one- or two-year experience requirement, s/he must, pursuant to B&P Code section 5095 (**Taskforce Agenda Item III, Appendix 1**), complete a minimum of 500 hours of experience, satisfactory to the CBA, in attest services.

The minimum 500 hours must include all of the following:

1. Experience in 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.

To satisfactorily document completion of the attest experience requirement, an applicant must have submitted on his/her behalf a fully affirmative *Certificate of Attest Experience* (public or non-public) (**Taskforce Agenda Item III, Appendix 2.b**). The requirements for the signer are identical as those for a signer of a general accounting experience form, with the exception that the supervisor must have the authority to perform attest services.

## History and Overview of the Present CPA Licensure Requirements

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Again, just as with the signer documenting general accounting experience, it is done so under penalty of perjury, with the signer attesting to the fact s/he has supervised the applicant, and the applicant has completed the attest experience requirement. To document that the applicant has met the one- or two-year experience requirement, the supervisor supplies the dates of employment, while to document the required minimum 500 hours, the supervisor completes Section VI of the *Certificate of Attest Experience*.

For the experience to qualify, the CBA requires that the supervisor opine as to whether the applicant understands the various applicable professional standards that make up attest-related services. This is done by a supervisor marking all of the boxes in Section I-V of the *Certificate of Attest Experience*. The ability of a supervisor to opine on an applicant's understanding of the applicable professional standards is a significant difference between the attest experience requirement and the general accounting experience requirement (where no such opinion on understanding is offered).

In evaluating an applicant's attest experience requirement, staff performs the same functions as outlined in the general accounting experience section. Staff also reviews the hours associated with the attest experience to determine if an applicant should appear before the CBA Qualification Committee (QC) to present work papers or other evidence substantiating that s/he has met the statutes and regulations.<sup>3</sup> Additionally, in those instances where the applicant earns attest experience while supervised by a California CPA and staff believes a need exists to further discuss with the supervisor the attest experience gained, it may schedule the supervisor to appear before the QC.

Just as with the general accounting experience requirement, often times an applicant has multiple *Certificates of Attest Experience* submitted on his/her behalf. Again, staff performs the same review to ensure the signing supervisors meet the requirements, and ensures that the forms in aggregate demonstrate that the applicant has obtained a minimum 500 and all boxes on the *Certificate of Attest Experience* are marked in the affirmative.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

None.

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<sup>3</sup> If the applicant obtained the attest experience outside of the United States and its territories, s/he must appear before the QC to present work papers substantiating that the experience meet the requirements and was performed in accordance with generally accepted auditing standards.



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**Taskforce Item V. CBA Item X.C.5.**  
May 23, 2013 May 23-24, 2013

**Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16, California Code of Regulations Sections 12 and 12.5**

**Presented by:** Dominic Franzella, Chief, Licensing Division  
**Date:** May 8, 2013

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**Purpose of the Item**

The purpose of this item is to initiate Taskforce to Examine the Experience for CPA Licensure (Taskforce) discussion on what modifications, if any, should be made to the experience requirement for certified public accountant (CPA) licensure.

**Action(s) Needed**

The Taskforce will be asked to plot a course of action for continued future discussion topics related to evaluation of the experience requirement.

**Background**

In depth background information on California Board of Accountancy (CBA) consideration regarding the experience requirement for CPA licensure is located in **Taskforce Agenda Item III**. However, to further assist the Taskforce in its deliberations on this topic, staff has provided the below information on various options previously considered by the CBA and its committees/taskforces. It should be noted that staff has simply synthesized this information and has not performed an evaluation on the below options.

**Previously Considered Options**

*ELIMINATION OF THE ATTEST EXPERIENCE REQUIREMENT*

While the CBA did appear to have discussed this as part of its 1995-96 sunset review, it appears it was really taken up in earnest as part of the 2000 sunset review process. As part of the materials the CBA submitted to the Legislature for the 2000 sunset review, it included the CBA's rationale for eliminating the attest experience requirement.<sup>1</sup> The CBA's position rested on a couple of factors:

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<sup>1</sup> See Taskforce Agenda Item III, Appendix 6.b.i, page 61.

## Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16, California Code of Regulations Sections 12 and 12.5

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- Based on a study the CBA performed, only 13 percent of licensees indicated that auditing was their primary area of practice
- Many individuals who passed the Uniform CPA Examination indicated that the obtaining attest experience represented a significant barrier
- It would achieve greater consistency with the Uniform Accountancy Act
- Because of the rapid pace of technological change related to financial transactions, the attest experience requirement was no longer reflective of the current public accounting environment

The CBA believed that a better approach to regulating the attest function in California was to require accounting firms performing attest services to obtain a special designation (*i.e.* “attest status”). (Additional information on this recommendation is provided in the next subsection.)

As noted in the materials, the CBA received opposition regarding the elimination of the attest experience requirement, both from the Department of Consumer Affairs (DCA) and Center for Public Interest Law (CPIL).<sup>2</sup> DCA voiced its concern that audit services are of value to consumers and eliminating the requirement could “compromise a consumer’s ability to have a thorough and accurate audit performed.” Similarly, CPIL indicated that weakening the attest function would hurt consumers and the investing public.

As highlighted in **Taskforce Agenda Item IV**, during the 2000 sunset review process a compromise was reached regarding several of the CBA’s proposals, one of which included the elimination of the attest experience requirement. As it related specifically to experience, legislation was passed that allowed an individual to obtain a CPA license by completing general accounting experience only.

### *ATTEST FIRM REGISTRATION*

One of the items the CBA considered as part of its elimination of the attest experience requirement was the establishment of peer review and attest firm registration.<sup>3</sup> Under the proposal brought to the CBA by its Peer Review/Attest Firm Taskforce, and which it subsequently adopted in July 2000, the following would occur:

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<sup>2</sup> See **Taskforce Agenda Item III, Appendix 6.b.ii and 6.b.v-vi, respectively.**

<sup>3</sup> See **Taskforce Agenda Item III, Appendix 7.a.ii.**

**Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16, California Code of Regulations Sections 12 and 12.5**

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- All partnerships, corporations, and sole proprietors providing audit or review services (attest firms) would be required to undergo a system review type of peer review in accordance with professional standards
- Acceptable system reviews could be obtained from any provider as long as the system review is performed in accordance with professional standards and the provider is approved by the CBA
- Partnerships and corporations not providing attest services would continue to be registered by the CBA
- Accounting firms issuing compilations as their highest level of service would not need to undergo peer review, and instead would be reviewed by the CBA Report Quality Monitoring Program
- A sole proprietor providing attest services would be required to register as a firm. Registration and renewal would be coordinated with renewal of the individual license, and there would be no additional fee

While the peer review aspect of this proposal has since been accomplished with the establishment of mandatory peer review in 2010, the concept of the attest firm registration did not get included in any legislation arising out of the CBA's 2000 sunset review process.

*ELIMINATION OF THE OPTION TO OBTAIN CPA LICENSURE WITH GENERAL ACCOUNTING EXPERIENCE*

Since the enactment of the option to obtain licensure with general accounting experience, it appears that the CBA has only deliberated on this specific topic in-depth on one occasion – September 2008.<sup>4</sup> The CBA considered various issues regarding this topic, which included:

- Staff information that an increase of applicants sought licensure without fulfilling the attest experience
- How would the CBA handle the existing population of CPAs licensed with general accounting experience?
- The Enforcement Division had not received any complaints alleging consumer harm by CPAs licensed with general accounting experience

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<sup>4</sup> See **Taskforce Agenda Item III, Appendix 7.c.i-iii.**

**Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16, California Code of Regulations Sections 12 and 12.5**

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- How would a transition plan be developed?

As part of the materials considered by the CBA for this topic, staff did present an option for CBA consideration of issuing two distinct licenses, which was previously recommended by the Qualifications Committee (QC) in 2006. This would have included issuing two different wall certificates and pocket identification cards.

After receiving both written and public testimony on the matter, the CBA decided to maintain the status quo.

*ISSUE TWO DISTINCT LICENSES (ATTEST AND NON-ATTEST)*

This issue was originally brought to the forefront by the QC as part of various recommendations it made to the CBA in 2006.<sup>5</sup> Staff again offered this alternative to the CBA as part of its deliberations in 2008 regarding the elimination of the option to obtain licensure with general accounting experience (see above).

As it related to the QC's 2006 recommendation, the CBA referred this issue to the CPC for further consideration. As it related to staff's offering of this same alternative in 2008, the CBA elected to maintain the status quo.

*FURTHER DEFINING GENERAL ACCOUNTING EXPERIENCE*

In January 2010, the CBA requested that the QC discuss and make recommendations on whether to further define general accounting experience in regulation.<sup>6</sup> The CBA made the request to address concerns raised by licensee supervisors, CBA members, and QC members regarding whether certain experience obtained by applicants would qualify as general accounting experience.

After extensive deliberations undertaken by the QC, it determined, with the assistance of legal counsel, that the manner in which Business and Professions (B&P) Code sections 5092 and 5093 are presently structured, the CBA is limited in the ability to require experience be obtained in any one area. As a result, the QC made the following recommendations to the CBA in connection with its evaluation:

- No change to the regulations because based on the present statutory language in B&P Code sections 5092 and 5093, there is no effective way to further define general accounting experience

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<sup>5</sup> See **Taskforce Agenda Item III, Appendix 7.b.vi.**

<sup>6</sup> See **Taskforce Agenda Item III, Appendix 7.e.i-vi.**

## Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16, California Code of Regulations Sections 12 and 12.5

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- If the CBA wants to further define general accounting experience in regulation, it first consider a change to how general accounting experience is defined in statute
- Better disclosure and outreach to inform consumers of the limitations of CPAs licensed without the authority to sign reports on attest engagements

The CBA took no action on the QC's recommendations.

### *INCREASE THE MINIMUM NUMBER OF ATTEST HOURS*

As noted in previous papers, present law requires that an applicant who wants to sign reports on attest engagements must complete a minimum of 500 hours, satisfactory to the CBA, in attest services. On at least two occasions, the QC has discussed a possible increase in the attest hours from 500 to 1,000.<sup>7</sup>

As part of its discussion in 2006, the QC believed that with the attest function no longer being a barrier to entry with the advent of the option to obtain licensure with general accounting experience, in addition to furthering the mission of the CBA to protect the public, it recommended an increase to 1,000 hours. As it related to this item, the CBA referred it to the Committee on Professional Conduct for future discussion.

In 2009, the QC again began the task of evaluating an increase in the minimum number of hours from 500 to 1,000. Over the course of several meetings, it reviewed various statistics related to attest hours, possible correlations between enforcement actions and the attest experience hours, and other states' attest experience requirements, the QC eventually decided to maintain the status quo and not recommend to the CBA an increase in the minimum hours.

### **Comments**

While for this meeting, it is not expected that the Taskforce will establish a specific recommendation as it relates to the experience requirement, it is anticipated that the Taskforce will provide needed clarification and direction on how it would like to proceed in its future exploration.

As a starting point, it appears that the Taskforce has three primary options as it relates to the experience requirement:

1. Eliminate the requirement that an applicant satisfy an attest experience requirement prior to being authorized to sign reports on attest engagements (e.g. Elimination of "A")

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<sup>7</sup> See **Taskforce Agenda Item III, Appendix 7.b.iv and 7.d.i-viii.**

## **Discussion on Modifications to the Experience Requirement for CPA Licensure Mandated Pursuant to Business and Professions Code Sections 5092, 5093, and 5095 and Title 16, California Code of Regulations Sections 12 and 12.5**

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2. Eliminate an applicant's ability to obtain licensure with general accounting experience (*e.g.* Elimination of "G")
3. Maintain the status quo as it relates to obtaining licensure with either general accounting or attest experience

While these appear to be the most straightforward options, by no means do these represent the limits of the Taskforce's options. Even if the Taskforce recommends maintaining the status quo, it could easily recommend various sub-options to modify the existing attest and general accounting experience requirements and possible changes to the outreach efforts the CBA takes to identify the differences between a CPA licensed with attest experience and without (*i.e.* the CBA website).

In examining next steps, the Taskforce may want to consider the below ideas. By no means are they all-inclusive nor are they mutually exclusive, but staff hope they will aid in the Taskforce's preliminary discussions.

- The Taskforce could begin identifying additional options not previously considered by the CBA or its committees/taskforces.
- The Taskforce could direct staff to evaluate and provide input on the previously considered options by the CBA, as well as provide any staff-developed options for Taskforce consideration.
- The Taskforce could direct staff to provide additional research-related materials, including anything related to CBA processes or statistics.

Based on the directions taken by the Taskforce, for the next meeting, staff will perform any necessary research; begin evaluating how certain recommendations may impact the CBA and its stakeholders, including providing preliminary ideas regarding the questions outlined in Chairperson Ramirez's **Taskforce Agenda Item II**; and provide timelines to achieve any of the various recommendations under consideration by the Taskforce. Staff believes these steps should help further aid the Taskforce as it considers what recommendations it wants to bring forth to the CBA.

### **Fiscal/Economic Impact Considerations**

None.

### **Recommendation**

None.

**DEPARTMENT OF CONSUMER AFFAIRS**

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**Taskforce Item VI.**      **CBA Item X.C.6.**  
May 23, 2013              May 23-24, 2013

**Future Meeting Dates**

**Presented by:** Kathryn Kay, Licensing Coordinator

**Date:** May 8, 2013

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**Purpose of the Item**

The purpose of this agenda item is to provide the Taskforce to Examine Experience for CPA Licensure (Taskforce) with proposed meeting dates.

**Action(s) Needed**

The Taskforce may choose to adopt or modify the future meeting dates.

**Background**

None.

**Comments**

Staff has identified the below dates through the remainder of the year for consideration by the Taskforce. Should additional dates in 2014 be necessary, staff will bring those forward for consideration at a later date. Staff has purposed that the Taskforce will meet in conjunction with regularly scheduled California Board of Accountancy (CBA) meetings, which typically take place on Thursdays and Fridays, with the exception of July. **Attached** is a 2013 meeting dates/locations calendar for reference.

The proposed future meeting dates are identified below.

- July 24, 2013              Sacramento
- September 26, 2013      San Diego
- November 21, 2013      Northern California

**Fiscal/Economic Impact Considerations**

None.

**Recommendation**

None.

**Attachment**

2013 Meeting Dates/Locations Calendar

**CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
2013 MEETING DATES/LOCATIONS CALENDAR  
(CBA MEMBER COPY)**

Attachment

**JANUARY 2013**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	SC	SC	SC	25
27	28	29		NC		31

**FEBRUARY 2013**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	NC	22
24	25	26	27	28		

**MARCH 2013**

S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	NC	NC	22
24	25	26	27			30
31						

**APRIL 2013**

S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	NC	24	25	26
28	29	30				

**MAY 2013**

S	M	T	W	Th	F	S
			1	SC	2	3
5	6	7	8		9	10
12	13	14	15	16	17	18
19	20	21	22	SC	23	24
26	27	28	29	30	31	

**JUNE 2013**

S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	SC	21
23	24	25	26	27	28	29
30						

**JULY 2013**

S	M	T	W	Th	F	S
	1	2	3		4	5
7	8	9	10	NC	11	12
14	15	16	17	18	19	20
21	22	23	NC	NC	25	26
28	29	30	SC	31		

**AUGUST 2013**

S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	NC	23
25	26	27	28	29	30	31

**SEPTEMBER 2013**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	SC	26	27
29	30					

**OCTOBER 2013**

S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	NC	23	SC	24
27	28	29	30	31		

**NOVEMBER 2013**

S	M	T	W	Th	F	S
					SC	1
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	NC	21	22
24	25	26	27	NC	28	29

**DECEMBER 2013**

S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	SC	12	13
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

**COMMITTEES**

EAC - Enforcement Advisory Committee  
 QC - Qualifications Committee  
 PROC - Peer Review Oversight Committee

**TASKFORCE**

TEEL - Taskforce to Examine Experience for CPA Licensure

**GENERAL LOCATION**

NC-NORTHERN CALIFORNIA  
 SC-SOUTHERN CALIFORNIA

	CBA OFFICE CLOSED
	CBA MEETING
	EAC MEETING
	PROC MEETING
	QC MEETING
	TEEL MEETING



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**CBA Item XI.A.**  
 May 23-24, 2013

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

**MINUTES OF THE  
 MARCH 21-22, 2013  
 CBA MEETING**

**DRAFT**

Marriott Costa Mesa  
 500 Anton Blvd.  
 Costa Mesa, CA 92626  
 Telephone: (714) 957-1100  
 Fax: (714) 966-8495

Roll Call and Call to Order.

CBA President Leslie LaManna called the meeting to order at 1:00 p.m. on Thursday, March 21, 2013 at the Costa Mesa Marriott. The meeting recessed at 5:00 p.m. Vice President Michael Savoy reconvened the meeting at 9:00 a.m. on Friday, March 22, 2013 and the meeting adjourned at 9:39 a.m.

CBA Members

March 21, 2013

Leslie LaManna, President	1:00 p.m. to 5:00 p.m.
Michael Savoy, Vice President	1:00 p.m. to 5:00 p.m.
K.T. Leung, Secretary-Treasurer	1:00 p.m. to 5:00 p.m.
Sarah (Sally) Anderson	1:00 p.m. to 5:00 p.m.
Diana Bell	1:00 p.m. to 5:00 p.m.
Alicia Berhow	1:00 p.m. to 5:00 p.m.
Michelle Brough	1:00 p.m. to 5:00 p.m.
Jose Campos	1:00 p.m. to 5:00 p.m.
Herschel Elkins	1:00 p.m. to 5:00 p.m.
Laurence (Larry) Kaplan	1:00 p.m. to 5:00 p.m.
Louise Kirkbride	1:00 p.m. to 5:00 p.m.
Marshal Oldman	1:00 p.m. to 5:00 p.m.
Manuel Ramirez	1:00 p.m. to 5:00 p.m.
Katrina Salazar	1:00 p.m. to 5:00 p.m.

CBA Members

March 22, 2013

Leslie LaManna, President	Absent
Michael Savoy, Vice President	9:00 a.m. to 9:39 a.m.
K.T. Leung, Secretary-Treasurer	9:00 a.m. to 9:39 a.m.
Sarah (Sally) Anderson	9:00 a.m. to 9:39 a.m.
Diana Bell	9:00 a.m. to 9:39 a.m.
Alicia Berhow	9:00 a.m. to 9:39 a.m.
Michelle Brough	9:00 a.m. to 9:39 a.m.
Jose Campos	9:00 a.m. to 9:39 a.m.
Herschel Elkins	9:00 a.m. to 9:39 a.m.
Laurence (Larry) Kaplan	9:00 a.m. to 9:39 a.m.
Louise Kirkbride	9:00 a.m. to 9:39 a.m.
Marshal Oldman	9:00 a.m. to 9:39 a.m.
Manuel Ramirez	9:00 a.m. to 9:39 a.m.
Katrina Salazar	9:00 a.m. to 9:39 a.m.

Staff and Legal Counsel

Patti Bowers, Executive Officer  
Andrew Breece, Legislative Analyst  
Manny Estacio, Information Technology Staff  
Paul Fisher, Supervising Investigative CPA  
Dominic Franzella, Chief, Licensing Division  
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, Regulation Analyst

Committee Chairs and Members

Nancy Corrigan, Chair, Peer Review Oversight Committee (PROC)  
Cheryl Gerhardt, Chair, Enforcement Advisory Committee (EAC)

Other Participants

Kevin Berggren, Center for Public Interest Law (CPIL)  
Jason Fox, California Society of CPAs (CalCPA)  
Pilar Onate-Quintana, KP Public Affairs  
Joe Petito, The Accountants Coalition  
Jonathon Ross, KP Public Affairs  
Hal Schultz, CalCPA

## I. Report of the President

President LaManna announced that she has moved forward with establishing a taskforce to examine a possible transition to a single license type. President LaManna stated that Mr. Ramirez has accepted her invitation to serve as chair of the taskforce. The first meeting of the taskforce will be held in conjunction with the May CBA Meeting.

Mr. Elkins suggested that the taskforce include a public member to represent consumers.

### A. DCA Director's Report.

Ms. Bowers stated that April 1, 2013 is the deadline to submit Form 700 - Statement of Economic Interests.

### B. Educational Presentation – Role of CBA Legal Counsel.

Ms. Shellans and Mr. Sonne provided an overview of this item.

### C. Proposed 2014 CBA Meeting Dates.

**It was moved by Mr. Campos, seconded by Ms. Bell and unanimously carried by those present to approve the proposed 2014 CBA meeting dates.**

## II. Report of the Vice President.

### A. Recommendations for Appointment(s) to the Enforcement Advisory Committee (EAC).

**It was moved by Mr. Savoy, seconded by Mr. Ramirez and unanimously carried by those present to appoint William Donnelly to the EAC.**

### B. Recommendations for Appointment(s) to the Qualifications Committee (QC).

**It was moved by Mr. Savoy, seconded by Mr. Ramirez and unanimously carried by those present to reappoint Brian Cates to the QC.**

### C. Recommendations for Appointments/Reappointments to the Peer Review Oversight Committee

**It was moved by Mr. Savoy, seconded by Mr. Campos and unanimously carried by those present to appoint Jeffrey DeLyser to the PROC.**

III. Report of the Secretary/Treasurer

A. Discussion of Governor's Budget.

There was no report on this item.

B. FY 2012-2013 Mid-Year Financial Statement.

Mr. Leung provided an overview of this item.

Mr. Ramirez requested that staff provide additional information regarding the increase in benefit costs at the May CBA Meeting.

IV. Report of the Executive Officer (EO)

A. Update on Staffing.

Ms. Bowers reported that Janet Zimmer, her Executive Secretary, has been promoted to another unit within the CBA. Ms. Bowers stated that the Enforcement Division is recruiting for a manager in the Non-Technical Investigative Unit.

B. Update on 2013 CBA Meeting Locations.

Ms. Bowers stated that the July 2013 CBA meeting will be held in Sacramento. Ms. Bowers further stated that staff is working on locating a Bay Area location for the November 2013 CBA Meeting.

C. Update on 2013-2015 CBA Communications and Outreach Plan (Written Report Only).

There were no comments on this item.

D. Discussion Regarding Informing California Licensees of Mobility and Licensure Requirements for States Outside of California and Informing Out-of-State Licensees About California's New Practice Privilege Provisions.

Mr. Franzella provided an overview of this item. Mr. Franzella noted that while mobility has streamlined licensees' abilities for cross-border practice, there continue to exist various nuances from state to state. He noted that to assist California CPAs intending to practice in another state or out-of-

state licensee looking to practice in California, staff developed some initial plans for posting pertinent resources for mobility on the CBA website.

Ms. Anderson suggested inviting a representative from the National Association of State Boards of Accountancy (NASBA) to a future CBA meeting to discuss cross border practice requirements in other states.

#### V. Report of the Licensing Chief.

##### A. Report on Licensing Division.

Mr. Franzella provided an overview of this item (Attachment \_\_). He stated that the QC will meet on April 24, 2013 in Sacramento.

#### VI. Report of the Enforcement Chief.

##### A. Enforcement Activity Report.

Mr. Ixta presented an overview of this item (see Attachment \_\_). Mr. Ixta noted that the report includes a detailed breakdown of statistics for internal and external complaints. Mr. Ixta stated that the Enforcement Division has closed over 2,500 investigations and 309 investigations are pending. One percent of investigations have been pending over 24 months.

Ms. Salazar inquired about what constitutes complaints to be closed with no action.

Mr. Ixta stated that complaints closed with no action are typically external complaints where the CBA lacks jurisdiction, such as fee disputes.

Mr. Ramirez suggested that a chart be added to future Enforcement Activity Reports to further break down the peer review statistics.

Mr. Ixta stated that 10,000 reminder letters have been issued to licensees regarding peer review reporting and 1,800 citations were issued to licensees in January and February for licensees relating to peer review.

#### VII. Closed Session.

- A. Pursuant to Government Code Section 11126(c)(3), the CBA Convened into Closed Session to Deliberate on Disciplinary Matters (Stipulations, Default Decisions, Proposed Decisions, and a Decision After Non-Adoption).

- B. Pursuant to Government Code Section 11126(e), the CBA Will Meet In Closed Session to Receive Advice from Counsel on Litigation (*David Greenberg v. Leslie LaManna, et al., Orange County Superior Court, Case No. 30-2013-00635372-CU-NP-CJC.*)

VIII. Regulations.

- A. Discussion and Possible Action to Adopt a Finding of Emergency and Proposed Text at Title 16, California Code of Regulations (CCR) Sections 5.5, 18, 19, 20, 21, 22, 26, 36.1, and 98 – Practice Privilege.

Mr. Stanley provided an overview of this item. Mr. Stanley stated that staff has removed the definition for “headquartered in California” from proposed section 18. Mr. Stanley noted that the proposed language for section 22 allows the Executive Officer to send out a notice prior to issuing an Administrative Suspension Order to provide the practice privilege holder with 30 days to declare why the practice privilege should not be administratively suspended.

**It was moved by Mr. Oldman, seconded by Mr. Ramirez and unanimously carried by those present to direct staff to take all steps necessary to complete the rulemaking process, including incorporating the exact changes to the language or Finding of Emergency as specified by the CBA; and authorize the Executive Officer to make any non-substantive changes to the proposed regulations, and adopt the Finding of Emergency and Proposed Regulatory Language as amended.**

- B. Discussion and Possible Action to Adopt or Amend Previously Proposed Text at Title 16, CCR Sections 15, 15.1, 15.2, 15.3, 15.4, 70, 71 and 87.1, and Adopt New Article 2.5 Regarding Retired Status.

Mr. Stanley overviewed the Office of Administrative Law’s (OAL) rationale for denying the CBA’s proposed regulations on Retired Status. He stated that OAL relied on case law which requires fees to be set based on the reasonable cost of providing the service.

**It was moved by Ms. Berhow, seconded by Mr. Ramirez and unanimously carried by those present to accept the changes made by staff to the proposed text as a result of the OAL’s disapproval; and direct staff to take all steps necessary to complete the rulemaking process, including seeking further extensions of time to complete the process from OAL and noticing the modified text and additional documents for an additional 15-day comment period. If during 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 before completing the rulemaking process, and adopt the proposed regulations with the modified text.**

IX. Committee and Task Force Reports.

A. Enforcement Program Oversight Committee (EPOC) (Alicia Berhow, Chair).

1. Report of the March 21, 2013 EPOC Meeting.
2. Further Discussion Regarding Adding a Model Petition for Reinstatement Decision Checklist to the CBA Disciplinary Guidelines.

Ms. Berhow stated that the EPOC reviewed the Petition for Reinstatement Decision Checklist and suggested a change be made to option 2. Ms. Berhow further stated that for clarity, EPOC directed staff to add the word, “however” after the phrase “Petitioner’s certificate shall be fully restored.”

**It was moved by Ms. Bell, seconded by Mr. Ramirez and unanimously carried by those present that the CBA accept the EPOC recommendation to approve the Model Petition for Reinstatement Decision Checklist and add the word “however” after the phrase “Petitioner’s certificate shall be fully restored.”**

3. Discussion and Possible Action to Approve the Conceptual Revisions to the Manual Disciplinary Guidelines and Model Disciplinary Orders.

Ms. Berhow stated that the EPOC discussed a revision schedule for conceptual changes to the next edition of the CBA Disciplinary Guidelines. Ms. Berhow stated that the purpose for the schedule is to allow the CBA to consider proposed changes in smaller parts which should allow for better discussion and consideration.

**It was moved by Ms. Bell, seconded by Mr. Oldman and unanimously carried by those present that the CBA accept the EPOC recommendation to approve the proposed timeline and conceptual changes for the CBA Disciplinary Guidelines, with the flexibility for change as needed, and approve the conceptual changes.**

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

1. Report of the March 21, 2013 CPC Meeting.
2. Discussion and Possible Action on a Legislative Proposal to Amend Section 5096 (e) Requiring Notification to the CBA of Pending Criminal Charges for the Practice Privilege Set to Take Effect on July 1, 2013.

Mr. Savoy reported that the CPC discussed proposed statutory language that would require an out-of-state licensee, who is exercising a practice privilege in California, to notify the CBA of pending criminal charges.

**It was moved by Ms. Berhow, seconded by Mr. Oldman and unanimously carried by those present to accept the CPC recommendation to approve the proposed statutory language to require out of state licensees to report pending criminal charges to the CBA while practicing in California.**

C. Legislative Committee (LC) Larry Kaplan, Chair).

1. Report of the March 21, 2013 LC Meeting.
2. Update Regarding CBA Approved 2013 Legislative Proposal for Removing Specified Citation and Fine Information from the CBA Website.

Mr. Kaplan stated that staff reported they have been unable to locate an author thus far for a legislative proposal to remove citation and fine information from the CBA website after five years, provided the fine was \$1,500 or less.

**It was moved by Ms. Berhow, seconded by Ms. Brough and unanimously carried by those present to accept the LC recommendation to allow CBA staff more time to research and work with stakeholders to further discuss the proposal and report back to the CBA on its findings.**

3. Update on Newly Introduced Legislation.
  - a. AB 186 – Professions and Vocations: Military Spouses: Temporary Licenses.

**It was moved by Ms. Bell, seconded by Mr. Oldman and unanimously carried by those present to accept the LC recommendation to adopt a “Support if Amended”**

**position on AB 186, with the amendments to include:**

- **Clarification that boards have the authority to deny a provisional license pursuant to Business and Professions Code Section 480.**
- **Clarification that boards have the authority to suspend or revoke a provisional license if a board determines that the licensee violates a condition to practice in California.**
- **Require that the individual have a current, active, and unrestricted license with the authority to practice the identified profession in the state that issued the individual's license.**
- **Clarification regarding the status of a provisional license once a permanent license is issued.**

b. AB 291 – California Sunset Review.

**It was moved by Ms. Anderson, seconded by Mr. Ramirez and unanimously carried by those present to adopt an “Oppose” position on AB 291 and to allow Mr. Ramirez to meet with the author of AB 291 to clarify that while the CBA supports efficiency and transparency, the bill may require a second review process which is unnecessary.**

c. Urgency Omnibus Bill.

Mr. Kaplan stated that staff will analyze SB 823 and provide an analysis at the May CBA Meeting.

4. Report on 2013 Legislation Being Monitored by CBA: AB 12, AB 186, AB 258, AB 291, AB 292, AB 376, AB 393, AB 555, AB 653, AB 771, AB 772, AB 827, AB 866, AB 887, AB 894, AB 1013, AB 1017, AB 1057, AB 114, AB 1219, SB 176, SB 207, SB 417, SB 532, SB 690, and SB 742.

Mr. Kaplan reported that staff did not request the LC to recommend a position on the additional bills being monitored as the bills do not contain substantive amendments or staff is working with the Department of Consumer Affairs to determine the impact on the CBA and other DCA entities.

5. Additional Legislation Impacting the CBA Identified by Staff After the Posting of the Meeting Notice.

Mr. Kaplan reported that no additional legislation was identified.

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

1. Report of the January 25, 2013 AICPA Peer Review Board Meeting.

Ms. Corrigan stated that members of the PROC attended the AICPA Peer Review Board Meeting in San Diego. Ms. Corrigan further stated that topics of discussion included peer review guidance on the new clarity standards, revisions to peer review program guidance materials and an update on the National Peer Review Committee.

2. Report of the February 22, 2013 PROC Meeting.

Ms. Corrigan reported that the PROC approved its 2012 Annual Report and continued planning for its second on-site visit of CalCPA, scheduled for May 2013. Ms. Corrigan stated that the PROC discussed a letter from a licensee regarding the hardship that peer review causes for small CPA firms. She also stated that a taskforce consisting of two PROC members has been established to review responses to voluntary surveys regarding licensees peer review experience. Lastly, Ms. Corrigan noted that the next PROC meeting is scheduled for June 21, 2013 in Northern California

3. 2012 PROC Annual Report.

Ms. Corrigan presented the 2012 PROC Annual Report to the CBA members.

**It was moved by Ms Bell, seconded by Ms. Anderson and unanimously carried by those present to accept the 2012 PROC Annual Report.**

E. Enforcement Advisory Committee (EAC) (Cheryl Gerhardt, Chair).

Report of the January 31, 2013 EAC Meeting.

Ms. Gerhardt stated that the EAC reviewed and concurred with staff recommendations on 11 closed files. Ms. Gerhardt further stated that the EAC conducted five investigative hearings, recommending four referrals to the Attorney General and one closure of an investigation. Ms. Gerhardt noted that there are no vacancies on the EAC and the next meeting is May 2, 2013 in Los Angeles.

F. Qualifications Committee (QC).

There was no report for this item.

XI. Acceptance of Minutes.

A. Draft Minutes of the January 24-25, 2013 CBA Meeting.

B. Minutes of the January 24, 2013 CPC Meeting.

C. Minutes of the January 24, 2013 LC Meeting.

D. Minutes of the January 24, 2013 EPOC Meeting.

E. Minutes of the December 4, 2012 PROC Meeting.

F. Minutes of the December 12, 2012 EAC Meeting.

G. Minutes of the October 24, 2012 QC Meeting.

**It was moved by Mr. Ramirez, seconded by Mr. Elkins and carried by those present to approve items XI.A-G. Ms. Brough abstained.**

XII. 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 on NASBA Committees.

2. NASBA Focus Questions Responses.

**It was moved by Ms. Brough, seconded by Mr. Ramirez and unanimously carried by those present to accept the NASBA Focus Question responses with an amendment to question 5, to address mobility requirements for other states.**

a. Accountancy Licensee Database (ALD) Task Force.

There was no report for this item.

b. Board Relevance & Effectiveness Committee.

There was no report for this item.

#### XIV. Closing Business

##### A. Public Comments.

There were no public comments.

##### B. Agenda Items for Future CBA Meetings.

Mr. Elkins suggested inviting a NASBA representative to a future CBA meeting to discuss reciprocity of mobility.

##### C. Press Release Focus

Ms. Pearce stated the topic for consideration for a post meeting press release the CBA legislative proposals in SB 823.

Mr. Ramirez suggested issuing a press release regarding the importance of complying with peer review reporting requirements.

Adjournment.

Vice President Savoy adjourned the meeting at 9:39 a.m. on Friday, March 22, 2013.

\_\_\_\_\_ Michael Savoy, CPA, Vice President

\_\_\_\_\_ K.T. Leung, 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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LC Item I.  
May 23, 2013

CBA Item XI.B.  
May 23-24, 2013

DEPARTMENT OF CONSUMER AFFAIRS  
CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
LEGISLATIVE COMMITTEE (LC)

MINUTES OF THE  
MARCH 21, 2013  
LC MEETING

DRAFT

Marriott Costa Mesa  
500 Anton Blvd.  
Costa Mesa, CA 92626  
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CALL TO ORDER

Larry Kaplan, Chair, called the meeting of the Legislative Committee (LC) to order at 10:06 a.m. on Thursday, March 21, 2013 at the Costa Mesa Marriott. Mr. Kaplan requested that the roll be called.

Present

Larry Kaplan, Chair  
Diana Bell  
Katrina Salazar  
Sally Anderson  
Manuel Ramirez  
Michelle Brough  
Louise Kirkbride

CBA Members Observing

Michael Savoy  
Marshal Oldman  
Herschel Elkins  
Jose Campos  
Alicia Berhow

CBA Staff and Legal Counsel

Patti Bowers, Executive Officer

Deanne Pearce, Assistant Executive Officer  
Emmanuel Estacio, Information Technology Staff  
Andrew Breece, Legislation Coordinator  
Dominic Franzella, Chief, Licensing Division  
Kari O'Connor, Executive Analyst  
Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs  
Matthew Stanley, Regulations Analyst  
Paul Fisher, ICPA Supervisor  
Rafael Ixta, Chief, Enforcement Division

Other Participants

Ed Howard, Center for Public Interest Law

I. Approve Minutes of the January 24, 2013 LC Meetings

**It was moved by Mr. Ramirez, seconded by Ms. Anderson and carried to approve the minutes of the July 26, 2012 LC Meetings. Ms. Brough abstained.**

II. Update Regarding CBA Approved 2013 Legislative Proposal for Removing Specified Citation and Fine information from the CBA Website.

Mr. Breece provided an update on the legislative proposal the CBA approved at the November 2012 CBA meeting to remove citation and fine information from the CBA's website after five years, provided that the fine was \$1,500 or less.

Mr. Breece stated that at the January 2013 CBA meeting, staff provided an update regarding the status of the legislative proposal, and stated that an author was unable to be secured at that time. Members directed staff to continue its efforts to locate an author and report back to the CBA on its progress. Mr. Breece noted that following the January 2013 CBA meeting, staff spoke with several offices in regards to authoring the CBA's proposed legislation, but was unable to secure an author; however, the proposal in its current form would not impact the removal of citations until 2017, five years after 2012 when citation web posting became law. He indicated that with this in mind, staff believe it may be beneficial to seek additional time to further analyze the proposal and work with stakeholders.

He stated that staff recommend that members consider conducting further review on this proposal and direct staff to continue to work with stakeholders and report back to the CBA at a future meeting with findings and recommendations on how best to move forward.

Ms. Brough asked for examples of the citation and fines that would be removed from the CBA website.

Ms. Bowers stated that the citation and fines could range from a failure to notify the CBA of a change of address to a failure to respond to a CBA inquiry.

Ms. Brough asked if there is a possibility to secure an author in the future.

Mr. Breece stated that there may be a possibility to secure an author if staff is provided additional time to work with stakeholders to address their concerns.

Ms. Kirkbride asked for the rationale behind the proposal.

Ms. Bowers stated that there were other boards within the Department of Consumer Affairs (DCA) that had a similar provision. She stated that because staff was unable to secure an author and because of voiced opposition, staff recommends to reexamine this issue.

Mr. Ramirez stated that the CBA should allow staff time to reexamine some of the issues it identified with the proposal and bring it back to the CBA at a later meeting.

**It was moved by Mr. Ramirez, seconded by Ms. Brough and carried unanimously to provide staff additional time to continue to research, analyze, and work with stakeholders and report back to the CBA at a time when staff feels appropriate to provide findings and recommendations on how best to move forward.**

### III. Update on Newly Introduced Legislation

#### A. AB 186—Professions and Vocations: military spouses: temporary licenses

Mr. Breece stated that Assembly Bill (AB) 186 would authorize a board within the DCA to issue a provisional license, for up to 18 months, to a spouse or domestic partner of a member of the Armed Forces stationed in California. This bill is a follow-up to AB 1904, which authorized a board within the DCA to expedite the licensure process to a spouse or domestic partner of a member of the armed forces, which the CBA supported.

Mr. Breece stated that although the bill presently states that a board may provide a provisional license, staff was informed by the author's office that the author intends to amend the language to require boards to issue a provisional license by replacing "may" with "shall." According to the author's office, a provisional license is intended to allow an applicant to practice immediately upon filing an application.

He stated that the bill, in its current form, does not provide any authority for boards to deny a provisional license as it does with all other licenses.

Additionally, he noted that there is no provision in this bill authorizing a board to suspend or revoke the license if a board determines that the licensee has violated a condition to practice in California.

He stated that this bill does not require the applicant to have a current license to practice in order to obtain a provisional license and as a result, an applicant with an inactive license, who has possibly not met continuing education or other competency requirements in the jurisdiction where the license was obtained, could receive a provisional license to practice in California.

Mr. Breece additionally stated that the bill does not provide a determination on the status of the provisional license if permanent licensure is obtained before the 18 month period ends. He noted that staff is working with the author's office to determine if the practice privilege provisions that become effective July 1, 2013, would meet the author's intentions.

Mr. Breece stated that staff recommends members vote to support AB 186 if it is amended to establish certain consumer protection elements, which include:

- (1) Clarifying that boards have the authority to deny a provisional license pursuant to Business and Professions Code section 480;
- (2) Clarifying that boards have the authority to suspend or revoke a provisional license if a board determines that the licensee violates a condition to practice in California;
- (3) Requiring the individual to have a current license with the authority to practice the identified profession in the state that issued the individual's license; and
- (4) Clarifying the status of a provisional license once a permanent license is issued.

Mr. Breece stated staff was also informed by the author's office that it is considering amendments that would suffice all of staff's recommendations except for requiring an individual to have a current license with the authority to practice the identified profession in the state that issued the individual's license.

**It was moved by Mr. Ramirez, seconded by Ms. Anderson and carried unanimously to support AB 186 if it is amended to include certain consumer protection elements, which include:**

- (1) Clarifying that boards have the authority to deny a provisional license pursuant to Business and Professions Code section 480;**
- (2) Clarifying that boards have the authority to suspend or revoke a provisional license if a board determines that the licensee violates a condition to practice in California;**

**(3) Requiring the individual to have a current, active, and unrestricted license with the authority to practice the identified profession in the state that issued the individual's license; and**

**(4) Clarifying the status of a provisional license once a permanent license is issued.**

B. AB 291—California Sunset Review

Mr. Breece stated AB 291 would establish the California Sunset Review Commission (CSRC) and replace the Joint Sunset Review Committee (JSRC). He noted that this bill would require the Commission to extensively examine state entities to identify their overall necessity, cost-effectiveness, and competency, and would require the CSRC to report to the Legislature with recommended changes.

He stated that Business and Professions Code (B&P Code) section 5000 requires the CBA to undergo a review by appropriate policy committees of the State Legislature and as a result, the Joint Sunset Review Committee presently defers the CBA's sunset review to the policy committees, thus eliminating the CBA from undergoing multiple reviews from different legislative bodies.

Mr. Breece stated that the bill could inadvertently make the CBA subject to two sunset reviews, pursuant to B&P Code section 5000 and the proposed amendments in the bill. Although the JSRC currently defers the CBA's sunset review to the policy committees, the proposed commission may not extend that deferral, and the CBA would undergo sunset reviews by multiple entities.

He stated that staff recommend the CBA watch this bill and continue to work with the DCA to determine the impact on the CBA as well as other DCA entities.

The LC discussed whether a "watch" position would be sufficient.

Ms. Kirkbride stated that the CBA should oppose this bill and write a letter to the author's office to explain the CBA's objections.

**It was moved by Ms. Kirkbride, seconded by Mr. Ramirez and voted unanimously to oppose AB 291 and write a letter to the author's office to clarify that while the CBA supports efficiency and transparency, this bill may add a second review process, which is unnecessary.**

### C. Urgency Omnibus Bill

Mr. Breece reported that the CBA approved legislative proposals for the extension of the pathways to licensure, eligibility to take the CPA Exam for candidates enrolled in a five-year master's degree program, and the citation authority over practice privilege holders were submitted to the Senate Business, Professions, and Economic Committee, and was introduced and in-print on March 21, 2013 as SB 823. He noted that staff will analyze SB 823 and provide an analysis at the May CBA meeting.

- IV. Report on 2013 Legislation Being Monitored by CBA: AB 12, AB 186, AB 258, AB 291, AB 292, AB 376, AB 393, AB 555, AB 653, AB 771, AB 772, AB 827, AB 866, AB 887, AB 894, AB 1013, AB 1017, AB 1057, AB 1114, AB 1219, SB 176, SB 207, SB 417, SB 532, SB 690, and SB 742.

Mr. Breece reported that, in addition to AB 186, AB 291, and SB 823, staff is monitoring additional legislation. He noted that staff did not request the CBA to take a position on the additional bills being monitored because they either do not contain substantive amendments or staff is working with the DCA to determine the impact on the CBA and other DCA entities.

- V. Additional Legislation Impacting the CBA Identified by staff after the Posting of the Meeting Notice.

Mr. Breece reported that no additional legislation was identified.

- VI. Public Comments

No public comments were received.

- VII. Agenda Items for next meeting

No agenda items were identified.

There being no further business, the meeting was adjourned at 10:19 a.m.



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**EPOC Item I**

May 23, 2013

**CBA Item XI.C.**

May 23- 24, 2013

**DEPARTMENT OF CONSUMER AFFAIRS**  
 CALIFORNIA BOARD OF ACCOUNTANCY (CBA)  
 ENFORCEMENT PROGRAM OVERSIGHT COMMITTEE (EPOC)

**MINUTES OF THE  
 MARCH 21, 2013  
 EPOC MEETING**

Marriott, Costa Mesa  
 500 Anton Blvd.  
 Costa Mesa, CA 92101

CALL TO ORDER

DRAFT

Alicia Berhow, Committee Chair, called the meeting of the California Board of Accountancy's (CBA) Enforcement Program Oversight Committee (EPOC) to order at 9:30 a.m. Ms. Berhow requested that the role be called.

Present

Alicia Berhow, Chair  
 Diana Bell  
 Herschel Elkins  
 Katrina Salazar  
 Michael Savoy  
 K.T. Leung (9:45 am)

CBA Members Observing

Louise Kirkbride  
 Jose Campos  
 Sally Anderson  
 Michelle Brough

CBA Staff and Legal Counsel in Attendance

Patti Bowers, Executive Officer  
 Deanne Pearce, Assistant Executive Officer  
 Rafael Ixta, Chief, Enforcement Division  
 Dominic Franzella, Chief, Licensing Division  
 Paul Fisher, Supervising Investigative CPA

Andrew Breece, Legislation Coordinator  
Emmanuel Estacio, Information Technology Staff  
Kari O'Connor, Executive Analyst  
Matthew Stanley, Regulation Analyst  
Kristy Shellans, Senior Staff Counsel, DCA Legal Affairs  
Carl Sonne, Deputy Attorney General

Members of the Public

Hal Schultz, California Society of Certified Public Accountants (CalCPA)  
Jason Fox, CalCPA  
Jon Ross, KP Public Affairs  
Joe Petito, KP Public Affairs  
Kevin Berggren, Center for Public Interest Law (CPIL)  
Ed Howard, CPIL  
Cheryl Gerhardt, Chair, EAC

- I. Approve Minutes of the January 24, 2013 EPOC Meeting.

**It was moved by Mr. Elkins, seconded by Mr. Savoy, and carried by those present to approve the minutes of the January 24, 2013 EPOC meeting.**

- II. Further Discussion and Possible Action Regarding Adding a Model Petition for Reinstatement of CPA's Certificate Decision Checklist to the CBA Disciplinary Guidelines.

Mr. Ixta opened discussion by stating this was a follow up from the January 24, 2013 meeting where the EPOC approved the concept to add a Decision Checklist (**Attachment 1**) to the next edition of the Manual of Disciplinary Guidelines and Model Disciplinary Orders (Guidelines).

Mr. Ixta further stated that during the January 2013 meeting staff was directed to add a fourth option; grant petition and place license on probation after petitioner completes condition(s) precedent, to specify conditions that must be met prior to reinstatement of a license.

Mr. Ixta provided an overview of the revised Decision Checklist and mentioned that a paragraph has been added at the beginning of the checklist to advise that modifications can be made to the checklist based on facts specific to each case.

The proposed Model Reinstatement Order Language includes:

- 1) Grant petition without restrictions on the license;
- 2) Grant petition and place license on probation;
- 3) Grant petition and place license on probation after petitioner completes condition(s) precedent to reinstatement of the license has been added. Staff provided a list of possible conditions precedent, (restitution, cost reimbursement, completion of CE, completion of rehabilitation program, take and pass CPA/Enrolled Agents exam, etc).
- 4) Deny petition with option to file a new petition after one to three years have elapsed from the effective date of decision.

The EPOC members and Ms. Shellans discussed the current language in Option 2, and Ms. Shellans recommend adding the word, “however” after the phrase, “Petitioner’s certificate shall be fully restored, however” in order to improve the clarity of the statement.

**It was moved by Mr. Savoy, seconded by Ms. Bell and unanimously carried to approve the Decision Checklist provided by staff with the addition of the word “however” after the phrase, “Petitioner’s certificate shall be fully restored, however” in Option 2.**

III. Discussion and Possible Action to Approve the Conceptual Revisions to the Manual of Disciplinary Guidelines and Model Disciplinary Orders.

The purpose of this agenda item is to present the timeline for updating the 7<sup>th</sup> Edition of the CBA Guidelines to the EPOC members and to discuss conceptual revisions to the Guidelines.

Mr. Ixta opened discussion by stating that every three years the Guidelines are updated with current information and new legislation (**Attachment 2**). The last update was adopted by the CBA on September 23, 2010

Mr. Ixta provided a revised schedule for updating and discussing the next edition of the Disciplinary Guidelines. The purpose for the schedule is to allow the EPOC to consider proposed changes in smaller parts which will allow for better discussion, consideration, and updating. The revised schedule is outlined in three parts: 1) Staff will present the proposed conceptual changes from the March 21, 2013 meeting at the May 21, 2013 EPOC meeting; 2) Staff will present new additions to the Disciplinary Guidelines, including law and regulation changes and additions since 2010, at the September 2013 EPOC meeting and; 3) A final draft of the Disciplinary Guidelines will be presented to the EPOC at the November 2013 meeting.

**It was moved by Ms. Bell, seconded by Mr. Savoy and unanimously carried to approve the timeline, with the flexibility for change as needed by the CBA staff.**

Mr. Ixta presented five conceptual changes for EPOC consideration:

Item 1: In order to assist the Administrative Law Judge (ALJ) with drafting a decision, staff recommended adding model orders for applicants after a Statement of Issues has been filed and for licensees where a Petition to Revoke Probation has been filed.

**It was moved by Mr. Elkins, seconded by Mr. Savoy and unanimously carried to approve the language in Item 1 - Model Orders.**

Item 2: In order to differentiate restitution from administrative penalties or damages, staff recommended adding another bullet to Section II – General Conditions, which will expand on the concept of restitution.

**It was moved by Mr. Elkins, seconded by Ms. Bell and unanimously carried to approve the recommendation in Item 2 - Restitution.**

Item 3: DCA Legal previously mentioned that listing “Correction of Violation” as a minimum penalty is not correct, as it is not a penalty. Staff recommended changing the minimum penalty for most of the violations to more closely fit the code section violated.

**It was moved by Mr. Elkins, seconded by Mr. Leung and unanimously carried to approve the recommendation in Item 3 - Minimum Penalties.**

Item 4: The optional condition of probation requiring continuing education (CE) is currently written so that CE taken may be counted toward license renewal. Staff recommended changing the probation term to require that all CE taken be in addition to those hours required for license renewal and not as part of the hours required for license renewal.

**It was moved by Ms. Salazar, seconded by Mrs. Bell and unanimously carried to approve the recommendation in Item 4 - Continuing Education Courses.**

Item 5: Staff recommended adding a new optional condition of probation requiring probation monitoring costs. In the past, the CBA has entered into stipulated settlements on a few occasions that required the probationer to pay monitoring costs. However, this probationary condition is not in the guidelines and not available for consideration by an ALJ. Staff recommended developing probation monitoring costs as an optional term of probation.

**It was moved by Mr. Elkins, seconded by Ms. Salazar and unanimously carried to approve the recommendation in Item 5 - Probation Monitoring Costs.**

In closing, Mr. Ixta stated that staff listed five optional Conceptual Changes to add to the Guidelines and that other changes may be identified. Mr. Ixta further stated he would like the authority to make additional changes and bring back a revised version for the EPOC and CBA's review at future meetings.

IV. Public Comments.

No public comments were received.

V. Agenda Items.

There were no recommendations for agenda items for the next EPOC meeting.

Adjournment.

There being no further business to conduct, the EPOC meeting adjourned at approximately 10:00 a.m.



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**CBA Item XI.D.**

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

**MINUTES OF THE  
JANUARY 23, 2013  
QUALIFICATIONS COMMITTEE (QC) MEETING**

LA Marriott Burbank Airport  
2500 N. Hollywood Way  
Burbank, CA 91505

The regularly scheduled meeting of the QC was called to order at approximately 12:34 p.m. on January 23, 2013 by QC Chair, Maurice Eckley, Jr.

QC Members Present

Maurice Eckley, Jr., Chair  
Jenny Bolsky  
Brian Cates  
Michael Haas  
Chuck Hester  
Alan Lee  
Kristina Mapes  
Robert Ruehl  
Jeremy Smith

Staff Present

Veronica Daniel, Licensing Manger  
Stephanie Hoffman, Licensing Coordinator  
Kathryn Kay, Licensing Coordinator

QC Members Absent

Carlos Aguila  
Gary Bong  
Lewis Fisher  
Fausto Hinojosa  
Casandra Moore Hudnall  
James Woyce

I. Chairperson's Report.

A. Approval of the October 24, 2012, QC Meeting Minutes.

**It was moved by Ms. Bolsky, seconded by Mr. Lee and unanimously carried by those present to adopt the minutes of the October 24, 2012 QC Meeting.**

B. Report on the November 15-16, 2012 CBA Meeting

Mr. Eckley thanked Mr. Hinojosa for his service as Chair of the QC over the past two years.

Mr. Eckley reported that the CBA reappointed the following members to its QC at the November 2012 meeting: Ms. Mapes, Mr. Ruehl, Mr. Smith, and Mr. Lee.

Mr. Eckley informed members regarding the CBA's initiative of seeking a temporary reduction of all licensing-related fees. Mr. Eckley also provided information regarding two CBA legislative proposals related to the transition to the new educational requirements set to take effect January 1, 2014.

II. Report on Activities in the Initial Licensing Unit.

Ms. Daniel provided an overview of this item. She informed members that processing timeframes for the Initial Licensing Unit are at a 25-day average. Ms. Daniel also noted that the Licensing Unit has filled the Licensing Coordinator position and is recruiting for a Staff Services Analyst position.

III. Public Comment.

None.

IV. Agenda Items for Future CPA QC Meetings.

Mr. Hester stated licensees came to him looking for peer reviewers. Mr. Hester also stated he received feedback from two state audit groups that some of the questions on the Certificate of Attest Experience are unclear.

Mr. Eckley stated that AICPA was a good resource for locating peer reviewers.

Mr. Hester asked if the address of record on file with the CBA is confidential.

Ms. Daniel informed him the address of record is not confidential information and the CBA is required by the Public Records Act to make this information available to consumers. She also clarified that the address of record does not have to be a residential address; it can be a P.O. Box or a business address.

Mr. Haas requested an agenda item regarding the policy for evaluating review hours.

- V. 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].

C09-006 - Applicant appeared and presented work papers from his private industry accounting experience. He is currently licensed with general experience.

The work papers did not support the experience requirement in that most elements were missing (i.e., fraud brainstorming, analytical reviews, financial statement preparation, etc.). 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 obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. 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 QC's review.

C12-012 – Applicant appeared and presented work papers from his public accounting experience. He 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.

C12-026 - Applicant and her employer appeared and presented work papers from her public accounting experience. She has 55.25 months of experience, with a 24-month experience requirement.

The employer's understanding of the Certificate of Attest Experience was inadequate. The work papers presented were primarily review and did not demonstrate experience in planning of an audit.

Recommendation: Defer. In order to satisfy the experience requirement for authorization to sign attest reports, the applicant must obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. 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 she will be required to reappear with work papers for the QC's review.

The firm is placed on reappearance status.

C13-003 - Applicant appeared and presented work papers from her private industry accounting experience. She 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.

Recommendation: Approve.

C13-004 – Applicant and his employer appeared and presented work papers from his public accounting experience. He has 70 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.

C13-005 – Applicant appeared and presented work papers for her public accounting experience. She is currently licensed with general experience.

The work papers did not support the experience requirement in that most elements were missing (i.e., fraud brainstorming, analytical reviews, financial statement preparation, etc.). 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 obtain additional experience in planning and conducting a financial statement audit resulting in an opinion on full disclosure financial statements. 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 she will be required to reappear with work papers for the QC's review.

C13-005 – Applicant and his employer appeared and presented work papers for his public accounting experience. He is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C13-007 – Applicant and his employer appeared and presented work papers for his public accounting experience. He is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The work was adequate to support licensure.

Recommendation: Approve.

C13-008 – Applicant and his employer appeared and presented work papers from his public accounting experience. Applicant was disputing the Certificate of Attest Experience. He is currently licensed with general experience.

The employer's understanding of the Certificate of Attest Experience was adequate. The work performed by the applicant was reviewed and no deficiencies were noted. The Certificate of Attest Experience was not affirmatively completed in its entirety. The work papers provided reflected support to counter the employer's opinion. The employer did attest that the applicant had an understanding of all the areas of the Certificate of Attest Experience that would qualify the applicant for licensure.

Recommendation: Approve.

C13-009 – Applicant appeared and presented work papers for her public accounting experience. She is currently licensed with general experience.

The work papers did not support the experience requirement in preparation of full disclosure financial statements. 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 obtain additional experience in the preparation and full disclosure of financial statements. 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 she will be required to reappear with work papers for the QC's review.

The following Section 69 review took place on January 9, 2013, and is made a part of these minutes.

C12-016 - Applicant and her employer appeared and presented work papers for her 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.

The firm is placed on reappearance status.

Adjournment.

There being no further business to be conducted, the meeting was adjourned at approximately 4:15 P.M. on January 23, 2013. The next meeting of the CPA Qualifications Committee will be held on April 24, 2013.

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Maurice Eckley, Jr., Chair

Prepared by Kathryn Kay, Licensing Coordinator



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**ENFORCEMENT ADVISORY COMMITTEE  
 MINUTES OF MEETING**

**CBA Item XI.E.**  
 May 23-24, 2013

January 31, 2013

Westin LAX Hotel  
 5400 West Century Blvd.  
 Los Angeles, CA 90045

**FINAL**

**I. ROLL CALL AND 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 9:03 a.m. on January 31, 2013.

Enforcement Advisory Committee

Cheryl Gerhardt, Chair	9:03 a.m. – 5:00 p.m.
Mary Rose Caras, Vice Chair	9:03 a.m. – 5:00 p.m.
Joseph Buniva, Committee Member	9:03 a.m. – 5:00 p.m.
Gary Caine, Committee Member	9:03 a.m. – 5:00 p.m.
Nancy Corrigan, Committee Member	9:03 a.m. – 5:00 p.m.
Jeffrey De Lyser, Committee Member	9:03 a.m. – 5:00 p.m.
Robert A. Lee, Committee Member	9:03 a.m. – 5:00 p.m.
Mervyn McCulloch, Committee Member	9:03 a.m. – 5:00 p.m.
James Rider, Committee Member	9:03 a.m. – 5:00 p.m.
Joseph Rosenbaum, Committee Member	9:03 a.m. – 5:00 p.m.
Seid Sadat, Committee Member	9:03 a.m. – 5:00 p.m.
Michael Schwarz, Committee Member	9:03 a.m. – 5:00 p.m.

Staff and Legal Counsel

Rafael Ixta, Enforcement Chief  
 Paul Fisher, Supervising Investigative CPA  
 Allison Nightingale, Enforcement Secretary  
 Vincent Johnston, Enforcement Analyst  
 Kay Lewis, Investigative CPA  
 Dorothy Osgood, Investigative CPA  
 DeAnn MacConell, Investigative CPA  
 David Jones, Investigative CPA  
 Gogi Overhoff, Investigative CPA  
 Carl Sonne, Deputy Attorney General, Department of Justice

Other Participants

Carl Cassidy

## 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 (B&P) Section 5020.

EAC members convened into closed session at 9:07 a.m. and reconvened into open session at 10:30 a.m.

## III. REPORT OF THE COMMITTEE CHAIR

### A. Approval of the December 13, 2012 EAC Meeting Minutes

**Following review, it was moved by Mr. Schwarz, seconded by Mr. Rosenbaum, and unanimously carried to approve the minutes of the December 13, 2012 EAC meeting.**

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

### B. Report of the January 24-25, 2013 CBA Meeting

Ms. Gerhardt attended the January 24-25, 2013 CBA meeting. She reported that EAC member Jim Rider was re-appointed to serve his 4<sup>th</sup> term on the EAC.

Ms. Gerhardt also reported that the CBA took action to reduce all licensing fees. She stated that the reduction in fees will take place effective July 1, 2014 to June 30, 2016.

## IV. REPORT OF THE ENFORCEMENT CHIEF

### A. Enforcement Division Report

Mr. Ixta reported that the median and average age of all open complaints remains lower than the two previous fiscal years. He also reported that the number of investigations open more than 24 months has decreased from 13 in the previous report to six. The report was provided in the EAC packets.

## V. OTHER BUSINESS

### A. Report of the January 24, 2013 Committee on Professional Conduct Meeting

Mr. Ixta reported that the CPC members discussed Senate Bill (SB) 1405, which was signed into law in September 2012. SB 1405 created the new practice privilege program, which is set to go into effect on July 1, 2013. The CBA must adopt emergency regulations in order for the program to be implemented on July 1, 2013.

Mr. Ixta also reported on discussion about a potential legislative change to include pending criminal charges as a cessation notification event for the practice privilege requirements. Effective July 1, 2013, an out-of-state licensee who wishes to

practice in California must provide the CBA a pre-notification of any criminal conviction or pending criminal charge in any jurisdiction other than a minor traffic violation that occurred within the last seven years. The licensee would be prohibited from practicing in California until he or she receives written permission from the CBA. However, if the out-of-state license is already practicing in California, then notification of pending criminal charges is presently not required.

#### B. Report of the January 24, 2013 Legislative Committee Meeting

Mr. Ixta reported on proposed statutory language to authorize the CBA to issue citations to practice privilege holders. Beginning July 1, 2013, SB 1405 authorizes the CBA to issue fines to practice privilege holders; however, the CBA is not authorized to issue citations. Staff recommended the CBA to approve the proposed statutory amendments.

Mr. Ixta provided an update on proposed legislation on the following topics:

- Allowing students enrolled in a five-year master's degree program to, in limited circumstances, qualify for the CPA exam prior to conferral of a Baccalaureate Degree, and;
- Extending the ability for candidates to qualify for licensure under the present pathways until December 31, 2015 who have completed all four sections of the CPA exam on or before December 31, 2012.

Both legislative proposals were approved.

Mr. Ixta also reported that the CBA approved a legislative proposal at the November CBA meeting for removing citation and fine information from the CBA website after five years provided the fine was \$1,500 or less. He stated the CBA staff is presently seeking an author to carry the legislation.

#### C. Report of the January 24, 2013 Enforcement Program Oversight Committee Meeting

Mr. Ixta reported that EPOC discussed adding a model petition for reinstatement decision checklist to the CBA Disciplinary Guidelines. The decision checklist includes model reinstatement order language, standard conditions of probation, and optional conditions of probation. Since it is a checklist, it only includes a topical listing of the probationary conditions. The complete probationary conditions are included in the Disciplinary Guidelines. EPOC approved the concept but directed staff to add a fourth option to the checklist. Staff will present the revised checklist at the March EPOC meeting.

Mr. Ixta also reported that EPOC discussed adding new optional conditions of probation to be used in lieu of monetary administrative penalties. CBA members discussed whether licensees can be required to fund scholarships, donate funds, or provide free continuing education to licensees in a stipulated settlement in lieu of imposing administrative penalties. The EPOC decided not to bring any recommendations to the CBA.

VI. PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

There were no public comments offered during the meeting.

VII. CONDUCT CLOSED HEARINGS

[Closed session as authorized by Government Code Sections 11126(c)(2) and (f)(3) and B&P 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 May 2, 2013 at the Sheraton Gateway LAX in Los Angeles.

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.

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Cheryl Gerhardt, CPA, Chair  
Enforcement Advisory Committee

Prepared by: Allison Nightingale, Enforcement Secretary



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**CBA Item XII.B.2.**  
May 23-24, 2013

### **Nominations for NASBA Board of Directors**

**Presented by:** Kari O'Connor, Board Relations Analyst  
**Date:** May 2, 2013

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#### **Purpose of the Item**

The purpose of this agenda item is to inform California Board of Accountancy (CBA) members that the National Association of State Boards of Accountancy (NASBA) Nominating Committee is requesting recommendations from all state boards for Nominating Committee Members, Directors-at-Large and Regional Directors for 2013-2014.

#### **Action(s) Needed**

If the CBA would like to recommend a candidate for the position of NASBA Nominating Committee Member, Director-at-Large, or Regional Director, staff may be directed to prepare a letter indicating such and delegate the final language approval to the CBA President prior to the letter being forwarded to NASBA.

#### **Background**

Annually, the NASBA Nominating Committee requests recommendations from all state boards for Nominating Committee Members, Directors-at-Large and Regional Directors.

#### **Comments**

NASBA's memorandum regarding nominations for Nominating Committee Members, Directors-at-Large and Regional Directors is provided as **Attachment 1**. Janice Gray, CPA has requested that the CBA endorse her nomination as a candidate for the Director-at-Large position. A copy of Ms. Gray's curriculum vitae is provided as **Attachment 2**.

#### **Fiscal/Economic Impact Considerations**

This item does not have a fiscal/economic impact.

#### **Recommendation**

Staff has no recommendation regarding this item.

#### **Attachments**

1. NASBA Memorandum
2. Janice Gray's Curriculum Vitae



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**CBA Item XIII.C.**  
May 23-24, 2013

### **Press Release Focus**

**Presented by:** Deanne Pearce, Assistant Executive Officer

**Date:** May 6, 2013

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#### **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 California Board of Accountancy (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 15 press releases since the March 2013 CBA meeting; two post-meeting releases, the first focused on legislative proposals meant to ease the transition to the new education requirements in 2014, and the second encouraging consumers to ask their CPAs about peer review. A third release was issued April 24 regarding the Interim Suspension Order (ISO) against a Roseville, CA licensee, and there were 12 additional enforcement action releases. A press advisory notifying the media of the May meeting is scheduled to be sent out May 20, 2013.

#### **Comments**

None.

#### **Fiscal/Economic Impact Considerations**

None.

#### **Recommendation**

Staff recommendation will be made at the time of this presentation.

#### **Attachments**

1. Legislative Proposals Press Release
2. Consumers Encouraged to Ask Their CPA About Peer Review Press Release
3. Harmon ISO Press Release
4. Enforcement Action Press Releases



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## Attachment 1

# NEWS RELEASE

FOR IMMEDIATE  
RELEASE

Contact: Lauren Hersh  
(916) 561-1789

## **CALIFORNIA BOARD OF ACCOUNTANCY PURSUES LEGISLATIVE PROPOSALS AIMED AT EASING TRANSITION TO NEW EDUCATION REQUIREMENTS**

(Sacramento, CA) – The CBA is moving forward with two legislative proposals meant to ease the transition to the new educational requirements to obtain a California Certified Public Accountant (CPA) license taking effect next year.

“With the new CPA licensure requirements soon approaching, we understand that it may be challenging for some applicants to meet the current requirements by December 31, 2013,” said Leslie J. LaManna CPA, President of the CBA. “The legislative proposals are intended to ease the transition for those applicants.”

The first proposal would allow individuals who have passed the Uniform CPA Exam by December 31, 2013, to apply for CPA licensure under the existing pathways. If this legislation is successful, this option will be allowed for a two-year period until December 31, 2015.

The second proposal seeks to allow students enrolled in five-year programs resulting in the dual conferral of baccalaureate and master’s degrees at the end of the program to take the Uniform CPA Exam once they have completed all the baccalaureate degree requirements. Both proposals are included in Senate Bill 823.

Recently passed legislation and regulatory changes will significantly transform the educational requirements for obtaining a California CPA license. Beginning January 1, 2014, applicants for CPA licensure must document completion of a baccalaureate degree or higher with a minimum of 150 semester units, including 24 semester units each in accounting and business-related subjects, 20 units of accounting study, and 10 units of ethics education. The core educational requirements to take the Uniform CPA Exam remain unchanged.

The CBA maintains a wealth of information regarding all aspects of the upcoming changes to the licensure requirements on its website at [www.cba.ca.gov](http://www.cba.ca.gov), including tip sheets, frequently asked questions, a PowerPoint presentation, webinar, and a self-assessment worksheet.

###

*Created by statute in 1901, the CBA's mandate ensures protection of the public shall be the highest priority for the California Board of Accountancy in exercising its licensing, regulatory, and disciplinary functions. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.*



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## Attachment 2

# NEWS RELEASE

FOR IMMEDIATE  
RELEASE

Contact: Lauren Hersh  
(916) 561-1789

## **CALIFORNIA BOARD OF ACCOUNTANCY ENCOURAGES CONSUMERS TO ASK THEIR CPA ABOUT PEER REVIEW**

(Sacramento, CA) – The California Board of Accountancy is encouraging consumers to ask about peer review when hiring a CPA or using the services of one. Peer review is a systematic review of a firm's accounting and auditing services performed by an independent peer reviewer, to ensure work performed conforms to professional standards.

"Peer review is an important tool for both consumers and CPA firms," said CBA President Leslie J. LaManna CPA. "Through peer review, consumers can be reassured that the CPA they retain is conforming to professional standards and CPA firms can stay knowledgeable."

Mandatory peer review became effective on January 1, 2010, requiring all California licensed firms providing accounting and auditing services, including sole proprietorships, to undergo a peer review once every three years as a condition of license renewal. The program is in the third stage of being phased in, with those holding license numbers 67-00 required to report their peer review by July 1, 2013.

CPAs providing only tax services may not be subject to peer review.

###

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### Attachment 3

## NEWS RELEASE

FOR IMMEDIATE  
RELEASE

Contact: Lauren Hersh  
(916) 561-1789

### **CBA SUSPENDS LICENSE OF ROSEVILLE ACCOUNTANT CHARGED WITH TAX FRAUD**

*Interim suspension order protects California consumers  
while permanent action is pursued*

SACRAMENTO- The California Board of Accountancy (CBA) announced it has suspended the Certified Public Accountant license of Larry Wayne Harmon, a Roseville accountant accused of falsifying documents related to defaulted vehicle loans to get more than six million dollars in tax refunds from the California Board of Equalization.

CBA Executive Officer Patti Bowers says the CBA sought the interim suspension order to protect the public until more permanent measures are completed. "Mr. Harmon is out on bail. This interim suspension order will prevent him from further abusing his CPA license until an administrative hearing before the CBA can be held," said Bowers.

Harmon admitted to California Board of Equalization investigators that he filed on behalf of his company, Larry Harmon & Associates, fraudulent claims for tax refunds in excess of six (6) million dollars with the Board of Equalization. Harmon was arrested January 9, 2013, booked into the Sacramento County jail and charged with tax fraud. He was subsequently released on bail.

A resident of Granite Bay, Harmon operated his accounting firm in Roseville.

The CBA encourages consumers who have a complaint against any accountant licensed in California to file a complaint directly on the CBA Web site, [www.cba.ca.gov](http://www.cba.ca.gov).

*Created by statute in 1901, the CBA's mandate is to protect consumers by ensuring only qualified licensees practice public accountancy in accordance with established professional standards. The CBA currently regulates more than 85,000 licensees, the largest group of licensed accounting professionals in the nation, including individuals, partnerships, and corporations.*

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